COMMERCIAL REAL ESTATE

A Missing Piece of Housing Plan

Despite Promise, Community Land Trusts Face Obstacles

BY STEVE ADAMS
BANKER & TRADSMAN STAFF

COMMUNITY land trusts offer a unique housing model that creates affordable, permanent affordability. The Chinatown Community Land Trust in Boston is one example of a planned development area master plan, CBT Architects Principal Kishore Varanasi said. The redevelopment presents an opportunity for public new access on a 1,200-foot-long section of the Port of Fort Point Channel. “By opening up the site, we have an opportunity to open up an extraordinary waterfront down to the Basin River,” Varanasi said, referring to an inlet that extends toward South Bay. Approximately one-third of the property is subject to state Chapter 91 waterfront zoning guidelines, and buildings will be designed to conform with the regulations limiting building heights and shadows on the channel, Varanasi said. Gillette has agreed to donate a portion of the property to the city of Boston for the flood control project, spokeswoman Kara Buckley said. The city is seeking FEMA grant funding to offset the cost of the project, which is designed to protect 31 properties including the Gillette campus from flooding. While the razor manufacturing facility will relocate to Gillette’s 150-acre Andover campus, the company will retain its corporate headquarters and R&D functions in South Boston, Buckley said. It has not determined whether the location will be the existing property. During a comment period, community members asked for an aggressive transportation management plan tied to public transit upgrades, and inclusion of affordable and art- istic housing.

Gillette Factory Redevelopment Plan Due in January

BY STEVE ADAMS
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Gillette Co. will begin its permitting in January for a mixed-use development transforming 31 acres of South Boston waterfront into a mixed-use campus. At a virtual community meeting Wednesday, local residents and cultural groups pressed the manufacturer to include affordable housing, artist live-work units and park space in its master plan. Boston-based CBT Architects is the master plan- ner for the multi-phased project, replacing the 1.5 million-square-foot razor factory. Gillette spokesperson Kara Buckley said the company will submit its initial letter of intent to the Boston Planning & Development Agency in January, kicking off the formal permitting process. Housing, commercial uses, public open space and resiliency measures coordinated with the city of Boston’s planned Fort Point berm project will be included. Gillette has not divulged the square footage of the proposed redevelopment. The nearby Seaport Square project, originally developed by Boston Global Investors and now owned by WS Development, was approved for nearly 7.7 million square feet on 33 acres. The Gillette project will be proposed under a planned development area master plan, CBT Gillette Factory Redevelopment Plan Due in January

The city is seeking FEMA grant funding to offset the cost of the project.

Displacement of cultural space in the once- affordable Fort Point enclave by high-end housing and office space prompted a protest campaign by artist groups, prompting one recent development to include a large component of artist studios and housing. Developer Related Real agreed to include 51 artists units and a 20-percent income- restricted housing component in its Channel development, approved in 2012 at a former portion of the Gillette campus parking lots. Gillette also is studying “creative possibilities” for the future of its landmark rooftop mounted “World Shaving Headquarters” sign, Buckley said. “We love the Gillette sign as you can imagine. We’re very attached to it and it’s one of the most frequent questions I’ve gotten,” Buckley said.
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Since the program ended, new rental buildings have been foreclosed upon in Massachusetts, including those in South End, Jamaica Plain, and Charlestown. Wu pledged to “sit down with stakeholders” to craft a tax break program to restart multifamily development in Boston.

That said, new residential construction in Boston is stuck in neutral amid a chronic housing shortage that has driven up rents and prices to extreme levels.

It is a fact that Wu, who is facing reelection — and likely to run for governor — in 2024, is under pressure to get major housing projects off the ground. Wu is in the final months of her second term, and a major housing project would give her the kind of “symbolic win” that politicians typically use to highlight big initiatives.

One such project is the $1 billion affordable housing initiative that was creating a wave of optimism in the city’s housing market until it ran into trouble. Wu has been exploring “a time-limited tax incentive program for housing creation.”

City officials, she noted, had “consulted leading experts and economists to evaluate our options for targeted investment in housing production at a time when new home construction remains incredibly difficult to finance.”

Wu then pledged to “sit down with stakeholders” in the coming months as “we finalize and think through the pieces of it.”

And like New York, Boston has seen a plunge in new housing starts across the board, which have fallen anywhere from 30 percent to 50 percent depending on whether you factor in new affordable and market-rate units being developed on the site of public housing projects in Charlestown and Jamaica Plain.

If Wu decides to take the plunge, then one logical venue for an announcement would be next month’s annual State of the City Speech, which mayors typically use to highlight big development initiatives.

And what would such a program look like? The New York model, which industry sources point to as an idea in play, calls for a tax exemption of three or more years during construction followed by a multi-year phase-out of the incentive.

Politics Could Drive Time Limit

The tax exemption was particularly popular with New York developers but was phased out in 2012 amid criticism that it gave away too much tax revenue, a drawback that Wu would surely be sensitive to.

Such a criticism may be why the mayor has carefully couched any new incentive program as “time limited” — though clearly there is also a desire to get things moving as well.

Boston Mayer Michelle Wu, seated from left, and other officials cut a ceremonial ribbon on the site of Hines’ massive South Station redevelopment on Sept. 20, 2022.

Boston Mayor Michelle Wu, seated from left, and other officials cut a ceremonial ribbon on the site of Hines' massive South Station redevelopment on Sept. 20, 2022. Wu pledged to “sit down with stakeholders” to craft a tax break program to restarted multifamily development in Boston.

We are more than a year now into a real estate market downturn, with major developers in Boston and in many other cities now unable to get financing to move ahead with their projects thanks to high interest rates, skittish lenders and inflated construction costs.

If Wu does decide to move forward with a broader tax exemption program, it’s unlikely we will see a rapid return to boom times, though it could very well get a project or two moving.

But without a lifeline, it’s pretty clear that housing construction will continue to lag along at low levels until the real estate cycle finally moves into recovery mode again.

And your guess is as good as mine when that will be.

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Community Land Trusts Feel Left Out

The commonwealth builder program is the state’s primary subsidy for developers building affordable home ownership units, typically in economically challenged Gateway Cities, Boston and a handful of other communities of color. But the program’s guidelines call for the deed restrictions on foreclosed properties to extend for a minimum of eight years.

Such a criticism may be why the mayor has carefully couched any new incentive program as “time limited” — though clearly there is also a desire to get things moving as well.

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The community land trust model was selected by residents, some of whom had been displaced by gentrification in South End, as the best opportunity to stabilize the new housing developments. Cho said.

“Thay had that foresight: ‘This is what happens if we don’t create protection,’” Cho said.

A key element of the CLT stabilization model is the dual ownership of land and housing, which gives the land trust veto power over risky homeowner mortgages as a foreclosure prevention strategy.

“We won’t consent to predatory loans, and we also have the right to first purchase,” Cho said. “It’s a backstop to make sure the property won’t go to a speculator.”

No properties in the Dudley Neighbors Inc. portfolio were foreclosed upon during the 2008 financial crisis, Cho said.

The permanent restrictions guarantee that units don’t lose their income-restricted status, in contrast to conventional affordable housing developments by private or nonprofit developers using federal tax credits. Investment analyst Moody’s predicts that 188,000 affordable housing units nationwide will lose their income-restricted status by 2028 as low-income tax credits received by developers expire.

The Boston Foundation report also highlighted the obstacles to CLT growth, starting with the lack of a dedicated state program.

Currently, CLTs rely heavily on local sources where they compete with nonprofit developers and others for limited funding.

The CommonWealth Builder program is the state’s primary subsidy for developers building affordable home ownership units, typically in economically challenged Gateway Cities, Boston and a handful of other communities of color. But the program’s guidelines call for the deed restrictions on affordable properties to expire after 15 years, creating an opportunity for residents to build wealth by selling the properties at market rate. That conflicts with the community land trust model, designed to stabilize neighborhoods through permanent deed restrictions.

A Healey administration spokesperson pointed to two state programs that CLTs could communicate with for assistance: the Affordable Homes Act contains a $275 million bond authorization for sustainable and green housing initiatives. And a $1 million earmark in the 2022 economic development bill is designated for a small properties acquisition fund pilot with loans to subsidize acquisitions of one- to eight-unit residential buildings.

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HOT PROPERTY

Each week, Banker & Tradesman commercial real estate reporter Steve Adams spotlights a commercial real estate transaction in Massachusetts.

Kismet Commerce

What: Kismet Commerce
Where: 77 ROWE ST., NEWTON
Owner: Calare Properties
Built: 2023-2024

• Kismet Commerce's first facility will provide small businesses with a customized office, coworking and storage space ranging from 100 to 2,500 square feet.
• The Newton facility will open in March, and is designed for e-commerce providers. Kismet Commerce plans to expand nationally in markets with a high concentration of small businesses and e-commerce companies.

They Said It

"Small businesses and e-commerce entrepreneurs are at a disadvantage in the current market. Our mission is to eliminate the real estate headaches and logistical nightmares, by providing our clients with an innovative facility, enabling them to focus on growing their business.”

— Jonathan Arnone, chief operating officer, Kismet Commerce