

Notes to CEDAC Report on Massachusetts Developments with Subsidized Mortgages or HUD Project-Based Rental Assistance

July 2009

This report has been prepared by the Community Economic Development Assistance Corporation (CEDAC) based on data from HUD and MassHousing, as well on prior reports that have been produced by CHAPA and CEDAC. We offer thanks to CHAPA, Emily Achtenberg, Vincent O'Donnell, and Ann Verrilli for their work in developing the original database upon which this report was based.

The report uses the most current data available from HUD, based on updates from May 2009. Please note that there is sometimes a delay by HUD in reporting actual project information. CEDAC will update periodically the data contained in this report, and will post the report on CHAPA's website for public use.

The report includes a list of affordable housing developments in Massachusetts that have or had:

- HUD project-based rental assistance (PBA) contracts under the Section 8 program. These PBA contracts include the PRAC, RAP, and Rent Supplement programs, which are reported by HUD along with Section 8 PBA, but do not include the Project Based Voucher, Section 8 Moderate Rehab, or Section 8 SRO programs;
- state or federal subsidized or insured mortgages (under the HUD Section 236, Section 221d3 BMIR, or Section 202 programs). These mortgages originally imposed affordability requirements (e.g. requiring the owner to limit rental of some or all of the units to households with incomes below a certain level at admission and by limiting rents that can be charged for those units) for the term of the mortgage. Some of the projects in this group – called “expiring use” projects – have or had the option of prepaying their mortgage after 20 years and ending the affordability restrictions before the end of the original 30-40 year term. In addition, some of these mortgages have reached or will reach shortly their maturity dates (so-called “expiring mortgages”), and affordability restrictions will terminate upon mortgage maturity.
- This version of the report includes for the first time approximately 140 projects financed with mortgages from MassHousing that were not federally insured, and thus not previously reported by CEDAC. The majority of the newly included MassHousing projects were financed through the Section 236 program, the Chapter 13A program, or the SHARP program. Largely due to these new MassHousing projects, CEDAC's inventory has increased by over 15,300 units to 109,459 total units. However, very few of these MassHousing projects are at risk through 2012, since most MassHousing subsidized mortgages were “locked”, which is to say that owners could not prepay these mortgages prior to maturity.

Most of these projects were developed between the 1960s and the mid-1980s. Many projects have reached the point where owners can end use restrictions (rent and tenant income limits), by prepaying their subsidized mortgage or not renewing their rent assistance contract when it expires. Massachusetts has lost 12,374 subsidized units through prepayments and rent subsidy contract terminations and is at

risk of losing 23,242 more subsidized units by December 31, 2012. About 6,491 of the subsidy units affected by prepayments and/or opt outs to date will continue to be affordable at least through 2012 – though not always to the same income group as before – because owners negotiated affordability agreements or because projects received tax credits or refinanced under other programs requiring some affordability.

The attached report includes:

- projects that left the affordable inventory (labeled “subsidy units lost”) because owners have chosen not to renew their subsidy contracts and/or have chosen to prepay their subsidized mortgages and end affordability restrictions;
- projects that are or may be at risk of leaving the affordable inventory by December 31, 2012 due to prepayment, full mortgage repayment, or contract terminations;
- projects whose affordability has been preserved (until 2013 or later) because of actions taken by their owners;
- projects that are not at risk of leaving the affordable inventory by December 31, 2012, based on continuing affordability requirements to maintain mortgage or rent subsidies on assisted units in the project.

Please note that Section 8 project-based rental assistance contracts renewed under the terms of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA), as amended, contain language that establishes the risk of contract termination due to the unavailability of federal funding of the Section 8 program (referred to as “appropriations risk”). For purposes of this report, PBA contracts renewed under MAHRA with contract expiration dates after 12/31/2012 are not shown as units at risk. To date, there has never been a PBA contract termination due to insufficient congressional appropriations. This of course is no guarantee of future congressional action.

This report provides information organized under the following column headings:

Property Name: This column provides the name of the project, generally as reported by HUD. In some cases, projects are commonly known by alternative names and we have used these alternative names when possible. Also, projects that refinance sometimes change the project name.

City: This column provides the name of the city in which the property is located. Please note that one project, **Fairweather Apartments**, consists of four buildings in four cities, with a total of 321 units (62 in Beverly, 44 in Danvers, 88 in Peabody, and 127 in Salem). All are covered by one subsidized mortgage and 220 units are also covered by two HUD PBA contracts. We report the entire project under Salem, because HUD does not report the allocation of PBA-assisted units by community.

Agency: This column reports the primary agency that holds or regulates the subsidized or insured mortgage on the project. There are four options reported: 1) **HUD** indicates that the project has HUD mortgage insurance through the FHA; 2) **MHFA** indicates that the project either has a non-insured federally-assisted mortgage from MassHousing or is co-insured with HUD and MassHousing; 3) **RHS** indicates that the project is financed through the U.S. Department of Agriculture’s Rural Housing Service Section 515 program; **PRIVATE** indicates that the mortgage financing is provided by other financing sources.

Local Use Restrictions: This column reports whether the project is or may be subject to local regulatory agreements which may require continued use as affordable housing, even if the owner prepaays the mortgage. These local restrictions include zoning, a Land Disposition Agreement (LDA), tax exemptions under the Chapter 121A program or because the project is in an Urban Renewal Area (URA). 40B indicates that the project was built under the Comprehensive Permit process.

Total Units: This column reports the total number of units in the project, including Section 8, other subsidies, and market units.

Section 8 PBA units: This column reports the number of units covered by a HUD PBA contract (Section 8 or Rent Supplement or RAP), as reported by HUD.

Section 8 expiration date: This column reports the expiration date for the HUD PBA contract, as reported by HUD. As noted above, there is sometimes a delay in reporting PBA contract renewal activity. There are projects which currently list an expiration date that has already passed. This does not necessarily mean that the owner has opted-out of the contract, and may be due to delayed reporting by HUD.

Original Subsidy units: This column reports the total number of units in a project subject to subsidized mortgage use restrictions. "Original" number of subsidy units refers to the number of subsidy units prior to any mortgage prepayment or PBA contract termination.

Subsidy Units Lost: This column reports the number of units formerly covered by a subsidized mortgage restriction which are no longer covered because the owner has prepaid the mortgage or the mortgage has been fully amortized.

New Affordable Units: This column reports the number of units in a project which have been restructured subject to tax credit, tax-exempt bond, or other public subsidy regulatory restrictions. This also includes projects where the owner has agreed to keep some units affordable for a certain number of years under an agreement negotiated with local government.

Net Units Lost: This column reports the net decrease in the number of subsidized units in a project by comparing the original number of subsidy units, the subsidy units lost, and the new affordable units.

Current Units Assisted: This column reports the number of units currently assisted either by a mortgage subsidy or HUD PBA rental assistance or other binding affordability restrictions.

Units at Risk Thru 2012: This column reports the total number of subsidized units at risk of leaving the affordable housing inventory through mortgage prepayment, fully amortized mortgages, or termination of PBA contracts by 12/31/2012. As noted above, we have not included units covered by HUD PBA contracts with expiration dates after 12/31/2012 facing "appropriations risk."