

OPINION

DEADLINE NEARS

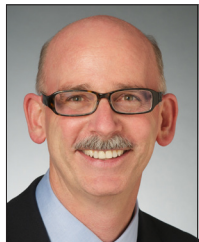
Baker-Polito Administration Successfully Preserves Affordable Housing

Challenges Ahead as Thousands of Units Approach Affordability Expiration

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SPECIAL TO BANKER & TRADESMAN

Preserving affordable housing is an important priority in Massachusetts, and has become a special focus of policymakers and advocates as the region's hot real estate market has constrained the ability of nonprofit developers and others to produce new affordable units. But while



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some of the challenges we face in maintaining affordability are new, many of the most intractable issues are legacy challenges from decades ago. The commonwealth has spent years – decades, even – finding innovative solutions to address these old problems. Even with all of the hard work, threats remain.



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March 1 marked an important date in affordable housing preservation – it was the day in which a large number of affordable housing projects built in the 1970s hit their mortgage expiration date. This “expiring use” problem stems from how many large-scale affordable developments were financed during that era – these apart-

ments were built by private owners utilizing state and federally funded mortgage programs with 40-year terms. In return for the below market rate loans, owners are required to comply with affordable housing use restrictions. Many of those mortgages have reached or are reaching maturity in the next few years, at which point the use restrictions terminate and the owners may convert the affordable housing to market rate. And in a real estate market that is as super-charged as Greater Boston, it's easy to imagine why an owner would be tempted to convert their development.

Affordability Preserved

First, the good news – over the past three years, the state's Department of Housing and Community Development (DHCD) and its state agency partners have preserved the long-term affordability of over 15,000 housing units across the commonwealth. Due to significant capital investments in affordable housing by the Baker-Polito Administration more than 4,400 units maintained their affordability in 2017 alone.

It is also due to the state's affordable housing preservation law, Chapter 40T, which was passed nine years ago to address the expiring use challenge. Chapter 40T established public notification provisions for tenants and state and local officials, purchase rights through a right of offer and right of first refusal for DHCD or its designee to acquire this housing if the

owner decides to sell, and modest tenant protections for projects with affordability restrictions that terminate. The state has helped to preserve almost 30,000 units of affordable rental housing since the law was enacted. Through the investment of federal, state and local resources and Chapter 40T, the state's affordable housing programs have ensured that families are able to stay in their homes and neighborhoods.

CEDAC offers its technical assistance and early stage financing to nonprofit developers seeking to preserve affordable multifamily housing facing expiring use restrictions. In 2017, two preserved projects exemplify our preservation success. In the high-cost market of Lexington, CEDAC supported efforts by MassHousing, the town of Lexington and its housing authority, and project residents to preserve 16 units of low- and moderate-income cooperative housing. Worcester's Fruit Sever Apartments is another good example of the kind of affordable housing being preserved. In January 2016, CEDAC approved a \$9 million acquisition loan to The Community Builders Inc. to help the nonprofit developer preserve the 132 affordable apartments there. The building was preserved through the Chapter 40T purchase process and state financing.

Housing at Risk

In spite of these efforts, a significant portion of the state's portfolio of federal and

state-assisted affordable housing remains at risk. Thousands of additional affordable units continue to face the potential of market-rate conversion. In one state mortgage program, 3,200 units are at high risk due to expiring mortgages. A decision by property owners to convert these into market-rate apartments could leave the residents, including many elders, facing much higher rents. And unlike most federally financed projects, tenants in these projects are not able to receive federal rent vouchers that allow them

to remain in the housing post-conversion. State housing officials have responded to this challenge by creating a \$100 million fund, combined with federal housing tax credits and bond financing, to offer new financial incentives to the private owners to preserve this housing.

The truth is that the March 1 milestone is a reminder that we will be facing crunch time over the next few years when it comes to preserving affordable housing. Thousands of vulnerable Massachusetts families and

individuals are counting on us to effectively solve these old problems – and as we look at the actions of policymakers on both the state and federal levels, we must continue to find and implement innovative solutions, just as we've done in the past. ◀

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