



# Massachusetts

## Low Income Housing Preservation in 2010

### Low Income Housing Tax Credits (9% Tax Credits)

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For 2010, 40% of the available allocated credits are set aside for preservation properties (up from 35% in 2008), defined as: 1) housing at risk due to market conversion, 2) housing at risk due to physical condition and financial distress, 3) application represents a time-limited opportunity to purchase existing affordable housing, and 4) units are located in a large-scale significantly distressed public housing development and HOPE VI was already awarded. The minimum property size for the preservation set-aside is 8 apartments.

One of the eight priorities established in the 2010 QAP is "projects that preserve valuable existing affordable units." Additionally, a property must meet the threshold of demonstrating consistency with the Commonwealth's Principles of Sustainable Development. The first of these 10 principles encourages reusing existing structures.

Applicants are required to commit to a 30 year term of affordability; projects which commit to 50 years of affordable rents receive 6 points.

The 30% basis boost may not be applied to the acquisition basis - only rehab projects that are located in a QCT or difficult-to-develop areas.

Massachusetts has a unified application process, allowing developers to apply for low income housing tax credits along with a variety of other funding options.

#### **Allocations (2003-2009)**

*Properties Preserved:* 49

*Apartments Preserved:* 3,983

*Additional Info:* While the state maintains a 40% set-aside for preservation properties and preserves a significant amount of affordable housing each year, during the 2 year period from 2008-2009, DHCD targeted less than 25% of their allocations to preservation, with just over one-third of all the units receiving tax credits being preservation properties.

#### **State Low Income Housing Tax Credits**

In 2011, Massachusetts allocated \$10,000,000 towards its state tax credit program. The state credits are administered separately from the federal program, and bear a 5 year credit period.

### Private Activity Bonds with 4% Tax Credits

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The State has historically preserved significant amounts of affordable housing with 4% tax credits,, more than 4,600 units since 2003. As of October 2007, DHCD became the sole allocating agency for 4% tax credits and continued to target those credits towards preservation, awarding almost 95% of those allocations for preservation from 2008 - 2009.

#### **Allocations (2003-2009)**

*Properties Preserved:* 40

*Apartments Preserved:* 4,633

## Housing Trust Funds

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The Massachusetts Affordable Housing Trust Fund (AHTF) provides resources to create or preserve affordable housing throughout the state for households whose incomes are not more than 110% of median income. Funds are available for rental, home ownership and mixed-use projects as well as housing for the disabled and homeless. AHTF funds are used primarily to support private housing projects that provide for the acquisition, construction or preservation of affordable housing. MassHousing and the Department of Housing and Community Development (DHCD) jointly administer AHTF.

The preservation of federally assisted rental housing is specifically discussed in the fund guidelines: "Properties for the preservation of existing federally-assisted rental housing that have expiring affordable use restrictions are eligible to receive financing. Applications proposing the preservation of federally-assisted rental housing at risk of loss shall be evaluated according to the following criteria: 1) immediacy of risk loss of long-term affordability, taking into account any and all use restrictions; 2) presence of economic risk, as measured by indicators including but not limited to: market demand, building condition, and level of equity; 3) availability of other preservation funding resources; and 4) impact on existing tenants." In FY07, AHTF received \$2 million of general revenue funds, a portion of which was targeted for preservation projects.

In a separate effort, by the end of 2010, over 147 communities in MA had adopted the Community Preservation Act, 42% of all the communities in the Commonwealth of Massachusetts. The CPA allows jurisdictions to increase local property taxes to help create and support affordable housing. An important incentive for localities to pass the CPA is the availability of matching state funds from document recording fees. In Oct. 2010, nearly \$25.8 million was distributed to 142 communities.

***PLEASE NOTE: Some of the information on housing trust funds included in this report was generously provided by the Center for Community Change (Housing Trust Fund Project).***

## Other Preservation Incentives

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Massachusetts' expiring use law, signed in November 2009, provides a regulatory framework to preserve at-risk, publicly subsidized affordable housing. The legislation establishes notification requirements for families living in properties where the owner intends to terminate participation in an affordable housing program, a right of first refusal for the state Department of Housing and Community Development (DHCD) or its designee to purchase publicly assisted housing, and modest tenant protections for projects with affordability restrictions that terminate.

A \$150 million preservation loan fund was created by the Community Economic Assistance Corp (CEDAC) in partnership with the state Department of Housing and Community Development. The loan fund will provide much need capital including predevelopment and acquisition financing to support large-scale preservation efforts. The loan fund is a public-private partnership. The program is leveraged through state bond funds along with a \$3.5 million award to Massachusetts from the MacArthur Foundation, \$40 million from private lenders, and \$100 million from the Massachusetts Housing Investment Corp (MHIC).

In May 2008, Governor Patrick signed a \$1.275 billion bond authorization, the state's largest investment ever in housing and community development projects. The bill includes \$220 million for the state's Affordable Housing Trust Fund, which funds the creation and preservation of affordable housing projects; \$125 million for the Housing Stabilization Fund, which provides support for the acquisition, preservation and rehabilitation of affordable housing; \$500 million for upgrading state-supported public housing developments, including the preservation of public housing by addressing the large backlog of deferred; \$55 million for Community Development Action Grants, a municipal grant program that includes the preservation of public housing; and \$100 million for the Capital Improvement and Preservation Fund (CIPF) to assist in the preservation and improvement of existing privately owned state or federally assisted affordable rental developments. This last program targets housing at risk of losing affordability restrictions due to the potential for the prepayment of its mortgage and housing in which a project-based rental assistance contract has expired or is expiring. Additional funds will go to transit-oriented development and the state housing tax credit program.

### ***Other Preservation Incentives (continued)***

In 2006 MassHousing launched an aggressive program to prevent affordable housing units from converting to market rates after paying off their HUD mortgages. The Preventative Preservation Program identified 61 properties in danger of converting to market rents before 2013 and began proactively courting these owners years in advance of the end of their mortgage term. As of June 2008, 10 developments containing affordable 1,270 units had been preserved. In June 2008 MassHousing received its largest ever blanket waiver of HUD regulations, allowing them to offer Risk Share credit enhancement for equity take-out financing for 30 Section 8 developments in MassHousing's portfolio in exchange for long-term preservation of affordability. The waivers allow MassHousing to offer this without requiring the owners to sell the properties. MassHousing anticipated that that the HUD waiver will enable them to close up to an additional \$250 million of preservation transactions for the 30 developments by 2010.

The Massachusetts Housing Partnership Fund is a quasi-public lender and another source for preservation financing. It has used primary mortgage loans and no additional credit enhancement to do a number of preservation transactions.

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The Leading the Way housing strategies were designed to address this unmet housing demand via greatly expanded production of both market-rate and affordable housing. By the time Leading the Way I and II ended in mid-2007, more than 18,300 new units had been produced, representing over \$5 billion in private and public investment. More than 750 long-vacant units of public housing were reclaimed and reoccupied by our poorest citizens. In March of 2009, Leading the Way III was initiated with a focus on workforce housing production, rental housing preservation, revitalization of high foreclosure neighborhoods, and a plan to reduce long-term and family homelessness by 50% by 2012.

## **Green Multifamily Preservation Initiatives**

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### ***Green Incentives in State Tax Credit Allocation Plan***

Massachusetts' 2010 QAP provides incentives for a variety of environmentally sustainable building practices including Energy Star compliance, water conservation measures, energy efficiency measures, and healthy living environment measures.

Of 20 possible Design Points (12 minimum are required), points will be assigned for (among other qualities): incorporating energy conservation measures that exceed those required by the Building Code, and complying with EPA's Energy Star standards; incorporating material selection consistent with promoting healthy interior environmental quality; incorporating water conservation techniques; incorporating mechanical ventilation measures to control humidity and promote good indoor air quality.

DHCD green criteria offers a max of 26 points for "emphasis on environmentally friendly design" - points divided by a) up to 5 points to projects where the exterior envelope has been insulated beyond requirements of the Building Code b) up to 5 points to projects that include efficient building systems in their plans and specifications, c) up to 4 points to projects that include healthy indoor air quality in their plans and specifications, d) up to 4 points for environmentally friendly site design, e) up to 2 points for Renewable Energy sources, f) up to 6 points for Proximity to Transit and g) up to 6 points for enhanced accessibility.

### ***Other Green Incentives Relevant to Preservation***

DHCD has reserved \$6 million specifically for privately-owned, subsidized multifamily properties in need of preservation. The state will also use \$7 million in federal weatherization funds to replace inefficient heating systems in public housing units. As of October 2010, the ARRA Weatherization program has installed energy efficiency measures at 6,884 homes in Massachusetts. Among these are 201 units of expiring units/preservation special projects. The 3-year ARRA goal for these projects is 923 units. For additional information on MA's weatherization program see: <http://www.waptac.org/grantee-contacts.aspx>.

Other programs and incentives include the Low Income Multifamily Energy Retrofit Grant Program; Transit-Oriented Development Bond Program; Commercial Area Transit Node Housing Program; Renewable Energy Tax Credit; property tax exemptions for solar, wind and heat pump systems; and a variety of other grants and rebates for green building practices.

Beginning in 2010, Low Income Multifamily Energy Retrofit Grant Program, offered grants to public housing authorities and nonprofit owners of multifamily properties. MA utility companies will spend \$39 million of their low-income energy efficiency budgets on multifamily housing (almost 30% of the total budget).

***Other Green Incentives (continued)***

The Transit-Oriented Development (TOD) Bond Program is intended to increase compact, mixed-use, walkable development close to transit stations. To accomplish this objective, the Program authorization (Chapter 291 of the Acts of 2004) provides financing for pedestrian improvements, bicycle facilities, housing projects, and parking facilities within .25 (1/4) miles of a commuter rail station, subway station, bus station, bus rapid transit station, or ferry terminal. Affordability to be ensured for no less than 30 years.

Commercial Area Transit Node Housing Program (CATNHP) is a state funded bond program available to municipalities, non-profit and for-profit sponsors to support rental housing production or rehabilitation. CATNHP assistance will be provided in the form of a 30-year deferred payment loan at 0% interest. DHCD will offer assistance through an initial demonstration of CATNHP funding to housing projects, of 24 units or less, within neighborhood commercial areas and in proximity to public transit nodes. In accordance with the enabling statute, not less than 51% of the units assisted by the program must benefit persons earning not more than 80% of the area median income.

***For additional information on green initiatives, visit [www.aceee.org](http://www.aceee.org) for more on policies related to energy efficiency or [www.dsireusa.org](http://www.dsireusa.org) for programs that may be available to developers to incentivize renewable energy or energy efficiency.***

**Sustainable Communities & Transit-Oriented Development Incentives**

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The 2010 QAP awards up to 3 points if the proposed project is part of a neighborhood revitalization effort. Additionally, the QAP's 12th threshold requirement is consistency with the Commonwealth's May 2007 sustainable development principles. These include concentrating development, smart growth, environmental sustainability, regional planning, transportation choices, and other principles.

The 2010 QAP awards 6 points (part of Environmental Design section) for being within 1/2 mile of mass transit.