



CELEBRATING
55 YEARS

nerej

MassHousing closes on \$14.5m in affordable housing financing

June 08, 2018 - Financial Digest

Brockton, MA MassHousing has closed on a total of \$14.5 million in affordable housing financing to Beacon Communities LLC, for the rehabilitation and preservation of affordability of 570 apartments at two housing communities, the 300-unit Chatham West I and 270-unit Chatham West II.

The transaction resolves the expired Section 13A mortgage on 202 units at Chatham West II, and supports the continued tenancies of existing residents who were formerly covered by the 13A mortgage. The MassHousing financing also enables Beacon Communities to undertake renovations and preserve the overall affordability of both housing communities.

“This transaction provides a great outcome for the residents of Chatham West I and II, who will have their affordability preserved for the long term, while also seeing immediate improvements to the property,” said MassHousing executive director Chrystal Kornegay. “Beacon Communities has worked diligently to ensure that vulnerable 13A tenants would be able to continue their tenancies at Chatham West. We thank Beacon for their partnership, and their commitment to preserving the affordability for the residents of Chatham West.”

“Beacon Communities is thrilled to have been able to collaborate with MassHousing, Walker & Dunlop and the city of Brockton to develop a unique and creative financing approach for Chatham West I and Chatham West II, which preserves the affordability of the rents into the future, and protects the tenancy of the existing residents,” said Pam Goodman, CEO of Beacon Communities. “The renovation will also allow for the needed capital upgrade of these 40-year-old buildings.”

Chatham West I was constructed in 1974 and originally financed under the federal Section 236 interest subsidy program. In 2013, Beacon Communities prepaid the Section 236 loan in order to participate in HUD’s Rental Assistance Demonstration (RAD) program, which provided 272 Section 8 Project Based Housing Assistance Payment (HAP) vouchers to households earning at or below 80% of the Area Median Income (AMI).

MassHousing is providing Beacon with \$1.5 million from the Agency’s \$100 million Workforce Housing Initiative and a \$3 million RAD affordability loan for Chatham West I. The RAD affordability loan will ensure the long-term preservation of at least 60 of the 272 Section 8 units for an additional 20 years past the maturity of the existing HAP contract, which expires in 2028. The workforce housing loan will preserve the affordability of the 28 units that are not covered by Section 8 vouchers. Those apartments will be available to households earning between 61% and 80% of AMI.

The AMI for a family of four in Brockton is \$84,100.

The cCity of Brockton also provided \$400,000 in financing through its federal HOME funds allocation, which will offset a portion of the cost of renovation.

MassHousing is providing Beacon with a \$10 million 13A Tenant Protection Loan for Chatham West II. The Chatham West II property was originally financed under the Massachusetts Section 13A interest subsidy program. The Section 13A program had provided rental subsidies to 202 apartments at Chatham West II, with the remaining 68 units covered by a Section 8 HAP contract. The 13A mortgage matured in March 2017, leaving residents of the 202 former 13A units without long-term affordability protections.

The \$10 million MassHousing loan will be used to support the continued tenancy of current 13A legacy households, who will transition to affordable units at the Chatham West complex as units become available.

The Commonwealth's Section 13A program was created by the Massachusetts Legislature in the 1970s to provide low-interest mortgage financing to affordable housing communities. Today, 13A communities serve some of the lowest-income and most vulnerable populations in Massachusetts, including many elderly residents. The mortgages on these 13A housing communities are nearing maturity, and no federal resources are available for their preservation. In response, MassHousing and the Department of Housing and Community Development (DHCD) have committed a total of \$100 million in capital to help protect vulnerable residents and preserve affordable 13A units that otherwise could convert to market rates.

In addition to the MassHousing subordinate debt, Beacon Communities is also receiving a pair of Fannie Mae first mortgages, totaling \$30.7 million, through Walker & Dunlop. The funds will protect low-income tenants, and stabilize and improve the Chatham West properties, in advance of a future comprehensive refinancing by Beacon.

The financing package will allow Beacon Communities to make \$13 million in renovations at Chatham West I and II. Beacon will replace windows, doors, roofs and boilers, upgrade apartment units, and make accessibility improvements across both properties.

Chatham West I has 176 one-bedroom apartments and 124 two-bedroom apartments. Chatham West II has 112 one-bedroom apartments, 102 two-bedroom apartments, 48 three-bedroom apartments and 8 four-bedroom apartments.

MassHousing has financed or manages the rental subsidy for 11 rental housing communities in Brockton with 2,140 total units and an original total loan amount of \$46.7 million and provided mortgage financing to 1,442 Brockton homeowners with an original principal loan amount of \$180.1 million.