

Facing Massachusetts'



Housing Crisis
Special Senate Committee on Housing Report
March 2016

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Executive/Legislative Branch:

- Executive Office of Housing and Economic Development (EOHED) – Secretary Jay Ash, Aimee Ward
 - Department of Housing and Community Development (DHCD) – Undersecretary Chrystal Kornegay, Michael Benezra, Rose Evans, Charley Francis
 - Office of Senate President Stanley C. Rosenberg – Anna Freedman, Stephen Maher
 - Office of Senator Linda Dorcea Forry, Chair – Janice Blemur
 - Office of Majority Leader Harriette Chandler, Vice Chair – Bryan Barash
 - Office of Representative Kevin Honan, Joint Committee on Housing Chair
-

Participating Organizations:

- Boston Tenant Coalition – Kathy Brown
- Citizens’ Housing and Planning Association (CHAPA) – Rachel Heller, Carole Marine, Eric Shupin
- Coalition for Occupied Homes in Foreclosures (COHIF) – Dana McQuillin Dalke, Maureen Flynn
- Community Economic Development Assistance Corporation (CEDAC) – Bill Brauner
- Commercial Real Estate Development Association (NAIOP) – Tamara Small
- Concord Square Planning & Development – Ted Carman
- Crittenton Women’s Union – Ruthie Liberman
- Dukakis Center for Urban and Regional Policy – Barry Bluestone
- Greater Boston Real Estate Board (GBREB) – Patricia Baumer, Greg Vasil
- Greenfield Housing Authority – Keleigh Pereira
- Harvard Legal Aid Bureau – Eloise Lawrence
- Home Builder and Remodelers Association (HBRAM) – Benjamin Fierro, Mark Kablack
- Home Funders – Soni Gupta
- Homes for Families – Libby Hayes
- Housing Advocate – Davida Andelman
- Housing Consultant – Tom Santry
- Housing Partners Inc. – Eleanor White
- MassDevelopment – Tony Fracasso
- MassHousing – Tom Gleason, Nancy McDonald
- MassLandlords – Doug Quattrochi
- Massachusetts Association of Community Development Corporation (MACDC) – David Bryant, Joe Kriesberg
- Massachusetts Association of REALTORS (MAR) – Justin Davidson, Michael McDonagh

- Massachusetts Chapter National Association of Housing and Redevelopment Officials (MASSNAHRO) – Tom Connelly
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- Metropolitan Boston Housing Partnership (MBHP) – Chris Norris
- Massachusetts Housing Partnership (MHP) – Susan Connelly
- Massachusetts Law Reform Institute – Annette R. Duke
- Mass Senior Action Coalition – Carolyn Villers
- Massachusetts Smart Growth Alliance – Larry Field, Andre Leroux
- Massachusetts Statewide Independent Living Council – Sadie Simone
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- Worcester Housing Authority – Ray Mariano

INTRODUCTION & EXECUTIVE SUMMARY

Every generation of Americans has faced a unique set of challenges in the area of housing. Today is no different. Massachusetts is currently dealing with a severe housing crisis due in large part to a low rate of housing production which has not kept pace with population growth and needs, soaring rents that have outpaced wages, and the lingering effects of the foreclosure crisis. As a result, there is a shortage of suitable and affordable units for young workers, growing families, and the increasing senior population. Overcoming these barriers will require addressing a variety of causes, including high development costs and exclusionary and restrictive zoning, which have made it difficult to keep up with the housing demand, among other factors.

As our population grows older, our world class educational institutions and thriving technology companies continue to attract young professionals while simultaneously leaving the state ill prepared to meet the housing needs of a rapidly changing demographic. Baby Boomers (those born between 1946 and 1964) made up 50% of the state's labor force in 2010. In coming decades, 1.4 million boomers are expected to retire or move away by 2030, depleting the supply of our most critical asset: a skilled, well-educated workforce. Thus, housing production is an economic imperative for the Commonwealth. In order to retain our competitive edge, Massachusetts needs to attract and retain enough workers to fill positions vacated by the Baby Boomers and drive economic growth. Metropolitan Area Planning Council projects that the state will need close to 500,000 new housing units by 2040 to accommodate the existing population and projected growth. Furthermore, the resurgent interest in urban living has resulted in increased demand for homes in Boston and many surrounding cities, threatening to drive up prices and displace lower-income residents. Meanwhile, many Gateway Cities are struggling to revitalize their downtowns and surrounding neighborhoods as weak markets make it difficult to attract private capital for the construction of middle income housing. And in many suburban communities, antiquated zoning laws and large-lot single family homes make it difficult for young workers to find suitable units.

Faced with these challenges, Senate President Stan Rosenberg created the Special Senate Committee on Housing, Chaired by Senator Linda Darcena Forry with Vice Chair Majority Leader Harriette Chandler, to recommend a series of policy changes to address this crisis. The Committee decided to form an advisory group with experts in the field of housing, including: representatives of real estate business groups, non-profit housing organizations, tenants and landlords' organizations, academia, and staff at the Department of Housing and Urban Development.

The group was divided into sub-committees to address specific issues including: foreclosures; gentrification; homelessness; preservation and rehabilitation; production; public housing; support services; and zoning. They were tasked with drafting recommendations for solutions to help move our Commonwealth forward. These subcommittees spent a significant amount of time discussing and researching possible proposals which were presented to the Committee and refined by Senate

staff. This report contains 19 proposals, which will make meaningful progress in several areas of housing while setting the stage for longer term reforms.

PROPOSALS:

- **Foreclosure:**
 - **Mortgage Debt Relief:** Allow forgiven mortgage debt to not be counted as part of gross income to minimize hardships for households already in distress.

- **Gentrification:**
 - **Community Land Trust:** Create a seed grant and technical assistance program for Community Land Trusts, to promote permanently affordable housing and sustainable homeownership.
 - **Property Tax Relief and Municipal Right of First Refusal:** Create a property tax relief program that allows distressed homeowners to stay in their homes in exchange for a right of first refusal that the municipality can utilize in creative ways, such as to create affordable housing or prevent teardowns.
 - **State Surplus Properties:** Allow the State to dispose of surplus land with easy access to transportation below market value to create affordable housing.

- **Homelessness:**
 - **Tenant-Landlord Guarantee Pilot Program:** Create the Tenant-Landlord Guarantee pilot program to reduce the time families spend in motels by encouraging landlords to adjust their screening criteria and rent to families facing housing barriers.
 - **RAFT Expansion:** Broaden the eligibility for RAFT and allocate additional funding to allow all household types to access the benefits of this proven homelessness prevention program by creating an inclusive definition of family, including elders, unaccompanied youth, and persons with disabilities who do not have children in the household.

○ **Preservation/Rehabilitation:**

- **13A Preservation:** Allocate \$15 million in additional state low income housing tax credits to ensure housing that could lose affordability restrictions remains affordable.
- **Distressed and Abandoned Property Fund:** Provide funding to the Attorney General's Abandoned Housing Initiative (AHI) Revolving Loan Fund to repair distressed and abandoned property to turn around these properties and make them suitable for new tenants.
- **MA Donation Tax Credit:** Add authority to allow a portion of the State Low Income Housing Tax Credit (SLIHTC) to be used as a Donation Tax Credit, which would leverage the federal charitable deduction and stretch the State's limited SLIHTC dollars.

○ **Production:**

- **Multi-family Zoning:** Allow multi-family zoning as of right to address the housing shortage but also provide for suitable housing for families.
- **Smart Growth Housing Trust Fund:** Create a funding mechanism for the Smart Growth Housing Trust Fund to ensure a revenue source is available to fund incentive and school cost payments to communities that welcome smart growth as promised by Chapter 40R by capturing existing revenues and setting them aside temporarily.

○ **Public Housing:**

- **Offline Vacant Units:** Create and implement a resident apprenticeship program that puts low income residents back to work and allows smaller housing authorities to get vacant units back online.
- **Surplus Public Housing Authority Owned Land:** Allow for the development of local housing authorities (LHA) surplus land to be used for mixed income housing.

- **Support Services:**
 - **Family Self-sufficiency Programs:** Increase support for asset building and financial stability programs that coordinate with stable housing and help low-income citizens of the Commonwealth achieve economic self-sufficiency.
 - **Interagency Coordination:** Empower the Interagency Task Force to coordinate government agencies to ensure consistency and reliability for people who need access to government assistance services.
- **Zoning:**
 - **Accessory Dwelling Zoning:** Allow Accessory Dwelling Units zoning “as of right”.
 - **Local Planning Boards Training:** Appropriate funds to expand training for Planning Boards and Zoning Boards of Appeals to ensure that our communities have planning and zoning board members who are well trained and understand their roles and responsibilities under state zoning and subdivision law.
- **New Housing Models:**
 - **Millennial Villages:** A plan to develop a substantial amount of appropriate-sized and priced housing for 20 -34 year olds, or millennials, to help free up housing stock for working families.
 - **Housing Production Program:** A plan to increase the state’s housing stock by renovating industrial buildings in certain districts in gateway cities and similarly situated towns through state assistance. Over time, this plan is expected to return double the investment put into these projects.

Although no single proposal will be a panacea for our housing woes, by the end of this process the goal is to create a road map for housing production in Massachusetts so residents can continue to live, work and raise a family and so that the Commonwealth’s economic development is not placed in jeopardy.

FORECLOSURE

The effects of the foreclosure crisis that ripped through Massachusetts over the past decade have lingered longer than many expected. We are still dealing with the consequences of poor lending practices from a decade ago, with many families still living in housing that is threatened with foreclosure, that have already been foreclosed upon, or that are currently fighting against a foreclosure action. We have to do more to facilitate loan modifications and provide other assistance to help keep people in their homes. This is particularly important in light of recent reports that foreclosures in 2015 rose by as much as 50% over 2014, suggesting we may be entering another period of high foreclosure rates.

MORTGAGE DEBT RELIEF

It is an unfortunate aspect of our system of real estate financing that some small percentage of mortgages will end in foreclosure. The state's response to recent rising rates of foreclosures must be to ensure that our laws encourage equitable resolutions to mortgage disputes in order to minimize the number that end in foreclosure.

Fortunately, some lenders have been proactive in working with their mortgagees to restructure mortgages and allow more people to keep their homes by preventing foreclosures. This should be lauded and encouraged. However, the general state tax rule that applies to debt forgiveness treats such debt forgiveness as though it were a windfall, requiring the amount forgiven, sometimes referred to as "phantom income", to be taxed by the state as income.

For these reasons, we recommend supporting S.1464/ H. 2607, *An Act relative to the relief of mortgage debt*.¹ This legislation would allow homeowners to complete loan modifications, short sales, and foreclosures for which they have debt forgiven without making them liable to pay state taxes on that debt. This would mirror a federal law, the Mortgage Debt Relief Act of 2007, to allow taxpayers to apply for this exclusion on their state tax returns as well. The Joint committee on Revenue has given this bill a favorable report. It is currently pending before the House Committee on Ways & Means.

¹ On September 28, 2105 S.1464 and H.2607, *An act relative to the relief of mortgage debt*, were reported out of the Joint Committee on Revenue, accompanied by S1521, and sent to House Ways and Means as H.3770.

GENTRIFICATION

The cost of living in Massachusetts is among the highest in the country. Property values and rents continue to increase despite the fact that income growth has remained relatively stagnant. According to the Center for Housing Policy, “in Massachusetts 16% of households spend at least half of their incomes on housing cost. Renters are more likely to be severely housing cost burdened than owners, with 24% of renters spending at least half of their income on housing”.² Families who pay more than 30% of their income for housing are considered cost burdened. In Greater Boston alone, “more than half of renters are now paying in excess of 30%, up from less than 40% in 2000, while 38% of homeowners are paying more than 30% of their gross income in mortgages and taxes, up from 27% in 2000.”³ As a result of this widening gap between housing costs and wages and increased property values, long-term residents—particularly low- and moderate-income families—are being priced out due to limited affordable housing options. Although revitalization can bring in waves of improvement to a neighborhood, it often leads to displacement. With effective tools, we can work to ensure that access to housing that is affordable is preserved so current low and moderate-income families are able remain in their community.

COMMUNITY LAND TRUSTS

A Community Land Trust (CLT) is a non-profit community-based organization that owns land in perpetuity for public benefit. CLTs are flexible and adaptable tools with a proven record of sustaining permanently affordable housing. The first CLT was established in 1968 in rural Georgia and since then the CLT model has been used by non-profit organizations in 46 of the 50 states with over 240 CLTs nationwide. There are at least 17 CLTs in Massachusetts, including Dudley Neighbors Inc. (Roxbury), Chinatown CLT (Boston), Worcester Common Ground, Arise (Springfield), Berkshire CLT, Amherst CLT, Holyoke CLT, Andover CLT, Bread & Roses Housing (Lawrence) and Valley Land Trust (Greenfield).

The non-profit that owns the land provides use of the land through a long term lease agreement with affordability restrictions to prospective private homeowners (or businesses, farms or other uses). This ownership arrangement effectively separates the value of land from that of the homes/structure, thus protecting against real estate pressures and displacement and allowing for affordable homeownership. Moreover, the owner of the house is placed within a community-based support system which can help mitigate the risks of homeownership and stabilize neighborhoods against foreclosures. A study by the Lincoln Institute of Land policy found that by the close of 2010, “conventional homeowners were 10 times more likely to be in foreclosure proceedings and

² Center for Housing Policy. Housing Landscape 2015

<http://www.housingpolicy.org/pdfs/Landscape2015state/Massachusetts.pdf>

³ The Greater Boston Housing Report Card 2014-2015. Pgs. 43-44

4.3 times more likely to be seriously delinquent than CLT homeowners.”⁴ CLT home ownership has proven to be a more sustainable avenue for low income households compared to conventional housing,

According to a 2011 survey conducted by the Vanderbilt University Housing Fund, “more than 9,500 housing units have been created by CLTs. Of this 79% of residents are first-time homebuyers. 82% of resident have incomes less than 50% of the area median income”.⁵ Dudley Neighbors Inc., alone, has created 95 units of permanently affordable housing, 77 affordable cooperative housing units and 53 affordable rental units in Boston, MA. “50% of the homeowners on the land trust earn between \$20-40k a year while 80% of families earn less than \$70k a year.”⁶

Although CLTs have gained popularity over the last 40 years, they remain an underutilized tool, as an affordable housing tool, due in large part to the difficulties of accessing adequate capital. CLTs need funding to pay for a variety of functions related to land acquisition, construction and subsidies. **Therefore we recommend a new budget initiative to develop a seed grant and technical assistance program for CLTs** in order to promote permanently affordable housing and sustainable homeownership throughout the Commonwealth.

⁴ Emily Thaden & Greg Rosenberg (2010). *“Outperforming the Market: Delinquency and Foreclosure”*. Lincoln Institute of Land Policy. Pg. 4.

⁵ Emily Thaden (2011). *“2011 Comprehensive CLT Survey”*. Vanderbilt University Housing Fund.

⁶ For history of the Dudley Neighbors Incorporated Community Land Trust and to see how it is working see online at <http://www.dudleyneighbors.org/land-trust-101.html>.

PROPERTY TAX RELIEF & MUNICIPAL RIGHT OF FIRST REFUSAL

Development pressures can raise assessed values and property taxes in “hot” neighborhoods, making it more difficult for elderly and/or low or moderate income homeowners to stay in their homes. At the same time, municipalities that wish to create affordable housing often find that non-profit developers are challenged by rising land prices. For example, a recent case study by the Metropolitan Area Planning Council (MAPC) found that one in six Somerville residents have lived in Somerville for less a year, while one in twelve of the city’s designated affordable housing units are at risk of losing their affordability restrictions by 2020.

We propose new legislation that would allow municipalities to address both issues at the same time. Under this approach, any municipality would have the option to create a “Homes Preservation Plan” that offers property tax deferral of up to 100% for eligible homeowners. The municipality would have latitude to define homeowner eligibility so long as they are: 1) over 65 years old, and 2) earning less than 100 percent of area median income. The property covered would be the owner’s primary residence and, at the municipality’s option, could include up to two units in the same building that the owner rented out to others.

To participate, eligible homeowners would sign an agreement with the municipality. The agreement would set forth the property tax relief as well as the municipality’s right of first refusal. This right would be triggered when the owner signs a purchase and sale contract, or decides to market the home. The municipality would have a specified time period to exercise its right or assign it to a non-profit developer for the creation of affordable housing. The purchase price would be set by the sales contract or through an appraisal process, with a credit for the deferred property taxes.

Alternatively, the municipality could let a third party sale proceed. When the home is sold, the municipality will recoup the deferred property taxes because taxes are municipal lien charges. If the municipality chooses to include two or three-unit buildings with an owner occupant, the agreement would also include provisions limiting the owner’s ability to raise rents while receiving property tax relief.

STATE SURPLUS PROPERTY

Surplus public land is a valuable resource and has been vital in helping address the pressing need for housing around the nation. In an effort to maximize the benefit of State owned property in the Commonwealth, Governor Charlie Baker, announced in 2015, his plan to repurpose unused state property. In accordance with this, the State should also look for uses that optimize these properties' potential for affordable and workforce residential housing where feasible. The most direct way to promote affordable housing production is to allow the State to dispose of surplus land below market value to affordable housing developers; however, due to provisions in state law, most state agencies are unable to sell surplus property below market value, even in cases where agencies would like to do so.

Developments that have accessed State-owned land include Parcel 24 in Chinatown, 225 Centre Street in Jamaica Plain, Bartlett Yard in Roxbury, and Parcel 25 in Mission Hill. These state parcels, however, were acquired at market rate and required a great deal of additional subsidy from both the State and City to ensure financial feasibility for the affordable housing proposals. To the extent those state agencies could have discounted the price of the land more, or could have streamlined the acquisition process, it might have resulted in lower subsidy needs and/or more affordability. Furthermore, the additional units would offer opportunity to preserve the diversity of these neighborhoods and keep existing residents in the community even as they become more costly.

For these reasons, we recommend supporting S.1649/H.2756, An Act to Facilitate Disposition of Surplus Property for the Development of Affordable and Workforce Housing.⁷ This bill offers to develop transit oriented developments (TODs) with the help of the Department of Housing and Community Development (DHCD) and state transportation authorities. It would allow municipalities to: (1) petition the Commonwealth to designate certain State-owned properties as surplus; and (2) further petition the Commonwealth to dispose of surplus properties below fair market rate when there are re-use restrictions placed on the property. Re-use restrictions include affordable and workforce housing restrictions that are consistent with municipal planning purposes. In addition we recommend that the State actively seek to implement reuse restrictions whenever possible and that the Administration adopt this as a management policy.

⁷ As of March 1, 2016, S.1649 and H.2756 were still in the Joint Committee on State Administration and Regulatory Oversight.

HOMELESSNESS

Massachusetts residents face high levels of homelessness and housing instability. High costs of housing and low wages have led to an increase in the number of Massachusetts residents experiencing homelessness or at risk of becoming homeless. “Massachusetts saw the 5th highest increase in homelessness among all states for the 2015 count. According to the U.S. Department of Housing and Urban Development’s [2015 Annual Homeless Assessment Report](#) to Congress, there were 21,135 people in Massachusetts experiencing homelessness during the January 2014 point-in-time (PIT) counts.”⁸ These numbers only account for one night, and only for individuals and families who were identified. Individuals and families who were doubled up, living in unsafe conditions, or sleeping in cars or other places not meant for human habitation were not captured, nor those people who experienced homelessness at other times during the year. Furthermore, it is particularly concerning that so many of our veterans and unaccompanied youth experience homelessness, which the Senate has addressed and will continue to address in future reports. As housing is vital to the success of our families and communities, it is crucial that we provide access to safe and stable housing for all residents.

EXPANDING THE ELIGIBILITY OF RAFT

To address the homelessness crisis, the Commonwealth began providing homelessness prevention resources in FY 2005 to families with children under the age of 21 that are at risk or experiencing homelessness, through the Residential Assistance for Families in Transition (RAFT) program.⁹ RAFT is a program of the Department of Housing and Community Development (DHCD) that is administered by regional agencies across the Commonwealth. It provides eligible households with incomes at or below 50% of the area median income with funding of up to \$4,000/year to cover first month’s rent, last month’s rent, security deposits, rental arrearages, utility arrearages, the costs of basic furnishing, and other needs, so as to help families successfully avoid homelessness. RAFT was funded at \$12.5 million for the FY16 budget, an increase of \$1.5 million from FY15.

Massachusetts provides limited homelessness prevention and rapid rehousing resources to very low-income and extremely low-income households without minor children. This means that more households composed of elders, unaccompanied youth, persons with disabilities, and unaccompanied adults needlessly fall into homelessness. When an individual or household enters

⁸ U.S. Department of Housing and Urban Development. 2015 Annual Homeless Assessment Report. December 2014.

⁹ *At the time of the program’s inception, households with two or more members who met the other basic criteria could access RAFT if at least one household member was living with a disability. The program was restricted soon after to match the family definition used in the state’s Emergency Assistance family shelter and services program.*

homelessness, additional resources and time are needed before exiting homelessness. Extended homelessness often leads to increased trauma and instability, negative health consequences, and greater costs. **Therefore it is recommended that the state budget include language broadening eligibility for RAFT by adopting the more inclusive definition of family often used in housing programs so that it can serve all household types, including elders, unaccompanied youth, persons with disabilities who do not have children in the household, et al. and appropriating funds in line item 7004 – 9316 to support the updated language.** This change will allow other household types to access homelessness prevention funds, because there are few options at the state-level for households without children in spite of the demonstrated need for a broader homelessness prevention resource.

To serve a wider base of eligible households, we also recommend a \$6 million increase in RAFT funding--(line item 7004-9316)--for FY17 to bring the funding level to \$18.5 million. This would allow DHCD and partner agencies to accommodate additional populations and to be better able to meet the needs of the current target population of household with children under the age of 21, while increasing the likelihood that RAFT funding would be available throughout the full fiscal year.

During FY15, the average RAFT expenditure was \$2,915/family (\$2,415 in benefits + \$500 in administrative fees). With a \$6 million increase in RAFT funding in FY17, the state would be able to help an estimated 6346 households, both families with minor children and households without children avoid or exit homelessness.

We further recommend system-wide data collection and evaluation of the expanded RAFT program to track the outcomes and housing stability status of households receiving RAFT under current and expanded definitions of family. Such data will help to inform continued expansion/improvement for subsequent fiscal years.

LANDLORD/TENANT PILOT PROGRAM

Family homelessness in Massachusetts has reached record levels with an average of 4,658 families sleeping in shelter each night during the first eleven months of FY15, a 245% increase since 2006. As the number of families experiencing homelessness has grown, and the number of families eligible for the Emergency Assistance (EA) family shelter remains high, the EA system has expanded to meet the ongoing need. Motels are being used as an overflow system for congregate family shelter and scattered site housing units. To address the spike in homelessness and spending on shelter, the Commonwealth introduced its HomeBASE program starting in 2012.¹⁰

Although the HomeBASE rental assistance (two-year mobile subsidies) is no longer offered, short-term HomeBASE Household Assistance (up to \$8,000 in FY16) continues to be used to divert families from entering shelter and to help other families to exit shelter. The availability of state-funded resources such as the Massachusetts Rental Voucher Program (MRVP), Residential Assistance for Families in Transition (RAFT), the Housing Consumer Education Centers, and other homelessness prevention resources have also allowed the state to increase its success in responding to the Commonwealth's homelessness prevention and rapid rehousing challenges.

Families participating in the EA program with only limited personal income and limited state resources face steep challenges to entering into new tenancies and maintaining them over time. Decreasing vacancy rates and rising market rents across Massachusetts cities coupled in some instances with discrimination, have made it even more difficult for many of these families to access affordable housing, even for those approved for MRVP vouchers, other forms of permanent housing assistance, and/or the HomeBASE Household Assistance program. For many, the housing search is further challenged by "housing barriers," including but not limited to: multiple evictions in recent years, bad credit, CORIs that indicate criminal activity even if minor, etc.

Even for those families whose stability has increased due to more stable income, educational achievements or other reasons, these housing barriers make it more likely that landlords will screen these families out as prospective tenants. Many families find it incredibly difficult to secure housing quickly and end up staying in state funded shelter much longer than necessary, despite having resources to exit shelter with a reasonable prospect of becoming housed long term.

To reduce the time it takes families to successfully exit shelter and to encourage landlords to adjust their screening criteria and rent to families with housing barriers, we propose new legislation to create the Tenant-Landlord Guarantee pilot program for up to 200 families participating in the HomeBASE program who have received housing subsidies through the MRVP program. The program's primary goal will be to help families exit EA motel

¹⁰A summary of the HomeBASE program is in "Safe at Home: The Families of HomeBASE" (May 2013) and "Two Years of HomeBASE" (Oct. 2014) published by Metropolitan Boston Housing Partnership and available at www.mbhp.org.

placements in half of the time it currently takes (45 days vs. the estimated current 90 days). Based on the most common communities of origin for families in the EA program, we recommend that the program be piloted in the Boston, Springfield, and Worcester regions. Once a family is placed in housing, landlords who incur nonpayment, tenant-caused property damage, and/or legal expenses associated with eviction will have access to up to \$5,000 as compensation for properly documented expenses. On the tenant side, a family will receive their security deposit from the owner within 30 days of termination of tenancy at end of lease, unless a valid claim to the deposit is being made by the owner. If the family is in good standing at the end of the twelve months, and no claim is filed by the owner, the family will receive \$2,500, in addition to the returned security deposit if the families leave that apartment in good standing. .

Participating families will receive 12-months of stabilization services paid for by HomeBASE. In coordination with HomeBASE stabilization services provided by select Regional Nonprofit Housing Agencies, tenants and landlords will also have access to an intervention service that will respond rapidly to resolve issues over alleged lease violations or other matters threatening eviction. Similar to successful programs across the country, we expect a very low rate of granted claims by landlords for compensation. For instance, in Seattle's Landlord Liaison Project, the program paid out to landlords for less than 5% of tenants. Partnerships will be built with these landlords, particularly those who have not previously rented to subsidized families with housing barriers, so that these landlords will continue renting over time to subsidized families with housing barriers.

The three goals of this program are to reduce average EA length of stay per family, to increase long-term tenancies for these families by reducing tenancy terminations, and to reduce landlord issues associated with lease violations, thus allowing more families to further their independence goals and increase their long-term housing stability.

PRESERVATION & REHABILITATION:

As we work to address the housing crisis in our Commonwealth, we will need to also focus our efforts on preserving existing units. Foreclosures, expiring use restrictions and affordability controls, and natural physical deterioration have all caused significant loss to our affordable housing stock. According to the Community Economic Development Assistance Corporation (CEDAC) nearly 20,000 privately owned affordable apartments alone could go market rate by the end of this decade¹¹ Furthermore, the high cost of development, has made it cost-prohibitive to build affordable housing. Therefore, preventing the loss of existing affordable units is even more critical to assist with our already limited housing supply.

13A PRESERVATION

In the 1970's the Commonwealth of Massachusetts invested in developing 8,600 units of affordable housing using the State's Section 13A expiring use program. Modeled after the federal Section 236 Program, private owners received subsidized mortgage rates of 1% in exchange for providing tenants with below market rents. The subsidy from the state then made up the difference between the 1% interest rate and the market interest rate at the time that the loan was originated. MassHousing, then the Massachusetts Housing Finance Agency, were the organizations directed to administer these mortgages on behalf of the Commonwealth.

From 1994 to 2003, the program was fully funded at \$8 million a year by the State; however, starting in 2004, the State began reducing its funding and completely stopped in 2009. At that time, MassHousing stepped in to make up the funding gap and has committed to do so until the mortgages mature. Until 2013, The United States Department of Housing and Urban Development (HUD) provided 13A tenants access to federal tenant protections known as "enhanced section 8 vouchers." With the assistance of these federal vouchers, the long-term affordability of these developments was preserved. Nevertheless due to a policy change in the last two years, HUD notified MassHousing they would no longer provide enhanced vouchers for this purpose.

Now, these 13A developments face the expiration of affordability for the remainder of the portfolio. Mortgages for the remaining developments which serve a mixed-income population including more than 4,000 low income households between 30-50%AMI will mature over the next five years. This will most likely result in the eliminations of affordability protections outside of those provided under Chapter 40T leaving this vulnerable population with few alternatives¹². In most instances, residents will face significant rent increases and will be displaced. It is critical that

¹¹ Database of Expiring Use Properties in Massachusetts 2015. Published by Community Economic Development Assistance Corporation (July 2015) and available at <http://cedac.org/housing/preservation.html>.

¹² This law limits rent increases for a period of three years after existing restrictions mature

the Commonwealth identify a source of funding which can be used to provide financing to preserve these expiring use 13A properties over the long-term and maintain this critical affordable housing resource.

For these reasons, we recommend supporting H.2540 An Act Relative to Low-Income Housing Tax Credits.¹³ This bill would amend Chapter 62 and Chapter 63 of the M.G.L. relating to the Massachusetts low-income housing tax credit to allow for the authorization of up to \$15 million in additional state low income housing tax credits over four years. This additional authorization would be for the specific purpose of preserving affordability in 13A developments.

¹³ As of March 1, 2016, H.2540, *An act relative to low-income housing tax credits*, was still in the Joint Committee on Revenue.

DISTRESSED AND ABANDONED PROPERTY

Many municipalities – in particular those outside Greater Boston – are faced with an inventory of distressed properties due to a variety of reasons including a weak housing market, homeowners lacking funds for vital repairs, and absentee landlords. They have several legal tools at their disposal such as receivership and tax title takings, but they are underutilized because of high upfront costs and lack of staffing resources to engage in these complex processes. Springfield, for example, was able to successfully use Federal funding sources (Neighborhood Stabilization Program [NSP] and Community Development Block Grants [CDBG]) to redevelop foreclosed properties that might have otherwise become blight within the community; however, these funds either no longer exist or have been decreased for housing rehabilitation.

Therefore it is recommended the State support a new budget initiative that would provide increased funding to the Attorney General’s Abandoned Housing Initiative (AHI) revolving loan fund. This would permit the Attorney General’s office to expand their ability to work with municipalities to place properties into receivership and then either provide a revolving loan or a grant, which would allow receivers to make the necessary repairs to a property.

The Attorney General’s Office has discretion to determine if the money should be a revolving loan or a grant, dependent upon the economic viability of recouping the investment and the importance to the community and surrounding area of revitalizing the property. This fund is currently capitalized using existing settlement funds; however, a small investment to allow the program to expand would allow the program to reach more communities in need of help. One of the best elements of this program is that the vast majority of properties where the Attorney General’s Office intervenes are brought into a state of good repair by the current owner. The threat of action by the Attorney General is often enough to compel compliance.

MA DONATION TAX CREDIT

Massachusetts needs thousands of additional affordable housing units to meet the needs of its current residents. “In recent years the affordable rental housing supply has been growing about 1,600 units per year compared to the late 1970s when units funded by the US Department of Housing and Urban Development grew by 15,000 per year.”¹⁴ Fewer affordable housing units are being built and the Community Economic Development Assistance Corporation (CEDAC), which maintains the state’s expiring use inventory, “estimates nearly 20,000 units at risk of leaving the stock in the next four years (2016 – 2019)”. The state must continue to expand the stock of affordable housing to meet residential needs and a critical first step is preserving and adding to the existing stock.

The State Low Income Housing Tax Credit (SLIHTC) has been a critical financing tool in developing affordable housing for low-income families. According to the Department of Housing and Community Development’ (DHCD) “during 2015, in its capacity as the Massachusetts allocating agency for Low-income Housing Tax Credit, [DHCD] had awarded federal and state tax credits in support of more than 1,400 total multi-family rental units.”¹⁵ Because of its success, **we recommend; expanding the existing State Low Income Housing Tax Credit and adding authority to allow a portion of SLIHTC to be deployed as Donation Tax Credit (DTC)**, which would leverage the federal charitable deduction on qualifying transactions and stretch the state’s limited SLIHTC dollars further.

The DTC would promote the creation or preservation of affordable housing by providing a credit equal to 50% against Massachusetts income tax liability for housing owners who donate existing housing properties – or other structures for conversion to housing - to qualified nonprofits who commit to long-term affordability. The DTC, in combination with the federal charitable deduction, can make donation economically competitive with a cash sale, from the perspective of existing owners evaluating exit options. Preservation of “13A” properties, could be promoted with a 'credit boost' (an increase in the amount of credit per dollar of donated value) to enhance the DTC’s power as a targeted preservation tool. As part of the SLIHTC, the DTC would be a 'certificated credit' that can be used by donors with sufficient Mass tax liability – or sold to a third party that has MA tax liability.

Both Illinois and Missouri have successful, longstanding DTC programs. The Illinois program, alone, has made possible the creation or preservation of nearly 18,000 housing units since 2001,

¹⁴ CHAPA (December 2015). *On Solid Ground: Building Opportunity. Preventing Homelessness*. p. 8.

¹⁵ Department of Housing and Community Development (2016). LIHTC Qualified Action Plan. For more information see <http://www.mass.gov/hed/docs/dhcd/hd/lihtc/2016draftqap.pdf>

catalyzing development activity worth nearly \$3.3 billion. Massachusetts's DTC program would be an enhanced and more targeted variant of the SLIHTC.

PRODUCTION

Massachusetts has a significant housing shortage that impedes the Commonwealth's economic growth. According to the Metropolitan Area Planning Council, 17,000 new homes are needed each year through 2040 to maintain our current job base. Overall housing production fell by 52% and multifamily production fell by 80% between the 1960s and 1990s. Although housing production is picking up and more than 14,000 units were produced in the last year, our housing shortage is impacting people across all income levels, particularly those with the lowest incomes, as referenced elsewhere in the report, and is stifling economic growth.

Massachusetts needs a revolution in housing production to keep up with the demand for new housing statewide. Prices in the Boston area, especially the most convenient suburban and urban locations, are growing exponentially while the Gateway Cities are struggling to attract private capital to expand housing. Those communities who do choose to utilize smart growth strategies and expand their stock of multifamily housing to expand housing production should be encouraged.

MULTI-FAMILY ZONING

With significant multifamily housing in great demand, 207 of our 351 cities and towns have permitted no multifamily housing with more than 5 units in over a decade and over a third of our communities have permitted only single family housing. The lack of multifamily zoning is the most significant barrier to building affordable and market rate housing, and is so basic a requirement that no other long-term production goals can be achieved successfully without it. According to the Metropolitan Area Planning Council, of the 435,000 homes projected to be needed by 2040, according to the most of the demand is for multifamily housing¹⁶.

For these reasons, we recommend supporting H. 1111, *An Act relative to housing production*, H. 1107, *An Act to expedite multifamily housing construction*¹⁷, or other legislation that requires all communities to permit a reasonable, minimum level of multifamily housing for increased housing production.

¹⁶ Metropolitan Area Planning Council, *To Keep Economy on Track, Metro Boston will need up to 435,000 new housing units by 2040*. For more information see http://www.mapc.org/sites/default/files/PR_HousingForecast_011614.pdf.

¹⁷ As of March 1, 2016, H.1111, *An act relative to housing production*, and H.1107, *An act relative to expedite multifamily housing production*, were in the Joint Committee on Housing.

SMART GROWTH HOUSING TRUST FUND

Chapter 40R has resulted in over 12,000 units zoned and built since the first approvals in 2006. We expect that there will be a continuing increase in the number of units approved. **Currently there is no mechanism to assure annual funding for the State's obligations under Chapter 40R and 40S.** This lack of certainty for funding provides a reason for communities to be hesitant about pursuing 40R.

At this time, the Smart Growth Housing Trust Fund contains only \$1,300,000, calling into question whether these funds will be exhausted by new projects and payments for housing units that will be under construction before the fiscal year ends. As a result, it is not possible at this time to assure communities that they will receive the funds called for under the program. This substantially reduces the incentives for the local communities to participate in the program. It dramatically increases the risk for a prospective housing developer to undertake needed zoning using Chapter 40R.

So far only three communities have turned down Ch. 40R proposals – a total of 31 out of 34 proposals have received a two-thirds vote from either Town Meeting or the City Council. The housing is in smart growth locations. This approach to providing for new housing construction throughout the commonwealth is one in which divisiveness and contention has been replaced with consensus. This is a major step forward.

This amount of zoning for new housing units – over 12,000 to date – represents real success towards the goal of producing a surplus of zoned land for multifamily housing. Creating such a surplus of zoned land is an integral part of a strategy to moderate the price of housing over the next decade.

For these reasons, we recommend supporting S. 109, An Act relative to Smart Growth Housing Trust Fund¹⁸. This bill will provide a high degree of certainty that the financial incentives promised from the State to local communities under Chapter 40R will in fact be met, even in fiscally difficult times. This bill annually captures income tax payments from those living in 40R smart growth districts, and directs that the money be deposited temporarily in the Smart Growth Housing Trust Fund. The Trust Fund will then make the required payments to communities under Ch. 40R and 40S. Annually, after reserves are retained, any balance will be returned to the General Fund.

This mechanism will provide, on an ongoing basis, without specific legislative or administrative action each year, for the funds needed to fund Chapters 40R and 40S and thus will result in their

¹⁸ As of November 23, 2015, S.109, *An act relative to smart growth housing trust fund*, was referred to the Senate Committee on Ways and Means.

becoming self-sustaining. It is important to note that this bill will not increase the costs of 40R or 40S. It will simply assure that funds will be available to make the payments when the payments are due, as required by statute.

Public Housing

Over the years, public housing has served the needs of our lowest earning families, providing them with decent and stable housing. In Massachusetts, there are approximately 90,000 state and federally funded public housing units, managed more than 240 local housing authorities; however, with the rising cost of housing, dwindling supply, and extensive demand there has been little turnover of units causing longer waiting lists for families looking for a unit.

In 2014, the State passed an “Act Relative to Local Housing Authorities”, making the most comprehensive changes to the state public housing program in forty years. This law provides critical tools to improve state-aided public housing programs while creating greater transparency and accountability. As the need for affordable housing continues to rise, it is important that we maintain our efforts to preserve and expand this critical tool which has helped create upward mobility for many of our low-income families.

OFFLINE VACANT UNITS

Over the years, public housing has served the needs of our lowest earning families. As the need for affordable housing continues to rise, it is important that we preserve this critical tool which has helped create upward mobility for our low-income families.

In Massachusetts, there are currently 45,600 state public housing apartments for extremely low-income seniors, people with disabilities, and families. As of July 6, 2015, according to the Department of Housing and Community Development (DHCD), there were 850 state public housing apartments off line, meaning they are not being leased out. Of that number, 170 of these units were offline because of modernization efforts, while the remaining 680 units (or 1.4% of the total) were offline because of routine turnover or chronic vacancy¹⁹. Since 2011 when the Legislature, under Chairman Honan’s leadership, included language in the operating budget line item directing DHCD to use funding to bring units back online, DHCD has made funds available to bring chronically vacant units back online. Since 2011, over 550 chronically vacant apartments have been re-occupied.

DHCD has done effective work to bring back these units. However, a remaining barrier facing some of our Local Housing Authorities (LHAs) is the lack of capacity at the local level (person power) to get its units turned around. For example, if a small housing authority has only one maintenance person and there are multiple units vacant at the same time, it takes longer to get these units back online. In addition, there is an increasing need to build employment opportunities

¹⁹ A more specific breakdown is currently unavailable because DHCD’s vacancy reporting system is being retooled. The new system is currently in the last testing phase and is scheduled for full launch by 2016.

for public housing residents that provide them with access to good-paying jobs and have a career ladder. The work needed to bring vacant units back online, offers a real opportunity for the state to train public housing residents to prep and paint apartments.

Furthermore, in August of 2014 the Local Housing Authority Act, Chapter 235, was signed into law. In addition to many other provisions, it created a regional capital assistance program to provide technical assistance to LHAs with less than 500 state units to assist with capital and maintenance planning, capital project management, and vacant unit turnover. Several months ago, DHCD issued a Request for Responses for the formation of three Regional Capital Assistance Teams (RCATs)—the deadline was August 31, 2015. A public housing apprenticeship program would allow these trained workers to be deployed through RCATs to smaller housing authorities in order to get vacant units back online. In addition, voluntary management and collaboration agreements currently exist at 64 housing authorities. DHCD and MassNAHRO are advocating for their adoption by LHAs with capacity issues, and providing them with guidance on management agreement best practices.

For these reasons, we recommend supporting H. 3696, An Act to Establish an Apprenticeship Program to Ready Vacant Public Housing Apartments for Occupancy.²⁰ This program would provide families living in public housing with access to training for jobs that lead to sustainable living wages. In addition it would increase the capacity of LHAs to turn vacant units around quicker.

²⁰ On July 30, 2015, the Joint Committee on Housing reported H. 3696 favorably to the Committee on House Ways and Means.

SURPLUS PUBLIC HOUSING AUTHORITY OWNED LAND

Public Housing Authority (PHA) owned vacant and surplus property could be a valuable public resource – especially at a time when public housing waiting lists are long and affordable housing is needed.

In 2006, the State Auditor released the Comprehensive Report on the Physical Condition and Resources Allocated for the Operation and Upkeep of State of State-aided Public Housing in the Commonwealth. The report included a list of local housing authority (LHA) land available to build affordable housing and stated that “building housing on land already owned by the LHAs would be less costly since there would be no acquisition and related costs. Moreover, such construction would alleviate the shortage of affordable housing throughout the Commonwealth”.²¹

The report recommended: Identifying all LHAs owning land with development potential and determining the number of dwelling units that could be constructed. Moreover, it stated DHCD should develop cost estimates for the construction of LHA housing and create a bond fund dedicated to additional LHA housing. ... In doing so, consideration needs to be given to the total cost to the Commonwealth of responding to the overall housing crisis, including the cost of providing for the homeless across the Commonwealth.²²

Eight years later, in 2014, the Legislature passed an “Act Relative to Local Housing Authorities” which requires the new Regional Capital Assistance Teams (RCATs) to “complete a survey of all departments or housing authority owned surplus land.”²³ Under the new law, “[t]he capital assistance teams shall use the results of the survey to coordinate communication and resources between local housing authorities and the department to encourage development of the land for new units of affordable housing. Although the survey was to be completed by August 6, 2015 (within 1 year of the effective date of the Act), DHCD is in the process of establishing the RCAT program and identifying a PHA to host the RCATs in the Northeast Region—they have already done so for the Central-West and Southeast regions.

Governor Charlie Baker announced in 2015 his plan to repurpose unused state property by leasing it to private investors, businesses, and developers. Furthermore, a number of bills have been filed this legislative session that seek to do the same. These bills, in particular, focus on using this surplus land to create affordable and workforce housing.²⁴ While each of these bills have

²¹ Independent State Auditor’s Comprehensive Report on the Physical Condition and Resources Allocated for the Operation and Upkeep of State-Aided Public Housing in the Commonwealth of Massachusetts (October 5, 2006). p iii.

²² *Independent State Auditor’s Comprehensive Report*, Page 24.

²³ Section 13 of the [Acts of 2014 Chapter 235](#) amended M.G.L. Chapter 121B, Section 1.

²⁴ S. 1649 and H. 2756, *An Act to facilitate disposition of surplus property for the development of affordable and workforce housing* (Senator Dorcea Forry and Rep Holmes); S. 1719 and H. 2815, *An Act providing for disposition of*

important requirements including affordability housing restrictions none of them currently focus on PHA surplus property.

In November of 2015, DHCD issued a Notice of Funding Availability for a State-Aided Housing Mixed-Income Community Demonstration.²⁵ The NOFA states that the purpose of the demonstration is to leverage resources to repair and preserve existing state public housing by developing on existing and surplus PHA owned property. The demonstration will fund planning and pre-development costs. Our hope is that PHAs submit proposals that set aside housing that is also affordable to extremely low income families for whom public housing is intended. Also, that the demonstration leads to developing clear protections for PHA owned land so that land is just not disposed of but that the structure of any new development can in fact support the operation of existing state public housing in perpetuity.

For these reasons we recommend any development on PHA land provide ongoing revenue to the LHA through long-term leases or other agreements made through the sale or lease of property. Development on LHA land shall prioritize mixed income housing that includes, the creation of additional public or private housing units serving households eligible for public housing, where feasible. This would not prohibit the development of market rate units but ensure that LHAs will have ongoing revenue to support LHA operating and capital needs while increasing the number of housing units.

surplus state real property based on smart growth land use policies (Senator Spilka and Rep Sanchez; H. 1111, *An Act relative to housing production* (Senator Eldridge and Rep Honan).

²⁵ Department of Housing and Community Development (2015). Public Notice: *State-aided Public Housing Mixed-Income Community Demonstration* for more information see <http://www.mass.gov/hed/docs/dhcd/ph/publicnotices/2015-29-mixed-income-nofa.pdf>

Support Services

It is imperative that housing for those with low incomes be accompanied by services so they can maintain their housing stability and create pathways to economic mobility. Despite the Commonwealth's efforts to help households afford housing, the culmination of low wages, high housing costs, and a shortage of supports have caused housing instability for thousands of households, preventing them from increasing their economic mobility. For example, help with childcare, which makes it possible for parents to look for and maintain work and to participate in job training, education, and other programs necessary to resolving housing instability²⁶, is out of reach for thousands of families. Still other families face challenges including mental health and substance abuse. By combining affordable housing and supporting services, individuals and families are able to address these barriers and maintain stable housing. Thus, investing and providing services that support people in increasing their housing stability and economic mobility is critical in addressing the need for housing that people can afford.

FAMILY SELF-SUFFICIENCY PROGRAMS

Many programs have been created at the local, state, and federal level to help families increase their incomes and build assets. These antipoverty programs provide income support to help low-income families become financially secure, in hopes of reducing their reliance on public subsidies. There are a number of programs in place throughout the Commonwealth including the three mentioned in this report: FSS, Mass LEAP and "A Better Life", which have been helpful in providing families with the opportunities and resources necessary to move from poverty to economic self-sufficiency.

The Family Self-Sufficiency (FSS) program is federal program through the U.S. Department of Housing and Urban Development established in 1990 (HUD) which enables families to increase their incomes while reducing their use of welfare, rental assistance and other financial support systems. This is a voluntary program for families assisted through the Housing Choice Voucher program (Section 8) and public housing. The head of family enters into a 5- year FSS contract of participation that states the responsibilities of both parties and the goals and services available to the family. The program focuses on increased engagement in the workforce resulting in increased earned income. The family works with a FSS coordinator to complete their goals and as their earned income increases, the difference in rental assistance payment is saved in an escrow saving account. Massachusetts's Learning, Employment and Asset Program (Mass Leap) was developed and created to build off the success of the FSS program.

²⁶ CHAPA (December 2015). *On Solid Ground: Building Opportunity. Preventing Homelessness*. p 15,

Established in 2014 in response to recommendations from the Governor’s Commission on Public Housing and Sustainability and Reform, Mass Leap creates a 5 year partnership between local housing authorities and service providers. The program closely aligns with the FSS program with the establishment of the rent saving escrow account; however these funds must be used for asset development purposes. Mass LEAP provides eligible tenants of state-aided public housing developments and/or Massachusetts Rental Voucher Program (MRVP) with support services including employment and career development and planning; financial literacy and asset development; and post-secondary education.

“A Better Life” (ABL) is a unique program, offered by the Worcester Housing Authority that requires able-bodied adults under the age of 55 to go to work, do community service, or attend school 24-30 hours per week depending on which phase of the program they are participating in. The implementation of the program in state properties is underway, having been authorized in the state’s welfare reform legislation in 2014. The program model is built around intensive case management which provides advice, guidance and support to all participants. Participation in the program starts with a series of five comprehensive assessments (financial, employment, education, health, personal) performed in collaboration with community partners which serve as the basis for a path to move the family toward self-sufficiency.

For these reasons, we recommend supporting asset building and financial stability programs that help low-income citizens of the Commonwealth increase their economic self-sufficiency. All of these programs acknowledge that for many, it is a long road to self-sufficiency, and seek to assist participants to move forward, increase their economic stability, and build a path for ongoing growth. We further recommend an advisory group to study the data related to self-sufficiency programs, the different program components and the feedback of participants and those who chose not to participate in programs, in order to shape an economic mobility and financial stability program for all households that can be scaled across the Commonwealth.

INTERAGENCY COORDINATION

Massachusetts has demonstrated a long-held commitment to helping families afford homes. However, due to a culmination of low wages, high housing costs, and cuts to services, supports, and opportunities, there are currently 4,300 Massachusetts families living in shelters and motels each night. In addition, an estimated 4,200 more families that live in unstable, doubled up situations, move multiple times per year, or are behind on rent may experience the same harms as homeless families, even though they avoid shelter entry. These 8,000+ families represent just a fraction of the 63,000 extremely low-income renter families at risk of homelessness.

It is time to address poverty and develop a new approach to preventing family homelessness. By focusing on housing and economic stability, instead of the short-term goal of reducing shelter numbers, thousands of families will avoid the need for shelter, and families in shelter will be less likely to re-enter in the future. Progress is possible.

We propose that the interagency council develop and execute a Memorandum of Understanding between the Executive Offices of Housing and Economic Development, Health and Human Services, Labor and Workforce Development, and Education. The MOU would establish monthly meetings of the secretaries of each executive office, require regular reporting on programs serving households below 30% of the area median income, and include the creation of cross-agency teams of staff of each department. The MOU would include a mechanism for ongoing stakeholder involvement, including consumers, service providers, and advocates.

Within six months of the MOU being signed and every six months following, the agencies should submit a joint report including:

- Total number of housing units affordable to extremely low income households needed in the Commonwealth and the net increase of units towards that benchmark;
- Programs administered through each state agency that serve households below 30% of the area median income;
- The total dollar amount administered by each agency relative to homelessness prevention, services, and activities;
- Programs that can be supplemented with federal funding; Differences and gaps in program eligibility between identified programs and strategies for ensuring families receive and maintain services and benefits for which they are eligible;
- And, a plan with set timelines for coordination across agencies to provide access to

programs, services, and benefits for households with incomes below 30% of the area median income along with recommendations for legislative and regulatory changes needed to implement the plan.

Zoning

The challenges of production and zoning are intertwined. Without a significant increase in housing production, our economy and state finances will suffer. To facilitate such an increase in production of new units, more communities must embrace modern zoning schemes that allow for more diverse housing stock that fits the needs and innovations of our 21st century housing market. There are a number of bills that have been filed during the 2015-2016 legislative session, including S.122, s.708, S.119, H.1111, among many others, which seek to make meaningful changes to our zoning laws and equip our cities with tools to encourage sensible growth. S.122, *An Act Promoting the Planning and Development of Sustainable Communities*, in particular, warrants further exploration in addressing this issue.

ACCESSORY-DWELLING UNIT ZONING

In many communities, there is high demand for the option of creating an accessory dwelling unit in areas that are zoned primarily for single family units. The residents who seek such accommodation are varied, from elders looking to downsize while staying in their home and bringing in some supplemental income, to families hoping to make space for their elderly parents, to parents looking to provide affordable accommodations for their children as they begin their careers.

This is a particularly pressing issue for those who have a family member that is ill or living with a disability. By providing for this flexibility to create accessory units, our residents will be able to make sure their housing fits their needs, whether they're hoping to age in place or take care of their loved ones.

For these reasons, we propose new legislation allowing Accessory Dwelling Units “as of right” and support provisions that allow such in S.119 and H.1107²⁷.

The new legislation should allow property owners to construct one accessory dwelling unit as of right in existing single-family residential zoning districts on lots above a reasonable minimum size. Communities would be able to impose reasonable dimensional setbacks and reasonable bulk and height limits, but would not be able to use special permit mechanisms to frustrate or discourage the development and rental of these units.

This would clear away unreasonable, existing barriers while giving both communities and property owner's flexibility. Applicable provisions of the building, fire, and sanitary codes, and of state and local wetlands requirements, would continue to apply. It is also worth noting that due to

²⁷ As of March 1, 2016, S.119, *An Act improving housing opportunities and the Massachusetts economy*, was in the Joint Committee on Community Development and Small Business. H.1107, *An act to expedite multifamily housing construction*, was in the Joint Committee on Housing.

their unique zoning statute, Boston would not be impacted.

LOCAL PLANNING BOARDS TRAINING

Planning is a continuing process in which goals and objective for the future of a city, town or village are developed and evaluated. Real estate development is driven in large part through decisions made by these citizen boards and committees; however, more often than not these local decision-makers are unfamiliar with the basic of the local planning and zoning process. In order to make informed decisions, Planning Boards and Zoning Boards of Appeals (ZBAs) need training and education about planning issues and the regulatory environment.

Although training opportunities exist in Massachusetts, they are often poorly utilized, and many board members have no formal training associated with their important role as regulators. Other states have mandatory training for board members; for example, New York requires four hours of training per year. The Massachusetts Interlocal Insurance Association (MIIA) provides insurance discounts for completion of specified training programs. This adds a fiscal reason for communities to ensure that all pertinent board members have completed training, as it will lower the municipality's insurance rates. In addition, training and education would equip and empower these boards with knowledge to make better informed decisions regarding land use and planning.

The Citizen Planner Training Collaborative (CPTC) is a critical resource for local planning and zoning officials in Massachusetts. CPTC provides workshops and trainings, including two levels of certification for Planning Board and ZBA members. In the fall of 2015, CPTC will offer 27 programs around the state in conjunction with Regional Planning Agencies. Additionally, CPTC puts together training sessions upon request, and hosts a one-day conference in Worcester in mid-March. The programs are inexpensive, which is made possible by the many pro bono trainers who teach the sessions. CPTC does not have any staff, but has a contractor for approximately \$20,000 per year handling program logistics and providing administrative support to the Board. Although CPTC is getting a lot done on a shoestring, it is not a sustainable model and certainly does not provide the consistent, statewide coverage that is needed.

We recommend a state appropriation of \$200,000 for CPTC to develop an updated curriculum, expand the program across the state, develop on-line training and testing materials, add administrative capacity, track certification for qualified PB and ZBA members, and recruit and train new instructors. It is further recommend that there be a requirement for members of Planning Boards and ZBAs to take and pass a brief test within two years of a member's appointment.

NEW HOUSING MODELS

Throughout the course of the Committee meetings, the Chairs met with housing experts to discuss efforts underway that would address or help alleviate the current housing pressures. Two models stood out that the Chairs thought warranted further exploration: Millennial Villages and the Housing Production Plan. Both plans seek to address different aspects of the housing problem—building housing for certain demographics or substantially renovating existing buildings for the development of new housing—and provide innovative solutions to housing production in Massachusetts.

MILLENNIAL VILLAGES

Greater Boston has become more successful at retaining and attracting young professionals – graduate students, medical interns and residents, and young professionals from tech savvy entrepreneurs and financial wizards to line-chefs in our restaurants. Although, this has helped keep our region vital and prosperous it has caused a major housing problem for the families with whom they compete for housing.

Between 2000 and 2008-2012, 20-34 year olds were responsible for 73.9% of the population growth in the inner core region of Boston, Cambridge, and Somerville – more than 24,000 additional young residents. Within this group, there are more than 120,000 graduate and post-doctoral students at area universities of which more than 90 percent live off-campus. In addition, the area’s teaching hospitals offer positions to thousands of medical interns and medical residents each year.

To afford housing, many of these “Millennials” share rented apartment units in what has been the region’s traditional workforce housing stock – “triple-deckers”, duplexes, and garden apartments. Not only has this driven up the price of triple decker units by 95 percent between 2009 and 2015, rents continue to rise sharply under this demand pressure. As a result, families in Greater Boston are being priced out of the rental market and cannot afford to buy into the condominium market in the older housing stock. By 2011, more than half of all Greater Boston renter households were paying more than 30 percent of their gross income on rent and more than a quarter of all such households were paying more than half their income in rent. At the same time, the cost of building new “family-size” housing in the region has risen so quickly that a 1,600 square foot home now costs nearly \$440,000 – a price that working families cannot afford to buy or rent.

While we continue to find ways of building housing that is affordable to families, we must also find ways to develop appropriately-sized and priced housing for the 20-34 year olds. This will draw the “millennials” out of the older housing stock, thus freeing up the 3-4 bedroom Triple-Decker and Duplex housing for working families at more reasonable rents and prices.

To create this type of housing, will require collaboration between developers, architects, builders, the construction trades, universities, teaching hospitals, and state and local government officials. These new developments will need to contain a **range of units** from small/"micro" apartment to studios and multi-bedroom units for graduate students, medical students, and other millennials. They would vary in affordability to accommodate all students, from the low income graduate student to the more well-heeled student and young professional.

HOUSING PRODUCTION PROGRAM

Despite many imaginative and robust housing programs, the Commonwealth continues to suffer from a shortage of housing that is increasingly acute—especially in the category of units to serve middle-income workforce households.

Downtown Boston and parts of Cambridge are seeing substantial amounts of new construction. However, in other parts of the state, the combination of (a) restrictive zoning and (b) lack of economic feasibility – the “Feasibility Shortfall” –and (c) resistance to more low income housing have resulted in limited new construction. The Feasibility Shortfall means that the rental income from proposed new developments is not sufficient to support the debt and equity required to pay for the cost of site acquisition, construction, and ongoing operations.

This plan seeks to address the issues of zoning and economic feasibility by making modifications to the Housing Development Incentive Program (HDIP). The concept focuses on the production of market rate housing in historic buildings at a large volume of production. The proposed changes and funding would only be available in Gateway Cities and in smaller communities with Gateway City characteristics (industrial history, available underutilized properties, blight and deterioration in the area). It is believed that these communities will be highly receptive to the zoning changes necessary to allow market rate housing to be built in existing buildings pursuant to substantial renovations.

To be eligible to participate in this program, each community must adopt or enact overlapping districts that will: i.) meet the program requirements established by MassDevelopment for its Transformative Development Program, be in a state- or locally-identified growth zone, or be in a Chapter 40R district; ii) have an eligible Historic District in the same area; and iii) be eligible for the Housing Development Incentive Program (HDIP).

A detailed Cost Benefit Analysis has been developed that demonstrates that for each dollar of State Costs, the Commonwealth and local communities will receive approximately two dollars of increased tax revenues. This could allow the program to be funded through bonds sold and guaranteed by the Commonwealth, and such bonds, similar to the I-Cubed program, may not count under the State Bond Cap. This would also remove the costs from the annual budget.

This program would make it economically feasible to renovate dozens of historic buildings in older industrial communities. Coupled with permissive zoning and the current availability of financing, it is anticipated that a number of new housing units could be built in a relatively short period of time.