Companion Narrative

Tour of Affordable Housing in the South End

Boston, Massachusetts
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Special Thanks to Vincent O’Donnell, Robert Van Meter, and Danny Leblanc for their Commitment to sharing their experience with the next generation of affordable housing advocates, builders, and developers.

Photo Credits:

Tent City, Goody Clancy, https://www.goodyclancy.com
Interfaith Haley House, Mass Housing Partnership, mhp.net
Warren Avenue Apartments, Corcoran Center, South End Video
Castle Square, Cathedral, Boston Housing Authority
ETC – IBA, IBA
Methunion Manor
Companion Narrative

In 2020, The Corcoran Center for Real Estate and Urban Action responded to the COVID-19 pandemic with an effort to convert traditionally in-person tours and programs to videos that could support efforts in the classroom. This narrative and the companion video are part of that effort.

While initially developed as supporting material for the class the State of Affordable Housing at Boston College, we welcome other courses at Boston College and other Universities to use these tools to share the history and transformation of the South End Neighborhood of Boston as a rich example of different housing programs and the evolution of housing policy in the United States.

Within one square mile in the South End of Boston are examples of affordable housing policies and programs that span the 20th century to the present day, including Public Housing, Urban Renewal, Section 236, and other federal programs financing private affordable housing, project-based Section 8, and, more recently, Low Income Housing Tax Credits (LIHTC).

Successful efforts to preserve this stock of affordable housing have also used the 1992 Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA) program, among others. This tour encompasses over 2000 units of affordable housing in a variety of types in the South End, a neighborhood that has changed dramatically over the decades. The Tour Map is included on the following page.

How to use this Narrative

Developing experiential learning opportunities that ground skills and knowledge learned in the classroom with lived experience is central to the mission of the Corcoran Center.

Each property description below attempts to follow the same structure: property description, property history and then relevance to affordable housing history and evolution of policy.

This piece can be used to support teaching affordable housing community development and public policy. While designed to serve as a companion to the video, which can be viewed at https://youtu.be/-PjNihm5iLg we encourage students who are able to walk the streets and visit these sites using this guide. By walking the streets and establishing an understanding of the evolution of the neighborhood, one can see the great value in affordable housing preservations and the contribution to the development and advancement of a vibrant and successful mixed-income community.
Stops on the South End Affordable Housing Tour:

1. Tent City 130 Dartmouth 269 units
2. Interfaith Haley House 282 Columbus Avenue 69 units
3. The Brownstones 123 – 136 Chandler 74 units
4. Warren Avenue Apts. 25 Warren Avenue 30 units
5. Castle Square Apartments 484 Tremont Street 500 units
6. Cathedral Housing 25 Monsignor Reynolds Way 422 units
7. ETC-IBA [Bradley Properties] 336 Shawmut Avenue 435 units
8. Tenants’ Development Corp. 139 Pembroke Street 60 units
9. Methunion Manor Cooperative 385 Columbus Avenue 149 units
**Tent City Apartments**

**Ownership:** Tent City Task Force → Tent City Development Corporation (current owner)

Boston went through an era of Urban Renewal from the late 1950s to the early 1970s that was mostly guided by the city and its departments and related entities, including the Boston Housing Authority (BHA) and the Boston Redevelopment Authority (BRA). These efforts dismantled existing housing and neighborhoods in the interest of new development. In many cases, including the case of Tent City, it was the community that saved properties from displacing residents.

Mel King, the renowned Boston activist, led the protest against urban renewal by enacting a “tent city” on the demolished site in protest of Boston’s urban renewal efforts to build a parking lot in that location. Mel King and the community eventually achieved success in 1984, when the new mayor, Ray Flynn, agreed to support the plan for the erection of a large, mixed-income, affordable housing property. Ray Flynn included multiple stakeholders in the development of a plan for the site, including non-profit developers, public agencies, and community organizations.

The Tent City Apartments show the ability of the community to rally around a common ideal, such as the displacing of communities due to urban renewal, and the rising power/voice of the “residents” vis-à-vis top-down, government-sponsored planning. The community of South End was able to come together and fight a battle that many saw as a waste of time.
Interfaith Haley House

Entities involved: CDC JV between Madison Park Development Corp. & Haley House

Initially starting out as a privately-owned property with market-rate rents, it was then purchased in the 1970s by a standalone non-profit developer, Interfaith Housing. Over time, Interfaith Housing went out of business and this property failed financially and physically. It was then foreclosed on by HUD. The Boston Housing Authority (BHA) bought the property, but after several years, they realized this type of housing was inconsistent with the operations of their portfolio and put the property on the market. The process of disposition for BHA was strenuous as they searched for ways to limit the sale to exclude buyers who were “slum lords” or had a long-term plan of removing affordability.

This process took a lot of community effort, as the sellers had to find a buyer with the expertise, motivation, and resources to sustain the affordability and to rehabilitate the property. This property had gone through two federally financed rehabilitations and even a recapitalization, with the goal of not only preserving the property but aligning the goals of preservation with the ownership (or possible new ownership in the case of a recapitalization).

The history of this property shows the importance of preserving affordable housing and demonstrates how agencies worked overtime to develop systems and regulations to preserve affordability. This example also highlights the value of creating the right legislation to align incentives for developers for preservation. This situation contributed to the legislative environment that advanced Massachusetts Chapter 40t legislation, which increased the transparency and requirements for affordable housing developers, thereby making affordability a clear mission for a more diverse set of property owners.
The Brownstones

Entities involved: Nonprofit Resident Organization (Low Cost Tenants Association), which owns the property through a wholly-owned Limited Liability Company (Brownstone Apartments LLC)

At the time that the tenant organization purchased this property, many for-profit owners in the 1980s/1990s took advantage of loopholes in affordable housing legislation. This legislation allowed property owners to exit their subsidies through the pre-payment of the subsidized mortgage they received from the Section 236 program.

This issue led to the creation of the Low-Income Housing Preservation and Resident Homeownership Act (LIHPRA), a tool used to combat the issues that arose from the Section 236 program. This program was a very powerful tool that provided financial resources for any non-profit owner or tenant organization to purchase and rehabilitate a property. In addition, this act provided capacity development resources for the sponsoring organization.

A tenant organization in a Department of Housing and Urban Development (HUD)- assisted property was able to get grants that were passed down from HUD to the Community Economic Development Assistance Corporation (CEDAC), with the goal of organizing these new sustainable ownership entities.

Through a combination of the capital resources and capacity-building resources, this property was able to be purchased by a tenant organization with no previous experience in the RE industry. This showed how the creation of new programs in the latter 20th Century addressed the issue of the preservation of affordable housing in the city of Boston. The Section 236 program was flawed in that it allowed affordable housing property owners to maintain the affordability until they could prepay their subsidy; then, they priced properties at market-rate levels. The LIHPRA program established a mechanism to increase and sustain long-term affordability.
**Warren Ave. Apartments**

**Entities involved:** Partnership of Resident Organization & Tent City Development Corporation

**Description:** The Warren Ave. Apartments are like The Brownstones, as they were purchased from a private owner who was eligible to reposition the property to market rent after exiting from the Section 236 program. In this instance, the same program and tenant capacity-building process as The Brownstones was used (in conjunction with HUD funds funneled through CEDAC) to purchase this property and maintain its affordability. The new ownership entity was a partnership between the tenant organization and Tent City Development Corporation.

The tenant organization at the Warren Ave. Apartments is extremely durable, as Tent City Development Corporation lives on as a viable entity and continues to provide support to tenants. This ownership structure is not a co-op, so the tenants do not benefit from appreciation. As with The Brownstones and other properties built or renovated with Section 236 funding in the mid-20th century, an issue arose in that the owner wanted to pre-pay subsidized mortgages to convert properties to market rates. Advocates promoting the eventual legislative solution, LIHPRHA, faced hurdles regarding constitutional issues of taking private property without proper compensation. This circumstance contributed to the development of a basic premise that to preserve the affordability of a property, the owner must be paid what the property is worth. Resources to pay the owner the market value would have to come from the federal government.

Additionally, in this neighborhood, it is easy to see the contribution of investing in affordable housing as it relates to the development of other types of housing. Luxury condominiums nearby were developed and are owned by the previous owner of Castle Square Apartments, who was able to leverage equity based on market value and chose to invest that equity in the very same neighborhood to develop luxury condos. This illustrates that affordable housing or the preservation of affordable housing in a neighborhood does not tear it down but can actually enhance it by promoting the diversity of housing types.
**Castle Square**

**Entities involved:** Castle Square Tenants’ Organization (CSTO) and Winn Development Co.

The Castle Square Apartments were built in the late 1960s and suffered from a program that preceded Section 236 where its mortgage was also pre-payable, and the owner had the choice to bring it to market. In this case, the original owner planned to sell to another private developer, and this buyer faced a number of government approvals needed in order to gather the resources for rehabilitation. The prospective buyer realized that resources would be easier to obtain with the support of the property’s tenant organization. This buyer then proposed to the tenant organization at Castle Square that they would have the right of first refusal after 15 years to purchase the property if the property was to be sold. The Castle Square Tenant Organization (CSTO) reached out to supporting organizations, such as Greater Boston Legal Services and CEDAC to build a team of advisors. This negotiation process was lengthy and resulted in creating a Joint Venture (JV) ownership agreement with the Castle Square Tenant Organization (49%) and Winn Development (51%). This ownership structure was settled in the early 1990s, when the building was purchased and redeveloped. As of 2020, this property is comprised of a majority of Chinese American residents, with other minority groups making up the remainder of the residents. Income-wise, this property was created for families earning up to 80% of the Area Median Income (AMI) and was family housing. Today, it provides inter-generational housing that serves residents who earn less than 80% of the AMI, in addition to extremely low-income residents, as 70% of the units are assisted by project-based Section 8 programs.

Castle Square’s Tenant Organization was able to benefit from a recapitalization and draw several million dollars to put towards social development efforts. These funds are allocated to a trust fund managed not only by the tenant organization but also by outside advisors. The property has since been recapitalized a second time, and now the Tenant Organization is the majority stakeholder, with 51% ownership control over the property. The extremely high Section 8 rents have helped this property obtain public funds for refinancing.

The joint venture owner has recently been able to leverage these circumstances to provide an unprecedented $20M in net assets for use on tenant priorities. The refinancing proceeds have been placed into a new Trust that will safeguard the funds and enable CSTO to use these funds both to support Castle Square as well as other affordable housing and social development programs.
Cathedral Housing (Now Ruth Barkley Apartments)

Entities involved Boston Housing Authority

Cathedral Housing is a public housing development owned by the Boston Housing Authority (BHA) and is a great example of the classic style of public housing from the mid-20th century. The land it was built on was cleared in the 1940s but wasn’t developed until later. This property was developed using the Federal Public Housing Program.

Public housing programs like Cathedral were funded through organizations such as the BHA, with 100% public resources. Today, these organizations are able to capitalize on private resources to create a hybrid model of financing and ownership. Because the codes and regulations that dictate how these properties are designed and operated have changed, all properties, including this one, need to go through a preservation cycle that can update, upgrade, or replace this type of housing.

This hybrid form of development entails a combination of activities that can include leasing the land to a private developer; then, that new ownership entity is subject to various regulatory agreements and requirements for affordability. The land would still be owned and controlled by BHA. These more versatile funding models open up possibilities for diversifying the populations served by the housing. In some cases, mixed-income housing is created, where additional units serving higher-income residents help to drive some of the economics of that property.

This property is also an unfortunate example of the government participation in segregation. Cathedral was developed to be an all-Black development. These types of segregated public housing developments took place around the city. The BHA began a voluntary desegregation effort in the mid 1970s, and after a 1988 lawsuit was filed by the NAACP, a settlement agreement was reached creating a comprehensive desegregation plan.
**ETC-IBA**

**Entities involved:** Inquilinos Boricuas en Acción (IBA)

In the late 1960s and into the 1970s, there was a significant influx of Puerto Ricans into the South End. Around this time, the BHA cleared land for urban renewal efforts, and they created no plans for the replacement of lost affordable housing. The community around this area, primarily the Puerto Rican community, organized to oppose the demolition and then to have more participation rights in the planning process. Eventually, the residents obtained development rights for demolished lots and Section 236 subsidies to fund rehabilitation for those properties not demolished. The Tenant Organization was able to fund the creation of ETC-IBA as an organization and to go on to rehabilitate or develop other units, using public funds. ETC-IBA also pioneered the technique of a nonprofit selling the paper rights to their depreciation to private investors, who would, in return, provide needed capital on a small-scale basis.

Twenty years after development, the owners sought to bring it to market, but the property needed rehabilitation. This was funded using the LIHPRHA program, but the process of obtaining the new resources and dealing with the new financial requirements of the program created tensions within the organization in regard to control of the rehab process and management of the property going forward. The Organization eventually resolved these complications, and the rehabilitation was completed. IBA went on to not just become the developer of this property, but more influentially, to serve as a model for community-controlled developments within the city.

The success of IBA in regard to community-controlled developments demonstrated to developers a successful model of community-engaged development of affordable housing. IBA then went on to develop other well-known and successful affordable housing developments. As IBA built out and strengthened its organization, it added depth in the form of resident services, such as a tech center, youth development center, and resident services center.
**Tenant Development Corporation (TDC)**

**Entities involved** Tenants’ Development Corp

TDC is a mutual housing association. While there are three different affordable housing properties, each with their own ownership structure, all of these entities are controlled by TDC (parent owner). TDC is exclusively controlled by a board comprised of residents. TDC’s opportunity to be an owner of this residential real estate in the South End was born out of a struggle to improve the community. Two of the three properties were in serious deterioration, and the ownership was either unable or unwilling to improve the property conditions. The tenants organized and went to a rabbinical court, arguing that their building owner was “bringing shame to the community”, The rabbinical court intervened by ordering the owner to settle with the tenants. This settlement included the selling of the property to the tenants.

TDC employed the Section 236 program for funds for rehabilitation, and with the help of outside consultants, they developed the resources to rehabilitate the housing. Twenty years later, the property has a steady rent stream provided by project-based Section 8 subsidies. Nevertheless, conditions eventually deteriorated, and the property needed another substantial rehabilitation. HUD threatened termination of their Section 8 contract. During this crisis, the tenants sought allies to get the millions of dollars needed for rehabilitation. The answer they received was that the days of large grants for housing were over, and that the easiest path would be the Low-Income Housing Tax Credit (LIHTC) program. For a tenant organization that had not previously developed housing, it seemed unlikely that this was a viable path.

However, they created a strong team and refinanced the property under the LIHTC program, with all the protections that a tenant organization would need at the time to maintain control and affordability. Despite their efforts, the affordability and tenant control of this property are once again at risk. Successor investors with different priorities and motivations have replaced the original sources of capital and are challenging TDC’s interpretation of the terms under which investors will exit the partnership. The current struggle between the tenant organization and the investors is not an isolated incident, reflecting a disturbing recent trend around the country. One lesson is that as affordable housing production and preservation have been created in successive policy waves, new challenges can emerge for any given property in each wave, reflecting successive policy environments.
**Methunion Manor Coop**

**Entities involved** Methunion Manor Cooperative, formerly owned and developed by Union Methodist Church.

The Methunion Manor Coop is illustrative of several elements of housing preservation: 1) the cycle of failure: physical failure typically followed by foreclosure and then redevelopment by a responsible owner; 2) The Mobilization of a Resident group to create an ownership entity; and 3) the implementation of a limited Equity Co-op.

The development was originally created by Union Methodist Church, under a funding program that was a predecessor of the 236 Program. Under this program, HUD granted affordable housing development funds to many organizations, including faith-based organizations. Many of these organizations failed, as they typically did not have the experience or the capacity to manage these large and complicated projects. These failures were not limited to nonprofit-run properties but also occurred with for-profit developers.

Once Methunion failed, the tenants became aware of the impending foreclosure on the property by HUD and realized that no affordability rules would dictate the sale of the property – the highest bidder would win ownership. The tenants recognized this as a formula for displacement and appealed to Senator Ed Brooke of the Senate Finance Committee. The Senate Finance Committee initiated and secured landmark legislation that gave HUD the duty to maintain the property as long as they held it, sell it to a responsible party, and work with the tenants and local organizations to ensure its future affordability. HUD also provided subsidies in the form of Section 8 to guarantee affordability.

The tenants were able to purchase the property and formed a limited equity-housing co-op. The housing co-op meant that the tenants who lived there owned shares in a corporation with the corporation owning the property itself. If tenants left and pulled out their equity, they could only pull out a limited amount of the appreciation. These tenants who left sold their shares to the incoming tenant. If it was an unlimited housing co-op, the leaving shareholder could pull out all the appreciation that would require a higher-income buyer, as the share’s price would be much higher. This would then reduce the affordability of the property.

Today, the property is able to continue financing its rehabilitation requirements through high Section 8 subsidies, which are based on the high rents of the South End.