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# *The* **Low-Income Housing** **Tax Credits** *Issue*

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# Worcester, Massachusetts, PHA Begins Multi-Phase Redevelopment with LIHTCs, Restore-Rebuild and More

NICK DECICCO, SENIOR WRITER, NOVOGRADAC

A bevy of sources and incentives aligned in Worcester, Massachusetts, to help the local housing authority modernize a 75-year-old, 372-apartment, 18-acre property.

One incentive was the U.S. Department of Housing and Urban Development's (HUD's) Restore-Rebuild program, which allows public housing authorities (PHAs) to build or renovate apartments to equal the number of apartments in its portfolio in 1999, due to federal legislation passed at that time. The program was previously known as Faircloth to Rental Assistance Demonstration (RAD) before a rent augmentation component introduced in 2023 and 2024 rebranding aimed at boosting the incentive's use.

Restore-Rebuild will allow the Worcester Housing Authority (WHA) to add 29 apartments in Phase 1 with augmented rents and 61 with Section 8 project-based vouchers. The other 39 apartments are rent-restricted, low-income housing tax credit (LIHTC) apartments.

The WHA's Curtis Apartments is the nation's first to explore the revamped incentive as part of a \$96.4 million first phase that will demolish 90 apartments and replace them with 129 new homes.

"We were the guinea pig, the test case for HUD as far as implementation," said Michael Lozano, vice president of development for Trinity Financial, which is working with WHA to redevelop the site. "It's worked out really great."

The 2000s sale of another property in Worcester, the Jackson Apartments—later known as Standish Apartments—provided WHA with a 90-apartment shortage in its portfolio that it has applied to the Curtis redevelopment to boost its number of units. The WHA is qualified for 224 apartments of Faircloth authority overall.

"We're really looking forward to doing two things: Bringing the components of Curtis Apartments up to a modern-day level and adding as many affordable units as possible," said Peter Proulx, chief development officer of WHA.

Restore-Rebuild was the reason the Massachusetts Housing Investment Corporation (MHIC) participated in the transaction, said Moddie Turay, president and CEO of MHIC, which helped assemble the capital stack for Curtis Apartments.

"Keeping residents in place, keeping communities intact, that's really interesting to us," said Turay. "To do it on a large scale, to take something in a community that is growing ... to have a project Trinity put together that actually is keeping a lot of people in place is pretty exciting. It ties into what we're trying to do in this city and state."

The four-stage plan to modernize the Curtis Apartments is slated to take place in intervals that stretch into the early 2030s. WHA plans to finance each stage separately. The housing authority expects residents to move into the first redeveloped building in November and complete the first phase with a second building in spring 2026.

“We’re essentially recreating a whole neighborhood,” said Lozano. “This is housing that has served a very critical need for generations. We want and need to find way to preserve it and build upon it.”

### Heart of the Commonwealth

WHA has approximately 3,000 public housing units in its portfolio, including Curtis Apartments, which was built in 1950 to house World War II veterans and their families.

The site has had minimal funds over the years for renovations and upgrades. The age of the site and lack of capital infusion left it with minimal access for those with accessibility priorities. The future site aims to alleviate these issues, including adding two elevators per building. Other new features include improved fire alarm systems, sprinklers, parking and sidewalk upgrades.

“It’s a lot of the things that the old Curtis Apartments built in 1950 just didn’t have,” said Proulx. “Although we’re always providing safe and sanitary housing to residents, we’re going to go a few steps over and above that.”

One advantage to the multistage process is WHA’s ability to relocate residents. Proulx said WHA will be able to move residents in later stages directly into the newly constructed Rebuild-Restore apartments.

Another component of the transaction is Massachusetts’ state-aided public housing program, one of a handful of state-level programs. Massachusetts’ dates to the post-World War II period with properties such as Curtis Apartments.

“This is the first time Massachusetts has used the Innovations Program for Restore-Rebuild,” said Proulx.

Boston-based Trinity Financial is developing the site with WHA. Trinity’s purview covers a variety of real estate types, including luxury, residential and commercial. Lozano said entertaining and using such incentives brings complexity to a transaction. In the case of Curtis Apartments’ status as state-aided public housing, other incentive redevelopment programs such as Hope VI and Choice Neighborhood grants were unavailable.

To address the condition of the Commonwealth’s state-aided housing stock, Massachusetts introduced the Housing Innovations Fund, which provides capital funding for state-aided public housing to facilitate larger scale redevelopment.

“We, at Trinity, don’t take on easy projects,” said Lozano. “We want to make a positive impact and, to do that, sometimes, you’ve got to get creative. We’re used to it. It would be nice to have an easy, straightforward project. It wasn’t daunting. It was just a problem to solve, a challenge to overcome.”

### Financing

Proulx said assembling the financing was no easy task.

“The number one challenge is putting together all of the financial pieces,” said Proulx. “There’s nobody out there waving around hundreds of millions of dollars to do major projects like this. Every little piece is a task.”

The Massachusetts Housing Investment Corporation (MHIC) has partnered with Trinity on numerous deals, making them a natural fit. So, too, was Bank of America, which delivered \$41.4 million in federal 4% LIHTC equity as well as a \$44.7 million taxable construction loan.

“Bank of America’s role in helping to finance the first phase of the Curtis Apartments redevelopment plan presented a unique opportunity to create much-needed sustainable, mixed-income housing for residents in Worcester,” said Todd Gomez, market executive of community development banking for Bank of America. “We are delighted to partner with Trinity Financial, MHIC, MassHousing and a long list of important public- and private-sector teammates to begin the process of converting underutilized public housing into a vibrant, new community.”

John-Paul Vachon, deputy director of investments for MHIC, said the number and variety of sources, including the Restore-Rebuild component, made the transaction unusual.

“With that aspect of it, it’s currently atypical,” said Vachon. “Hopefully, it becomes more typical” to the point that other PHAs incorporate it.

Like Lozano, Vachon and Turay expressed enthusiasm at executing on such a complicated transaction.

In addition to Bank of America’s \$41.4 million federal LIHTC equity investment, it provided a \$44.7 million taxable construction loan. MassHousing facilitated long and short-term bonds as well as a taxable construction loan that will later convert to a \$13.1 million permanent loan as well as \$3.5 million in subordinate financing. MassHousing’s funding included \$1 million in Capital Magnet Funds and \$2.5 million in Workforce Housing Funds to help facilitate the development of 39 new apartments to host those earning up to 60% and 80% of the area median income. Massachusetts’ Executive Office of Housing and Livable Communities provided \$12.3 million through a variety of programs, in addition to a \$5 million bond from the Housing Innovations Fund. The MassWorks Infrastructure Program, which helps finance utility, infrastructure and site work, provided \$3.5 million. The city of Worcester delivered \$2 million.

The general contractor was Dimeo Construction.

## In a Future Age

Proulx said shifting sands in Washington with regard to HUD have PHAs and development teams re-evaluating their plans for development and redevelopment.

“We’re really trying to take a hard look at what’s coming out of Washington,” said Proulx. “We find the HUD regional office is vital to the success of projects like this. When we see newspaper articles stating that HUD regional offices may be downsized or closed, it becomes very challenging for us. The last thing we want to do is build one or two buildings and leave buildings from the 1950s that may not necessarily work well in the new footprint of the development as a whole unfinished. Everybody gets nervous.” ❖

## CURTIS APARTMENTS

### FINANCING

- ◆ \$44.7 million taxable construction loan from Bank of America
- ◆ \$41.4 million in federal 4% low-income housing tax credit (LIHTC) equity from Bank of America
- ◆ \$13.6 million in state LIHTC equity
- ◆ \$13.1 million permanent loan financing from MassHousing
- ◆ \$6.2 million in American Rescue Plan Act funds from Massachusetts’ Executive Office of Housing and Livable Communities (HLC) Affordable Housing Trust Fund program
- ◆ \$5 million from HLC’s Public Housing Innovations Program
- ◆ \$3.5 million from MassWorks Infrastructure Program
- ◆ \$2.5 million in Workforce Housing Funds from MassHousing
- ◆ \$2.5 million deferred developer fee
- ◆ \$2.2 million in HLC Moving to Work Funds
- ◆ \$2 million from the Housing Stabilization Fund
- ◆ \$2 million from the city of Worcester’s Affordable Housing Trust Fund
- ◆ \$1 million in Capital Magnet Funds from MassHousing

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