

The Building Blocks Coalition

Working Together to Increase Affordable Housing and Prevent Homelessness in Massachusetts

December 7, 2011

His Excellency Deval Patrick, Governor of the Commonwealth
State House
Boston, Massachusetts 02133

Dear Governor Patrick,

We are writing to respectfully request the Patrick-Murray Administration to increase investment in affordable housing in the FY2013 budget. The Governor's agenda to grow the economy, close education achievement gaps and lower health care costs all rely on Massachusetts residents having stable housing they can afford. Unfortunately, the gap between incomes and housing costs continues to grow and the FY2012 federal budget for housing significantly reduces the federal government's ability to address that challenge. Without adequate state affordable housing investment, we will see widespread housing instability and homelessness that will have a serious impact on the health, safety and productivity of thousands of Massachusetts households.

The Persistent Affordable Housing Crisis

As you know, the formula to determine housing affordability is a product of matching incomes versus housing costs. Unfortunately, housing affordability challenges are growing in Massachusetts. From 2006 to 2010, the Massachusetts poverty rate rose from 9.9% to 11.4%, and median household income fell by 4.3%¹. Housing costs remain high: 2010 median single family home prices are 69% higher than in 1999 and 105% higher for condos². The rise in homes prices between 1999 and 2010 is three times the rise in median household income (23%) without adjusting for inflation.

The housing affordability crisis is particularly challenging for Massachusetts renters, with 208,745 renters paying more than half of their income towards housing costs³. Rents within the 495 belt – home to the majority of the state's population - are hitting new heights. In the first half of 2011, the median price reached \$1,665 a month - as the vacancy rate fell to the lowest level in almost a decade⁴. That makes metropolitan Boston the fifth-most-expensive rental market in the country. Reis Inc. also reported that the vacancy rate for Greater Boston apartments dropped to 4.4 percent in the second quarter of the year, down from 6.2 percent a year earlier. In other areas of the state, rents remain high but not escalating. At the same time, real median income of renter households was 11% lower in 2009 than the 2000 median income for renters⁵.

In addition, the foreclosure crisis continues to create challenges for current or perspective homeowners, many of which will be forced into the tight rental market. Over 51,000 homes have been lost to foreclosure since 2006 and there are approximately 20,000 additional homes that are in the foreclosure

¹ Census Data

² Massachusetts Association of Realtors Data

³ American Community Survey Data

⁴ Reis. Inc.

⁵ Census/American Community Survey Data

process but have not been foreclosed on⁶. This will cause additional neighborhood instability, force displacement, and maintain restrictive lending practices that deprive new worthy first-time homebuyers of financing.

Affordable Housing is Good for Business

Housing affordability challenges undercut the Governor's efforts to grow the economy. An examination of Massachusetts salaries and housing costs is particularly illuminating. In July, 2011, the National Housing Conference assembled 2011 job salary data and compared that data with housing costs in regions across the state.

Bank tellers, childcare workers, customer service representatives, maintenance and repair workers, office clerks, secretaries, security guards, wait staff, delivery drivers and janitors working full time all earn significantly less wages than what it costs to rent a one bedroom apartment and not pay an excessive percentage of their income towards rent⁷. In the five job categories that are conducting the most hiring in Massachusetts job centers today - accountants, groundskeepers, janitors, office clerks and security guards - only accountants earn a sufficient salary to support the cost of a two bedroom apartment without an excessive cost burden and none of these five occupations earn nearly enough to afford the cost of homeownership⁸.

Working families that pay an excessive rent burden are more likely to face housing instability, move multiple times, and relocate to less costly areas. This impacts the willingness for firms to locate in Massachusetts job centers because they will have difficult retaining employees struggling to meet the high cost of living⁹. Furthermore, if a household is spending a disproportionate percentage of income towards rent, they will not be to spend adequately on healthy food, consumer goods, services, healthcare costs, post-secondary education, and other spending that support small businesses and boost the economy. Families that fall behind on rent also create challenges for small properties owners that rely on rental income to pay the mortgage; when rent payments are late, these property owners are highly susceptible to foreclosures.

Successful Students Need Stable, Affordable Housing

Families that face housing instability also move frequently, and that impacts the Governor's efforts to close the achievement gap. Students who lack stable housing move frequently and without planning, leading to lower academic achievement and greater drop-out and absenteeism rates¹⁰. Research also shows that children who live in good housing conditions are less likely to develop asthma and as a result, miss school. Students that live in lead-free housing suffer less developmental delays, hearing impairment or nervous system ailments, all of which impact educational achievement. The inability of children to access stable, affordable housing significantly impedes the Governor's efforts to bolster educational achievement for children. In order to be successful, the Patrick-Murray Administration needs to look beyond schools and into challenges in maintaining affordable neighborhood housing.

⁶ The Warren Group, Massachusetts Housing Partnership Foreclosure Monitor

⁷ A burdensome percentage of annual income is defined as housing costs that exceed 30 percent of income, a standard measure of affordability. Each of these professions earn less than \$45,960 per year on average, the amount necessary to afford a one bedroom and not pay an excessive portion of rent towards housing. National Housing Conference, *Paycheck to Paycheck*, July, 2011, <http://www.nhc.org/chp/p2p>

⁸ Ibid.

⁹ *The 24th Annual Corporate Survey and 6th Annual Consultants Survey*, Geraldine Gambale., Westbury, NY, 2009.

¹⁰ *The Impacts of Affordable Housing on Education: A Research Summary*, National Housing Conference, May 2011; http://www.nhc.org/media/files/Insights_HousingAndEducationBrief.pdf

Affordable Housing Lowers Healthcare Costs

The lack of affordable housing also undercuts Governor Patrick's goal of reducing healthcare costs because stable affordable housing reduces secondary care and long-term healthcare utilization¹¹. Children's HealthWatch and the Boston Medical Center have documented that Massachusetts children in families with housing instability are significantly more likely to 1) be in fair or poor health, 2) be developmentally delayed, and 3) have a history of hospitalizations¹². Considering that over 200,000 households are severely rent burdened and have low incomes, health ailments related to the lack of affordable housing adds tremendous cost demand on Medicaid. Furthermore, the lack of affordable housing and supports leads to greater emergency room use from chronically homeless individuals, greater developmental and occupational therapy for children of homeless families, and unnecessarily long stays in institutional settings for persons with disabilities and seniors reducing the effectiveness of the Community First initiative¹³.

Crippling Federal Budget Cuts

Congress recently enacted the FY2012 budget for the United States Department of Housing and Urban Development (HUD). Combined with FY'11 cuts made in April, HUD has been cut by a disproportionately large amount compared to other domestic discretionary spending categories: 9.2% in FY'12 and a total reduction of 13.8 % in seven months. The average spending reduction for non-security discretionary domestic programs is 5% under the Budget Control Act¹⁴. While we are still analyzing specific impacts on Massachusetts, reductions in funding for public housing, housing counseling, Section 8 Administrative fees, affordable housing development through HOME and CDBG, sustainable communities planning, and affordable housing for persons with disabilities and seniors will all seriously impact families, seniors and neighborhoods, and require the Commonwealth to show more leadership advancing affordable housing and community development. Potential sequester cuts to the Section 8 Housing Choice Voucher program and other programs scheduled to take place January 1, 2013 will have a devastating impact on families and seniors in our state, and the Commonwealth needs to begin planning for that event now by producing other affordable housing options.

The High Cost of Homelessness

As of December 5, 2011, 2,022 homeless families reside in Massachusetts-funded shelters and 1,331 homeless families reside in state-funded budget motels. These families include over 7,000 children from over 200 municipalities across Massachusetts¹⁵. Thousands more families have been served with time-limited assistance that is preventing them from having to live in shelter. The most common family profile is a single mother, age 30 with two young children¹⁶. More than half of female head of

¹¹ See *The Positive Impacts of Affordable Housing on Health: A Research Summary*, National Housing Conference. <http://www.nhc.org/media/documents/HousingandHealth.pdf>

¹² See *Overcrowding, Frequent Moves Harmful to Children's Health*, Children's HealthWatch Center, November, 2011; *Closed Doors: The hidden health impacts of being behind on rent*. Children's HealthWatch Center; March, 2011.

¹³ See *The Community First Olmstead Plan*, Commonwealth of Massachusetts, 2008. *Home and Healthy for Good Progress Report*, November 2011, Massachusetts Housing and Shelter Alliance.

¹⁴ *Federal Budget Outlook and Low-Income Housing Programs*, Barbara Sard, Center on Policy and Budget Priorities, November 2011.

¹⁵ *Massachusetts Consolidated Plan, 2010-2014*, Department of Housing and Community Development.

¹⁶ DHCD Intake Data

households of homeless families have experienced domestic or sexual abuse, and many are products of our foster care system¹⁷.

An additional 4,041 individuals are homeless according to the most recent HUD Continuum of Care point in time count taken in 2010. Within the total 7,407 Massachusetts households that are homeless, 1,181 are homeless veterans.

This year, the Patrick-Murray Administration initiated the HomeBase program to provide housing instead of shelter as the primary response to homelessness. 13,169 families sought assistance in the 13 weeks the full program was available. This shed light on the tremendous demand for housing assistance from families on the verge of homelessness or experiencing homelessness. The state cost of sheltering homeless families was \$161 million in FY'11, in addition to significant federal resources. The cost of providing shelter in FY'12 will likely be greater than the \$118 million currently appropriated, with an additional \$57 million dedicated to HomeBase. This does not include additional expenditures for a variety of other government services to address the trauma of homelessness or the \$5.3 million McKinney-Vento required school transportation costs¹⁸. Shelter, homelessness diversion and rehousing resources are allocated to families well after their initial challenges, after eviction, domestic violence, or significant time spent doubled up and/or in unsafe situations. Providing assistance shortly after housing instability rather than waiting until homelessness is fundamentally less expensive than the current model of waiting until the crisis leads to a housing loss to intervene.

Building Blocks Coalition Budget Requests

The Coalition has assembled a list of budget priorities that will help address excessive demand for affordable housing and prevent homelessness. We understand fiscal constraints and seven out of nine budget priority requests were supported by Governor Patrick, the House, and/or the Senate within the last three years. Furthermore, the Coalition continues to support the SoftSecond Loan Program and recommends that it be funded in the capital budget as opposed to the operating budget in FY'13.

State revenues are up 4.7% and there is a significant cost-effective impact of investing in affordable housing on growing the economy, addressing the educational achievement gap and reducing health care costs. Record homelessness and the excessive demands on shelters also necessitate targeted investment in affordable housing and homelessness prevention. We recommend additional project-based Massachusetts Rental Program Vouchers and a limited number of new rental assistance opportunities, increasing public housing support to a level adequate to restore vacant units, and preventing homelessness through cost-effective expansions in RAFT, the Tenancy Preservation Program, Housing Consumer Education Counseling, Home and Healthy for Good, and other creative homelessness prevention initiatives the Administration is considering. Additional information is attached. Thank you for considering these requests.

Sincerely,



Aaron Gornstein,

Executive Director, Citizens' Housing and Planning Association (CHAPA)

¹⁷ HomeFunders Facts on Family Homelessness; HUDs 2010 Continuum of Care Homeless Assistance Programs Homeless Populations and Subpopulations.

¹⁸ Press Release, Auditor Suzanne Bump, October, 2011.

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The Building Blocks Coalition* FY2013 State Budget Priorities for Affordable Housing

Massachusetts Rental Voucher Program (MRVP) (7004-9024)

FY'13 Request: \$44.3 million

FY'09 Budget: \$35.1 million
FY'10 Budget: \$35.4 million
FY'11 Budget: \$37 million

FY'12 House: \$36 million
FY'12 Senate: \$44.3 million
FY'12 Final: \$36 million

MRVP is the most effective tool to immediately address the excessive demand from households at-risk of homelessness. Through a combination of project-based vouchers and new mobile vouchers, this program has the potential to efficiently provide stable housing for families and individuals experiencing instability. Investing \$44.3 million in MRVP would allow *1,000 additional families, persons with disabilities and seniors* at-risk of homelessness to access safe, stable housing.

Public Housing Operating Subsidy (7004-9005)

FY'13 Request: \$71 million

FY'09 Budget: \$66.5 million
FY'10 Budget: \$62.5 million
FY'11 Budget: \$62.5 million

FY'12 House: \$62.5 million
FY'12 Senate: \$62.5 million
FY'12 Final: \$62.5 million

Public housing funding is significantly shy of the \$115 million appropriation DHCD and Harvard University Reports independently identify as necessary to adequately maintain this asset. Housing authority rental income has decreased in line with the recession because state public housing rents are capped at 32% of income. As a result, housing authorities have been forced to take units off-line because they don't have adequate maintenance capacity. \$71 million will reverse that trend and provide the operating support necessary to provide acceptable maintenance in public housing and return vacant public housing back to productive use.

Housing Consumer Education Centers (HCECs) (7004-3036)

FY'13 Request: \$3 million

FY'09 Budget: \$1.624 million
FY'10 Budget: \$1.496 million
FY'11 Budget: \$1.496 million

FY'12 House: \$1.496 million
FY'12 Senate: \$1,377,812
FY'12 Final: \$1.496 million

HCECs provide housing education, outreach and counseling to between 55,000 and 65,000 tenants, first-time homebuyers, and homeowners a year. HCECs are a cost-effective way to continue to respond to the housing crisis by providing the information families and individuals need to stay housed when they experience instability. These Centers are poised to meet the expanded needs of households facing housing and economic instability with adequate funding.

Residential Assistance for Families in Transition (RAFT) (7004-9316)

FY'13 Request \$5.5 million

FY'09 Budget: \$5.5 million
FY'10 Budget: \$160,000
FY'11 Budget: \$260,000

FY'12 House: \$260,000
FY'12 Senate: \$260,000
FY'12 Final: \$260,000

RAFT provides families with flexible funds to help maintain housing or move into their next home. It enables families that experience unemployment or other emergencies to avoid homelessness through one-time assistance close to the time of need and would serve over 2,890 families at the funding request. The maximum lifetime assistance has ranged from \$2,500 to \$3,000, but the program's actual average assistance necessary to stabilize a family utilizing RAFT is much lower: \$1,800. By assisting families shortly after an emergency, the Commonwealth saves on more costly service need that result from unpaid rent, utility bills, and other instability.

* The Building Blocks Coalition is a group of Massachusetts organizations that work together to advocate for funding for affordable housing and homelessness prevention, including CHAPA, Massachusetts Affordable Housing Alliance, Massachusetts NAHRO, Massachusetts Union of Public Housing Tenants, Massachusetts Association for Community Action, Inc., Massachusetts Law Reform Institute, Massachusetts Housing and Shelter Alliance, One Family, the Regional Housing Network of Massachusetts, Massachusetts Coalition for the Homeless, Homes for Families, the Boston Center for Independent Living, Massachusetts Association of Community Development Corporations and the Metropolitan Boston Housing Partnership.

Alternative Housing Voucher Program (AHVP) (7004-9030)**FY'13 Request: \$4.5 million**

FY'09 Budget: \$4 million
FY'10 Budget: \$3.45 million
FY'11 Budget: \$3.45 million

FY'12 House: \$3.45 million
FY'12 Senate: \$3.45 million
FY'12 Final: \$3.45 million

AHVP provides rental assistance to 426 very low income households with persons with disabilities. Together with MRVP, this program is capable furthering the Commonwealth's goal of providing persons with disabilities with choices to live in community-based housing and avoid more costly institutional living. This funding level would assist 120 additional households.

Foreclosure Prevention Counseling (7006-0011 – retained revenue)**FY'13 Request: \$2 million**

FY'09 Budget: \$2 million from loan originator fees
FY'10 Budget: Up to \$5 million from loan originator fees
FY'11 Budget: Up to \$2 million (\$800,000 in grants)

FY'12 House: Up to \$2.65 million
FY'12 Senate: Up to \$2.65 million
FY'12 Final: Up to \$2.65 million

Ch. 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. In 2010, 6,174 homeowners were helped through this program. Unfortunately, home foreclosures rates have begun to increase once again and the Commonwealth needs to stay diligent in its efforts to preserve homeownership.

Tenancy Preservation Program (TPP) (7004-3045)**FY'13 Request: \$500,000**

FY'09 Budget: \$500,000
FY'10 Budget: \$250,000
FY'11 Budget: \$250,000

FY'12 House: \$250,000
FY'12 Senate: \$250,000
FY'12 Final: \$250,000

TPP prevents homelessness among people with disabilities by working with landlords and tenants, and providing clinical consultation services to the Housing Court. Over one-third of TPP participants have had a history of homelessness before participating in TPP, and approximately half of the participants are single parents with children. The program is extremely cost effective, stabilizing 82% of households served with an average cost of \$2,377 per case.

Massachusetts Access Affordable Housing Registry (4120-4001)**FY'13 Request: \$80,000**

FY'09 Budget: \$88,000
FY'10 Budget: \$80,000
FY'11 Budget: \$80,000

FY'12 House: \$80,000
FY'12 Senate: \$80,000
FY'12 Final: \$80,000

The Mass. Access Housing Registry is an online tool that consumers and housing search workers use to find affordable housing that does not have physical barriers to persons with disabilities. In 2010, 51,058 people used the site to search for housing.

Home and Healthy for Good (7004-0104)**FY'13 Request: \$4 million**

FY'11 Budget: \$1.2 million
FY'12 House: \$1.2 million
FY'12 Senate: \$1.2 million
FY'12 Final: \$1.2 million

Home and Healthy for Good is a critical Housing First program. As of November 15, 2011, 543 chronically homeless people have been housed in this program. Tenant retention stands at 82%. The annual Commonwealth costs per person decreased from \$33,648 before housing to \$24,038 after housing placement, an annual savings of \$9,610 per person.

For more information, please contact Sean Caron, CHAPA Director of Public Policy, Scaron@chapa.org