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The Honorable John Keenan
Senate Committee on Bonding, Capital Expenditures and State Assets
State House, Room 413-F
Boston, MA 02133

RE: The Housing Bond Bill, H.4134, *An Act Financing the Production and Preservation of Housing for Low and Moderate Income Residents*

Dear Chairman Keenan and Distinguished Members of the Senate Committee on Bonding, Capital Expenditures and State Assets,

On behalf of Citizens' Housing and Planning Association (CHAPA), I am writing to ask that you report out the Housing Bond Bill, H.4134, *An Act Financing the Production and Preservation of Housing for Low & Moderate Income Residents*, as quickly as possible.

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. 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 Community Investment Tax Credit (CITC). The legislation also extends the Massachusetts Low Income Housing Tax Credit (LIHTC), the Brownfields Tax Credit, and the Housing Development Incentive Program (HDIP).

We respectfully request for the Committee to report H.4134 out quickly, free of earmarks, so these affordable housing resources remain available to build and preserve affordable homes in Massachusetts. Without the Legislature passing the bill by the early Spring, programs including the Facilities Consolidation Fund and the Public Housing Capital Fund will be depleted and will delay important projects to provide affordable housing.

We also request that the authorization to expand the annual allocation for the state LIHTC program by \$5 million be re-inserted into the Housing Bond Bill, as was contained in the bill reported out by the Joint Committee on Housing and the House Committee on Bonding, Capital Expenditures and State Assets.

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 significant achievements, the rankings themselves do not reflect the Commonwealth's affordability reality. Alarming, Massachusetts ranks 47th in Cost-of-Living & Housing Affordability and 45th in Income Equality.³

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.⁴ Permits for multifamily housing have declined in the past year, putting more pressure on the low- and moderately-priced housing stock that does exist.⁵ In addition, restrictive zoning in many communities prevents certain types of housing development, exacerbating our high housing costs and housing shortage.⁶

Our housing shortage helps keep Massachusetts in the top ten for least affordable states for renters, with a minimum-wage worker required to work 100 hours per week, or have 2 1/2 full-time jobs, in order to afford a modest 2-bedroom apartment.⁷ 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.⁸ Nearly all the severely rent-burdened households are low-income, putting them at greater risk of becoming homeless.⁹ This problem affects the entire Commonwealth, with rent-burdens growing in urban and non-urban areas. For example,

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 *Id.*

⁴ *See id.*

⁵ U. S. Census Bureau, *Housing Report Card*, 7 (2016).

⁶ Massachusetts Housing Partnership, *Unlocking the Commonwealth*, 9 (Nov. 5, 2014).

⁷ National Low Income Housing Coalition, *Out of Reach* (2017), <http://nlihc.org/oor>.

⁸ Joint Center for Housing Studies of Harvard University, *America's Rental Housing*, Table A-5, A-6 (Dec. 2015).

⁹ Center for Budget and Policy Priorities, *MA Fact Sheet: Federal Rental Assistance* (2016).

in Franklin county, the number of rent-burdened households grew from 35% in 2000 to 45% in 2014.¹⁰

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.¹¹ Families and children currently make up the largest group who are homeless or at risk of homelessness.¹² 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.¹³ Among those families entering shelter in 2016, almost 20% included two adults. That number was only 8% in 2008.¹⁴

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 50 families remain in hotels and motels.¹⁵ 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.¹⁶ Additionally, over 107,000 households struggle to hold onto housing as they can wait years for a rental voucher.¹⁷

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

¹⁰ Joint Center for Housing Studies of Harvard University, www.jchs.harvard.edu/research/interactive-maps.

¹¹ Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 2015*, 34 (2015).

¹² The Boston Foundation, *The Growing Challenge of Family Homelessness, Homeless Assistance for Families in Massachusetts: Trends in Use FY2008-FY2016* (Feb. 2017).

¹³ *Id.*

¹⁴ *Id.*

¹⁵ Massachusetts Department of Housing and Community Development, Division of Housing Stabilization Data (Oct. 31, 2017).

¹⁶ Homes for Families (Feb. 13, 2017) <http://www.homesforfamilies.org>.

¹⁷ Massachusetts Department of Housing and Community Development, *Moving to Work DRAFT Plan for FY2018*, 8 (Feb. 2017).

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.¹⁸ 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.

The Governor recently announced a goal of creating 135,000 new homes in Massachusetts by 2025 as part of his Housing Choice Initiative. Creating affordable housing opportunities must be included as part of that goal and the Housing Bond Bill provides the resources that would help Massachusetts achieve this target.

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 budget for the U.S. Department of Housing and Urban Development (HUD).

The federal tax bill signed by President Trump also significantly weakens the federal Low-Income Housing Tax Credit, a successful public-private partnership that has become the foundation for affordable housing development across New England and the nation. While the credit itself is retained, it is weakened due to the corporate tax rate being lowered from 35% to 21%. With less of a demand for tax credits, the value of the Low-Income Housing Tax Credit drops, reducing investments in affordable housing by private investors.

While Massachusetts may not be able to make up for all the potential cuts to federal programs, again, these developments at the federal level 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.

If \$20 million in annual state LIHTC authorization is maintained, Massachusetts will face a \$64.5 million annual decline in federal affordable housing resources as a result of tax reform. This could result in 550 fewer homes produced or preserved each year, as well as 600 fewer construction-related jobs. However, If the state LIHTC is increased to \$25 million per year, then this reduces the loss in resources for affordable housing to \$45.7 million per year. This would mean 435 fewer units and 450 fewer jobs.¹⁹

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

¹⁸ *Unlocking the Commonwealth* at 4.

¹⁹ Massachusetts Housing Partnership.

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.

However, with no federal resources available for preservation, we need to increase our support for tools here in Massachusetts. H.4134 would provide \$125 million over the next five years for preservation through the Capital Improvement and Preservation Fund. If the state LIHTC is expanded, the bill will also provide an additional \$5 million in state LIHTC authorization to target preservation projects.

Supporting Affordable Homeownership Opportunities

H.4134 also supports both affordable rental and homeownership opportunities. The ONE Mortgage Program, and its predecessor, the SoftSecond Loan Program, is supported by the Affordable Housing Trust Fund, and has served 20,541 households since its inception in 1992. Of these, 10,044 are still active loans. By leveraging a total of \$96 million in public funds over 25 years, almost \$3.6 billion in private financing through participating Massachusetts banks and credit unions. Statewide, 49% of loans have gone to racial or ethnic minorities, 64% of loans to households earning below 80% of the Area Median Income (AMI). The remaining households fall between 80–100% AMI.

The ONE Mortgage Program emphasizes sustainable homeownership through education. All borrowers are required to take pre- and post-purchase education classes, and delinquent borrowers are referred to free financial counseling services offered through a network of non-profit partner agencies. Despite serving disadvantaged communities, the ONE Mortgage is more likely than alternative loan types to keep homeowners in their homes. Obviously this means everything to those homeowners who are directly affected, but it also supports their local communities through neighborhood stabilization.

Our Requests

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, 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 (HMLP)

\$60 million

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. As the aging population grows, supporting HMLP will help seniors be able to age-in-place in their own communities.

Housing Innovations Fund (HIF)

\$100 million

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

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.4134, capital funds to support our local housing authorities will no longer be available. Unfortunately, the bond authorization of \$500 million from the previous bond bill has been almost entirely allocated. In order to continue to improve the state's public housing, H.4134 expands the available authorization.

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.4134 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.

We respectfully request that Housing Bond Bill be amended to re-insert language authorizing the expansion of the state LIHTC by \$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. This was contained in the bill as reported out by the Joint Committee on Housing and the Housing Committee on Bonding, Capital Expenditures and State Assets.

Since its creation, the Massachusetts LIHTC program has created or preserved over 10,000 affordable homes in communities across the Commonwealth. The program has also helped to create over 2,500 market rate homes. The tax credit also creates jobs and opportunities for continued economic development. In its 17-year history, the program has created an estimated 14,000 construction jobs. Developments financed with the Massachusetts LIHTC program have also supported over 4,000 in additional ongoing employment opportunities.

Unfortunately, supporting our state resources for affordable housing is even more important now in light of developments at the federal level. Again, federal tax cuts significantly weakens the federal Low-Income Housing Tax Credit and Massachusetts faces an annual loss of tens of millions of dollars in resources for affordable housing. While Massachusetts may not be able to make up for all the cuts, expanding our state LIHTC can help minimize these impacts.

Expanding the Massachusetts LIHTC program can also help to immediately preserve an estimated 4,000 affordable units built under the 13A program. Enacted in the 1970s, the 13A program provided financing for the creation of 8,600 affordable homes. Massachusetts is currently at risk of losing thousands of these affordable homes as owners of properties built under the 13A program either pre-pay their mortgages or see their subsidies expire between 2017 and 2020. The low-income residents who live in these homes face an imminent risk of displacement if no action is taken. Additional Massachusetts LIHTC funds can be used to preserve the affordability of these at-risk units created under 13A.

Community Investment Tax Credit (CITC)

The CITC enables local residents and stakeholders to work with and invest in community development corporations (CDCs) to improve economic opportunities for low and moderate income households in communities across the Commonwealth. Over the past three years, this program has generated nearly \$24 million for CDCs across the state, enabling them to deepen their community engagement, create more housing

opportunities, and increase their impact. The Housing Bond Bill extends the CITC through 2025 and gradually raises the annual cap from \$6 million to \$12 million.

Brownfields Tax Credit

The Brownfields Tax Credit helps clean up polluted sites in Massachusetts and transform them into places where people can live and work, creating housing and economic development opportunities. The Housing Bond Bill extends the Brownfields Tax Credit for five years.

According to the most recent published list of Brownfields Tax Credit awards in 2014, Massachusetts issued \$24.4 million in credits for 43 sites across the Commonwealth. Housing has been developed on 15 of those sites, with tax credit awards totaling over \$6 million. At these 15 projects alone, the tax credit has helped create almost 1,500 new housing opportunities, with at least 265 of the units affordable to low-income households.

Housing Development Incentive Program (HDIP)

HDIP provides Gateway Cities with a redevelopment tool to help create affordable and market rate housing, promote neighborhood stabilization, and support economic development through tax credits. The Housing Bond Bill extends the annual \$10 million authorization for HDIP until 2024.

Thank you for your consideration and for your continued commitment to affordable housing. Again, we respectfully request that the Committee will quickly report H.4134 out favorably.

Sincerely,



Eric Shupin
Director of Public Policy