

10-12 Summer Street, Manchester-by-the-Sea



What makes a successful housing development? A residential project is often at its best when it serves the needs of a community but seems to slip into the background. It becomes part of the everyday environment, accepted as a background piece of the landscape, unnoticed and taken for granted. What follows is a brief description of a complicated development project that now draws little attention but which serves the Town of Manchester well.

As part of its outreach efforts, the newly-formed Affordable Housing Trust wants to remind town residents of how this important addition to the downtown came to be and how the Trust intends to pursue the development of additional community housing with this as an example. The Trust also wants to recognize and express appreciation for the efforts of those who devoted so much time and energy to make this wonderful project a reality.

“Little attention” in the development business is not an easy thing to get. It means that over the years its residents are good neighbors, that the buildings and grounds are well maintained, and perhaps most important that the site does not generate controversy by creating traffic, noise, or disruption to the social fabric. Such properties exist in Manchester- the condos on Brook Street and at the lower end of Pine Street come to mind. But the challenge of incorporating affordable housing into a residential complex along with retail uses in the midst of a busy downtown requires creativity, perseverance, local support and a lot of luck. And those came together between 2001 and 2005 for the parcels of land at 10 and 12 Summer Street.

Yet even if the intent is to be unnoticed in the long run, proposed change almost always draws attention. So, when plans were first presented to develop a combination of affordable housing, condominiums and new commercial space in back of Standley’s Garage, a lively discussion was started.

The original brick building along Summer Street wasn't terrible- but it seemed out of place. It was privately owned and needed renovations; but was unable to attract a suitable buyer, so the owner approached the Town to see if it would be interested in purchasing the building.

Seizing a unique opportunity, the Board of Selectmen and the Housing Authority proposed that the property be acquired and transformed into new community housing which would revitalize this underused part of the downtown. With town-sponsored bond funds, the Housing Authority purchased the land and apartments in 2000, created a subsidiary organization to be the sponsor and sought an experienced development partner to put together a viable plan and financing. The idea emerged to renovate the existing building and lease the units at affordable rents as the first phase. The second phase would be the construction of new condominium residences, some of which would be sold to moderate-income families, along with new retail space along Summer Street. An experienced Boston-based developer, Affirmative Investments, was selected as the development partner; and a master plan design process was started with support from the Massachusetts Housing Partnership, a statewide non-profit organization that promotes affordable housing.

There were issues to be worked out.

1. Who would be the owner? The Town had purchased the site – but the Housing Authority, which would be a logical choice to own and manage it, was prohibited by law from borrowing funds for the development. To get around this problem a new organization was formed, called the Manchester Affordable Housing Corporation. Along with Joanne Graves who was the director of the Housing Authority, Regina Villa, Ron Kelly, George Mathews, Artie Collins, and Marc Bliss became the principals of the new organization and guided the planning process. Affirmative Investments as the development partner acted as a consultant and helped to piece together the financing package.
2. Where would funding come from? The team realized that the site should be split, with the rental apartments on one parcel and a condominium development with retail on the other. This would enable the use of a combination of private and public funding sources.
3. What would the development look like? How many units? How dense should it be? How many housing units could be made affordable to moderate income renters and buyers? How much retail space should there be? These were dictated by the amount of land, the cost of construction, the sources and terms of financing, neighborhood input and lots of other factors. It was a balancing act.
4. How would the project get zoning approval? It did not comply with the Town's zoning regulations since multi-family housing is not a permitted use in Manchester. However, local zoning requirements can be overridden for housing projects that contain affordable components in accordance with Chapter 40B of the state laws through a Comprehensive Permit. In this case, with the support of Town leaders, the permit was issued without opposition under what is known as a "Friendly 40 B".

The architectural firm of Davis Square Architects was hired and an initial plan was presented at a public meeting held just after the tragic events of 9/11 in 2001. There was a large turnout of the concerned and the curious.

The neighbors were worried about the proximity of the buildings to the edge of their properties. They wanted to maintain some distance from the potential noise and effects of human activity from what they perceived as a very dense residential complex. There were concerns that property values would go down, that traffic and parking would overwhelm the downtown, that views of the harbor would be blocked, and even that the school would be unable to handle the influx of new kids.

The development team went back to the drawing board, and after several more meetings and lots of discussion, a better site plan evolved. According to the architect, the biggest revision was to pull the buildings away from edge and locate some of the residential condos above the retail space. This provided less common area but it appeared less dense and more in keeping with the surrounding neighborhood. Tests with balloons demonstrated that neighbors' views of the harbor would not be lost. The new site plan and building design seemed to fit with the architecture of the town- not an attempt to duplicate the old buildings, but reflecting the scale and character of its neighbors.

As the plan emerged, a complicated package of financing came together. The total cost of construction and renovation came to \$11.5 Million. The Town had arranged for bond financing of \$600,000 to purchase the apartments. The funding for renovations came from the sale of low income housing tax credits to institutional investors as well as State and Federal loan and grant programs. The apartments were renovated and 17 were leased as affordable units to income-qualified tenants starting in 2003, while 5 were rented at market rate. Originally managed by the Housing Authority, the apartments were later transferred to Affirmative Investments, who hired a separate management company to take care of them. They have been and continue to be fully occupied with a waiting list. To construct the condominiums, Affirmative Investments borrowed funds to build 18 condos, 13 of which sold for around \$480,000 each. They were completed in 2005. The five remaining units were sold at reduced prices to households with incomes at 80% of median income. Commercial tenants were offered the chance to buy back into the property, and three separate retail units with a total of 5,000 square feet of space were developed. The Condominium Association subsequently hired a separate management company to maintain the property and is operating it well. Residential units are now assessed at over \$600,000, but are rarely up for sale.

Here are the highlights:

- The Housing Authority purchased the 2.2 acre site of prime downtown real estate from a private seller through a difficult acquisition process and created a non-profit subsidiary to be the sponsor.
- In an unprecedented move, the Town voted 4 to 1 to authorize \$600,000 in bond funds to help pay for the acquisition and development of the site.
- Affirmative Investments was brought in as the development partner, who along with the MHP put together the complicated financing to pay for the project. It required a unique blend of public and private funding sources, including the sale of tax credits to institutional investors that came with the tax exempt bonds for 12 Summer and a construction loan based on ownership and commercial sales projections for the Summer Street Condominiums.

12 Summer Street, rehabilitation:

- 22-unit apartment building

- 17 of the units were converted into long-term affordable rental housing while 5 rent at market rate

Summer Street Condominiums, new construction:

- 18 for-sale residential condominium units, 5 units for income qualified first-time homebuyers and 13 units sold for market rate
- 3 for-sale retail condominium units, creating ownership opportunities to existing retail tenants and new businesses

Was it a success? The State recognized the Summer Street development with the Smart Growth Leadership Award. The Sierra Club named it as one of America's Best New Development projects.

It also received a HOME "Doorknocker Award" from the US Department of Housing and Urban Development for innovative design of affordable housing. In its award, HUD stated: "This project demonstrates that the challenge of preserving affordable rental housing and producing new affordable homeownership in an affluent community can be met with a combination of a committed community-based housing organization, a sophisticated for-profit developer, local and state bond financing, high quality site planning and building design, and the flexibility of the federal HOME program."

This is the recipe that the new Affordable Housing Trust will follow as it pursues additional opportunities to create community housing.

In the end, what really makes 10-12 Summer Street a success is that no one has really paid much attention to it almost from the day it was finished. It is just another part of what makes Manchester an attractive place to enjoy, either as a resident, a visitor, or even a Hollywood producer

Christopher Olney

Manchester Affordable Housing Trust