

# TaxCreditAdvisor

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## New Markets Tax Credits

*The Engine for Positive Change*

PAGE 24

**The Boston Deal  
Driven by a Land  
Swap and 'Porting'**

PAGE 4

**States Advance 2015  
Housing Credit Programs**

PAGE 32

**Tips for Solid  
Asset Management**

PAGE 34

Rendering of M1-Rail System  
Detroit, Michigan

NMTC Allocation Provided by CapFund New Markets, LLC

Rendering by M-1 RAIL, Detroit, Michigan



Townhome-Style Rental Units at Charlesview Residences, Boston, Massachusetts. Photo courtesy of Charlesview, Inc.

## A Sweet Deal

### Land Swap with Harvard Paves the Way for New Affordable Rental Development in Boston

The genesis for Charlesview Residences in Boston, Mass., was akin to an episode of the classic TV show, *Let's Make a Deal*.

The mixed-use, multi-phase development, funded partly by federal low-income housing tax credits, was made possible by a land swap between a small local nonprofit and Harvard University – plus the “porting” of a federal rental assistance contract.

Charlesview Residences, the first phase, was developed by a partnership of two Boston-based nonprofits: Charlesview, Inc., a small, volunteer-driven, community-based organization, and The Community Builders, Inc. (TCB), a large regional nonprofit.

Located along Western Avenue in the Brighton neighborhood, the \$143 million LEED Silver-certified development contains 240 affordable and market-rate apartments in three mid-rise buildings and 19 townhomes, a 243-car underground parking garage for residents, a 10,000-square-foot community center, and nearly 15,000 square feet of commercial space. Much of the commercial space has already been leased to a

Spanish immersion preschool and a sandwich shop.

“It’s an amazing development,” says Jo-Ann Barbour, Executive Director of Charlesview, Inc.

Yet that’s not all.

A second phase is the Town Homes at Brighton Mills, financed separately and developed solely by The Community Builders. About 70% complete, this phase will include six townhouse-style buildings with 20 affordable homeownership units that will be sold to qualified buyers selected from a recent lottery.

In the third phase, TCB will select a third-party developer to partner in the construction of 80 for-sale market-rate and affordable condominiums.

All three phases are on the same six-acre parcel.



Jo-Ann Barbour

Photo courtesy of Charlesview, Inc.

#### An Abundance of Patience

Charlesview Residences is the result of years of plan-

Charlesview, continued on page 5

Charlesview, continued from page 4

ning, negotiations, and meetings that started back in the 2000s. “My board has a lot of patience,” says Barbour.

Formed in 1969 by five religious congregations (now three) in the Allston/Brighton neighborhoods, Charlesview, Inc. developed a 213-unit affordable apartment building called Charlesview Apartments in 1970. By the 2000s, though, the HUD Section 236 development in Allston, Charlesview’s only property, was showing wear and tear, and the nonprofit’s board eventually recruited TCB as a partner to determine what path to take regarding the project’s future.

“The property was old, the mortgage was going to be paid off soon, and there were lots of repairs needed,” says Beverly Bates, Senior Vice President of Development Operations at The Community Builders. “So they hired us to consult with them to help them figure out their options for refinancing and renovating the real estate, which is what we started out doing.”



Beverly Bates

Photo courtesy of The Community Builders, Inc.

Meanwhile, Harvard University for years had made overtures to Charlesview, Inc. expressing interest in acquiring its property in order to expand.

“The Charlesview land was very important to Harvard since it sits right next to their business school campus,” Barbour explains, “and land that they owned six blocks away on Western Avenue, which was a closed up shopping mall, was less important to them.”

Together with TCB, Charlesview, Inc. struck a deal with Harvard under which the nonprofit agreed to swap its Charlesview Apartments property to the university for the latter’s vacant strip retail site on Western Avenue, plus a substantial cash payment to help finance new replacement affordable rental housing.

The two nonprofits also met numerous times with various other stakeholders, including local agencies and residents of the Allston/Brighton community, to listen to their suggestions for the redevelopment of the Western Avenue site. These comments shaped the ultimate plan for a mix of affordable and market-rate rental and ownership housing.

TCB secured the necessary entitlements

for the project over a three-year period, lined up the financing, and obtained approval from the U.S. Department of Housing and Urban Development for transfer of the existing project-based Section 8 rental assistance contract from Charlesview Apartments to the new Charlesview Residences once the latter was built. This was the first such “porting” arrangement approved in HUD’s New England region under Section 8(bb)(1) of the U.S. Housing Act of 1937. HUD has just issued comprehensive guidance regarding such transactions (see *article on p. 6*).

Construction of Charlesview Residences began in May 2011 and was completed in June 2013, when 199 resident households moved from the old Charlesview Apartments into the new development and Harvard acquired the old site. The remaining 41 apartments in the new development were rented up within weeks.

According to Barbour, a variety of programs and services are offered to the residents at Charlesview Residences, including after-school programs, computer classes, tutoring, parenting, classes in cooking and English as a Second Language, and exercise programs. Many of the programs as well as the community center are also open to residents of the surrounding community.

The property is managed by Peabody Properties, Inc.

### Income Mix, Funding Sources

Charlesview Residences reflects a mix of income restrictions for its 240 apartments, of which 211 are low-

Charlesview, continued on page 6



Three Mid-Rise Buildings at Charlesview Residences

Photo by Charlesview, Inc.

## HUD Issues Extensive Guidance Regarding Transfers of Section 8 Contracts

A new notice from the U.S. Department of Housing and Urban Development (HUD) provides the first comprehensive guidance regarding the transfer of project-based Section 8 rental assistance contracts under Section 8(bb) of the U.S. Housing Act of 1937.

Practitioners expect more transfers of Section 8 contracts as a result.

The 31-page notice (H-2014-14), issued October 9, spells out requirements and procedures for the transfer of Section 8 contract budget authority from the existing property to which it is attached to one or more other properties with the same or different owner(s). The guidance also contains examples of different kinds of project transfers. For example, a commitment could be to transfer contract budget authority from an existing property to a newly built or rehabilitated project, or from one existing property to another. In all cases, the owner of the property with the Section 8 contract must consent to the transfer, and HUD must approve.

Washington, D.C. attorneys Monica Sussman and Michael Reardon, partners in the law firm of Nixon Peabody LLP, said that prior to the notice the only official guidance for transfers under Section 8(bb) were a few sentences in the statute. Sussman indicated that her group has worked on about 30 or so transfers under Section 8(bb) since the provision was enacted in the 1990s, but that each has had to be structured and approved separately.

According to Reardon, the new notice "standardizes the process that up to this point was on a case-by-case basis." Reardon suggested that more small owners in particular may take advantage of the notice to seek transfers of Section 8 contracts now that they are aware of the ability to do this. "Before, unless you knew about this 8(bb) provision in the statute, on which there were no published notices or anything saying how it could be used, many owners weren't aware of it. Now they are."

(Notice H-2014-14: <http://tinyurl.com/pne2bfx>) **TCA**

**Charlesview**, continued from page 5

income housing tax credit units and 200 have project-based rental assistance.

Two hundred units are earmarked for households making 30% or less of the area median income (AMI); 11 units for households at or below 60% of AMI; and 10 units for households at or below 80% of AMI. The remaining 19 apartments are market rate, occupied by renters from Charlesview Apartments that had incomes above 80% of AMI.

The apartments range in size from one to four bedrooms. Monthly gross rents for the tax credit units range from \$1,070 to \$1,702, while the Section 8 contract rents range from \$1,576 to \$2,868 per month. Gross monthly rents on the market-rate apartments range from \$1,355 to \$1,613.

The project utilized a mix of funding sources.

Charlesview, Inc. made a \$64.4 million loan to the project, using the cash payment it received from Harvard.

MassHousing issued tax-exempt bonds to fund construction and a \$46 million HUD Risk-Share first mortgage (30-years, 4.9%). The tax-exempt financing qualified the project for 4% federal housing tax credits, which generated \$27.6 million in equity. The tax credits were syndicated by AEGON on behalf of investor Google for 74 cents per dollar of tax credit – prices dipped during the recession.

Other sources included a \$2 million subordinate loan, a seller note, brownfield tax credits, accrued interest (soft debt), and a small capital contribution by the general partner.

### Second, Third Phases

The Town Homes at Brighton Mills contains the first affordable homeownership units built in Boston since the 2008 recession, according to Bates.

Five two-bedroom units and five three-bedroom units will be sold to buyers making 80% or less of AMI, at prices of \$190,500 and \$218,700, respectively. Another five two-bedroom units and five three-bedroom units will be sold to buyers making 100% or less of AMI, at prices of \$246,900 and \$282,000. The purchase prices will be subsidized in part by a portion of the developer fee received by Charlesview, Inc. and TCB on Charlesview Residences.

**Charlesview**, continued on page 8

Charlesview, continued from page 6

Bates said “hundreds” of people submitted their names in the recent lottery held to attract interested and qualified buyers for the 20 homes. The 20 winners have been selected, and are being reviewed to verify that they will be able to close on a mortgage to purchase their unit. “We’re cautiously optimistic that at the end of the day we’ll get our 20 homeowners out of this process,” says Bates.

The buyers’ mortgages will take out the construction loan provided by Eastern Bank.

Bates said TCB has come up with a preliminary design for the third phase, called the Telford Street condo project, and is soliciting proposals from experienced condo developers. “It’s likely to be one building, or perhaps one building with a few townhouses,” she notes. The third-party condo developer will likely be the sole developer, but TCB will remain involved throughout the planning and permitting process to ensure that the development is consistent with the goals of the community and the original vision of TCB and Charlesview, Inc. for the site.

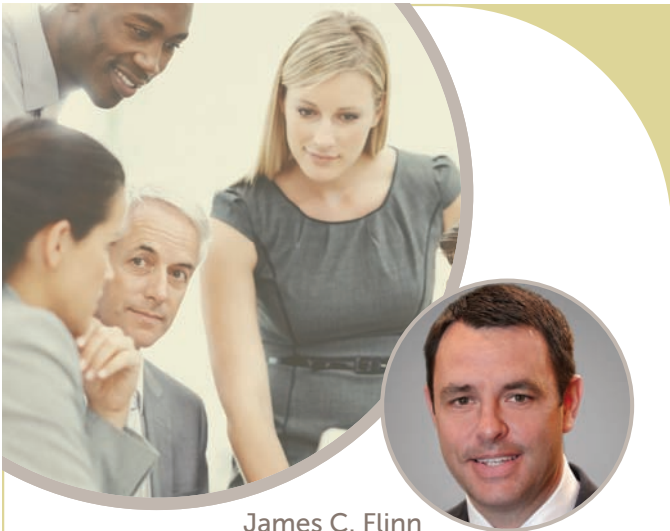
Of the 80 condos, 74 will be sold to market-rate buyers, three to households making 100% or less of AMI, and three to buyers making 120% or less of AMI.

### A Happy Ending

Bates and Barbour are extremely pleased about how the entire, complex transaction has turned out.

“Charlesview in many ways was 10 years in the making,” says Bates. “And a lot of hands here at The Community Builders and Charlesview, Inc. touched it. There were some dark days when we thought, *How are we ever going to get this done?* But it really is a terrific outcome. The folks who live there have a great new start, and great housing that’s affordable. The retail space is starting to fill in and we’re going to have a nice mix of businesses, and Charlesview, Inc. has really maximized the community use and benefit of the community space that we created.”

“The community as a whole has really come together around this development and accepted and embraced the residents here at Charlesview,” states Barbour. “To me, from a community building and community organizing perspective, it’s been very important how something this size and with this number of people moving in could happen as smoothly and as harmoniously as it has.” **TCA**



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