

**Rental Housing: Encouraging New Production  
MassHousing – Working with Local Housing Authorities  
To Create New Production Opportunities**

So much of the work of any housing finance agency involves the constant need to review the Agency's goals as they relate to its mission and to find new ways to produce as well as to preserve affordable housing. Sometimes this requires a new look at existing circumstances and an ability to find new opportunities – and new partnerships. It was this kind of thinking that led MassHousing to pursue development partnerships with local housing authorities as a new priority for the Agency.

The existing public housing portfolio in Massachusetts is in crisis. Significant capital improvements are needed but there are no funds available within the public housing line items to accomplish these goals. At the same time, these housing resources must be preserved for the existing tenants and the future sustainability of the housing itself. As such, MassHousing is working with local housing authorities to offer financing to make needed repairs and improvements to existing properties while at the same time creating new affordable units as well. In this way, MassHousing's partnerships are increasing the capacity of our state's local housing authorities to become significant players in the development of new housing units.

MassHousing's work with local housing authorities has produced substantial innovations including: the use of housing authority land (or land donated by the town) for new affordable housing production; applying modular and energy-efficient construction techniques; and creating the opportunity for local housing authorities to own and manage the new units.

Housing authority partnerships – coupled with design, construction, and financing innovations – also help to make what may seem to be uneconomic projects financially feasible by making them more cost effective. Acquiring land at no cost from a housing authority or town obviously cuts development costs significantly as does the use of modular construction techniques. Housing authorities often have low cost structures for property management, which can improve a new development's affordability across its full life cycle.

MassHousing's partnerships with housing authorities to develop new units are a proven success. Most of the projects listed below are already completed and occupied. The completed projects were on time and on budget and are working well. MassHousing helped these housing authorities think creatively and leverage scarce resources. Funding sources have been utilized in various combinations and include HOPE VI, tax-exempt bonds, taxable bonds, state grants, local land grants and local funding.

We believe that efforts with local housing authorities can be expanded substantially in Massachusetts. MassHousing's efforts to date with these partnerships have created 1,125 new units of housing, 944 of which are affordable.

There is also strong evidence to suggest that our pioneering efforts are highly replicable and can be applied successfully and cost-effectively by housing finance agencies and local housing authorities across the country.

The projects that we will review in this application were properties that were blighted beyond repair. By tearing down units and building new, modern apartments and landscapes, MassHousing is helping to rebuild neighborhoods and offer new hope to depressed communities. While some of the new housing has been assisted with HOPE VI funding, much of it was financed without HOPE VI funding using creative mixed-finance approaches to develop new units.

**Housing Authority Partnerships:**

**Boston Housing Authority** MassHousing has partnered with the Boston Housing Authority to underwrite HOPE VI projects. We have provided tax-exempt financing and 4% tax credits to supplement HOPE VI funding for two troubled federal public housing developments in Boston. Our partnerships on these projects helped make possible the development of a total of 931 new rental apartments and dramatically transformed troubled public housing developments. By using family-friendly townhouse and mid-rise designs, these now-occupied properties have significantly contributed to the revitalization of their surrounding neighborhoods.

The two projects are Mission Main in the Roxbury section of Boston with 445 newly constructed affordable units and 90 new market rate units and Maverick Landing in East Boston with 305 newly constructed affordable and 91 new market units. All of these units are complete and occupied. It is important to note that Maverick Landing included the first LEED-certified affordable housing development in New England and was named the “Best Overall Housing Development” for 2006 by *Affordable Housing Finance Magazine*.

MassHousing has also provided construction and permanent financing to the ongoing revitalization of the Franklin Hill public housing development in the Dorchester section of Boston. The first 114 apartments were constructed and occupied in early 2008. In April of 2008, financing closed on an additional 152 rental units, which will be completed in 2009. In place of increasingly scarce HOPE VI funds, this public housing revitalization used a combination of state, federal and MassHousing resources (including tax exempt construction financing and 4% tax credits) to replace the existing severely distressed Franklin Hill project with 266 affordable rental units. The redevelopment reconfigures the site with a new street layout, resulting in more traditional city blocks and offers a variety of housing types, including both townhouse style units with backyards and mid-rise buildings with elevators.

More recently, MassHousing helped the Boston Housing Authority secure a new HOPE VI grant, which was awarded in March 2008, for redevelopment of the Washington Beech public housing site in the Roslindale section of Boston. One of only five HOPE VI grants awarded nationwide this year, Washington Beech’s Hope VI application was successful in large part because of the firm commitment of financing from MassHousing and from the Commonwealth’s Department of Housing and Community Development. MassHousing’s commitment of \$41 million in tax-exempt financing will leverage a \$20 million HOPE VI grant to create a total development program of 185 rental units and 21 homeownership units worth over \$100 million.

**Amherst Housing Authority:** MassHousing provided \$330,000 from the Affordable Housing Trust Fund, which it administers on behalf of the Commonwealth, for the modular construction

of four new units. Under an innovative state program, technical assistance for the design of the modular buildings enabled the new units to be constructed without filed sub-bid process or payment of state prevailing wages. This shortened the construction time frame and saved an estimated 15-20% on labor costs. The project also received private financing and Community Preservation Funds from the Town of Amherst. The properties are directly owned and managed by the Amherst Housing Authority.

**Needham Housing Authority:** Under the \$11 million phase one redevelopment plan for High Rock Homes, the Needham Housing Authority is demolishing 20 obsolete public housing units and is replacing them with 40 newly constructed mixed-income units in 20 duplex structures. MassHousing is providing a variety of resources, including \$6 million in taxable financing and \$2.9 million in tax-exempt debt as well as \$1.5 million from MassHousing's Priority Development Fund. Other funding sources include a small amount of public housing modernization funds from the state's Department of Housing and Community Development, and Community Preservation Act funds.

**Mashpee Housing Authority:** MassHousing's partnership with the Mashpee Housing Authority created Asher's Path, a fifty-six unit newly constructed elderly housing development on just over six acres of land located in the town of Mashpee on Cape Cod. The site was donated by the Town of Mashpee to the Mashpee Housing Authority, and is leased for seventy-five years by the Housing Authority to the borrower, a limited partnership controlled by the housing authority. The development includes fifty-six (56) one-bedroom apartments. MassHousing provided taxable permanent financing in the amount of \$893,000, and a subordinate loan through the Agency's Priority Development Fund program for \$925,000.

**Foxboro Housing Authority:** MassHousing funded the Foxboro Baker Street project, consisting of 20 newly constructed apartments, through the Affordable Housing Trust Fund. Financing included a combination of private debt, state Section 8 vouchers, and surplus state land conveyed by the state. Similar to the Amherst Housing Authority development, modular design facilitated by state technical assistance enabled the new units to be constructed without filed sub-bid process or payment of state prevailing wages, again shortening the construction time frames and saving an estimated 15-20% on labor costs. All 20 units are completed and occupied.

**Conclusion:**

MassHousing's partnerships with local housing authorities serve MassHousing's strategy of improving housing affordability, reclaiming distressed communities, and improving residents' quality of life. They represent an exciting new tool for building affordable housing cost-effectively here in Massachusetts, and offer us a new way to leverage federal, state and local affordable housing resources effectively. MassHousing's pioneering efforts with local housing authorities in Massachusetts can serve as an effective partnership model for other housing finance agencies, as well, and can help spur increased affordable housing production across the country at a time when HOPE VI funds are scarce.