

NCSHA 2015 Annual Awards Entry Form

(Complete one form for each entry)

Deadline: Wednesday, June 10, 2015

Visit ncsha.org/awards to view the Annual Awards Call for Entries.

Instructions: Type entry information into the form and save it as a PDF. Do not write on or scan the form. If you have any questions contact Matt Cunningham at mcunningham@ncsha.org or 202-624-5424.

Fill out the entry name *exactly* as you want it listed in the program.

Entry Name: _____

HFA: _____

Submission Contact: (Must be HFA Staff Member) _____ **Email:** _____

Please provide a 15-word (maximum) description of your nomination to appear on the NCSHA website.

Use this header on the upper right corner of each page:

HFA: _____

Entry Name: _____

Select the appropriate subcategory of your entry and indicate if you are providing visual aids.

| Communications | Homeownership | Legislative Advocacy | Management Innovation |
|---------------------------------------|--|-----------------------------|--------------------------------|
| Annual Report | Empowering New Buyers | Federal Advocacy | Financial |
| Creative Media | Encouraging New Production | State Advocacy | Human Resources |
| Promotional Materials and Newsletters | Home Improvement and Rehabilitation | | Operations |
| | | | Technology |
| Rental Housing | Special Needs Housing | Special Achievement | Are you providing visual aids? |
| Encouraging New Production | Combating Homelessness | Special Achievement | Yes |
| Multifamily Management | Housing for Persons with Special Needs | | No |
| Preservation and Rehabilitation | | | |

MassHousing
Legislative Advocacy – State Advocacy
Meeting a New Preservation Challenge

Background

In the 1970s, the Commonwealth of Massachusetts created the 13A program, a state rental development program modeled after the federal 236 program. The funding for the 13A program originally came in the form of a line item in the state budget that MassHousing was directed to administer on behalf of the Commonwealth. In addition to administering the subsidy, MassHousing also oversees these properties that are privately owned and operated. From 1994 - 2003, the Commonwealth fully funded the 13A program at \$8 million/year through an annual state budget appropriation. Beginning in 2004, the Commonwealth began reducing its funding commitment and then completely stopped funding the program in 2009. At that time, MassHousing stepped in to make up this funding gap.

As the mortgages in the 13A portfolio began to mature over time – and as such affordable units were at risk of conversion to market rate – MassHousing employed a preservation strategy involving the use of enhanced vouchers from HUD. With the assistance of federal vouchers, the long-term affordability of these developments has been preserved. Unfortunately, two years ago, HUD notified MassHousing that it would no longer be providing enhanced vouchers for the preservation of so-called “13A developments”. In the wake of HUD’s change of position regarding the eligibility of 13A developments for tenant protection vouchers upon prepayment of the 13A mortgage, preservation of the 13A portfolio presents a significant and critical challenge to the Commonwealth.

The high cost of rental housing in Massachusetts has a long history and is not abating. The latest report from the National Low Income Housing Coalition ranks Massachusetts as the sixth most expensive state with respect to the wage necessary to afford a two-bedroom apartment; looking at non-metro areas, Massachusetts ranks first.¹ Over the five-year period of 2009 – 2013, rents in Greater Boston rose over 55%.² Within this context, the 13A portfolio comprises an extremely important affordable housing resource for Massachusetts, serving an often underserved tier of “working poor” households. Currently, the 13A portfolio is comprised of 46 developments that serve a mixed-income population, including approximately 5,000 very low income households (30 – 50% AMI). The 13A mortgages and attendant affordability requirements for all of these units are set to expire between 2017 and 2020.

Moreover, many of the developments are located in high market, high opportunity areas, underscoring the value of this housing resource and highlighting the preservation imperative.

Issue

Without the rental subsidies previously available for 13A preservation transactions, the combination of the hot real estate market in Massachusetts, the very low rents being charged for the very low income units and the predictable capital needs of a portfolio that is approaching its 40 year mark serves to create a significant capital financing gap for preserving the affordable units. It is critical that the

¹ “Out of Reach 2015”, National Low Income Housing Coalition, 2015, pp. 10 and 11.

² “The Greater Boston Housing Report Card 2014 - 2015”, The Kitty and Michael Dukakis Center for Urban and Regional Policy, Northeastern University, March 2015, p. 15.

Commonwealth identify a source of funds that can be used to provide financing to preserve these expiring use 13A properties over the long-term and maintain this critical affordable housing resource.

Measured against the estimated market value of the portfolio, the preliminary estimate of the capital cost to preserve the entire portfolio in a 4% tax credit transaction at the current rent standards is upwards of \$300 million. At tax credit rents, estimates indicate that capital cost is still a daunting \$100 million. However, tax credit rents represent a significant increase for many of the current tenant households.

It became clear that this challenge would need to be addressed legislatively – but the challenge was to frame the problem in such a way that the legislature remembered that this was still the Commonwealth’s problem and not just MassHousing’s.

Advocacy Strategy

From the very outset of the agency’s analysis of the 13A preservation challenge, MassHousing recognized that the Commonwealth was facing a challenge that it had yet to encounter in its years of aggressive and persistent engagement in affordable housing preservation. There simply was no existing financing strategy or resource that could ensure a positive outcome not only in terms of preserving all of the affordable units, but also in terms of preserving the level of affordability of the units. Moreover, the market position of many sites made it likely that some units would be lost to a market rate conversion. Any strategy to identify and advocate for capital resources would have to be realistic with respect to what could be achieved, and open to compromise. It would require that MassHousing create a broad coalition of stakeholders who worked together towards a positive outcome even if, for some, it was not the perfect outcome. A splintered approach to a solution for the 13A challenge could cause paralysis and certainly would distract resources and attention from achieving a viable and timely resolution.

In 2013, at the very early stages of internal conversations on the 13A portfolio, MassHousing started its outreach to stakeholders to bring attention to the 13A portfolio and the choices facing the Commonwealth. Initially, MassHousing organized a special meeting of the Commonwealth’s Preservation Advisory Committee (PAC) to introduce the problem. The PAC includes representatives from the owner community, both for profit and not for profit, developer counsel and tenant advocates, including legal services attorneys, and therefore offered a productive platform for engaging a comprehensive set of stakeholders. The conversations were followed up by the creation of a 13A Working Group by MassHousing.

The 13A Working Group has been the critical nexus for creating a coherent and collaborative legislative agenda to support the 13A preservation goal. Much like the PAC, MassHousing invited a range of third party players to participate in the Working Group – developers, tenant advocates and key legislative representatives. The 13A Working Group determined that the most promising approach is to obtain legislation that would increase the Massachusetts low income housing tax credit explicitly for addressing the preservation of the remaining 13A portfolio. The state tax credit was identified as the best vehicle because the Legislature can direct the use of the incremental increase to a specific use without needing any further administrative approvals. Moreover, in an environment of budgetary constraints, the financial leverage afforded by the tax credit vehicle is extremely valuable and the impact of the additional tax expenditure is spread out over a longer term than would be the case in direct appropriations.

The potential downside of the tax credit funding is that the tax credit rent standards are higher than the 13A low income rent standards – and as such a move to tax credit financing will mean a loss of some level of affordability in the portfolio. Despite this apparent disadvantage to the proposal and the varied perspectives represented in the 13A Working Group, the Group endorsed the idea of a legislative strategy without dissent.

From the start, MassHousing articulated a three-pronged goal: one, to the maximum extent possible, preserve the affordable units; two, to the maximum extent possible, preserve the level of affordability of the units; and, three, given that the Agency will not achieve 100% preservation, provide protections for households that will be impacted by rent increases. The realistic and honest nature of the stated goal has been the cornerstone of the Working Group’s conversations. Embracing stakeholders as partners in the 13A preservation effort – while being straightforward about the various aspects and magnitude of the challenge and sharing the agency’s analysis and financial modeling – has engendered a shared understanding of the realistic options available to the Commonwealth for achieving the best possible preservation outcome, and forged a strong and unified approach within the Working Group to the legislative agenda.

A second aspect of MassHousing’s strategy was to create a broad coalition for outreach to the residents of the affected developments. Building off of a suggestion made by the 13A Working Group, MassHousing’s Board voted to commit working capital funds to support a resident outreach and education initiative. MassHousing is now partnering with the Community Economic Development Assistance Corporation (CEDAC), a “sister” agency with extensive experience in both preservation and resident engagement. The objective of the tenant outreach component of the agency’s strategy is to work in cooperation with owners and property managers to provide information to residents that will engage them as informed partners in support of the legislative objective and provide to them a constructive means of engaging in this issue.

Finally, MassHousing reached out, one on one, to a legislator, Representative Kevin Honan, Co-Chair of the Joint Committee on Housing and Community Development and a key member of the Speaker’s leadership team. Since his staff had been participating in the 13A Working Group, his office was familiar with the history of the 13A program, the preservation challenge and the work to date with the various stakeholders. MassHousing’s Executive Director, Tom Gleason, and two key staffers for Government Affairs and Policy Development scheduled a formal meeting with Chairman Honan and his Chief of Staff and prepared a detailed PowerPoint presentation that captured the challenges – and the potential benefit of state legislation.

Outcome

Within just a few weeks of this meeting, Chairman Honan agree to file the necessary legislation to authorize additional state housing tax credits explicitly to support the 13A preservation initiative. Beyond this, Chairman Honan has now committed to making this legislation his top priority for this two year legislative session. This is a key point as the Chairs of the Committees must identify to the legislative leadership those issues to which they push their strongest support. Chairman Honan also scheduled a private briefing for key legislators whom he has identified to help carry this issue in the House. The bill is on its way!

HOUSE No. 2540

The Commonwealth of Massachusetts

PRESENTED BY:

Kevin G. Honan

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to low-income housing tax credits.

PETITION OF:

NAME:

Kevin G. Honan

DISTRICT/ADDRESS:

17th Suffolk

HOUSE No. 2540

By Mr. Honan of Boston, a petition (accompanied by bill, House, No. 2540) of Kevin G. Honan relative to low-income housing tax credits. Revenue.

The Commonwealth of Massachusetts

In the One Hundred and Eighty-Ninth General Court
(2015-2016)

An Act relative to low-income housing tax credits.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Subsection (b) of section 6I of chapter 62 of the General Laws, as so
2 appearing, is hereby amended by striking out paragraph (1) and inserting in place thereof the
3 following paragraph:

4 (1) There shall be a Massachusetts low-income housing tax credit. The department
5 may authorize annually under this section together with section 31H of chapter 63 the total sum
6 of: (i) \$20,000,000; (ii) unused Massachusetts low-income housing tax credits, if any, for the
7 preceding calendar years; (iii) Massachusetts low-income housing tax credits returned to the
8 department by a qualified Massachusetts project; and (iv) for the period commencing July 1,
9 2016 through June 30, 2020, a total amount of up to \$15,000,000 for the purpose of preserving
10 projects for which the affordability restriction pursuant to a mortgage financed under Section
11 13A of Chapter 708 of the Acts of 1966 of the Commonwealth of Massachusetts, as amended, is
12 terminating whether through expiration or prepayment, provided that the department shall

13 provide to the commissioner an estimate of the amount to be authorized in each fiscal year of
14 such period not later than September 30 of the prior fiscal year.

15 SECTION 2. Subsection (b) of section 31H of chapter 63 of the General Laws, as so
16 appearing, is hereby amended by striking out paragraph (1) and inserting in place thereof the
17 following paragraph:

18 (1) There shall be a Massachusetts low-income housing tax credit. The department
19 may authorize annually under this section together with section 31H of chapter 63 the total sum
20 of: (i) \$10,000,000; (ii) unused Massachusetts low-income housing tax credits, if any, for the
21 preceding calendar years; (iii) Massachusetts low-income housing tax credits returned to the
22 department by a qualified Massachusetts project; and (iv) for the period commencing July 1,
23 2016 through June 30, 2020, a total amount of up to \$15,000,000 for the purpose of preserving
24 projects for which the affordability restriction pursuant to a mortgage financed under Section
25 13A of Chapter 708 of the Acts of 1966 of the Commonwealth of Massachusetts, as amended, is
26 terminating whether through expiration or prepayment, provided that the department shall
27 provide to the commissioner an estimate of the amount to be authorized in each fiscal year of
28 such period not later than September 30 of the prior fiscal year.