

BANKER & TRADESMAN

ESTABLISHED IN 1872

Sunday, October 6, 2013, 3:00am

Taking Stock

Cambridge Is A Model For Affordable Housing Initiatives

Putnam Square Apartment Plan Latest In Preserving Affordability

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Special To Banker & Tradesman



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The city of Cambridge is setting the standard in Massachusetts in utilizing innovative resources to help preserve affordable housing units. Four years after the passage of Chapter 40T (An Act to Preserve Publicly Assisted Affordable Housing), Massachusetts is seeing tangible success in maintaining affordable homes. And Cambridge has become a model in how city, state, and nonprofit actors can work together to ensure that these units remain available to low income families and individuals.

Chapter 40T put in place some important tools, safeguards, and an early warning system that have been instrumental in helping to preserve affordable housing across the commonwealth. Since its passage, no project has lost affordability as a result of a sale, though some units have been lost when their owners converted their buildings into market-rate developments. Additionally, the state has preserved affordability on more than 8,600 units since Chapter 40T became law in 2009. Not all of those can be

directly attributed directly to the law – Massachusetts has multiple ways to help owners maintain their affordability – but Chapter 40T has become a critically important piece of maintaining units from Boston to Brewster.

Chapter 40T was passed because Massachusetts took advantage of federal housing programs and built hundreds of large scale affordable housing projects in the 1960s and 1970s. Many of these

projects were created by for-profit developers through federally backed mortgages, many of which are coming to maturity in the next decade. Once those mortgages expire, developers are



Bill Brauner

free to convert those buildings into market-rate units, sell them to another developer, or maintain them as affordable housing developments. Among the tools provided by Chapter 40T to address the possibility that Massachusetts could shed affordable units is an innovative policy that gives that state's Department of Housing and Community Development (DHCD) the "right of first refusal" if the owner decides to sell it. DHCD is then able to designate a new nonprofit or for-profit housing developer to act as its purchasing agent to facilitate preservation.

Continuing Preservation

No city has taken better advantage of 40T, along with funding from the Massachusetts Preservation Loan Fund, than Cambridge. Recently, Cambridge witnessed the preservation of Putnam Square Apartments through the cooperation of DHCD; Harvard University; the city of Cambridge; the nonprofit developer Homeowner's Rehab Inc. (HRI); and the building's tenants. Putnam Square consists of 94 apartments that will now remain affordable for area seniors. Built in 1974, the building was owned by Harvard University, which agreed to sell the property to HRI, a well-respected nonprofit acting on DHCD's behalf. HRI will continue to maintain the building, and indeed, plans to upgrade and renovate the property. The Community Economic Development Assistance Corp. (CEDAC), the Massachusetts Housing Investment Corporation (MHIC) and the Cambridge Affordable Housing Trust all made significant loans to ensure that these units remain affordable. CEDAC and MHIC manage the Massachusetts Preservation Loan Fund, which was created to provide loans to preservation buyers with support from the MacArthur Foundation.

This marks the second major development that Cambridge has preserved through the Chapter 40T process. In December 2011, most of the same actors – DHCD, Harvard University, HRI, and agencies who focus on the financing of affordable housing – were involved in the preservation of 25 affordable housing units in the Chapman Arms building. Also in Harvard Square, Chapman Arms was the first development to be preserved through Chapter 40T. Both cases demonstrate that Chapter 40T allows the state and nonprofit actors to move swiftly to preserve buildings with substantial affordability.

In addition to Putnam Square and Chapman Arms, Cambridge has also managed to successfully preserve two other affordable housing developments that were close to maturity. In 2012, Just-A-Start Corp. (JAS), a nonprofit community development corporation in Cambridge, purchased Bishop Allen Apartments, which helped to maintain 32 affordable housing units in Central Square. Additionally, HRI purchased the 116-unit Inman Square Apartments in 2011. It should be noted that some owners are negotiating their own preservation transactions with a new buyer – if DHCD determines that the proposed sale achieves the preservation goals of 40T, then DHCD

need not exercise its right of first refusal. This is the case with both of these purchases and another mark of the law's success.

It isn't only Cambridge that has utilized Chapter 40T. Housing developers throughout the state are also utilizing the right of first refusal to make sure that large scale developments stay affordable. But the city of Cambridge has demonstrated that public agencies, nonprofit institutions and a municipality working together can act in the best interests of low-income residents. We expect we'll see cities and towns following Cambridge's lead at ever larger numbers.

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