

Testimony of Howard Earl Cohen
In Favor of the Passage of H.R. 1985
July 22, 2003

My name is Howard Earl Cohen. I am president of The Beacon Companies Limited Partnership, a Boston-based residential development company. Beacon has been in the development business for over sixty years. (I have attached a copy of my resume to this testimony.) We develop, own and manage both market rate and affordable developments. We currently own and manage 8500 residential units primarily in New England, Pennsylvania, and Virginia. Our portfolio consists of developments financed through the FHA as well as Fannie Mae, Freddie Mac, various HFAs, and conventional financing sources.

Over the last eight years we have been unable to access FHA for any of our developments in the greater Boston area and Providence, Rhode Island due to the constraints imposed by the statutory mortgage limits.

I first became intensely aware of this issue in 2000 when we tried to develop a residential high rise in Providence's Capital Center. Capital Center is a major effort by Providence to redevelop its downtown area. The City believed that a residential component was highly desirable. In my experience this site would have been a perfect fit for FHA insurance. However, the statutory mortgage limits prohibited the use of FHA.

Shortly thereafter I was asked to serve on a commission established by Boston's Mayor Menino on housing finance. In reviewing the history of housing finance in the City, it quickly became apparent to the commission that a substantial proportion of the City's most successful and innovative residential developments had been FHA assisted but that all these developments were at least ten years old. Again, as we probed the issue, it became apparent that due to the statutory mortgage limits, FHA was no longer a viable housing finance tool in the Boston area. One of the commission's primary recommendations for federal action was to encourage the adoption of legislation such as H.R. 1985.

As the commission was meeting, we learned about the admirable efforts of the Bush Administration and this Committee to support the first increase in the FHA mortgage limits in a decade. However, the 25% increase in statutory limits did not solve the problem in our high cost area. It was at this time that through the auspices of the City of Boston and Massachusetts housing advocacy organizations that we began to discuss with Congressman Frank the need for additional legislation.

Let me provide an example from our portfolio. Beacon currently is completing construction of a 200-unit development on Boston's south shore and anticipates commencing construction of another 150-unit development in the same area. In both cases these are mixed income developments. Pursuant to the state's zoning law, twenty percent of the units must be set-aside for occupants with incomes below fifty percent of median income. Both of these developments will utilize low-income housing tax credits.

These are exactly the type of developments where FHA's experience and mission would make it a perfect lender.

However, the per unit cost of these developments, including land, is in the range of \$150,000 per unit. Direct construction costs are in the range of \$90 per square foot. This is the general range of the cost of new suburban low-rise multi-family development. For an urban high-rise development, these numbers would have to be essentially doubled. At the current statutory limits, the maximum FHA loan would be \$109,000 per unit, must less than could be obtained with conventional financing. Were H.R. 1985 in effect with loan limits at 270% of the statutory base, FHA insurance would be a prime candidate for financing.

It is beyond my level of expertise to justify or even explain why there is such a vast divergence in the cost of creating a housing unit between various parts of the country. I do know that as an older, highly developed region, we face steep land costs and high site development costs with many of our sites requiring environmental remediation. Both our land constraints and our slower rate of growth mean that we cannot accomplish some of the economies of scale that I see in other parts of the country. The "in-fill" nature of much of our development requires particular attention to design and neighborhood compatibility. There are some obvious artificial cost burdens imposed by unnecessary code and permitting requirements that Governor Romney's administration is working hard to correct.

The cost of housing in Massachusetts has become a severe impediment to our economic development. Efforts to redress these costs and to encourage more residential development are a priority for both our Governor and the Massachusetts Legislature. The passage of H.R. 1985 would revive FHA as viable tool in our region, which would contribute to a reduction in our costs of financing and thus the overall cost of producing housing. Enactment of H.R. 1985 would be a significant federal contribution to this effort at no additional cost to the federal government.

Howard E. Cohen

As President of The Beacon Companies, Mr. Cohen oversees all operations of the company including strategic planning, team coordination, development selection, development permitting, and financial management. Beacon develops, owns and manages market rate and affordable multifamily housing. It currently owns and manages 8,500 units and has 2,000 units in development. Howard has extensive experience in all aspects of the development, financing and management of apartment developments.

Prior to joining Beacon in 1996, Howard provided legal counsel and development consulting services with respect to the development and financing of tens of thousands of multifamily housing units utilizing all forms of financing and government assistance.

From 1980 to 1995, he was a partner at the law firm of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. (1980 – 1995) where he represented private and public developers of market rate and affordable housing.

As General Counsel at the Massachusetts Housing Finance Agency (1978 – 1980), Howard represented the Agency in all aspects of multifamily bond financing and lending, negotiations with housing developers, closing of loans, and drafting legislation.

From 1975 through 1978 Howard served as General Counsel of the Cambridge, (Massachusetts) Housing Authority. After graduation from law school, he worked as a staff attorney for the Massachusetts Law Reform Institute (1971 – 1975).

Howard is on the board of directors of the National Housing and Rehabilitation Association and the Citizens' Housing and Planning Association of Greater Boston. He was vice-president of the Newton Community Development Foundation, the non-profit housing developer in his hometown. Howard served on the Fannie Mae National Advisory Committee, Fannie Mae Housing Impact Advisory Council, and the Massachusetts Housing Finance Advisory Committee. In 1996 he served on the U.S. Senate Banking Committee Section 8 Portfolio Restructuring Working Group. In 2001, he served on the Mayor Menino Commission on Housing Finance and he just completed serving on Governor Romney's Chapter 40B (comprehensive permit) Task Force.

Howard received a B.A. from Washington University in St. Louis in 1968 and a J.D. from Harvard Law School in 1971. In 1978 he was a Loeb Fellow at the Harvard School of Design.