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Talking Heads

Aaron Gornstein, Preservation of Affordable Housing, Inc. From Public Official to Developer *By Darryl Hicks*

Massachusetts has improved and expanded access to affordable housing over the past quarter century – and become an innovative public policy leader – in part, through the efforts of Aaron Gornstein.

From 2012-2015, Gornstein served as undersecretary for the Massachusetts Department of Housing and Community Development (DHCD) under former Governor Deval Patrick, where he greatly expanded rental assistance and homeless prevention programs, reformed and improved state public housing, and launched a comprehensive supportive housing initiative.

Prior to that, he served as executive director of Citizens' Housing and Planning Association (CHAPA) for 21 years, where he spearheaded passage of state and federal legislation, launched innovative programs, and helped form numerous coalitions.

This past June, Gornstein took on a new challenge when he assumed the top leadership position at POAH Inc., a Boston-based nonprofit affordable housing developer and property manager, after its founder Amy Anthony – herself an icon in New England affordable housing circles – retired.

Gornstein sat down with *Tax Credit Advisor* to talk about his transition from public official to affordable housing developer and where he sees the industry headed.

Tax Credit Advisor: *The bulk of your career has focused on public policy. Why did you decide to become an affordable housing developer?*

Aaron Gornstein: I have been deeply involved in the affordable housing/community development field for my entire career and this seemed like a logical next step. I was attracted to POAH because it is a high-capacity national organization with great staff and because the top position is a multifaceted one that includes development, property management/asset management, communications and public policy work. It is a broad set of issues that I am lucky enough to be working on.

TCA: *How has your prior experience as a public official aided you in this time of transition?*

AG: During my time at CHAPA and the Department of Housing and Community Development I learned a lot about the importance of building coalitions and consensus, turning ideas into actual programs, working with a diverse staff and board of directors, and then advancing initiatives within a political context. All of those skills and experiences are helping me in my current job at POAH.



Aaron Gornstein

TCA: *How are the programs and policies you helped put in place helping further your company's mission? As a developer, are you challenged at all by these policies?*

AG: The staff at POAH has for many years successfully used the tools that Massachusetts offers, particularly in the area of housing preservation, so there is a deep knowledge base that I am hoping to add to. I spent a lot of time advocating for, and administering, dozens of affordable housing programs, so knowing how these programs work and fit together will help me do a better job at POAH. It also helps me understand how the programs are administered in other states that we work in. Many of the complications and challenges are just part of doing this work, but we always need to be thinking about how to make programs simpler and more streamlined. It's incumbent upon both the public and private sectors to work together on this.

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TCA: *You filled some big shoes when you took over for POAH founder Amy Anthony. What are some of the lessons learned in your succession planning?*

AG: Amy has been a real pioneer in the affordable housing field and a mentor to many people for decades. She did an amazing job of building POAH from a start-up in 2001 to an organization that now owns and manages nearly 9,000 affordable apartments. Her retirement created a significant change for the organization but she and the board of directors went through a very deliberative and thoughtful succession process. It was an honor to be chosen, and the timing worked perfectly because I was just finishing up my job at DHCD. It has been a very smooth transition with the help of the board and staff. Amy and I overlapped for a full month, which allowed me to learn about the workings of the organization and receive in-depth briefings from the staff. Following this, I was able to “hit the ground running.” She has continued to stay on as a senior advisor. We have been in regular contact and I have been able to call on her for advice.

TCA: *How has POAH changed under your leadership?*

AG: My primary goal during these first six months has been to make sure we don't miss a beat, whether it is on new acquisitions or moving developments through the pipeline, or reaching our budget goals. We are embarking on a six-month strategic planning process and my hope is that this will build off POAH's success by sharpening our focus and launching some new initiatives.

TCA: *What is the current size of your portfolio? How many units are workforce housing vs. senior housing? What markets do you serve? Are there any emerging markets that you are looking at?*

AG: We have roughly 8,700 units. Forty-three percent of the units are rented by low and moderate-income families, 42% by seniors, and the balance is a mix of families and seniors living together. We serve urban, suburban and rural markets in the Northeast, Mid-Atlantic, Florida and the Midwest. That breaks down into nine states and the District of Columbia. As part of our strategic planning process, we are looking at new markets, but our main focus for expansion is in areas where we already have properties, such as Massachusetts, Rhode Island, Connecticut,

Illinois and Florida. Our strategic planning process will help determine where else we might want to expand.

TCA: *What do you see as the biggest challenges facing the affordable housing industry?*

AG: I see three primary challenges. First, acquisition prices and construction costs are going up in most locations; lender and investor requirements are increasing; and competition is more intense. All of these issues have made it more difficult for nonprofit developers to compete in the marketplace. Second, there is also a great need for capital subsidies at the state and federal levels to make deals work economically, while meeting the needs of the low-income population – but those public resources are generally stagnant or shrinking. The third challenge is focusing on cost containment and cost reduction. Development costs are going up and we need to do everything we can to determine the best ways to control costs and ensure continued public support for affordable housing programs, especially the Low-Income Housing Tax Credit.

TCA: *You mentioned rising construction costs, which is arguably the most important topic being discussed in development circles. Have you thought about any possible solutions?*

AG: A lot of people have been looking at this and there is no single answer. We have to work on several fronts simultaneously – design standards, construction techniques, transaction costs, and so on. I think it is incumbent upon everybody in the field to be thinking about new techniques and strategies and determining whether something that works in one market can be duplicated in others.

TCA: *How are you positioning your company for the future and distinguishing yourself from other developers?*

AG: I am proud that POAH is a leading innovator of energy efficiency in the multifamily field. We have an outstanding property management company that has a strong customer focus. We are ramping up investments and initiatives in resident services and establishing local partnerships around workforce development. We have a highly experienced and skilled staff who take on very

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complex transactions but can still close them in a timely fashion. I consider all of these to be distinguishing features of POAH. That said, we strive to learn what other developers are doing and we, in turn, share information with our peers, so that we can utilize best practices in the field. No organization has a monopoly on good ideas.

TCA: *There is a trend among developers to provide their older residents with a wider range of services that promote independent living. What is POAH doing in this area?*

AG: We have been very active with Stewards of Affordable Housing and LeadingAge, as well as local organizations. LeadingAge published a report that demonstrated an 18% reduction in hospitalizations due to service coordination. One of the case studies is Blackstone Apartments, a POAH property located near Massachusetts General Hospital in Boston. We are doing some very innovative work there around the delivery of healthcare and wellness services in partnership with the hospital and Boston Senior Home Care. We are likely to see more partnerships between housing and health care providers because of these kinds of cost savings to the health care system and POAH is pursuing those now.

TCA: *Do you have a favorite project completed recently that you would like to highlight for our readers?*

AG: I have been to nearly all of our 80 properties and it is tough to pick a favorite. But there are two projects that we completed since I joined the company that involve historic renovations of these beautiful school buildings, one in Pittsfield, Massachusetts, called Central Annex Apartments, and one in Middletown, Connecticut, called Old Middletown High School Apartments. Both properties are located in the downtown area and serve a very needy population, including people with disabilities. They are beautifully restored and are huge assets for those two cities. The vast majority of our preservation projects are not historic renovations, but rather properties that were HUD-subsidized developments, especially Section 8 properties. It has been very impressive to see how POAH has been able to renew these communities

and to provide high quality services to the residents. At a broader level, I've also been quite impressed how we've helped to transform the Woodlawn neighborhood in Chicago (near the University of Chicago) in partnership with the City of Chicago, Illinois Housing Development Authority, and HUD through the Choice Program.

TCA: *You have a long experience educating politicians on the importance of affordable housing. We are entering the 2016 presidential election season. What can we do to make access to affordable housing a more mainstream issue?*

AG: The needs are growing for affordable housing as documented in recent national studies. It is hitting not just low-income populations but also middle-class families. It is impacting younger families and seniors. Several national organizations, including Enterprise, Urban Land Institute, and National Housing Conference, have launched community education campaigns which are making a difference. While housing is not considered a top-tier issue in the presidential campaigns, the next president and Congress are going to need to address it.

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We have to continually work to educate the general public and public officials about housing issues and to highlight outstanding examples around the country. These programs help families improve their economic situation, they help seniors age in place in their community, they stabilize and revitalize neighborhoods, and they attract significant private investment and economic development. There have been so many benefits to what has been built and preserved over the past few decades, particularly the tremendous success of the Low-Income Housing Tax Credit Program. Making sure that our elected officials visit these developments, that the residents of affordable housing get involved in the process, and generating more positive media coverage will go a long way towards gaining more support. **TCA**