

# Winter Hill Urban Center Housing – Tax Increment Financing

02.21.23



# Outline

- A. Project Background
- B. A Little About UCH-TIF
- c. Documents Being Discussed Tonight

## A. Project Background

## A.1. Project Background: Project Site



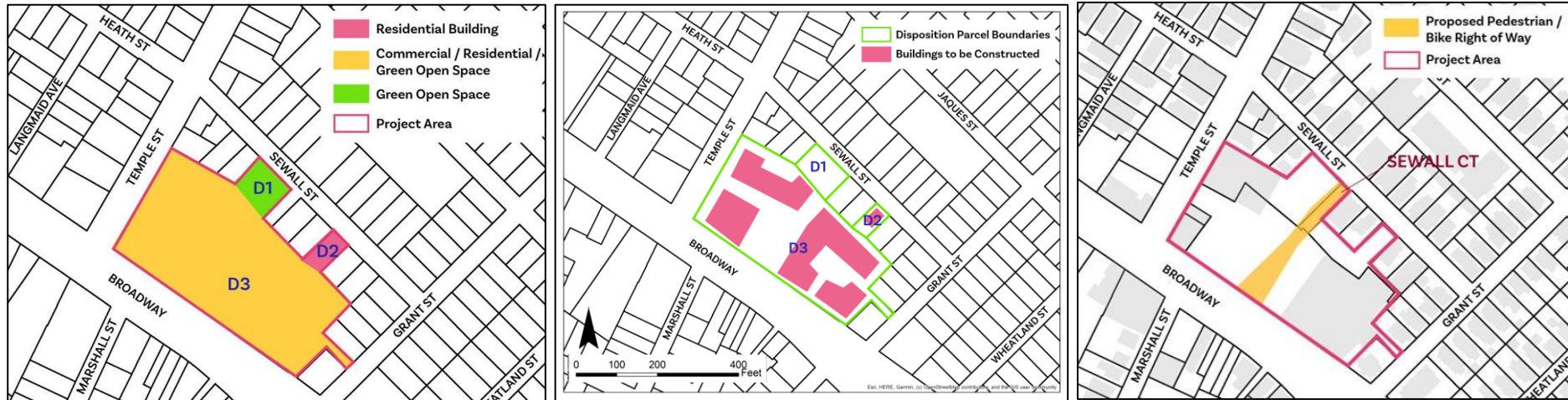
Vacant Since 2007

## A.2. Project Background: Winter Hill Neighborhood Plan (2016)



299 Broadway a/k/a Temple Square has been imagined as a redevelopment site with 200+ units of housing, at least 20% of those affordable, and additional green space since the 2016 Winter Hill Neighborhood Plan

## A.3. Project Background: Winter Hill Urban Renewal Plan (2020)



2020 Concept Plan for redevelopment of “Temple Square”  
from the Winter Hill Urban Renewal Plan carried the same concepts forward with small changes

## A.4. Project Background: Developing Partnerships



### Spring 2021

- Winter Hill Urban Renewal Plan is approved by City Council
- Property owner for the Star Market grants development option to Mark Development

### 2021: Moved ahead with fulfilling Community Involvement goals

- 2 preliminary community meetings with Mark Development
- 3 permitting neighborhood meetings with Mark Development
- Setting up a Civic Advisory Committee for ongoing local feedback



## A.5. Project Background: Developing Partnerships Continued



Mid-stage environmental study of the site revealed asbestos contamination that prevents underground parking

### Financeable options ...

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#### Option 1

Build above ground parking garage

#### Option 2

Build a highrise

#### Option 3

Build more affordable housing



**Spring 2022** - Mark Development brings in Beacon Communities, a specialist in affordable housing development as a project partner



## A.6. Project Background: Current Site Plan



**2022 Site Plan  
submitted to the ZBA  
maintains key site  
layout goals**

- ❖ 288 Units
- ❖ 132 Affordable Units
  - 17 units @ 80% AMI
  - 99 units @ 60% AMI
  - 16 units @ 30% AMI
- ❖ Community green space
- ❖ Pedestrian right-of-way through center

## A.7. Project Background: Evolution of Project Proposals

### Original Mark Development Proposal



\$22.8M Acquisition



~ 300 Units



~ 20% Affordable



0.5 spaces/unit

**\$18M Deficit**



### Revised Mark/Beacon Proposal



\$22.8M Acquisition



~ 300 Units



~ 40% Affordable



0.0 spaces/unit

**No Deficit**



### Current Submitted Proposal



\$22.8M Acquisition



~ 300 Units



~ 50% Affordable



0.0 spaces/unit

**\$13M - \$20M Deficit**

## A.8. Project Background: Current Financial Gap

### Estimated Cost Escalation



Rising Construction Costs &  
Increased Interest Rates:

**\$9M - \$16M**



Costs Associated with  
Increased Affordability:

**\$4M**

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Total Estimated Deficit:

**\$13M - \$ 20M**

BUSINESS

### Skyrocketing Construction Costs Threatening Full Recovery

FB

Chip Merlin Forbes Books Author  
Forbes Books AUTHOR POST | Paid Program

Apr 19, 2022, 12:10pm EDT



GETTY

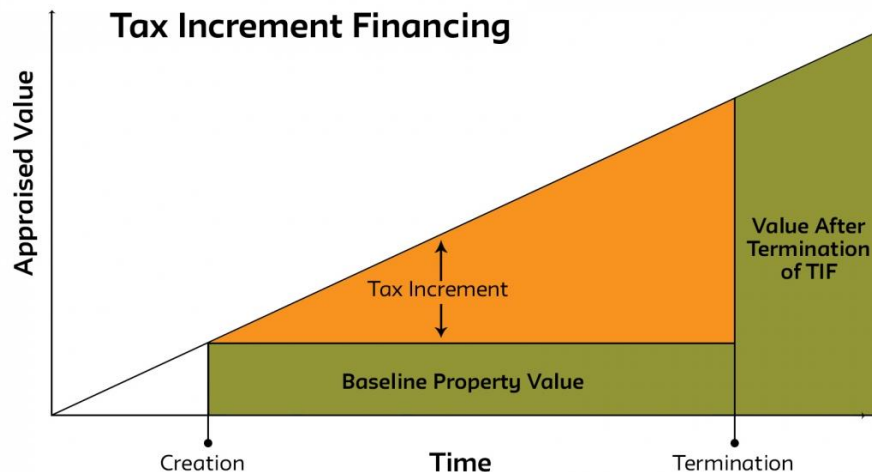
B. A little about  
Urban Center Housing – Tax Increment Financing  
(UCH-TIF)

## B. About UCH-TIF

A statutory program operated by the Department of Housing & Community Development (DHCD) that authorizes cities and towns to promote housing and commercial development through real estate tax exemptions on all or part of the increased value of improved real estate for up to 20 years.

### UCH-TIF Requires:

- The area of benefits to be a primarily commercial district
- New development to be primarily residential
- New units to satisfy certain affordability thresholds
  - 15% at or below 80% AMI; or
  - 25% at or below 110% AMI; or
  - Meet existing inclusionary zoning requirements



## B. About UCH-TIF

- A financing tool to help close the gap in affordable projects struggling to get underway due to rising interest rates and escalated construction costs
- An opportunity to redevelop the decadent Temple Square site; and
  - Meet the goals of the Winter Hill Neighborhood Plan and Urban Renewal Plan
  - Restore Winter Hill as a main street destination
  - Create significant affordable housing opportunities and new jobs
  - Increase future tax revenue



## C. Documents Being Discussed Tonight

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1. Draft UCH-TIF Zone and Plan
2. The draft negotiated Agreement to be signed between the City of Somerville and 299 Broadway Property Owner LLC
3. Memo from Abramson & Associates





# C. Documents Being Discussed Tonight

## Appendix A: Draft Zone and Plan

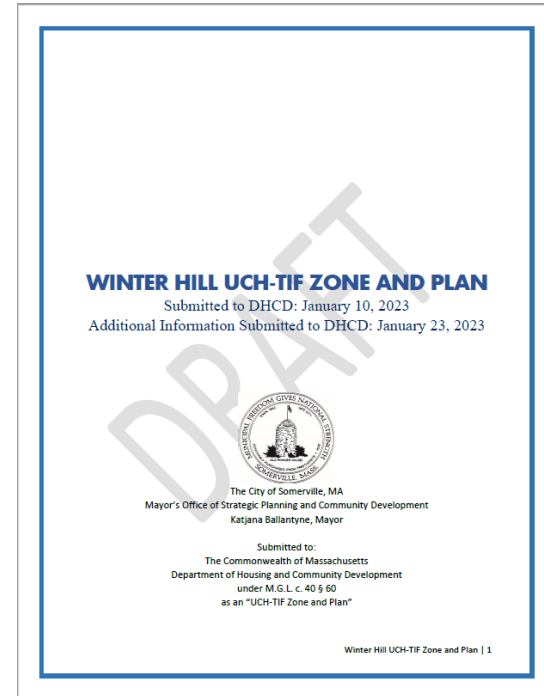
- First 30 pages are the draft zone and plan
- Following 300+ pages are appendices

### Key Elements:

**Zone** – which properties can receive tax increment financing

**Plan** – explains the goals for applying this financing tool to this area

**Form of Agreement** – a template agreement that could be used to start discussion on any property in the zone



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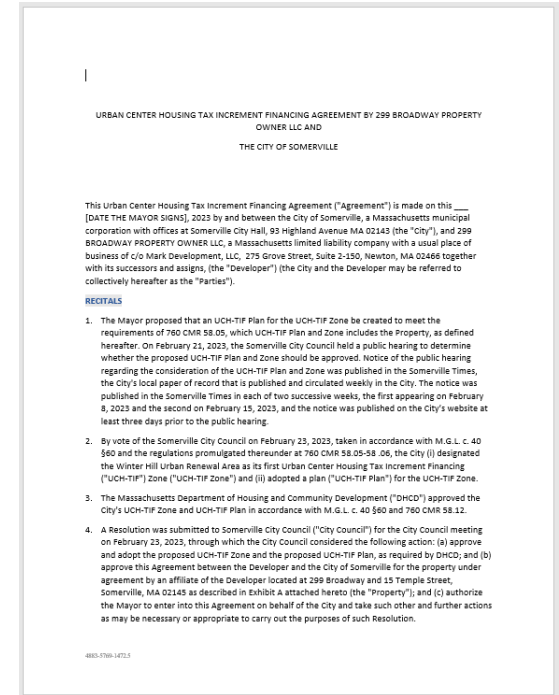
# C. Documents Being Discussed Tonight

## Appendix B: Draft Negotiated Agreement

### Agreement between City of Somerville and 299 Broadway Property Owner LLC

#### Parties Involved:

- **299 Broadway Property Owner LLC**
  - Mark Development
  - Beacon Communities w/ minority stake partner Rise Together
- **City of Somerville**
- **Department of Housing and Community Development**

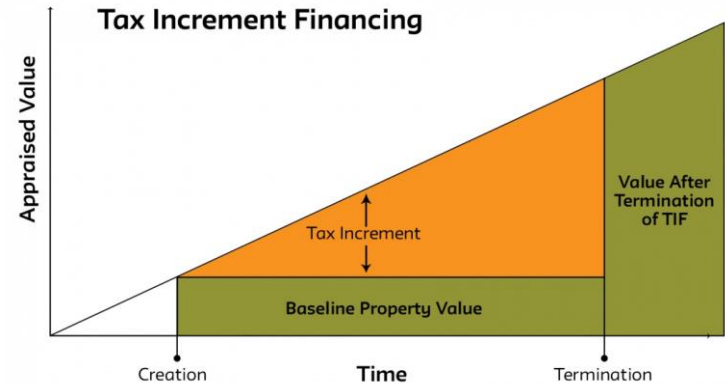


# C. Documents Being Discussed Tonight

## Appendix B: Draft Negotiated Agreement

### Terms of the Tax Exemption (Section 6)

- 100% exemption on the increment for 20 years
- Construction cannot commence for either building until Low Income Housing Tax Credit funds are secured
- Starting point for the 20 years is when the first building reaches 92% occupancy, and the second building has a vertical building permit
- Requirement to review these terms again before the first building receives a building permit



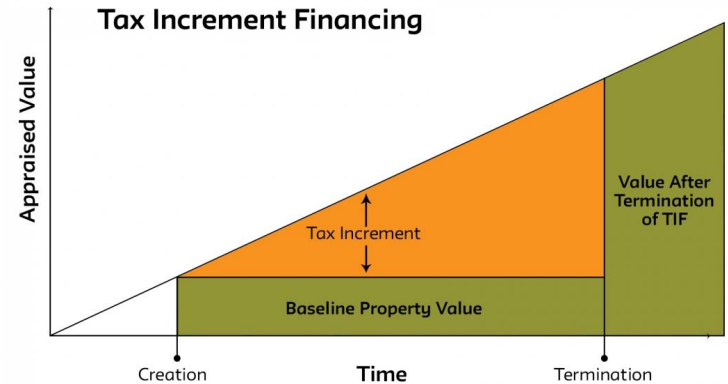
## C. Documents Being Discussed Tonight

### Appendix B: Draft Negotiated Agreement

Revisiting the exemption percentage and period  
(Section 6.4)

- Prior to the first building receiving a vertical building permit, the UCH-TIF must be reviewed again with the City Council
  - Confirm that 100% for 20 years is still appropriate **OR** revise the terms

City will retain consultants once again to review the development team's numbers and look for reasonableness & work with the City Council on priorities if terms are revised



# C. Documents Being Discussed Tonight

## Appendix C: Memo from Abramson & Associates

Abramson & Associates, at the direction of OSPCD, has evaluated the preliminary pro forma information provided by Mark Development and Beacon Communities

### Key Findings:

- Assumptions are in the range of reasonableness for this early stage
- For this stage, the maximum exemption (100% of the increment for 20 years) is necessary
- Conservatively – additional subsidy may be needed
- Optimistically – there may be room to renegotiate at construction

ABRAMSON & ASSOCIATES, Inc.  
*Real Estate and Public-Private Development Advisory Services*

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MEMORANDUM

**TO:** Alexis Turgeon, Housing Development Program Manager  
Rachel Hadkani, Interim Director of Economic Development  
City of Somerville Office of Strategic Planning and Community Development

**FROM:** Barry Abramson

**SUBJECT:** Evaluation of UCH-TIF Request for 299 Broadway Project

**DATE:** January 31, 2023

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Abramson & Associates, Inc., in association with Beverly Gallo, Peregrine Urban Initiative, LLC, has evaluated preliminary pro forma information provided by Mark Development (Mark) and Beacon Communities (Beacon) in support of their request for an Urban Center Housing Tax Increment Financing (TIF) in the full amount of the tax increment for the maximum 20-year term.

The project is proposed to include two buildings: Building A – 115 units of rental apartments affordable to households earning less than 60% of area median income plus 5,900 net square feet of retail, and Building B – 172 units of rental apartments, 155 of which would be market rate and 17 affordable to households earning less than 80% of area median income, plus 8,100 net square feet of retail. Beacon will develop and operate the affordable housing in Building A ("affordable project"). Mark will develop and operate Building B and the retail space in Building A (the "private project").

No parking will be provided on-site, eliminating a substantial cost, further challenging feasibility and enhancing the need for subsidy, especially given the reported presence of sub-surface asbestos contamination. It is our understanding that the City will provide a limited number of on-street parking permits to support marketing of the private project.

It is anticipated that the buildings will be constructed in two stages to allow for adequate staging area, minimizing disruption, with Building B likely proceeding first. Assuming further design, permitting and financing proceeds expeditiously, the first phase could be anticipated to commence construction somewhere in the vicinity of 18 months from now.

Mark has an option to purchase the site at a price reported to be \$22,800,000, with closing required by April 1<sup>st</sup>. Prior to making this investment, Mark seeks assurance of the availability of the full TIF generated by the combined project to fill its anticipated feasibility gap. It is understood that, at the time the project has undergone full design and permitting, secured a construction contract and financing can be better assessed, Mark and Beacon will submit revised pro forma information to the City based on the then current market conditions. The City will, then, evaluate the financial gap, if any, and indicated need for the amount of the TIF, and, as necessary, additional financial support.

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Thank you!