The 1965 Massachusetts Special Commission on Low-Income Housing: Looking Back, Looking Forward

Rachel G. Bratt
Tufts University

Langley C. Keyes
M.I.T.

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Prologue

The impetus for the Special Commission on Low-Income Housing emerged out of the nation’s growing focus on the problems of race and poverty in the early 1960s and the realization of the essential role that the availability of non-discriminatory low-income housing would have to play in the solution.

The Commission was established in 1964 by Governor Endicott Peabody and the Massachusetts Legislature. Through its recommendations and resulting legislation, the Commission vaulted Massachusetts into a leading position among the states on the low-income housing issue.

Much of the Commission’s success was based on the wisdom of combining experts in housing with well-chosen members of the legislature to craft proposals and to support them through the legislative process. The Commission members and those who helped them write the legislation and aided the passage are listed below.

Special Commission on Low-Income Housing

Malcolm E. Peabody, Jr., Chairman
Sen. John F. Parker, Vice Chairman
Alexander Beal
Julius Bernstein
F. Douglas Cochrane
Robert DeGregorio
Rep. Michael S. Dukakis*
Rep. Charles L. Shea
Marvin E. Gilmore, Jr.
Sen. Charles V. Hogan
Rep. Mary B. Newman
Myron C. Roberts
Robert E. Segal
Chester W. Hartman, Director

Drafters and Advocates for Passage of Legislative Recommendations

Edward Barshak
John Bok
Steven Cohen
Ellen Feingold
Herbert Hershfang
Sumner Kaplan
Rudolph Kass
Haskell Kassler
Daniel Levenson
Laurence Locke
Donald McInnes
Bob McKay
Lawrence Shubow
James Terry
Ernest Winsor
Office of the House Counsel

On behalf of the citizens of the Commonwealth of Massachusetts we extend our thanks to the members of the Commission and to all those who were instrumental in implementing their recommendations. We are the beneficiaries of their efforts.

* Representative Dukakis was appointed to the Commission on January 21, 1965, to replace Rep. John Tynan, who resigned from the Legislature.
I. Context

The Final Report of the Special Commission on Low-Income Housing was submitted to the Massachusetts Senate and House of Representatives on April 21, 1965. The world into which the Commission Report was launched 38 years ago provides some sobering comparisons with the present.

On the day of the Commission’s submission in 1965 The Boston Globe headlined dedicatory exercises at the newly constructed Prudential Center led by Adlai Stevenson, the US Ambassador to the United Nations, and former British Prime Minister Anthony Eden. Both statesmen agreed “that today’s necessity for military power in Viet Nam must eventually give way to negotiation and international cooperation…[which is] also the imperative of peace.”

Elsewhere in Boston the NAACP was filing a suit against the Boston School Committee because of the “illegal and harmful segregation that exists in the schools.”

Further South, Dr. Martin Luther King “and members of his staff weigh[ed] their next step in the move to clamp a boycott on Alabama.” President Johnson, looking on the bright side, responded that he was “encouraged by a growing community responsibility in the South towards giving the Negro full civil rights.”

Back at the Prudential Center Adlai Stevenson turned his attention from Southeast Asia to Mayor John Collins and Boston Redevelopment Administrator Ed Logue and thanked and congratulated “all those who have assisted in this great pioneering endeavor in urban renewal.”

It was a proud day for the City.

II. Housing Issues in 1965

For those concerned with housing policy for low-income people April 1965 was far from the cruelest month. To the contrary, all was promise and possibility at both the state and federal level. It was a moment to be savored as urban renewal was resurrected from the criticism surrounding the West End demolition. And it was before the fears generated by the civil disorders in urban centers at home and the escalated war in Viet Nam. In 1965, Lyndon Johnson bestrode the domestic policy agenda like the Colossus of Rhodes. The struggle between guns and butter for federal dollars had not yet emerged. Civil rights legislation was in the ascendancy. The Economic Opportunity Act of 1964 had just been legislated, signaling the nation’s determination to fight the good fight against poverty. And the creation—finally—of the Department of Housing and Urban Development was further indication of the nation’s seriousness in carrying out the National Housing Goal of the Housing Act of 1949 of “a decent home and suitable living environment for every American family.”
The Special Commission on Low-Income Housing could look to an energized federal government “with its superior-revenue-producing powers...[to] assume a major portion of the financial burden involved in providing decent housing for families of low income” (p.9).

But in 1965 Massachusetts was no stranger to the issue of low-income housing as the Commission Report pointed out:

The Commonwealth, in its recent history, has shown both interest and responsibility in the field of low-rent housing and is among the few states that can boast this achievement. This is a tradition to be proud of, and the Commission, through its recommendations, hopes to provide the basis for pride and leadership in the coming years (p. 9).¹

The confident tone and ambitious agenda of the Commission arose in the context of this “best of times” at the state and federal level. The low-income housing problem could be seriously attacked by creative use of both levels of government in a close working relationship with the private sector. While an “arsenal of weapons” would be needed, the Commission believed that its program could “make a substantial and responsible contribution ... toward solution of this vast problem” (p.10).

So, in this most promising of springs, how did the Commission define the elements of the low-income housing problem and the solutions to it? The framing of the problem and the policies to remedy it provide an insight into the optimism and sense of efficacy with which the Commission approached its task as well as the basis for comparison with the world of “the low-income housing issue” in 2003.

The Commission was not focused on general production for middle-income households. It was, instead, concerned with the shelter needs of low-income people renting units: i.e. those eligible for public housing and those on welfare. This stands in stark contrast to the way in which the housing problem is framed in 2003. For the most part, discussions about housing do not focus on the needs of low-income or poor households. This concern has been replaced by the more encompassing need for “affordable housing” and the problems facing working, low-income residents. Frequently, we hear about the particular housing challenges facing municipal employees, and the need for communities to provide housing for these groups are highlighted. This is certainly laudable, but rarely do we hear about the housing needs of our poorest citizens.²


² According to the U.S. Department of Housing and Urban Development, low-income refers to households earning below 80 percent of area median income; very low-income refers to households earning below 50 percent of area median income; and extremely low-income refers to households earning less than 30 percent of area median income. While we use the term “low-income” throughout this paper as the group requiring assistance, we emphasize the importance of further targeting programs and resources on very low-income and extremely low-income households. Moderate-income households earn between 80-120 percent of area median income, although the top figure can sometimes be less, 100 or 110 percent of area median income. In Massachusetts, “affordable” housing generally is equated with “low-income” households—those earning less than 80 percent of area median income. In Boston, which is the most
As the Commission saw it, the Commonwealth’s low-income households faced four challenges in the residential markets:

- residing in units that were substandard;
- paying excessively high rents relative to income;
- being displaced due to urban renewal and interstate highways; and
- overcoming barriers of racial discrimination.

The Commission’s major strategies for dealing with these four issues were straightforward:

- Form a new organization -- the Massachusetts Housing Finance Agency -- to leverage the production of low-income units in mixed-income developments.
- Provide deeper subsidies for the existing state-funded public housing and build new scattered-site public housing units.
- Lease units from the private market for public housing-eligible families, including those with special needs.
- Enforce anti-discrimination laws and address various racial inequities concerning real estate appraisals and lack of availability of fire insurance in certain larger cities.
- Focus additional resources on elderly housing needs and establish a commission to study issues related to the housing of welfare families.
- Fix up the substandard existing stock of privately owned rental housing by enforcing codes, providing loans for rehabilitation, and righting the landlord–tenant imbalance by giving more power to tenants.
- Create a Relocation Bureau to deal with residential displacement due to public action.

Expensive metropolitan area in the state, as of 2003 a low-income household (family of four) earns no more than $62,650, a very low-income household earns no more than $40,400, and an extremely low-income household earns no more than $24,250. For housing to be “affordable” for each income group, a household would pay no more than 30 percent of their income for housing. This means that the maximum monthly rent that would be “affordable” to each group would be: $1566, $1010, and $606, respectively. In New Bedford, the area of the state with the lowest median income, the corresponding income figures for low-income, very low-income and extremely low-income households are: $48,250, $30,150, and $18,100, and “affordable” monthly rents for each group would be: $1206, $754, and $452.

According to the Commission, in 1965 some 19 percent of all units in Massachusetts were substandard; 35 percent of those with the lowest incomes lived in substandard housing, a far higher percentage than those with higher incomes. Further, its report noted that the problem of paying excessive amounts for rent was experienced by large number of households living in substandard, as well as adequate, units. Concerning displacement, the report cited a low estimate that some 37,000 families had been displaced due to public actions during the 1960s. Finally, while only 16 percent of white households lived in substandard housing, 49 percent of the state’s non-white households faced this problem.

In fact, six of the Commission’s recommendations (out of a total 16) related to improving the stock of unsubsidized rental housing through a variety of initiatives. Additional recommendations concerning this stock of housing included: improvements in the evictions procedure to provide greater tenant protections, the requirement that absentee owners designate a local legal representative, and the appointment of a housing officer in the Roxbury District Court to investigate the background of housing cases, advise judges with respect to these cases, and consult with both tenants and landlords concerning their rights and responsibilities. Finally, the Commission recommended the creation of a uniform state building code.
The first five of these seven areas of focus resulted in programmatic innovations that have had significant impacts on the Commonwealth’s low-income housing agenda. They are discussed in detail in the following section. The remaining two--the focus on the existing stock and the call for a new Relocation Bureau--have different histories. The Relocation Bureau, while created, is no longer at the forefront of policy concerns as urban renewal and highway displacement have faded as significant public issues. Concerning the “existing stock,” there is currently less emphasis on code enforcement and tenants’ rights, although these are still of significant concern. Today, when we talk about the “existing stock,” attention usually is focused on preservation of subsidized housing. This issue, along with several other key concerns not envisioned or explored by the Commission, is discussed in Section IV.

The Final Report of the Special Commission on Low-Income Housing ushered in an era of Commonwealth focus on the housing needs of low-income people. Massachusetts emerged as a national leader on the housing and community development front. With a few exceptions, housing policy, including concerns for low-income households, would be a key legislative concern of both the Massachusetts executive and legislative offices for the next twenty-five years. With William Weld’s election as Governor in 1990 the use of the governor’s position as a “bully pulpit” for housing policy ceased. It was a time of economic austerity for the Commonwealth. Housing expenditures became increasingly seen as “budget busters.” And, in general, housing was no longer high on the state’s policy agenda as state subsidy programs came under mounting attack.

Yet, innovations around how to meet the housing needs of the Commonwealth’s residents flourished during the 1990’s. This was due to the responsive and professional leadership at the Department of Housing and Community Development and to the increasingly active and sophisticated advocacy community. But the challenge of how to provide decent, affordable housing to the poorest residents of the Commonwealth is, arguably, as acute today as it was 38 years ago. One could reasonably take the position that if all the programs the Commission recommended had been adequately funded over the years, the contemporary housing situation would look dramatically different and the need for additional programs and levels of complexity might have been unnecessary.

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5 Admittedly, relocation is still an issue, as low-income households face displacement through various public actions, such as public housing renovations through the HOPE VI program. However, there is much less public attention on relocation today than at the time of the Commission.

6 Some of the most frequently cited components of our current housing problem are the following: in the Greater Boston area alone over 200,000 households pay over half their income for housing; over 20,000 people are on waiting lists for public housing or rental certificates in the City of Boston; and there are some 10,000 homeless families across the Commonwealth. Cited in “A New Paradigm for Housing in Greater Boston: Assessing the Problem and Setting Goals.” Barry Bluestone, Charles C. Euchner and Gretchen Weisman, The Center for Urban and Regional Policy, Northeastern University, 2001. Despite the need, the level of state funding for housing programs has declined in recent years. CHAPA reports that “state spending on housing programs has declined steadily since 1990, reaching its lowest point in 20 years with the adoption of the FY 2003 budget. The situation has since worsened, with the housing budget receiving a 23 percent cut in subsequent mid-year reductions, one of the largest percentages of any agency.” Affordable Housing Guidebook for Legislators, 2003, p. 1.
The following two sections review how key programs envisioned and not envisioned by the Commission grew and were transformed. Section V presents a brief overview of the advocacy efforts in the state, with a particular focus on how the low-income housing agenda has been kept alive over the past 38 years. The final section outlines a series of recommendations for addressing the housing needs facing the Commonwealth’s low-income residents.

In preparing this report, we interviewed two dozen housing experts and we attended a number of meetings where housing issues were being discussed. The comments of many of these people are reflected in what follows, although all quotations are presented anonymously.\(^7\) We also want to note that this report does not present a full evaluation of specific programs or organizations. While we articulate many of the strengths and contributions of what has transpired over the past 38 years, a full programmatic and organizational analysis of the many initiatives we discuss was beyond the scope of this effort.

III. Growth and Transformation of Programs Envisioned By the Commission

The Special Commission on Low-Income Housing presented a rich set of ideas for improving the state’s approach to housing. In fact, many of the most innovative aspects of state housing policy over the past four decades were laid out in their 1965 report. Not surprisingly, however, with the passage of time, many of the Commission’s initiatives underwent a number of transformations and modifications.

**Massachusetts Housing Finance Agency**

The creation of the Massachusetts Housing Finance Agency (MHFA) was the first new program recommended by the Commission. The idea, modeled on the Mitchell-Lama program in New York, was to harness the capacity of a state agency to borrow money at low interest rates through the sale of tax exempt bonds, and to have that agency, in turn, make mortgage loans at below market rates of interest. If the developer had lower debt service costs, rents could be lower, an obvious economic consequence that the Federal Housing Administration’s Section 221(d)(3) program had demonstrated since 1961. MHFA’s most creative aspect lay in its leveraging of market rate units to make possible the subsidization of low-income units. One way to read the origins of MHFA is that it provided a financing mechanism for mixed-income developments decades before this idea became popularized in the HOPE VI program. In any case, the focus on income mixing in multifamily developments was at the heart of the proposal.

As envisioned by the Commission, the new agency would make mortgage loans insured by the Federal Housing Administration to nonprofit and limited dividend entities. The loans would be used:

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\(^7\) The names and affiliations of all those interviewed are listed on pp. 32-33. We thank them for their time and interest in this effort.
to finance the building and rehabilitation of housing available at low and moderate rentals to low- and moderate-income families. The Commission believes it is possible and desirable to make a substantial portion (25 percent or more) of the units developed under this program available at reduced rents to low-income families (p. 39).

Virtually all those whom we interviewed acknowledged the extraordinary role that MHFA, now called MassHousing, has played in creating a system of mortgage finance to support low- and moderate-income housing. Since its creation in 1966, it has loaned $7.5 billion to finance 79,000 apartments and 49,000 mortgages to first-time homebuyers. One person commented that “MassHousing has developed innovative financing strategies. It has been effective utilizing the Section 8 project-based program, and it has participated in co-insuring loans with FHA.”

Over the past thirteen years, the continuing crisis around housing led to the creation of several additional agencies that also provide financing. The Massachusetts Housing Partnership and the Massachusetts Housing Investment Corporation, created in 1985 and 1990, respectively, are now major lenders for low- and moderate-income housing. As with MassHousing, MHP was created by an act of the Legislature. It boasts that it is “the only public agency in the United States that uses lines of credit from the banking industry to provide long-term loans for affordable housing and neighborhood development.”

With about $500 million secured, MHP has provided below-market financing for the rehabilitation of more than 20,000 housing units and it has assisted almost 7,000 first-time homebuyers. MHP also provides funds to cover the costs of architectural, engineering or development consultants to assess project feasibility and to answer technical questions about a particular development.

With an initial capitalization of $75 million raised from participating banks ($35 million for a loan pool and $40 million for an equity program), MHIC was launched to access private funds to be channeled into affordable housing and community development. In more than a decade of operation, nearly $600 million in financing has been provided to almost 200 projects. One person interviewed noted about MHIC: “They have the best track record reaching the lowest income and minority groups and the lowest delinquency rates. They have also demonstrated that low-income lending can be good business.”

In addition to MHP and MHIC, financing for projects initiated by community development corporations (CDCs) may be provided by the Community Development Finance Corporation and by MassDevelopment. CDFC is a quasi-public agency that was created in 1975 to provide financing for a variety of development activities in low-income areas, targeted to small businesses, commercial ventures and affordable housing.

MassDevelopment, which was created in 1998 through a merger of the Massachusetts Government Land Bank and the Massachusetts Industrial Finance Agency, is primarily focused on economic development and job creation in specific targeted or distressed areas.

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8 Another initiative, the State Insurance Community Investment Fund, is discussed in the section on “Concern About Racial Discrimination."
9 Massachusetts Housing Partnership website: http://www.mhp.net/about/about.php
areas. Pre-development funds for housing may be available if the proposed project is in an eligible area, if it is a brownfield site, or if it will be built on state-owned land. In recent years, MassDevelopment has become more aggressive in pursuing housing opportunities and has become an important source of permanent financing for mixed income housing development.

While the array of statewide financing agencies is viewed as a plus, the complexity of the system was also noted by those with whom we spoke. Affordable housing developments always involve a number of funders, each with its own lawyers and with unique requirements associated with the loan. One person commented that she had had to assemble 19 finance sources to complete 65 newly constructed units. And, as one of our interviewees put it:

In our early development deals there were usually one or two “moving parts”—funders. When there were Section 8 subsidies that would generally provide the needed resources. Now, it is not uncommon to have five or ten components. Apparently nobody really wants to admit that housing costs a lot to build. Nobody has to acknowledge that it costs $200,000 a unit; each funder can claim a unit produced if they only put in $10,000. We have created insufficient programs.

Despite the state’s “one-stop” application process, development in Massachusetts is difficult to carry out.

Public Housing

In 1965, the Commission boasted that Massachusetts had the “eleventh largest stock of public housing among all the states” (p. 18) and that, since the end of World War II, it had pioneered its own state-based public housing program. Yet, the Commission was highly critical of the traditional program. And much of its discussion of public housing was geared towards creating a “new paradigm” for the concept.

In the discussion of its origins and transformation, the Commission noted that “the concept and role of public housing ha[de] undergone considerable change since the program began in the 1930’s” (p. 15) -- essentially from transitional housing for the temporarily poor to more permanent housing for families with little economic mobility needing social services and “far greater financial assistance (p. 16). It also pointed out that “segregation along racial lines is another all too frequent byproduct of project life” (p. 50).

Further acknowledging the problems with public housing, the Commission noted that:

over the years many criticisms have been leveled at the public housing program, by its friends as well as its enemies. It is argued that large housing projects—the form given to public housing in most cities—result in unattractive, deadly environments which tend to isolate their inhabitants from the rest of the community, exacerbating existing social problems through excessive
concentration of multi-problem families, and stigmatizing those living there in easily identifiable, separate quarters (p. 50).

A central theme running throughout the Commission’s report is the concern that “families of low income should not be isolated from the rest of the community by reason of receiving subsidization...to permit the development of balanced neighborhoods of diverse social, economic and ethnic groups” (p. 10).

Thus, the emphasis in the Commission’s proposals was for new public housing to be built on scattered sites and for the rehabilitation of existing buildings. While the Commission turned to public housing--a deep subsidy program--as the fundamental mechanism through which to house low-income households, it sought to transform the program as it had historically existed.

Despite the importance of public housing and the Commission’s call for a new such program, the Chapter 705 program, as it was called, was never a large initiative. But it was viewed as a successful way to integrate small, well-designed developments into the fabric of communities. There are only about 3,000 units of public housing subsidized through this program across the entire state; the remainder of the state’s 50,000 public housing units were subsidized through a number of other programs, created both before and after the 705 program. Between 1993 and 2003 the state public housing program grew very modestly, adding only about 111 units.

In addition to the Chapter 705 program, the Commission recommended increasing the annual subsidy for the state’s existing public housing projects “in order to permit the program to serve a cross-section of low-income families and to provide the social services needed by these families” (p. 23). As of early 2002, about two thirds of the total inventory of state-funded public housing units are in developments targeted for people over 60 years old and for people with disabilities; the remainder are unrestricted “family” developments.

Despite being under funded and facing an ever-changing political climate, local housing authorities across the state have done a very good job of managing this valuable public housing stock. Some housing authorities have undertaken innovative efforts to develop new affordable housing despite overly cumbersome regulations. And in many smaller communities, housing authorities are often the only agencies that are involved with

10 About two-thirds of the state-funded public housing units are in developments targeted to the elderly and people with disabilities. About one-third are unrestricted, “family,” developments. Chapter 705 units are included in this latter category. There are also 32,000 units of federally funded public housing in Massachusetts. Unless otherwise noted, the detailed information on state housing programs and funding levels comes from three publications of the Citizens’ Housing and Planning Association: Housing Guidebook for Massachusetts: A Comprehensive Guide to State and Federal Housing Programs and Resources, 1999; Taking the Initiative: A Guidebook on Creating Local Affordable Housing Strategies, 2002; Affordable Housing Guidebook for Legislators, 2003.

11 This number was compiled by Ann Verrilli from several documents supplied by the Department of Housing and Community Development: “LHA Units 1985-1998 Annual Outcome;” along with the annual updates for 1999, 2000 and 2001.

12 In fact, this proposal, to provide a greater level of subsidy to the state’s existing public housing program, was the Commission’s first recommendation. However, this proposal was never approved by the Legislature.
affordable housing at all. MassNAHRO, the statewide organization representing all of
the housing authorities, has been a strong advocate for public housing programs over
many decades.

Housing advocates have expressed major concerns about recent trends to demolish state
public housing. In Lowell and Fall River, for example, the cities rejected the state’s offer
of funds to rehabilitate the Julian Steele and Watuppa Heights public housing
developments and, instead, voted to demolish these buildings, thereby reducing the
supply of housing affordable to low-income residents by nearly 400 units. The
Legislature ultimately approved the demolition of both these public housing
developments.

Producing housing targeted for low-income households is one thing, providing the funds
to operate the units and to make needed capital improvements is another. The general
history of the state’s public housing initiatives points to insufficient funding both for
capital needs, as well as for operations. The FY 2004 budget appropriation of $25 million
is well below the state’s level of operating subsidies for public housing in 1986, which
was $38 million (in real dollars).

While the Commission was forward-thinking in its recommendation to create the Chapter
705 program, the state’s budgetary priorities never allowed this program to flourish.
Moreover, there is growing concern that the already inadequate stock of public housing in
the state is threatened due to local opposition to renovating deteriorated developments.

Rental Assistance

Another major new program that the Commission recommended, again focused on the
integration theme, was directed at the private market. Acknowledging that “there is
nothing new about the idea of rental assistance” (p.43), it noted that several similar
demonstration programs were underway and that families on welfare receive “what is in
effect rental assistance” (p. 43). Yet, its recommendation for a large-scale state-based
system was made a full nine years before the enactment of the federal Section 8 program
in 1974. Rental assistance was, however, an idea “in good currency” at the federal level. In the same year as the
Commission released its report, the Section 23 leased housing program was created by Congress. Generally
viewed as the forerunner to the Section 8 existing housing and voucher programs, Section 23 authorized
public housing authorities to enter into contracts with private landlords on behalf of low-income residents
who paid 25 percent of their income for their units. The public housing authority paid the remainder of the
contract rent, using federal funds. After outlining the array of advantages and disadvantages of rental assistance,
the Commission concluded that rental assistance can be an important vehicle for low-
income families to secure decent housing, both new and existing, without excessive costs
(p. 43). And it turned to the state’s public housing authorities to administer the program.

The Commission’s proposal for a Commonwealth Rental Assistance Program was passed
in 1966, the same year as the legislation that created the MHFA, and was known as
the Chapter 707 program. Targeted to those in need, the program was extremely popular.

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who paid 25 percent of their income for their units. The public housing authority paid the remainder of the
contract rent, using federal funds.

14 However, not all commissioners agreed that rental assistance was or should be a state responsibility. One
member opposed a state-based program of this type because he felt that it was a federal responsibility.
But it was also expensive to operate and within legislative circles it came to be viewed as a “budget buster.” In FY 1990, its peak year, the Chapter 707 program (along with a smaller program known as state housing vouchers) served about 20,000 households.

In 1992, the state’s two pre-existing rental assistance programs were merged into the Massachusetts Rental Voucher Program. Starting during the Weld administration funding for rental assistance was cut back dramatically; no new households received tenant-based assistance between 1990 and 1999. In FY 2000, MRVP was modestly revived with new households receiving assistance as current recipients left the program. But between FY 2002 and FY 2003 funding for MRVP was cut by 16 percent— a reduction from $32 to $27 million. The 1989 budget for rental assistance was $120 million—more than two and a half times larger than Governor Romney’s proposed FY 2004 budget for the entire Department of Housing and Community Development (DHCD). 15 The MRVP program now assists fewer than 5,900 households—including both tenant-based and project-based components.

The significant reductions in the 707/MRVP program are widely viewed by those interviewed as one of the major setbacks in state housing policy over the past four decades. It was called an “invaluable program” and a big loss to the state’s efforts to provide affordable housing opportunities to low-income households. As one person we interviewed put it: “The MRVP program has constantly been cut back in terms of total funding, and the amount of per unit subsidy. If people can trade them in for federal Section 8 vouchers, they do.”

The Alternative Housing Voucher Program, an important addition to the state rental assistance programs, was created in 1995. It provides transitional assistance to people under 60 with disabilities who choose to relocate from state public housing developments or who are on the waiting list for such housing. With recent funding cutbacks, the program is now serving about 500 households.

**Concern About Racial Discrimination--Fair Housing/Fair Lending**

The Commission’s report has several references about how the housing market creates disproportionate problems for non-white households. These include observations that the “Commonwealth’s non-white families experience far greater problems in securing decent housing than do white families” (p. 13); and “Because of the history of discrimination and the legacy of custom, the housing market for non-whites is drastically and artificially restricted” (p. 76). Based on this, the Commission made a special point of underscoring the importance of anti-discrimination laws in the struggle for decent housing: actively enforced, they can greatly increase the probability that non-white families will be able to find decent housing at rents they can afford. Any attempt to move back the clock by narrowing the protection offered by these laws would, in the Commission’s opinion, severely impede the attainment of the goal of decent housing for all in the Commonwealth (p. 76).

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15 In addition to state appropriations, the DHCD receives over 80 percent of its funding from the federal government. For FY 2004 the agency is slated to have an operating budget of over $437 million.
The Commission’s last two recommendations related to the issue of discrimination. Noting that data made available to the Commission suggest that current real estate assessment practices “have a deleterious effect on the housing and economic conditions of low-income, and particularly non-white families,” it recommended “that a legislative study commission be established to investigate the existence of unequal real estate assessment practices, with particular reference to disproportionate assessments in older areas of the larger cities in the Commonwealth” (p. 79).16

The Commission further noted that “it is still difficult to obtain fire insurance at manual rates in certain areas of Boston (and possibly in other cities), particularly areas occupied by non-whites” (p. 79). Basing this observation on largely anecdotal evidence, the Commission recommended that “a legislative study commission be established to investigate the problems of obtaining fire insurance in certain areas of the larger cities of the Commonwealth” (p. 79).17

While neither of these proposals has had a significant impact, the Commission should be recognized for its willingness to take on some of the most daunting problems of its era, even before some of these concerns received major federal attention. In particular, the Commission’s report was released a full three years before two key national reports highlighted mortgage and insurance redlining18 and three years before passage of the Federal Fair Housing Act. Massachusetts has also been proactive in its fair housing initiatives through its own state fair housing law, which extends the reach of federal law.

Although court cases are beyond the control of the Legislature or the Governor, the Skinner Consent Decree, which resulted from a 1978 suit filed against HUD by the Boston branch of NAACP, produced a number of initiatives aimed at promoting equal access to housing in the greater Boston area. At the legislative level, Massachusetts is one of only a handful of states to have its own Community Reinvestment Act.19 Enacted in 1982, five years after the federal law, the statute makes Massachusetts the only state in the country where state-chartered credit unions are covered by CRA requirements. If housing advocates are successful implementing current proposals, it will be the first state where mortgage companies, too, must adhere to CRA. This would be significant since about 75 percent of all mortgage lending in the state is now done by mortgage companies. In contrast, in 1990, 80 percent of the mortgage loans in Boston were originated by institutions covered by the CRA; only 20 percent of the loans were made by institutions not covered by CRA, such as mortgage companies.

Massachusetts is also noteworthy in its creation of a disclosure initiative pertaining to insurance companies. Enacted in 1996, the Insurance Redlining Act requires the top 25 property insurers in the state to report where in Massachusetts they are doing business.

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16 This recommendation was not approved by the Legislature.
17 This study commission was approved by the Legislature.
18 See Building The American City: Report of the National Commission on Urban Problems to the Congress and to the President of the United States and A Decent Home: The Report of the President’s Committee on Urban Housing, both published by the U.S. Government Printing Office in December 1968.
19 The Massachusetts Community Reinvestment Act directs financial institutions to meeting the credit needs of the communities they serve, including low- and moderate-income areas, consistent with safe and sound banking practices. The federal statute has the same goal.
This initiative has reportedly improved insurance company participation in low-income neighborhoods, with almost two-thirds of the insurance companies operating in the state showing progress in lending to underserved areas. In addition, in exchange for legislatively authorized tax breaks for the insurance industry enacted in 1998, the state required significant contributions from insurance companies for housing and community development lending. Some $200 million in funds have been made available through the State Insurance Community Investment Fund.

The general level of statewide concern about fair lending was also a major stimulus behind the creation of the Massachusetts Housing Investment Corporation, discussed earlier. In addition, the “Soft Second” program, which provides loans to low-income homebuyers, is another example of the state’s concern for improving opportunities for low-income households, in this case to qualify for home loans. The state along with the Massachusetts Housing Partnership supply about $4 million for this program. Additional funding comes from local governments and from the Federal Home Loan Bank of Boston. Interestingly, the delinquency rate for loans made through the Soft Second program is consistently lower than for other types of mortgage loans.\textsuperscript{20}

Despite the high level of consciousness in Massachusetts about problems related to fair housing and fair lending, and a sense that the overall situation is better, one close observer noted that there is still much room for improvement: “While the Department of Housing and Community Development’s regulations are very good— comprehensive and with a broad mandate—much more could be done to enforce the good fair housing policies and regulations we have in place.”

**Focus on Special Needs Populations--Welfare Recipients and the Elderly**

The Commission spent considerable time reviewing the needs of two specific sub-populations—welfare recipients and the elderly. Concerning the latter, it recommended an expansion of the Chapter 667 program, which was viewed as a highly successful public housing program: “These attractive, small developments, designed to meet the needs of the Commonwealth’s senior citizens, have been accepted and welcomed in all cities and towns, in all neighborhoods” (p. 24).

In another example of the extent to which the Commission was “ahead of its time,” its report also focused on the connections between welfare recipients and their housing. It noted that “inadequate welfare payments are a major factor in the perpetuation of substandard housing conditions among low-income families in the Commonwealth” (p. 35). Calling for increased cooperation and coordination between housing, redevelopment and welfare agencies, it recommended the creation of a legislative study commission to fully investigate this issue.\textsuperscript{21}


\textsuperscript{21} This study was, in fact, carried out. It contributed to a designation of a portion of the welfare payment for housing.
Over the past four decades, state housing policy has continued to focus on the needs of the elderly. Various initiatives have been tried, such as home care programs and a Supportive Senior Housing Initiative, which provides access to services at elderly state-funded public housing developments. The Chapter 667 program has continued to add units, albeit modestly (for example, only 276 units were added between 1992 and 1999). Also, MassHousing’s Elder Choice program provides financing to developers of mixed-income housing that provides on-site supportive services. In exchange for below-market interest rate financing, developers must agree to rent at least 20 percent of the units to elders with incomes below 50 percent of the area median income.

Two additional sub-populations have received considerable attention in the years since the Commission completed its report—homeless people and people with disabilities. Starting in the 1980s the state created a range of programs to deal with the newly surfacing problem of homelessness. One of the state’s most important efforts to prevent homelessness was the Emergency Assistance Rent Arrearage program. Benefits included payments for mortgage and rent arrearages, as well as for past due utility fees and help with security deposits. During the early to mid-1990s, all but the rent arrearage part of the program was eliminated and, today, no such emergency assistance is available.

Homeless advocates are quick to point out that without emergency assistance, and with shelters now at maximum capacity, over 500 families are currently living in hotels across the Commonwealth, at a cost of about $3000 per month per family. This is about three times the cost of an average emergency assistance grant, which would permit a family to stay in their own home and to avoid the financial and emotional costs of becoming homeless in the first place.

After more than a decade of falling behind in efforts to prevent homelessness and to rehouse this population, Governor Romney is providing welcome leadership. He has appointed a new “point person” to coordinate homelessness initiatives in the state and he has named a 15-person commission to come up with recommendations for ending homelessness in the Commonwealth and creating more affordable housing.

Massachusetts has also made significant efforts to house people with physical, cognitive, and emotional disabilities. Among the state’s most innovative efforts is the creation of a housing registry that lists information on all accessible and adaptable units. Mass Access, as it is called, enables disabled residents to match their needs with available housing. A Home Modifications Loan program also provides no-interest and low-interest loans to homeowners needing to modify their dwelling for a disabled occupant.

The Departments of Mental Retardation and Mental Health also provide services to more than 15,000 people in community-based residential settings. In addition, MassHousing has set aside 553 units for this group, as well as 3,034 units for handicapped persons, which are integrated into mixed income developments. People with AIDS and with substance abuse problems have further been identified by the state as needing supportive housing, and modest efforts to meet these needs have been made. But for every unit of

In addition, MassHousing has been a pioneer in promoting a variety of resident and youth services programs at its other developments.
housing that we have produced for special needs populations, there are many times those numbers of people waiting to be assisted.

**IV. Growth and Transformation of Programs Not Envisioned By the Commission**

While the Special Commission on Low-Income Housing was forward-thinking in many critical ways, it is not surprising that a variety of additional concerns, strategies, and specific programs have surfaced since 1965. The following presents the major initiatives that have a direct relationship to rental housing for low-income people. While we acknowledge the importance of homeownership programs, and we note that there have been many exemplary efforts in this area (such as the “Soft Second” program mentioned in the prior section) rental housing continues to be the key approach to meet the housing needs of our poorest citizens.23

**New, Creative Initiatives to Promote Housing Production**

While the Commission focused on creating a new housing finance entity; supporting public housing and creating a new, scattered site program; promoting more resources for elderly housing; and better addressing the problems with the existing stock of unsubsidized housing, it did not chart a new course for promoting the production of housing affordable to low-income housing people through other mechanisms. But in the intervening years, Massachusetts has devised an array of innovative and, in some cases, unique approaches to addressing the state’s serious need for more affordable housing. These strategies are discussed briefly in two categories: 1) direct production programs and subsidies; and 2) land use and zoning. Overall, Massachusetts has been a leader in creating innovative approaches to subsidized housing by emphasizing public-private partnerships, mixed-income development, resident participation in development and management, and in promoting a variety of services for residents, including substance abuse counseling, and various supports for children and families.

**Direct production programs and subsidies**— The state SHARP program (State Housing Assistance for Rental Production) was created in 1984 to produce mixed-income rental housing with mortgages provided by MassHousing (then known as MHFA) along with a 15-year loan from the state, which was viewed as a “shallow subsidy.” From its inception through 1992, about 9,300 units were produced; 3,300 of these were affordable to low-income households. This program encountered difficulties as optimistic projections about rent increases were not realized. The state met its contractual obligations to the SHARP program, but these funds were inadequate to cover the extent of the need. MassHousing has provided additional loans to cover operating deficits to about one-half of the 82 SHARP developments.24

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23 MassHousing has been a leader in promoting homeownership opportunities for first time homebuyers; a total of over $2 billion has been invested in homeownership and home renovations.

24 MassHousing has had to balance the need to restructure debt of failing developments, on the one hand, with its sense of how to be financially prudent and to appropriately steward its resources, on the other.
There are mixed reviews about the SHARP program. On the one hand, SHARP has been criticized because of the erroneous assumptions about the feasibility of rent increases, which did not take into account the possibility of a market decline that occurred in the 1990s. This, in turn, meant that there was an ongoing need for subsidy. SHARP, it has been noted, also should not have been used in weak market areas; some of the most problem-laden developments are in deteriorated neighborhoods. On the other hand, SHARP has been praised for “doing what it set out to do. It promoted production, affordability, and good quality housing.”

In addition to the SHARP program, the state has created a number of other subsidy initiatives to boost the production of rental housing including HIF, RDAL, and the 13A Interest Subsidy Program. The Housing Innovations Fund, or HIF, provides loans for up to 50 percent of the cost of projects that create or preserve innovative housing, such as housing with services and single room occupancy dwellings. With the loans being made on a deferred basis, the funds provided under this program are essentially grants. This program, administered by the state Department of Housing and Community Development and the Community Economic Development Assistance Corporation (discussed below), has been widely praised.

(RDAL) Rental Development Housing Action Loan was created in 1987 to provide supplementary operating subsidies connected with the development of affordable family rental housing and for the preservation of “expiring use” properties, to be discussed below. The program is assisting 21 mixed-income developments, totaling about 2,800 units, with 1,300 affordable to low-income households. In FY 2003, RDAL received $1.2 million in state funding—a little more than half the $2.2 million dollar appropriation provided in FY 2001.

Under the 13A program, the state provides an annual mortgage interest subsidy to MassHousing on behalf of developers who agree to limit rents to cover operating costs, debt service, and a limited dividend payment to owners. In FY 2003 about 67 developments totaling 6,800 units received about $7.1 million in funding through this program, a reduction of over $1 million from FY 2001.

Although not limited to rental housing, the state’s Affordable Housing Trust Fund (AHTF) has been another source of assistance for public, for-profit and nonprofit providers of housing targeted to households earning no more than 110 percent of area median income. In 2000, the state committed $100 million to this fund, which is administered by MassHousing. Using tax revenue that supposedly does not require any additional appropriations, the legislation called for $20 million to be awarded to the trust fund each year for five years. The trust fund received nearly its full appropriation over the first three years-- $52.5 million--but no funds are earmarked in the FY 2004 budget. Instead, the Governor has filed legislation to shift $20 million from the operating budget to the capital budget so that the trust fund can continue.

Mass Housing “has committed that not one unit of low-income housing will be lost as a result of any actions” it will take.
In 2000, Massachusetts created two additional vehicles for providing funds for affordable housing. Executive Order 418, signed by Governor Cellucci, is aimed at helping communities take steps to increase the supply of affordable housing by providing grants up to $30,000 each, as well as technical assistance. Further, communities that are successfully producing housing are given priority for state discretionary funds.

Another recent state initiative provides funds for affordable housing, as well as for historic preservation, open space, and public recreation. Through state enabling legislation known as the Community Preservation Act, communities can decide to vote a surcharge on their property taxes of up to 3 percent. Matching funds from the state are provided from fees collected by the state’s Registry of Deeds. Out of the 351 cities and towns in the Commonwealth, 107 have voted on CPA; more than half of these communities (59 municipalities) have approved CPA. It is anticipated that this will create a pool of over $50 million each year, with half the funds coming from local residents, and the other half from the state. In 2001, its first year of operation, the state provided nearly $18 million in matching funds, with grants ranging from $25,000 to $5 million.

While it is too soon to know how much affordable housing will actually be provided through the CPA, it is noteworthy that, once again, Massachusetts was in the forefront of creating a dedicated funding mechanism for a mix of public purposes, including affordable housing.

A final program—the state low-income housing tax credit—is also noteworthy. In 1999 the Legislature authorized a tax credit program to be awarded to private firms that

26 A February 16, 2003 article in The Boston Globe was headlined, “Open space, not housing, is priority.” The article stated: “Many suburbs are spending lavishly to protect open space using funds raised under the Community Preservation Act…despite the urgent need in many of those communities for what the measure is also supposed to provide—affordable housing.” However, in the same article, the director of the Community Preservation Coalition, Dorie Pizzella, notes that while “the overwhelming majority of the projects were open-space acquisitions…the trend is reversed for the spring, and we’re seeing more housing projects in the pipeline than open space, historic preservation or recreation.”
27 In addition to the programs discussed in this section, Massachusetts has created still more initiatives to stimulate the private production of affordable housing, including various types of innovative housing approaches for special needs populations. For a full description of all the programs created see the three publications by CHAPA noted in footnote # 10. This section also does not discuss a number of important initiatives that use private funds to assist in the financing and production of housing affordable to low-income households. However, it is worth mentioning the important programs created by the Federal Home Loan Bank of Boston. Key among them are the Affordable Housing Program and the New England Fund. AHP offers grants and subsidizes loans made by member banks for affordable housing. Ten percent of the bank’s net earnings go toward funding the program. For example, in December 2002, $6.7 million in grants and subsidies was awarded to 25 projects that will create or preserve 414 affordable units. The Federal Home Loan Bank of Boston’s New England Fund is also central to the state’s overall affordable housing efforts. This fund is used in conjunction with projects created through Chapter 40B, which is discussed in a subsequent section. As another example of the type of public-private partnership for which Massachusetts is particular noted, in February 2003 the state released a set of guidelines for the oversight of funds provided through such programs as The New England Fund. MassHousing has been taking a leadership role in this effort. According to one of our interviewees, “MassHousing is the only agency that has stepped forward to issue so-called site approval letters for NEF-funded projects and provide a level of public
invest in affordable housing. The tax credit is available for developments built after January 1, 2001 that are receiving federal Low Income Housing Tax Credits. It is anticipated that the state tax credits will help to create or preserve about 3,500 units of affordable housing in a five-year period.

One advantage of having multiple sources of funds is that, according to one person interviewed, “there is now some competition. Groups can, to some extent, play off competing funders.” The other side of “multiple funders” however is that the process is extremely complicated, the subsidy obscure and “playing off competing funders” can be a game at which only the most expert can play. As one of our interviewees noted:

We have gotten as much housing produced across the state as possible. But we have 4-6 times the number of applications as funds available to meet the demand. Often projects need to go through three rounds of applications for funding, which can take 4-5 years to get a project approved.

And, another interviewee added: “We have built some of the best, most attractive housing. It’s just that we haven’t built enough of it. Massachusetts is now 47th of the 50 states in terms of per capita housing permits issued.”

**Land use and zoning**—There is a simple truth about housing development. It requires land. And if the new buildings are to serve the clientele of the 1965 Commission, land must be zoned to permit the construction of housing at high enough densities to make at least some of the units affordable to low-income residents. Four years after the Commission released its report, in 1969, the Legislature enacted a bold and innovative program, known as Chapter 40B. Recognizing that suburban locales rarely have any land zoned for multifamily housing, and that there is a disproportionate amount of subsidized housing in the cities, the Legislature created a vehicle to try to remedy this situation. The goal was not only to produce more affordable housing, it was also aimed at distributing the new units across the small and mid-size cities and towns in the Commonwealth.

Although the Special Commission on Low-Income Housing did not focus on land use, three years later another state-wide commission was created to study the issue. Emphasizing the importance of zoning in restricting access to suburban areas by lower-income families, the latter commission’s report stated: “The interplay of these municipal regulations determines, in substantial degree, the extent to which additional modest income housing is possible in relation to the local supply of ‘buildable’ land.”

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29 Commonwealth of Massachusetts, General Court, Senate, *Report of the Legislative Research Council Relative to Restricting the Zoning Power to City and County Governments*, Senate No. 1133, Boston, 1968,
Under Chapter 40B if a developer wants to build a development in a locality in which less than 10 percent of the housing stock is affordable to low- and moderate-income families, and if at least 25 percent of the units in the proposed development are targeted to households in these income ranges, various local zoning regulations can be overridden. In addition, developers can appeal adverse decisions to the statewide Housing Appeals Committee. To our knowledge, Massachusetts is the only state in the country that has created such a powerful tool to counter restrictive local zoning.

This “anti-snob zoning” law, as the statute came to be called, generated a large amount of controversy in the Legislature before its passage. Although opponents charged that the law would abolish local zoning, the law’s enactment was probably due to the fact that, on balance, it was politically acceptable. Nevertheless, the issue was taken to the courts. In 1973 the Massachusetts Supreme Judicial Court unanimously upheld the zoning law:

Local restrictive zoning regulations have set up, in fact if not intentionally, a barrier against the introduction of low-and moderate-income housing in the suburbs. Moreover, this barrier exists at a time when our housing needs for the low- and moderate-income groups cannot be met by the “inner cities.” This housing crisis demands a legislative and judicial approach that requires “the strict local interests of the town” to yield to the regional need for the construction of low- and moderate-income housing. [The Zoning Appeals Law] represents the Legislature’s use of its own zoning powers to respond to the problem.

Chapter 40B has been credited with adding some 30,000 units of housing, and those whom we interviewed were uniformly in support of this program. For example, one person said that 40B is “one of the few successes in providing access across the region. It has opened doors for people to move in to areas they could not afford to move into.” Another interviewee noted that “it would be a disaster if 40B were eliminated.”

But there is also a strong and vocal group of critics of 40B. In recent years opposition has increased dramatically, with dozens of bills filed to reduce its powers or repeal the law altogether. During its 34 years, less than 10 percent of all the cities and towns in Massachusetts (31 out of 351), have produced enough affordable units to make them immune from the 40B override. (Another 18 cities and towns are close to the 10 percent threshold, with between 8 and 9.9 percent of their housing stocks affordable.) In response to the high level of controversy, in February 2003, Governor Romney appointed a 24-
member task force “to assess the effectiveness of the law and recommend improvements that will spur the creation of more housing.”

While debates about Chapter 40B have been the focus of the state’s land use controversy, overall concerns about the state’s zoning laws, Chapter 40A, are becoming increasingly important. Massachusetts’ planning, zoning, and subdivision control statutes have not been substantially updated in 27 years and, recently, Massachusetts was listed as being one of 28 states with the most outdated land-use laws by the American Planning Association. For example, there is no requirement that local zoning laws or subdivision regulations be consistent with an adopted master plan. Also, the current Subdivision Control Law “explicitly prohibits local subdivision regulations from requiring the inclusion of affordable housing in the design of new residential neighborhoods.”

In addition, there is no requirement, or even encouragement from the state, for localities to include zones for multifamily housing in their local zoning ordinances. The lack of such a requirement is a large reason why Chapter 40B is so important. The development of multifamily housing is simply not a “right” under existing zoning in the vast majority of cities and towns in Massachusetts, thereby necessitating the controversial and more cumbersome state override process.

Another issue related to land use and zoning that was not discussed by the Commission is “smart growth.” As a phrase, the idea was born in the 1990s, but in terms of content, many of the components of smart growth have been well known among planners for decades. Smart growth calls for preservation of open space; maximizing the use of existing infrastructure to support new development; creating mixed-use developments; reducing the need for transportation, particularly cars, to get to stores and schools; and creating a range of housing opportunities and choices. Touted as an alternative to “urban sprawl,” smart growth is said to be a more efficient use of land because it concentrates development in already developed areas, rather than continuing to use open space and farmland to accommodate growth. While there are many appealing aspects to the smart growth ideology, skeptics question the extent to which it camouflages desires on the part of low-density residential areas, which are often exclusive suburbs, to make sure that the status quo is preserved. It has the potential of undermining the spirit of 40B, which calls for all communities across the state to create a fair share of affordable housing.

Finally, the Commission did not anticipate the need to address problems related to the reclamation of polluted land, also known as “brownfields.” The Commission report was written before the significantly heightened consciousness about environmental problems and the ensuing plethora of federal and state legislative initiatives. In 1998 the Massachusetts Brownfields Act was passed, which created incentives to clean up and redevelop contaminated sites. This is particularly important for numerous inner city parcels, which have the potential for providing land for affordable housing.

32 Press release, February 18, 2003. “Romney Convenes Affordable Housing Task Force. Panel to access the impact of Chapter 40B on cities and towns. This followed the adoption of some 15 major regulatory changes, which were made in 2001 and 2002.

MassDevelopment administers a $30 million fund targeted for the redevelopment of brownfields, and also provides technical help in assessing the needs of a given site.

Overall, since the Commission released its report in 1965, Massachusetts has created a number of innovative programs aimed at increasing the supply of housing, particularly housing affordable to low-income households. Despite these many initiatives, the lack of a sufficient supply of units affordable to low-income households continues to be an enormous problem.

Supports for Nonprofit Housing Developers

One of the most impressive aspects of Massachusetts’ housing initiatives over the past thirty years has been the creation of a series of organizations to support the work of nonprofit housing developers. However, at the time of the Commission’s report, CDCs, the regional nonprofit housing agencies, and other nonprofit developers were not yet on the Massachusetts landscape (the state’s first CDC was incorporated one year after the Commission’s report) and, as a result, they were not seen as key to a new state housing agenda. Within a decade, however, this had changed dramatically, with the state taking a leadership role in promoting the work of community-based developers. The two earliest statewide organizations created to support CDCs were the Community Development Finance Corporation in 1975 and the Community Economic Development Assistance Corporation in 1978. Also in 1978, the state created the Community Enterprise Economic Development Program, or CEED.

The early focus of the state’s community development initiatives was largely on economic development—job creation, small business lending, and commercial development—rather than housing. But within the first few years after these organizations began operations, it became clear that housing development was proving to be more feasible, as well as visible, in communities across the state. In the original conceptualization of these three initiatives CEED was to provide core operating support to CDCs to finance planning and start-up activities related to development, CEDAC was to provide technical assistance to help prepare a project for financing, and CDFC was to provide the financing. Today, all three programs provide technical support; CEED and CDFC provide core operating support; CEDAC provides pre-development funds; and both CEDAC and CDFC provide long-term financing. An 1980s exploration into the Massachusetts support system for community-based housing called it “an exciting model that, theoretically, could be emulated by other states.”

More recently, several of the housing practitioners interviewed called the growth and development of the programs for CDCs and the regional nonprofit housing agencies one of the most noteworthy accomplishments of state housing policy. These organizations, it was pointed out, are an important part of the state’s infrastructure to support housing.

CEDAC, in particular, has had an impressive track record. The agency manages more than $16 million in revolving loan funds for pre-development and site acquisition costs;

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has invested $53.5 million in high risk seed capital to help nonprofit developers produce and preserve nearly 25,000 housing units; and has assisted nearly 7,500 units of transitional and permanent housing for very low income households, by providing permanent financing.\textsuperscript{35}

CDCs are represented by the Massachusetts Association of Community Development Corporations, an organization committed to influencing public policy to support CDCs, developing resources and programs to enhance the capacity of CDCs, working with the private sector to garner support for CDCs, and educating the public about the work of CDCs. More broadly, MACDC’s mission is “to promote economic justice, to encourage social change, and to empower poor and working class people and the communities in which they live.”\textsuperscript{36}

While CDCs have grown in number—from one group in 1965 to nearly 70 today (in addition to the nine regional nonprofit housing organizations) — and while they have been credited with the production or rehabilitation of over 30,000 units of housing affordable to low-income residents, creating jobs, promoting small businesses, creating commercial space, and generally contributing to community development, it is also acknowledged that the system is far from perfect. Each CDC must compete for scarce operating resources, as well as development funds. And for every project, each CDC must approach numerous possible funders. Knowing and complying with the rules of each funding organization is a daunting and time-consuming exercise. The net result is that projects do get completed, albeit slowly, and at significant costs--not the least of which is the enormous amount of time that CDC staff members must expend in patching together the resources to bring developments to fruition.

The state’s nine regional, nonprofit housing agencies have not only developed thousands of units of affordable housing, but they also administer more than 16,000 Section 8 vouchers under contract with the Department of Housing and Community Development. More recently, the regional nonprofits, under the umbrella of the Massachusetts Non-Profit Housing Association, have launched the Housing Consumer Education Centers, which provide education and counseling to thousands of landlords, tenants, and homeowners each year.

\textbf{Preservation of Privately Owned, Publicly Assisted Housing}

A third key area that was not anticipated by the Special Commission on Low-Income Housing relates to the need to preserve the stock of privately owned, publicly assisted housing.\textsuperscript{37} Starting in the 1960s, a variety of federal programs were created that stimulated the production of thousands of units of housing that were targeted to low- and moderate-income families. The federal government allowed the private for-profit and nonprofit owners of these properties the opportunity to prepay their subsidized mortgages

\textsuperscript{35} CEDAC also promotes and supports childcare and workforce development activities.

\textsuperscript{36} MACDC website: http://www.macdc.org

\textsuperscript{37} As noted earlier, the Special Commission on Low-Income Housing devoted considerable time to discussions about how to preserve the existing stock of low-rent, unsubsidized units, not subsidized units, as discussed here.
after a set number of years (usually 20) and, in exchange, they could be relieved of the obligation to rent their units to the targeted group. In other words, the “use restriction” on the properties would be allowed to expire and the units could be converted to market rate rentals or sold as condominiums. Over 89,000 privately owned subsidized units of housing were built in Massachusetts during the 1970s and 1980s. In the City of Boston alone, some 1,300 units have already been lost from the subsidized stock, while another 1,700 are at risk of being lost. Across the state, over 7,000 affordable units could be lost from the subsidized inventory due to the mortgage prepayment/expiring use problem. In addition, thousands more units covered by Section 8 project-based subsidies are could be lost as affordable housing.

According to those interviewed, the state is credited as having done “a pretty good job at filling the gap left by the federal government.” And, further:

> It is significant that there was early recognition of the problem by state officials and resources are being allocated to deal with the problem. If there is truly an at-risk project, the state is cooperative in allocating resources to preserve it.

DHCD, CEDAC, and MassHousing have played important roles in dealing with this problem. DHCD has administered capital grant programs, CEDAC has provided extensive research, technical assistance and policy development, and MassHousing has provided more than $750 million in financing to preserve the federally subsidized stock of housing, totaling some 29,000 units.

The state’s Capital Improvement and Preservation Fund was created in 1998 to provide loans and grants to preserve this stock of housing. In exchange for this funding, at least 50 percent of the units must remain affordable to households at or below 80 percent of area median income for at least 30 years. In addition, the Housing Stabilization Fund provides loans for the rehabilitation of affordable rental or ownership housing. These loans can either be made directly to developers or to cities and towns that, in turn, lend the money to owners of properties in deteriorating neighborhoods. Funding for both these programs, as well as for modernization of public housing, and for a number of other initiatives, is provided through the sale of long-term state-backed bonds.

Aside from considerable efforts on the part of the state to address the “expiring use” problem, Massachusetts has also been an innovator when it comes to large-scale rehabilitation of subsidized multifamily housing. The “Demo-Dispo” program, for example, is the largest housing rehabilitation effort in Boston, and the only one of its kind in the country. It involves some 2,200 units in 11 developments of HUD-foreclosed housing that had been in poor physical and financial condition. Initiated and administered by MassHousing, DemoDispo involves residents in the re-design of the buildings and in decisions about options for resident ownership, while also involving minority businesses.

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38 *Turning New Growth into Affordable Housing: A Plan to Create 10,000 Affordable Homes in Boston by 2005.* Boston Tenant Coalition, April 2000, pp. 22-23.

39 The most recent housing bond bill of $508.5 million was passed in August 2002, after more than a year of debate. More than two-thirds of these funds were earmarked for public housing improvements, and much of the remaining funds were targeted to assist nonprofit organizations purchase affordable housing units.
and local workers. Including renovations and rental assistance subsidies, DemoDispo is valued at more than $500 million.

**Proliferation of Regulations Related to Housing and Concerns About Costs**

The final major area not envisioned by the Commission is the proliferation of regulations related to housing development, and the accompanying concern about how they conspire to drive up the cost of housing, both real costs and time delays associated with getting the necessary approvals. Over the past several years there has been increasing attention in Massachusetts on this problem. In 2000 the state published a report on the inadequacy of the private sector’s ability to produce sufficient housing and highlighted the barriers to housing development:

Regulations and requirements relating to housing development that are unnecessarily restrictive, conflicting, duplicative or inconsistently interpreted and enforced by local officials and inspectors were found to impede residential development and the production of housing at the rate of demand.⁴⁰

The follow-up to this report was the creation of a Special Commission on Barriers to Housing Development. Three subcommittees were formed to examine building codes, septic system regulations, and zoning. In that commission’s final report, released in early 2002, fifty recommendations were detailed with the goal of reducing contradictory or what was viewed as unnecessarily burdensome regulations.

A year before the release of this report, another effort, sponsored by the Archdiocese of Boston, culminated in a report that also identified the need to streamline a number of regulatory processes, such as those governing building permits and building codes. For example, it was noted that: “New buildings require as many as 30 different approvals and are often developed and coordinated by separate functional departments—which frustrates both effective planning and administration and drives up the cost of production.”⁴¹

This issue has received added attention with the publication of yet another report, released in early 2003, that detailed the regulatory obstacles to affordable housing production. The message is summed up in the following statement:

The housing crisis cannot be solved with public funding alone. Even extraordinary sums of money can produce only a limited number of units. In the end, the primary role of state and local government should be to lay a basic

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But perhaps the most passionate statement on the regulatory situation in Massachusetts was provided in the 2003 report’s preface, written by housing economist and Senior Fellow at the Brookings Institution Anthony Downs:

I was amazed and appalled by the almost impenetrable thicket of barriers formed by Massachusetts state and local regulations. Those rules add to planning time requirements, create lengthy delays in gaining approvals, and demand costly additional construction steps. In short, they all too often block developers from building units that poor- to moderate-income households could afford to buy or rent. Yet many such rules do not actually achieve any worthwhile public benefits, or certainly none commensurate with their negative impacts.

One person with whom we spoke registered amazement “at the role of environmental regulations and town utility constraints in preventing construction of modest priced housing.” He continued:

With very few exceptions, each town is responsible for its own water and sewer systems, leading to many absurd disincentives to expand or fix the system. It is common for towns to oppose a project because they don’t have the sewer capacity, but they will also oppose extending a sewer line or adding capacity because it would make the lots along the way buildable. Town sovereignty over utilities needs to end, probably in exchange for state-assisted financing for upgrading and expansion.

A second “structural” problem is the huge bias in the Title 5 regulatory system for single-family subdivision over clustered or multifamily development. Conventional, single house systems are clear and “by right” under Title 5, but as soon as you try to share systems [e.g. for multifamily housing] … the process gets much harder, longer, and uncertain in outcome. Worse, as soon as you hit 10,000 gallons per day (90 bedrooms or about 30 to 40 units) you trigger a ground water discharge permit. That takes at least a year, likely more, and has an uncertain outcome and involves very expensive treatment requirements.

While it seems indisputable that there are regulatory barriers, it is less clear whether these are really serious or modest impediments to development. And it is also not certain how much regulations actually contribute to the costs of producing housing.

V. Housing Advocacy

The Special Commission on Low-Income Housing was appropriately named. It was, indeed, special. The very fact of the commission’s creation, its ambitious mandate, and
the quality of its report were, in themselves, signs of the substantial level of concern for
the housing needs of the residents of Massachusetts. Housing advocacy in the state has
virtually always been “off the charts.”

Following the release of the Commission’s report, Citizens’ Housing and Planning
Association, the state’s housing advocacy group, was created in 1967.\footnote{CHAPA’s
original focus was metropolitan Boston. Over the years it broadened its mandate to include
the entire state.} CHAPA’s mission is to:

encourage the production and preservation of housing that is affordable to low-
income families and individuals. CHAPA pursues its goals through advocacy with
local, state and federal officials; research on affordable-housing issues; education
and training for organizations and individuals; and coalition- and consensus-
building among broad interests in the field.\footnote{CHAPA website: http://www.chapa.org}

CHAPA further notes that “it is the only statewide group which represents all interests in
the housing field, including non-profit and for-profit developers, homeowners, tenants,
bankers, real estate brokers, property managers, government officials, and others.”\footnote{CHAPA website: http://www.chapa.org}

CHAPA has been widely praised for its effectiveness as one of the leading housing
advocacy groups in the country. It has promoted housing issues to state government
officials, it has worked with community groups at the local level, it has created a forum
for diverse interests in the housing field to join together in a common effort to produce
and maintain affordable housing for those most in need across the Commonwealth, and it
has assumed a prominent role in Washington, DC, with frequent invitations to testify
before Congressional committees or to meet with HUD personnel.

The Massachusetts Affordable Housing Alliance is another notable statewide nonprofit
housing advocacy organization. Since its creation in 1985, it has been successful in
raising over $2.2 billion for investment in affordable housing from banks, insurance
companies, as well as from government. MAHA both organizes grassroots support for
affordable housing, as well as works with potential funders and investors to promote
greater involvement and more investment in affordable housing. One of the
organization’s most impressive achievements is its creation of a $500 million loan fund,
made available by 14 banks through Community Reinvestment Act agreements, to be
used by lower income homebuyers utilizing the Soft Second mortgage program.

Four additional impressive statewide advocacy groups should be mentioned for their
work on the low-income housing issue. First, the Massachusetts Union of Public Housing
Tenants has been a significant voice on behalf of residents of both state and federal
public housing units. Second, the Massachusetts Alliance of HUD Tenants organizes
tenants living in privately owned, HUD-assisted multifamily housing developments, with
the goal of improving the physical qualities of the housing, while also working to ensure
long-term affordability. Third, the Massachusetts Association of Community
Development Corporations, discussed previously, has been an effective advocate on
behalf of the state’s community development corporations. And, fourth, the Massachusetts Nonprofit Housing Association is a network consisting of the nine regional nonprofit housing groups across the state.

Also, as homelessness emerged as a critical issue in Massachusetts during the late 1970s and early 1980s, advocates coalesced around this concern, and the Massachusetts Coalition for the Homeless, created in 1981, is reported to be the first statewide homeless advocacy organization in the country. The Coalition was quick to realize that emergency services were not the answer and, instead, focused on creating a more comprehensive approach that addresses the underlying social and economic forces behind homelessness. The Massachusetts Housing and Shelter Alliance (focusing on homeless individuals) and Homes for Families (focusing on homeless families) are important advocacy groups working to end homelessness and to promote long term housing solutions, while making sure that shelters are used as effectively as possible. The newest homelessness advocacy organization in the state is the One Family Campaign. With support from the Paul and Phyllis Fireman Foundation, this new effort was launched in 2000 with the goal of “ending family homelessness—one family at a time.”

More generally, concerning organizing around tenant issues and the needs of low-income people, however, the record has been mixed. It has been very difficult to raise funding for community organizing and tenant advocates suffered a major blow with the loss of rent control in Boston, Cambridge, and Brookline in 1995. Although there are many effective local tenant groups, such as the Boston Tenant Coalition, there is no longer a statewide tenants organization representing private housing tenants.

While housing advocates are deservedly proud of their accomplishments, they are quick to point out that the true measure of their success is not the quality of their organizations, but their effectiveness in overcoming the serious housing problems in the state. And, on this criterion, advocates say their work has not yielded nearly as much as they had hoped. There is a sense of frustration about the present state of housing problems facing low-income people in Massachusetts. But there is a continued willingness and passion to keep working on the issues. In an effort to keep the vision of the Special Commission on Low-Income Housing alive we offer the following recommendations.

VI. Looking Forward

We have looked at what the Special Commission on Low-Income Housing produced -- and it was considerable.

1965 was a good year to promote housing legislation for low-income people. The Commission never lost sight of its objective. And its proposals, each crafted to deal with a different aspect of the problem of excess rent or substandard quality, set in motion an agenda that became the envy of those in the nation concerned with state housing policy for low-income households.

But times have changed. Today there is no mandate in the Commonwealth’s Legislature to create a Commission to look at the housing needs of low-income people. This void has no relationship to the current magnitude of the problem facing poor people. Rents in Greater Boston and in many other areas of the state are still way out of reach for thousands of low-income households having to compete in the market. Today those families have company. “Affordable” housing is a scarce good for many with incomes well above the 80 percent of median line. Many major employers report having trouble attracting workers to the Greater Boston area because of shelter costs.

When looking at the housing world in Massachusetts through the low-income lens, the landscape looks daunting in 2003 for three reasons.

First, the issue of low-income housing per se is not on the policy agenda. The anti-development environment in Massachusetts is so acute as to focus the housing crisis on the middle classes and not the poor. In 2003 “affordable,” when deconstructed, means housing for fire and police personnel and teachers—not very low-income families. This is much more than a rhetorical shift. It signals that the new target of concern related to housing is “working households,” far from the poorest residents of the population.

Second, the current state budget crunch provides little room for subsidy, let alone deep subsidy programs. The state’s housing budget is being squeezed at all levels. As The Boston Globe recently reported, “The operating budget for the state Department of Housing and Community Development--a scanty $74 million --is about half what it was in 2001.” However one looks at state dollars for housing, they are down and under assault.

Third, the Federal government’s continuing disengagement from housing programs for low-income people, combined with the federal deficit, indicates that Washington is not going to be a significant player in any immediate efforts to deal with the low-income challenge. Section 8 vouchers are being reduced. The Low-Income Housing Tax Credit is in danger. Public housing operating subsidies are suffering cuts. The future of HOPE VI is uncertain. After a surge of life in the late 1990’s, the Department of Housing and Urban Development is on the defensive and is under the budgetary surgical knife.

These days “low-income” is not an idea in good currency. Given this reality, at best, the low-income housing agenda is buried in the larger housing crisis. And the words welfare and poverty rarely surface as they provide additional force to the already overwhelming NIMBY (not in my back yard) attitudes both in the suburbs and the central city. The low-income housing agenda is allocated only scraps in any current discussion of how to solve the housing crisis in Massachusetts.

However, the present situation need not be presented entirely as a jeremiad. We can make a creative leap to explore how those concerned with the low-income residents of the Commonwealth can benefit from the current focus on our housing problems.

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What if the 1965 Special Commission on Low-Income Housing were transported to 2003? How might its members look at the current housing crisis given the changes in the landscape that have occurred in the intervening 38 years? How far might one push the low-income housing agenda if the creativity and insights of the 1965 Special Commission were harnessed today?

The following is an agenda as the Special Commission on Low Income Housing might articulate its mandate in 2003. Some items are borrowed from the draft platform “Homes for the Commonwealth” of the Greater Boston Housing Task Force. Others are already under consideration by the Governor. Still others are those of the individuals we interviewed for this report. The agenda is not “pie in the sky.” But it is not business as usual either. It presupposes serious attention to the needs of those low-income households for which the 1965 Commission was empanelled.

Framing a response to the low-income housing problem today requires a different set of parameters than in 1965. The strategically significant way to think about expanding low-income housing in 2003 is to find ways of connecting it to the more general challenge of housing production. New rental production of all kinds should be made more feasible and the provision of low-income units should be tied to that production. This can be done in one of several ways. The first group of recommendations relates to land use.

**Land Use-Related Recommendations**

- **Tackle land use and zoning issues.** Barely mentioned in 1965, creatively reconfiguring our approach to zoning could be the life-blood of multifamily and affordable housing in 2003. Through carefully crafted revisions of Chapter 40B, it could become less of a blunt club and more of a planning device. Hopefully, the recently governor-appointed Task Force will devise such an approach which emphasizes both carrots and sticks as well as rewards for compact housing development that curtails sprawl.

- **Create a streamlined disposition process for state-owned land.** The state’s record in disposing state-owned land in a timely fashion has been grossly inadequate, although the enormous potential of this valuable resource has been discussed for years. Nothing could indicate the seriousness of the Governor and the Secretary of Commonwealth Development more than the development of a streamlined process for getting such land into production and for insuring that a percentage of it is devoted to low-income households.

- **Require municipalities to zone for multifamily housing.** Whether or not 40B is revised, the Commonwealth could direct all localities to set aside a sufficient portion of their residential-zoned land for multifamily housing such that it is available “as of right” to enable the locality to meet its 10 percent affordable housing obligations.

- **Provide subsidies and incentives to municipalities for building new multifamily housing.** The stick of requiring local communities to provide land for multifamily housing with inclusionary zoning and an “affordability”
component must be balanced with the carrot of additional funding from the state for infrastructure (such as new water and sewer lines and facilities) and school costs. In addition, the state could give priority to local school building and renovation projects if the community has attained the goal of having 10 percent of its housing units “affordable.”

- **Encourage metropolitan approaches.** The Commission made passing reference to this issue when it urged a “metropolitan consciousness and responsibility … to lessen the widespread economic and social disparities that exist within our metropolitan areas” (p. 81). Today, thinking in regional terms means considering smart growth and regional mass transportation lines as well as joint ventures among suburban communities.

Focusing on new or improved modes to increase housing production through various land-related initiatives is necessary but far from sufficient in addressing the low-income housing issue. Subsidies are required. There is simply no other way to meet the housing needs facing low-income households. How deep, what location, how leveraged—whether on the supply or demand side—are all debatable issues of strategy. Although such initiatives are obviously not cheap, there is no debating the need for serious state subsidy funds. They are at the heart of what is needed and what a 2003 Low-Income Housing Commission would advocate. The following recommendations frame that need in terms of specific approaches.

**Subsidy-Related Recommendations**

- **Revive a new state rental assistance program, which includes both project-based and tenant-based assistance.** The state’s rental assistance program worked well for years. Although it has been cut back dramatically, it remains the best mechanism for providing deep subsidies on the demand side of the housing equation.

- **Revive and fund the development of new public housing.** The Chapter 705 program was very successful, although it never became a large initiative. On balance, public housing is an extremely good approach to providing housing to low-income residents, albeit much maligned. There is also a need to fund new public housing for people with disabilities, such as the Chapter 689 program, using new models that integrate people with disabilities and non-disabled residents.

- **Utilize the existing unsubsidized rental stock.** Additional privately owned units, many of which are currently in marginal condition, could be upgraded and subsidized with vouchers if such funds were available. The least expensive way to provide housing for truly low-income households is with a voucher program to be used for renting units on the private market, such as the programs run by the regional nonprofit housing agencies.
• **Preserve existing subsidized units for low-income occupancy.** “Preserving the existing stock” of rental housing in the Commission’s Report meant substandard housing, which needed to be brought to code. Preserving the existing stock in 2003 refers to hanging on to the subsidized housing that is in danger of reverting to the market. This stewardship applies to state public housing as well as to the variously federally subsidized private market programs.

• **Continue to target resources to special needs low-income populations, such as the elderly.** The state has a strong record in addressing elderly housing needs and, in recent years, other populations have also received special attention. But the significant challenges facing people with various physical, mental, and cognitive disabilities require continued attention to this concern.

• **Establish a task force to review the state’s multiple low-income housing programs, their connection to state and private funding, and how they utilize and leverage subsidy both singly and in tandem.** Over the years, the state has created an array of initiatives aimed at boosting the supply of low-income housing. The goal of the task force would be to find more cost-effective and transparent ways of linking the plethora of programs confronting a developer interested in producing housing for low-income people.

The final set of recommendations pertains to improvements needed in the institutional and regulatory framework in which housing production takes place.

**Institutional and Regulatory-Related Recommendations**

• **Provide additional support for nonprofit housing developers.** Although not envisioned by the Commission, the state’s nonprofit housing organizations—including CDCs and regional nonprofits—as well as the impressive support organizations that have been created, present an enormous resource and set of opportunities for providing high quality housing to low-income residents. With additional funds and technical support these organizations can become even more prominent and effective providers of low-income housing.

• **Aggressively enforce fair housing laws and continue to monitor fair lending and insurance practices.** Although the state has made advances in this area, fair housing is still an area that receives intermittent attention. The fact that nonwhite residents of Massachusetts are less well housed than their white counterparts is an important indicator that more work concerning fair housing is needed.

• **Review and streamline the process and regulations governing housing production.** In view of the widespread criticisms about the production process, and the extent to which the state’s regulations appear to dampen our ability to produce units, there needs to be a careful review and assessment of the overall system. While improvements in this process will not, of themselves, produce the needed units, the overall framework for housing production in Massachusetts should be made as simple and straightforward as possible.
The 1965 Special Commission on Low-Income Housing was both prescient, as well as a symbol of its times. A number of its key recommendations were at the cutting edge of housing innovation. For example, state housing finance agencies were just beginning to be created, and the Massachusetts Housing Finance Agency positioned the Commonwealth as a leader in housing finance as well as an innovator in mixed-income housing. Critiques of public housing were becoming more frequent, but alternatives to high density “projects” were not yet commonplace, and the scattered-site public housing program was clearly “ahead of its time.” The Commission was also forward-thinking with its proposal for a new rental assistance program, which preceded the federal Section 8 program by nearly a decade.

As a creation of the 1960s, the Commission was also explicit about the challenges and needs facing the most vulnerable groups within the state. It was not afraid to talk about the poor, welfare recipients, and the web of problems created by discrimination in the housing market. It was bold in articulating these concerns and in proposing new initiatives to tackle the problems.

In 1965, state government was focused on what it could do for low-income households. In 2003, after many years of either ignoring or half-heartedly focusing on the issue, the Governor’s office is deeply concerned about housing production. Governor Romney has made a commitment to “double the number of new housing units in urban areas.” This kind of commitment will certainly advance the cause of housing for low-income people however indirectly. But we urge that a series of more direct and aggressive steps also be taken. Hopefully, our outline of an agenda fashioned according to the vision and commitment of the 1965 Special Commission on Low-Income Housing will find a response in the current climate in which the urgency of housing issues is, after long omission, back on the front of an activist Governor’s agenda.

48 The Boston Globe, February 3, 2003. Concerning current housing production levels, in 2002, across the state, 2,500 units of affordable housing were produced and, including all housing units (single family, multifamily, affordable and market-rate), 16,000 units were produced. One recent study called for a production goal of 36,000 units over the five-year period, 2001-2006, for the Boston Metropolitan area alone. See Bluestone et al. “A New Paradigm for Housing in Greater Boston: Assessing the Problem and Setting Goals,” 2001.
Interviews and Contacts

Emily Achtenberg, Housing Policy and Development Consultant
Amy Anthony, President, Housing Investments
Tom Callahan, Executive Director, Massachusetts Affordable Housing Alliance
Howard Cohen, President, The Beacon Companies
Daniel Cruz, Vice President, Cruz Development Corporation
Marc Draisen, Executive Director, Metropolitan Area Planning Council
Ellen Feingold, President, Jewish Community Housing for the Elderly
Joe Flatley, President, Massachusetts Housing Investment Corporation
Tom Gleason, Executive Director, MassHousing
Mike Gondek, Executive Director, Community Economic Development Assistance Corporation
Aaron Gornstein, Executive Director, Citizens’ Housing and Planning Association
Jane Wallis Gumble, Director, Department of Housing and Community Development
David Harris, Executive Director, Fair Housing Center of Greater Boston
Michael Hatfield, Director, Commercial Lending, Fleet Bank
Bob Kuehn, President, Keen Development Corporation
Jeanne Pinado, Executive Director, Madison Park Community Development Corporation
Kate Racer, Associate Director, Department of Housing and Community Development
Jim Stockard, Curator, Loeb Fellowship, Harvard University
Russ Tanner, Principal, Rising Tide Development
Mat Thall, Senior Program Director, Local Initiatives Support Corporation, Boston
Richard Walker, Vice President, Federal Reserve Bank of Boston
Eleanor White, President, Housing Partners Inc.
Arthur Winn, President, The Winn Companies
Clark Ziegler, Executive Director, Massachusetts Housing Partnership
This report also was informed by comments made by presenters at two recent meetings:


Donna Haig Friedman, Director, Center for Social Policy, McCormack Institute, University of Massachusetts, Boston

Mary Doyle, Executive Director, Homes for Families

Dan Fireman, Trustee, the Paul and Phyllis Fireman Charitable Foundation

Evelyn Friedman, Executive Director, Nuestra Comunidad Development Corporation

Felice Mendell, Executive Director, Women’s Institute for Housing and Economic Development

John Wagner, Department of Transitional Assistance, Department of Health and Human Services

Greater Boston Housing Task Force Meeting, March 13, 2003

Jerry Rappaport, Jr., President, New Boston Fund, Inc.

Tom Hollister, Citizens Bank and Greater Boston Chamber of Commerce

Lawrence S. DiCara, Nixon Peabody

Joseph T. Baerlein, President, The Raskey/Baerlein Group