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Preserving History and Housing in Boston

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Industry experts say preserving existing affordable rental housing in Boston is of utmost importance. This sentiment is backed up by the apartment rental website Zumper, which in 2015 ranked Boston as the third most-expensive city for renters across the country. As such, when Chauncy House Apartments, in Boston’s Chinatown neighborhood, was in need of rehabilitation, it is not surprising that it received ample public and private support.

“This is an affordable housing development at the end of its mortgage cycle in a very hot market. Do you preserve it or let it flip to market-rate housing? We will preserve it every time,” said Tom Gleason, executive director of the Massachusetts Housing Finance Agency (MassHousing), which helped finance the redevelopment.

Chauncy House Apartments had a life before it was converted into affordable housing. It was originally the Wendell Phillips Building, an office building constructed in 1922 that was later converted into affordable housing in 1973 through the U.S. Department of Housing and Urban Development (HUD) Section 236 program. The 12-story building is listed in the National Register of Historic Places. Now, the building contains 22 studios and 66 one-bedroom apartments, including a one-bedroom apartment for the superintendent. The ground floor features a community room for the residents, as well as a 3,400-square-foot commercial space that houses Essex Corner, an Asian craft store.

The building has been owned by The Community Builders (TCB) since 1997. Eliza Datta, TCB regional vice president of development, New England, said that after nearly 20 years, the building just need to be updated. TCB is a Boston-based nonprofit developer, owner and manager of affordable housing. With the Section 236 mortgage and its related affordability restrictions set to expire in 2015, Datta said it was the

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opportune time to preserve Chauncy House’s affordability while making improvements to the building’s apartments and preserving many of its historic elements.

From a historic standpoint, the rehabilitation will include preserving the terra-cotta tile façade and replacing the large aluminum windows with historically accurate replicas. Additionally, the marble walls and the elevator floor indicators in the elevator lobby, as well as the original clock were preserved. In terms of upgrading the apartments, TCB will reconfigure the first floor, providing tenants with more community space. Other unit upgrades include new kitchens and bathrooms, as well as upgrades to common areas and the building’s mechanical systems. Construction began in October 2015 and is scheduled to be completed in October.

Datta said the development is challenging because it is an occupied rehabilitation. TCB is rehabilitating the building floor-by-floor. Each room is under construction for as many as five days and residents are able to sleep in the units at night. During the day, Datta said that TCB provides residents with space off-site for meals and other activities. Datta said having this extra space for residents is “important for a project like this where the building is in downtown Boston with a tight rental market. We have been hard-pressed to find temporary housing for residents.”

The Architectural Team, which worked on converting the Wendell Phillips Building into affordable housing in 1973, also worked on this most recent upgrade

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to Chauncy House Apartments. Mike Binette, vice president and principal of The Architectural Team, said the historic façade needs to be rehabilitated and preserved because “it has fallen victim to years of water infiltration.” According to Binette, it is an arduous task to disassemble the terra-cotta tiles and then put them back together piece by piece. And because this property serves the senior population, Binette said that it was important to comply with modern accessibility standards. This includes adding Universal Design features such as grab bars in the showers and creating more space in the kitchens and walkways to promote accessibility. “A majority of the units are on a small scale, studios and one-bedroom units. This suits the aging population well. There is a dire need for affordable housing in Boston’s Chinatown,” said Binette.

“IT’s just the strength of our relationship with TCB.” From an investment standpoint, Kilbane said this was attractive to Red Stone because “TD Bank has CRA needs in Boston and had enough appetite to take on all three credits.”

TD Bank has also worked with TCB on a number of previous developments. “We are a CRA [Community Reinvestment Act] investor. So we have areas that we are targeting. This falls under the Boston assessment area,” said David Birkhahn, vice president and team lead in the Northern region at TD Bank. “Now days, 4 percent deals are more prevalent. You need to be more flexible in competitive markets.” Birkhahn added that being able to invest in all three tax credits gave the bank a competitive advantage.

MassHousing provided a $9.2 million construction and permanent loan and a $7.2 million bridge loan. Datta said that both loans originated from the tax-exempt bond issuance. “This is a great project in the city of Boston on the edge of Chinatown, one of the most densely populated neighborhoods in the city. There is a real need for affordable housing in this part of the city,” said MassHousing’s Gleason. “There is a lot of luxury housing around this development. To take 88 units and not lose it to conversion is really a home run for all of us.”

Financing
Chauncy House Apartments used a number of financial programs to help finance the redevelopment, including 4 percent LIHTCs as well as federal and state historic tax credits (HTCs). In order to preserve the building’s affordability, Datta said that TCB also worked with HUD to extend the building’s existing 34-unit project-based Section 8 contract and secured a new 53-unit project-based Section 8 contract. This allows residents to pay only 30 percent of their incomes toward rent.

“Preserving the Section 8 vouchers was very important to making the project work and preserving the building as affordable housing long-term,” said Datta.

Red Stone Equity Partners was the syndicator for all three credits and set up a proprietary fund with TD Bank as the end investor. The fund includes $7.8 million in 4 percent LIHTC equity, $3.4 million in federal HTC equity and $300,000 in state HTC equity.

Bryan Kilbane, director-acquisitions at Red Stone, said that this was an attractive investment because Red Stone has done about a dozen investments with TCB in the last five years. “TCB has done this on so many occasions. So our comfort level is high,” said Kilbane.

Chauncy House Apartments

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