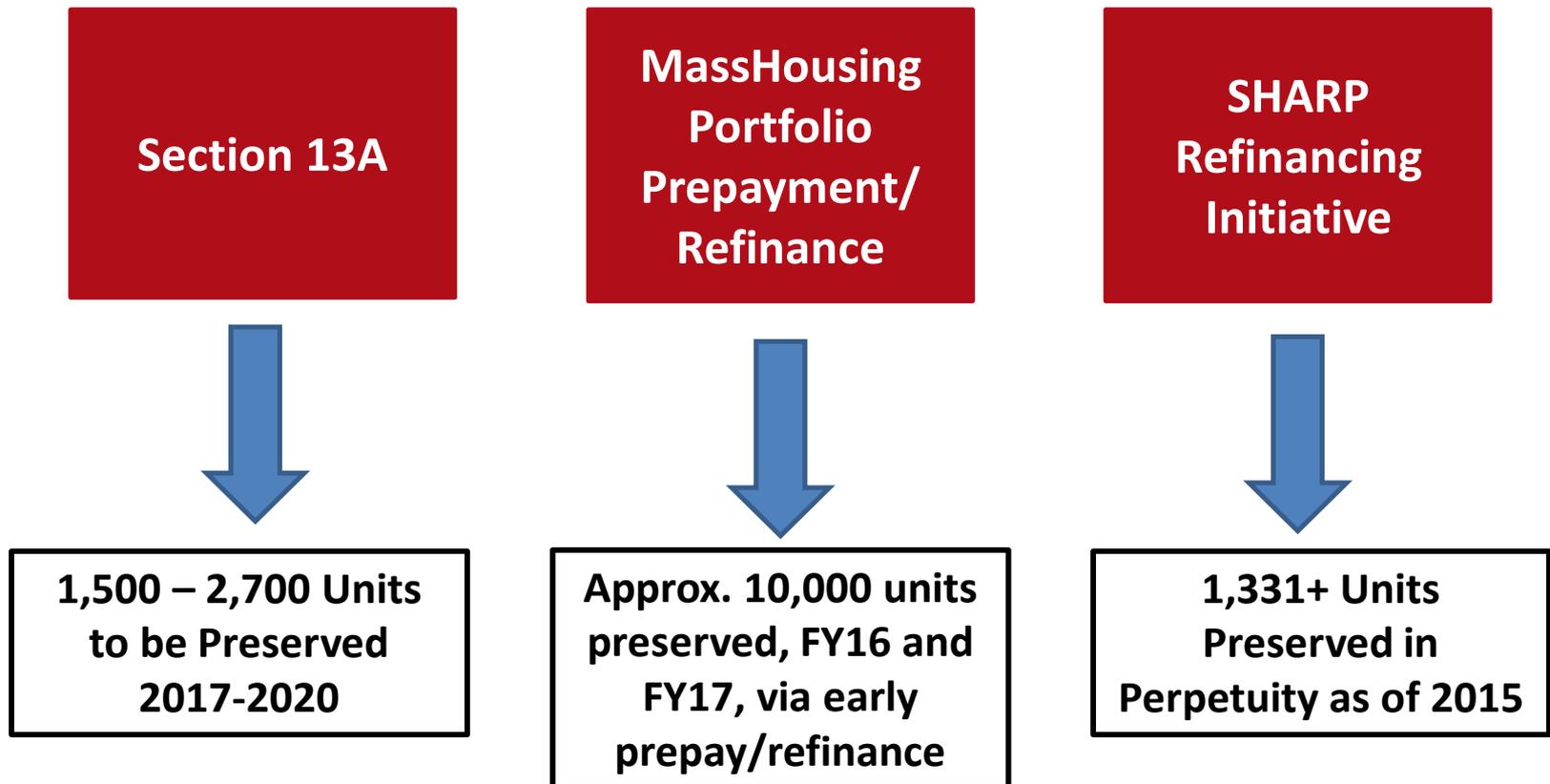


# Local Preservation Tools

## Creating Development Opportunities While Saving At-Risk Properties

NH&RA Fall Forum, Nov. 6, 2017  
Karen E. Kelleher, Deputy Director

## MassHousing At-Risk Preservation

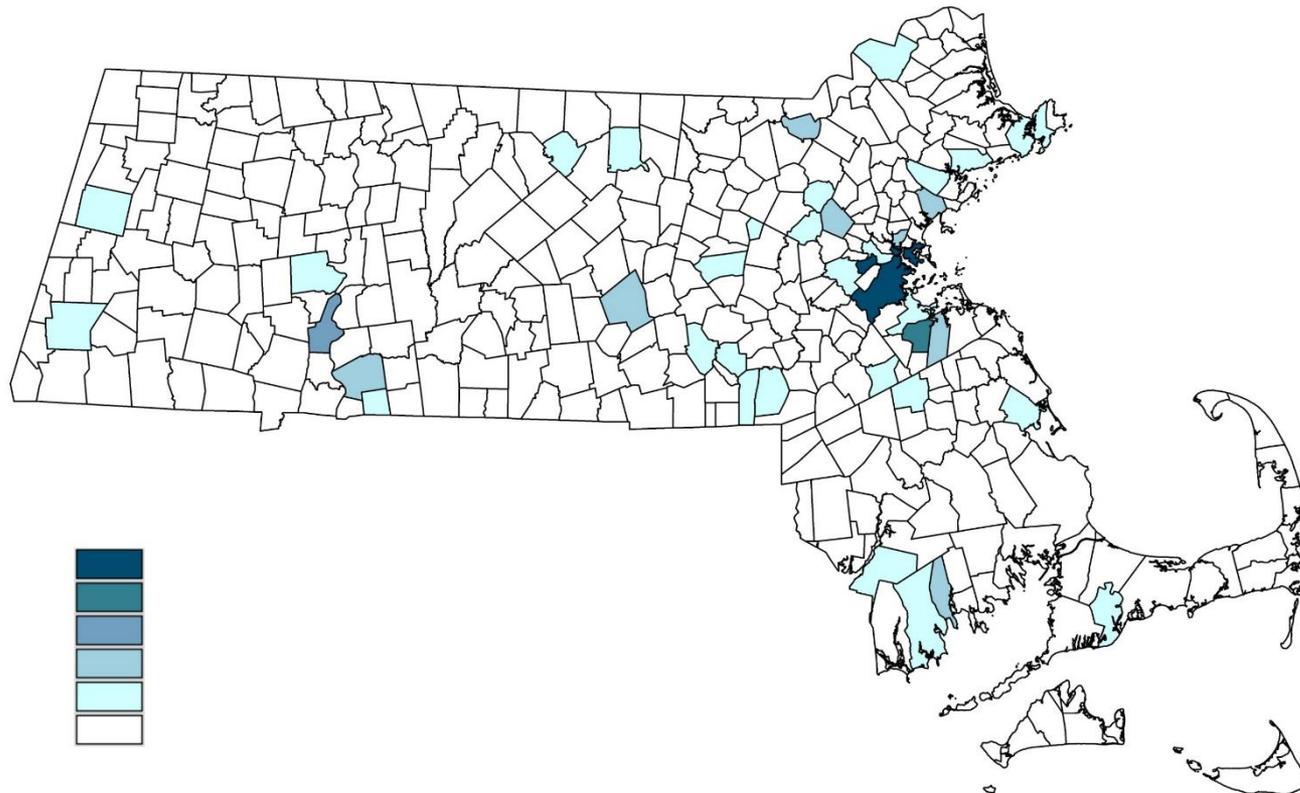


- Section 13A was modeled after the Federal Section 236 program with a **interest rate subsidy** from the Commonwealth, reducing the rate to 1%. Savings are passed on to the resident via a reduced, budget-based rent, known as the **Basic Rent**.
- **The resident population is extremely vulnerable:**
  - Average household income is \$26,000.
  - Nearly 90% of households earn below 60% of AMI.
  - Nearly 25% of households earn below 30% of AMI.
- 13A Basic **Rents are well below both Market and LIHTC levels.** Sample rents for a two-bedroom unit in two 13A properties are as follows:

	Boston Property	Suburban Property
Market	\$2,900	\$1,650
LIHTC	\$1,324	\$1,324
13A Basic	\$845	\$778
MRVP	\$770	\$681

## Section 13A Background

While many of the units are concentrated in Boston, there are 13A units **throughout the Commonwealth.**



**Inception-2003:**

Program is fully-funded by the Commonwealth (annual cost of about \$8 million).

**2004:**

Commonwealth reduces funding commitment.

**2009:**

**Commonwealth stops funding; MassHousing steps in to make up funding gap of about \$80 million.**

**1990**

**1990s - 2013:**

Preservation is supported by **federal resources**.

- Long-term, deep affordability with project-based subsidies.
- Tenant-based subsidies ensure all households have protection.

**2000**

**2010**

**2013:**

**Federal resources become unavailable.**

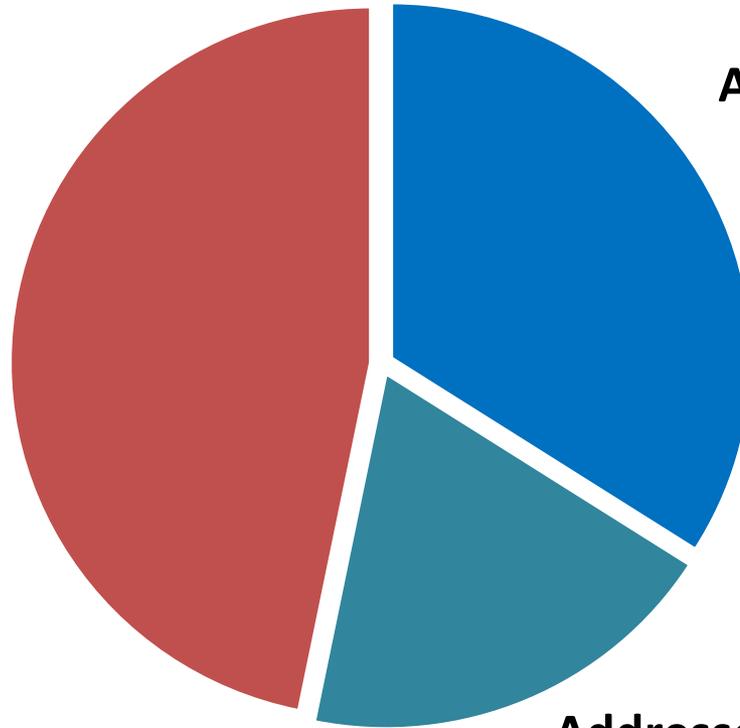
- Preservation becomes challenging.
- Deep affordability harder to achieve.

**2020**

Until 2013, long-term preservation was expected to be achieved with federal section 8 vouchers, similar to Section 236 properties.

## **3,300 Units in 34 Properties Left At Risk**

**Remaining  
3,300 units  
34 properties  
Affordability  
Expiring  
2017-2020**



**Addressed before 2013  
2,400 units  
17 properties**

**Addressed 2013 - 2016  
1,350 units  
17 properties**

## 13A Preservation Resources

- **MRVP rent increase** to LIHTC rent levels from DHCD (> **\$6MM** annually)
- Priority for tax-exempt **volume cap (> \$350 million)**
- **\$100 Million Soft Debt** from MassHousing (\$50MM) and DHCD (\$50MM)
- Remainder of \$80 Million **Interest Rate Subsidy** from MassHousing
- Resources are generally “rolling”
- City of Boston and other municipalities are also committing local funds

## 13A Preservation Approach

Given the unique challenge of the 13A Portfolio the agency's approach is responsive to the risk of market conversion, and the severity of the potential impact on tenants.

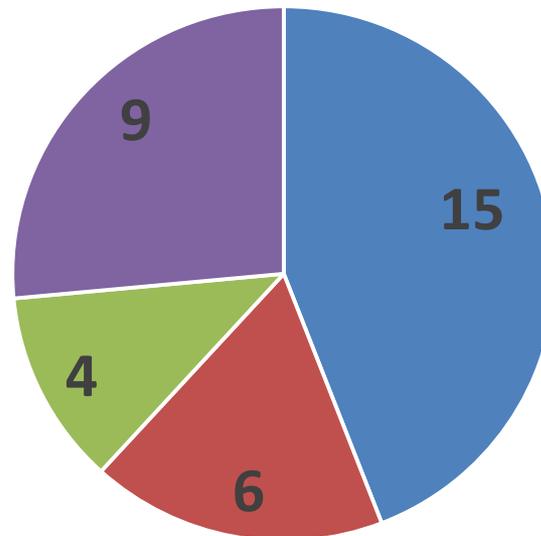
- Calculating a proxy for an achievable market sales price for all remaining 13A properties,
- Estimating how much of that sales price could be addressed with new first mortgage debt, and
- Making credible subsidy offers sized to make owners "whole."
- Linking tax credit equity resources more directly to capital needs

Preservation efforts are bearing fruit. Of the 34 properties to be addressed with the aforementioned resources:

- Four (194 units) will be **preserved** by the end of CY 2017;
- Ten (1,127 units) **will likely preserve** by the end of CY 2018;
- Three (195 units) **will likely preserve** by the end of CY 2019;
- Eight (1,199 units) have the potential to preserve, but the outcomes are **uncertain**;
- Nine (468 units) have not engaged in preservation planning and preservation outcomes appear **less certain**
  - Unless an owner is willing to consider preservation, or offers the property for sale, the state has no ability to preserve these units.
  - The state will continue to work toward preservation, but at least half of these properties will likely convert to market.

## Path to Preservation Outcome

34 Properties



- Self-Preserve
- Friendly Sale
- 40T Sale
- Pres. Uncertain

“Success” will not look the same at each property, and will be measured against our ability to:

- Be flexible and nimble in order to **protect every 13A household**.
- Prudently deploy scarce public resources to **preserve units**.
- Significant capital needs will impact resources available for acquisition
- Make credible subsidy offers to owners open to preservation, and work creatively to **help owners realize their priorities**.