

Advertisement

SUBSCRIBER EXCLUSIVE 

Mass. needs more affordable housing; So why don't developers build more?

Published: Jun. 08, 2023, 5:30 a.m.



A six-story affordable housing development containing 83 apartments is under construction at the former Table Talk Pies property in Worcester. (Tréa Lavery, MassLive)

By [Tréa Lavery | TLavery@masslive.com](mailto:TLavery@masslive.com)

[A Home for Everyone: From rising rents to barriers to home ownership, part of MassLive's ongoing coverage of housing issues in Massachusetts.](#)

In Massachusetts, like much of the country, soaring rent and home prices have created a housing crisis that is affecting much of the population. Experts agree, one obvious step that would help is to add more affordable housing.

However, as hard as lawmakers, activists and developers try, they can't seem to build affordable housing in Massachusetts fast enough to meet the ever-growing need.

Roger Herzog, executive director of the Community Economic Development Assistance Corporation, a quasi-public agency that provides project financing and technical assistance for community development in Massachusetts, says the barriers to creating affordable housing boil down to three things: land, money and people.

- **Read more:** [Worcester's in a housing crisis; Here's how the city manager plans to fix it](#)

Where can developers build affordable housing?

The first issue that developers run into is the lack of land for new construction. Especially in urban areas, where the need for low-cost housing is often the highest, there is a dwindling supply of appropriate space.

"Certainly in our older, built-out cities, there are fewer and fewer available sites to build on, and the ones that are available are often the most difficult to develop," Herzog said. "Maybe they were former industrial sites and they've got all sorts of environmental issues, or maybe they've got ledge or some kind of subsurface conditions that make them tough to build on, or other surrounding uses that aren't compatible. And we can solve all those problems, but it just makes doing the work harder."

The sites where construction is easier, or even possible, are frequently expensive to acquire, too. Dara Kovel, CEO of Beacon Communities, a Boston-based multifamily housing development company that works on both market-rate and affordable projects, pointed out that Massachusetts has some of the most expensive property prices in the country, and that affects not only residents but developers.

“The general challenge is that the coastal, urban, desirable places to live and the great places in New England to live are very expensive,” she said. “It’s hard to get in front of that.”

- **Read more:** [For Black families, homeownership is hard; This program is making it easier for a few](#)

Heading out of the city to more rural areas doesn’t always help, either. Jason Korb, principal of Capstone Communities, said when his company was exploring building affordable housing at the former Baldwinville School in Templeton, they looked for previous multifamily building permits in the town and found there had been none since around 2000.

“The numbers just don’t work,” Korb said. “So there’s no options for people in a place like Templeton to rent, and rent affordably. ... There’s a huge amount of demand for rental housing, but there’s nothing that meets it because there’s no rental housing out there.”

Like with the Baldwinville project, which is in predevelopment and would include 50 apartments, some developers take advantage of already-standing structures to create housing in areas where land is hard to come by.

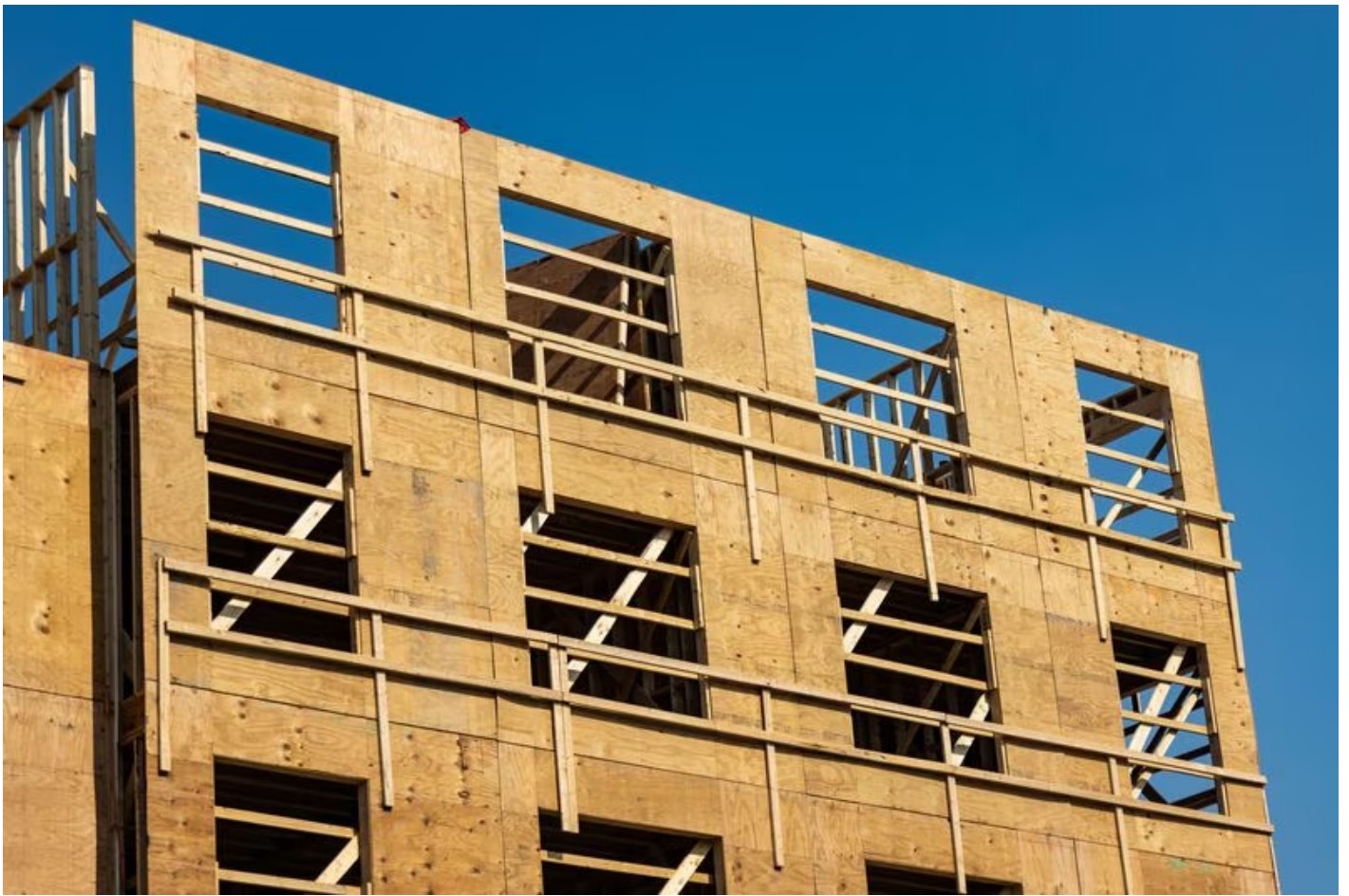
These projects, often referred to as “adaptive reuse,” can find new purposes for unused structures, such as schools and churches, but come with their own challenges.

Depending on the age and state of the buildings, it can be cost-prohibitive to rehabilitate them and make them liveable.

In addition, developers are limited in the number of units they can include in a reuse project by the size of the building, which means they aren’t always worth it for larger firms. Beacon Communities is one company that doesn’t usually work on smaller-scale projects, Kovel said, and they aren’t the only one.

Korb said after founding his firm in 2010, his first two affordable housing projects had fewer than 30 units. After going through the financing process and completing the projects, he realized development on that scale wasn’t sustainable.

“There’s the same amount of brain damage for a 20-unit project as there is for 200,” Korb said.



A six-story affordable housing development containing 83 apartments is under construction at the former Table Talk Pies property in Worcester. (Tréa Lavery, MassLive)

Where do developers get the money for affordable housing?

Unlike with market-rate development, developers can't just go to the bank to ask for money. Most of the funding for affordable projects comes from the government, semi-public agencies like CEDAC or directly from developers' pockets.

However, with the high need for affordable housing, that funding is stretched thin.

"The one barrier that is becoming most acute right now is the lack of supply of financing resources that can be used to fund affordable housing projects," said Tony Fracasso, senior vice president of housing finance at MassDevelopment. "We're very resource-constrained right now. Massachusetts does an amazing job, a really good job financing a good number of affordable housing projects with the resources we have. The demand right now is much greater than the resources we're provided with."

Unlike with market-rate projects, where developers can supplement their own capital with bank loans, developers for affordable housing have to get funding from a variety of sources. Some of the most common include the federal Low Income Housing Tax Credit Program and HOME Investment Partnerships Program, state programs like the Local

Initiative Program and Housing Stabilization Fund, [local Affordable Housing Trust Funds](#) or Community Preservation Act funding, and grants, bonds or loans from other agencies.

Many of these state and federal programs require the developer to have buy-in at the local level in the municipality where the project is located.

- **Read more:** [Unsafe, unsanitary housing rentals are prominent complaints in Mass., AG says](#)

When developers apply for these programs, they need to be basically at the point of starting construction, with permits and any necessary zoning relief secured from the community and ready to go.

“With a market-rate project, once you permit it, as long as you’ve raised your financing, you can pretty much put a shovel on the ground pretty quickly,” Korb said, adding that Capstone Communities applied for funding for its Templeton project in January.

“It took us, I think, two years to get to the point where we even were invited in to apply,” he said. “If you get awarded in the first round, which doesn’t always happen, then you’re really starting construction three and a half to four years after you started working. ... In a market-rate development, you can find a site and if you can permit it in six months and you align your financing, you can certainly start that project within a year of finding the site.”

In April, the state government awarded \$246 million in direct subsidies and state and federal housing tax credits to create and preserve 1,597 affordable units in Boston, Cambridge, Chicopee, Fitchburg, Lowell, Newton, Pittsfield, Salem, Worcester and 11 other communities. In March, Gov. Maura Healey filed legislation to create the Executive Office of Housing and Liveable Communities. [Housing Secretary Ed Augustus, a former city manager of Worcester, began in that office on June 1.](#)

However, with all of the projects looking for funding, not everyone receives it.

“You have a backlog of proposals that have not received funding in prior years that the state still considers to be important,” said Steve Teasdale, executive director of the Main South Community Development Corporation in Worcester. “So when you apply, you’re looking to at least get into that queue. In some cases, it can take two to three years before your turn comes around.”

Waiting for that amount of time in and of itself is expensive. Developers have to have acquired the land for their project before applying for funding, which then leads to more expenses while they wait to be able to start building.

The wait exacerbates costs in other ways, too. Since the pandemic, construction costs have skyrocketed.

“The real challenge these days is the cost of construction,” Teasdale said. “That’s really becoming frightening because you could have been planning this project for three years and have your subsidy lined up, and all of a sudden the construction pricing is coming in and you just can’t afford to do it anymore.”

- **Read more:** [Worcester City Council goes against affordable housing advocates’ recommendations in inclusionary zoning vote](#)



A six-story affordable housing development containing 83 apartments is under construction at the former Table Talk Pies property in Worcester. (Tréa Lavery, MassLive)

Who is creating affordable housing?

With all of the barriers to creating affordable housing, it can be difficult to see why developers would even try.

“When I learned that there was a business where you could do financing and analytics and community work and design and construction and, in the end, create something that changes people’s lives and neighborhoods, that seemed like a really fantastic thing

to do,” said Kovel, who has worked in the industry her whole career. “It’s become a business unto itself. If you love the mission and you love the work, then that’s why people do it.”

Korb agreed, saying the outcome of the affordable projects he works on makes the long and expensive process worth it.

“It feels good to see someone who has been living in a shelter, or is homeless, or was living in crowded housing situations move into one of our buildings that is as high-quality as any other market-rate development out there,” Korb said. “At the end of the day, it really is not about the money. It’s about, ‘What is the legacy that you’re going to leave for yourself?’”

- **Read more:** [Mass. housing, transportation patterns trend south while migration rises, report says](#)

Main South CDC, as a community development corporation, is focused on improving Worcester’s Main South neighborhood through a variety of efforts, only one of which is affordable housing. Teasdale said, however, that those projects are crucial to the organization’s mission.

“We have native communities that we’re trying to provide the resources that they need for, in this case a lower-income neighborhood, ethnically diverse,” he said. “Our goal is to make sure that housing both meets the housing needs of residents, as well as contributes to overall improvement efforts within the neighborhood. Oftentimes, that includes brownfield remediation, cleanup of contaminated sites and environmental efforts.”

Once affordable, not always affordable

In addition to trying to keep up with the demand for new housing, Herzog of CEDAC said another problem comes when affordability agreements come to an end in the decades after they are built. At that time, the project owners can decide to bring rents at those sites back up to market rates.

“Project owners could convert those affordable projects to market-rate housing and that is a huge threat to our affordable housing system because we’re working so hard to increase the supply of affordable housing,” Herzog said. “We’ve got very long waiting lists of lower-income people waiting for this housing. If we lost affordable units at the back end of the process ... it’s like we’re treading water. We’re not making any progress.”

A state law created in 2009 known as Chapter 40T created a legal framework to preserve the affordability of these developments, by requiring property owners to send public notices before selling or terminating affordability; limiting annual rent increases after the termination; and giving the right of first offer and first refusal if the owner plans to sell an affordable housing project without preserving affordability.

In the first decade after 40T's passage, the law was "a significant factor in maintaining or extending affordability at 196 housing projects with 19,836 units," according to a [2020 CEDAC report](#).

Community organizations such as Main South CDC — which retain ownership of their properties and whose mission includes creating new opportunities for the neighborhoods where they operate — are often well-equipped to keep their properties affordable. Teasdale said when the CDC's homes reach a point where they need renovation, they usually go back through the financing process to keep them affordable.

"We want to retain this housing for the long term," he said. "We're not going to be pushing the rents up as high as we're allowed to every year because we're focused on just making sure the projects can support themselves but at the same time, maintain the affordability of those units that are affordable to neighborhood residents. ... We're here to own them, to maintain them, to manage them ourselves."

Still, building and keeping housing stock available to everyone who needs it is a complicated and slow process.

"It's like an iceberg," Teasdale said. "Getting the actual housing developed is just the tip of it."

If you purchase a product or register for an account through one of the links on our site, we may receive compensation. By browsing this site, we may share your information with our social media partners in accordance with our [Privacy Policy](#).

Sponsor Content

Four preventive steps men can take to better health

By Dr. Bernard Bettencourt Good health starts with small things. Focusing on preventive measures like regular...

UniCare State Indemnity Plan





▼ Contact Us

[Contact MassLive](#)

[Contact The Republican](#)

▼ Subscriptions

[MassLive.com](#)

[Newsletters](#)

[Breaking news push alerts](#)

[The Republican](#)

[E-edition Login](#)

[Subscriptions and Circulation](#)

▼ MassLive Media

[About MassLive Media](#)

[Advertise with us](#)

[Sponsor Content](#)

▼ Follow Us

[Facebook](#)

[Worcester Facebook](#)

[Red Sox Facebook](#)

[Patriots Facebook](#)

[Bruins Facebook](#)

[Twitter](#)

[YouTube](#)

[HS Sports Twitter](#)

[Sports Twitter](#)

[Instagram](#)

[HS Sports Instagram](#)

[RSS](#)

▼ MassLive.com Sections

[Real Estate](#)

[Classifieds](#)

[Autos](#)

[Jobs](#)

[Obituaries](#)

▼ More on MassLive.com

[Careers at MassLive](#)

[Archives](#)

[Community rules](#)

[The Republican Archives](#)

[The Republican Special Sections](#)

[Place an ad](#)

Use of and/or registration on any portion of this site constitutes acceptance of our [User Agreement](#) (updated 4/4/2023), [Privacy Policy and Cookie Statement](#), and [Your Privacy Choices and Rights](#) (updated 1/26/2023).

Cookies Settings

© 2023 Advance Local Media LLC. All rights reserved ([About Us](#)).

The material on this site may not be reproduced, distributed, transmitted, cached or otherwise used, except with the prior written permission of Advance Local.

[Community Rules](#) apply to all content you upload or otherwise submit to this site.

YouTube's privacy policy is available [here](#) and YouTube's terms of service is available [here](#).

[▶Ad Choices](#)