PRESERVING STATE FAMILY PUBLIC HOUSING IN FALL RIVER

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by

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EXECUTIVE SUMMARY

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The City of Fall River is seeking to demolish Watuppa Heights and downsize (by at least 10%) Maple Gardens and Pleasant View, three state-assisted family public housing developments. This proposal will result in the loss of at least 133 permanently affordable public housing units, for which $12.8 million in renovation funds has been made available by the Department of Housing and Community Development (DHCD).

The City's demolition/ downsizing plan is based on a City-commissioned study by RKG Associates, Inc. which asserts that Fall River has a "surplus" of at least 2,300 affordable housing units. CHAPA's report takes a closer look at RKG's analysis and at affordable housing needs in Fall River today. CHAPA finds that:

- *RKG significantly understates the need for affordable housing*.

  - RKG's broad-brush analysis, based on 22,000 Fall River households with incomes below 80% of median (43,850 for a family of 4), obscures a real understanding of who needs subsidized housing today. These groups include: extremely low income households with incomes below 30% of median ($16,450 for a family of 4), families with children, homeless families, and low-wage workers, whose jobs--and housing--are increasingly vulnerable in the current economic recession.

  - Current residents of state family public housing in Fall River, who would be most directly and adversely affected by the demolition/ downsizing plan, have a median household income of just $8,000. Most are large families with children (50% of the units at the three developments are 3- and 4-bedroom units, which are extremely limited in the private housing market).

  - Families who need, and who currently live in, Fall River's state family public housing are disproportionately and increasingly non-white minority households who face additional burdens of discrimination in the private market. Many are newcomers to Fall River (although 65% of all households who currently reside in the three developments lived in Fall River at the time of application). This is consistent with the City's traditional role as a

"gateway" city for diverse immigrant populations, including Portuguese/ Azores natives who remain the largest ancestry group today.

- *RKG significantly overstates the supply of available, affordable housing, especially for extremely low income households.*

  - RKG asserts that 24,300 units (including 17,200 private market units) are available at $700 or less to "balance" affordable housing needs; however, the study fails to consider how much affordable housing is available to different populations by household size and income group, particularly families earning less than 30% of median.

  - RKG's rent estimates are not adequately substantiated. The estimated median rent of $500 does not appear to take into account utilities paid by tenants (costing up to $130 additional). In contrast, the 2BR Fair Market Rent (FMR) as determined by HUD for the Fall River area is currently $650 (including utilities).

  - The units presumed by RKG to be affordable and available include substandard vacant and occupied units in the older multifamily stock, as well as up to 2,700 units occupied by families with Section 8 vouchers which are *double-counted* as both private and assisted housing. *This double-count alone is more than RKG's affordable housing "surplus" (2,300 units).*

Contrary to RKG, CHAPA finds that Fall River today faces increased demand for a threatened and dwindling supply of affordable housing.

- *Fall River households have significant housing needs and problems, especially extremely low income renters, large families, and minority families.*

  - In 1990, 73% of Fall River non-elderly renters paid more than 30% of their incomes for rent and utilities or had other significant housing problems.

  - Emergency shelters in Fall River are constantly operating at capacity. During the past year, Catholic Social Services has seen a 40% increase in the number of households threatened with homelessness, with the majority of families spending more than 50% of their incomes on housing.

- More than 60% of the households on the current public housing waiting list in Fall River are large families, requiring 3BR and 4BR apartments. Minority families also constitute 60% of all households on the waiting list for state family public housing.

- *Private market rents in Fall River are increasingly unaffordable*.

  - In 2000, based on RKG's own household income estimates, an estimated 40%-50% of all Fall River households could not afford the then-current FMR for an appropriately-sized unit.

  - Today, in order to afford a 2BR unit at the FMR of $650, a Fall River worker needs to earn $12.50 per hour. Many low-wage workers in typical service and manufacturing jobs--including rental clerks, bank tellers, sewing machine operators, and even machine production inspectors--earn considerably less. A minimum wage worker can afford to pay only $351 for rent.

- *Subsidized housing in Fall River is at-risk*.

  - Most of Fall River's 1,900 privately-owned subsidized housing lacks long-term protections and is not permanently affordable. Over the past 10 years, 600 units have been lost due to subsidized mortgage prepayments, subsidy contract terminations, and MHFA rent deregulation.

  - According to DHCD, between 1997 and 2001 Fall River experienced a net loss of 384 affordable units under Chapter 40B.

  - Close to 500 additional units are at risk of loss through 2008.

- *Fall River's share of subsidized housing is not excessive or disproportionate.*

  - Fall River is providing no more subsidized housing than other comparable communities and, in some ways, is providing less. DHCD's current Chapter 40B analysis puts Fall River at 10.56%, just over the 10% target, and down from 11.89% in 1997.

  - Of the Commonwealth's 15 largest cities and towns, 9 provide a higher percentage of subsidized units than Fall River. Among these 15 communities, Fall River's net loss of 384 subsidized units (1.33%) over the past four years was the greatest, in both absolute and

percentage terms.

- The proposed removal of at least 133 public housing units through demolition and downsizing, in combination with the anticipated loss of privately-owned subsidized units, could jeopardize Fall River's Chapter 40B status in the near future.

Accordingly, CHAPA concludes that there is a critical need to preserve existing public housing resources in Fall River--including Watuppa Heights, Pleasant View, and Maple Gardens--which are *the only permanently affordable units available to current and future residents*. While these developments, built half a century ago, are clearly in need of major revitalization, the City's concerns can be addressed without wholesale demolition. DHCD has offered a variety of constructive commitments in addition to renovation funding, including proposed modifications to eligibility and tenant selection rules to facilitate increased occupancy by Fall River residents and working families.

For the Commonwealth, which has invested millions of dollars in the development and maintenance of these units, demolition and downsizing will only serve to aggravate the growing statewide housing crisis at the taxpayers' expense (with no repayment of the state's bonds proposed by the legislation). Upgrading and revitalizing the developments, with DHCD assistance, is the most prudent course of action in both fiscal and human terms.

I. INTRODUCTION

The City of Fall River is seeking authorization from the Legislature to demolish Watuppa Heights and downsize (by at least 10%) Maple Gardens and Pleasant View, three state-assisted family public housing developments. This proposal will result in the loss of at least 133 permanently affordable public housing units. At the same time, the Fall River Housing Authority (FRHA) has rejected $12.8 million offered by the Department of Housing and Community Development (DHCD) for the substantial renovation of these developments.

The lost units would be replaced by 23 single family homes to be built on the 13-acre Watuppa site. Twelve of the homes would be affordable to families earning less than 80% of median income. None are required to be affordable to existing residents of the public housing developments, who earn less than 30% of median income.

The City's demolition/ downsizing plan is not based on the condition of the housing, since millions of dollars are available for renovation. Rather it is based on a City-Commissioned study prepared by RKG Associates, Inc. which asserts that Fall River has a "surplus" of affordable housing, has become a "catchment area" for the region's low income households, and is providing a disproportionate share of assisted housing.[1] RKG recommends that the City "reposition" or reduce its affordable rental stock and reevaluate proposed renovation funding for Watuppa Heights and other family developments.

This report, prepared by CHAPA, takes a closer look at RKG's analysis and at affordable housing needs in Fall River today. Contrary to RKG, it finds that Fall River faces increased demand for a threatened and dwindling supply of affordable housing. Additionally, the families who would be most adversely affected by the proposed demolition and downsizing plan are those with the greatest affordable housing needs. Accordingly, CHAPA concludes that there is a critical need to preserve existing public housing resources in Fall River--including Watuppa Heights, Pleasant View, and Maple Gardens--which are the only permanently affordable units available to current and future residents.

At the state level, demolition and downsizing of these developments into which millions of public dollars have been invested will only serve to aggravate the growing affordable housing crisis, at the taxpayer's expense. Upgrading and revitalizing the developments, both physically and socially, can be accomplished with DHCD assistance and is the most prudent course of action in both fiscal and human terms.

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[1] "Fall River Housing Study: City of Fall River, Massachusetts," RKG Associates, Inc., December 12, 2000.

II. THE RKG REPORT: A CLOSER LOOK

According to RKG, Fall River has a "surplus" of affordable units relative to local housing demand and needs. While 22,000 households qualify for rental assistance and only 7,100 "rent assisted" units exist, 17,200 units in the older private multifamily stock rent for less than $700 per month, creating an excess of at least 2,300 units.[2] This analysis significantly underestimates the need for affordable housing in Fall River while overstating the supply of affordable units, as explained more fully below.

The Need for Affordable Housing is Understated

RKG's broad-brush analysis, based on 22,000 Fall River households who are eligible for subsidized housing (with incomes below 80% of area median), obscures a real understanding of who needs subsidized housing, and who would be most adversely affected by the reduction of state family public housing resources.

- *Very Low and Extremely Low Income Households*

Households with very low incomes (below 50% of area median) and extremely low incomes (below 30% of area median) have the greatest need for subsidized housing in Fall River. The current (FY01) applicable income limits for a family of 4 in these categories are $27,400 and $16,450, respectively.

According to RKG, an estimated 11,200 Fall River households (approximately evenly split between elderly and non-elderly) earned less than $15,000 in 2000. These households constituted more than half of all subsidy-eligible households, and close to 30% of all households, in Fall River.[3] This income level is less than the federal government's current poverty threshold of $17,500, for a family of 4 with 2 children.[4]

In Fall River's three state family public housing developments, 84% of current residents are extremely low income

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[2]RKG Report, I-2, I-8, IV-12.

[3]RKG Report, IV-14.

[4]U.S. Census Bureau, "Poverty 2000," September 25, 2001. The federal poverty index is based on an outdated (1965) formula that fails to adjust for geographic differences in living costs, including housing.

households who earn less than $15,000.[5] The median income of current resident households is $8,000.

- *Families With Children*

Family households, especially large families with children, have a disproportionate need for public housing in Fall River because of the acknowledged scarcity of large units in the private market,[6] and the high incidence of lead paint in older properties where family units are concentrated.[7] In 1990, 47% of extremely low income renters in Fall River were non-elderly households, primarily families (Exhibit 1). Households on the current consolidated FRHA waiting list are overwhelmingly (95%) non-elderly; and more than 60% are large families, requiring 3BR and 4BR apartments.[8]

Fall River's three state family developments constitute a critical housing resource for large families, since 48% of the units (207 out of 427) have 3 and 4 bedrooms.[9] Watuppa Heights, with fewer total units than the other two developments, provides 70% of the largest (4BR) units; only one federal development provides more 4 bedroom units.

- *Racial and Ethnic Minorities*

Families who need, and who currently live in, state-aided public housing in Fall River are disproportionately and increasingly minority households. These families face the additional burden of discrimination in the private housing market and would be uniquely disadvantaged if available public housing resources are depleted.

In 1990, racial and ethnic minorities constituted only 3.7% of all Fall River households but were 5.2% of all extremely low income households and 6% of extremely low income renter households (Exhibit 2). More than 40% of minority renter households had extremely low incomes, as compared to just 30% of white non-minority renters. Also, more than 85% of black and Hispanic renter households were non-elderly (primarily families), as compared to less than 70% of white non-minority renters (Exhibit 1).

In Fall River's state family public housing developments, 55% of current residents are minority households--up from 19.4% in 1990 (Exhibit 3). Watuppa Heights has the highest proportion of

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[5] As of May 2001; compiled by CHAPA from FRHA data on current residents, provided to MLRI.
[6] RKG Report, II-11.
[7] City of Fall River, "Consolidated Plan: July 1, 2000 - June 30, 2005," April 2000, p. III-27.
[8] RKG Report, II-20, IV-14, Appendix xxi.
[9] RKG Report, Appendix xviii.

minority occupancy, at 58%. Minority households also constitute 60% of all households on the waiting list for state family housing. In the federal family developments, the percentage of minority households is less (50%).

- *Low-Wage Workers*

Central to the recent resurgence of Fall River's economy has been the creation of 1,900 new jobs during the 1990s, a notable exception to the trend in comparable cities.[10] Yet many of these new (as well as existing) jobs available to Fall River residents are low-wage jobs in the service and manufacturing sectors paying just above the state's minimum wage of $6.75.

For example, as shown in Exhibit 4, food preparation workers, desk clerks, cashiers, service station attendants, and even bank tellers in Fall River earn less than $8 per hour, or $16,500 per year (30% of median income for a family of 4). Public housing is a critical resource for these low wage workers, as well as for families receiving public assistance--and for the increasing number of workers who can be expected to lose their jobs in the current economic recession.

- *Homeless*

Public housing is a primary source of permanent housing for homeless households in Fall River. Due to intense demand, FRHA has been less able to meet the needs of homeless families and individuals in recent years.[11]

Between 1995 and 1999, Fall River's three primary shelters served 1,800 homeless persons, including 340 families and more than 600 children.[12] In 1999 alone, 434 people were served--up 32% from 1998.

Emergency shelters in Fall River are constantly operating at capacity. In 1999, the three primary shelters were forced to turn away 800 people due to space limitations. Shelter operators have identified the scarcity of affordable housing as a major factor contributing to the increase in homelessness and the length of shelter stays.[13]

More recently, Catholic Social Services in Fall River has seen a 40% increase in the number of households requesting services because of actual, or imminent, homelessness.[14] Of 550

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[10]RKG Report, V-1.
[11]Consolidated Plan, III-20.
[12]Consolidated Plan, III-10.
[13]Consolidated Plan, III-13.
[14]Bishop O'Malley, Diocese of Fall River, "Statement on Public Housing," September 10, 2001.

families seeking assistance, the majority were spending more than 50% of their incomes on housing.

- *Special Needs Households*

Fall River's Consolidated Plan[15] identifies other significant non-homeless population groups who have special needs for public housing, including developmentally or physically disabled persons, alcohol/ drug dependent persons, and persons with AIDS.[16] In state family public housing, 27% of current households are headed by persons with disabilities.[17]

- *Local and Non-Local Residents*

The RKG Report notes that only 31% of the households on FRHA's consolidated waiting list are Fall River residents.[18] This ratio increases to 43% when applicants from neighboring cities and towns in Bristol County, where subsidized housing is in short supply, are included.

At the same time, based on current FRHA data, 65% of the households who currently reside in state family public housing were Fall River residents at the time of their original application (Exhibit 5). These families would be most directly and adversely affected by the City's demolition/downsizing proposal. Not surprisingly, the federal developments, which are newer, safer, and have benefitted from substantial renovations in recent years, have a higher proportion of occupants who came directly from Fall River (80%). With similar upgrading and amenities, the state family developments could be equally as attractive to Fall River residents.

While adjustments to the FRHA preference system may also be needed to facilitate increased occupancy by Fall River residents (as suggested by DHCD; see below), the role of public housing in serving both existing residents and newcomers is consistent with the City's history. Fall River has long been a "gateway" city and a port of entry for diverse immigrant groups. Originally, French, French-Canadian, and Irish ethnic groups dominated, shifting in the early 20th century to Portuguese/ Azores which remains the largest ancestry group today (47% of the population in 1990).[19] In 1990, 20% of Fall River residents were born outside the United

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[15]The Consolidated Plan (ConPlan) establishes local housing needs and priorities, and is required by HUD for a variety of federal programs (e.g. HOME, CDBG). Funding applications for these programs must demonstrate consistency with the ConPlan.

[16]Consolidated Plan, III-24.

[17]DHCD Tenant Selection Data for Chapter 200 program, December 31, 1999.

[18]RKG Report, II-20.

[19]Consolidated Plan, p. II-5.

States; 37% spoke a language other than English, and 16% did not speak English well.[20]

Today's newcomers to Fall River are increasingly non-white, including African-Americans, Hispanics, and Asians. Between 1990 and 2000, the white population dropped from 96% to 91% while non-white minorities more than doubled (from 4.2% to 8.8%).[21] This is consistent with statewide trends, and with population changes throughout southeastern New England. In Fall River, as elsewhere, the growing influx of non-white and immigrant workers has helped to stem the tide of population loss and stabilize the local economy.[22]

The Supply of Affordable Housing is Overstated

The supply of 24,270 units presumed by RKG to be available (at rents of $700 or less) to "balance" affordable housing needs in Fall River is vastly overstated, especially in terms of units available to very low and extremely low income households.

- *Units Not Available and/or Habitable*

Vacant Units Uninhabitable. RKG estimates that 3,700 vacant units currently exist in Fall River, or 9% of the total housing stock (up from 7.6% in 1990).[23] These include 3,000 units in older multifamily properties and 260 public housing vacancies.

RKG counts most (3,075) of these vacancies in the available supply of affordable rental housing, and cites them as evidence of the City's housing "surplus"--while acknowledging, at the same time, that most vacant units are substandard.[24] In reality, families who need affordable housing in Fall River can't pay enough to bring substandard vacancies in the private sector back on line. Additionally, as of March 31, 2001, 52 of the 90 vacancies in state family public housing (58%) were off-line and uninhabitable due to asbestos, fire damage, and related problems.[25]

Occupied Units Substandard. According to RKG, while 5,470 units were substandard in 1990, 8,300 units are currently

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[20]Consolidated Plan, p. II-2.

[21]1990 Census and preliminary 2000 Census reports for Fall River. These percentages are not strictly comparable due to changing Census definitions.

[22]See, for example, MassINC, "The Changing Workforce: Immigrants and the New Economy in Massachusetts," November 1999.

[23]RKG Report, II-10, II-18.

[24]RKG Report, II-3, IV-13.

[25]FRHA Vacancy Waiver Request to DHCD, April 21, 2001.

estimated to be in poor to fair condition, requiring rehabilitation.[26] Substandard units are concentrated in the older multifamily stock which has a high degree of functional obsolescence,[27] as well as a high incidence of lead paint (with 192 lead poisoning cases reported since October, 1985).[28] Thus, as many as 4,600 occupied units could be substandard and effectively uninhabitable, in addition to up to 3,700 substandard vacancies.

Voucher Units Double-Counted. RKG includes 2,692 voucher units (1,884 non-elderly and 808 elderly) in its count of 7,135 available rent-assisted housing units. However, most of these units are already taken into account by RKG in other categories.

Specifically, private market units occupied by voucher holders, which primarily rent for less than $700 (just below the current voucher payment standard for 2BR units), are already among the 17,140 units counted as affordable market units. Additionally, units occupied by voucher tenants in subsidized or formerly-subsidized developments are already among the 1,950 units counted by RKG as affordable rent-assisted units.[29] Thus, the supply of affordable housing may be overstated by up to 2,700--primarily family--units. This double-count alone is more than the entire affordable housing "surplus."

RKG's apparent misunderstanding of how the voucher program works also leads to other erroneous and misleading conclusions. For example, RKG points to the recent expansion of FRHA's voucher program, with 500 (predominantly family) units added since 1996, as a leading cause or symptom of Fall River's growth as a "catchment area" for the region's low income households.[30] Yet most new vouchers issued during this period have served existing Fall River residents, since at least 270 were allocated to households in Rolling Green Apartments to prevent displacement when the owner's federally-subsidized mortgage was prepaid.[31]

- *Cost of Units Understated*

Rent Estimates Not Substantiated. RKG represents that in December 2000, market rents for older multifamily properties

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[26]RKG Report, II-9.
[27]RKG Report, II-8.
[28]Consolidated Plan, III-27.
[29]Developments where units counted by RKG as "rent assisted" are also counted again as voucher units include: Shipswatch, Highland, Rolling Green, Fulton Street, Dover, and various scattered-site Low Income Housing Tax Credit developments. See RKG Report, Appendix xiv, and FRHA, "Rent Reasonableness Survey," March 31, 2001, Attachment A: Section 8 Units.
[30]RKG Report, II-16, II-19.
[31]RKG Report, II-14.

ranged from $300 to $800 for a 2BR apartment, with an average of $470.[32] These rents appear to be estimates based on discussions with brokers, property managers, and appraisers, and a review of classified newspaper ads, utilizing a "sample "of 2,800 units.[33] The estimates are difficult to evaluate because the methodology is largely unexplained. In addition, the number of units and the distribution of rents in each category is not reported. It is impossible to know, for example, *how many* 2BR units rented for $300 vs. $800, the two extremes of the reported range.

Utility Costs Not Included. RKG's rent estimates appear to reflect "asking rents" (contract rents), with no apparent adjustment for tenant-paid utilities. According to the 1990 Census, 86% of Fall River households pay extra for one or more utilities. Typically in older multifamily properties, tenants pay for heat as well as gas, cooking, hot water, and electric lights. The current applicable FRHA utility allowance for these items is $131.[34]

Median Gross Rent Estimate Not Reliable. RKG uses a median gross rent of $500 for all bedroom sizes, without explaining how this number was derived or whether or how utilities are included.[35] Again, no distributions are reported.

By comparison, the 2BR Fair Market Rent (FMR) for the Providence-Fall River MSA in October, 2000 was $628. Currently, it is $650. In contrast to the RKG rent survey, FMRs are derived from a properly constructed sample that excludes public housing, new construction, and substandard units. The sample is limited to units occupied by recent movers, which are the units actually available to families searching for housing. Rents are true gross rents, adjusted to include the cost of tenant-paid utilities. The FMRs are pegged to the 40th percentile of all units in the survey.

While the FMRs are derived from a market area which is broader than Fall River, FRHA has established 110% of the current FMR ($715 for a 2BR apartment) as the applicable payment standard for Section 8 vouchers in Fall River.[36] A recent market study commissioned by FRHA indicated that median contract rents for 2BR apartments ranged from $480 to $750 in 6 Fall River neighborhoods, and were $550 or more in all but one

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[32]RKG Report, II-25.
[33]RKG Report, II-24.
[34]See FRHA, "Allowance for Tenant-Furnished Utilities and Other Services," March 30, 2001 (for inner-row - garden/ row apartments). This is the lowest amount of 5 schedules.
[35]RKG Report, II-25.
[36]FRHA, "Payment Standards for Section 8 Program," effective 10/1/01.

neighborhood.[37] Most of these rents apparently do not include utilities. This suggests that the current 2BR FMR gross rent of $650 is not overstated as a benchmark.

Supply and Demand Are Not Property Correlated

- *Distribution of Rents vs. Incomes*

A significant shortcoming of the RKG report is its failure to compare the actual *distribution of units* by rent category with the *distribution of households* by income group at a meaningful level of disaggregation. For example, how many private market units are actually available for $375 or less (including utilities), to meet the needs of the estimated 11,200 households (elderly and non-elderly) with incomes of less than $15,000?

- *Unit Size vs. Household Size*

Similarly, the RKG report does not indicate whether available units have the appropriate number of bedrooms to meet the needs of households in each income category. For example, even if there are enough units renting for $375 to meet the needs of 5,100 non-elderly households, are there enough 3- and 4- bedroom units (the most limited bedroom type available in the private market) in this price range to meet the needs of large families? The household survey used by RKG evidently did not correlate household incomes with household size;[38] RKG used age as a proxy to estimate the breakdown of elderly and non-elderly households by income group.

- *Occupied Unit Mismatch*

RKG's model assumes that all occupied units are rented to appropriately-sized households paying a rent commensurate with their incomes. However, many affordable units are already occupied by households who can afford to pay more, and/or are "overhoused" relative to their bedroom size requirements. This is the case even within the "rent-assisted" housing stock, where program rules may permit tenants to pay less than 30% of their incomes (e.g. in Section 236 developments, where rents are budget-based).

- *Barriers to Access*

As noted above, even if all the units counted by RKG were actually available, affordable, appropriately sized, and not inappropriately occupied, many of the households who are living in or who most need affordable housing in Fall River today face barriers which effectively limit their access to housing in the private market, principally in the form of discrimination against

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[37] FRHA, "Rent Reasonableness Survey," March 31, 2001.
[38] RKG Report, IV-7.

minorities and/or families with children.

- *Housing for Extremely Low Income Households*

RKG does acknowledge a "potential deficit" of 3,411 elderly and 662 non-elderly units for families with incomes of less than $15,000, whose housing needs may not be accommodated in the private market.[39] RKG's own rent estimates show no private units renting for less than $300, which translates into a minimum annual income requirement of $12,000 (without adjustment for tenant-paid utilities).

RKG suggests that the potential deficit for approximately 1,000 extremely low income households on the FRHA waiting list who are local residents can be met through existing public housing vacancies and high turnover, especially in the state family developments where these problems are concentrated. However, as noted above, in order to address turnover and vacancy problems and attract more local residents to state family housing, the developments must first be substantially rehabilitated and upgraded. Additionally, this approach does not address FRHA's continuing need to serve both newcomers and local residents on the public housing waiting list.

Moreover, since voucher units are double counted (see above), the potential deficit identified by RKG is understated by up to 808 elderly and 1,884 non-elderly units.

Removal of at least 133 family public housing units through demolition and downsizing will only exacerbate this existing deficit. Alternatively, renovation of these units will make it possible to utilize existing vacancies, reduce turnover, and attract more local applicants to state family developments, thereby constructively addressing the housing needs of current and future Fall River residents.

III. THE REALITY: FALL RIVER'S AFFORDABLE HOUSING SHORTAGE

Reliable data, and the actual experience of very low and extremely low income households, suggest that Fall River is faced with a serious and growing affordable housing shortage. A few statistics illustrate the dimensions of the problem.

Housing Needs and Problems are Significant

- *All Renters*

[39] RKG Report, IV-13.

In 1990, based on the most recent available Census data, some 9,100 renter households in Fall River (37%) had significant housing problems, i.e. had excessive rent burdens or lived in overcrowded conditions (Exhibit 6). Of these, 57% had extremely low incomes and close to 60% were non-elderly households, primarily families. More than 4% were minority households.

More than 8,500 renter households (35%) were paying more than 30% of their incomes for rent and utilities. Of these, more than 60% were extremely low income and 56% were non-elderly households.

Close to 4,000 renter households (16%) were paying more than 50% of their incomes for rent and utilities. Of these, 85% had extremely low incomes and more than 60% were non-elderly households.

- *Extremely Low Income Renters*

Extremely low income renters clearly had the greatest housing needs. Within this category, 69% had significant housing problems and/or paid more than 30% of their incomes for rent (Exhibit 6). Forty-five percent paid more than 50% of their incomes for rent.

Among extremely low income non-elderly households, 73% had significant housing problems and 72% had excessive rent burdens. Fifty-six percent paid more than 50% of their incomes for rent.

- *Minorities*

Not surprisingly, minority (black and Hispanic) renter families were more likely to encounter housing problems than non-minority families. Overall, 35% of minority families had problems as compared to 29% of non-minority families (Exhibit 7). Minority renters with housing problems were overwhelmingly (85%) non-elderly households, and predominantly (67%) families. In contrast, non-minority renters with housing problems included a much higher proportion (43%) of elderly.

- *Large Families*

Large families in general also experienced housing problems at higher income levels than others, with 31% of very low income households, 24% of low income households, and 26% of moderate income households in this category living in overcrowded conditions.[40]

Rents Are Increasingly Unaffordable

Based on recent trends, housing in Fall River is becoming

[40]Consolidated Plan, p. III-1 to III-4.

even less affordable. According to RKG, between 1990 and 2000 median gross rents rose 42% (from $351 to $500); yet median household income and median family income increased by just 28%.[41] Over the same time period, the average wage for Fall River workers increased by 37%.

As noted above, the FMRs are a more appropriate measure of actual gross rents, including utilities, for turnover units available to those seeking housing in the marketplace. In December 2000, the annual income required to afford a 1BR unit at the FMR ($523) was $20,920. The annual income required to afford a 2BR unit at the FMR ($628) was $25,120. Based on RKG's own household income distribution estimates, and depending on actual bedroom size requirements, an estimated 15,300 to 18,800 households in Fall River (40%-50%) could not afford the then-current FMR rent (Exhibit 8).

In 2001, the annual income required to afford a 2BR unit at the FMR rent of $650 is $26,000. This translates into an hourly wage of $12.50. As shown in Exhibit 4, low-wage workers in typical Fall River service and manufacturing jobs--including rental clerks, bank tellers, sewing machine operators, and even machine production inspectors--earn considerably less. A minimum wage worker can afford to pay only $351 for rent. A family receiving SSI or TAFDC benefits can afford to pay just $188.

Subsidized Housing Is At-Risk

Fall River's subsidized housing stock includes some 4,400 units, of which 2,500 (57%) are public housing units and 1,900 (43%) are privately-owned units with project-based state or federal subsidies (Exhibit 9). (RKG also includes 2,700 units with tenant-based vouchers in its total count of 7,100 "rent assisted" units; however, as noted above, most of the voucher units appear to be double-counted. In any case, it is inappropriate to count vouchers as part of the subsidized housing stock because they are transitory in nature and do not necessarily reduce rents to affordable levels.)

Most of Fall River's privately-owned subsidized housing lacks long-term protections and is not permanently affordable. Over the past approximately 10 years, 608 units have disappeared from this inventory, including 443 "expiring use" units lost at Presidential Village and Rolling Green Apartments whose owners voluntarily prepaid their federally-subsidized mortgages.[42]

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[41] RKG Report, II-27.

[42] See CHAPA, "Mass. Projects with Subsidized Mortgages or HUD Project-Based Rental Assistance, Total and At-Risk through 12/31/05," updated 3/30/01. At Rolling Green, 404

Another 100 units at Riverview Towers were recently "decontrolled" by MHFA and allowed to convert to market when current tenants vacate. Additionally, contracts covering 55 of 130 Section 8 Mod Rehab units in Fall River expired and were not renewed.[43] (Also during this time period, 310 public housing units were lost due to unit consolidation at federal developments undergoing modernization.)[44]

While these losses have been partially offset by the construction/ rehabilitation of new affordable units, DHCD's official count of the Chapter 40B subsidized housing inventory in Fall River shows a net loss of 384 affordable units between 1997 and 2001.[45] In addition, 127 MRVP tenant-based voucher units were lost in the 1990s.[46]

As shown in Exhibit 10, close to 500 more family units in the privately-owned assisted housing stock are at risk of loss through 2008, including:

- Bay Village and Fulton Apartments (233 units). The owners of these expiring use projects can prepay their subsidized mortgages at any time (following the example of Rolling Green and Presidential Village).

- Hudner Building's Section 8 contract expires in 2002, and the balance of the Mod Rehab Section 8 contracts expire between 2002-2008 (114 units). The mod rehab units are particularly at risk due to the limited rent increases currently permitted by HUD at contract renewal, which creates a substantial incentive for owners to opt out.

- Highland and Shipswatch have SHARP subsidy contracts expiring in 2001 and 2003 (55 units). Highland is currently in default on its mortgage. The future of affordable units in SHARP projects is extremely uncertain, with unresolved litigation pending against MHFA.

Many of the other privately-owned units will be at risk in subsequent years.

Fall River's Share of Subsidized Housing is Not Disproportionate

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subsidized units were lost but 80 remained affordable to a higher income group (80% of median income). 119 units were lost at President Village.

[43]South Shore Housing Development Corp., "Expired Moderate Rehabilitation Units, Fall River," 11/13/01.

[44]RKG Report, II-15.

[45]DHCD, "Chapter 40B Subsidized Housing Summary Inventory," 10/1/01.

[46]RKG Report, II-16.

or Excessive

In terms of its current project-based inventory, Fall River is providing no more subsidized housing than comparable urban communities and, in some ways, is providing less. DHCD's current Chapter 40B analysis puts Fall River at 10.56%, just over the 10% target. In 1997, Fall River's 40B percentage was 11.89%[47] As shown in Exhibit 10, of the Commonwealth's 15 largest cities and towns, 9 (including Lawrence, Lowell, Brockton, and New Bedford) provide a higher percentage. Fall River's net loss of 384 subsidized units (1.33%) between 1997 and 2001 was the greatest, in both absolute and percentage terms, among all 15 of these communities.

With the removal of at least 133 public housing units through demolition and downsizing, Fall River may well find its Chapter 40B status in jeopardy in the near future as additional privately-owned subsidized units are lost from the Chapter 40B inventory. While there is a significant need to increase subsidized housing throughout the region, this does not preclude the need to preserve existing subsidized housing in Fall River--especially public housing units which are permanently affordable.

Recent Economic and Market Trends Underscore the Need to Preserve Affordable Stock

During the past year, Fall River has experienced something of an economic resurgence along with an overall tightening of its housing market, putting low income households and affordable housing in general at increased risk. Recent news articles have featured Fall River as a new "bedroom community" for commuters, with proximity to several metropolitan areas.[48] With local business expansion, municipal and cultural improvements, and the anticipated completion of a long-awaited high-speed rail link, both single family and condo markets have experienced strong demand. According to a recent CHAPA study, the median single family home price increased by 5% in just one year, and is now unaffordable to a family at the median income.[49]

In addition, there has been increased demand for older

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[47]RKG's claim that 17.5% of Fall River's housing stock is "rent-assisted" is distorted by the inclusion of 2,700 voucher-assisted units, as noted above. DHCD's 40B subsidized housing count properly excludes tenant-based vouchers

[48]Edward Maroney, "Central Location Aids Fall River Comeback," Boston Globe, 4/21/01; Megan Tench, "Hidden Gems," Boston Globe 7/4/01.

[49]CHAPA, "The Massachusetts Housing Affordability Review: The Sky-Rocketing Costs of Homeownership in Massachusetts," 9/10/01.

multifamily properties from entrepreneurial homebuyers and investors.[50] As a result, vacancy rates in the core city have decreased and FRHA reports that rents for voucher tenants are increasing.[51]

While these trends may well be reversed by the current economic downturn, they underscore the value of preserving Fall River's only permanently affordable housing stock against the inevitable "boom and bust" cycles of the local economy and housing market.

IV. CONCLUSION

RKG's recommendation for a "balanced" housing policy that encourages more owner-occupied and market rental housing may well be appropriate for Fall River. But it does not justify the effective displacement of existing residents and destruction of at least 133 existing units of permanently affordable family public housing.

The proposed demolition of Watuppa Heights and downsizing of Pleasant View and Maple Gardens will most adversely affect extremely low income families who live in, or need, public housing in Fall River. These families are disproportionately racial and ethnic minority households, and large families. They include families receiving public assistance as well as low wage workers, and current as well as future residents of Fall River.

Rather than experiencing a surplus of affordable housing, as asserted by RKG, Fall River is currently faced with increased demand for a threatened and dwindling supply of affordable housing. In this context, demolition of existing affordable units for which $12.8 million in state renovation funds is available is not sound public policy.

While these developments, built half a century ago, are clearly in need of major revitalization, they are structurally sound and have many desirable features. For example, Watuppa Heights is the least densely populated of any public housing development in Fall River (and is less dense, at 11 units per acre, than most private residential neighborhoods). It is well located, close to public transit, churches, and shopping, and other community facilities. It contains primarily large family units, which are in extremely short supply in Fall River. The proposed renovation plan will include new community facilities for the surrounding neighborhood, including a child care center, meeting space, and operationalization of the computer learning

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[50] RKG Report, I-5.

[51] See FRHA, "Payment Standards for Section 8 Program," effective 10/1/01.

center.

The City's concerns regarding Watuppa Heights can be addressed constructively without wholesale demolition. Watuppa Heights can and should be improved, beyond renovation of just the physical plant. DHCD has offered a variety of constructive recommendations and commitments in addition to renovation funding, including: assistance in operationalizing the computer center and other neighborhood programs; modification of existing eligibility and tenant selection rules to encourage occupancy by Fall River residents and working families and achieve a broader income mix of low income households; promotion of homeownership opportunities for Watuppa Heights residents; and assistance in rehabilitating substandard private housing in the neighborhoods where public housing is located.[52]

From a statewide perspective, as noted by CHAPA in a recent report, preservation and revitalization of existing family public housing resources is the only fiscally prudent course of action for Massachusetts in the face of a growing affordable housing crisis.[53] The Commonwealth (and its taxpayers) has invested millions of dollars in the development and maintenance of these units, in order to secure a permanently affordable housing stock. The cost of replacing these units today, including the 133 units proposed to be demolished and downsized in Fall River (with no repayment of the state's outstanding bonds contemplated by the legislation), would considerably outweigh the cost of their preservation in both fiscal and human terms.

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[52]Letter from Jane Gumble to Mayor Edward M. Lambert, Jr. and John D'Ambrosio, May 25, 2001.
[53]See CHAPA, "Protecting the Commonwealth's Investment: Securing the Future of State-Aided Public Housing," June 2001.

EXHIBITS