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July 25, 2017

Representative Kevin Honan
Chair, Joint Committee on Housing
State House, Room 38

Senator Joseph Boncore
Chair, Joint Committee on Housing
State House, Room 112

RE: Testimony Supporting H.675, *An Act Financing the Production & Preservation of Housing for Low & Moderate Income Residents*

Dear Chairman Honan, Chairman Boncore, and Distinguished Members of the Joint Committee on Housing,

Thank you for the opportunity to submit testimony in support of H.675, *An Act Financing the Production & Preservation of Housing for Low & Moderate Income Residents*, sponsored by Representative Kevin Honan and Senator Linda Dorcena Forry.

Citizens' Housing and Planning Association's (CHAPA's) mission is to encourage the production and preservation of housing that is affordable to low- and moderate-income families and individuals and to foster diverse and sustainable communities through planning and community development. H.675, the Housing Bond Bill, authorizes the resources necessary to achieve that mission so that everyone in the Commonwealth has a safe, healthy, and affordable place to call home.

The Housing Bond Bill provides a comprehensive approach to addressing the housing needs of the Commonwealth by providing resources to produce and preserve affordable housing. The legislation recapitalizes bond-funding programs that serve diverse populations, including working families, the elderly, people with disabilities, and the homeless. It also promotes economic and community development in communities across the state.

The bill invests \$1.7 billion through the capital budget over the next five years to modernize our public housing, provide community-based housing options for persons with disabilities, and to strengthen our neighborhoods. It also extends and expands the Massachusetts Low Income Housing Tax Credit (LIHTC) by \$5 million to help preserve our existing affordable housing.

We hope that the Housing Committee reports out H.675 quickly so these affordable housing resources remain available to develop and preserve affordable housing in Massachusetts.

Housing Costs are Too High

The *US News & World Report* ranks Massachusetts #1 in its Best States Overall Ranking¹, and *Governing* magazine ranks Massachusetts #1 in overall economic performance.² While these are certainly significant achievements, the rankings themselves do not reflect the Commonwealth's affordability reality. Alarming, Massachusetts ranks 47th in Cost-of-Living & Housing Affordability.³ It ranks 45th in Income Equality⁴ because while *average* wages have increased, the *median* inflation-adjusted wage has actually decreased since 2009, with those in the bottom 20th percentile experiencing the largest decline.⁵ Economic growth in Massachusetts has not reached all residents, worsening the affordability struggle of low-wage workers and their families.

When it comes to affordable housing, Massachusetts has a supply and demand problem. Although new housing is being constructed, the type of housing being built is generally not targeted toward the growing population of low- and moderate-income renters.⁶ Permits for multi-family housing have declined in the past year, putting more pressure on the low- and moderately-priced housing stock that does exist.⁷ In addition, restrictive zoning in many communities prevents certain types of housing development, exacerbating our high housing costs and housing shortage.⁸

Our housing shortage helps keep Massachusetts in the top ten for least affordable states for renters, with a minimum-wage worker required to work 120 hours per week, or have 3 full-time jobs, in order to afford a modest 2-bedroom apartment.⁹ According to the Joint Center for Housing Studies at Harvard, nearly 50% of all renters in Massachusetts are rent-burdened, paying more than 30% of their income for rent, and more than half of those (or nearly 250,000) are severely rent-burdened, paying more than 50% of their income for rent.¹⁰ Nearly all the severely rent-burdened households are low-income, putting them at greater risk of becoming homeless.¹¹ This problem affects the entire Commonwealth, with rent-burdens growing in urban and non-urban areas. For example, in Franklin county, the number of rent-burdened households grew from 35% in 2000 to 45% in 2014.¹²

High Housing Costs Limits Our Ability to Reduce Homelessness

Unfortunately, with few opportunities to find an affordable home, many families are left with no place to go. Between 2007 and 2014, Massachusetts experienced a 40% jump in homelessness.¹³ Families and children currently make up the largest cohort of people who are homeless or at risk

¹ U.S. News & World Report, *Best States Ranking* (2017), <https://www.usnews.com/news/best-states>.

² Jacobson, Louis, "The Best of Times, the Worst of Times: A Ranking of State Economies," *Governing Magazine*, (Aug. 22, 2016).

³ U.S. News & World Report, *Best States Ranking* (2017), <https://www.usnews.com/news/best-states>.

⁴ *Id.*

⁵ Kendall, Sandra, ed., *The Greater Boston Housing Report Card 2016*, The Boston Foundation, 16 (2016).

⁶ *See id.*

⁷ U. S. Census Bureau, *Housing Report Card*, 7 (2016).

⁸ Massachusetts Housing Partnership, *Unlocking the Commonwealth*, 9 (Nov. 5, 2014).

⁹ National Low Income Housing Coalition, *Out of Reach* (2017), <http://nlihc.org/oor>.

¹⁰ Joint Center for Housing Studies of Harvard University, *America's Rental Housing*, Table A-5, A-6 (Dec. 2015).

¹¹ Center for Budget and Policy Priorities, *MA Fact Sheet: Federal Rental Assistance* (2016).

¹² Joint Center for Housing Studies of Harvard University, www.jchs.harvard.edu/research/interactive-maps.

¹³ Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 2015*, 34 (2015).

of homelessness.¹⁴ Since 2008, Massachusetts has seen one of the largest increases in family homelessness in the nation and is one of only two states, along with New York, where families make up more than half of the shelter population.¹⁵ Among those families entering shelter in 2016, almost 20% included two adults. That number was only 8% in 2008.¹⁶

Fortunately, through the Legislature's increased investment in affordable housing and homelessness prevention resources, we have made progress in helping families avoid or exit emergency shelters. In January 2015, over 1,500 homeless families were staying in hotels or motels. Today, because of investments in affordable housing resources, less than 70 families remain in hotels and motels.¹⁷ In order to continue this progress, we need to increase our support for these affordable housing and homelessness prevention programs.

When affordable housing demand is high and supply falls short, however, even these additional resources are not enough to meet the needs of the low- and moderate-income households. While we applaud the progress of targeted programs that have reduced veteran homelessness and homeless families staying in motels, about 3,500 families still remain in shelter.¹⁸ Additionally, over 107,000 households struggle to hold onto housing as they can wait years for a rental voucher.¹⁹

Affordable Housing Supports Economic Development

Housing production is also critical to the Commonwealth's economic prosperity. In order to maintain and grow our economy, Massachusetts needs to attract and retain a robust workforce that will keep our innovation economy competitive. To do this, we need to provide the right housing choices at prices that are affordable for workers and their families. According to the Metropolitan Area Planning Council, we need to build 17,000 new units per year to maintain our existing employment base. Additionally, two-thirds of these new homes need to be multifamily units.²⁰ If we fail to achieve this, Massachusetts risks losing workers to other regions with better housing options. Ultimately, our inability to create affordable homes will impede the growth of our workforce and threaten the Commonwealth's future economic success.

Decline of Federal Supports for Affordable Housing

Supporting our state resources for affordable housing is even more important now in light of developments at the federal level. Many of the programs that support housing and community development in Massachusetts are threatened by elimination or dramatic cuts in the federal FY2018 budget for the U.S. Department of Housing and Urban Development (HUD).

¹⁴ The Boston Foundation, *The Growing Challenge of Family Homelessness, Homeless Assistance for Families in Massachusetts: Trends in Use FY2008-FY2016* (Feb. 2017).

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ Massachusetts Department of Housing and Community Development, Division of Housing Stabilization Data (March 30, 2017).

¹⁸ Homes for Families (Feb. 13, 2017) <http://www.homesforfamilies.org>.

¹⁹ Massachusetts Department of Housing and Community Development, *Moving to Work DRAFT Plan for FY2018*, 8 (Feb. 2017).

²⁰ *Unlocking the Commonwealth* at 4.

Congress' proposed FY2018 HUD budget would put 140,000 Section 8 Vouchers at risk, a program that has received bi-partisan support.²¹ These cuts threaten the stability and success of families, as vouchers have been proven to reduce economic stress, improve the academic performance of children, and make it less likely for a household to experience domestic violence or food insecurity compared to families in shelters.²²

Proposed HUD budget cuts could drastically cut the Community Development Block Grant program (CDBG) and HOME funds. CDBG funds programs including those that help address root causes of family homelessness, including creating and preserving affordable housing, supporting domestic violence programs, and local food banks. Last year alone, Massachusetts communities benefited from nearly \$91.6 million in federal CDBG grants.²³ The HOME program, in addition to providing rental assistance and funds for first-time homebuyers, supports the building and rehabilitating of affordable housing. Without the program, affordable housing production will stall and many would-be Massachusetts homeowners will be unable realize their dream of homeownership.

Uncertainty over tax reform has also already negatively impacted the value of the federal LIHTC. Depending on if and how tax reform is enacted, the amount of LIHTC equity raised annually could be reduced by as much as 17%, an estimated loss of as much as \$2.2 billion and 16,000 affordable homes per year or more nationally.²⁴ In Massachusetts, this may mean that projects will not be able to move forward because of gaps in financing.

While Massachusetts may not be able to make up for all the potential cuts to federal programs, again, it makes supporting the affordable housing resources in the Housing Bond Bill as well as extending and expanding our state LIHTC program more critical than ever.

Preserving Our Existing Affordable Housing

Not only does Massachusetts need to create more affordable housing but we also need to preserve the stock we already have. Preserving housing at-risk of losing its affordability restrictions can be more cost effective than new construction. It also supports past investments and protects residents from the risk of displacement living in these homes.

Unfortunately, we are currently at-risk of losing thousands of affordable homes because of expiring affordability restrictions. For example, over the next few years, over 3,300 affordable units built under the 13A program may be lost. These homes are occupied by low- and moderate-income households at risk of being displacement because they will no longer be able to afford their rent if it goes to market rate. The state, through MassHousing and DHCD, is working hard to save these units and have already preserved the affordability of thousands of homes.

²¹ National Low Income Housing Coalition, *House Appropriations Committee Approves FY18 THUD Spending Bill* (July 24, 2017).

²² U.S. Department of Housing and Urban Development, *Family Options Study* (2016).

²³ U.S. Department of Housing and Urban Development, https://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/about/budget/budget16.

²⁴ Novogradac & Company, *How Congress Could Offset the Effects on Affordable Housing Production of a Reduced Corporate Rate* (Apr. 17, 2017).

However, with no federal resources available for preservation, we need to increase our support for tools here in Massachusetts. H.675 would provide \$125 million over the next five years for preservation through the Capital Improvement and Preservation Fund as well as expand the state LIHTC program's annual allocation by \$5 million to target preservation projects.

Our Requests

Facing these housing challenges, we hope Massachusetts will pass this historic Housing Bond Bill. Specifically, we ask the Legislature to reauthorize the following programs:

Affordable Housing Trust Fund (AHTF) **\$400 million**
The AHTF is a flexible tool administered by MassHousing to create and preserve affordable housing. It has been used to support the financial feasibility of a variety of projects, including permanent and transitional housing for the homeless and for the rehabilitation of public housing. It can serve moderate-income households, up to 110% of the area median income (AMI), though the majority of AHTF projects serving households at 60% AMI. It also supports first time homebuyers through the ONE Mortgage program.

Capital Improvement and Preservation Fund (CIPF) **\$125 million**
CIPF assists in the preservation and improvement of existing privately owned, state or federally assisted affordable rental developments that are at risk of losing their affordability restrictions. The Housing Bond Bill includes clarifying language to make the program work better with other housing preservation resources.

Commercial Area Transit Node Housing Program (CATNHP) **\$50 million**
This program encourages smart growth by producing homeownership and rental housing in mixed-use, commercial areas served by public transit.

Community Based Housing (CBH) **\$55 million**
CBH extends the Commonwealth's goal of providing assistance to disabled people in the least restrictive settings possible. The program provides funding for the development of integrated housing for people with disabilities, including elders, with priority for individuals who are in institutions or nursing facilities or at risk of institutionalization.

Facilities Consolidation Fund (FCF) **\$65 million**
FCF produces community-based housing for clients of the Department of Developmental Services (DDS) and the Department of Mental Health (DMH). Through the fund, DHCD works closely with DDS and DMH to provide housing for people with a wide range of disabilities. Unfortunately, FCF is running out of capital authorization from the 2013 Housing Bond Bill because of the demand for the program. Without the Housing Bond Bill passing quickly, FCF will not be able to help support new housing for persons with disabilities.

Home Modification Loan Program **\$60 million**
The HMLP helps persons with disabilities and the elderly make renovations to their homes through deferred payment or zero interest loans to ensure they can continue to live at home and avoid

placement into more costly institutional settings, such as nursing homes. The Housing Bond Bill clarifies language to explicitly allow the HMLP to be used by families to construct accessory dwelling units for persons with disabilities. The bill also authorizes a grant program to allow landlords to access the HMLP to make renovations to apartments in order to accommodate the needs of disabled tenants.

Housing Innovations Fund (HIF) \$100 million

The HIF supports the production of innovative and alternative forms of rental housing, including single person occupancy (SPO) units, transitional and permanent housing for the homeless, shelters for survivors of domestic violence, supportive housing for seniors and veterans, and housing for substance abuse recovery. HIF projects almost always feature affordable housing units combined with extensive support services for residents.

Housing Stabilization Fund (HSF) \$150 million

The HSF provides funding for the acquisition, preservation, and rehabilitation of affordable housing, including foreclosed and distressed properties. HSF has helped finance family rental, elderly housing, single room occupancies (SROs), special needs housing, and a mix of homeownership and rental. The Housing Bond Bill changes the weak markets provision within the program to allow it to be used for single family homes as well multifamily housing.

Public Housing \$600 million

This program helps modernize and rehabilitate our state's public housing stock of nearly 46,000 units. It allows local housing authorities to plan for and prioritize the replacement of expired components, help lower utility costs, address long-term unit vacancy, and minimize risks to the health and safety of residents. Without new authorization provided by H.675, capital funds to support our local housing authorities will no longer be available.

Public Housing Demonstration Program \$50 million

This demonstration program allows public housing authorities to use innovative public housing finance tools to leverage new funds and partners to rehabilitate public housing units and potentially reduce ongoing capital costs.

Early Education & Out of School Time (EEOST) \$45 million

EEOST program offers grants to non-profits to help build early education and out of school time program facilities that serve low-income children. It provides flexibility to build or renovate buildings in order to provide children and teachers with safe, healthy environments that support other quality improvement efforts. The program is administered through the Children's Investment Fund at CEDAC and works closely with the Department of Early Education and Care. H.675 increases the percentage of slots for low-income children served by early education programs supported by the program from 25% to 50%. The bill also Changes eligibility requirements for the program to allow only those organizations who are currently providing early education and care to low-income children.

Massachusetts Low Income Housing Tax Credit

Created in 1999, the Massachusetts LIHTC awards credits to investors in multifamily rental projects that meet affordability requirements. It encourages private investment in affordable housing and allows developers to finance part of the cost of the development with equity invested by local corporations and individuals, thereby reducing the amount of debt financing and helping to keep rents low. The Housing Bond Bill extends authorization for the program until 2025. It also authorizes \$5 million in additional tax credits to be used annually for the preservation and improvement of existing affordable housing, raising the annual LIHTC allocation to \$25 million.

Thank you for your consideration and for your continued commitment to affordable housing. Again, we respectfully request that the Committee will quickly report H.675 out favorably.

Sincerely,

A handwritten signature in cursive script that reads "Rachel Heller".

Rachel Heller
Chief Executive Officer