

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 in the state budget 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 the 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 1,369 new units of housing, 1,188 of which are affordable.

There is also strong evidence to suggest that MassHousing's 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 reviewed in this application were properties that were blighted beyond repair. By tearing down these units and building new, modern apartments and landscapes, MassHousing is also 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

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 market value of the land was \$360,000. 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.

Needham Housing Authority: Under the \$11 million redevelopment plan for High Rock Homes, the Needham Housing Authority demolished 20 obsolete public housing units and replaced them with 40 newly constructed mixed-income units in 20 duplex structures. Twenty units are low-income rental housing. (The other 20 are affordable homeownership units, and are therefore not included in the totals above for this award submission.) Use of modular techniques reduced overall construction costs. MassHousing provided 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. The project also received funding from the state's Department of Housing and Community Development. The town of Needham used \$1,260,000 in Community Preservation Act funds to purchase the land. All of the rental units are now occupied. Seventeen of the homeownership units have been sold and the remaining three are scheduled to close by July 15, 2009.

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 was provided for the design of modular buildings, shortening the construction time frame and saving an estimated 15-20% on labor costs. The project also received private financing and Community Preservation Funds from the Town of Amherst (the land was purchased using CDBG funds and given to the housing authority). The properties are directly owned and managed by the Amherst Housing Authority.

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 donated surplus state land. Free land cut total development costs. State technical assistance made it possible for the housing authority to use a modular design, which sped up construction and saved an estimated 15-20% on labor costs. The project is now complete and all 20 units are occupied.

Boston Housing Authority: MassHousing's partnership with the Boston Housing Authority has made possible the development of a total of 1,269 new rental apartments, of which 1,088 are affordable. The Agency has provided tax-exempt financing and 4% tax credits for new construction that replaces four different blighted public housing projects in Boston. By using family-friendly townhouse and mid-rise designs, these properties are helping revitalize their surrounding

neighborhoods. The appraised value of just two of the four parcels of land provided for free is \$15,330,000. (The other two projects didn't require appraisals, so the market value of the land is not known.)

The first 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 rate units. Both projects are now completed and occupied. Maverick Landing was 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 for the ongoing revitalization of the Franklin Hill public housing development in the Dorchester section of Boston. The first 114 new apartments were constructed and occupied in early 2008. In April of 2008, financing closed on an additional 152 new rental units, which will be completed in 2009. In place of increasingly scarce HOPE VI funds, this project has used a combination of state, federal and MassHousing resources, including tax exempt construction financing and 4% tax credits. The redevelopment reconfigures the site with a new street layout, resulting in more traditional city blocks. It offers a variety of housing types, including both townhouse style units with backyards and apartments in 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 in 2008, 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 is providing \$14 million in Phase One funding for 72 apartments. We intend to work with the BHA and their developer, Trinity Financial, on the second and final phase of this project, as well. When completed, the full development will include 185 affordable apartments. (These additional units are not included in the totals above.)

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 the Agency 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.