In the summer of 2017, a collection of institutions bet on the idea of “healthy” developments and neighborhoods. Seeing the health disparities in different parts of metro Boston, they financially backed the construction of buildings designed to spur good health outcomes for residents.

It began when the Boston-based Conservation Law Foundation (CLF) formed a 100-point health impact index to measure how healthy given developments were. The index emphasized ones that were heavy on green space, retail quality and transit connectivity, and that were being built in under-resourced neighborhoods without that sort of construction. CLF then joined the Massachusetts Housing Investment Corporation (MHIC) to form the Healthy Neighborhoods Equity Fund (HNEF). Major financial players, from Santander Bank and Citizens Bank in the private sector, to the Kresge Foundation, Robert Wood Johnson Foundation and Boston Medical Center in the nonprofit sector, helped grow the fund to $22.3 million. CLF then went looking for health-oriented development proposals across metro Boston that could be financed with the money. As I wrote that summer:

“If CLF approves the project, then MHIC steps in as a syndicator to find financing. These projects, after all, come with risks, since [transit-oriented developments] built in rough areas have trouble getting full financing. So, MHIC must pursue blended capital...There will usually be a certain percentage of Class A private investors, such as banks or universities, who receive market-rate returns of around eight percent for their investment. But to help the project follow through, [MHIC] recruits Class B and Class C investors who have a philanthropic mission, believe in the social benefit of transit-oriented developments (TODs), and are thus willing to accept below-market-rate returns of four or five percent.”

Fast-forward to 2019, and the $22.3 million has been spent. It produced nine projects scattered throughout greater Boston. They all have a mixed-use, mixed-income component, and have accounted for 586 total housing units, 139,423 sq ft of commercial space, 612 construction jobs and an additional $144 million of public and private investment. The initiative was so well-received that MHIC has announced a second HNEF phase with a target size of $50 million (more on that below). Meantime, here are some highlight projects from HNEF I.

**Treadmark**

Completed in November 2018 by Trinity Financial, Inc., Treadmark is an 83-unit building in Ashmont, a historic

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**CITY:**

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**Health As a Funding Initiative**

By Scott Beyer
black neighborhood in Boston that has seen lots of investment. In 2011, the Commonwealth of Massachusetts finished a $40 million reconstruction of Ashmont Station, a transit facility served by Massachusetts Bay Transportation Authority (MBTA) buses and the Red Line train. The city of Boston also funded a $2 million improvement of Peabody Square. Trinity has a history of building in Ashmont: in 2004, the developer built housing on an MBTA-owned surface parking lot, and this Treadmark project will go on the site of a former tire shop.

Trinity hasn’t faced significant neighborhood resistance, though, because their projects include large affordability set-asides. With $486,130 in HNEF investment, Treadmark will offer 32 condo units; the other 51 units are rental, and were helped/financed by Low Income Housing Tax Credit.

**Holmes Beverly**

Holmes Beverly was built in Beverly, MA, a commuter suburb that is one hour north of Boston. It is served by two commuter rail lines, meaning the MBTA plays an active hand in urban development there, too. In 2014, MBTA completed a 500-car parking garage near one of the rail stations and put out a bid for housing redevelopment on some other land it owned.

Barnat Development accepted that bid, and leveraged a variety of financial incentives to complete Holmes Beverly. This included some local tax increment financing money; the state’s “Open for Business” program, which encourages development on state-owned land; $1.6 million from MassHousing’s Workforce Housing Initiative; and $4.9 million in HNEF investment.

This produced a project with 67 units, including 16 affordable. Holmes Beverly also has 4,500 sq ft of ground-floor retail, along with a fitness room, bike storage and outdoor dog run that help encourage healthy lifestyles.

**87 Washington Street**

87 Washington Street was the only one among HNEF’s nine projects to receive Federal and State Historic Tax Credits. It is a four-story brick building in Haverhill, MA, which is also a commuter suburb of Boston, and right along the New Hampshire border. Haverhill was once among the nation’s leading shoe manufacturers, but was left with empty mills and warehouses when that industry went overseas.

87 Washington was one such aging building, but by the end of 2019 is expected to be fully refurbished and opened thanks to the Boston-based Traggorth Companies. Along with the historic credits, Traggorth has leveraged $1.4 million from HNEF to convert the building into 24 apartments and 3,500 sq ft of ground-floor retail.

As fast as HNEF’s phase I execution has been, it was still launched as an untested concept, says Kathy McGilvray, MHIC’s director of investment.

“When we first introduced HNEF I, we were breaking new ground. We were at the forefront of the intersection of health and housing and among the first, if not the first, equity fund created to fill an acknowledged financing gap for community development financing.”

This meant Boston’s development community was unfamiliar with the program and how it worked. But now that nine projects have seen fruition, key players are contacting MHIC about collaborating on future ones, says McGilvray.

That is why the corporation is launching a bigger HNEF II of $50 million. All capital will be raised in 2020, and reinvestment of proceeds will be allowed during the ten-year fund term, according to the HNEF II fact sheet. Projects that qualify for the discounted capital will need to have similar criteria: mixed-use, mixed-income, transit-oriented, with broad community support and located in under-resourced neighborhoods in greater Boston and the gateway cities. HNEF II thus looks to expand upon the first phase, financing healthy, affordable housing units in a city short on this.

“We have been successful at attracting and deploying private capital, aligning equity investments with other sources of funds, cleaning up blighted and degraded land and catalyzing and accelerating the development of healthy, walkable mixed-use neighborhoods near transit,” writes McGilvray by email. “With HNEF II we intend to continue this effort to build on our relationships with others who have the same goals.”

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