



March 31, 2025

To: Somerville Affordable Housing Trust Fund Board of Trustees

CC: Lisa Davidson, Interim Director of Housing OSPCD

From: Noah Sawyer, Just A Start

Re: 24 Webster, SAHT Request

Thank you for the City of Somerville's support for our 24 Webster Avenue development. This memo includes project updates and outlines a request for additional HOME funding.

Project Overview and Status Update:

24 Webster is a 100% affordable housing rental development proposed for a parcel at the Corner of Webster and Everett Street near Union Square. Just A Start purchased the property in 2021. The project will deliver 42 units of affordable housing targeting units for families with children and intends to meet sustainability guidelines through PassiveHouse certified construction.

The project will be funded through a combination of City and State resources, including tax exempt bonds, 4% Low Income Housing Tax Credits, and State subsidy from EOHLC, along with support from the Somerville HOME program, Somerville Community Preservation Act, and Somerville Affordable Housing Trust. The underwriting process is underway and we expect to close on construction financing this fall. The project has a 20-month construction schedule.

Last summer, Just A Start closed on the \$4,600,000 SAHT loan in order to refinance the acquisition loan. This saved the project approximately \$300,000 in potential carrying costs from high interest rates.

Financing Challenges:

The project was awarded funding from EOHLC in January 2024 but was unable to move forward due to the lack of tax-exempt bonds available. Just A Start was notified in late 2024 that the project would be in line to receive tax exempt bonds in 2025. The project team moved quickly to put out an RFP for equity bids. The bids came in much lower than we had been projecting. The project had assumed a credit price of 0.98 based on comparable deals but received a bid at .935.

The causes for this price reduction include multiple factors outside of Just A Start's control. Multiple investors have already placed their 2025 investments and were already bidding for 2026 projects. Higher interest rates are putting pressure on credits. Concerns about changes in corporate tax policy are also taking other investors to wait.



The lower rate for tax credits--combined with a small increase in construction costs--has left the project with a \$1.2M gap. We are pursuing all avenues to close this gap as soon as possible so that the project can continue moving towards a fall 2025 closing. We are in the process of making the following requests:

- An additional \$250,000 of Somerville HOME funding
- Additional EOHLC subsidy through MRVPs or State LIHTC
- Just A Start also plans to defer an additional \$200,000 in developer fee.

We are also working with the project team to identify opportunities for value engineering to reduce construction increases.

Current Request:

In order to keep the project on track for a Fall 2025 closing, I would like to request up to an **additional \$870,030 for a total SAHT award of \$5,470,030.**

An additional award of \$870,030 from the Trust paired with an additional \$250,000 from Somerville HOME would completely close the gap. The full \$870,030 from the Trust may not be fully needed as we pursue additional awards from EOHLC and work to reduce construction costs.

We appreciate your consideration of this request and look forward to talking with you more about it.