

MEMORANDUM

TO: Somerville Affordable Housing Trust Fund Trustees
FROM: Paul Goldstein, OSPCD Housing Division and Trust staff
DATE: 12/11/2024
RE: SCC Request to subordinate/modify existing Trust loan for 34 Linden Street in order to secure new financing which will fund rehab work at the property
CC: Alexis Turgeon (Housing Grants Manager, OSPCD), Joseph Theall (Housing Counsel, OSPCD)

This memorandum reviews the reasons for the refinancing of two Somerville Community Corporation controlled properties, and recommends that the Trust approves the necessary action for the refinancing to take place by authorizing the execution of loan documents to be signed by the Managing Trustee. Please note that the following information and recommendation was prepared by Housing Division Grants Manager Alexis Turgeon.

Somerville Community Corporation has requested the assignment, subordination, and modification of a \$210,000 deferred Somerville Affordable Housing Trust Fund (SAHTF) loan from 2001 at 34 Linden Street in an effort to refinance and rehabilitate the properties at Bow and Linden streets. The purpose of this refinance is to take out new debt that will fund critical renovations of both 34 Linden Street and 33 Bow Street (SAHTF has no funds obligated to this property, but the City provided HOME funding). The rehabilitation will include the replacement of all flooring, cabinets, windows, and mechanical, electrical, and plumbing systems which have not been updated in the last 20 years and have met the end of their useful life.

To finance the rehabilitation, Bow Linden LLC/SCC is seeking a \$17,000,000 construction loan from Citizens Bank which will convert to a first mortgage permanent loan of \$8,933,000 from Massachusetts Housing Partnership (MHP). SCC has proposed subordinating the \$200,000 City HOME Loan at Bow Street, \$660,000 City HOME Loan at Linden Street, \$210,000 SAHTF Loan, the \$120,000 HLC HOME loan on Bow Street, and the \$600,000 HLC AHT Loan on Linden Street to the new MHP loan into a shared second pari passu position. They are also requesting that the SAHTF loan be assigned to Bow Linden LLC and the maturity date extended to 23 years after closing (~2047). The current maturity date is October 10, 2041. SCC has also committed to extending the SAHTF restriction from its current expiration in 2041 to in perpetuity.

Housing Division staff completed an underwriting analysis of the proposed rehabilitation. All operating costs appear reasonable, and a healthy debt service coverage ratio is maintained over the next 20-year period. The lender advisor, Newbanks, has reviewed the construction documents and budget and concluded that the costs for the project are in line with several other recently completed projects in the region and are reasonable to complete the planned rehabilitation. Based on Housing Division staff review, it is reasonable to expect that the financial stability of the project will be maintained, and the security interest of the loan be protected throughout the extended loan term, if approved.

Housing Division staff recommends that the Trust approve (1) the subordination of the \$210,000 SAHTF loan at 34 Linden Street to the new MHP loan, (2) placing the loan into a shared second pari passu position with other public lenders, (3) assigning the loan to Bow Linden LLC, and (4) extending the term of the loan to 23 years after closing. The project meets the objective of the City to improve existing housing stock, the underwriting analysis shows that financial stability should be maintained, and the

security interest of the City should be protected. The City anticipates providing the same approval for the funds it has obligated to the project.

If the Trust approves the request described above, the Managing Trustee will sign the following documents as part of the closing for the new financing:

1. Amendment to Master Affordable Housing Restriction
2. Assignment and Assumption of Master Affordable Housing Restriction
3. MassDocs Credit Regulatory Agreement and Declaration of Covenants
4. Assignment and Assumption of Mortgage, Security Agreement and Conditional Assignment of Lease and Rents from SCC to SAHTF
5. Lender Advisor Agreement

SCC is anticipating closing to take place sometime this month. For that reason, the Trust is being asked to consider this request at its December 12, 2024 meeting. Housing Division staff will be attending the meeting to answer any Trustee questions regarding the request.