THE REDEVELOPMENT OF COLUMBIA POINT: FINANCING A POLITICAL IMPERATIVE

by

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ABSTRACT

This thesis examines the redevelopment of the failed Columbia Point public housing project into Harbor Point, a private mixed-income project from primarily a financial viewpoint. The context surrounding Columbia Point's redevelopment is examined as it relates to the extraordinary degree of public support and subsidy this project has received.

The complex financial structure which makes this project feasible is explained, and the level and source of subsidy is examined. A scenario for the project's financial performance over time is constructed to see how much money the special Public Trust Fund might generate, and to gauge how much profit the developer is likely to earn from this project.

A review of the analysis suggests that the level of subsidy this project has attracted is extraordinary, and that the political imperative to redevelop Columbia Point had a great influence on the normal development process. Because of project economics, the public is subsidizing the market-rate as well as the low-income units. Both the amount of money the Trust Fund generates and the profit the developer earns are very sensitive to the project's success as a residential community. The project depends on its ability to attract market-rate tenants for this success. To do this it must overcome the negative reputation of Columbia Point. Although the Trust mechanism could, under the best conditions, accumulate enough money to carry the 400 low-income units for as much as ten to fifteen years, the project will need to rely on continued public support to maintain these units for the entire 99-year lease term. It could however eventually self-subsidize a moderate-income component.

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CHAPTER ONE INTRODUCTION

Jutting out into Dorchester Bay, on Boston's Columbia Point Peninsula, sits a banal grouping of orange brick buildings which together comprise the Columbia Point public housing project. This project, the last of the very large public housing projects built in Boston, is being redeveloped by the private sector into a privately owned and managed mixed-income housing development named "Harbor Point." The development's erstwhile patron, the Boston Housing Authority (BHA), has relinquished its stake in the project in the hope that once privately redeveloped, the project will provide safe, decent, well-maintained homes for the public housing tenants currently living there, something the BHA has been unable to do. The BHA also hopes, as does the Department of Housing and Urban Development, the City of Boston and the Commonwealth of Massachusetts, that finally the onus of the public housing project's failure will be lifted, and that the stigma which has come to be synonymous with the name "Columbia Point" will be at last wiped off the peninsula.

The reason I chose to investigate Columbia Point was that I was curious about how public goals were reconciled with the financial exigencies within a real estate development. I was interested in how the project was tailored to suit its financing. I soon found, however, that that discussion would be very brief compared to the one about how the financing was tailored to suit the project: in the Columbia Point case, the project drove the financing, not the other way around. My other interest was in seeing how the mixed-income character of the development was worked into the project's finances, specifically to see if it was possible to internally subsidize low-income units with the market rents. That led to the discovery that Harbor Point will not be able to subsidize itself and that it will rely on a large array of public subsidies in order to house low-income families and be financially feasible.

Lewis Spence, the court-appointed administrator (1) of the BHA said of Columbia Point, "It's an anomaly . . . It was a Devil's Island of the poor and requires an anomalous solution." (2) The solution which has evolved for Columbia Point is certainly anomalous. The singular nature of Columbia Point radically altered the development process by causing the emergence of a "political imperative" which was instrumental in making its redevelopment possible.

The normal development process, in which a developer locates a site and designs a program determined primarily by the financing he or she can obtain, and in which market considerations and the site's characteristics determine the development's rent structure, was totally restructured by the nature and strength of the political imperative to redevelop Columbia Point. For this project the site was pre-determined, and certain elements of the program (the inclusion of 400 low-income units) were foregone conclusions. There was very little flexiblity in changing the program. Using strict, traditional criteria for public and private action, it is not evident why everyone remained committed to the project. There was something special about the redevelopment of Columbia Point which kept them there: the completion of the project was a goal which took on a life of its own. No one wanted to appear in the Boston Globe as the party responsible for killing the project.

From a public perspective, the redevelopment will provide four benefits. First it will provide 400 units of low-income housing which will be properly managed and maintained for 30 years. Second it will generate a cash reserve earmarked for low-income housing. Half of this reserve will subsidize Harbor Point's 400 low-income units after the current 30-year commitment expires. The other half of this reserve will be disbursed yearly to the BHA. Third, it will pay property taxes to the City (public housing does not). Finally it will clean up the Peninsula with a new, socially mixed community. But the amount of public subsidy required to provide these 400 low-income units, indeed to carry out the project at all, has risen steadily during the planning period. Despite this rise, the public sector has remained committed to providing the resources required to complete Columbia Point's redevelopment.

From a private perspective, the project is fraught with difficulty and risk. Developing a project to satisfy various public bodies requires a high level of sophistication and is much more complex than an as of right development. This project in particular demanded an extensive amount of negotiation with the public sector. The concept of mixed-income housing, particularly of mixing high-end market-rate tenants with former public housing tenants, is an innovation in the City of Boston. As an untested housing product, the risk is greater than that for a totally market-rate, or market-moderate mixed development. Also, from the developer's perspective, the financial returns will be more difficult to extract and less certain than those for a comparable housing development built elsewhere, unburdened by all the political baggage attendant to Columbia Point.

Given another set of circumstances, the public sector would have chosen to construct low-income units in a more cost-effective location. Under ordinary conditions, the private sector would have balked at a project where the returns are so circumscribed and uncertain. In redeveloping Columbia Point, the public and private actors have been galvanized to complete the project. This commitment has eclipsed considerations of cost-effectiveness and of financial return.

The existence of a political imperative to redevelop Columbia Point evolved from the sense of public purpose which surrounds this task. This sense exists because of Columbia Point's sad history, the high visibility of that history and of efforts to alter its direction, and finally because the public-to-private transfer is laden with symbolic value.

Because an overriding sense of public purpose pervades the Harbor Point project, recasting Columbia Point into a successful private project is seen as a public good with far more public utility than another comparable development project might have. Because of Columbia Point's notoriety, whoever finally turns the squalid complex into a pleasant residential community will have accomplished a task which is sure to be heralded as bordering on the miraculous. This fact has doubtlessly not been lost on either the public or private actors who will be credited with the accomplishment.

Corresponding to this public purpose there is an extraordinary degree of political support amassed behind the project. Without this political backing, and the momentum created by that backing, the redevelopment could never have been accomplished. This comprehensive political support has translated into the involvement of all levels of government, each with a slightly different agenda, and into a formidable array of subsidies maneuvered into place by these federal, state and local agencies. While this array ultimately made the project feasible, it also helped to complicate the development process tremendously. Four years passed from the start of the negotiations to the selection of a developer, and seven years will have passed before ground is broken. (3)

Columbia Point's history, which is summarized in the next chapter, created a climate of expectation and anticipation for its redevelopment. The failure of Columbia Point is nationally known. The BHA's inability to rectify it was well covered by the press. A series of outside redevelopment efforts also fell flat. As development pressure in Boston has increased, and in particular as the market for housing has burdgeoned, the latest plans for this prime piece of land have become front-page news.

The ramifications of the public-to-private transfer is another reason for Columbia Point's unique status. A significant public asset, built and dedicated to house low-income households and operated by the public sector, will be shifted to the private market. Luxury market housing will be built where over 1500 units of low-income public housing once stood. Only 400 units of low-income housing will remain, a vestige of the site's past as a public housing project. The provision of these 400 units is the condition the public sector has imposed to allow the transfer to private hands.

While the net loss of over 1100 units of low-income housing units inspired some housing advocates to oppose a private redevelopment, this loss is illusory. For the past seven years, over 1100 of the units at Columbia Point have been vacant, and the BHA has proven itself incapable of maintaining either the occupied or vacant units. Although the reason for this high vacancy level is the BHA's lack of control over the project, this condition is real and seemingly irremediable.

Even at a time when the federal government's involvement in housing production is at a low ebb, when demand for affordable housing is great, and when local housing resources are being stretched to the limit, the Columbia Point redevelopment has managed to attract a disproportionately high level of public subsidy.

This thesis examines the redevelopment of Columbia Point primarily from a financial viewpoint. It investigates the way in which the special circumstances surrounding Columbia Point affected the development process; how the project defined the financial structure, and the array of public subsidies which was called into play to carry the project out. In outlining and analyzing the financial structure of the project, particular attention is paid to the amount of support pledged by the public sector, and to the profits which are likely to be made by the private sector. Aspects of the financial structure unique to Columbia Point are examined. An operating scenario is played out over time using a set of assumptions about project variables in order determine the implications of the financial structure. The final chapter considers the project's long-term financial performance in light of the political imperative surrounding it.

CHAPTER TWO

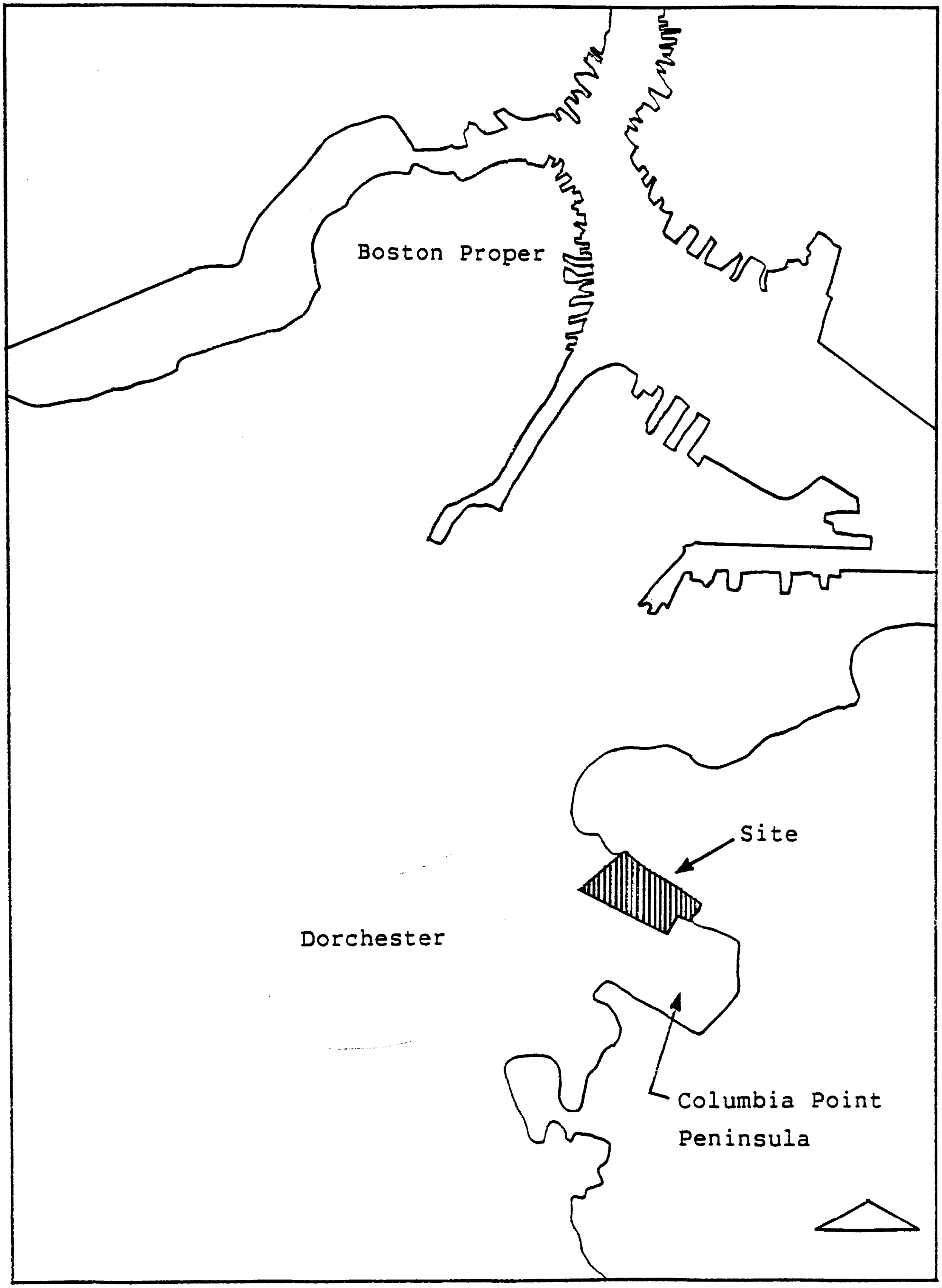
HISTORY OF COLUMBIA POINT

Columbia Point's history is one of visibility and neglect, aborted plans and ineffectual initiatives. This history led to widespread political support for its redevelopment.

The Columbia Point public housing project was completed in 1954. It consists of 1504 apartment units in fifteen 7-story and twelve 3-story buildings. The buildings are closely grouped on the 38-acre site at a density of about 40 units per acre. Like many urban public housing projects built in the early fifties, the living space allowances per unit are minimal, the site planning and landscaping rudimentary, and the architecture repetitive and monotonous. Oblivious to its seaside location, the development does not relate to the waterfront in any way. The site was formerly part of the Calf's Pasture municipal garbage dump, which continued operating until 1962. With the exception of a pumping station, the Columbia Point Peninsula was otherwise undeveloped when the project was built.

Despite its lack of amenity, the Columbia Point project operated at full occupancy for over a decade. Its isolation from the adjacent Dorchester neighborhood--often cited as a key factor in its eventual failure--was considered an asset by many of its early residents. (4)

Columbia Point is part of Boston's inventory of over



1. Location of Columbia Point and of Columbia Point Public Housing Project in Boston.

18,000 public housing units, of which approximately 16.5% are vacant. (5) Together with publicly assisted housing, this public housing inventory comprises roughly 10% of the total number of dwelling units within the City, making it a significant housing resource for Boston. (6)

The decade of the 60's saw fundamental changes in the operation of public housing nationwide. In Boston, as elsewhere, the rises in housing costs and incomes became disjointed, making housing less affordable to most consumers generally. At the same time federal programs such as Urban Renewal and urban highway building had or were displacing large numbers of mostly poor, black people from the central cities. Because the demolition of affordable units far outpaced their replacement, many displaced households were relocated into public housing.

Households displaced by federal activity were given priority status in public housing waiting lists; eventually the tenant profile of housing authorities in large cities underwent a complete transformation. The typical household became black, female-headed, and dependent on public assistance. The "working poor" largely left the projects to be replaced by the "chronically poor." As a result, most local housing authorities began to face enormous financial and management problems. The basic equation of public housing had to be reformulated.

The operation of public housing projects was formerly financed out of each project's rental receipts, with a federal subsidy required only for the projects' actual development. Now the local housing authorities required operating subsidies as well, to make up for diminished rental receipts. In addition, most large projects in major cities were in need of major infusions of capital to modernize and rehabilitate. This need arose partly to remedy the false economies achieved in their construction, partly to make major repairs deferred due to lack of resources, and partly because of deterioration accelerated by vandalism, neglect, and mismanagement.

The Columbia Point project was no exception. The BHA had developed one of the least impressive reputations of all public housing authorities in the nation. Under its (mis)management, Columbia Point did not age gracefully. In 1966, the BHA began to deliberately assign its "problem tenants" to the Columbia Point project because of the availability of social services on-site. (7) By 1971, the major problem facing Columbia Point was the number of "severely disruptive" tenants. (8) The project's vacancy level rose steadily during the 1970's until it reached the present level of over 75%.

During this time the project acquired and reinforced its extremely negative, stigmatized image. The largest public housing project in New England came to be considered the embodiment of the failure of public housing. Because Columbia Point grew to resemble the pejorative stereotype of public housing so accurately, the stigma which settled on the failed project was strong and pervasive. The delivery of city services, even those normally considered essential, became virtually non-existent. The project's unoccupied buildings became a convenient refuge in which criminals could conduct their activities (mostly drug dealing) without interference from the police. Even the Boston Fire Department refused to answer calls from the project. (9)

Because of a series of well-publicized redevelopment plans, a climate of anticipation developed around Columbia Point. The redevelopment of Columbia Point, an idea bandied about so frequently, gradually grew into a political imperative. The abject failure of Columbia Point was an embarassment to the various governmental entities whose purview includes housing. The repeated collapses of redevelopment efforts only served to put the project's failure in greater relief and reinforce the political commitment. The interest in its redevelopment which evolved at all levels of government was instrumental in providing the resources and official sanctions required for its completion. In addition, public investment ocurring elsewhere on the Peninsula (the University of Massachusetts in 1974, the John F. Kennedy Memorial Library in 1979, and the state archives facility in 1985) made the presence of an imposing, boarded-up public housing project increasingly incongruous.

While all levels of government had an interest in Columbia Point, each had distinct motives. In the environment of fiscal austerity which emerged at the federal level during the Reagan era, HUD was especially reluctant to allocate money which would be squandered on a hopelessly mismanaged project.

HUD, dubious of the BHA's ability to operate the project, was anxious to dispose of it.

The BHA, the manager of the project, is mandated to provide safe and decent housing to eligible Boston households. Especially in light of the Perez case, (10) the BHA needed either to successfully rehabilitate the project or dispose of it.

The City, represented by its planning and zoning agency, the Boston Redevelopment Authority (BRA), had broader interests such as encouraging and controlling desirable development throughout the Peninsula, balancing development throughout the City, encouraging the vitality of all its neighborhoods, as well as ensuring an adequate supply of housing. Having backed several redevelopment proposals for Columbia Point in the past, the City was anxious to finally deliver on its promises.

The Commonwealth, represented by the Executive Office of Communities and Development (EOCD), also could not ignore the implications of New England's largest public housing project lying in shambles, particularly when it has expressed a commitment to housing state-wide.

Clearly the failure of Columbia Point, the dimensions of that failure, and its high profile, have been a longstanding political liability for many governmental entities.

Even as it was planning the redevelopment of other housing projects in Boston (such as Franklin Field, "D" Street in South Boston, and Fidelis Way in Allston), the BHA felt that it could not successfully redevelop the entire Columbia

Point project on its own. A belief that so large a concentration of low-income households on such an isolated site was doomed to fail, as well as a realistic appraisal of the likelihood of funding from HUD, led it first to envision a scaled-down BHA development, adjacent to a private market development, and eventually to relinquish the entire project to private hands. (11)

The BRA, the City and even the tenants agreed that the BHA was not capable of resuscitating Columbia Point as a public housing project. Acceptance of this premise, while keeping a commitment to rehouse existing tenants, effectively forces the conclusion that the redeveloped project must be mixed-income, and that it be developed, owned and managed by the private sector.

The impetus to redevelop Columbia Point has existed almost as long as the project itself. Ed Logue, head of the BRA, petitioned (unsuccessfully) in 1964 that the Peninsula be slated as an urban renewal area. When the University of Massachusetts decided to locate its new campus on the Peninsula in 1968, it touched off a furor regarding the impact the institution would have on the existing neighborhood. The aftermath was the commission of the first in a series of unrealized plans to redevelop the entire Peninsula.
This plan, called the "$150 Million Proposal" by an enthusiastic White administration, was announced at about the same time the University campus actually opened its doors in 1974.

This plan established the principle of redeveloping only as much public housing as needed to rehouse the households actually living in Columbia Point (about 900 households at this time). (12) This feature would be included in all future proposals, including the final one. Because tenant attrition was greatest around this time, as project conditions deteriorated, the idea of rehousing only existing tenants was seen by some tenants and tenant advocates as a deliberate plot to burden the eventual project, and developer, with the minimum number of low-income units. Willfully or not, this principle did essentially determine the number of low-income units finally included in the project.

A second major initiative was instituted by the BHA itself, using funds allocated to it under HUD's Target Projects Program and Modernization Program. The Target Projects Program was an effort to comprehensively assist severely distressed projects. The Modernization Program was a capital improvements program which funded the upgrading of deteriorated projects. Because of pressure from the court-appointed master (appointed to oversee the BHA's operation in 1977 as a result of the Perez class action suit), the BHA solicited a greater degree of tenant participation for this improvement effort than usual. A "modernization referendum" was conducted to obtain tenant input concerning the best use of the allocated funds. Choosing between spreading the money over the most units or spending as much as possible on fewer units, the tenants voted for the latter strategy. While this surprised the BHA, it makes perfect sense when one considers the BHA's capacity to execute and maintain physical improvements. This attitude on the part of the tenants, of first and foremost securing the best possible improvements for their own units, their low regard for the BHA's capabilities, played a major role in formulating the eventual development concept.

The BHA's effort succeeded in rehabilitating only a small fraction of the units. The work which was done by the low-bidding contractor was of very poor quality, typifying the BHA's inability make significant and permanent improvements to the Columbia Point project. (13) The tenant's choice, rooted in a basic distrust of the BHA's abilities, was a wise one.

HUD next stepped in to form a task force to tackle the project's problems. This task force attempted to build upon what the BHA had done, physically as well as politically, but could not improve the project without additional financial commitments from the federal government, commitments which were not forthcoming.

The Peninsula Planning Committee, a group composed of members of prominent private institutions and corporations, then prepared the next redevelopment plan which was integrated into Mayor White's 1977 Boston Plan. Like so many of the previous plans for Columbia Point Peninsula, this one never left the drawing board.

By 1978, there was a regrouping of the actors involved. Most importantly, the tenants elected their first truly representative task force, the Columbia Point Community

Task Force (CPCTF). This group was committed to participating in the planning and development of the project from which up to now the tenants had largely been excluded.

With the triad of the BRA, the BHA, and the CPCTF in place, the planning for the redevelopment began in earnest. For its part, the CPCTF came up with its own redevelopment plan. Of the three, CPCTF was the strongest advocate of private management and ownership, and of the greatest degree of demolition. (14) Again this reflects the tenants' lack of faith in the BHA, and of their perception that they would be better housed by leaving the BHA system.

The BHA applied for funding from the Urban Initiatives Program to help pay for the redevelopment. The award, which was granted in 1978, will actually be used for demolition nearly eight years later, to pave the way for private redevelopment.

By 1979, the BRA, the BHA and the CPCTF signed the Peninsula Planning Agreement, which detailed each parties' role in the negotiations to decide how Columbia Point should be redeveloped. One early product of these negotiations was the Rehousing Agreement. This pledged to rehouse all tenants who were certified as such by the BHA as of April 18, 1981.

The final developer's kit was ready by late 1982. The consensus required among the BRA, BHA, and CPCTF to produce this kit was the signal HUD needed to believe that the project had secured the necessary local backing. Although HUD took a back seat through much of the planning for Columbia Point's redevelopment, it nonetheless held a veto position.

A Memorandum of Understanding on developer selection, signed by the three parties (as well as the eventual developers), elaborated the conditions set forth in the developer's kit, to "underscore the unique public purpose of (the) redevelopment effort." (15) The most significant stipulations of the Memorandum are that 400 of the units in the redeveloped project must be low-income housing in perpetuity, and that all existing Columbia Point tenants are guaranteed an appropriately sized unit in the project. These units must be identical to the market-rate units, and they must be dispersed evenly throughout the development.

The Memorandum also detailed two trust funds to be financed out of the project, one to protect the 400 low-income units in the event of a subsidy shortfall, the other to be applied to low-income housing City-wide. The rationale for these funds was that as a result of the redevelopment, the City would lose 1104 units (from 1504 to 400 units) from its stock of public housing, and that the City had to be compensated for this loss.

The deadline for proposal submissions was in late 1982. Although the competition was open to developers throughout the nation, only three proposals were submitted. This small number attests to the fact that this was not perceived by the development community at large as an attractive development opportunity.

A deadlock developed between the BHA, the BRA and the CPCTF when they were unable to agree on which proposal should be chosen. Whereas the CPCTF and BRA preferred the Corcoran, Mullins and Jennison (CMJ) proposal, the BHA favored the Columbia Associates (CA) proposal. Although the BHA cited the greater financial capacity of the CA team, as well as the experience of one of their partners, the National Corporation for Housing Partnerships, (16) it is apparent that the BHA also wished to prevent the CPCTF from achieving the partnership status CMJ had promised them. It is interesting to note that, despite the BHA's avowed interest in safeguarding the tenants' welfare, the roles of the BHA and the CPCTF were more those of adversaries than of allies.

Because of the impasse which resulted from the BHA's support of the CA proposal, Mayor White appointed a mediator to resolve the deadlock. The "solution" engineered by the mediator, and accepted by all the parties, was to create a composite development team composed of members of both the CMJ and CA teams. In October of 1983, the developer was finally designated. Within a year, the team completed negotiations with the BHA, the BRA, and HUD, and signed a development agreement specifying the scope of the redevelopment. The redevelopment of Columbia Point was finally under way.

CHAPTER THREE THE DEVELOPMENT CONCEPT

When Mayor White appointed a mediator to settle the developer selection dispute, that mediator negotiated a merger of the CMJ and CA teams into today's development team. This development entity, Peninsula Partners, is a general partner of the ownership entity, the Harbor Point Apartments Company. Peninsula Partners is headed by CMJ as managing general partner. Other partners include Robert J. Kuehn, Jr., of Housing Associates, the Cruz and Peabody construction companies, and the South Boston Development Partnership. The Harbor Points Apartments Company is composed of Peninsula Partners and the CPCTF as general partners. In this way the tenants have a major decision-making role in the development and operation of the project. The National Corporation for Housing Partnerships, part of the original CA team, dropped out of the second partnership.

CMJ's involvement extends further as its construction division, CMJ Construction, is a joint venturer with Peabody Construction in the Vernon Construction Company, a company set up to be the general contractor for Harbor Point. The property will be managed by CMJ's property management division. In addition, CMJ was the developer of "Phase I" of the Columbia Point redevelopment, Bayside Mall, a failed shopping center on the peninsula which was converted into the Bayside Exposition Center in 1983.

CMJ has considerable experience with mixed-income projects. In the late seventies it converted America Park, a dilapidated public housing project in Lynne, into a residential community, known as King's Lynne, consisting of 441 units split evenly among low-income, moderate-income and market rates. In 1982 it completed the redevelopment of a condemned public housing project in Laurel, Maryland into a mixed-income development of 520 units. While these projects invite comparison to Harbor Point, it is a very different undertaking. Columbia Point is a much larger, more notorious project, and required a highly visible, complicated, negotiated development process. The project which emerged from this process poses much greater risks in development and operation than an "as of right" development.

Because of Columbia Point's reputation, and because of the inclusion of 400 units of low-income housing, the developers faced some special marketing considerations. Said CMJ president Joe Corcoran of Harbor Point's future (market-rate) tenants, "We're not kidding ourselves . . . they're not going to come here for the Great Liberal Experiment . . . Our idea is to build a better mousetrap." (17) The ingredients for a "better mousetrap" are a waterfront location with skyline views, luxury units, a variety of building and unit types, landscaping, parking, on-site amenities (tennis courts, swimming pools, etc.), a nearby subway stop, and proximity to downtown Boston.

One of the consequences of having to build a "better mousetrap" is that the mousetrap will cost more. Although the developer indicated that luxury units were being built because that is what will sell in Boston's housing market, (18) it is clear that a high-end development will also help vanquish lingering associations with the squalid, old Columbia Point. This satisfies the public sector's desire to transform Columbia Point completely, and from the developer's viewpoint, lessens the chances that the project will fail in the marketplace.

Harbor Point's construction costs are affected by various other factors as well. Most significantly, because the site is a land fill of marshland, extensive foundation work and pilings are required for most structures, even two-story townhouses. The roads must also be specially constructed to eliminate excessive settling. It has been estimated that the unusual site conditions added a premium of over $10,000 to the cost of each unit. (19) Additional factors cited by the developer as contributing to high construction costs are the high building costs in Boston generally, the costs associated with all-union labor, the additional costs attributable to a phased construction sequence, the need to deal with varied building types, and impositions made during the design review process. (20, 21)

Certain aspects of the low-income housing component of the project were negotiated among the BRA, the BHA and the CPCTF and are part of the development agreement.
The primary element of the development concept is that 400 units of low-income housing must be built. The subsidized units must be identical in every way to the market-rate units. They must also be evenly dispersed throughout the development so that there is no segregation within the

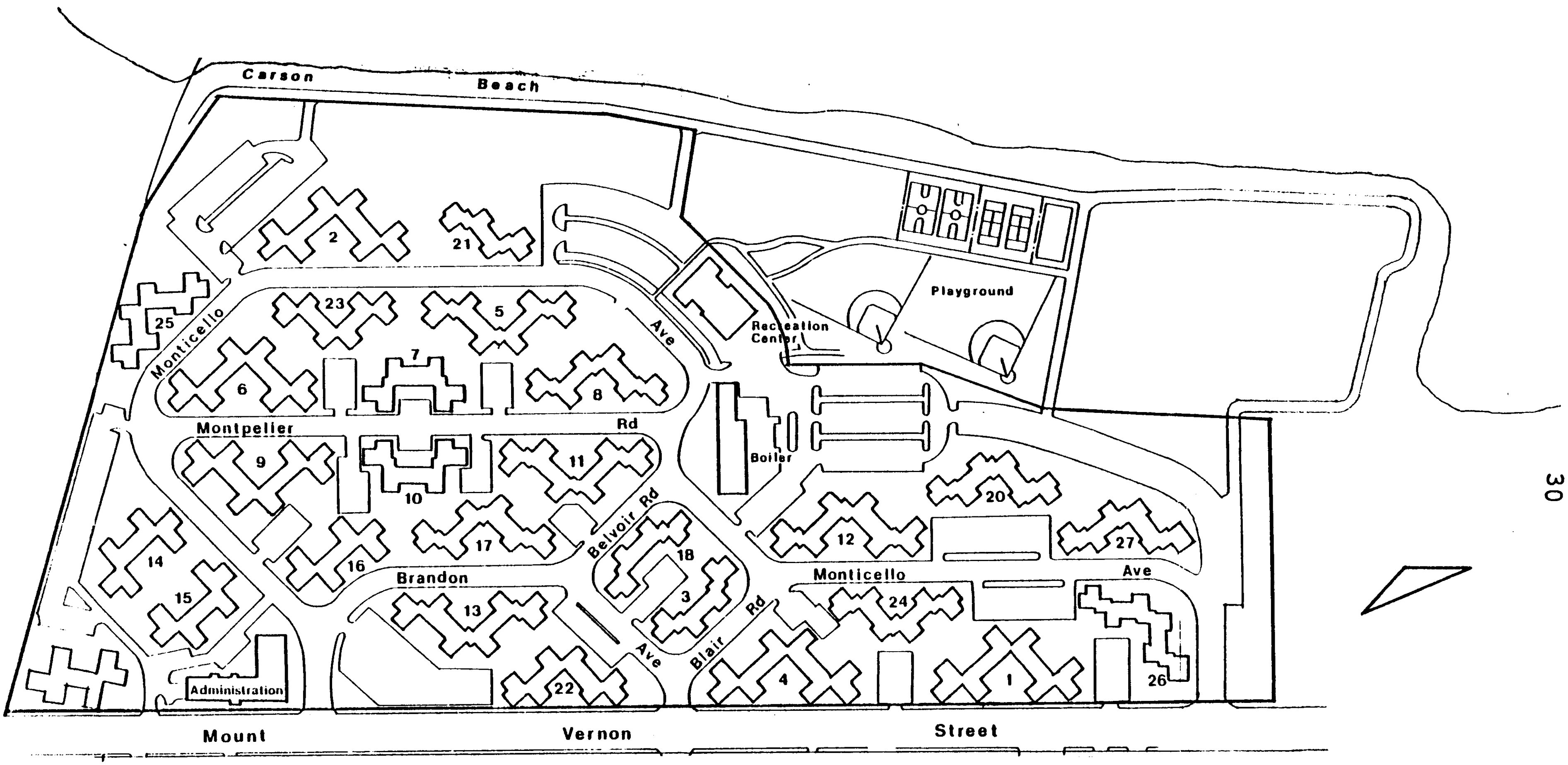
project itself.

Part of the development concept is that the subsidized tenants will benefit both from luxury units, and from the fact that their community will no longer be neglected by the City. The presence of affluent market-rate tenants will supposedly ensure that the project receives adequate public services, because the affluent have the political power to demand them.

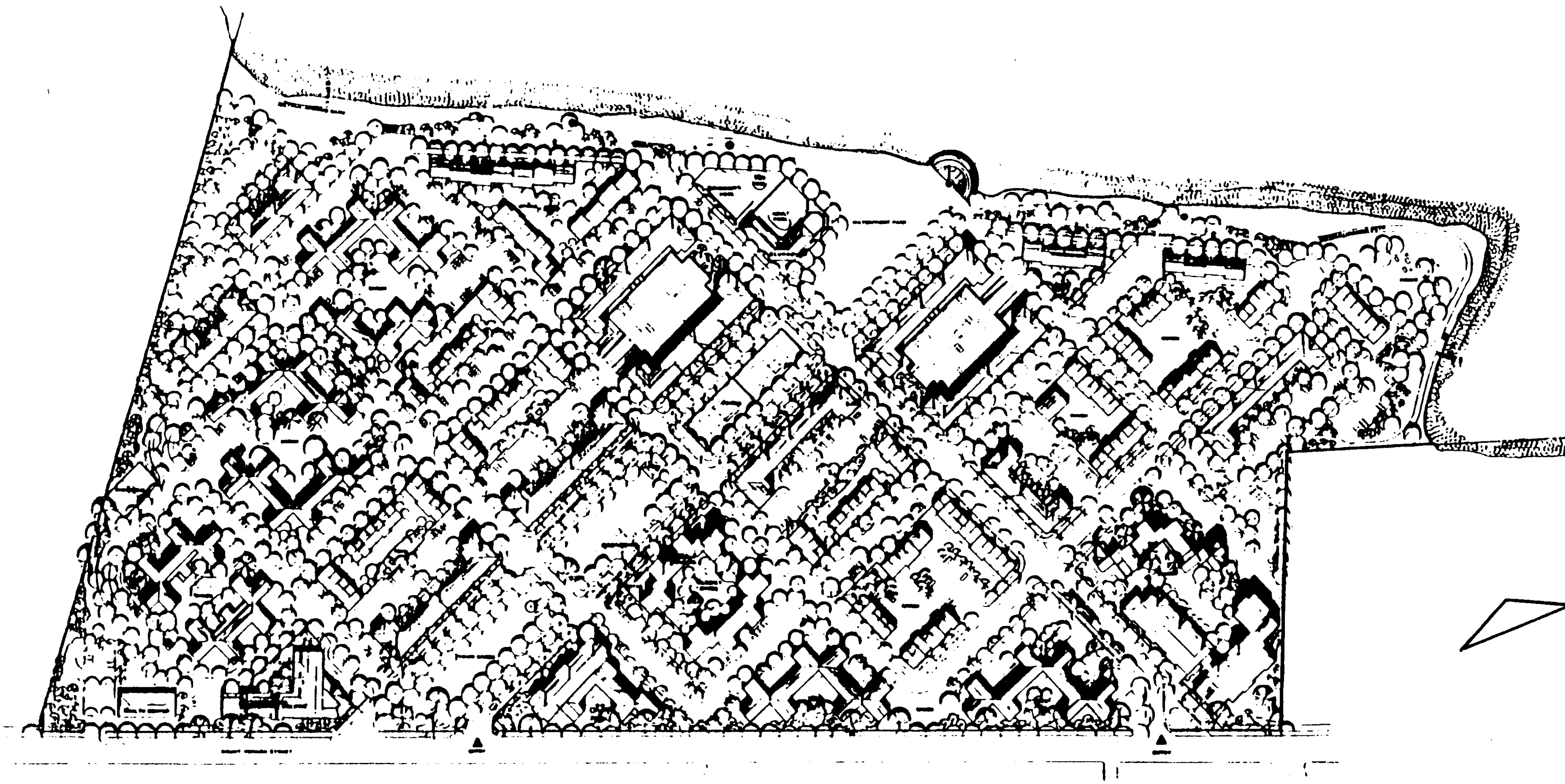
The development concept originally included a middle range of moderate-income units, available to households with incomes between those of the market units, and those eligible for the low-income units. It was thought that this would temper the disparity between the very low-income and affluent tenants, and "balance out" the community. Because of project economics, however, the subsidy which was going to permit these moderate-income units, State Housing Assistance for Rental Production (SHARP), will actually be used to subsidize the entire project's income in order to make it feasible at all.

The project involves partially or completely demolishing 18 of the existing buildings, leaving 330 units in rehabilitated 3- and 5-story buildings. A total of 952 new units will be built, in townhouse as well as elevator building formats. Initially the plan included new stepped 7- and 15-story buildings facing the harbor, and a total of 1402 units, but plans for these buildings were scrapped as costs mounted. The street pattern of the area will be reconstructed into a grid arranged diagonally to the waterfront. All streets will terminate near the waterfront and "Harbor Point Boulevard" will be laid out from Mt. Vernon Street to a waterfront park as Harbor Point's "main street."

The elimination of the moderate-income units was the only significant change made in the program because of financial considerations. The basic development concept remained intact, despite the fact that it was increasingly clear that this concept, conceived as it was free from all limitations of cost-effectiveness and feasibility, would exact an inordinantly high price to the public sector for its goals on Columbia Point.



2. Site Plan of Columbia Point Public Housing Project.



3. Site Plan of Harbor Point Redevelopment.

CHAPTER FOUR FINANCIAL STRUCTURE

Transforming Columbia Point into Harbor Point is a very expensive undertaking. Because of high development costs, the project requires substantial development subsidies. Since it is necessary to deeply subsidize the 400 low-income units, and because of the large amount of debt service required to finance the project, Harbor Point will also require operating subsidies to maintain feasibility.

The array of development and operating subsidies provided to meet the project's needs, the collection of regulatory and legislative actions to facilitate the project at all political levels, and the orchestration of all of these attest to the political imperative of Columbia Point. This imperative's existence is particularly evident given the interdependent nature of the financing components, and the cooperation among government agencies at all levels which was required to make the scheme work.

Because of the special nature of the site, and the development of luxury-type housing, the construction of Harbor Point will be costly. The construction costs, including site improvements and general requirements, will total $88,000 per unit, or about $65 per square foot. Total development costs, including all mortgageable items, amount to almost $130,000 per unit, or about $96 per square foot (See Appendix B for a complete breakdown of development costs). These costs are high when one considers that more typical housing can be developed in Boston for $70,000 to

$80,000 per unit. (22) The construction costs for the BHA's public redevelopment the Fidelis Way, Franklin Field and "D" Street projects was under $70,000 per unit. (23)

To meet these high costs, Harbor Point's development financing package includes a $121 million mortgage at tax-exempt rates, two federal grants totalling $20.7 million structured as "soft" junior mortgages, and a $3 million capital grant from the Commonwealth. Private financing consists of a syndication which will provide net proceeds of approximately $33 million, an initial CMJ equity contribution of approximately $4 million (the developer's total equity contribution is considered the sum of the actual developer's equity and the syndication proceeds), and a private gap loan to finance cash requirements at closing and cash shortfalls in the initial years of operation.

The project will also use operating subsidies on both a project-wide and unit-specific basis. The 400 low-income units will be subsidized by both federal and state goverment programs (350 units with Section 8 and 50 units with Chapter 707). The SHARP commitment awarded by EOCD will enhance the entire project's income. One financial arrangement unique to Harbor Point is the provision for a Trust Fund to be financed out of the repayment of public subsidies and contingent groundlease payments.

The project's first mortgage is provided by the Massachusetts Housing Finance Agency (MHFA) through the issuance of tax-exempt mortgage revenue bonds. The MHFA is a self-sustaining agency to finance and promote the construction and rehabilitiation of housing throughout Massachusetts which has been issuing loans since 1970. By statute at least 25% of the units in MHFA-sponsored projects must be affordable to moderate-income tenants.

The mortgage commitment was originally made in 1984 for $95 million, but grew to $121 million in 1985 in response to escalating project costs. These costs escalated when estimates from subcontractors were significantly over initial projections. The mortgage rate, determined by the sale of tax-exempt bonds, is 9.85% and the term is 40 years. Yearly debt service is $12,730,616. (24) The mortgage is co-insured by MHFA and the FHA under the federal 221(d)(4) program. MHFA insures the first 20% of the mortgage and FHA the remaining 80%. This coinsurance arrangement made possible a longer Section 8 commitment than would otherwise have been possible. (25)

According to MHFA guidelines, developers of MHFA-financed projects are limited in their cash return (cash flow after debt service) to a dividend equal to 6% of their initial equity investment. In Harbor Point, this dividend is subordinated only to the MHFA mortgage.

The mortgage is the largest single commitment in MHFA's history, by a fair margin. (26) It is doubtful that the project would have been feasible on the basis of a market-rate mortgage, which would have had higher monthly payments because of a higher interest rate and a shorter term. In addition, the controversial and risky nature of the project would probably have deterred most Boston banks from lending at favorable terms, if at all.

The Urban Development Action Grant (UDAG) award was the fruit of protracted negotiations with HUD. The City initially received a Phase I award of $4.5 million to help renovate the Bayside Exposition Center from a 1978 application. The Phase II (Columbia Point housing project) award languished for several years, during which the UDAG program was winding down. In 1984, the resubmitted $20 million Phase II request was "rolled over" by HUD. (27) When the Phase II award of $12 million was finally announced in 1985, it represented over 14% of an $83 million UDAG funding pool, which funded 38 other projects as well. (28) Using HUD's 100-point system for allocating money to competing applications for UDAG money, Columbia Point scored only three points above the cut-off point which separated the successful from the rejected applications. Yet the award was the largest of the funding round. This indicates that HUD was, despite its foot-dragging, ultimately committed to seeing the project completed and that it was willing to allocate relatively scarce resources to accomplish this goal.

The UDAG award is structured as a second mortgage. It has a 40-year amortization period and a balloon payment due at 30 years. The interest rate is 0% from 1989 through 1992, 5% from 1993 through 1998, and 8% thereafter, until its maturity in the year 2019. No payments are due until 1993, and then they are subordinated to the MHFA mortgage and to the developer dividend allowed by MHFA. The UDAG mortgage is not assumable, and must be paid off in full in the event of a refinancing, resyndication, or sale.

The UDAG agreement, which also specifies the terms of the Urban Initiatives grant, provides for public participation in the syndication, cash flow, and refinancing or sale of the project. Twenty-five percent of the net syndication proceeds (29) in excess of $27 million must be used to reduce the UDAG principal in 1993. Twenty-five percent of the "excess cash flow," (30) to the extent that it is available, must be paid into the Trust Fund each year, 10% as "additional interest" and 15% as "contingent lease payments." In the event of a refinancing or sale, 20% of the net proceeds from the transaction must be used to pay down the UDAG balance. (31)

HUD's Urban Initiatives award of $8.7 million has been earmarked for Columbia Point since 1978. It was originally awarded to help the BHA "turn the project around." This money will pay for the demolition and much of the site work required. The award is structured as a third mortgage. It is amortized over 40 years with level payments at 3% interest. Like the UDAG, interest is 0% until 1993 when payments become due. The payments are subordinate to those for the UDAG loan.

Unlike the UDAG, the Urban Intiatives loan is assumable, meaning that it may remain in place in the event of a resyndication, refinancing or sale. In addition both the UDAG and Urban Initiatives are "soft" mortgages, meaning that their payments may be deferred if there is insufficient cash to make them.

Both the UDAG and the Urban Initiatives awards are commitments of federal money obtained at the tail end of the federal government's direct involvement in housing production. Because of the new priorities set by the Reagan Administration, securing a similar amount of federal funding for a single housing project would be very unlikely today. The survival of these grants over the long planning period is due to HUD's high level of commitment to redevelop Columbia Point. If not for the existence of an institutional commitment for its completion which could transcend changing administration policies, these awards would not have weathered the long and arduous planning period for Columbia Point.

The project was granted a Chapter 884 grant in the amount of $3 million by EOCD. The 884 program was actually created when CMJ was redeveloping King's Lynne, to subsidize the redevelopment of failed public housing projects into privately owned mixed-income communities. The grant was made through the BHA to defray up front development costs.

The project's private financing will come from the developer's up front equity contribution, and from syndication proceeds. CMJ has already invested approximately $4 million in mortgageable items. (32) The gross proceeds from the syndication are estimated at $37 million. Less a syndicator's fee of about 12%, this leaves $32.5 million in net proceeds, out of which the UDAG participation would be $1.4 million, leaving $31.2 million to be applied to the project. However, like most syndications, this amount will not be available at once, but rather in six yearly installments. (33)

In exchange for their investment of $37 million, the limited partners will receive 95% of the tax losses and 95% of the cash distribution allowed by MHFA. They also expect the return of their initial capital investment and 50% of the distributable sales proceeds. (34)

The Harbor Point project managed to win specific exemption from changes in the tax treatment of real estate in the House tax reform bill. Lobbyists succeeded in convincing state representatives drafting this important piece of federal legislation that Harbor Point merited special protection. The issue of tax reform has nonetheless been a thorny one for Harbor Point. The project did not receive equivalent consideration in the Senate tax reform bill.

Because the Harbor Point syndication is structured to provide most of its benefits through a tax shelter rather than a cash return, even if the depreciation schedules which create these shelters are preserved specifically for Harbor Point, it is not clear whether changes in personal income tax rates (which would alter the value of tax shelters to investors) will allow the syndication to work. Without the capital generated through the syndication, the entire project will be placed in jeopardy.

The developer (Peninsula Partners) is entitled to any residual development funds still in reserve accounts in 1993, provided that that amount does not to exceed $14 million. Any amount in excess of this would go into the public trust. This "anti-windfall" provision is in the UDAG agreement.

Because of cash requirements at closing, and because phased-in occupancy will provide only a fraction of the project's income in the first several years, the developer must take out a gap loan to cover closing requirements and operating deficits. This loan will be on the order of $10 million. (35)

In addition to development subsidies, both the state and federal governments are subsidizing Harbor Point's operation. These subsidies will enable the project to provide the mandated 400 units of low-income housing, as well as insure that the project as a whole is financially feasible.

The project has a 30-year Section 8 annual contributions contract for $3.3 million per year to subsidize 350 of the 400 low-income units. This subsidy will make up the difference between the HUD-determined "fair market rent" for a newly constructed unit in Boston, and the rent which each tenant will actually pay (30% of household income).

The award of the Section 8 to Harbor Point was a feat in itself, considering that HUD no longer issues new construction or substantial rehabilitation certificates. It was accomplished by persuading HUD to allow the BHA to transfer existing Section 8 certificates committed to other projects to Harbor Point by replacing them with unused HUD allocations. The amount exchanged, $27.8 million, is equivalent to the capitalized value of the Section 8 payments stream for 350 units over 30 years. This amount was then used to subsidize the units whose certificates were transferred to Harbor Point.

The transfer could be accomplished only by defeasing the bonds for the existing certificates so that these certificates could be legally applied to Harbor Point. The defeasement required the approval of a bill in the Massachusetts legislature.

The original certificates had a 40-year term; if the FHA had insured the MHFA mortgage alone, it would have done so for only 20 years, and this would have been the limit for the Section 8 commitment as well. MHFA's coinsurance of the mortgage allowed a compromise of 30 years for the transferred Section 8 certificates.

While only a procedural necessity, the defeasance of the bonds and the transfer of the Section 8 certificates is one of several examples of legislative action, on the state as well as the local level, which was required to make Columbia Point's redevelopment feasible. (36)

EOCD committed 50 Chapter 707 certificates to Harbor Point. Chapter 707 is a state rental assistance program which parallels the terminated federal Section 8 program. It works on the same principle of subsidizing the difference between a fixed percentage of the tenant's income and an EOCD-determined fair market rent. The Chapter 707 funding is appropriated annually by the state legislature. The commitment to Harbor Point will probably last at least as long as the Section 8, or 30 years.

EOCD further subsidized Harbor Point with a 15-year SHARP award. SHARP is a shallow-subsidy program which is designed to provide developers the difference between cost-based rents and rents attainable in the marketplace. EOCD provides an annual contribution which is phased out over 15 years as the project's rents increase with the market.

By a special appropiation of the legislature, the Harbor Point project was awarded a $2.5 million SHARP subsidy. The regular appropriation of SHARP subsidies for the entire state totalled $11.4 million in 1985. (37) Thus the special Harbor Point award amounted to over one-fifth of the entire SHARP program. This underscores the strength of Massachusetts' commitment to Columbia Point. Ironically, this award jeopardized the UDAG award.

Originally the SHARP subsidy was to permit a middle band of moderate-income units in Harbor Point. Because it was appropriated after the UDAG deadline, however, the UDAG application to HUD did not mention this moderate-income component. When HUD heard of the Commonwealth's intention to subsidize these moderate-income units, it threatened to rescind the UDAG award. The UDAG program was intended to provide assistance to projects which would not occur "but for" the UDAG award. HUD saw the SHARP commitment as a change in the project's finances which would necessitate a re-evaluation of the need for the UDAG award. This illustrates that while Harbor Point benefited from commitment at all levels of government, orchestrating this support was a challenging task.

The issue was settled when HUD was convinced by CMJ that the SHARP subsidy was required not to subsidize moderate-income units, but rather to ensure overall project feasibility. This was the result of the unexpectedly high subcontractor's estimates which also necessitated the removal of the stepped 11- and 15-story buildings, and, as a result, a reduction in the number of total units from 1402 to 1282.

The SHARP subsidy is structured as an interest-only loan disbursed over 15 years, and payable over 15 additional years at an annual interest rate of 5% with no compounding. Although it is repaid to EOCD, the SHARP statute allows the repayments to be reycled into the project if it will benefit low- and moderate-income tenants.

The 99-year groundlease with the BHA incorporates the UDAG provisions, and further stipulates that the 25% participation in cash flow and 20% participation in residuals continue throughout the term of the lease. It also specifies that 400 units of the development must be used as low-income housing (38) as long as the lease is in effect.

The last element of the financial structure is unique to Harbor Point. The ground lease from the BHA establishes a trust, called the "Harbor Point Public Benefit Fund," to be funded out of all the subsidy repayment, participation, and contingent payment provisions detailed in the UDAG agreement and the groundlease. The fund is to be divided into two trust estates: the "Boston Housing Authority Fund," intended to "preserve, upgrade and expand the supply of public low-income housing in the City of Boston," and the "Harbor Point Apartments Low-Income Tenants Fund," intended to "maximize the goal of ensuring the the continual existence of 400 low-income units at the Development in the event such initial subsidy commitments are not so renewed or replaced."

The fund will be administered by three impartial trustees appointed by the BHA and the Harbor Point Apartments Company. Each year, beginning in the seventh year after the project's completion (1996), the principal and interest in the fund will be released in equal portions to each of the two trust estates.

There is a provision for a legal determination to prevent the release of the BHA's portion of the fund in the event that the renewal or replacement of public subsidies available is insufficient to fund the project's 400 low-income units. In this case the low-income tenants fund may claim the entire amount if necessary.

The financial package that was created to develop and sustain Harbor Point could not have been accomplished without a political imperative to complete the project. The process by which the development was conceived and the financing secured was marked by high visibility, the involvement of many actors, and by a high degree of cooperation across public-private and governmental lines.

As this chapter has illustrated, the package is distinguished by extreme complexity, a high level of public subsidy for both low-income and market-rate housing, full utilization of Massachusetts' commitment to housing, and and a high degree of federal involvement despite waning federal committment to low-income housing.

CHAPTER FIVE

ANALYSIS

The complex financial structure which makes the redevelopment of Columbia Point possible would not exist without a political imperative to carry out the project. Each time the project was threatened with infeasibility, it secured additional commitments and concessions which kept it feasible. Thus the complex financial structure which holds the entire project together was also constructed incrementally.

This chapter examines the level and form of public subsidy pledged to Harbor Point, and attempts to provide a single, unified picture of the costs and benefits of the redevelopment of Columbia Point, as it is conceived. That subsidy, in all of its complexity, can be considered a proxy for the level of public commitment to redevelop Columbia Point. Understanding the nature of these subsidies is critical to understanding how the public commitment to Harbor Point was translated into operational terms.

The chapter also investigates a likely scenario for the project's financial performance over time in an attempt to gauge the long term benefits to the developer and to assess the public utility of the trust mechanism specified in the ground lease.

Public Subsidy of Harbor Point

The previous chapters have shown that the selection of the Columbia Point Peninsula as the location for low-income housing led to the payment of a premium for the 400 low-income units over and above what they might have cost to build and operate elsewhere. Because the project's financial picture changed over time, while the commitment to the 400 low-income units remained steadfast, the public costs of these units grew to extraordinary levels, and even the market-rate units will require subsidies for the project to be feasible.

Because all subsidy repayments provided for in the UDAG agreement with HUD and in the groundlease with the BHA will go into the "Harbor Point Public Benefit Fund," and not back to the subsidy-granting agencies, these loans are not actually "paid back," from the public perspective. Instead, these loans can be considered grants, and the public utility of the "Public Benefit Fund," which the paybacks will help generate, as one of the public benefits of Columbia Point's redevelopment. The subsidies from which Harbor Point benefits can be divided into three types: capital cost write-downs, mortgage write-downs, and operating subsidies.

1. Capital Cost Write-downs

The capital subsidies to Harbor Point include the provision of a prime piece of land ("one of the finest sites for urban development in Boston, or the entire country for that matter," according to HUD's assistant secretary in 1982) (39) at very favorable terms, $3 million in capital from the state, and $20.7 million in capital from the federal government. They also include the value of the income tax foregone by the federal government through use of tax shelter to attract the $37 million in private capital.

The BHA site was enlarged through the annexation of 13 acres of public parkland to bring the total site area up to 51 acres. Even with the demolition required to make the site developable, the net result of the terms of the BHA groundlease ($1 per year) for this parcel is still equivalent to a substantial capital subsidy.

As long as the BHA is willing relinquish Columbia Point, and to transfer the site to private hands, the conveyance of the site under the terms of the Harbor Point lease is in effect foregoing the sales price the BHA could have obtained in the private market. Under normal conditions, this site might have commanded a price on the order of $22 million (assuming that 15% of total project costs are attributable to land, and a total project cost of $150 million). Alternatively, MHFA appraised the value of the land to be $7 million ($10,000 per unit, minus a premium for special site expenses). (40) If the average of these two figures ($14.75 million) is accepted as the market value of this site, then the BHA is providing a capital subsidy in income forgone equivalent to $11,500 per unit, for each of the 1282 units.

The contingent lease payments specified by the UDAG agreement and the groundlease are dedicated to the Public Benefit Fund. Thus for the purpose of this analysis, they are not considered a cost of the lease, but are accounted for in the evaluation of the Public Benefit Fund.

The Chapter 884 grant is an outright capital subsidy from Massachusetts. As the purpose of Chapter 884 is to ensure the preservation of low-income units in redeveloped projects, it is allocated here only to the 400 low-income units, and represents a capital subsidy of $7,500 per low-income unit.

The federal UDAG and Urban Initiatives awards help defray hard costs. The UDAG is to be used for new construction, while the Urban Initiatives will be applied to the project's demolition, utilities, earthwork and unusual foundation costs. (41) Applied to the entire project, these awards provide capital equal to over $16,000 per unit.

In order to attract private capital to real estate development, the federal government allows investors to shelter income from taxation through the use of accelerated depreciation and limited partnerships. The amount of paper losses a project generates reduces the taxable income of investors by an equal amount. Thus the federal government forgoes the income taxes which would have been paid on this income had it not been sheltered. In the Harbor Point project, the syndication is structured to offer tax shelter over 15 years. From a public perspective, the cost of this tax shelter can be considered the present value of the tax payments which the federal government will foregoe. Discounted at 10%, the present value of these payments is $47 million. (42) Divided over 1282 units, the public cost of this arrangement is over $36,000 per unit. It should be noted that because this is the result of federal tax policy, this subsidy is not unique to Harbor Point.

2. Mortgage Write-Down

The MHFA mortgage commitment is in excess of $94,000 per unit. The MHFA mortgage amount of $121 million was raised by selling bonds whose yield is tax-exempt. This mortgage is written down by the federal government because the treasury forgoes the tax the investors would otherwise have paid on their bond return. From a public perspective, the cost of the MHFA loan made with tax-exempt bonds is the amount of income tax thus foregone by the federal government. If we assume that the buyers of the MHFA bonds are on average in the 40% tax bracket, and the prevailing taxable bond rate at the time of the bond issue was 11%, then the amount of income tax foregone by the federal government on the MHFA bonds is approximately $5.3 million, spread over 40 years. (43) If we account for the time value of money, and discount at 10%, the present value of this tax foregone by the federal goverment over the 40-year term is $1.3 million, or about $1,000 per unit.

3. Operating Subsidies

As we saw in the previous chapter, the public sector is also subsidizing the operation of the project. Every unit in Harbor Point will receive about $2,000 per year in operating subsidy from the SHARP allocation. EOCD will phase out the SHARP award over 15 years, depending on how well the project's rising rental income can supplant it. This subsidy must be repaid by the developer, under the terms described in the previous chapter. However, because of the wording of the SHARP legislation, it is assumed here that only half the repayment will go back to EOCD, with the remainder paid into the Public Benefit Fund. The public cost of the SHARP award can therefore be considered the present value of the payment stream. Discounting at 10%, this is equal to $12.6 million. Divided over the project's 1282 units, the SHARP commitment has a present value of $9800 per unit.

Each low-income unit in Columbia Point will receive an additional $10,000 per year in operating subsidies. This is the per-unit average of the total Section 8 and Chapter 707 contribution for 400 units per year. The Section 8 contract is for $3.3 million per year. If we assume that the HUD fair market rent will inflate at 4% per year, the present value of the Section 8 payment stream is $45 million, or about $129,000 per unit, over 350 units. Assuming that EOCD's fair market rents are on average 10% higher than HUD's, (44) and inflating these payments at 4% per year as well, the present value of the 707 award is $7 million, or about $142,000 per unit, over 50 units.

The following tables summarize the public subsidies to Harbor Point as discussed above in terms of type, source, allocation, and magnitude. All subsidies are expressed in terms of their present value discounted at 10%. Table 1 illustrates subsidies by type and source on a per-unit basis, and Table 2 illustrates how the subsidy burden is distributed among levels of government.

Table 1
Per-unit Public Subsidies by Type and Source

Capital Cost Write-downs
(per unit)

		Low-income	Market rate
Federal:	(Tax shelter)	$ 36,000	$ 36,000
	(UDAG)	9,360	9,360
	(Urban Initiatives)	6,786	6,786
State:	(Chapter 884)	7,500	None
Local:	(BHA groundlease)	11,500	11,500
	SUBTOTAL	$ 71,146	$ 63,646

Mortgage Write-downs:
(per unit)

		Low-income	Market-rate
Federal:	(MHFA mortgage)	$ 1,000	$ 1,000
State:		None	None
Local:		None	None
	SUBTOTAL	$ 1,000	$ 1,000

Operating Subsidies:
(per unit)

		Low-income	Market-rate
Federal:	(Sec. 8, 350 units)	$ 129,000	None
State:	(Ch. 707, 50 units)	142,000	None
	(SHARP)	9,800	9,800
Local:		None	None
	SUBTOTAL	$ 140,425 (*)	$ 9,800
	TOTAL	$ 212,571	$ 74,440

(*) Weighted average of Section 8 and Chapter 707 used in calculation.

Table 2
Per-unit Public Subsidies by Level of Government

	Local	State	Federal
Actual expenditure:			
per low-income unit	0	7,500	16,146
per market unit	0	0	16,146
Income forgone:			
per low-income unit	11,500	0	37,000
per market unit	11,500	0	37,000
Present value of payment stream:			
per low-income unit (*)	0	27,550	112,875
per market unit	0	9,800	0
SUBTOTALS			
per low-income unit	$ 11,500	35,050	166,021
per market unit	$ 11,500	9,800	53,146
TOTALS			
per low-income unit	$ 212,571		
per market unit	$ 74,446		

These tables reveal that the federal government is most heavily subsidizing Harbor Point in both actual expenditure and income forgone. They also illustrate that in the course of ensuring the feasibility of Harbor Point, market rate as well as low-income units had to be subsidized.

Financial Performance

Another way of evaluating the ramifications of Harbor Point's financial structure is to look at the financial performance of the project over time.

One of the unique aspects of Harbor Point is the Public Benefit Trust Fund. This mechanism will collect the

(*) Weighted average of Section 8 and Chapter 707 used in calculation.

paybacks of public subsidies, to provide some security to Harbor Point's 400 low-income units once the initial 30-year commitment expires. The results of financial projections show that the amount this fund will generate is highly sensitive to the project's overall success as a residential community. Appendix D shows financial projections for the project using the Case I assumptions, listed in Appendix C. In this "best" case, in which rents rise steadily and vacancy remains low, the balance of the Harbor Point Low-Income Tenants' Fund after 30 years is almost $140 million, not including the 20% participation in the sale or refinancing of the project which would most likely be occuring around this time. This amount could subsidize Harbor Point's 400 low-income units for 8 to 12 years, depending on the "fair market rents" allocated to these units. The 20% participation in the proceeds of a sale or refinancing, which would also be paid into the Fund, might provide up to another 5 years of subsidy, depending on the project's sale price.

Under these assumptions, the project also generates "excess cash" in amounts sufficient to subsidize the moderate-income component which was deleted in the project's initial stages. If the project performs as well as Case I, it would be relatively easy to self-subsidize the moderate-income component through rent-skewing. However there is no formal agreement to this effect. In addition, the BHA will receive an income stream from its portion of the Trust Fund. While the BHA's specific use of these payments is not explained more specifically than to "preserve, upgrade and expand the supply of low-income housing in the City of Boston," their value under these assumptions can be expressed as being sufficient to develop roughly ten units of housing per year, for the first 30 years of Harbor Point's operation. (45)

Under the assumptions listed as Case II in Appendix C, in which rents rise about half as quickly and vacancy rates remain about twice as high, the Trust Fund accumulates very little at all, scarcely enough to subsidize the 400 units for two to three years only. Payback of public subsidies which are junior to the MHFA allowed dividend are deferred, and there is no "excess cash flow" in which the Trust Fund can participate. In this case refinancing would be difficult because the property's value would not have increased significantly, and also because the cash flow would be insufficient to accommodate any significant additional debt service.

The return to the developer is also tied very closely to the project's overall success. Because the development itself is so expensive, it is very unlikely that the developer will be able to claim a large amount of unused development funds. While CMJ is relatively sure to recover its up front $4 million equity quickly from operations if not from the syndication payments, the chances of extraordinary profits from the actual construction appear slim. Under the Case I assumptions, CMJ could refinance around year 2002, and realize a before-tax gain of $20 million (see Appendix E). The after-tax gain, discounted at the appropriate rate, is hardly a wind-fall in present value. However if the project performs well, its value will appreciate enough to warrant a high sale price, which will allow CMJ to extract a sizeable gain at the time of sale. Again the present value of this gain after taxes is unlikely to be extraordinary, and is further subject to considerable risk.

Under the Case II assumptions, the developer would earn very little return other than the MHFA allowed cash dividend. This is because under these assumptions, the project would be unable to sustain additional financing, and experience little growth in value which would allow such a refinancing. In Harbor Point, the developer's profit is subject to substantial risk because it is directly tied to the project's appreciation, which itself is uncertain.

Both the amount of money generated by the Trust Fund and the returns to the developer are highly dependent on Harbor Point's success as a residential community. Because the developer's return comes almost exclusively from the appreciation of the property, CMJ has great incentive to see that it is properly maintained and operated, and that it can attract the market-rate tenants it needs to sustain itself.

The two sets of assumptions used above are both extremes. The project's actual performance most likely will lie somewhere in between: the Trust Fund will accumulate reserves sufficient to carry the 400 low-income units for perhaps three to eight years, and CMJ will earn a return, but under that for an ordinary housing project.

In exchange for the costs described in the beginning of this chapter, Harbor Point will provide several public benefits. The most intangible benefit is the elimination of the stigma and blight on the Columbia Point Peninsula. Harbor Point's success might spur additional investment in the area. Most tangibly, Harbor Point will pay approximately $1 million per year in property taxes to the City of Boston. Third, it will provide 400 of the most desirable low-income housing units in the Boston, subsidized for 30 years. Lastly it may (depending upon its ability to attract and retain market-rate tenants) generate substantial amounts of resources to extend the subsidy commitment to its own low-income component, as well as to be used by the BHA in other developments.

CHAPTER SIX CONCLUSIONS

The development of Harbor Point defied normal development practice. The concept of what could be done with the site was politically determined and never evaluated from a practical standpoint either publicly or privately. Evaluations of alternative re-uses of the site, or of the actual costs of the redevelopment were not carried out. Harbor Point's development concept was conceived independently of the financing available. The complex financing package which was manuevered into place is a reflection of the political imperative to redevelop Columbia Point. The project exacted increasing costs from the public and private participants. Yet both the public and private sectors actors remained committed to the project. From the start of the development negotiations, through the securing of all the financing the project required, so many actors had their hands on the project, their involvement was so promise-laden, and the publicity of those promises so great, that everyone was forced to push through, and then shore up, a project which gradually made less and less sense from either a public or a private perspective. The project lurched forward propelled only by the degree of commitment, both public and private, it had garnered as a political imperative.

As the financial analysis has shown, the amount of subsidy required to redevelop Columbia Point is substantial. The public paid a premium to redevelop low-income housing on this site. The imposition of the publicly negotiated development concept necessitated the subsidization of the market-rate as well as the low-income units in the project. If Harbor Point succeeds as a residential community, however, the public sector will participate in a significant way in the project's profits, for the entire 99-year lease term. If the project is unable to attract affluent tenants willing to pay market rents, and the project's income cannot increase over time, neither the developer nor the public sector will realize very substantial benefits from this effort. The risk to both the public and private sectors is clear and substantial.

Publicly as well as privately, the success of this development hinges on its ability to obliterate the stigmatized image of Columbia Point and attract enough market-rate tenants to keep the project's income, and value, rising. To do this Harbor Point must overcome the lingering effects of Columbia Point's reputation and its unusual tenant profile.

The polarization of the tenant profile is a peculiarity of Harbor Point and a by-product of the political imperative to carry out the redevelopment. The low-income units are needed politically, and are central to the redevelopment concept. The market-rate units are required for the bulk of the project's income, and to help redefine the Peninsula's character. However, the presence of low-income households may deter market-rate tenants from choosing to live there. This is the crux of Harbor Point's operating risk. There is some control over this factor, however. While all the existing public housing tenants have rehousing guaranties, entitling them to new units from which they cannot be evicted without good cause, the Harbor Point Apartments Company may select the balance of the low-income tenants, and those required to replace vacancies, as long as they meet the income requirements specified in the lease. (46) The freedom the groundlease gives to the Harbor Point Apartments Company over tenant choice will give management a fair degree of control over the tenant make-up, which will in turn help in establishing Harbor Point as a community in which market-rate tenants will choose to live.

One of the motivations for evaluating "what the public is getting for its money" in Columbia Point is that the way in which this project attracted public dollars was unique. Because the presence of the Columbia Point public housing project, the public sector was wedded to the site. The commitment to house Columbia Point's low-income tenants was inextrably tied to their tenure on the Peninsula. It would have been politically infeasible to build 400 units of low-income housing elsewhere in the City, uproot the tenants, and turn over the Columbia Point site to the private sector to build whatever it wished. Yet today this solution does not seem so far-fetched from a strict cost-benefit point of view. Equivalent units could surely have been built elsewhere more inexpensively, and consequently in greater numbers for the same amount of public subsidy. The site could have been sold or leased for a significant amount of money, and paid higher property taxes. Yet one must remember that while the redevelopment was constrained by the effects of Columbia Point's past, it was this past which generated the political imperative which allowed this redevelopment to occur at all.

Although it was shown that the Public Trust mechanism could, under the best conditions, carry the low-income component for up to 15 years after the initial 30-year subsidy commitment expires, the lease calls for the units to remain low-income for the entire 99-year term. Clearly the public commitments made to subsidize the low-income units will have to be renewed or replaced. The interval during which the Trust mechanism could conceivably carry these units is very short compared to the entire leasehold period. How this problem is resolved remains to be seen, but it will probably involve continued negotiation between the public and private actors.

Columbia Point, as a housing development, is truly an anomaly. The way its redevelopment was engineered was costly to both the public and private sectors. Both will benefit if the project proves to be a success. There is, however, a significant element of risk inherent in the project which cannot be mitigated without destroying the original development concept. The participation of both the private and public sectors in such a tortuous process, to complete a project of such complexity with such uncertain benefits can only be explained by a factor outside the ordinary calculus of the development process--a political imperative of the highest order.

NOTES

1. The BHA was placed into receivership in 1980 as a result of the Perez class action suit, for failing to supply public housing which met building codes.

2. "Columbia Point Plan Crosses Starting Line," Boston Globe, 3 June 1984.

3. Boston Redevelopment Authority, "Columbia Point Chronology" (Boston: BRA, 1984).

4. "Failure by Design," Boston Phoenix, 3 June 1984.

5. Rolf Goetze, Boston's 1985 Housing Book (Boston: City of Boston, 1985).

6. Boston Redevelopment Authority, Boston Tomorrow: Issues of Development (Boston: BRA, 1980), p.25.

7. Sharon H. Lee, "Redeveloping or Preserving Public Housing: The Failure of Columbia Point" (Masters Thesis, Massachusetts Institute of Technology, 1981), p.142.

8. Raymond J. Struyk, A New System for Public Housing: Salvaging a National Resource (Washington: The Urban Institute, 1980), p.58.

9. Interview with Rod Solomon, Boston Housing Authority, Boston, 18 April 1986.

10. See footnote 1.

11. "Columbia Point Plan Crosses Starting Line," Boston Globe, 3 June 1984.

12. Lee, p.144.

13. ibid., pp.204-206.

14. ibid., p.274.

15. Boston Housing Authority, Boston Redevelopment Authority and Columbia Point Community Task Force, Inc., Columbia Point Developer Selection: Memorandum of Understanding Among BHA, BRA, and CPCTF, (Boston, no date), p.1.

16. "Dispute Continues Over Columbia Point Developer," _Dorchester (MA) Community News_, 27 August, 1983.

17. "An Experiment in Urban Housing," _Boston Globe_, 6 April 1985.

18. Interview with Marty Jones, Corcoran, Mullins and Jennison, Quincy, MA, 2 April 1986.

19. Interview with Bob Kuehn, Jr., Housing Associates, Inc. Cambridge, MA, 21 April, 1986.

20. Interview with Marty Jones.

21. See Appendix A for construction phasing schedule.

22. Ann Wilson, Boston Redevelopment Authority.

23. Elizabeth March, Basil Tommy, Boston Housing Authority.

24. Payment is higher than normal because a special FHA constant (.10514775) is used.

25. "Boston's Columbia Point Developer to Pledge Profit to Public Benefit Fund," _Housing and Development Reporter_ (Washington: Bureau of National Affairs, Inc., 1984), pp.22-23.

26. The next largest mortgage made by MHFA is approximately $30 million, and typical MHFA mortgages average $50,000 per unit.

27. "Rollover" designation by HUD delays funding until the next funding round.

28. Sue Reinart, "Problems Plague Columbia Point," _Boston Business Journal_, 11-17 March 1985.

29. Net syndication proceeds equal gross proceeds less the syndicator's fee.

30. Excess cash flow is defined as cash available after MHFA debt service, MHFA allowed dividend, operating expenses, management fee, real estate taxes and subsidy mortgage debt service.

31. Net proceeds are defined as gross proceeds less selling expense (if any), repayment of UDAG principal, and original investor contribution.

32. Interview with Bob Kuehn, Jr.

33. Corcoran, Mullins and Jennison, "Syndication Projections: Cash Flow and Tax Loss, Investor Tax Benefit Analysis and Analysis of Sale, (Quincy, 1986, mimeographed).

34. While this arrangement has not been finalized as of this writing, this is a conventional assumption.

35. Interview with Marty Jones.

36. Other examples include the approval by the City of Planned Unit Development (PUD) zoning and the transfer of public parkland.

37. Commonwealth of Massachusetts, Governor's Budget Recommendations for Fiscal Year 1987 (Boston, 1986), p.39.

38. The lease defines low-income households as those whose income does not exceed the lower of (a) 80% of the median income for the Boston SMSA, or (b) eligibility limits applicable to the BHA's developments.

39. "HUD Pledges Tenants to Stay," Boston Globe, 6 March 1982.

40. U.S. Department of Housing and Urban Development, "Rental Housing Project Income Analysis and Appraisal Form: Harbor Point (Boston, 1985, mimeographed), p.3.

41. U.S. Department of Housing and Urban Development, Assistant Secretary for Community Planning and Development, Office of Urban Development Action Grants, UDAG Grant Agreement: Columbia Point Housing (Boston, 18 July 1985, mimeographed).

42. Based on figures in CMJ projections.

43. Tax forgone = (mortgage amount) * (return on taxable bonds) * (income tax rate).

44. Based on rent schedule in HUD Income Analysis and Appraisal Form.

45. Assuming that the BHA would spend slightly over $100,000 per unit, and that this cost would rise 5% to 10% per year.

46. In addition to the income requirements explained in footnote 38, the lease stipulates that the Lessee maintain a waiting list "which shall be composed, maintained and untilized for selection purposes by the Lessee in a manner no less protective of the rights of and no more burdensome to applicants than the application process with respect to low-income housing

46. (Con't)
operated by the Boston Housing Authority." Also the "Lessee shall use all reasonable efforts to maintain a substantial economic mix of eligible households pursuant to this lease, including a reasonable proportion of households with the lowest incomes and shall not take any action which discriminates against the admission of applicants with the lowest incomes." (pp.49-50)

APPENDIX A

Construction Phasing Schedule

PHASE	COMPLETION BY (MO)	MARKET UNITS	SUBSIDIZED UNITS	TOTAL UNITS
1	18	208	134	342
2	24	214	67	281
3	30	256	97	353
4	36	158	78	236
5	44	46	24	70
		882	400	1282

Source: Corcoran, Mullins and Jennison Relocation Plan

APPENDIX B

Breakdown of Total Development Costs
Harbor Point

Construction:	
Main Buildings	$ 83,927,302
Accessory Buildings	3,914,380
Land Improvements	19,807,852
General Requirements	5,110,440
Fees:	
Builder's Overhead	2,112,201
Bond Premium	650,000
Architect's Fee	3,935,200
Other Fees	1,694,075
Financing and Carrying Costs:	
Construction Loan Interest	20,870,062
Taxes & Insurance	700,000
FHA Mortgage Insurance Premium	3,026,840
MHFA Financing Fee	1,210,736
Other Fees	2,860,257
Title	425,000
Legal, Organization and Audit Fees:	105,000
Relocation Costs:	1,106,000
Other:	35,000
Builder and Sponsor Profit and Risk:	15,034,934
Total Estimated Development Cost:	$ 166,525,279
Per unit:	$ 129,895

Source: FHA Rental Housing Project Income Analysis and Appraisal. January, 1986

APPENDIX C
Operating Assumptions

For Both Cases:

1. Management fee of 5% of gross income less SHARP.
2. MHFA allowed dividend of $2,212,000 per year starting in 1989.
3. Real estate tax in 1990 of $700/unit.
4. MHFA allows developer to "catch up" on allowable dividend before paying subsidy paybacks.
5. Limited partners bought out for original investment plus 50% residual participation.
6. Trust Fund earns 9% interest per year.
7. Gross syndication proceeds of $37 million, UDAG paydown of $1.4 million in 1993.

Case I Assumptions:

1. Refinancing in year 2002
2. Sale in year 2017

Inflation:	Thru 1991	Thru 2005	2006 on
Market rents	0%	8%	5%
Subsidized rents	4%	4%	4%
Commercial rents	4%	6%	6%
Operating expenses	6%	6%	6%
Property tax	2%	2%	2%
Other expenses	4%	4%	4%

Vacancy rates:	1989	1990	1991	to 2002	2002 on
Market units	50%	10%	4%	4%	4%
Subsidized units	5%	3%	3%	3%	3%
Commercial	5%	4%	4%	4%	4%

Case II Assumptions:

Inflation:	Thru 1991	Thru 2005	2006 on
Market rents	0%	4%	3%
Subsidized rents	3%	2%	2%
Commercial rents	0%	2%	2%
Operating expenses	7%	7%	7%
Property tax	4%	4%	4%
Other expenses	6%	6%	6%

Vacancy rates:	1989	1990	1991	to 2002	2003 on
Market units	50%	35%	15%	8%	8%
Subsidized units	7%	5%	5%	4%	4%
Commercial	20%	10%	10%	10%	10%

APPENDIX D

HARBOR POINT FINANCIAL PROJECTION USING CASE I ASSUMPTIONS

CALENDAR YEAR	1986	1987	1988	1989	1990	1991
PROJECT YEAR				1	2	3
ACTIVITY	CONST/LEASE	CONST/LEASE	CONST/LEASE	CONST/LEASE	LEASE/OPER	OPER
MARKET RATE UNITS				14,274,636	14,274,636	14,274,636
SECTION 8 UNITS				3,519,612	3,660,396	3,806,812
CHAPTER 707 UNITS				694,836	722,629	751,535
SHARP SUBSIDY	6,000	500,000	1,900,000	2,400,000	2,500,000	2,500,000
COMMERCIAL SPACE				385,200	400,608	416,632
OTHER				69,840	72,634	75,539
TOTAL GROSS INCOME	40,000	3,670,000	14,770,000	21,344,124	21,630,904	21,825,154
VACANCY				(7,381,268)	(1,582,242)	(728,178)
TOTAL NET INCOME	24,000	2,200,000	8,500,000	13,962,856	20,048,661	21,096,976
OPERATING EXPENSES	(8,000)	(700,000)	(2,800,000)	(3,558,574)	(3,772,088)	(3,998,414)
MANAGEMENT FEE	(1,200)	(85,000)	(330,000)	(578,143)	(877,433)	(929,849)
RENTUP, MARKETING	(100,000)	(525,000)	(735,000)	(735,000)	0	0
MISC. EXP DURING CONST.		(235,000)	(235,000)	(235,000)	0	0
SOCIAL SERVICES				(83,333)	(86,666)	(90,133)
TENANT GROUP EXPENSES				(200,000)	(200,000)	(250,000)
INVESTOR SERVICE FEE	(25,000)	(25,000)	(25,000)	(26,000)	(27,040)	(28,122)
REPLACEMENT RESERVE			(161,431)	(484,294)	(484,294)	(484,294)
PROPERTY TAX					(897,400)	(910,861)
TOTAL EXPENSES	(134,200)	(1,570,000)	(4,286,431)	(5,900,344)	(6,344,922)	(6,691,673)
NET OPERATING INCOME	(110,200)	630,000	4,213,569	8,062,511	13,703,739	14,405,304
MHFA DEBT SERVICE				(4,243,539)	(12,730,616)	(12,730,616)
REFINANCE MTG. DEBT SERVICE						
UDAG REPAYMENT						
URBAN INITIATIVES REPAYMENT						
SHARP REPAYMENT						
GAP LOAN INTEREST	(1,700,000)	(1,700,000)	(750,000)	(800,000)		
CASH FLOW	(1,810,200)	(1,070,000)	3,463,569	3,018,973	973,123	1,674,688
MHFA ALLOWED DISTRIBUTION			3,463,569	3,018,973	973,123	1,674,688
"EXCESS CASH"			1,252,569	807,973	0	0
"EXCESS CASH" AVAILABLE			0	0	0	0
CASH TO LIMITEDS	0	0		700,000	924,467	1,590,953
CASH TO CMJ	(1,810,200)	(1,070,000)	3,463,569	2,318,973	48,656	83,734
UDAG PARTICIPATION						
GROUNDLEASE PARTICIPATION						
TRUST PAYMENT						
TOTAL TRUST BALANCE						
BHA FUND ALLOCATION						
LOW-INCOME TENANTS FUND ALLOCATION						
LOW-INCOME TENANTS FUND BALANCE						
UNUSED "EXCESS CASH"			0	0	0	0
SHARP REPAYMENT TO EOCD						

APPENDIX D
(CON'T)

1992 4 OPER	1993 5 OPER	1994 6 OPER	1995 7 OPER	1996 8 OPER	1997 9 OPER	1998 10 OPER	1999 11 OPER	2000 12 OPER
15,416,607	16,649,935	17,981,930	19,420,485	20,974,123	22,652,053	24,464,218	26,421,355	28,535,063
3,959,085	4,117,448	4,282,146	4,453,432	4,631,569	4,816,832	5,009,505	5,209,886	5,418,281
781,596	812,860	845,374	879,189	914,357	950,931	988,968	1,028,527	1,069,668
2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,236,806	415,306	36,014	0
433,298	450,630	468,655	487,401	506,897	527,173	548,260	570,190	592,998
78,561	81,703	84,971	88,370	91,905	95,581	99,404	103,380	107,515
23,169,146	24,612,576	26,163,076	27,828,877	29,618,851	31,279,376	31,525,661	33,369,352	35,723,526
(780,145)	(836,017)	(896,098)	(960,713)	(1,030,214)	(1,104,981)	(1,185,424)	(1,271,983)	(1,365,137)
22,389,001	23,776,559	25,266,979	26,868,164	28,588,637	30,174,395	30,340,238	32,097,369	34,358,389
(4,238,319)	(4,492,618)	(4,762,175)	(5,047,905)	(5,350,780)	(5,671,826)	(6,012,136)	(6,372,864)	(6,755,236)
(994,450)	(1,063,828)	(1,138,349)	(1,218,408)	(1,304,432)	(1,396,879)	(1,496,247)	(1,603,068)	(1,717,919)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
(93,738)	(97,488)	(101,387)	(105,443)	(109,661)	(114,047)	(118,609)	(123,353)	(128,287)
(300,000)	(350,000)	(400,000)	(440,000)	(440,000)	(440,000)	(440,000)	(440,000)	(440,000)
(29,246)	(30,416)	(31,633)	(32,898)	(34,214)	(35,583)	(37,006)	(38,486)	(40,026)
(484,294)	(484,294)	(484,294)	(484,294)	(484,294)	(484,294)	(484,294)	(484,294)	(484,294)
(924,524)	(938,392)	(952,468)	(966,755)	(981,256)	(995,975)	(1,010,914)	(1,026,078)	(1,041,469)
(7,064,572)	(7,457,036)	(7,870,306)	(8,295,704)	(8,704,637)	(9,138,605)	(9,599,206)	(10,088,144)	(10,607,232)
15,324,429	16,319,523	17,396,673	18,572,460	19,884,001	21,035,790	20,741,031	22,009,225	23,751,157
(12,730,616)	(12,730,616)	(12,730,616)	(12,730,616)	(12,730,616)	(12,730,616)	(12,730,616)	(12,730,616)	(12,730,616)
	(613,933)	(613,933)	(613,933)	(613,933)	(613,933)	(613,933)	(885,276)	(885,276)
	(373,736)	(373,736)	(373,736)	(373,736)	(373,736)	(373,736)	(373,736)	(373,736)
								(1,249,706)
2,593,813	2,601,238	3,678,388	4,854,175	6,165,716	7,317,505	7,022,746	8,019,597	8,511,822
2,593,813	2,216,034	2,212,000	2,212,000	2,212,000	2,212,000	2,212,000	2,212,000	2,212,000
381,813	389,238	1,466,388	2,642,175	3,953,716	5,105,505	4,810,746	5,807,597	6,299,822
0	385,204	1,466,388	2,642,175	3,953,716	5,105,505	4,810,746	5,807,597	6,299,822
2,464,123	2,105,232	2,101,400	2,101,400	2,101,400	2,101,400	2,101,400	2,101,400	2,101,400
129,691	110,802	110,600	110,600	110,600	110,600	110,600	110,600	110,600
	1,496,301	366,597	660,544	988,429	1,276,376	1,202,687	1,451,899	1,574,956
	2,483,970	1,354,266	1,648,213	1,976,098	2,264,045	2,190,356	2,710,911	3,458,821
	2,483,970	3,838,236	5,486,449	0	0	0	0	0
	0	0	0	3,731,273	1,132,023	1,095,178	1,355,456	1,729,410
	0	0	0	3,731,273	1,132,023	1,095,178	1,355,456	1,729,410
	0	0	0	3,731,273	5,199,111	6,762,208	8,726,263	11,241,037
0	288,903	1,099,791	1,981,632	2,965,287	3,829,129	3,608,060	4,355,698	4,724,867
								624,853

APPENDIX D
CON'T

2001 13 OPER	2002 14 REFINANCE	2003 15 OPER	2004 16 OPER	2005 17 OPER	2006 18 OPER	2007 19 OPER	2008 20 OPER	2009 21 OPER
30,817,868	33,283,298	35,945,962	38,821,639	41,927,370	44,023,738	46,224,925	48,536,172	50,962,980
5,635,012	5,860,413	6,094,829	6,338,622	6,592,167	6,855,854	7,130,088	7,415,292	7,711,903
1,112,455	1,156,953	1,203,231	1,251,360	1,301,415	1,353,471	1,407,610	1,463,915	1,522,471
0	0	0	0	0	0	0	0	0
616,718	641,386	667,042	693,723	721,472	750,331	780,345	811,558	844,021
111,816	116,289	120,940	125,778	130,809	136,041	141,483	147,142	153,028
38,293,869	41,058,339	44,032,004	47,231,123	50,673,233	53,119,436	55,684,451	58,374,078	61,194,403
(1,465,398)	(1,573,323)	(1,689,509)	(1,814,603)	(1,949,302)	(2,044,045)	(2,143,416)	(2,247,642)	(2,356,963)
36,828,471	39,485,016	42,342,495	45,416,520	48,723,932	51,075,392	53,541,035	56,126,436	58,837,441
(7,160,550)	(7,590,183)	(8,045,594)	(8,528,330)	(9,040,029)	(9,582,431)	(10,157,377)	(10,766,820)	(11,412,829)
(1,841,424)	(1,974,251)	(2,117,125)	(2,270,826)	(2,436,197)	(2,553,770)	(2,677,052)	(2,806,322)	(2,941,872)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
(133,419)	(138,756)	(144,306)	(150,078)	(156,081)	(162,324)	(168,817)	(175,570)	(182,593)
(440,000)	(440,000)	(440,000)	(440,000)	(440,000)	(440,000)	(440,000)	(440,000)	(440,000)
(41,627)	(43,292)	0	0	0	0	0	0	0
(484,294)	(484,294)	(484,294)	(484,294)	(484,294)	(484,294)	(484,294)	(484,294)	(484,294)
(1,057,091)	(1,072,948)	(1,089,042)	(1,105,378)	(1,121,958)	(1,138,788)	(1,155,869)	(1,173,207)	(1,190,806)
(11,158,405)	(11,743,723)	(12,320,361)	(12,978,906)	(13,678,560)	(14,361,607)	(15,083,410)	(15,846,213)	(16,652,394)
25,670,066	27,741,292	30,022,134	32,437,614	35,045,372	36,713,784	38,457,625	40,280,222	42,185,047
(12,730,616)	(12,730,616)	(12,730,616)	(12,730,616)	(12,730,616)	(12,730,616)	(12,730,616)	(12,730,616)	(12,730,616)
	(11,980,559)	(11,980,559)	(11,980,559)	(11,980,559)	(11,980,559)	(11,980,559)	(11,980,559)	(11,980,559)
(885,276)	(885,276)	0	0	0	0	0	0	0
(373,736)	(373,736)	(373,736)	(373,736)	(373,736)	(373,736)	(373,736)	(373,736)	(373,736)
(1,249,706)	(1,249,706)	(1,249,706)	(1,249,706)	(1,249,706)	(1,249,706)	(1,249,706)	(1,249,706)	(1,249,706)
10,430,732	521,399	3,687,517	6,102,997	8,710,755	10,379,167	12,123,008	13,945,605	15,850,430
2,212,000	521,399	2,212,000	2,212,000	2,212,000	2,212,000	2,212,000	2,212,000	2,212,000
8,218,732	0	1,475,517	3,890,997	6,498,755	8,167,167	9,911,008	11,733,605	13,638,430
8,218,732	0	1,475,517	3,890,997	6,498,755	8,167,167	9,911,008	11,733,605	13,638,430
2,101,400	495,329	0	0	0	0	0	0	0
110,600	26,070	2,212,000	2,212,000	2,212,000	2,212,000	2,212,000	2,212,000	2,212,000
2,054,683	5,073,790	0	0	0	0	0	0	0
		368,879	972,749	1,624,689	2,041,792	2,477,752	2,933,401	3,409,607
3,938,548	6,957,655	1,367,468	1,971,338	2,623,278	3,040,381	3,476,341	3,931,990	4,408,197
0	0	0	0	0	0	0	0	0
1,969,274	3,478,828	683,734	985,669	1,311,639	1,520,190	1,738,171	1,965,995	2,204,098
1,969,274	3,478,828	683,734	985,669	1,311,639	1,520,190	1,738,171	1,965,995	2,204,098
14,222,004	18,980,812	21,372,819	24,282,042	27,779,065	31,799,371	36,399,485	41,641,434	47,593,262
6,164,049	0	1,106,638	2,918,248	4,874,066	6,125,375	7,433,256	8,800,204	10,228,822
624,853	624,853	624,853	624,853	624,853	624,853	624,853	624,853	624,853

2010 22 OPER	2011 23 OPER	2012 24 OPER	2013 25 OPER	2014 26 OPER	2015 27 OPER	2016 28 OPER	2017 29 SALE
53,511,129	56,186,686	58,996,020	61,945,821	65,043,112	68,295,267	71,710,031	75,295,532
8,020,379	8,341,195	8,674,842	9,021,836	9,382,710	9,758,018	10,148,339	10,554,272
1,583,370	1,646,705	1,712,573	1,781,076	1,852,319	1,926,412	2,003,468	2,083,607
0	0	0	0	0	0	0	0
877,781	912,893	949,408	987,385	1,026,880	1,067,955	1,110,674	1,155,101
159,149	165,515	172,136	179,021	186,182	193,629	201,374	209,429
64,151,809	67,252,993	70,504,979	73,915,139	77,491,203	81,241,282	85,173,886	89,297,942
(2,471,626)	(2,591,896)	(2,718,046)	(2,850,367)	(2,989,160)	(3,134,743)	(3,287,451)	(3,447,633)
61,680,183	64,661,097	67,786,933	71,064,772	74,502,043	78,106,539	81,886,435	85,850,308
(12,097,599)	(12,823,455)	(13,592,862)	(14,408,434)	(15,272,940)	(16,189,316)	(17,160,675)	(18,190,315)
(3,084,009)	(3,233,055)	(3,389,347)	(3,553,239)	(3,725,102)	(3,905,327)	(4,094,322)	(4,292,515)
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(189,897)	(197,492)	(205,392)	(213,608)	(222,152)	(231,038)	(240,280)	(249,891)
(440,000)	(440,000)	(440,000)	(440,000)	(440,000)	(440,000)	(440,000)	(440,000)
0	0	0	0	0	0	0	0
(484,294)	(484,294)	(484,294)	(484,294)	(484,294)	(484,294)	(484,294)	(484,294)
(1,208,668)	(1,226,798)	(1,245,200)	(1,263,878)	(1,282,836)	(1,302,078)	(1,321,610)	(1,341,434)
(17,504,466)	(18,405,094)	(19,357,095)	(20,363,452)	(21,427,324)	(22,552,054)	(23,741,180)	(24,998,450)
44,175,716	46,256,003	48,429,838	50,701,320	53,074,719	55,554,485	58,145,254	60,851,859
(12,730,616)	(12,730,616)	(12,730,616)	(12,730,616)	(12,730,616)	(12,730,616)	(12,730,616)	(12,730,616)
(11,980,559)	(11,980,559)	(11,980,559)	(11,980,559)	(11,980,559)	(11,980,559)	(11,980,559)	(11,980,559)
0	0	0	0	0	0	0	0
(373,736)	(373,736)	(373,736)	(373,736)	(373,736)	(373,736)	(373,736)	(373,736)
(1,249,706)	(1,249,706)	(10,399,706)	(10,399,706)	(10,399,706)	(10,399,706)	0	0
17,841,099	19,921,386	12,945,221	15,216,703	17,590,102	20,069,867	33,060,343	35,766,948
2,212,000	2,212,000	2,212,000	2,212,000	2,212,000	2,212,000	2,212,000	2,212,000
15,629,099	17,709,386	10,733,221	13,004,703	15,378,102	17,857,867	30,848,343	33,554,948
15,629,099	17,709,386	10,733,221	13,004,703	15,378,102	17,857,867	30,848,343	33,554,948
0	0	0	0	0	0	0	0
2,212,000	2,212,000	2,212,000	2,212,000	2,212,000	2,212,000	2,212,000	2,212,000
0	0	0	0	0	0	0	0
3,907,275	4,427,346	2,683,305	3,251,176	3,844,525	4,464,467	7,712,086	8,388,737
4,905,864	5,425,936	8,256,894	8,824,765	9,418,115	10,038,056	8,085,822	8,762,473
0	0	0	0	0	0	0	0
2,452,932	2,712,968	4,128,447	4,412,382	4,709,057	5,019,028	4,042,911	4,381,236
2,452,932	2,712,968	4,128,447	4,412,382	4,709,057	5,019,028	4,042,911	4,381,236
54,329,587	61,932,218	71,634,564	82,494,058	94,627,580	108,163,090	121,940,679	137,296,577
11,721,824	13,282,039	8,049,916	9,753,527	11,533,576	13,393,401	23,136,258	25,166,211
624,853	624,853	5,199,853	5,199,853	5,199,853	5,199,853		

APPENDIX E
REFINANCING SCENARIO--2002

Calculation of Cash Due Limited Partners:

NOI	$ 27,741,292
Sale Price	277,400,000
Less: Selling Expense	2,774,000
MHFA Balance	115,330,000
UDAG Balance	9,904,000
SHARP Balance	36,526,000
Net Proceeds	105,328,000
Less: Original Capital	37,000,000
Distributable Proceeds	68,328,000
Less: UDAG Participation	13,665,600
	54,462,400
CMJ Share:	27,331,200
LIMITEDS SHARE:	27,331,200

Refinancing Proceeds Calculation:

Assume private second mortgage of $100 million at 11% for 20 years.

Mortgage Proceeds	100,000,000
Less: UDAG Balance	9,904,000
Limiteds Capital	37,000,000
Limiteds Share	27,331,200
Net Proceeds from refinancing	25,764,800
Less: UDAG Participation	5,152,960
Refinancing Proceeds to CMJ:	20,611,840

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