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Affordable opportunities: Schochet Cos. is spending \$200M+ on affordable housing, as investor interest rises



(From left) Schochet Maintenance Supervisor Louis Ouellette, President and CEO Rick Henken, and Portfolio Manager Maria Cotto are revitalizing Plumley Village in Worcester. PHOTO | EDD COTE

BY **ERIC CASEY**
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While business and government officials focus their attention on new construction to solve Central Massachusetts' housing crunch, **Rick Henken** has carved out a business preserving and upgrading affordable communities.

"Everybody says, 'Build more housing, and with enough supply, rents will go down, right?'" Henken said. "You can point to markets like Austin, Texas, with one of the highest rents. It got overbuilt like crazy, and rents fell dramatically. I don't necessarily see that happening here ... If you lost 114 affordable units at Devenscrest that were naturally-occurring, you would have to find a way to build 114 more someplace out, and that's really hard."



Rick Henken, president of Schochet Cos., stands in front of Plumley Village. PHOTO | EDD COTE

As president and CEO of Braintree-based **Schochet Cos.**, Henken has expanded his real estate investment firm's presence in Central Massachusetts with two major investments: the \$100-million purchase in September of Plumley Village, a 430-unit subsidized housing community in Worcester; and the \$32-million purchase in December of the 114-townhouse Devenscrest Village in Ayer, according to the Worcester and Middlesex South registry of deeds.

Investor interest in affordable housing is rising, including from pension funds, family offices, and other long-term investors, according to a November report from the **Multifamily Impact Council**.

"They are not doing it because someone convinced them it was the right thing to do," the report reads. "They're doing it because they recognize that investments in properties that conserve energy, waste less water, and have more renters who can afford to pay rent on time perform better."

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Both Schochet purchases were made possible by larger national firms and high-net-worth individuals.

"Over the last decade or so, sophisticated investors of all kinds have discovered affordable housing," Henken said. "There's become a whole class of investors who provide real cash equity, looking for real cash returns."

Investing \$140M into Plumley Village



Plumley Village traces its roots back to the construction of I-290, which meant the end of a number of Worcester neighborhoods. One of these was the Laurel Clayton neighborhood, a predominately African American area planners charted the new highway through, destroying the mixed-use nature of the neighborhood, according to Mapping Inequality, a project launched by the University of Richmond in 2016.

The Worcester Redevelopment Authority would eventually hand the site to the **State Mutual Insurance Co.** in the 1970s for development into the single-use Plumley Village complex.

Plumley’s past is far from glamorous, but Henken said upgrades will breathe new life into its brown brick buildings.

Worcester's affordable housing stock (100+ unit sites)

The average large affordable housing site in Worcester was built in 1973.

Property address	Name	Units	Style	Year built	Stories	Affordable type
37 Pleasant Valley Drive	Lincoln Village	1,219	Mid-rise	1975	8	Rent subsidized
1-20 Laurel St.	Plumley Village	430	Garden	1970	3	Rent subsidized
55 Williamsberg Drive	Washington Heights	404	Garden	1976	3	Rent restricted
240-244 Belmont St.	Seabury Heights	302	Mid-rise	1981	9	Rent subsidized, senior and disabled
1050-1060 Main St.	Webster Square Towers East and West	256	Mid-rise	1970	11	Rent subsidized, senior
39 1st St.	Coes Pond Village	250	Mid-rise	1960	11	Rent subsidized, senior
11 Lake Ave.	Lincoln Park Tower Apartments	199	Hi-rise	1980	15	Rent subsidized, senior
425 Pleasant St.	Elm Park Tower	195	Hi-rise	1970	16	Rent subsidized, senior
27 Mount Vernon St.	Green Hill Towers	185	Mid-rise	1982	7	Rent subsidized, senior
40 Belmont St.	Belmont Tower Apartments	166	Hi-rise	1960	18	Rent subsidized, senior and disabled
86 Austin St.	Whittier Terrace	163	Mid-rise	1979	5	Rent subsidized
11 Marble St.	Marble Street Apartments	162	Mid-rise	1981	4	Rent subsidized
6 Wachusett St.	Canterbury Towers	156	Mid-rise	1976	8	Rent subsidized, senior and disabled
161 West Mountain St.	Stratton Hill Park Apartments	156	Mid-rise	1975	5	Rent restricted
485 Grove St.	Colony I & II	139	Garden	1967	2	Rent restricted
275 Pleasant St.	Pleasant Tower Apartments	133	Mid-rise	1970	8	Rent subsidized
101 Chadwick St.	Colony III Congregate Housing	100	Low-rise	1975	2	Rent subsidized
30 Wellington St.	Wellington Street Apartments	100	Mid-rise	1966	9	Rent subsidized

Sources: CoStar, property websites

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Changes will include a new fitness center, roofs, bathroom and kitchen upgrades, and green infrastructure improvements, bringing it in line with modern properties. Combining the purchase price with the expected costs of upgrades, Henken said the Plumley endeavor will cost about \$140 million.

A purchase like this years ago likely would have involved state low-income housing tax credits, but those have become increasingly difficult to access due to high demand, Henken said.

"Massachusetts used to have more supply of low-income housing tax credits than demand, so that was the vehicle of choice to go and acquire or to build," he said. "Over the last 10 years or so, the demand has been outstripping supply by a factor of three or four to one."

Instead of tax credits, Henken partnered with New York development firm **Jonathan Rose Cos.**, which raised \$1.5 billion in equity for affordable housing investments. That money helped facilitate a quick sale of Plumley Village to Jonathan Rose and Schochet Cos.

This purchase was part of its Rose Affordable Housing Preservation Fund VI, a \$600-million effort backed by pension funds, banks, foundations, endowments and family offices looking for both returns and to adhere to environmental, social, and governance principles.

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Plumley Village was first built in the 1970s and is one of the largest affordable housing sites in Central Massachusetts. photo | Courtesy 3 Eagles Aerial Photography

Investment firms are interested in subsidized housing because federal subsidies limit issues with collecting rent and because demand in Central Massachusetts for this type of housing is sky high, said Henken.

The Community Builders, the Boston-based former owner of the site, helped keep the site as a viable real estate investment, despite its affordable nature, he said.

"TCB did a really good job with providing services. We want to take it to the next level," he said.

The site has been managed on the ground by **Maria Cotto** since 2011, with Henken being impressed enough with Cotto's work that he hired her as a portfolio manager at Schochet.

"I'm just blessed to be able to do what I do, to build this team, and to get Maria, she's great," Henken said.

Schochet will continue to host a **Boys & Girls Club of Worcester** location at the site, as well as a WIC office and other services needed by the community's diverse population.



Naturally-occurring affordability

Schochet has been in the affordable housing space since its founding by Henken's father-in-law, **Jay Schochet**, in 1973. Yet, the Devenscrest Village purchase in Ayer required some creative financial work not typically seen in the affordable housing space, said Henken.

Up until it was purchased by New Hampshire developer **Brady Sullivan Properties** in 2021, the site had been owned by an owner who was hands off. Rents were much lower than market rate, but residents shoveled their own driveways and mowed their own lawns.



After residents at Devenscrest Village in Ayer banded together to push back against redevelopment of the site, Schochet helped arrange a deal to help keep the site as affordable housing. photo | Courtesy Google Maps

Henken labels Devenscrest as naturally-occurring affordable housing, defined by the National League of Cities as properties not subsidized by federal programs and with naturally low rent compared to the regional market.

After Brady Sullivan bought Devenscrest, the affordability was expected to end, as residents were served no-fault eviction notices in an effort to renovate the property and raise rents. Even with his work in the affordable space, Henken is still a capitalist and said Brady Sullivan had the right to do as it pleased with the property.

Henken saw an opportunity to help craft a plan to allow for the property to remain affordable for existing residents, add affordability restrictions to multiple units, and allow them a future option of purchasing the site for themselves after 10 years of Schochet ownership.

If only Henken could find a way to finance the unorthodox deal.

A three-month conversation with a big institutional equity partner to fund the purchase and needed upgrades at the site turned out to be a dead end. Undeterred, Henken crafted a roughly \$41-million capital stack involving a \$24-million mortgage from Boston-based **Eastern Bank** and

Affordable opportunities: Schochet Cos. is spending \$200M+ on affordable housing, as investor interest rises \$10.5 million in state funding. The rest was made up with funds from high-net-worth investors, friends, and family.



In addition to Plumley and Devenscrest, Schochet's larger involvement in Central Massachusetts housing includes managing the 302-unit Seabury Heights senior housing site on Belmont Street in Worcester, which is undergoing a \$30-million renovation.

The firm is involved in other affordable sites in Gardner, Leominster, and Northbridge.

It's all part of Schochet's double-bottom-line approach of doing well while doing good, Henken said.

"We're a mission-driven for-profit. Our purpose is to take care of people. The goal is to improve the lives of these families and these kids, to break the cycle of poverty," he said.

Eric Casey is the managing editor at Worcester Business Journal, who primarily covers the real estate and banking & finance industries.

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