



## Citizens' Housing and Planning Association Testimony on the FY' 14 Budget

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Thank you for the opportunity to submit comments on the FY' 15 budget and for your continued commitment to affordable housing. The recent passage of the \$1.4 billion housing bond bill and the investments in MRVP, RAFT, the Housing Consumer Education Centers, and Home and Healthy for Good in the FY' 14 budget are significant steps in addressing the Commonwealth's housing and homelessness crisis.

Despite the commitment of the Legislature to address homelessness and increase our affordable housing stock across incomes, Massachusetts residents continue to face significant challenges in obtaining homes they can afford. We are experiencing the worst homelessness crisis in history and although foreclosure filings are down, many homeowners continue to struggle. As the rental market tightens and rents climb, the situation is increasingly difficult for renters and for those that are homeless or at risk of homelessness. Our current affordability crisis did not happen overnight and is the result of several factors.

### **Housing costs are simply too high**

When it comes to affordable housing, Massachusetts has a supply and demand problem. New housing construction has remained inadequately low since the 1980's. Between 2000 and 2010, the Commonwealth had the 4<sup>th</sup> lowest rate of housing construction in the nation<sup>1</sup>. Using what economists consider a healthy vacancy rate as a benchmark, Massachusetts had a housing shortage of more than 20,000 housing units in 2008<sup>2</sup>. Since then, there has been very little housing produced. Although housing construction is on the upswing, restrictive zoning in many communities exacerbates our high housing costs and our housing shortage. In addition, the foreclosure crisis removed homes from our housing stock and forced more people into the already stressed rental market.

### **People do not earn enough to afford the cost of living in Massachusetts.**

Our housing shortage keeps Massachusetts in the top ten for least affordable states for renters with more than 200,000 households paying more than 50% of their income to rent. According to the Joint Center for Housing Studies at Harvard, more than 50% of renters in Massachusetts are rent-burdened, paying more than 30% of their income to rent<sup>3</sup> and 34% of homeowners are burdened by their housing costs<sup>4</sup>. Although Massachusetts fared better than most states during the recession, the last year has seen the recovery stall and only recently start to grow again. Yesterday's unemployment numbers show we are once again headed in the

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<sup>1</sup> United States Census Bureau Data

<sup>2</sup> *Foundation for Growth: Housing and Employment in 2020*, University of Massachusetts Donahue Institute

<sup>3</sup> *America's Rental Housing: Evolving Market and Needs*, Joint Center for Housing Studies of Harvard University, Table W-3, December 9, 2013, [http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/ahr2013\\_appendix\\_tables.xlsx](http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/ahr2013_appendix_tables.xlsx).

<sup>4</sup> *The State of the Nation's Housing 2013*, Joint Center for Housing Studies of Harvard University, Table W-1, 2013, [http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2013\\_appendix\\_tables.xlsx](http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2013_appendix_tables.xlsx).

right direction with unemployment dropping from 7.2% in July 2013 to 6.8% in January 2014. The recession also saw a rise in the poverty rate. Between 2007 and 2012, the poverty rate rose from 9.9% to 11.6%<sup>5</sup>

Of the five job categories that are conducting the most hiring in Massachusetts job centers today – marketing managers, registered nurses, retail sales persons, retail sales supervisors, and computer software engineers – only registered nurses and software engineers earn enough to afford a two bedroom apartment without an excessive cost burden and none of these five occupations earn enough, on average, to afford the cost of home ownership.<sup>6</sup>

The lowest income households are hit the hardest by the persistent gap between wages and housing costs. If we look at data for HomeBASE families, which provides a good snapshot of families struggling to make ends meet, we can see the severe impact of our high housing costs on these families. The average monthly income of families receiving HomeBASE rental assistance is \$795 per month. Their housing costs an average of \$1,173 per month. In Greater Boston, 55% of the families in the HomeBASE program increased their incomes by 36% to an average of \$13,313<sup>7</sup>. It is clear that market rent is out of reach for these families.

### **We are not committing enough resources to the permanent solutions.**

Massachusetts has invested tremendous resources in housing and homelessness. We are one of the few states to have our own public housing stock, a strong affordable housing law, Chapter 40B, and we have our own state rental subsidy programs, MRVP and AHVP. In addition, the passage of the \$1.4 billion housing bond bill in 2013 which included an extension of the Low Income Housing Tax Credit at \$20 million per year for five years, combined with a \$15.5 million restoration of the Massachusetts Rental Voucher Program, increases to RAFT, and options for families whose HomeBASE rental assistance is expiring, have all helped significantly. However, these additional resources are not enough to meet the needs of the more than 4,000 families in shelter and the 90,900 households that struggle to hold onto housing as they wait years for Section 8 subsidized housing<sup>8</sup>. In addition, despite the great commitment of Massachusetts to our housing and homelessness prevention programs, cuts at the federal level stop us from realizing the full effect of increased investment. Due to sequestration, Massachusetts had 1,500 fewer Section 8s<sup>9</sup>. By the end of 2014, Massachusetts is at risk of losing 2,100 to 3,300 vouchers if Congress does not restore voucher funding to adequate levels<sup>10</sup>.

While MRVP has seen a significant turnaround over the last 10 years and is now more than double what it was funded at in FY04, the program still serves less than half of the people served through state rental subsidies in 1991. State rental subsidies at that time were funded at more than \$120 million and served more approximately 20,000 individuals and families.

### **We will not end homelessness with housing alone.**

Housing is the critical foundation. However, families need help affording the high costs of childcare, transportation, and food and they need help increasing their incomes. According to Child Care Aware America, in 2012, at an average cost of nearly \$15,000 per year, Massachusetts ranked top in the nation for childcare costs for children under 4 years old. Until we fully connect resources and provide the assistance people need, we will continue to have families teetering on the edge of homelessness.

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<sup>5</sup> 2011 Poverty Rate Remained Level in Massachusetts While Rising Nationwide, Massachusetts Budget & Policy Center, September 20, 2012.

<sup>6</sup> National Housing Conference, *Paycheck to Paycheck*, July, 2012, <http://www.nhc.org/chp/p2p>.

<sup>7</sup> Metropolitan Boston Housing Partnership

<sup>8</sup> Department of Housing and Community Development

<sup>9</sup> Center for Budget and Policy Priorities, *Sequestration's Toll: 70,000 Fewer Low-Income Families Have Housing Vouchers*, 2014, <http://www.cbpp.org/research/index.cfm?fa=topic&id=33>.

<sup>10</sup> Rice, Douglas, Center on Budget and Policy Priorities, *Sequestration Could Cut Housing Vouchers for as Many as 185,000 Low-Income Families by the End of 2014*, November 6, 2013, [http://www.cbpp.org/cms/index.cfm?fa=view&id=4044#\\_ftnref9](http://www.cbpp.org/cms/index.cfm?fa=view&id=4044#_ftnref9).

## Our Request

In order to truly impact homelessness and help families increase their incomes and afford housing, we need to do the following over the long term:

- Restore MRVP and grow it beyond its 1990 levels of more than \$120 million;
- Increase housing production at all income levels with more resources targeted to homes for households at or below 30% of the area median income;
- Fund public housing at adequate levels and ensure no units are off-line;
- Change zoning within communities to create more multifamily housing;
- Connect very low and extremely low income families to childcare, education and employment services that will help families increase their incomes;
- Provide people with help when they need it rather than waiting until they have no place to go; and
- Accept that extremely low-income families and individuals need long-term support and some will need permanent subsidized housing. Helping households increase their incomes can reduce the cost of rental subsidies, stretching those dollars further.

In FY'2015, the Legislature can make significant steps forward by funding:

- Massachusetts Rental Voucher Program (MRVP, 7004-9024) at \$87.5 million. This would restore \$30 million to the program by shifting the \$30 million no longer being used for temporary HomeBASE rental assistance. \$87.5 million would provide approximately 3,000 additional mobile and project based vouchers and fund the existing stock of approximately 7,000 vouchers.
- Public Housing Operating Subsidy (7004-9005) at \$82 million. Public housing funding is significantly shy of the \$115 million appropriation DHCD and Harvard University independently identify as necessary to adequately maintain this asset. \$82 million will provide housing authorities with more resources to provide resident services, keep units online, and preserve this resource for low-income families, seniors, and persons with disabilities.
- Fully recapitalize the Brownfields Redevelopment Fund at \$60 million. The Legislature took a great first step by recapitalizing \$15 million through the supplemental budget, which is currently in a conference committee. Over the last 6 years, the Fund has helped create 4,000 homes. In order to revitalize neighborhoods, clean up formerly industrial sites, and create housing and jobs, the Fund needs \$60 million to operate at full capacity beyond this year.
- Residential Assistance for Families in Transition (RAFT, 7004-9316) at \$12 million. RAFT enables families that experience unemployment or other challenges to avoid homelessness through an array of assistance necessary to maintain housing or move into their next home. As of January 2014, the increase in FY2014 prevented more than 1,600 families from becoming homeless. By allowing more RAFT funds to be used for families between 30% and 50% of area median income, as was included in the recent supplemental budget, families can get help stabilizing their housing before they are destitute, reducing the likelihood of becoming homeless.
- Alternative Housing Voucher Program (AHVP, 7004-9030) at \$5 million. AHVP provides rental assistance to approximately 400 very low-income persons with disabilities. Together with MRVP, this program is capable of furthering the Commonwealth's goal of providing persons with disabilities with choices to live in community-based housing and avoid more costly institutional living. \$5 million will provide rental assistance to more than 500 households.
- Tenancy Preservation Program (TPP, 7004-3045) at \$750,000. TPP prevents homelessness among people with disabilities by working with landlords and tenants and providing clinical consultation services to the Housing Court. The program is extremely cost effective, stabilizing 87% of households served with an average cost of \$2,950 per case. \$750,000 would provide approximately 650 households with TPP services.
- Housing Consumer Education Centers (HCECs, 7004-3036) at \$2.6 million. The HCECs are an essential element in the delivery systems for other state-funded housing resources, such as the RAFT and HomeBASE programs, meeting with families facing immediate housing crises to assess their circumstances and refer them to available resources. HCECs are also pro-active, offering education for tenants, landlords, and homeowners to promote safe, stable, and sustainable housing. During the

first six months of this fiscal year, the HCECs assisted over 31,300 households with more than 5,400 of those at risk of homelessness or seeking shelter and more than 7,800 in search of affordable housing.

- Home and Healthy for Good (7004-0104) at \$2.2 million. Home and Healthy for Good is a critical Housing First program. As of January 2014, 723 former chronically homeless people were housed through this program. Since its start in 2006, only 25 people have been documented as returning to homelessness. Data has shown the annual cost to the Commonwealth per person decreased from \$33,474 before housing to \$24,102 in housing and support costs after housing placement, resulting in an annual savings of \$9,372 per person. In FY14, the Massachusetts Housing and Shelter Alliance launched a pilot program with Home and Healthy for Good specifically targeting homeless young adults between the ages of 18 and 24 who identify as LGBTQ. This pilot provides 32 units of housing in three areas of the state.
- HomeBASE (7004-0108) at \$29 million. HomeBASE is a homelessness prevention program for Massachusetts families who are eligible for Emergency Assistance. HomeBASE offers an alternative to shelter by providing stabilization services and financial assistance to pay rent, utility bills, security deposits, and other expenses that would allow families to stay in their homes or move to new housing. Over the first six months of this fiscal year, HomeBASE served more than 2,900 families.
- Foreclosure Prevention Counseling (7006-0011- retained revenue) at \$2.6 million. Chapter 206 foreclosure counseling grants have helped achieve the best possible outcome for many struggling homeowners. The foreclosure counseling grants are funded through retained revenue from mortgage loan originator license fees.
- Massachusetts Access Affordable Housing Registry (4120-4001) at \$80,000. The Massachusetts Access Registry is an online tool that consumers and housing search workers use to find affordable housing that does not have physical barriers for persons with disabilities. More than 94,500 people used the site in 2013 to search for housing.
- Resident Service Coordinators at \$2.5 million. This funding would provide services in 50 new or existing affordable housing developments to help tenants maintain housing stability and maximize their independence. As the Legislature recognized with the passage of the Supportive Housing Initiative in 2012, housing is critical in connecting residents to healthcare and other vital services that increase household stability.
- Fuel Assistance at \$20 million. The federal Low Income Home Energy Assistance Program (LIHEAP) allocation has decreased from \$200 million to \$121 million, leaving nearly 200,000 households vulnerable to exhausting their fuel assistance benefit long before winter ends. By creating a new line item and supplementing the federal allocation, these 200,000 low-income families, children, and elderly residents will stay safe and warm throughout the entire winter season.
- Community Preservation Act at \$25 million from the end of the year budget surplus. Just as the \$25 million approved by the Legislature for transfer from the state's end of budget surplus to the Community Preservation Trust Fund for FY2014, this revenue would supplement revenue from the existing CPA deeds recording fee. This funding is vital to sustaining the CPA program, which is now experiencing rapid growth following the Legislature's recent approval of important amendments to the Act. CPA is one of the most effective state/local partnerships, resulting in a significant investment in affordable housing, historic preservation, recreational facilities, and open space.

Thank you for considering these requests. We look forward to working with you to craft a budget that meets the housing needs of the most vulnerable residents of the Commonwealth.