BOSTON FINANCIAL

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BOSTON FINANCIAL'S PATIENCE GAVE JOINT VENTURE THE TIME NEEDED TO BUILD A COMPELLING CASE FOR RESYNDICATION

POWDERMILL VILLAGE | CASE STUDY

BOSTON FINANCIAL DEMONSTRATES PATIENCE IS A VIRTUE.

Arranging financing for affordable housing requires both time and creativity. Boston Financial provided both to Peabody Properties, helping it secure financing to renovate its Powdermill Village apartments in Westfield, Massachusetts. Boston Financial remained in the original 2000 partnership for five years after the tax compliance period expired before exiting in 2020. At the same time, it brought new LIHTC investors to the company and helped it assemble the many parties it needed to finance the renovation. As a result, Peabody and its nonprofit partner, Affordable Housing and Services Collaborative (AHSC) are now moving forward, upgrading Powdermill Village while preserving sorely needed affordable housing.

THE CHALLENGE

FINDING A PATH TO RESYNDICATION

What to do next? It was 2015, and the dilemma for Peabody Properties was how to find a way to fund upgrades for Powdermill Village while preserving its much-needed affordable units. Located in Westfield, Massachusetts, the almost-50-year-old community has 248 units spread over 12 buildings. The last time the community underwent a complete top-to-bottom overall was in 2000. That was when Boston Financial provided low-income housing tax credit (LIHTC) equity capital as part of a renovation package for the property.

Over the years, Peabody maintained the community in good shape and had found funding for selective improvements. In 2014, it successfully secured a $3 million loan from Boston Community Capital and MassHousing to boost energy efficiency at Powdermill Village. With these funds in hand, Peabody converted the entire development from oil to gas heat and outfitted one building as a testbed for energy-saving measures that could later be adopted throughout the community. But with the tax credit compliance period expiring, Peabody needed a way to replace roofing, siding, and other systems that had reached the end of their useful lives.

50-YEAR-OLD
Community

248
Units

12
Buildings

> “MORE THAN ANYTHING, PEABODY NEEDED TIME TO BUILD A COMPELLING CASE FOR A NEW CREDIT AWARD.”

STEPHEN ROGERS
Disposition Officer
Boston Financial

THE SOLUTION

APPLYING TIME AND CREATIVITY

Because LIHTCs are always in short supply, states like Massachusetts prefer to award them to new projects or those needing substantial rehabilitation. “More than anything, Peabody needed time to build a compelling case for a new credit award and for an allocation to become available,” said Stephen Rogers, a disposition officer at Boston Financial. “We were in a position to be patient. The investment fund was active, so we were able to wait.”

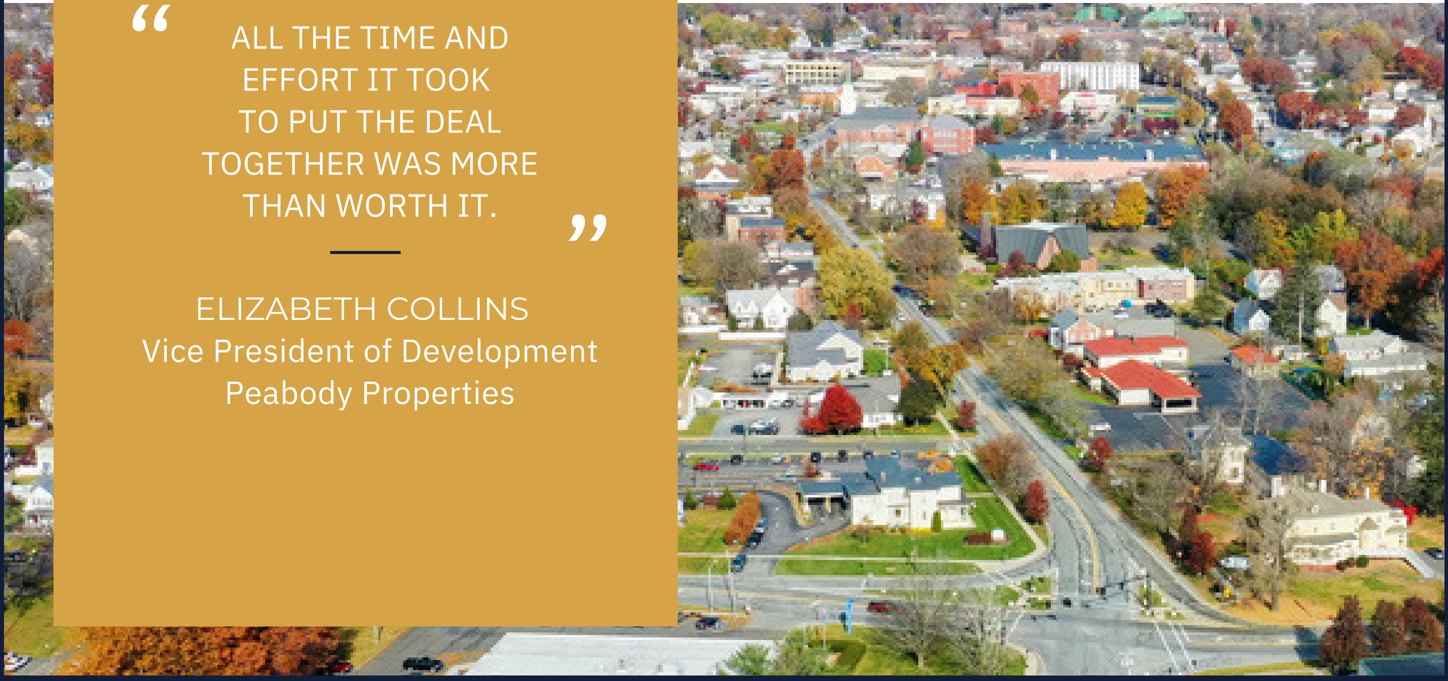
Peabody’s case was strengthened in April 2018 when a smoker, carelessly disposing of a cigarette, set off a blaze that destroyed one of the community’s 12 buildings. The insurance proceeds were not sufficient to repair the building.

In the meantime, Boston Financial’s Robert Charest, a senior vice president in equity production, began working closely with Peabody to structure a deal that MassHousing would find compelling and identified investors for the LIHTCs.

Both Boston Financial’s patience and its hard work paid off for Peabody. In August 2020, Boston Financial exited from the original syndication for a minimal sum covering outstanding asset management fees and closed the resyndication in November 2020 with Peabody Properties and AHSC.

“Boston Financial had completed a number of transactions with Peabody and AHSC before, which gave us the opportunity to demonstrate that we had the sophistication and creativity to tackle a deal of this complexity,” Charest said. In addition to making allowances for the fire-damaged building, Boston Financial, Peabody, and AHSC had to find a way to satisfy anti-churning tax regulations and carve out a section of the property covered by wetlands, which were ineligible for MassHousing lending.

> “ALL THE TIME AND EFFORT IT TOOK TO PUT THE DEAL TOGETHER WAS MORE THAN WORTH IT.”
>
> ELIZABETH COLLINS
> Vice President of Development
> Peabody Properties



THE RESULT
PRESERVING AFFORDABLE HOUSING OPTIONS

The number of participants in the final deal is another illustration of the challenges Peabody faced. In addition to the $20.4 million in federal and state LITHC equity financing through Boston Financial, Powdermill Village received a $14.5 million tax-exempt construction and permanent loan and an $11.9 million tax credit equity bridge loan from MassHousing, $6.4 million of assumed debt from the Massachusetts Department of Housing and Community Development (DHCD), $528,000 of assumed debt from MassHousing, $3.9 million of new subsidized loans from the NIFT, CIPF, AHTF programs from DHCD and MassHousing. In addition, there was $200,000 from the City of Westfield in Community Preservation Act and HOME Financing, $1.7 million in insurance proceeds from the fire, and a $3.4 million seller loan.

“All the time and effort it took to put the deal together was more than worth it,” said Elizabeth Collins, vice president of development for Peabody Properties. “We are very proud of the outcome.” Powdermill Village tenants will benefit from new roofing, upgrades to kitchens and bathrooms, and improved community space. Peabody also plans to add accessibility features to all residences and create two fully accessible units. “We look forward to an opportunity to partner with Peabody and AHSC on many more projects in the future,” Charest said.

“The lower- and moderate-income households living in Powdermill Village will see major upgrades to their homes,” Charest said. “Equally important, they will have the assurance of being able to continue living affordably in Westfield long into the future.”

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>
> ROB CHAREST
> Senior Vice President
> Equity Production
> Boston Financial

GET IN TOUCH

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