Chapter 40T Has Successfully Preserved More than 11,000 Affordable Housing Units in Massachusetts, New Study Says

**Threats to Affordable Housing Preservation Remain**

**Boston, Mass. (June 3, 2015)** – The Chapter 40T law, passed in 2009, has been directly or indirectly responsible for preserving more than 11,000 units of affordable housing in Massachusetts, according to a new study released by the Community Economic Development Assistance Corporation (CEDAC) and the Massachusetts Housing Finance Agency (MassHousing). The report, “Chapter 40T at 5: A Retrospective Assessment of Massachusetts’ Expiring Use Preservation Law,” is available at CEDAC’s Web site.

“40T has achieved significant benefits in preserving units and protecting tenants in properties that are subject to its jurisdiction,” said report author Emily Achtenberg, a housing policy and development consultant. “Not a single property with remaining restrictions that has been offered for sale under 40T has been lost as affordable housing. Overall, fewer than 100 net affordable units (less than 1% of all units sold subject to 40T) have been or are slated to be lost through the 40T preservation sales process.”

But the report notes that challenges remain to preserving affordable housing units in Massachusetts. While more than 11,000 units have been preserved since the inception of 40T, the study estimates that some affordable units in subsidized mortgage properties have been lost through owner conversions to market-rate housing as mortgage and use restrictions expire. CEDAC data show over 20,000 affordable apartments to be at risk by the end of the decade, including over 5,000 maturing mortgage units at high risk.

“The process to enact Chapter 40T took a long time and included active participation of many stakeholders. The final law has produced successful outcomes in preserving affordable housing units for low income families,” said Roger Herzog, CEDAC’s Executive Director. “As the study notes, it has provided two different pathways for sellers of multifamily properties, including properties in strong markets, to sell to affordable housing preservation buyers. Because of this landmark model law, thousands of units that were eligible to convert to market-rate housing have been maintained. But there are still thousands of additional units that are at risk.”
The report’s findings were presented this afternoon at an event sponsored by CEDAC and the Citizens’ Housing and Planning Association (CHAPA) and hosted by MassHousing. The forum featured a panel discussion on the current state of affordable housing preservation in the Commonwealth that included Massachusetts Undersecretary of Housing and Community Development Chrystal Kornegay, Madison Park Development Corporation Chief Executive Officer Jeanne Pinado, and Massachusetts Senior Action Council Executive Director Carolyn Villers.

“Preserving affordable housing is a critical part of a housing strategy across Massachusetts given the rising costs and the dwindling stock,” said Chrystal Kornegay, Massachusetts Undersecretary of Housing and Community Development. “We are looking forward to building on the success of the Chapter 40T law to help strengthen communities around the Commonwealth.”

The Massachusetts Legislature enacted Chapter 40T in response to a crisis that evolved out of the way that many large-scale affordable housing developments were financed in the late 1960s and 1970s. At that time, these apartments were built by private owners utilizing state and federally-funded mortgage programs that connected access to below market rate 40 year mortgages to affordable housing use restrictions. Many of those mortgages will reach maturity in the next several years. In 2011, CEDAC estimated that the Commonwealth could lose more than 10,000 units of affordable housing due to mortgage maturity if the problem was not addressed. With average rents in Greater Boston over $1,500 per month, residents could see rents in their buildings double when affordability restrictions are ended.

“Over the past 5 years, 40T has proven to be an extraordinary tool in our Commonwealth’s efforts to preserve affordable housing,” said Rep. Kevin Honan (D-Brighton). “I am proud to have sponsored this legislation, and as the housing market continues to tighten, I am pleased to witness its continued success.”

Chapter 40T gave the state new tools to monitor and manage the affordable housing portfolio in the Commonwealth. These tools include expanded public notice requirements, a “right of first refusal” granted to the Massachusetts Department of Housing and Community Development (DHCD) if an affordable housing development is put on the market for sale, and new tenant protections when an owner terminates affordability. Chapter 40T joined other financing programs the state is using to maintain affordable units. The Commonwealth established the $150 million Massachusetts Preservation Loan Fund, managed by CEDAC and the Massachusetts Housing Investment Corporation, for predevelopment and acquisition financing for preservation projects. In 2009, CEDAC also received a grant from the John D. and Catherine T. MacArthur Foundation to help support the state’s affordable housing preservation efforts and the preservation loan fund.
Among the developments that have utilized Chapter 40T include Putnam Square Apartments and Chapman Arms in Cambridge and St. Botolph Terrace in Boston. DHCD worked with owners and with nonprofit designees, to exercise the state’s purchase rights. In doing so, 94 (Putnam Square), 25 (Chapman Arms), and 52 (St. Botolph Terrace) units of affordable housing were preserved, respectively.

“Chapter 40T can be a model in preserving affordable housing going forward, not only for Massachusetts but for the rest of the country, as well,” said Bill Brauner, CEDAC’s Housing Preservation Program Manager. “But it is clear that we face a significant challenge maintaining affordable units across Massachusetts and that we must continue to develop innovative, effective solutions such as Chapter 40T in order to preserve the affordability of rental apartments for many families and elderly residents.”

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About CEDAC

CEDAC is a public-private community development finance institution that provides financial resources and technical expertise for community-based and other nonprofit organizations engaged in effective community development in Massachusetts. CEDAC’s work supports three key building blocks of community development: affordable housing, workforce development, and early care and education. CEDAC is also active in national housing preservation policy research and development and is widely recognized as a leader in the non-profit community development industry. For additional information on CEDAC and their current projects, please visit www.cedac.org.