

State agency ignores own guidelines in condo loans Awards \$20m set aside for apartments

By Andrea Estes, Globe Staff | August 22, 2007

A state agency created to help foster affordable housing ignored its own guidelines by awarding more than \$20 million in housing loans to the controversial Columbus Center development.

A spokesman for MassHousing, a quasi-public agency, acknowledged that the money for the low-interest loans will come out of funds specifically set aside for affordable rental apartments, not condos in a high-end complex such as those planned above the Massachusetts Turnpike between Back Bay and the South End.

"Columbus Center at this point is the one exception of a project that isn't rental and doesn't meet the guidelines," said Eric Gedstad, MassHousing's communication manager. "But it is still a worthy project, so we made a commitment to it."

The \$700 million megadevelopment, which will span three city blocks, is one of 36 projects to get money from the \$100 million "priority development fund" created by Governor Mitt Romney in 2004. MassHousing approved the Columbus Center loans last year, although they have not yet been paid out.

Governor Deval Patrick's administration came under fire recently when it awarded developers Arthur Winn and Roger Cassin a \$10 million grant to construct a deck over the turnpike. Lawmakers and community activists said the developers had repeatedly said they would not seek public subsidies for the project, an assertion that Winn and Cassin deny. A request for an additional \$10 million grant is still pending.

House Speaker Salvatore F. DiMasi, who urged Patrick to rescind the \$10 million grant, said the project should not receive MassHousing loans that were designated for another purpose.

"Funds set aside to encourage affordable rental housing should not be used to help subsidize multimillion-dollar condos," DiMasi said last week.

"If MassHousing cannot provide an adequate explanation for whether these funds were appropriately used, I would hope the auditor or inspector general investigates."

Representative Martha M. Walz of the Back Bay called the agency's decision to funnel rental housing money to Columbus Center "utterly bizarre."

"It's one more bizarre example of people trying to save what appears to be an unviable project," she said. "If it isn't viable, it shouldn't be built. Why are we throwing money at something the private market won't support?"

Not only was the fund designated for rental housing, but the agency had developed guidelines limiting loans to no more than \$75,000 per unit.

In their initial loan application, the Columbus Center developers said that 44 units would be affordable, which would mean that they are receiving more than \$450,000 per affordable unit, about six times the limit.

They have now increased the pledge to 75 units, which would translate into nearly \$275,000 per unit. The complex is slated to have a total of 443 units.

MassHousing guidelines said exceptions to the \$75,000 rule could be made in two situations: If the loans were to be repaid by developers quickly or there was a need to loan more money to meet "high priority public policy objectives."

But neither of the two loans approved by MassHousing in 2006 -- one for \$15 million and another for \$5.6 million -- is scheduled to be repaid quickly.

The larger one, which carries an interest rate of only 4 percent, does not have to be repaid for at least 30 years. The smaller loan has a 6 percent interest rate and must be paid back within 35 years.

The project also does not comply with MassHousing affordability guidelines, which require that at least 25 percent of all units in a project be affordable to households who earn no more than 80 percent of the Boston area's median income.

In its application, the Columbus developers said 22 of the 44 affordable units would qualify, or about 5 percent of the 443 units in the complex, while the other 22 would be affordable to those earning no more than 120 percent of the median income.

Alan Eisner, a spokesman for Winn Development, said the developers did not specifically request money from this fund, but said public assistance is critical if the project is to be built.

"We feel the low-interest loans are justified and necessary in light of the unprecedented public benefits of this project, which now total in excess of \$50 million including transportation improvements, three new parks, and a new ground-water system," Eisner said. "With the housing market in turmoil nationwide, this project will provide a timely boost to the city of Boston."

Gedstad said that while the developers did not apply for money specifically from the priority development fund, the fund was the only one available to provide the gap financing the developers said they would need to pull together enough money to pay for the project.

The agency tapped the fund despite the guidelines, Gedstad said, because Columbus Center represents "a rare opportunity to transform the landscape of downtown Boston and most importantly because our mission is to provide some affordable condominiums in a neighborhood where there really is no such thing."

The \$20.6 million in loans is not the only money Winn Development is in line to receive from the fund.

MassHousing also approved an additional \$6 million in loans for two other Winn projects -- both apartment complexes.

Between the three developments, Winn Development will receive nearly a third of the \$97 million that has already been committed to projects. ■