

6 preserving existing affordable housing

One of the best ways to ensure an adequate supply of affordable housing is to maintain and preserve existing units. Sometimes this involves market intervention, and the appropriate strategies will be determined by:

- ▶ **What type of housing is at risk**
- ▶ **Who the interested buyers are**
- ▶ **What reuse possibilities the property has**
- ▶ **Whether there are other compelling considerations (e.g., the property is critical to a comprehensive revitalization strategy)**

Often communities are able to increase their qualified affordable inventory by purchasing existing units, making necessary repairs, obtaining grants and/or subsidies to reduce the rent or sales price to a level affordable to an income eligible household, and enforcing long term leases and/or deed restrictions. (See also *Chapter 7: Expanding Homeownership Opportunities*).



EXPIRING USE RENTAL PROPERTIES (EUR)

what

“Expiring use properties” are rental units which were built with federal and/or state subsidies (such as low cost mortgages, rent subsidies and loan guarantees) to serve low and moderate income tenants that are now at risk of being removed from the affordable inventory. The mortgages on these properties—most dating from the 1970s— often had terms of 30-40 years, but owners were allowed to prepay after 20 years, removing the use restrictions that required them to serve low income residents. Massachusetts has more than 18,000 such units that may now be at risk. Given the high cost of new production, preventing the loss of these existing units should be a high priority for any community.

how

The preservation of EUR properties as affordable housing usually requires a combination of resident and community initiative, substantial public and private investment and technical expertise. There are a number of factors you should consider as you assess what type of intervention strategy is appropriate: the building’s physical and financial characteristics, its current ownership and management, the tenants, the neighborhood.

The Community Economic Development Assistance Corporation (CEDAC), MassHousing, DHCD, Greater Boston Legal Services and others can help communities leverage the resources they need to prevent these units from being lost by:

- Negotiating extensions of current affordability restrictions or sales to nonprofit owners
- Securing new capital investment to meet deferred maintenance or systems replacement needs
- Advocating for public policies that support such outcomes

Local political leadership is always essential, but in expiring use properties your state legislators and Congressional delegation should be actively engaged as well. In each of the state’s preservation success stories, their involvement was critical.

Even if expiring use restrictions allow an owner to convert to market, a community may still have leverage as the result of other regulatory or land use controls. A project that received a comprehensive permit, or a 121A payment-in-lieu of tax agreement, or a ZBA variance may be compelled to continue to provide a specified level of affordability. The Massachusetts Supreme Judicial Court recently ruled in favor of Wellesley in that town’s effort to ensure continued affordability of a project developed under the State’s SHARP Program that had come to the end of its use restrictions.³⁰

Regardless of the specifics of the case, the community can play a key role in trying to put together a financing package to preserve at-risk properties.

³⁰ The Zoning Board of Appeals of Wellesley vs. Ardmore Apartments

where appropriate

All privately-owned, subsidized units—nearing the end of their use restrictions—should be carefully monitored because they may be at risk. Be sure you know whether there are any in your community. CEDAC can provide you with this information.

Meadowbrook Apartments, Northampton

The Mayor of Northampton took the lead when that City’s largest subsidized development was sold in 2001, and pre-payment of its mortgage—and loss of affordable units—seemed imminent. The 252-unit Meadowbrook Apartments, built in the early 1970s with a below market rate mortgage from MassHousing, represents 15% of the City’s affordable inventory. All but 37 of the units are subsidized at rent levels substantially below market, and most of the tenants—primarily families and elderly—are long term residents.

The announcement that the complex was being sold to Aspen Square Management, a company that owns and manages primarily market rate apartments, triggered an intense, year long series of negotiations between the City—led by the Mayor—and the new owners, the tenants, MassHousing and DHCD. The state legislative delegation lent its support as well. Even though Aspen Square was a well-regarded local firm, the community was concerned about the potential loss of any of the affordable units. After months of wrangling, an agreement was recently negotiated under which:

- Aspen Square will repair and upgrade the property
- MassHousing will provide long-term financing
- 100% of the units will remain affordable for 30 years, an increase over the 85% that had been subsidized
- State resources will fill the gap between the affordable and market rents, to “match” the market for the owner.



Critical success factors:

- **Political leadership**
- **Effective community organizing**
- **Strong working relationship with state agencies**

other examples

Pondview Apartments in Boston's Jamaica Plain neighborhood was another expiring use property that was considered high risk for market rate conversion because of its desirable location. With strong support from the tenants, the Jamaica Plain Neighborhood Development Corporation acquired the 60-unit property from its long-term owner and assembled a complex financing package to renovate and preserve as affordable all 60 units.



FOR MORE INFORMATION

- Call CEDAC at (617) 727-5944 for specifics about developments in your community.
- The national Local Initiatives Support Corporation (LISC) also has an Expiring Use Preservation Initiative. A good guide to get you started, *The National Housing Trust's Considerations When Evaluating the Preservation/Development of Affordable Housing*, can be found on the LISC website at: www.liscnet.org. Click on **Resources** and search using the keywords "preservation tools".



PRESERVING MODERATELY PRICED UNITS THROUGH MARKET INTERVENTION

what

The acquisition of properties from long-term owners who have kept rents low, and possibly deferred maintenance, can enable a community to preserve moderately priced units for existing tenants and/or new low and moderate income residents.

how

If the municipality has an appropriate development entity, it may be able to preserve these valuable resources and increase its official affordable housing count by:

- Purchasing the units
- Making the necessary repairs
- Writing the cost down to a level where the unit can be rented or sold to a low or moderate income household, ideally the current occupant if (s)he is eligible

Some of the strategies that have been used to preserve expiring use properties can be applied to this inventory as well:

- Analyze all your community's affordable housing resources
- Identify tenant needs and resources
- Start thinking now about potential buyers and acquisition funds

where appropriate

In most communities, it is long-term owners who provide the lion's share of moderately priced rental housing, from two and three-family homes to large apartment buildings. It is important to keep abreast of the local housing market, and to know who owns such properties and whether they might be *thinking* about selling. Unfortunately, rising prices across much of the state are making this option prohibitive unless the community can access gap financing, often in large amounts!

Arlington Rental Housing Program

The Town of Arlington used this strategy, focusing its efforts on preserving rental units in two-family structures. It launched a Rental Housing Program with the nonprofit Housing Corporation of Arlington (HCA) in 2001. HCA had been providing assistance to first-time homebuyers for more than 15 years, but the Rental Housing Program marked its entry into the development and management business. During the past year, HCA has purchased 5 two-family structures, in generally good condition, scattered throughout the town. Minor renovations were made and the units were de-lead and rented to 10 low and moderate income families.

Arlington's goal is to acquire 20 units by the end of 2002, a strategy favored by the town for 2 reasons:

- a lack of available land for new construction
- the scattered site approach avoids concentrations of poverty

The units are managed by HCA staff, but maintenance is contracted to the Housing Authority. For the first time this year, Arlington will also make available several condominium units, the result of a new inclusionary housing program, which requires all new developments to provide 15% of their units at prices affordable to low and moderate income first-time homebuyers.



Arlington used CDBG funds to hire a Director of Housing to implement its new rental housing and inclusionary programs, among other responsibilities.

other examples

- Manchester-By-the-Sea is an example of a community that adopted an activist approach to preserving a 21-unit privately owned, moderately-priced apartment building. Its experience is related in *Chapter 10: Town Initiated Development*.
- Housing advocates are watching with interest the situation in Waltham where nearly 700 moderately priced rental apartments recently changed hands. The apartments, which had been in the hands of a single owner for more than fifty years, represent more than 5% of Waltham's rental units, and their loss as an affordable resource would be devastating. A local CDC, Waltham Alliance to Create Housing (WATCH), had hoped to be able to purchase the units, but was not successful in its attempt.
- A Cambridge CDC, Homeowner's Rehab, purchased and preserved 59 apartment units in that city's hot real estate market with permanent mortgage financing from MHP.

FOR MORE INFORMATION

- If you suspect you have privately owned rental stock that may be at risk, or if you want to establish a "purchase/rehab/re-rent or sell" program like Arlington did, call MHP's Intensive Community Support Team (617) 338-7868.





RENTAL AND HOMEOWNER REHABILITATION AND REPAIR PROGRAMS

what

Rehabilitation loans, often subsidized by federal and state agencies, are a mainstay of the affordable housing programs of many Massachusetts cities and towns.

how

Most of the communities that receive CDBG or HOME funds directly from HUD administer home repair and rehab programs. Other communities can apply to DHCD for funding such programs, or they might contract with a regional nonprofit organization to do so. MassHousing also offers several home improvement, rehabilitation, lead paint abatement, and septic repair programs to help homeowners and landlords maintain and improve their housing.

where appropriate

Every community in the Commonwealth can benefit from programs to maintain their existing housing units. Sixty percent of the State's housing stock was built prior to 1960, and much of it is in need of repairs, upgrading and de-leading. In addition, many seniors and others with special needs require adaptations, improvements and repairs to remain in their homes. Septic failures and the cost to comply with Title V are issues for homeowners in communities without municipal sewerage.

If you don't have the capacity to administer a program, a regional nonprofit can do it on your behalf, or a consultant can be hired. Often, communities are surprised to find out how many of their residents have already taken advantage of MassHousing's programs. Many more probably would, if they knew about them. The local media, housing partnership, and community organizations can all help publicize the availability of these resources.



FOR MORE INFORMATION

- Call DHCD's Small Cities staff at (617) 727-7001 or MassHousing at (617) 854-1000 or visit their websites.
- Find out who administers home repair and rehab programs in your area by calling the Massachusetts Nonprofit Housing Association at (800) 224-5124 or visit their website at www.masshousinginfo.org.