

**Clarendon Hill Redevelopment
Phase II
Proposed Section 108 Application**

City of Somerville, Massachusetts

Community Development Block Grant Program



Application
For a HUD Section 108 Loan Guarantee
\$9,750,000 Loan Guarantee Amount

January 30, 2025

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1. EXECUTIVE SUMMARY

The City of Somerville is undertaking a project to replace and expand the Clarendon Hill public housing development in West Somerville. Built after World War II, the state public housing units

are out of date, as well as isolated from other areas of Somerville. The project will not only replace the 216 units of public housing but will also add units available to households at or below 80% and 110% of area median income (AMI) as well as market rate units. The new development will include green space, traffic safety improvements, and better connectivity to surrounding neighborhoods.

The Clarendon Hill redevelopment is being conducted in three phases. Phase I is currently underway and includes the replacement of 130 state public housing units as well as the creation of 38 units affordable to households at or below 80% AMI. This Section 108 loan application is a request for \$9.75 million to cover the remaining funding need in the \$98 million Phase II budget. Phase II will replace 71 additional state public housing units and add 21 new affordable units for households earning up to 80% AMI. Phase III will be funded by a market-rate developer and will replace the remaining 15 state public housing units, add 21 units affordable to households earning up to 110% AMI, and 295 market-rate units.

Phase II meets the “Low Mod Housing Activities” (LMH) category of the “Benefit to Low- and Moderate-Income Persons or Households” National Objective. 100% of the units constructed in Phase II will benefit low- and moderate-income people. This project also addresses the Priority Needs identified in Somerville’s 2024-2028 Consolidated Plan (the “Plan”). This project meets the goal of “Creating and Preserving Affordable Housing” which is one way Somerville aims to meet the need of “Bridging the Equity Gap.” This Plan goal aims to address housing affordability and housing availability to the low- and moderate-income population of the City. Another of the City’s Priority Needs from the Plan is “Modernizing and Creating Sustainability”. That Priority Need has the associated Goal of “Infrastructure and Urban Environment Improvements” and “Improving Facilities that Serve Community Needs”. This Need focuses on infrastructure and environmental deficiencies, barriers, and impediments. This project will address these issues in the Clarendon neighborhood. This project will revitalize the Clarendon Hill neighborhood and is eligible for Section 108 funding under 24 CFR 570.204(a)(1).

2. AMOUNT OF REQUEST

The City of Somerville is requesting financing under the Department of Housing and Urban Development Section 108 Loan program in the amount of \$9.75 million to support the second phase of the redevelopment of the Clarendon Hill Public Housing Complex (“Clarendon Hill”), located along Powder House Boulevard, North Street, and Alewife Brook Parkway in Somerville, Massachusetts. Section 108 loan funds will be used to finance the acquisition and new construction of Phase II of the Clarendon Hill redevelopment complex, demolition and clearance of the Phase III parcel, and associated relocation payments for existing households.

3. PROJECT DESCRIPTION

Clarendon Hill, owned by the Somerville Housing Authority (SHA), was initially comprised of nine three-story buildings consisting of 216 state-public housing units built in 1948 as housing for veterans returning from World War II. Despite diligent efforts to maintain the aging buildings, deferred maintenance rendered the apartments functionally obsolete for the complex’s families. Following a rigorous selection process, the SHA chose Preservation of Affordable Housing (POAH) and the Somerville Community Corporation (SCC) to spearhead the redevelopment of a

large portion of the site across the first two phases, with goals to improve building quality, increase green and open space, enhance neighborhood connections, and create pedestrian and bicycle-friendly amenities.

The redevelopment is planned in three phases: two phases by POAH/SCC and a third by a market-rate developer. Phase I, supported by \$8 million in City funding and currently under construction, is replacing 130 state public housing units and adding 38 affordable units for households earning up to 80% AMI. Phase II will replace 71 more state public housing units and add 21 new affordable units for households earning up to 80% AMI. The City is once again excited to support the project through another major investment. SHA anticipates issuing an RFP for the third phase once Phase II commences. Phase III is anticipated to deliver the remaining 15 state public housing replacement units and add 21 units affordable to households earning up to 110% AMI and 295 unrestricted market-rate units.

This project will transform the isolated development into an equitable, mixed-income neighborhood, enhancing traffic safety and access to surrounding community resources. In addition to improving the quality of the state public housing units, the redevelopment will introduce additional affordable housing, market-rate housing, green spaces, and a wide array of amenities at a time when Somerville’s escalating market rents are challenging even for moderate-income families. See Exhibit A for project site maps and plans.

Phase II will further integrate the redeveloped community with the broader Somerville neighborhood. Phase II will commence with the demolition of all remaining original 1948 barracks-style buildings, including those on the future Phase III site. These buildings will be replaced with new, high-quality apartments. Each of the site’s three street edges will also be improved, providing seamless connections with a new pedestrian-prioritized signalized intersection to adjacent green spaces at Dilboy Field, pools, and bike paths. This integration with the surrounding community extends to other nearby walkable amenities that include an adjacent grocery store, a commercial corridor on Broadway, the West Somerville Neighborhood School, and the academic and cultural offerings at Tufts University.

Phase II will also improve and create outdoor spaces that residents can invest in and be proud of. There will be a new central park, an extension of the North Street Playground, and a community garden for families to enjoy. Additionally, new on-site community spaces will offer financial stability, job placement, childcare, and education services. By replacing and expanding permanently affordable housing, the redevelopment increases access for households with a range of incomes to the amenities offered in a high-opportunity community like Somerville.

Construction for Phase II is expected to commence in Fall 2025, following the financial closing process in Summer 2025. This timeline may be impacted by the availability of funding for the project. The environmental review is underway.

4. ELIGIBLE ACTIVITY & NATIONAL OBJECTIVE

Phase II of the Clarendon Hill redevelopment project meets the “Low Mod Housing Activities” (LMH) category of the “Benefit to Low- and Moderate-Income Persons or Households” National Objective criteria in 24 CFR 570.208(a)(3). To qualify under this criterion, at least 51% of the

units, upon completion, must be occupied by low- and moderate-income persons. All of the units created in Phase II will be occupied by low- and moderate-income persons in perpetuity. Additionally, the National Objective criteria in 24 CFR 570.208(a)(1)(i) will be met but funded by other project sources. The infrastructure improvements and the creation of open space are a benefit to the residents in the surrounding area, not just to residents of the development. Per the 2011-2015 American Community Survey data, both census tracts (350700-2 and 350700-4) the project is located in are 81.9% and 82.2% low- and moderate-income, respectively.

In addition to meeting a National Objective and the general policies of the Community Development Block Grant Program under 24 CFR 570.200, the Section 108 Loan Guarantee will satisfy eligible activities under 24 CFR 570.204(a)(1). This project will revitalize the Clarendon Hill neighborhood by redeveloping a large, aging affordable complex, increasing green and open space, enhancing neighborhood connections, and creating pedestrian and bicycle-friendly amenities. The City anticipates loaning the Section 108 funds to POAH Clarendon 2 LLC, a limited liability company (also referred to herein as the “Phase 2 Owner”) that is directly controlled by a Community-Based Development Organization (CBDO) as part of this neighborhood revitalization project. The project will also include relocation payments for the temporary relocation of existing residents which is an eligible activity under 570.703(d). Finally, the project may include the acquisition costs of the Phase II ground lease and the clearance, demolition, and removal of properties on the Phase III parcel pursuant to 570.703(a) and 570.703(e), respectively.

5. ORGANIZATIONAL INFORMATION

SHA is a public housing authority that presently owns the Clarendon Hill state public housing development. SHA first initiated the redevelopment of Clarendon Hill as part of its commitment to the long-term habitability and affordability of this site for the benefit of its current and future residents. SHA will remain involved with the redevelopment site as ground lessor, lender, subsidy provider, and regulator. SHA has a five-member board of commissioners: state law mandates that one commissioner must be a SHA tenant. SHA will hold substantial review and approval rights over the redevelopment through its long-term ground lease and subsidy contracts, specifically through a Disposition, Regulatory, and Operating Agreement (DR&O). The DR&O will mandate, in perpetuity, that the new owner will continue to operate all the affordable units in compliance with state and federal affordability requirements, provide a right of return to Clarendon residents, and remain subject to ongoing inspection and audit review by SHA.

SHA’s development partners are Somerville Community Corporation (SCC) and Preservation of Affordable Housing (POAH). SCC and POAH will be managing members of the project’s owner and ground lessee, POAH Clarendon 2 LLC, based on a 99-year ground lease with SHA. The owner and ground lessee and managing member entities have not been officially formed and the names are subject to change until official formation.

SCC is a nonprofit membership organization that provides leadership for sustaining the City of Somerville as a vibrant, diverse and tolerant community. SCC offers services and leads community organizing that supports low- and moderate-income Somerville residents in their efforts to achieve economic sustainability and increase civic participation. SCC will be providing

long-term supportive services to the residents at Clarendon Hill and will also serve in the role of co-developer. SCC is committed to creating affordable, safe, and lasting homes for everyone in the Somerville community. They develop rental housing, offer pathways to homeownership, and reclaim homes from the speculative market to ensure they remain permanently affordable. With over 340 rental units and more than 9,000 square feet of commercial space, SCC's properties play a vital role in the community. Most of SCC's housing projects come to life through a combination of public and private funding, including Low-Income Housing Tax Credit equity, state and local affordable housing funds, and federal support from programs like the McKinney-Vento Homeless Assistance Act and the Home Investment Partnerships Program. Since 2016, SCC acquired 117 homes across 20 buildings, ensuring these properties remain affordable forever.

POAH is a nonprofit developer, owner and operator of nearly 13,000 affordable homes in twelve states and the District of Columbia. POAH's primary mission is to preserve, create and sustain affordable, healthy homes that support economic security, racial equity, and access to opportunity for all. In addition to leading the redevelopment as co-developer, POAH will be the property manager after completion.

6. SOURCES AND USES

The second phase of redevelopment is estimated to cost \$90 million, including construction, soft costs, and contingencies. This application is a request for a HUD Section 108 Loan Guarantee in the amount of \$9,750,000 to serve as a low-interest loan that will be used to reimburse new construction and relocation costs of the redevelopment project. The estimated sources and uses for the project are attached as Exhibit B. The Section 108 financing fee is represented as part of the soft costs and will be paid with Community Development Block Grant funds. It is estimated that this financing fee will be approximately \$79,950.

The development team has already received financing commitments from MassHousing for the tax-exempt bonds and permanent financing as well as equity and construction financing from Bank of America. Additionally, the City has received a \$2.4 Community Project Funding grant that will be loaned to this project for street and mobility infrastructure improvements related to the reconstruction of roadways and open space surrounding the Clarendon Hill Redevelopment.

7. COLLATERAL FOR GUARANTEE

The City of Somerville will pledge its CDBG entitlement as security for the Section 108 Loan Guarantee debt obligations.

8. CITIZEN PARTICIPATION

The City of Somerville has followed the detailed citizen participation plan (CPP), modified to include Section 108 Loan Guarantee funds, as required by 24 CFR

570.704(a)(2). The CPP requires at least two public hearings – one at the proposed application stage and another at final application. This Section 108 loan application was discussed in the 2024-2028 Consolidated Plan and the City conducted two public hearings related to this plan in September and November 2024 prior to making this proposed Section 108 application available for public comment. The City will hold a public hearing on this proposed Section 108 application at the West Somerville Neighborhood School on February 27th, 2025, at 6:00pm. Notice of this public hearing and publication of the draft application was published in the Somerville Times in English, and in Spanish, Portuguese, and Haitian Creole on the City's OSPCD administration webpage. The notice was also circulated to the City's partner organizations and other networks. For these public hearings, individuals with disabilities who need auxiliary aids and services for effective communication, written materials in alternative formats, or reasonable modifications in policies and procedures are directed to the City's 311 hotline. Interpretation into other languages is available upon advance request through the City's Office of Immigrant Affairs.

Public comment on this proposed application can be provided at the public hearing, in writing to Miranda Rubin at Somerville City Hall, OSPCD – Administration and Finance, 93 Highland Avenue, 3rd Floor, Somerville, MA 02143, or by email to mrubin@somervillema.gov. All public comments must be received by 4:30pm EST on February 28, 2025. Public comment received by the deadline will be considered before a final application for Section 108 Loan Guarantee funding is submitted to HUD. The City will also receive City Council approval before submission to HUD.

In addition to the citizen participation conducted by the City, the development team has conducted extensive community engagement since 2016. POAH, SCC, and SHA held several meetings to gain the support of the existing residents, abutting neighbors, and community stakeholders.

Additionally, POAH and SCC's development team have been committed to incorporating existing resident feedback into the construction and design of both Clarendon Hill Phase I and II, holding monthly meetings with residents to address any questions or considerations they may have throughout the development of their new homes.

EXHIBIT A:
Project Maps and Plans

Clarendon Hill Redevelopment – Phase II



Figure 1. Phasing Site Plan for Clarendon Hill Redevelopment

Clarendon Hill Redevelopment – Phase II



Figure 2. Phase II Construction Zone

EXHIBIT B:
Phase II Project Sources & Uses



Project Sources

Summary Sources & Uses

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Sources of Funds	Total	Per Unit
1st Mortgage - MassHousing	10,134,661	\$ 110,159
2nd Mortgage - GGRF	6,000,000	\$ 65,217
Equity - 4% Federal LIHTC	42,015,570	\$ 456,691
Equity - 45L & ITC	808,628	\$ 8,789
Federal Earmark (Loaned in by City of Somerville)	2,400,000	\$ 26,087
City of Somerville (Section 108 Loan)	9,750,000	\$ 105,978
City of Somerville (CDBG)	79,950	\$ 869
PHI 2024 Program Funding (loaned in by SHA)	11,254,000	\$ 122,326
PEHO Funds (loaned in by SHA)	850,000	\$ 9,239
EOHLC Soft Debt	4,000,000	\$ 43,478
POAH Sponsor Loan (Energy Incentives/DOER)	870,000	\$ 9,457
Masshousing Workforce Loan	2,100,000	\$ 22,826
Total Sources of Funds	\$ 90,262,810	\$ 981,117

Uses of Funds	Total	Per Unit
Acquisition	\$ 863,000	\$ 9,380
Construction - Residential	\$ 60,662,040	\$ 659,370
Hard Cost Contingency	\$ 3,052,897	\$ 33,184
Soft Costs	\$ 19,120,767	\$ 207,834
Reserves	\$ 1,127,520	\$ 12,256
Paid Developer Fee	\$ 5,436,586	\$ 59,093
Total Uses of Funds	\$ 90,262,810	\$ 981,117