

COMMERCIAL REAL ESTATE

STABILIZATION SOLUTIONS

A Missing Piece of Housing Plan

Despite Promise, Community Land Trusts Face Obstacles

BY STEVE ADAMS
BANKER & TRADESMAN STAFF



Community land trusts offer a unique housing model that creates affordable home ownership with reduced foreclosure risk and a role for residents in property decision-making.

Land trusts have generated hundreds of permanently affordable units in Boston, prompting organizers in surrounding communities including Chelsea and Somerville to seek land acquisitions that could replicate the model and stabilize gentrifying neighborhoods.

But programs specifically benefiting community land trusts were notably absent from the 33 financial and policy recommendations in Gov.

Maura Healey's \$4 billion housing Affordable Homes Act unveiled in October. Advocates say it's a missed opportunity to expand a model that's shown a track record of success in Boston and across the U.S. for decades, and is showing early signs of promise in surrounding communities.

"That is really the missing piece of the equation," said Lydia Lowe, executive director of the Chinatown Community Land Trust in Boston. "When you're doing this type of acquisition, you can't necessarily wait for an annual housing award."

Community land trusts often rely on off-market transactions to acquire overlooked properties, pointing to the need for an acquisition fund to anticipate unexpected oppor-

tunities. The Chinatown CLT made its most recent acquisition in June after a member spotted a flier posted at a Chinatown food court advertising a four-unit rowhouse.

"Since it hadn't been listed on the MLS, it was a fairly straightforward process," Lowe said. "Every time a property has been on the market, we've lost out to an investor-buyer."

Chinatown CLT closed on the \$1.5 million acquisition of 8 Oxford Place in July. It's in the initial stages of planning repairs and a future governance structure.

The organization previously acquired rowhouses at 29 Oak St. and 95 Hudson St. containing seven units, which were sold as condominiums with permanent affordability.

And in Chelsea, Comunidades Enraizadas Community Land Trust was created in the 2000s by Latina immigrants organizing against foreclosures and displacement. The group hasn't made any acquisitions, but plans to seek properties for housing and environmental justice in partnership with environmental group GreenRoots, according to The Boston Foundation report.

"When you're doing this type of acquisition, you can't necessarily wait for an annual housing award."

— Lydia Lowe, executive director, Chinatown Community Land Trust

Advantages of Dual Ownership Structure

The Boston Foundation's 2023 Greater Boston Housing Report Card recently spotlighted the unique ownership and governance structure of community land trusts, and the advantages they offer over other prevalent affordable housing models.

The land trust typically acquires the property and creates a separate ground lease for the building before selling or renting to residents. The separation of land ownership and housing offers protection to residents, said



Somerville Community Land Trust's first project at 7 Summer St. in Union Square created five income-restricted condominiums acquired by buyers last summer for \$264,000 to \$380,000.

Ben Baldwin, executive director of the Somerville Community Land Trust.

"It's run a little bit more like a co-op, where people are deeply involved in the organization," Baldwin said. "The longer-term involvement for the CLT as landowner means that if problems arise in the mortgage or tax delinquency, the CLT is there all along and can step in."

Somerville Community Land Trust tapped into the city's affordable housing trust fund to acquire its first property at 7 Summer St. in Union Square in 2022, receiving hundreds of applications for the five available condominiums. The units were restricted to households earning 80 and 110 percent of area median income, and sold for \$264,000 to \$380,000, respectively. A 15-member board of directors including five residents was elected this fall to oversee the property's future management.

The organization is preparing to acquire an additional six-unit property in early 2024. Baldwin, Somerville Community Land Trust's executive director, said the undisclosed property is an existing apartment building.

Community land trusts also offer a track record of protecting residents from foreclosure protection, said Sharon Cho, director of the Roxbury-based Dudley Neighbors Inc.

The organization is one of the nation's oldest CLTs, formed in 1988 to create affordable housing on 62 acres of largely vacant land in Roxbury and Dorchester where it was given eminent domain authority by the then-Boston Redevelopment Authority, now the Boston Planning & Development Agency.

Dudley Neighbors Inc. currently oversees 228 units of rental and home ownership housing.

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Gillette Factory Redevelopment Plan Due in January

BY STEVE ADAMS
BANKER & TRADESMAN STAFF

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 planner for the multi-phased project, replacing the 1.5 million-square-foot razor factory.

Gillette spokeswoman 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

Architects Principal Kishore Varanasi said. The redevelopment presents an opportunity for new public access on a 1,200-foot-long section of the Fort Point Channel.

"By opening up the site, we have an opportunity to open up an extraordinary waterfront down to the Bass 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 berm

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 on 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 artist housing.

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 Beal agreed to include 51 artists units and a 20-percent income-restricted housing component in its Channel-side development, approved in 2022 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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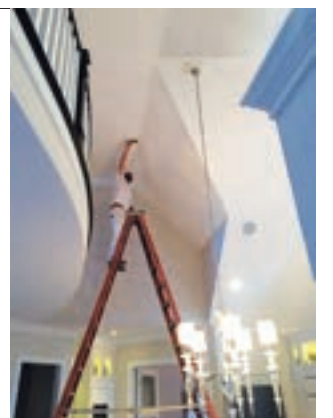
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COMMERCIAL REAL ESTATE

COMMERCIAL INTERESTS

Wu Looks to Kick-Start Housing Construction

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Since the program ended, new rental building starts have plunged in New York City.

Sound familiar?

A spokesperson for the Boston Planning & Development Agency declined to comment on the idea.

However, we do know that Wu is indeed looking at some sort of tax break or tax incentive to spur new housing – she said so as much back in September.

Watch This Space

In a speech to the Greater Boston Chamber of Commerce, Wu revealed that the city was considering “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 out 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,

after the building opens, 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 2022 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 has seen a plunge in new housing starts across the board, anywhere from 30 percent to 50 percent.



Boston Mayor Michelle Wu, second 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 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 less than two years from now, must be painfully aware of.

Meanwhile, the tax exemption the Wu administration is eyeing for new housing projects is separate from a previously announced tax incentive deal designed to spur conversion of older and half empty office buildings in downtown Boston, industry sources say.

There are likely to be only a limited number of new apartments and condos that will come out of that initiative given the difficulty of converting many office buildings, which have significantly different floor plates, to residential uses.

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 kick 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.

Scott Van Voorhis is Banker & Tradesman’s columnist; opinions expressed are his own. He may be reached at sbvanvoorhis@hotmail.com.

Community Land Trusts Feel Left Out

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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.

“They had that foresight: ‘This is what happens if we don’t create protections,’” 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.

CLTs permanent deed 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 high-

lighted the obstacles to CLTs’ 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, targeting the economically challenged Gateway Cities, Boston and a handful of other communities of color. But the program’s guidelines call for the deed restrictions on affordability 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 tap into for acquisitions: 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.

Email: sadams@thearrengroup.com

HOT PROPERTY

Each week, Banker & Tradesman commercial real estate reporter Steve Adams spotlights a commercial real estate property in Massachusetts notable for its high deal activity, unique design or one-of-a-kind special features.



Photo courtesy of 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 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 and other entrepreneurs. It will include conference rooms, individually secured Wi-Fi, discounted shipping rates, on-site staff and 24-7 security.
- Founded in early 2023 by private equity executive Martin Zieff, Boston-based 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 ecommerce 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

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