MIXED-INCOME HOUSING IN THE SUBURBS: LESSONS FROM MASSACHUSETTS

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September 2006

Acknowledgements

I initiated this study in 2004 as part of Fannie Mae Foundation's James A. Johnson Fellowship. The fellowship afforded me the opportunity to step back from my day-to-day work at CHAPA and delve into a topic of great interest to me. I am extremely grateful to the Fannie Mae Foundation to have benefited from this incredible program. The fellowship also enabled me to visit several metropolitan areas across the country so I could learn about regional housing strategies, to read about the intersection between affordable housing and smart growth, and to launch a housing awareness campaign in Massachusetts.

I would like to thank Ann Verrilli for her impeccable research and writing skills and for sticking with this for the past two years, and Dana LeWinter for assisting us on the case studies and especially the literature review. Finally, this work was inspired by Bob Kuehn, a pioneer in mixed-income housing and long-time CHAPA board member, who passed away on June 15, 2006.

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I. INTRODUCTION

This study examines the factors behind the rising support for mixed-income development as a model for producing affordable housing. It reviews the efforts of the State of Massachusetts since the 1960s to promote mixed-income housing and how local zoning policies, federal subsidy and tax policies and fluctuating market conditions initially frustrated those efforts but more recently have led to a significant rise in mixed income housing production statewide and made it the predominant mode of production in suburban communities. It uses statewide data and case studies to examine the extent to which mixed-income housing is achieving some of the varied goals cited by proponents.

For this study, mixed-income housing is defined as a development that includes both units reserved for households with incomes at or below 80% of area median and market rate units priced for households at incomes above 80% of median income.

Mixed-income housing as a federal, state and local housing policy has gained much support in recent years and has been promoted in many forms from HOPE VI to inclusionary zoning. Early advocates recommended it as a way to avoid or reduce concentrated poverty in subsidized housing and, to the extent that it was most likely to be sited in non-poverty areas, as a way to give low-income families access to safer neighborhoods, better schools, and more employment opportunities. They also saw it as a way to reduce subsidy costs (by shifting some costs to market units) and to promote better design and management (to attract and retain market rate tenants). Since the tax reforms of 1986, it has also been seen as a way to bring "market discipline" to project planning and financing. Proponents also cite its potential to reduce opposition to affordable housing in low-poverty areas and suburban communities, as local officials and residents appear to prefer it as a social and fiscal model.

Some analysts, however, suggest many of the social goals of mixed-income housing can be achieved by simply broadening the range of incomes in subsidized housing, increasing the percentage of working residents, or promoting siting in low-poverty areas. They point out that many of the benefits of mixed-income housing derive from reducing the concentration of severely disadvantaged households or enabling low-income households to leave poverty areas rather than from interacting with higher income neighbors. Others note that many mixed-income projects do not serve the extremely low income families intended to benefit from deconcentration.

Massachusetts offers a special opportunity to examine the benefits and limitations of mixed-income housing, particularly in suburban areas. The State has been able to expand siting options through a 1969 statewide zoning law ("Chapter 40B") specifically intended to overcome barriers to development in communities with little subsidized housing. It has also provided State funding for mixed-income housing since the late 1960s. In addition, an often tight housing market in much of the state – due in large part to restrictive local zoning - has made mixed-income housing more feasible than it would be in markets with less pent-up demand.

The literature on potential benefits of mixed-income housing is wide-ranging, reflecting the quite varied goals of proponents, particularly with regard to the income levels such housing should serve. Definitions of mixed-income housing are equally diverse, varying with the goals of proponents. The biggest divide is between definitions that require the inclusion of very low-income households, and especially extremely low-income households, and those that do not, because it is these lowest income groups who are most likely to have limited housing choice outside low-poverty areas and who are more likely to live in areas of concentrated poverty.

Overall, there is broad agreement in the literature that while there is little hard data on the benefits of mixed-income housing, it appears to be a useful vehicle for producing high quality, well-managed housing. At the same time, there is agreement that the social and real estate benefits can be also be realized in developments that do not include market rate units as long as they include working households and are adequately funded and well-managed. It also suggests that while siting housing in low-poverty areas offers important benefits to low-income families and lower risk and costs for developers and funders, income mixing and low-poverty siting alone have limited power to provide upward mobility to the most disadvantaged adults. Finally, there is general agreement that the policies that promote mixed-income housing must include safeguards to ensure that government will continue to address the housing needs of the most troubled and disadvantaged households, as well as households who do not wish to move to low-poverty areas.

A comprehensive literature review of mixed-income housing can be found in Appendix IV.

II. THE EVOLUTION OF MIXED-INCOME HOUSING IN MASSACHUSETTS

A review of the history of mixed-income housing production in Massachusetts shows that both zoning and subsidy availability played a key role in shaping developer incentives and housing outcomes. This review of the history of mixed-income housing in Massachusetts looks more closely at its use in low-poverty areas, and particularly its use in suburban communities.

The State of Massachusetts has long supported affordable housing (it is one of only two states with a state-funded public housing program and that inventory is almost twice as large as its federal public housing inventory). It first began promoting mixed-income housing in the mid-1960s in response to an influential Legislative Commission report[1] that broadly examined the housing problems of low-income families and seniors in Massachusetts, quantified the large unmet need for safe, sanitary and affordable housing for low-income households and the social ills arising from the growing concentration of poverty in public housing. In addition to recommending new legal protections for tenants, better code enforcement and programs to combat redlining, the Commission recommended that the State revamp its family public housing program and encourage the development of mixed-income housing, both to avoid concentrations of poverty and to expand financing options.

The Commission report included draft legislation to implement its recommendations and the State Legislature adopted many of the proposals, creating several new subsidy programs to encourage mixed-income and scattered site public housing between 1965 and 1967. Equally important, as it became clear that local zoning ordinances were limiting the places where such housing could be built, the Legislature enacted a statewide zoning law ("Chapter 40B") in 1969 to allow an override of local zoning barriers. It continued its efforts to promote mixed-income housing with a second set of subsidy programs in the 1980s.

As detailed below, the rise in state and federal subsidy funds throughout the 1970s and early 1980s decisively expanded the supply of subsidized housing in low-poverty communities throughout Massachusetts. However, relatively little mixed-income housing was produced prior to 1985 due to the types and levels of state and federal subsidy funding available, subsidy program rules, federal tax disincentives, bond market conditions and fluctuations in housing demand. Since the mid-1980s and especially since the mid-1990s, however, mixed-income housing production has become the primary form of affordable housing production in Massachusetts, particularly outside larger cities.

The rise in mixed-income production in the past decade has been driven by both reductions in subsidy funding and increasingly restrictive local zoning that led market rate developers to begin adding an affordable component to their projects in order gain access to the affordable housing zoning law, Chapter 40B. However, with limited subsidy funding available, much of this housing may be out of reach for many very low-income households. In addition, the same fiscal concerns that have led most cities and towns to adopt restrictive zoning continue to constrain affordable housing production in the suburbs for families with children.

Impact of State Zoning Laws on Mixed -Income Housing Production

Massachusetts differs from much of the nation in that most government functions below the state level are carried out at the city and town level. County functions are extremely limited and regional cooperation is largely non-existent in most parts of the state. Taxes, other than state taxes, are levied at the city and town level. Zoning is established locality by locality. In larger cities, the power to change zoning lies with elected officials while in all other communities it lies with residents.

In many communities, local restrictions have long made it almost impossible to build multifamily housing, including subsidized housing, as of right. This fact led the State to adopt a zoning law in 1969 ("Chapter 40B") that permits local zoning boards to waive local requirements as needed to make developments with an affordable component feasible and allows the State to overrule negative local decisions in communities with little subsidized housing.

Local Land Use Powers Massachusetts has 351 cities and towns. Fifty have a "city" form of government (with city council or board of aldermen and usually a mayor), while 301 have a "town meeting" form of government under which most major fiscal, zoning and by-law decisions must be approved by residents at special meetings held several times a year. Of the 301 town meeting communities, 261 have "open" town meetings, where any resident who is a registered voter can participate in decisions, while 40 have representative town meetings where voting is limited to locally elected town meeting members. This gives local residents a high level of control over zoning in their community, and decisions are greatly influenced by concern about local fiscal conditions. In 2000, town meeting communities contained 48% of the state's occupied housing but only 29% of its occupied rental stock and 25% of its subsidized housing.

Two major state laws governing local zoning and land use decisions both give cities and towns primary control over most aspects of land use regulation. The Zoning Act (Chapter 40A) governs allowed land uses and dimensional requirements. The Subdivision Control Act governs the division of land when development involves creating new streets and providing municipal utility services.

Under the state Zoning Act (Chapter 40), municipalities establish their own zoning through local ordinances or bylaws.[2] Zoning ordinances and bylaws include a map "delineating distinct districts" and text that describes allowed uses, minimum lot size, setbacks, and other requirements and regulations, as well as administrative provisions (e.g. procedures for review, special permits, variances, public notice and hearing requirements, appeals, zoning and planning board powers, enforcement procedures). Either planning boards or citizens can propose changes to the local zoning ordinances or bylaw, but the approval process varies depending on the local form of government. In the 50 municipalities with city government, changes require approval by two-thirds of the city council or board of aldermen**.** (In some cities, special permits must also be approved by a two-thirds vote of the council/board). In the other 301 communities, *changes must be approved by two-thirds of Town Meeting members*.

Local control over subdivisions is less direct. Planning Boards control the approval of projects that involve the subdivision of parcels of land into more than one building lot but must follow the state Subdivision Control Act[3], enacted in 1953. If the proposed new lot or lots comply with existing lot size and frontage requirements, land may be subdivided under an Approval Not Required (ANR) plan and is exempt from subdivision control laws. Lots that do not comply must be approved under a Definitive Subdivision Plan. In those cases, the planning board has authority over how the land is divided, lot sizes, roadways and utility placement, but it cannot impose requirements regarding the housing developed on the approved lots. Most subdivisions require the construction of a new road or roads (to create legal frontage for new building lots) and many towns have their own approval processes, standards, and minimum requirements for new roadways. Approvals under the subdivision control act can trump zoning changes for a while. If a town increases its zoning requirements, approved lots are exempt from the change for 5-8 years.

Recent Drivers of Fiscal Zoning Fiscal zoning – using land use controls to attract "occupants (firms or households) whose contributions in taxes exceed their use of public services"[4] and discourage uses perceived to have a negative fiscal impact - is common in Massachusetts as elsewhere. Over the past 50 years, most Massachusetts communities have increased minimum lot sizes and eliminated or drastically reduced the areas where multifamily housing can be built. A 2000 State study of a 16-community sample found *allowed residential densities (units per acre) had fallen by 50% on average,* limiting new development to half the density of existing housing and that the state's population density on developed land had fallen by more than 50% since 1950 (from 11.19 persons per acre to 4.97.)[5] Changes in state law in the 1980s and 1990s, including the imposition of caps on local property taxes (Proposition 2 ½) and a new state aid formula for schools (Chapter 70) have heightened municipal concern about the fiscal impact of new development.

<u>Proposition 2 ½</u> Municipal officials' concern about fiscal impacts in Massachusetts is driven by state law as well as concern about taxpayer sentiments. "Proposition 2 ½", enacted in 1980 by referendum, caps the <u>total amount</u> communities can raise through real and personal property taxes at 2.5% of their tax base (levy ceiling) and also limits cumulative <u>annual growth</u> in property tax collections from <u>existing</u> properties to 2.5% a year. This means the maximum amount communities can raise through their property taxes can grow by 2.5% a year plus increases due to "new growth" (increases in the tax base due to new development or changes in use). If a community is below its total cap, it can raise taxes in a given year by more than 2.5% but once it reaches its levy limit, it can only go above it if residents vote to allow an "override". Residents can vote to go above the limit temporarily for capital projects[6] or permanently by a specific amount. Permanent override amounts are added to the levy limit.

Until 1990, the effects of Proposition 2 ½ were limited because the state experienced an unprecedented economic and real estate development boom, so that new growth combined with large increases in state aid to localities approved by the Legislature more than offset the new limits on local taxing capacity. In 1990, however, the state went into a deep recession and local aid from the state government was reduced. While local aid grew again between 1995 and 2000, during a brief period of economic recovery, it has fallen off since 2000.

As a result, more communities are reaching their levy limits as municipal costs have grown at a rate exceeding 2.5%, often due to factors unrelated to population growth (a recent survey of Greater Boston suburbs found the one-year rise in municipal health insurance costs alone consumed almost half of all new levy growth in the average community in 2005). If residents are unwilling to approve an override, services must be cut. In many communities, this has led to heightened concern about the fiscal impacts of new residential development generally, and especially development likely to attract households with school age children. A State study in 2000 found communities at or close to their 2.5% limits issue fewer building permits and generally have more restrictive zoning.[7]

Chapter 70 School Aid Formula School costs, as the largest single element in most municipal budgets, have always been a concern of communities facing development. This concern has grown in many suburbs since 1994, when the Massachusetts Education Reform Act ("Chapter 70") went into effect. Chapter 70 increased the state's role in education, setting new statewide standards for achievement and providing a substantial increase in state funding for school operating costs, particularly for poorer communities. Funds are distributed by a statutory formula described by the state Department of Education as "extraordinarily complex and not without its flaws."[8] The formula establishes a "foundation budget" for every school district in the state, intended to represent the amount a district needs to spend on a per-pupil basis to deliver adequate schooling. The State then calculates how much each community can "afford" to contribute to the foundation budget (based on local tax values, per capita income and other factors) and how much state aid is needed to make up the difference.

Criticism of the current formula - now being revised - is widespread. Many cities and suburbs feel that the foundation budget formula understates the cost of operating a high quality school system (many wealthy communities now fund their schools at 130% or more of the foundation level). It is also slow in addressing enrollment growth, since annual funding is based on year-old enrollment data. This lag raises concerns in communities experiencing development. Affordable units may raise extra concerns because, while the foundation budget formula provides extra funding for low-income and bilingual students, it only counts students enrolled in free or reduced lunch programs as low income. Although the Legislature created a reserve fund that can be used to help communities with extraordinary needs, including needs arising from enrollment growth, relief has been erratic due to high demand and changing eligibility thresholds.[9]

Unpredictable Chapter 70 funding levels in recent years have exacerbated sensitivity to school enrollment growth. While total State funding for education more than doubled in the first 10 years after Chapter 70 was enacted, because the authorizing legislation mandated minimum funding levels, increases varied among apparently similar communities and most of the increase has gone to poorer urban and rural districts. Concerns have grown since FY2000, when the original authorizing legislation expired and Chapter 70 funding began to fall, especially during a state revenue crisis in 2001-2003.

Local school systems are also under increasing performance pressure because Chapter 70 also created a new system of annual standardized tests (the Massachusetts Comprehensive Assessment System or MCAS) administered to students in the 3rd, 7th and 10th grades. The results, along with ranking statistics, are published annually for every school district and individual school, potentially increasing or decreasing demand for homes in various communities. This has created pressure to increase the local contribution to school costs, usually through an override vote.

Recent Trends to Control Fiscal Impacts The combined effect of property tax ceilings and unpredictable school funding has made cities and towns in Massachusetts increasingly sensitive to the perceived fiscal impacts of new housing, especially housing that might attract families with children. As one local planner noted: "Towns did not complain when you and I went to school, but let's not talk about our kids moving back home and sending their kids to our schools." This has led to a rise in the number of communities that have adopted zoning policies intended to "childproof" new development by encouraging age-restricted (age 55+) housing and limiting unit sizes in new multi-family development to 1 or 2 bedrooms.[10]

Local estimates of the fiscal impact of individual developments are often based on distorted information. Two recent studies in Massachusetts show that residents and local officials often overestimate the likely impacts of new housing, especially multifamily housing, and fail to recognize that turnover of existing single-family homes is responsible for most growth in school and other municipal service costs. Much of the overestimation has resulted from the use of outdated fiscal impact models that tend to look at average rather than marginal effects on service needs.

The studies also found the most common models for forecasting the likely number of residents in new units were too general and failed to break out variations by housing type (multifamily vs. single family), density (high density developments are less likely to attract households with children than low density developments with open space), price (new market rate rentals are less likely to attract families with children if less expensive low density rental alternatives exist) and unit size (number of bedrooms). A Federal Reserve study also found that communities with highly regarded school systems generally attract more families with school-age children than otherwise similar communities, although high housing costs can constraint this effect.[11] Overall, the studies concluded that fiscal impact estimates have to be tailored to an individual community's circumstances since the level of growth that can be absorbed without requiring major capital investments in schools and infrastructure varies from town to town.

Comprehensive Permit Zoning Law (Chapter 40B) In the late 1960s, there was a growing recognition that local opposition to affordable housing was limiting the places in Massachusetts where subsidized and mixed-income housing could be developed. The rise of the civil rights movement had increased support for addressing this problem and urban legislators whose school districts were increasingly subject to anti-discrimination legislation, felt it was time to address exclusionary housing policies in the suburbs as well. Housing advocates and urban legislators joined forces, and in 1969, the State legislature enacted a statewide law that allows the state to override local rejections of affordable housing proposals in communities with a limited supply of subsidized housing. The law – often referred to as the "anti-snob" zoning law - is codified as Sections 20-34 of Chapter 40B of Massachusetts General Laws.[12] Though highly unpopular with many municipal officials, it has remained unchanged since its enactment.

Chapter 40B simplified the local approval process for developers of "subsidized" housing (projects in which at least 20-25% of the units are affordable under a local, state or federal subsidy program and subject to a long-term legally binding use restriction). The law allows such developers to request project approvals – including waivers of local zoning and code requirements if needed for economic feasibility - in the form of a single "comprehensive permit". (State requirements, including wetland controls, cannot be waived under this process).

More importantly, it allows developers to ask the State to modify or overturn adverse local comprehensive permit decisions in communities where subsidized housing makes up less than 10% of the year-round housing supply (some exceptions to the 10% standard exist, primarily for communities that have recently added large projects.) The law is administered by the state Department of Housing and Community Development (DHCD). It has been actively applied since 1973 (after a favorable court decision established its legality) and has been crucial to development efforts in suburban and rural areas where local zoning often prohibits multifamily housing.

Communities Subject to State Appeal For the first 32 years after the law was enacted, developers had the right to appeal an adverse local decision to the State Housing Appeals Commission (HAC) unless the project was located in a community where at least 10% of its year round housing supply was "subsidized", as defined below. The law also exempted communities from appeals if subsidized housing occupied at least 1.5% of its total developable land area or a project taking up the larger of 10 acres or $3/10^{th}$ of 1% of its land area had been developed in the prior year, but these provisions were rarely used.

Housing that Counts toward the 10% Goal   To be exempt from appeal, communities must have met the 10% goal or one of the other thresholds at the time of the decision. To help communities monitor their status, DHCD maintains a Subsidized Housing Inventory (SHI) that lists the number of units in every community that count toward the 10% threshold and the percentage of their year round housing stock[13] that the figure represents. Units are counted toward the 10% goal, if they: (1) provide permanent housing; (2) are subsidized under a local, state or federal program that meets standards established by DHCD; (3) are subject to a long term, legally binding affordability restriction (currently at least 30 years for new construction projects, 15 years for rehabilitation projects); and (4) meet state or federal affirmative marketing requirements (projects with a 100% local resident preference do not count).

Usually, the units must be in projects where at least 25% of the units are affordable to households with incomes at or below 80% of median or in the case of rental housing at least 20% are affordable to households with incomes below 50% of median. Units in developments with a lower percentage of affordable units can also be counted if they meet the other criteria. Units with short-term subsidies only—for example, Section 8 tenant-based vouchers-- do not count.

In the early years of the law, the State only counted the affordable units toward the 10% goal. However, to reduce local hostility to rental housing, HAC decided in 1982 that all of the units in rental projects should count toward the goal, as long as at least 20-25% of the units were affordable and under a long term use restriction. In homeownership projects or rental projects where less than 20-25% of the units have an affordability restriction, only the affordable units count. This differential treatment led some towns to encourage mixed-income rental housing because they could meet the 10% goal while keeping the percentage of their year round stock that is affordable as low as 2-2.5% and to require developers to agree to keep projects as rental housing in perpetuity. Historically, units did not count until construction was complete. Under regulations adopted in 2001, units now count as soon as the comprehensive permit is issued.

Approval Process To streamline the approval process, Chapter 40B allows developers of qualifying projects to apply to the local Zoning Board of Appeals (ZBA) for a single comprehensive permit (CP), rather than applying for separate approvals from the various local permitting agencies. Developers can request waivers of specific local requirements, including zoning, if needed to make the proposed project economically feasible (the application must specify the waivers a developer is requesting). The comprehensive permit does not apply to State requirements, including the State Building Code and the Wetlands Protection Act and local agencies enforcing those regulations make their permit decisions separately, though the ZBA can waive local requirements that exceed the State requirements. Because the CP process allows a more flexible approval process, many communities above the 10% threshold routinely use it.

The State encourages developers to meet with local officials before requesting a site approval letter and formally filing a comprehensive permit application. This helps to identify items that may be of concern to local officials and to resolve those concerns. The ZBA is in charge of reviewing the permit application and making the final decision (to issue the permit as requested or approve it with conditions or deny it outright) after soliciting comments from all the local boards and after one or many public hearings. The ZBA can adopt its own review procedures by local regulation but if they do not, they must follow model rules drafted by the State Housing Appeals Committee (HAC).[14]   Hearings typically last several months as local concerns are explored and addressed. The ZBA must issue a decision no later than 40 days after it ends the public hearing.

The length of the time it takes for the ZBA to issue a decision varies. Under the 40B statute, the ZBA must open the hearing within 30 days after a complete application is filed, otherwise it will be deemed constructively approved. However, there is no deadline for concluding the hearing process, meaning contentious projects can drag on for years. Generally, the review and approval process involves negotiation between the developer, local officials and concerned residents and abutters. Some developers begin discussions with local officials (planning board, board of selectmen, local affordable housing committees) prior to filing the formal application for a permit, with the goal of obtaining selectmen or city council support of the development plan in advance of the ZBA hearing. Projects with such approval are referred to as "friendly 40Bs". Others choose to begin negotiations with the filing of the permit application.

As detailed in the case studies, communities frequently feel under attack the first time a 40B project is proposed, particularly if it is unfriendly, because of the appeal option. However, ZBAs control the hearing timetable and the State provides funds for communities to hire a consultant to advise them in negotiations. This gives developers an incentive to negotiate and many communities use the negotiations to require developers to fund local municipal needs not entirely related to the proposed development. Developers often accept these added costs to avoid delays and litigation, even though they probably could successfully appeal them to the State.

In making their decision, ZBAs generally seek to avoid the likelihood of appeal and thus must consider the criteria the State will use if the developer appeals.[15] The criteria differ depending on whether the ZBA denies the permit or approves it with conditions. Under the statute, if the ZBA denies the permit outright, the State's review is limited to whether the denial was "consistent with local needs" (including the regional need for affordable housing). Denials are only consistent with local needs if the community can show that the rejection was based on health, safety, design and/or open space concerns that are so serious as to outweigh the *regional* need for affordable housing.

Denials based on local concerns about design, traffic impacts, fiscal impacts, school overcrowding, and water shortages have generally been overturned because of the weight given to regional housing needs. Denials upheld tend to involve very serious hazards (e.g. a proposal to build housing next to the end of an airport runway). Given HAC's track record, the number of communities denying comprehensive permits has dropped dramatically over time and local scrutiny of the economic impact of conditions has increased.

Developers can only appeal conditions that would make the project "uneconomic" (i.e. would result in a financial loss to the developer or result in a return on investment - for a limited dividend developer - that is below the level allowed by the subsidizing agency). Developers who are unhappy with the local decision have 20 days to file an appeal with the State Housing Assistance Committee (HAC), though appeals can take a long time to be decided. HAC encourages negotiation to resolve differences so that it does not have to overrule the ZBA decision. If negotiations fail and HAC finds a denial or certain conditions unwarranted, it will order the ZBA to issue a permit outright or with changes to the conditions. If the ZBA fails to comply, HAC can issue the permit itself. Of the 415 appeals concluded between 1970 and 2002, almost half (45%) were withdrawn, dismissed or settled, another 24% were negotiated between the town and the developer and just under a third (31%) were decided by the HAC (of those, 84% overruled the local decision and 16% upheld it).[16] HAC decisions can be challenged in Superior Court. Abutters can also tie up a project by appealing the local decision to the State Land Court.

Impact of 40B on Affordable Housing Production Chapter 40B has played a critical role in the production of affordable housing in Massachusetts over the years, particularly outside cities, and its importance has grown as funding for subsidized housing has fallen and local zoning has become more restrictive. Chapter 40B has also helped Massachusetts diversify the location of subsidized housing. In 1972, almost three quarters (70%) of the state's subsidized housing was located in its 15 largest cities. Even though those cities have doubled their subsidized inventory, they now account for only 53% of the state's subsidized housing.[17] While 200 of the State's 351 cities and towns had no subsidized housing in 1972, the figure fell to 42 (primarily very small rural towns) by 2003.[18]

When first enacted, Chapter 40B served as a vehicle to let state and federal housing subsidy programs function. Most affordable developments were financed under deep subsidy programs, and Chapter 40B made it possible to use that funding more widely, especially in communities with large lot requirements and little or no land zoned for multifamily housing. Most developments built prior to the mid-1980s were 100% or nearly 100% affordable. More recently, with reductions in the amount and depth of subsidy funding available, Chapter 40B *has effectively become a production program itself as well as a driver in the production of market rate multi-family housing*, by giving developers of market rate housing an incentive to include affordable units in order to be able to build any housing at all.[19] (Inclusionary zoning ordinances provide an alternative mechanism in a handful of cities and towns.) [20]

To date, over 43,000 units have been built using comprehensive permits (CPs) in more than 200 communities. Overall, comprehensive permit projects accounted for about 20% of the units added to the state's Subsidized Housing Inventory between 1972 and 2002 (many of the other units were built in cities where the CP use was unnecessary). But the 20% figure masks the rising importance of Chapter 40B. While projects using CPs accounted for only 15% of units added to the Subsidized Housing Inventory in the early 1970s, the percentage rose to 36% in the mid-1980s and 81% since the mid-1990s.[21]

A recent study found that units developed using Chapter 40B accounted for almost 30% of *all* new rental housing built in the 161 communities comprising Greater Boston between 1997 and 2002 and more than 80% of the affordable units. In communities below the 10% threshold, units built using Chapter 40B accounted for almost half of all new production and 96% of the affordable units.[22]

Location The use of Chapter 40B is driven by economics. Developers build in markets where demand is strong and the housing can be profitably produced (or, in the case of nonprofit organizations, where it can be feasibly produced). Land costs and availability, subsidy availability, local receptivity and local zoning rules all affect feasibility.

Developers are less likely to use Chapter 40B in cities, because many cities allow multifamily housing as of right (most are also over the 10% goal). Since urban officials are often receptive to affordable housing, requests for zoning waivers can be handled through the special permit or variance process. However, some cities routinely use 40B instead because of the zoning flexibility it offers. In some communities, developers can choose between Chapter 40B and local inclusionary zoning ordinances that offer lower affordability requirements (many require that only 10-15% of the units be affordable and/or allow higher income limits for affordable units).

Types of Housing Built Subsidy availability has affected the type of housing built using Chapter 40B. With general drops in state and federal funding, an increasing percentage of subsidized housing in Massachusetts is being built without direct financial subsidies. In 2003, for example, just over half (55%) of the affordable units created in Greater Boston used state or federal funds. The other 45% were in projects using only Chapter 40B (37%) or developed by other public action, such as inclusionary zoning (8%). The attitudes of town officials and boards also influence the type of housing built, especially when it comes to family housing and especially when using 40B alone for the subsidy. Variations in local attitudes have resulted in varied levels of affordable production among similar communities. Some suburbs continue to fend off affordable development (using the power of delay), some support non-family housing only and some have been strong supporters of affordable housing for families.

Impact of State and Federal Subsidy Programs on Mixed-Income Housing Production

The extent of income mixing in subsidized housing in Massachusetts developed since the late 1960s has been strongly influenced by the forms of state and federal housing subsidy funding available at different times, subsidy program rules, and market conditions. The Commonwealth began a serious effort to address the problem of concentrated poverty in subsidized housing in the late 1960s, enacting several programs to encourage development in non-poverty locations and to encourage mixed-income housing. The impact of the early initiatives was limited by state funding constraints and federal policies that provided disincentives for income mixing and favored urban locations. A second set of initiatives in the 1980s was somewhat more successful. Since the mid-1990s, a strong housing market has provided much of the incentive

Early Mixed Income Housing Initiatives in Massachusetts (1966-1971) The State's first mixed-income housing initiatives followed the release of a highly influential 1965 special legislative commission report[23] on low income housing needs, including the problems of slum housing and growing concentrations of poverty in public housing. The Commission recommended that the State create and fund a series of new programs to address these problems, given the limited availability of federal funds. It provided 17 pieces of draft legislation to address a host of issues including the need for greater tenant protections and better code enforcement, the need for more subsidized housing and the need for new programs to address the unwillingness of lenders to invest in many urban neighborhoods.

The Legislature enacted many of the proposals in 1966, including creating three programs specifically designed to encourage the development of mixed-income and scattered site housing, especially for families.[24] It enacted Chapter 40B in 1969 when it became clear that local regulations were preventing development in many communities. The language in the statutes creating these new programs shows the concern with avoiding concentrated poverty.

Leased and Scattered Site Family Public Housing ("Chapter 705") Following the example of the then-new HUD Section 23 program[25], the Legislature authorized a new state-funded family public housing program intended to mix public housing units with private units. The program allowed housing authorities to purchase private units, including units in larger rental and condominium developments, as long as the housing authority units did not make up more than 25% of the units in a building. It also authorized housing authorities to build new developments, but only if they were unable to purchase existing units. New projects had to be at least 1/8th of a mile away from existing public housing projects and small (while the statute set a cap of 100 units, the average development had fewer than 6 units and the largest 24)

Massachusetts Housing Finance Agency (MHFA) Statute The Legislature also created Massachusetts Housing Finance Agency in 1966 - the second HFA in the nation after New York – specifically to finance mixed income housing. The enabling act required that projects serve at least two income tiers and allowed a market rate component as well. At least 25% of units in projects had to be reserved for low-income households ("adjusted rent" units) with rents set at 25% (now 30%) of income. Rents for the remaining units ('below market rate rent" units) were to be set at the level needed to cover costs, but were expected to be below market rents because of the combined effect of profit limits imposed on developers and debt service savings. To encourage ongoing income diversity, the statute required MHFA to allow over-income tenants to stay on (with appropriate rent adjustments up to market levels, once their income exceeded 6 times the below market rent). Excess rental income from market rent tenants could also be used to subsidize the low rent units.

The statute required MHFA to set income limits that were "sufficiently flexible to avoid undue economic homogeneity" with an upper limit at the time of admission of 5 times the below-market rent. MHFA was expected to use rent skewing or rent subsidies – including a new state-funded rental assistance program - to write down the rents on the low income units. Projects were expected to use FHA insurance, since the MHFA bonds were not backed by the credit of the state. MHFA could only finance projects in areas with a shortage of affordable private housing that would not be addressed by projects in the pipeline. MHFA financed its first project in 1969, after challenges to its legality were settled.

State Funded Rental Assistance ("Chapter 707") To give low-income families greater access to private housing, the Legislature also authorized a project-based rental assistance program for use with MHFA- and FHA-financed projects and by local housing authorities (to rent units for families in the private market). To avoid concentrated use, the statute capped the percentage of units that could be assisted in a block (20%) or a building (25%), with higher limits allowed for 1-8 unit buildings). The statute gave large families (4 or more children) first priority for assistance.

While these initiatives led to the development of more projects outside the largest cities and the new projects served *a broader range of incomes*, they produced little mixed-income housing until the mid-1980s for a variety of reasons.

The Chapter 705 public housing program produced almost no housing in its early years (50 units came under management between 1966 and 1975, compared to the 20,000 state-funded family units produced in the 7 years following World War II). Reports[26] from that time indicate multiple causes, including delays in issuing regulations (legislation creating a separate Department of Community Affairs was not enacted until 1968) and limited interest in the program by the State housing agency and on the part of many local housing authorities. In Massachusetts towns, housing authority boards are elected and many were primarily interested in housing for the elderly. Capacity and inexperience with leasing[27] also played a role, as many smaller communities lacked housing authorities and many other suburban authorities were very small and had only part-time staff.

The program finally gained momentum after 1975, with the election of a new governor (Dukakis), whose administration began requiring communities seeking funds to develop new elderly public housing to develop Chapter 705 housing as well. While some communities found it difficult to site new developments due to limited land availability and neighborhood opposition, about 3,000 units were developed before a State fiscal crisis in 1989-1990 ended funding for the program and forced cancellation of additional projects.

The Chapter 707 rental assistance program also got off to a slow start, again in part because the State was slow to issue regulations and guidelines. In addition, the Legislature began imposing restrictions on program operations through budget bill language, starting with a requirement that elderly households receive first priority for assistance (contrary to the statutory language) and requiring that at least half of funds be used in 1-4 unit buildings. Program utilization picked up in the 1970s as MHFA production expanded. In addition, amendments to the statute eliminated the cap on the percentage of assisted units in a block and in buildings of 12 or fewer units (1970), gave DHCD authorization to operate the program itself in communities lacking a housing authority or where the housing authority had chosen not to offer the program (1973), and added a tenant-based component to the program (1977). By mid-1983, the program was assisting 7,500 households including 2,000 in MHFA-financed developments.

MHFA proved far more successful in producing units and expanding housing opportunities, financing 37,302 units in 289 developments by the end of 1982, including 150 developments located outside the State's largest, poorest cities. Despite a committed staff, it was less successful in expanding opportunities for families, as many of the new developments were elderly-only and many others had relatively few bedrooms. Just under 10% of units produced overall (3,528) had three or more bedrooms. Efforts to create mixed-income housing that included market rate units were also stymied. While 23% of the units in the 134 projects financed through 1974 were market rate, almost no mixed-income projects were added over the next 8 years. By the end of 1982, market rate units represented only 5% of all units financed by MHFA and only 36 (15%) of the 289 projects it financed included market rate units and all but two were financed by 1975. Not surprising, 72% (26) of the mixed-income developments were outside the largest cities. A number of factors worked against the MHFA's efforts to develop housing with a market rate component during that period:

- Changing federal tax policy, including cuts in income tax rates for the highest brackets, reduced the savings available through tax-exempt bonds, forcing MHFA to use other federal subsidy programs to create affordability. While the federal programs of the 1960s and early 1970s (Section 236, 221d3 and Section 8 NC/SR) permitted and in some cases even encouraged income mixing or at least a range of incomes, a variety of factors -- including changing subsidy program rules--made mixed-income projects infeasible or unattractive to developers.

- Upper income limits fell when the Section 221d3 program – which served households with incomes up to 95% of median - was replaced in 1968 by the Section 236 program. This program targeted households at 80% of median and provided rent subsidies for up to 40% of the units. Income limits fell again in 1974 when the Section 236 program was replaced by the Section 8 New Construction/Substantial Rehabilitation program.

- Federal housing goals (including the revitalization of poor neighborhoods and refinancing of older failed projects, particularly under Section 8[28]), cost limits and planning requirements often favored urban proposals and thus limited funding for locations that could attract higher income households. FHA and HUD program rules also often made it difficult for suburban communities to access federal funds. In 1965, for example, only 40 communities in Massachusetts were even eligible to apply for federal housing and urban renewal funds, since funding was only available to communities that had a "Workable Program for Community Development" that met federal requirements regarding comprehensive planning, neighborhood analyses, code enforcement, relocation, and citizen participation. Because the State funded its own housing programs as well, the extent to which subsidized housing was concentrated in central cities was somewhat less pronounced in Massachusetts than in the nation as a whole. Nonetheless, a 1972 study found that 60% of all subsidized units in Massachusetts (including 34% of the state-funded units) were concentrated in the state's 14 largest cities.[29]

- Hostile zoning decisions outside most major cities also thwarted efforts to create mixed-income housing in low poverty areas with strong housing markets, even in cases where the State controlled the subsidies and could encourage suburban siting (the State had created a state-funded interest subsidy program called "13A," administered by MHFA, which mimicked the Section 236 program). Many projects in the early 1970s were stopped when communities denied or delayed requests for variances and permits. Siting in low poverty areas became more feasible after a series of court decisions upheld the legality of Chapter 40B in 1973 and the Housing Appeals Committee began overturning local permit denials.

- Starting in 1975, however, volatile interest rates and bond market conditions (influenced by the energy crisis, interest rates rising to over 18% and the New York City fiscal crisis) frequently made it difficult for MHFA to finance projects. MHFA had to stop accepting applications for two and a half years (September 1975 to March 1978), even as new subsidy funding became available through the Section 8 program. Federal tax incentives for investors in multifamily rental housing also made 100% low income housing more attractive. As a result, many developments subsidized by HUD and MHFA were 100% income-restricted from the start and most of the rest became 100% income-restricted after they encountered financial difficulties due to the subsidy structure (e.g. budget based rents that did not keep pace with rising energy and other costs) and received additional rent subsidies to improve their financial structure.

State Mixed-Income Initiatives in the 1980s Mixed-income housing development gained momentum in the mid-1980s, as changes in federal tax laws and subsidy programs altered developers' options (funding for new units largely dried up with the 1983 repeal of the Section 8 New Construction/ Substantial Rehabilitation program) and federal funding for new public housing was also deeply cut. At the same time, the Massachusetts economy was growing, a precipitous rise in housing prices (80% in 3 years) had led to calls for new affordable housing production and the State was trying to revitalize city centers. Beginning in late 1983, just weeks after the Section 8 repeal, the Legislature authorized a major expansion of state funding for public and private housing production and rental assistance. It also created a quasi-public organization in 1985 (the Massachusetts Housing Partnership) to build local constituencies for affordable housing and develop programs that responded to local housing concerns.

<u>State efforts to build local support for affordable housing</u> The State recognized that it needed to increase local support for affordable housing (and reduce antipathy toward Chapter 40B) if the new subsidy programs were to succeed. In 1985, State housing officials persuaded the Legislature to approve a one-time $35 million setaside of state funds (from bank excise taxes) to create the Massachusetts Housing Partnership (MHP) Fund.[30] MHP's charge also included developing programs that were responsive to local concerns and desires (including homeownership programs) and creating programs that could help redevelop urban areas.

On the suburban front, MHP began a campaign to encourage cities and towns to create committees of local officials, residents and businesses – called local housing partnerships (or LHPs) - to identify local housing needs and promote projects to address those needs. It also offered technical assistance and planning funds. Many communities were receptive and by 1989, there were LHPs in over 180 cities and towns. Many housing partnerships are still active today.

As one researcher noted, MHP built local capacity within communities (increasing local technical understanding of housing issues and programs and making the various parties aware of concerns and resources) and helped state and local actors connect. Though LHPs were somewhat informally organized, frequently as a voluntary city or town committee, they provided a vehicle for residents interested in increasing affordable housing as well as a locus for negotiations with developers.[31] MHP was spun off as an independent quasi-public agency with permanent funding in 1990.[32]

Subsidy Programs Three of the new subsidy programs, including a program for ownership units, were specifically designed to encourage mixed-income housing, in part to take advantage of strong demand for unsubsidized housing while also reducing subsidy costs. These programs stopped making new subsidy commitments in 1990, when the state experienced a severe budget crisis. But in the seven years they operated, the programs more than doubled the number of subsidized developments in Massachusetts that included market rate units. To ensure these new projects did not exclude very low-income families, the State required developers to reserve at least 20-25% of the units for very low-income households in rental projects and encouraged developers of ownership projects to make some units available for rental by the housing authority.

SHARP The State Housing Assistance for Rental Production (SHARP) program was created in 1983 to produce housing for people of "varied economic means" that did not lead to an undue concentration of low income households in any one neighborhood.[33] The program had two goals: (1) to revitalize cities by creating new housing and rehabilitating existing units and (2) to expand the affordable housing supply in other cities and towns.

It offered construction and permanent financing using MHFA tax-exempt bonds plus a 15-year state-funded declining "SHARP" subsidy to reduce the effective interest rate on project debt to 5% (with the expectation that rising market rate rents would make projects self-sufficient after that). The SHARP subsidy was limited to 25% of the units, but developers could use other subsidy programs[a] to increase the percentage of affordable units and the State encouraged developers to include moderate income as well as market rate units.

The SHARP subsidy was initially set at a level that would make it affordable to households at or below 80% of median, but the upper income limit dropped to 50-60% for projects financed after 1986 as the income limit for tax-exempt bond financed housing dropped (and most projects developed after 1986 also used the federal low income housing tax credit program). However, the "SHARP units" were actually affordable to households with lower incomes because the State required that they be reserved for holders of Section 8 and Chapter 707[34] tenant-based vouchers.

Active from 1983-1990, the program financed 82 projects with 9,400 units of which about 40% overall (3,950) were reserved for households with incomes at or below 80% of median. Just over half of the projects were in larger cities, generally in weak market areas, and many were close to 100% affordable. The other 37 projects (about 4,200 units total) were in smaller cities or suburbs and all had a significant market rate component (generally 65-75%). Many SHARP developments ran into financial trouble in the early 1990s when a statewide recession led to drops in rental demand and forced owners to drop rents, but most have since refinanced and remain affordable today. Two-thirds of the projects in suburbs and small cities (24 of 37) used

[a] The State created a second program, the Rental Development Action Loan program, in 1987 to provide operating subsidies for SHARP projects with higher percentages of affordable units or that were located in areas where market rents were low.

comprehensive permits and many are likely to remain affordable in perpetuity as a result of a State Supreme Court ruling in 2002 that projects that received comprehensive permits must remain affordable as long as they remain out of compliance with as-of-right zoning unless the permit specifically allowed a shorter period of affordability.

Tax Exempt Local Loans to Expand Rental Housing (TELLER) The State created a second, smaller program for mixed-income rental housing, by revising state law to "to make tax-exempt financing widely available at the local level."[35] The new program allowed local housing authorities to issue tax-exempt bonds to finance private, mixed-income housing through loans to private developers. At least 20% of the units had to be affordable to households with incomes at or below 50% of median.[36] Projects were eligible for low income tax credits starting in 1987 and the State made project-based Chapter 707 rent subsidies available on a backup basis for the affordable units. About a dozen projects were built using TELLER, including 11 in the suburbs and smaller cities, all with large market components.

Homeownership Opportunity Program (HOP) The HOP program was created by the Massachusetts Housing Partnership in 1986 in response to the desire of many localities for a program that would produce affordable housing for first-time homebuyers. HOP was the first program to use Chapter 40B as a production tool. HOP did not provide funds to write down development costs. Instead, it assumed that developers would obtain municipal assistance (e.g. donated land, CDBG funds) and/or use Chapter 40B to create affordability. The state "subsidy" consisted of low cost financing for the end purchasers (MHFA mortgages for those with incomes of up to 115% of median plus state-funded interest subsidies for those at or below 80% of median). Projects that received municipal assistance received priority for the homebuyer subsidies and communities could establish local preferences for 60% to 70% of the affordable units. While HOP did not require that developments include market rate units, the absence of direct subsidy funding effectively encouraged it, especially in communities that did not receive CDBG entitlement funds.

Given the shallow subsidy, the State also loosened its definition of "affordable" for HOP. Initially developers had to reserve at least 25% of the units in a project for households at or below 80% of median. But in 1988, in part to reduce the need for density bonuses, the State revised the affordability requirement, allowing a range of sale prices as long as 25% of the units were *on average* affordable at or below 80% of median. At least 5% were to be reserved for households at or below state public housing income limits (then 64% of median), with the expectation that housing authorities would use Chapter 705 family public housing funds to buy or lease those units.

HOP proved popular with developers. Ultimately, 103 developments with 3,900 units were developed[37], including about 2,600 outside the largest cities. About 60% of the projects included a significant market rate component (at least one-third of the project's units), while one-third of the projects were entirely "affordable". Due in part to a state budget crisis that erupted in 1989 as many projects were coming on line and the termination of funding for new public housing, only 11 projects ultimately included units leased or purchased by the local housing authority (5 in Boston, 6 in suburbs). While the affordable units were subject to resale restrictions for at least 40 years, the affordability of some has since eroded for a variety of reasons.[38]

HOP's popularity, however, almost killed the Chapter 40B statute, as it spurred an unprecedented number of applications for comprehensive permits – including multiple applications in many communities (especially those with lower land costs). Many localities urged legislators to amend or repeal Chapter 40B (24 such bills were filed in 1987), leading the Legislature to create a study commission to re-examine the statute. A serious housing slump in 1989, prior to the commission report, ultimately saved the statute by eliminating demand.

State Mixed-Income Housing Trends in the 1990s A number of events since the late 1980s influenced mixed-income housing production in Massachusetts in the 1990s. A sudden, deep state recession in 1990 dampened demand for housing in the first half of the 1990s and thus slowed mixed-income housing production until 1996. Changes in subsidy programs and the need to address the problem of expiring use restrictions also affected the availability of subsidies for suburban projects.

Changes in federal and state funding for affordable housing development Changes in federal and state funding sources and levels after 1986 have changed the profile of affordable housing production in Massachusetts in several ways. Congress and the state legislature replaced older subsidy programs with new programs that allow more diverse housing models (moving from a primarily rental inventory that is almost 100% subsidized to mixed-income, mixed-finance programs and homeownership assistance).

Overall, both the federal and state government cut the amount of funding available for new units. Competition for funds increased, as the state responded to the need to preserve existing developments with expiring use restrictions and to comply with federal and state court decisions that mandated increased assistance to previously underserved populations (especially individuals with disabilities). In addition, Congress has shifted more control over program design to the state and local level. However, the overall drop in federal subsidy dollars and tax incentives compared to the 1970s and early 1980s, and the more recent drop in state subsidy funds, has reduced the availability of direct subsidy funds for mixed-income housing production, particularly in suburban locations.

At the federal level, tax reform legislation and the enactment of the Low Income Housing Tax Credit (LIHTC) program in 1986 gave states greater control over the distribution of funds, allowing them to set goals in terms of siting and populations served. However, the economics of the tax credit program, combined with targeting requirements, have worked against mixed-income housing because high land and construction costs made market rate units too expensive except in communities relatively remote from core cities and favored urban projects.

The authorization of the federal HOME block grant program in l990 also gave states and large cities new flexibility in program design (and the ability to create consortia also eventually expanded the access of smaller communities to federal housing funds). The overall drop in federal subsidy dollars also increased the importance of CDBG as well as HOME as funding sources. Together, both programs have diversified affordable housing models, allowing:

- the creation of affordable ownership units through development subsidies and/or downpayment assistance programs (though few are affordable to households with incomes below 70% of median);
- the post-facto creation of mixed-income developments through the acquisition of units for rent or ownership in pre-existing condominiums and subdivisions (essentially an expansion of the early leased housing programs)

Overall, however, the effect of the federal funding programs on the availability of funds for affordable housing production in smaller communities has been mixed. In 1965, as the state's special legislative commission noted, only 40 communities qualified for federal housing funds because of planning requirements. Today, even fewer (33) receive CDBG on an entitlement basis and only 11 are HOME entitlement communities. While about 70 more belong to HOME consortia, the amount of funds available each year to these communities is very low. In addition, while the types of housing activities funded with State CDBG funds are largely driven by local preferences, few municipalities request funds for housing production, with most favoring homeowner rehabilitation programs.

At the State level, there have been similar trends in funding sources and levels. State funding for subsidized housing production has fallen dramatically since 1990. Older production programs, including state public housing, have largely ended. A number of new programs have been created, but most provide only partial funding and overall funding levels have been low.

The general scarcity of funding for low and moderate income housing production has led to many developers competing for scarce dollars and has prompted funding agencies to reserve tax credits and HOME for projects with a significant number of affordable units. The statutory requirement that at least 15% of HOME funds be reserved for projects developed by community-based nonprofits also favored projects with high levels of affordable units.

In addition, because LIHTC and HOME subsidies alone usually are not enough to create housing affordable to very low income households, and rental assistance funding has been cut[a], most developers must also seek other subsidy funding as well (a recent study estimated the average project in Massachusetts used 7 sources per project), making these programs increasingly difficult and time-consuming to use. This fact, combined with the highly regulated nature of most programs, makes them unattractive to smaller private developers.

In addition, starting in the late 1980s, developers seeking to create new affordable housing have had to compete for funds with communities trying to preserve "expiring use" projects (older subsidized projects which can legally be converted to market rate housing because they have reached the end of the minimum required period of affordability). State and localities had to devote more of their limited housing funds to preserving affordability in these older developments (often by helping nonprofits purchase the properties), often a costly effort as most of the projects at risk of conversion were in strong market areas. (Ironically, expiring use restrictions ended up increasing the number of mixed income developments in Massachusetts, as a number of owners decided to refinance under MHFA programs that required that only 20% of the units be affordable.)

- *Creation of the LIP program* The Legislative Commission created in response to efforts to repeal Chapter 40B issued its report in 1989. While recommending continuation of the statute without change, it also recommended that the state make programmatic and regulatory changes "to foster local initiative responses for the production of affordable housing" and to "allow

[a] The 1990 state budget crisis led the Legislature to end funding for new project- and tenant-based state-funded rent vouchers under the Chapter 707 program and to begin shrinking the tenant-based program by permanently shelving vouchers turned back as participants left the program. Section 8 vouchers have also become much more difficult to access since 1995, since Congress has largely stopped funding new vouchers (except for special populations and households displaced by public housing demolition and Section 8 contract expirations) and has also cut funding for existing vouchers.

responsive municipalities to shape the means of production of affordable housing within its (sic) own borders."[39] This led the State to create the Local Initiative Program (LIP).

Under LIP, communities can count affordable *units created without the use of a conventional state or federal subsidy* toward their 10% goal under Chapter 40B as long as the units meet the other standards required of conventionally subsidized projects (e.g. profit limits, income limits, long-term use restrictions and affirmative marketing). While some LIP projects use donated municipal land or buildings to reduce costs and create affordability, many rely entirely on zoning and regulatory waivers under Chapter 40B. However, under LIP, developers can only use the comprehensive permit process if the project has been endorsed in advance by the chief elected official of the municipality (LIP projects are often called "friendly 40Bs"). The State (DHCD) provides "technical assistance" to the community – in the form of project review and regulatory guidelines for LIP projects – and that assistance qualifies as a "subsidy" for the purposes of Chapter 40B. Because of the reliance on 40B to create affordability, most LIP projects are mixed-income.

LIP continued two important elements in State housing policy that began under HOP. Due to the lack of conventional subsidy funding, the State does not require that units be targeted to very low or extremely low-income households by reserving units for voucher holders. The upper income limit for affordable units is simply 80% of median (to broaden the pool of potential renters and buyers, the State now requires that units be affordable to households at 70% of median). In addition, localities are allowed to reserve up to 70% of the affordable units for local residents using a definition chosen by the municipality (most often, residents, former residents, Town employees and in some cases people working in the community).

The limiting effect of the local preference is offset by affirmative marketing requirements. DHCD requires an affirmative marketing plan for each project with a goal of achieving minority[a] ownership or tenancy in the affordable units equal to the greater of the percentage of *income-eligible minority households* in the community or in the MSA. DHCD requires the use of two lottery pools for the affordable units: one for applicants who qualify for the local preference and an "open" pool for all applicants (residents who qualify the local preference can be in both pools). After the deadline for applications has passed, if the percentage of minority applicants in the local preference pool is less than the *percentage of minorities in the MSA population*[40], the lottery administrator must add minority applicants from the open pool to the local preference pool until the percentage in the former equals the MSA percentage.

Massachusetts Mixed-Income Housing Development Trends since 2000 Mixed-income housing has become the predominant form of affordable housing production in Massachusetts since 2000. The rise reflects both the strong market for new housing due to pent-up demand (household growth in the second half of the 1990s outpaced housing growth by a ratio of 2:1, a phenomenon many have attributed to local barriers to new development) and the limited availability of subsidy funds.

As the state's economy improved, especially after 1997, Massachusetts experienced a new housing boom. However, the new wave of construction differed from the state's previous boom in the mid-1980s (particularly 1985-1989) in volume, location and type of housing produced. Volume was low, with the number of housing permits authorized "closer to recession levels than to the peaks of the mid-1980s",[41] averaging just over 18,000 building permits a year between

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[a] DHCD follows HUD's regulatory classifications and defines "minority" as Native American or Alaskan Native; Asian or Pacific Islander; African-American; Hispanic/Latino; or Cape Verdean.

1997 and 1999, compared to almost 42,000 a year in the peak years (1985-1987) of the 1980s boom.[42]

In addition, while much of the 1980s growth was in larger cities, the 1990s building primarily occurred in suburban areas, particularly in outlying suburbs near highway intersections, including many communities that also experienced growth in the 1980s. Almost all of the development in the 1990s consisted of single-family homes, consuming more land per unit, making it even more conspicuous to residents in those areas[43] and spurring new calls for open space preservation and anti-sprawl policies.

<u>State Planning and Zoning Initiatives</u> The gap between housing demand and supply led to a rapid run-up in both housing prices and rents in the late 1990s and the business community began to worry about the effect of high costs on its ability to attract employees. A 2000 study commissioned by then Governor Paul Cellucci attributed much of the housing shortage to local regulatory barriers, including zoning, and a follow up report in early 2002[44] recommended that the State take a number of steps to spur new development.

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- With regard to fiscal barriers, it recommended that the State revise the local aid formula to provide cities and towns with funds to cover the gap between the tax revenues generated by less expensive new housing and municipal costs.
- With regard to sprawl concerns, it recommended that the State encourage localities to allow higher density housing near commercial and transit uses, and encourage regional planning to target housing to areas of greatest need and assure adequate transportation networks and infrastructure.
- With regard to zoning, it recommended that the State allow localities to adopt inclusionary zoning without legislative approval and develop a model bylaw and administrative guidelines. It also recommended that the State discourage growth control bylaws and exempt dwelling units with two or less bedrooms for such controls.

These reports led to a series of State initiatives, intended to encourage localities to increase their supply of housing generally, focusing on a broader income range than in the past (up to 110%-150% of median), while addressing local concerns about sprawl by providing planning grants. While the new initiatives encouraged communities to produce at least some housing for households with incomes at or below 80% of median, they came without significant new funding, meaning communities would largely have to rely on density bonuses or other local resources.

- *Executive Order 418 (2000-2004) and Smart Growth Planning* In January 2000, then-Governor Cellucci issued Executive Order 418 (EO 418), allowing every city and town to apply for up to $30,000 in assistance to create new long-term community development plans. While the final plan had to include an affordable housing strategy, it also had to address open space, land use, transportation and economic development goals. This made the grants attractive to municipalities with tight budgets who were primarily interested in funding studies related to non-housing goals. EO 418 did re-open local interest in zoning improvements and spurred many communities to develop community development and housing plans.

- *Office of Commonwealth Development.* The State's planning priorities changed in 2003, with a change in administrations. Governor Romney announced that "smart growth" planning would be a cornerstone of his administration and established the Office of Commonwealth Development (overseen by a statutorily created "coordinating council[45]) to guide all major state development policy, including housing, transportation and environmental planning. The new policy emphasizes transit-oriented planning, locating housing in or near town centers, and mixed use development. The Office of Commonwealth Development also created the Commonwealth Capital Fund, which coordinated the distribution of nearly $500 million in state capital funds to projects and communities, which emphasized smart growth elements.

Chapter 40R and State Funding for Fiscal Impacts In June 2004, the Legislature adopted a new law, Chapter 40R, that provides assistance (one-time payments of about $500-2000 per unit for all residential units allowed plus $3,000 per density bonus unit) for units created in new "smart growth" zoning districts.[46] The new zoning districts must be near transit stations or areas of concentrated development (e.g. existing city and town centers, commercial centers) and allow high-density housing and mixed-use development as of right. They must also require that at least 20% of the housing created in the district be affordable to households at or below 80% of median for at least 30 years.[47] In November 2005, the Legislature passed a companion measure that funds any increase in school costs directly attributed to new housing in 40R districts. As of the spring of 2006, six communities had adopted 40R districts.

<u>Chapter 40B Regulatory Changes</u> Chapter 40B again came under sustained attack starting in 1999 as housing market picked up and comprehensive permits applications rose, with some communities receiving multiple applications. Many of the new projects used a Federal Home Loan Bank of Boston program called the New England Fund (NEF) that provides discounted financing to member banks for loans to developers. NEF had become a very popular funding source starting in 1998, when the State Housing Appeals Committee (HAC) ruled that it qualified as a subsidy. NEF was attractive because, like LIP, it could be used for ownership projects, but unlike LIP did not require the endorsement of local officials. Pressure from residents and local officials led to the filing of numerous bills to weaken or repeal Chapter 40B.

After convening a task force of state and local officials, housing advocates, developers and legislators, DHCD enacted regulations in 2001 and 2002 to discourage very large projects, help communities facing receiving multiple applications and make it easier for communities to become appeal-proof. The new regulations eliminated the right of developers to appeal decisions on very large projects (150-300 units depending on the size of the community or 2% of total housing units in larger communities).

They also give communities below the 10% goal a *time-limited exemption from appeals* if they have recently added a significant number of affordable units. Now communities are appeal-proof if in the 12 months prior to an application for a comprehensive permit, the community has increased its subsidized housing supply [48] by a number at least equal to 2% of its total housing units. They can also receive this 12-month exemption if they increase their subsidized housing count by a number at least equal to 0.75% of their year-round housing supply and have a state-approved "production plan" to increase the local subsidized housing count by 0.75% of their year-round housing every calendar year until they reach the 10% threshold.[49] By January 2006, 60 communities had approved production plans, with more awaiting state approval.

DHCD also established review and monitoring procedures for projects using NEF or other funding from "non-governmental entities". The new guidelines use the same income limits as LIP and have the same affirmative marketing requirements (including allowing a 70% local preference). In addition, developers cannot apply for a comprehensive permit using NEF until MassHousing (formerly MHFA) finds the proposal meets new density, design and other standards. Developers must also use standardized legal documents created by MassHousing to ensure compliance with affordability, affirmative marketing and long-term monitoring.

On balance, the various planning and zoning changes of recent years have given communities tools and reasons to proactively plan for and encourage new affordable housing development. However, they do not remove the biases of fiscal zoning. Many communities (leaders and/or residents) are very focused on the net fiscal impacts of development today, which leads them to encourage mixed-income non-family housing - especially elderly and age-restricted (55+) developments.

III. PROFILE OF MIXED-INCOME HOUSING IN MASSACHUSETTS TODAY

The State of Massachusetts first began promoting mixed-income housing in the late 1960s, as part of a larger effort to deconcentrate poverty and expand housing choice for low and moderate-income households. Because the State also began keeping records on its subsidized housing supply shortly thereafter, it is possible to measure some of the results of these efforts. (It should be noted that the State reports do not include information on the use of tenant-based housing choice vouchers and thus do not provide a complete picture of housing assistance town-by-town).

The State's Subsidized Housing Inventory (SHI), a report begun in 1972 to track the supply of subsidized housing in each city and town in Massachusetts, serves as the starting point for measuring trends in subsidized production. Because the SHI was created to give localities information on their status under Chapter 40B, it only counts projects that contain units subject to long-term income- and rent-restrictions under an approved subsidy program.[a] While several elements of the counting methodology[50] used for the SHI limit the utility of SHI data as a measure of subsidized housing production over the short term, it provides useful data on long-term trends.

Given our specific interest in the use of mixed-income housing as a model for affordable housing production, we have adjusted the SHI data to exclude units in programs and projects that fall outside the traditional concept of subsidized housing that might be a candidate for mixed-income development. Excluded units include specialized housing such as SROs, group homes for disabled, transitional or supportive housing for the homeless or other special populations, and homes repaired under homeowner rehabilitation programs.[51]

Growth of the Total Subsidized Inventory and Mixed Income Housing The adjusted February 2005 SHI indicates that the state's supply of subsidized developments has almost doubled since the first SHI was published in 1972. While the State no longer reports the number of "affordable"[b] units in these developments, we estimate, based on a review of data for the underlying project list, that figure has also doubled from about 85,600 in 1972 to just over 190,000. The number of communities with subsidized housing has also doubled during that 33 year period, rising from 151 to 301 (most of the remaining 50 towns are small rural communities).

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[a] To be counted in the SHI, projects must generally reserve at least 25% of the units for households with incomes at or below 80% of median (or reserve at least 20% for households with incomes at or below 50% of median), be subject to a long-term regulatory agreement and be affirmatively marketed. Until 2001, units had to be some to rent and income restrictions for at least 15 years (5 years for rehab projects); today the restriction must run at least 30 years (15 for rehab projects). Some exceptions exist regarding the minimum percentage of affordable units in projects. In addition, about 2,000 of the estimated 190,000 affordable units in the 2005 adjusted SHI have slightly higher income limits because they were built under older subsidy programs such as the Section 221d3 BMIR program.

[b] When the State began the SHI, the published unit counts equaled the total number of units in qualifying projects since there were no mixed income projects. After mixed-income developments were introduced, the State decided to continue using the total unit count for rental projects (including the market units) if at least 20-25% of the units are affordable when determining a community's progress toward the 10% goal. In the case of ownership projects (or rental projects where less then 20-25% are affordable), only the affordable units are listed in the SHI count. As a result, the published SHI count is exceeds the number of affordable units.

The 2005 adjusted SHI also shows that despite state efforts, very few mixed-income projects were developed between 1972 and 1984. Just over half (1,801) of the 3,543 "projects"[a] in the adjusted 2005 SHI were developed (constructed, purchased or substantially rehabilitated) prior to 1985 and are still active today. At the time they were developed, only 47 were initially mixed-income, representing 2.7% of all projects and 2.5% of the affordable units in pre-1985 projects.

Since 1985, however, and particularly since 1995, the number of subsidized developments with a market rate component has increased by more than fifteen-fold, with over half of the growth occurring in the past decade. In light of the diverse goals proponents seek in promoting mixed-income housing, we used two definitions of mixed-income housing for this review of trends. The broader definition counts a project as mixed-income if it includes at least one market and one affordable unit. A narrower definition counts only projects in which at least 20% of the units are affordable and at least 20% are "market rate". Projects in the former group may attract a broader income mix than entirely subsidized developments but may not offer the same financing benefits as projects in the latter group.

After excluding projects that are nominally mixed-income but unlikely to have a diverse income mix, we found:

- at least 55,618 units in 762 projects in the adjusted 2005 SHI appear[b] to be mixed-income under the broad definition (include at least one unit restricted to households at or below 80% of median and at least one "market rate" unit priced to be affordable to households with incomes above 80% of median).
- at least 44,138 units in 584 projects are non-scattered site, multifamily projects (5+ units) with both a significant affordable component (at least 20% of the units) and a significant market rate component (at least 20% of the units).

Table 1 - Mixed-Income Production over Time

	All Projects (Mixed and Non-Mixed Income)			**Mixed Income (minimum 1 unit market)**			**Mixed Income (minimum 20% affordable and 20% market)**		
Year developed	Total Projects	Total Units	Afford. Units	Total Projects	Total Units	Afford. Units	Total Projects	Total Units	Afford. Units
Before 1985[c]	1,801	161,879	156,022	78	13,420	7,590	47	8,328	3,667
1985-1995	763	29,361	18,004	275	16,720	5,468	213	14,454	4,695
1996 or later	968	35,043	16,091	**408**	26,442	7,630	**324**	21,356	6,622
Grand Total[a]	3,543	226,513	190,301	**762**	56,618	20,690	**584**	44,138	14,984

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[a] Project is not a hard and fast term. It is based on SHI project records, which do not always count projects in a consistent way, particularly for projects built in phases or under a scattered-site program. For example, in some cases each phase of a project is a separate record; while in other cases all phases are treated as one record. Similarly, a scattered site program that involves the purchase of units in a number of discrete developments may show up as a single record.

[b] These estimates are based on reviews of SHI project records. We tried to exclude projects where rents on the "market" units were very low and likely to be occupied by the same income group as the subsidized units but may have failed to exclude some due to limited information on local rental markets. On the other hand, we may have missed other projects that should have been counted as mixed income, particularly those created when a community purchases a few units in an existing subdivision or condominium. That is because the mix often is not evident because the official SHI only lists the number of affordable units. While we tried to adjust the SHI data for every such project, we have probably missed some due to data limitations (e.g. missing addresses).

[c] The pre-1985 mixed-income count of 78 projects includes 30 projects were 100% affordable when first developed, but became mixed income after 1985 through redevelopment (e.g. HOPE VI projects) or refinancing.

More notably, mixed-income projects account for a large and steadily rising percentage of newer projects and newer affordable units. Among all projects in the adjusted SHI developed between 1985 and 1995, 36% include at least one market rate unit and 28% include both significant percentages of affordable and market rate units. Among projects added after 1995, 42% include at least one market unit and 33% include both significant percentages of affordable and market rate units. The percentage of new affordable units that are in mixed-income developments (at least one market rate unit) has also risen, moving from 30% of all affordable units added between 1985 and 1995 to 47% of all new affordable units added from 1996 forward.

Table 2 - Mixed Income Projects as Percentage of Total Projects

	Mixed Income (minimum 1 unit market)			Mixed Income (minimum 20% affordable & 20% market)		
	Total Projects	**Total Units**	**Affordable Units**	**Total Projects**	**Total Units**	**Affordable Units**
Before 1985[b]	4.3%	8.3%	4.9%	2.6%	5.1%	2.3%
1985-1995	36.0%	57.0%	30.4%	27.9%	49.2%	26.1%
1996 or later	**42.1%**	75.5%	**47.4%**	**33.5%**	60.9%	**41.2%**
Grand Total[c]	21.5%	25.0%	10.9%	16.5%	19.5%	7.9%

The disproportionately high contribution of mixed-income projects to affordable housing production since 1995 – even as the average percentage of affordable units in these projects has fallen from 43% of all units in the 1985-1995 projects to 29% in post-1995 projects (see Table 3) – is largely a reflection of the falling size of new non-mixed-income projects.

Table 3 - Trends in Average Project Size (Mixed and Unmixed Projects)

	Non-Mixed Income Projects		Mixed Income (at least 1 market unit)		Mixed Income (at least 20% affordable, 20% market)	
	Average Size (Total Units)	Average No. of Affordable Units	Average Size (Total Units)	Average No. and % of Affordable Units	Average Size (Total Units)	Average No. and % of Affordable Units
Before 1985*	86	86	171	96 (56%)	177	78 (44%)
1985-1995	26	26	61	20 (33%)	68	22 (32%)
1996 or later	**15**	**15**	65	19 (29%)	**66**	**20** (30%)
All Projects**	61	61	74	27 (36%)	77	26 (34%)

Funding Programs Used Massachusetts' 2005 mixed income inventory can be divided into two broad categories: those that used conventional subsidy programs and those that did not (see Table 4 below). Each category has distinct locational and demographic characteristics.

Projects in the first category show that state and federal initiatives to promote income mixing (especially the MHFA statute, the SHARP program and HOPE VI) have played a notable role in the growth in mixed-income housing in Massachusetts.

[a] Totals include 12 projects for which information on year developed is unavailable.

Projects in both categories also show that a number of other factors have also supported this rise, including:

- a strong housing market with pent-up demand for conventional housing;
- a state law that enables developers to overcome local zoning barriers to development and built at a density that allows them to make 20-25% of the units "affordable" without direct financial subsidies;
- a large supply of "expiring use" properties in strong market areas;
- the advent of more flexible subsidy sources such as HOME and Section 811 that made it possible to purchase or lease condominium units in pre-existing market rate projects and new production models such as inclusionary zoning; and
- an overall decline in the availability of subsidy funds which has constrained the number of affordable units that can be funded and has led non-profit developers to add market rate units for financial feasibility.

Projects using conventional subsidy programs Half of the mixed-income projects (379 of 762) were developed using conventional state and federal subsidy programs. These 380 projects contain about 15,400 affordable units, including over 3,800 units in projects that were formerly entirely income and rent restricted (about 3,000 in 27 expiring use projects and about 800 in HOPE VI or similar projects). A handful were created when housing authorities, municipalities or nonprofits purchased or leased a small percentage of units (generally less than 10%) in properties initially developed as private, unsubsidized housing, Most of these purchases or lease agreements occurred some years after the properties were first developed.

About one-third of the affordable units in these projects are covered by project-based rental assistance or reserved for voucher holders and two-thirds overall are reserved for households with incomes at or below 60% of median. Almost all of the affordable units in these developments are rental (97.6%). Over one-third (38%) of these projects and 44% of their affordable units are located in the State's 15 largest, poorest cities. Because these projects are more likely to be located in cities with less restrictive zoning and are less likely to involve new construction, a relatively low percentage (25%) used comprehensive permits or inclusionary zoning.

Projects using shallow subsidy programs The other half (383 of 762) of the mixed-income projects were developed using shallow subsidy programs, such as Homeownership Opportunity Program, The New England Fund, and the Local Initiative Program. The vast majority (84%) of these shallow-subsidy projects (and 89% of the affordable units) are located outside the State's 15 largest, poorest cities. Most received special zoning approvals, with 85% developed using a comprehensive permit (293) or inclusionary zoning (31). Many of the remaining 15% were built on sites controlled by the municipality or the State and turned over to the developer under special land disposition agreements (e.g. urban renewal land, surplus school buildings). Because these projects are smaller on average than projects built in earlier decades, they represent a smaller percentage of the state's total supply of affordable units in mixed-income developments. Overall, only a quarter (5,252) of the units in these projects are affordable and two-thirds are ownership units.

The income limits for the affordable units in the shallow subsidy projects are generally 70%-80% of median, with rents and sale prices set to be affordable to just a slightly lower income level (65-75% of median). Less than 2% of the units have project-based rental assistance and less than 3% are restricted to households with incomes at or below 60% of median.

Given the decline in real dollars of state and federal subsidy funding since the mid-1980s and particularly since 1995, combined with federal targeting rules, it is not surprising that mixed-income housing is increasingly more common as a subsidized housing model in communities with limited access to subsidy funding than in larger, poorer cities.

Table 4 - Profile of the Current Mixed Income Inventory (based on the adjusted February 2005 SHI)

			Total Projects			Mixed Income Projects											
IZ[4]	CP	Initial Financing Program[1]	Total Projects	Total Units[2]	Afford-able Units[2]	Total Projs	Mixed from Start	Total Units	Afford-able Units	Avg % Afford-able	Range of % of afford-able U	Public Housing or Rent Subsidy Units[3]	LIHTC Units[3]	Rental U	Owne rship U	Program Share of Total Aff U in Mixed Income Projects	% of Program Aff U in Mixed Income Projects
Projects financed with Conventional Subsidy Programs																	
		Older Subsidy Programs															
0	17	Federal Public Housing	325	34,202	33,612	14	-	1,455	865	59%		865	772	864	1	4%	2.6%
		HOPE VI developments				[4]		[1006]	[849]	84%	82-91%	[849]				0%	
		Units in condos				[10]		[449]	[16]	4%	2-17%	[16]				0%	
3	177	State Public Housing	1,033	48,256	47,604	25	22	731	79	11%	3-33%	79	-	79	-	0%	0.2%
0	41	Section 202	152	9,905	9,570	4	4	647	312	48%	14-81%	312	-	312	-	2%	3.3%
0	0	Section 221d3 BMIR	66	10,262	10,168	4	-	743	649	87%		292	544	649	-	3%	6.4%
0	9	Section 236 or 236/13A	193	29,995	27,064	34	16	6,179	3,283	53%	15-96%	1,000	1,256	3,283	-	16%	12.1%
0	11	Section 13A	59	6,738	5,952	15	11	2,085	1,299	62%	31-90%	281	101	1,299	-	6%	21.8%
0	35	Section 8 NC/SR	257	26,346	25,752	12	12	1,363	771	57%		740	49	771	-	4%	3.0%
0	32	RHS 515	73	2,412	2,412	-	-	-	-	-		-	-	-	-	-	-
0	0	Section 8 PD/MR/LMSA/MR-E	76	4,961	4,949	2	2	32	24	75%	75-88%	9	15	24	-	0%	0.5%
3	**322**	**Subtotal**	**2,234**	**173,077**	**167,083**	**110**	**67**	**13,235**	**7,282**	55%		**3,588**	**2,737**	**7,281**	**1**	**35%**	**4.4%**
		Post-1984 Subsidy Programs															
0	28	SHARP and RDAL	86	9,809	4,000	74	73	8,834	3038	34%	25-96%	1211	1296	3024	14	15%	76.0%
0	31	Other Tax Exempt Bonds	62	6,558	2,173	55	55	6,072	1687	28%	20-96%	108	1002	1687	-	8%	77.6%
0	26	Other LIHTC	179	8,783	6,834	48	48	4,368	2447	56%	20-95%	254	2382	2393	54	12%	35.8%
1	35	Other State/Federal Funds	474	6,656	4,326	92	92	3,125	984	31%	1-86%	10	-	697	287	5%	22.7%
1	**120**	**Subtotal**	**801**	**31,806**	**17,333**	**269**	**268**	**22.399**	**8,156**	36%		**1,583**	**4,680**	**7,801**	**355**	**39%**	**47.1%**
4	**442**	**Total**	3,035	204,863	184,416	379	335	35,634	15,438	43%		5,171	7,417	15,082	356	75%	8.4%
Project financed with Shallow Subsidy Programs																	
0	42	Homeownership Opport. (HOP)	103	3,955	1,600	84	84	3,643	1,297	36%	13-96%	64	-	70	1,227	6%	81.1%
0	143	NEF/Housing Starts/ERA	145	10,659	2,703	145	145	10,659	2,703	25%	10-50%	30	-	1,351	1,300	13%	100.0%
34	89	Local Initiative Program (LIP)	260	7,016	1,582	154	154	6,682	1,252	19%	2-67%	16	-	337	915	6%	79.1%
34	**274**	**Total**	**508**	**21,630**	**5,885**	**383**	**383**	**20,984**	**5,252**	**25%**		**110**	**-**	**1,758**	**3,442**	**25%**	**89.2%**
Total Projects																	
38	**716**		**3,543**	**226,513**	**190,301**	**762**	**718**	**56,618**	**20,690**	**37%**		**5,281**	**7,417**	**16,840**	**3,798**	**100%**	**10.9%**

Notes

1. Initial financing program refers to the subsidy program under which a project was first developed. Some of these projects are no longer regulated under the initial program, as owners refinanced or lenders restructured the project. Data on tenure and affordability reflects current status. State Public Housing count excludes 400 units redeveloped as part of a 1,283 mixed income project (Harbor Point) and counted in the SHARP program totals. Many projects have used multiple funding sources.
2. Total unit count excludes units used for management or staff. The affordable unit count is the number of units reserved for households with incomes at or below 80% of median plus about 2,000 units in Section 221d3 and RHS Section 515 projects that have higher income limits.
3. The "Public Housing and Rent Subsidy Units" count include units covered by project-based rental assistance contracts or occupied by holders of enhanced vouchers and units reserved for holders of tenant-based vouchers under regulatory agreements. The count is based on published State, MassHousing, HUD and RHS reports. Because we lacked detailed information on many local projects, it is likely that the true count of units is higher. The LIHTC unit count includes both 4% and 9% credit projects and units in projects that are still affordable even though the tax credit restriction has expired. Some have ownership units because project was developed using other funding sources as well.
4. The "CP" and “IZ” columns indicate the number of projects that received a comprehensive permit or were developed using inclusionary or incentive zoning.

Locational characteristics (poor cities vs. the balance of the state) One of the State's goals when it first began promoting mixed-income housing was to give low-income households access to low-poverty neighborhoods, in part by increasing the supply of subsidized housing outside major cities. To assess the state's progress toward these goals, we examined how the supply of subsidized housing (units listed in the adjusted SHI count) has changed between 1972 and 2005 both in the largest poorest cities and in the balance of the state.

Changes in subsidized inventory in poorest cities In the late 1960s, the special state commission on low-income housing found that most of the subsidized housing in Massachusetts was concentrated in a handful of larger, poorer cities. To determine if similar concentrations exist today, we selected the 15 largest cities (population of at least 25,000) among the 35 communities that ranked in the bottom decile of the State based on 1999 median family incomes (most of the other 20 were rural communities with populations of less than 10,000). These 15 larger cities[52] are home to 30% of the state's population and 56% of its poor families. They contain almost all of the state's census tracts with poverty rates of 20% or more and their school systems are clustered at the very bottom of statewide ratings based on median scores on the Massachusetts Comprehensive Assessment System (MCAS) achievement test.

In 2005, these 15 poorest larger cities were home to 52% of the affordable units in the adjusted SHI (and 63% of the affordable "unrestricted" units[a]), down only slightly from their 1972 share of 54% of all affordable units (see Table 5). However, they contain only 38% of the affordable units created after 1995 (and only 40% of the unrestricted units).[b] A number of factors contribute to this fact, including declines in new state and federal subsidy funds (inflation-adjusted), the cost of preserving expiring use properties, more of which are located in cities, and weak markets that limit the utility of shallow subsidy programs. Only one of the 15 cities (Boston) has added units financed with shallow subsidy programs since the HOP program ended in 1990 (see Table 6).

Table 5 – Trends in the Location of Subsidized Housing in Massachusetts

	15 Poorest Cities				Balance of State				Percentage of State's Affordable Units in 15 Poorest Cities	
Year Developed	Total Projects	Total Units	Afford-able Units	Unrestricted Affordable Units	Total Projects	Total Units	Afford-able Units	Unrestricted Affordable Units	All Aff. Units	Un-restricted Affordab le Units
Total**	1,245	107,078	99,433	62,650	2,298	119,435	90,868	36,703	52%	63%
Pre-1984	672	86,224	84,292	51,554	1,129	75,731	71,794	25,042	54%	67%
1985-1995	263	12,232	8,984	6,830	500	17,129	9,020	5,093	50%	57%
1996 forward	305	8,542	6,111	4,264	663	26,501	9,980	6,526	38%	40%

Changes in mixed-income inventory in poorest cities Despite limited use of shallow subsidy programs, the 15 poorest cities are home to 37% of the state's affordable units that are in mixed-income developments. Overall, however, those units in projects with at least one market unit represent only 8% of the total affordable units in these cities. In addition, most of those

a "Unrestricted" units (units not restricted to the elderly or people with disabilities) are often called "family" units but many of these units have zero, one or two bedrooms, making them too small for most families with children.

b The actual growth in affordable units in these cities as a group is probably higher since most of these cities have been above the 10% threshold under Chapter 40B and thus have less incentive to update their SHI data.

mixed-income projects were developed under the State's SHARP program in the late 1980s or began as 100% subsidized developments (e.g. expiring use projects that refinanced or are phasing out their subsidies gradually or public housing reconstructed under HOPE VI). Nevertheless, 25% of the affordable units developed after 1995 in these cities are in mixed- income developments.

Table 6 –Funding of Subsidized Housing by Location

	Poorest 15 Cities				Balance of State			
	Total Projects	**Total Project Units**	**Affordable Units**	Program Share of Afford. Units	**Total Projects**	**Total Project Units**	**Affordable Units**	Program Share of Afford. Units
Federal Public Housing	167	24,524	24,367	25%	158	9,678	9,245	10%
State Public Housing	145	11,628	11,501	12%	888	36,628	36,103	40%
Section 202	68	4,938	4,938	5%	84	4,967	4,632	5%
Section 221d3	53	7,623	7,529	8%	13	2,639	2,639	3%
Section 236 or 236/13A	114	17,455	17,072	17%	79	12,540	9,992	11%
Section 13A	27	3,693	3,489	4%	32	3,045	2,463	3%
Section 8 NC/SR	150	15,622	15,413	16%	107	10,724	10,339	11%
RHS	1	30	30	0%	72	2,382	2,382	3%
	725	**85,513**	**84,339**	**85%**	**1,433**	**82,603**	**77,795**	**86%**
Post-1984 Programs								
SHARP/RDAL	47	5,378	2,648	3%	39	4,431	1,352	1%
80-20	16	1,423	965	1%	46	5,135	1,208	1%
Other LIHTC	118	4,754	4,036	4%	61	4,029	2,798	3%
Other State/Fed	208	3,205	2,006	2%	266	3,451	2,320	3%
S8 MR/LMSA/PD	54	4,636	4,627	5%	22	325	322	0%
	443	**19,396**	**14,282**	**14%**	**434**	**17,371**	**8,000**	**9%**
Shallow Subsidy Programs								
HOP	48	1,331	666	1%	55	2,624	934	1%
NEF/ERA/Housing Starts	-	-	-	0%	145	10,659	2,703	3%
Local Initiative Program (LIP)	29	838	146	0%	231	6,178	1,436	2%
	77	**2,169**	**812**	**1%**	**431**	**19,451**	**5,073**	**6%**
	1,245	**107,078**	**99,433**	100%	**2,298**	**119,435**	**90,868**	100%

Changes in the subsidized inventory outside the poorest cities The share of the state's affordable units located in the balance of the state (outside the 15 poorest cities) has grown only slightly since 1972, rising from 46% to 48%. However, these communities house 62% of the affordable units added to the adjusted SHI since 1995 (see Table 5). Shallow subsidy programs, usually combined with zoning relief under Chapter 40B, have played an important role in this recent growth, accounting for over one-third of the units added since 1995 (see Tables 9 and 10).

In part because of the growing use of shallow subsidy programs, mixed-income housing has become the predominant model for subsidized development outside the poorest cities. Although mixed-income developments contain only 15% of all affordable SHI units in the balance of the state, they account for 61% of affordable units produced after 1995.

Table 7: Mixed-Income Housing as Percentage of 2005 Adjusted Subsidized Housing Inventory In and Outside of Poor Cities by Year Developed

	Fifteen Poorest Cities				Balance of State			
	Total Projects	Total Units	Affordable Units	Unrestricted Affordable Units	Total Projects	Total Units	Affordable Units	Unrestricted Affordable Units
	All Projects				**All Projects**			
Pre-1984	672	86,224	84,292	51,554	1129	75731	71794	25042
1985-1995	263	12,232	8,984	6,830	500	17129	9020	5093
1996 fwd	305	8,542	6,111	4,264	663	26501	9980	6526
Total**	1,245	107,078	99,433	62,650	2,298	119,435	90,868	36,703
	Mixed Income Projects (at least 1 market unit)				**Mixed Income Projects (at least 1 market unit)**			
Pre-1984	27	5,693	3,800	3,120	51	7,727	3,790	2,164
% of total	4%	7%	5%	6%	5%	10%	5%	9%
1985-1995	103	5,332	2,138	2,119	173	11,414	3,344	3,177
% of total	39%	44%	24%	31%	35%	67%	37%	62%
1996 fwd	75	3,868	1,538	916	333	22,574	6,092	4,534
% of total	25%	45%	**25%**	21%	50%	85%	**61%**	69%
Total**	206	14,919	7,478	6,157	557	41,715	13,226	9,875
% of total	17%	14%	8%	10%	24%	35%	15%	27%
	Mixed Income Projects (at least 20% affordable/ 20% market)				**Mixed Income Projects (at least 20% affordable/ 20% market)**			
Pre-1984	14	2,860	1,282	925	33	5,468	2,385	1,404
% of total	2%	3%	2%	2%	3%	7%	3%	6%
1985-1995	78	4,592	1,794	1,780	135	9,862	2,901	2,734
% of total	30%	38%	20%	26%	27%	58%	32%	54%
1996 fwd	55	2,910	1,263	759	269	18,446	5,359	3,921
% of total	18%	34%	**21%**	18%	41%	70%	**54%**	60%
Total**	147	10,362	4,339	3,464	437	33,776	10,645	8,059
% of total	12%	10%	4%	6%	19%	28%	12%	22%

Table 8: Funding Sources for 2005 Mixed-Income Inventory (all locations)

	Total Projects*	Total Units	Affordable Units	Average Percentage Affordable	Share of all affordable units in mixed income projects	Projects using Comprehensive Permit (CP) or Inclusionary Zoning (IZ)	% of Projects using CP or IZ
Mixed Income (at least 1 market u)							
Older Subsidy Programs							
Section 236 or 236/13A	34	6,179	3,283	53%	15.9%	2	6%
Section 13A	15	2,085	1,299	62%	6.3%	1	7%
Section 8 NC/SR	12	1,363	771	57%	3.7%	0	0%
Section 221d3	4	743	649	87%	3.1%	0	0%
Section 202	4	647	312	48%	1.5%	1	25%
State Public Housing	25	731	79	11%	0.4%	2	8%
Federal Public Housing	10	449	16	4%	0.1%	0	0%
	104	**12,197**	**6,409**	**53%**	31.0%	**6**	**6%**
Post-1984 Programs							
SHARP/RDAL	74	8,834	3,038	34%	14.7%	27	36%
Other LIHTC	48	4,368	2,447	56%	11.8%	16	33%
80-20	55	6,073	1,687	28%	8.2%	31	56%
Other State/Fed	92	3,125	984	31%	4.8%	14	15%
HOPE VI	4	1,006	849	84%	4.1%	0	0%
S8 MR/LMSA/PD	3	48	38	79%	0.2%	0	0%
	276	**23,406**	**9,005**	**38%**	43.6%	**88**	**32%**
Shallow Subsidy Programs							
Homeownership Opportunity (HOP)	84	3,643	1,297	36%	6.3%	37	44%
NEF/ERA/Housing Starts	145	10,659	2,703	25%	13.1%	143	99%
Local Initiative Program (LIP)	154	6,682	1,252	19%	6.1%	107	69%
	383	**20,984**	**5,252**	**25%**	25.4%	**287**	**75%**
TOTAL	**763**	**56,587**	**20,666**	**37%**	100.0%	**381**	**50%**
Mixed-Income (at least 20% affordable and at least 20% market)							
Older Subsidy Programs							
Section 236 or 236/13A	22	3,918	1,551	40%	10.4%	1	5%
Section 13A	13	1,689	959	57%	6.4%	0	0%
Section 8 NC/SR	7	819	444	54%	3.0%	0	0%
Section 202	2	440	200	45%	1.3%	0	0%
Section 221d3	1	151	106	70%	0.7%	0	0%
State Public Housing	3	19	5	26%	0.0%	0	0%
	48	**7,036**	**3,265**	**46%**	21.8%	**1**	**2%**
Post-1984 Programs							
SHARP/RDAL	71	8,640	2,874	33%	19.2%	27	38%
Other LIHTC	33	3,527	1,721	49%	11.5%	12	36%
80-20	54	6,051	1,670	28%	11.1%	30	56%
Other State/Fed	76	2,240	823	37%	5.5%	14	18%
S8 MR/LMSA/PD	2	32	24	75%	0.2%	0	0%
	236	**20,490**	**7,112**	**35%**	47.5%	**83**	**35%**
Shallow Subsidy Programs							
HOP	63	2,894	1,017	35%	6.8%	31	49%
NEF/ERA/Housing Starts	140	10,486	2,683	26%	17.9%	139	99%
Local Initiative Program (LIP)	97	3,232	907	28%	6.1%	76	78%
	300	**16612**	**4607**	**28%**	30.7%	**246**	**82%**
	584	**44138**	**14984**	**34%**	100.0%	**330**	**57%**

Table 9: Subsidized Inventory outside 15 Poorest Cities by Funding Source and Year

	Total Development Units				Affordable Units			
Program/ Year Developed	Pre-1984	1985-1995	1996 forward	Total	Pre-1984	1985-1995	1996 forward	Total
State Public Housing	33,192	3,283	109	36,628	33,137	2,813	109	36,059
Sec. 8 NC/SR	10,530	194	-	10,724	10,145	194	-	10,339
Sec. 236 or Sec. 236/13A	12,540	-	-	12,540	9,992	-	-	9,992
Federal Public Housing	8,961	200	517	9,678	8,951	200	94	9,289
Section 202	2,964	854	1,149	4,967	2,629	854	1,149	4,632
Other LIHTC	-	1,001	3,028	4,029	-	464	2,334	2,798
Sec. 221d3 BMIR/MR	2,639	-	-	2,639	2,639	-	-	2,639
Sec. 13A	3,045	-	-	3,045	2,463	-	-	2,463
RHS	1,376	842	164	2,382	1,376	842	164	2,382
Other State/Fed	96	591	2,734	3,451	96	492	1,702	2,320
SHARP/RDAL	-	4,431	-	4,431	-	1,352	-	1,352
80-20	-	1,568	3,567	5,135	-	389	819	1,208
Sec. MR/MR-E/PD	285	40	-	325	285	37	-	322
Subtotal	75,628	13,004	11,268	99,974	71,713	7,637	6,371	85,795
Shallow Subsidy								
NEF etc	-	-	10,659	10,659	-	-	2,703	2,703
Local Initiative Program/IZ	103	1,561	4,514	6,178	81	469	886	1,436
Homeownership Opportunity (HOP)	-	2,564	60	2,624	-	914	20	934
Subtotal	103	4,125	15,233	19,461	81	1,383	3,609	5,073
TOTAL	75,731	17,129	26,501	119,435	71,794	9,020	9,980	90,868
	Program Share of Total Units by Year				**Program Share of Affordable U by Year**			
State Public Housing	44%	19%	0%	31%	46%	31%	1%	40%
Sec. 8 NC/SR	14%	1%	-	9%	14%	2%	-	11%
Sec. 236 or Sec. 236/13A	17%	-	-	10%	14%	-	-	11%
Federal Public Housing	12%	1%	2%	8%	12%	2%	1%	10%
Section 202	4%	5%	4%	4%	4%	9%	12%	5%
Other LIHTC	-	6%	11%	3%	-	5%	23%	3%
Sec. 221d3 BMIR/MR	3%	-	-	2%	4%	-	-	3%
Sec. 13A	4%	-	-	3%	3%	-	-	3%
RHS	2%	5%	1%	2%	2%	9%	2%	3%
Other State/Fed	0%	3%	10%	3%	0%	5%	17%	3%
SHARP/RDAL	-	26%	-	4%	-	15%	-	1%
80-20	-	9%	13%	4%	-	4%	8%	1%
Sec. MR/MR-E/PD	0%	0%	-	0.3%	0%	0%	-	0%
Subtotal	100%	76%	43%	84%	100%	85%	64%	94%
Shallow Subsidy								
NEF etc	-	-	40%	9%	-	-	27%	3%
LIP/IZ	0.1%	9%	17%	5%	0%	5%	9%	2%
HOP	-	15%	0%	2%	-	10%	0%	1%
Subtotal	0%	24%	57%	16%	0%	15%	**36%**	6%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%

Table 10: Percentage of Projects Using Comprehensive Permit (CP) or Inclusionary Zoning (IZ) In and Outside Poorest Cities by Funding Source

	15 Poorest Cities			Balance of State			Statewide Total		
Program	Total Projects	Used CP/IZ	% Used CP/IZ	Total Projects	Used CP/IZ	% Used CP/IZ	Total Projects	Used CP/IZ	% Used CP/IZ
Conventional Subsidy									
Federal Public Housing	167	1	1%	158	16	10%	325	17	5%
State Public Housing	145	9	6%	888	172	19%	1033	181	18%
Section 202	68	6	9%	84	35	42%	152	41	27%
Section 221d3 BMIR	53	0	0%	13	0	0%	66	0	0%
Section 236, 236/13A	114	2	2%	79	7	9%	193	9	5%
Section 13A	27	0	0%	32	11	34%	59	11	19%
Section 8 NC/SR	150	5	3%	107	30	28%	257	35	14%
Section 8 MR, MR-E	54	0	0%	22	0	0%	76	0	0%
RHS	1	0	0%	72	32	44%	73	32	44%
SHARP/RDAL	47	4	9%	39	24	62%	86	28	33%
80-20	16	1	6%	46	30	65%	62	31	50%
Other LIHTC	118	2	2%	61	24	39%	179	26	15%
Other State/Federal	208	1	0%	266	35	13%	474	36	8%
Subtotal	1168	31	**3%**	1867	416	**22%**	3035	447	15%
Shallow Subsidy									
Homeownership Opportunity	48	0	0%	55	42	76%	103	42	41%
NEF/ Housing Starts/ ERA etc	0	0	0%	145	143	99%	145	143	**99%**
Local Initiative Program (LIP)	29	9	31%	231	114	49%	260	123	47%
Subtotal	77	9	**12%**	431	299	**69%**	508	308	**61%**
TOTAL	1245	40	**3%**	2298	715	**31%**	3543	755	**21%**

Conclusion

As described in the six case studies of recently developed mixed income projects in Greater Boston that follow, it appears that newer suburban mixed-income developments are providing the real estate benefits predicted by proponents (high quality, well managed housing with more amenities than many entirely subsidized developments). This newer inventory appears to be stronger financially as well, as public lenders have used lessons from the past to improve subsidy program design and underwriting.

The extent to which the growth of mixed income housing in the suburbs has supported the deconcentration of poverty and increased opportunities for very low-income urban families with children is less clear. Several factors specific to Massachusetts constrain these goals, though further research is needed to determine their net effect.

- *Higher income targeting* The decline in the availability of conventional subsidy funding has changed the income profile of the new subsidized housing, particularly developments produced after 1995. An increasing number of units have been developed in projects that receive little or no subsidy funding, relying almost entirely on density bonuses and other regulatory waivers under Chapter 40B (particularly in suburbs without access to CDBG or HOME entitlement funds). The affordable units in these developments have income limits of 80% of median and rents or sale prices are set to be affordable to households at 70-80% of area median. While it is likely that a significant number of the rental units in this price range are affordable to households with Section 8 vouchers, data on voucher use in such projects is limited.

- *Increased Use of Local Preferences* To reduce local opposition to affordable housing, the State allows localities to establish a local preference (as defined by the municipality) for 70% of the affordable units under the subsidy programs most commonly used for suburban developments (HOME, NEF, LIP, HousingStarts). More research is needed to determine the impacts of local preferences on access for minority households.
- *Exclusion of Families* Current zoning restrictions in most suburbs force developers to rely on Chapter 40B to get their project permitted. Under Chapter 40B, developers negotiate project details with local officials. Negotiations have increasingly led to developments that are largely "childproof" (i.e. few or no units with more than two-bedrooms or restricted to households headed by a person age 55 or older). The trend toward age-restricted development has been particularly pronounced in recent years. Since 2001, the annual percentage of projects receiving permits under Chapter 40B that are age restricted (55+) has risen from 14% to 23%.[53] However, it is unclear whether this has resulted in a lower percentage of family units in the suburbs than in earlier decades when there was a strong preference for elderly housing.

IV. CASE STUDY RESULTS

In 2004-2005, we undertook a study of mixed-income housing developments built in the suburbs of Boston to learn why developers choose to built mixed-income housing, why residents selected these developments and whether it appeared to offer the benefits cited in the literature. Because we were interested in looking at projects that offered clear locational benefits, especially in terms of educational opportunities, we limited our study to projects built in middle and upper income communities with good school systems, rather than seeking a sample that was representative of all mixed-income housing. To assess potential political benefits, we also sought out developments initially opposed by local boards as well as projects that had more community support. Given the selection process, we do not claim that our findings apply to all suburban mixed-income housing in Massachusetts. However, the consistency of some findings suggests they are likely to be broadly applicable.

The case studies include:

- Interviews with the project developers and town representatives about their goals and concerns during the approval process and how this influenced project design and costs, and their subsequent assessment of the project, including community impacts. We also interviewed assessing officials and reviewed assessing and sales data to learn whether the developments affected adjoining property values and whether the market rate ownership units appreciated at the same pace as nearby market rate homes.

- Interviews with developers and town representatives (in the case of locally sponsored projects) about the impact of income mix on marketing, the procedures used to select tenants and buyers for the affordable units and the demographics of applicants and residents, and how they felt design and other decisions affected the desirability of the development.

- Findings from resident surveys to determine the factors that led residents to choose these developments, their satisfaction with their housing and community and the extent to which income mix influenced their decisions and satisfaction levels.

How Developments Were Selected

Within the initial selection criteria (projects build in middle and upper income suburbs with good schools, including some initially opposed by local officials), we sought a sample that varied in terms of tenure, location (north, south, and west of Boston) and age (hoping to profile developments built over several decades). Ultimately, six were selected for study, all built relatively recently (most projects more than a few years old had to be eliminated as key parties – including Town officials and developers - involved in the early phases of the development were not longer available).

Profile of Case Study Projects

Project	Year Open	Project Type	Total Units	Affordable units	Subsidy Program	Income limits	Bedroom Distribution (all units)		
							1	2	3
Avalon at Lexington	1994	Rental	198	56 (28%)	HFA Bonds	50%, 80%	28	114	56
Franklin Commons	2003	Rental	96	63 (63%)	LIHTC,HOME	50%,60%	24	36	36
Woodlands at Abington	2003	Rental	192	39 (20%)	HFA Bonds	50-60%	78	114	-
Homes at Auburndale	1998	Attached and Duplex SF Homes (3 rental)	10	6 (60%)	HOME	80% (3 =S8)	-	4	6
Harvard Green	1998	Attached SF Homes	32	8 (25%)	LIP	80%	-	11	21
Indian Pond	1999	Detached SF Homes	36	9 (25%)	LIP	80%	-	-	36
			564	181 (32%)			130	291	143

The six selected developments all involved new construction. They range in age from 1-10 years and range in size from 10 to 198 units. Three are rental projects, two are homeownership projects and one includes both rental and ownership units. Five were developed by for-profit entities (including national, multi-state and local firms). All received zoning waivers under Chapter 40B. The percentage of affordable units ranged from 20% to 66%.

The six communities where these developments were built share characteristics that one would predict would make them attractive to mixed-income housing developers. All have strong housing markets, all are relatively affluent (all ranked in the top third of cities and towns in Massachusetts in terms of median family income, with three in the top 10%) and all have school systems ranking in the top half of the state, with five ranking in the top 15%).

However, they vary in terms of growth and fiscal pressures. Two are mature suburbs relatively close to Boston, with relatively little housing growth in recent decades. Both experienced population declines in the 1970s and 1980s, then grew slightly in the 1990s as existing homes were sold to younger households. Two are fast growing suburbs further out from Boston along the Interstate 495 high-technology belt. Two are smaller communities, one recently joined by rail service to Boston, one near Interstate 495, both constrained by water and sewer infrastructure limits.

The communities also vary in terms of their prior experience with subsidized housing, their interest in expanding that inventory (as measured by zoning incentives and presence of a Housing Partnership) and their control of resources for creating such housing (only one was CDBG entitlement community and member of a HOME consortium, but three others contained state-owned land that was available for re-use).

Key Findings

Overall, the six case studies indicate that mixed-income housing, as underwritten in Massachusetts in the past decade, is a successful affordable housing production model in suburban communities with strong housing markets. They clearly achieved the real estate goals cited in the literature. The case studies also suggest that local officials prefer mixed-income housing to entirely affordable housing, but that concerns about fiscal impacts continue to limit support for affordable family housing in most communities.

Resident responses indicate a high level of satisfaction with the quality of housing and only a handful of respondents reported any negative feelings about mixed-income housing.

1. **All six developments provide high quality, financially sound housing.** Discussions with residents, local officials and property managers indicated a general satisfaction with the quality of the construction and all of the mixed-income rental projects had more amenities (pools, fitness centers, open space, walking trails) than those produced under older subsidized housing programs. In addition, developers and managers reported initial rates of sales and leasing met or exceeded expectations and remained strong. Several developers noted that annual turnover on the market rate rental units were below industry averages. All reported that the affordable units rented up or sold quickly, and that turnover of those units has been extremely low. No financial problems were reported for any of the projects. Local officials all agreed that the developments created much-needed rental housing in their community and reported no concerns regarding resident-community interactions.

2. **Most of the developments were located in areas with little nearby residential development, but that did not appear to hurt demand or affect resident satisfaction.** Four of the six developments were in "transitional" areas, in or just off commercial streets located on the edge of residential areas. The two exceptions included a project built on town-donated land long scheduled for affordable housing and a site bounded on three sides by open land with limited development potential. These siting characteristics largely reflect the high price of residentially zoned land in the case study communities and limited availability of large parcels. One developer of both market rate and mixed income ownership projects explained that the decision on what to build depends on what is likely to be more profitable on a given site. Developers also indicated that they preferred sites with relatively few residential abutters because they felt they would encounter less opposition to their proposal, especially in the case of multifamily rental projects.

None of the respondents to the resident survey indicated any concerns about this. This characteristic of project siting, however, may have led some low-income families to decide against applying to these suburban projects. All but two (5%) of respondents in affordable units had cars. One, who did not, used the nearby commuter rail daily for work but noted that it stops running at 9 p.m.

3. **Income mix did not significantly affect the pace of lease-up and initial home sales for market rate units.** While there is no way to know how many potential market rate tenants or buyers may have decided not to look at a development because they knew in advance that it was mixed income, in five of the six cases the developers reported that relatively few customers who visited their sales or leasing office clearly rejected the development for that reason (estimates ranged from 5% to "a few"). Particularly in the rental projects, managers felt that not all tenants are aware that their project has an affordable component. In all five cases, developers said that they did not advertise the mixed-income nature of the projects but acknowledged that some units were affordable if asked.

In the sixth case, a ten-unit ownership project where six units (60%) were affordable (including three units rented to the housing authority), the nonprofit developer did advertise the project as mixed-income and reported that initial sales of the market rate units were a little slower than originally projected, estimating that perhaps 20% of buyers who made inquiries decided against purchasing after learning the project was mixed income. Uncertainty about resale value appeared to be the major concern, though the developer also felt that the condominium nature of the project was also a deterrent, since it had been little used with single-family home developments at that time. After reducing prices somewhat (and thus their development fee) and working with brokers, the remaining units sold quickly

4. Income mix did not lower the resale value of the market rate units. Overall, 58% of the market rate ownership units have resold in the 5-6 years since the developments were completed. A review of the sales data indicates that the mixed-income nature of developments had no negative affect on resale values. In all three cases, assessed values and resale prices show market rate homes in these development had annual rates of appreciation that were equal to or higher than townwide averages. In one development, original purchasers particularly benefited upon resale because the Town had required the developer to set prices on the market units at below market levels to better serve first time homebuyers.

5. There was no indication of conflict or tension among various income groups within any of the developments. All of the property managers at the three rental developments as well as the nonprofit manager of rental units in the mixed-use development were asked if there was any conflict among tenants based on income and all reported none. Town officials, local housing partnership members and condominium and homeowner association members also indicated that there was no evidence of tension or conflict among residents based on income.

Only four respondents to the resident survey indicated discomfort with social or financial aspects of the income mix: a market rate renter, a subsidized renter, and two owners of market-rate homes. The market rate renter stated that he/she had not realized that the project was mixed-income and would have decided against moving there if he/she had known “Section 8” families lived there. The subsidized renter, who had lived at her development for some years, rated the development good overall and noted the much better schools, but felt that market rate tenants could probably guess he/she received a subsidy. The two market rate owners, while rating their development as “very good” and “good” overall, both expressed concern about unequal condominium fees. They felt the unequal fees force market rate owners to “carry” the affordable units and create tensions.

While the survey did not ask specifically about interactions between income groups, it asked respondents to rate the “friendliness” of fellow residents and almost all (90%) who answered that question rated their fellow respondents as very friendly or friendly. Project design probably played a role in the lack of tension. Affordable units were largely identical to the market units and interspersed through the developments. All three rental developments had amenities used by all residents, in two cases very extensive (swimming pools, fitness centers, picnic areas, walking trails, etc). The rental property managers also sponsored community activities 4-12 times a year (e.g. cookouts to meet new neighbors, activities for children).

6. Residents in both market rate and subsidized units reported very high levels of satisfaction with their housing. While a relatively low percentage of tenants and homeowners responded to the survey (20%), the vast majority (95%) who did rated their development very good or good overall and gave project construction quality, management staff and maintenance equally high ratings. This finding held for all six developments, with the percentage rating their development good or very good ranging from 92% to 100%.

Survey Results: Residents' Overall Rating of Housing Development

Rating	All respondents	Renters	Owners	Market Unit	Subsidized Unit
Very Good	59%	58%	61%	56%	65%
Good	36%	35%	39%	41%	26%
Subtotal	**95%**	**94%**	**100%**	**97%**	**91%**
Not too Good	4%	5%	-	1.5%	9%
Not Good	1%	1%	-	1.5%	-
	(N=100)	(N=82)	(N=18)	(N=66)	(N=34)

7. Almost all respondents, whether or not they had children, rated the six developments as good places to raise children. Most respondents, both in the rental and ownership developments, rated their development as a very good or good place to raise children (18% had no opinion). Among respondents who had an opinion, 80% of respondents overall rated their development as a good or very good place to raise children.

Respondents without children were slightly more likely than respondents with children to rate their development as a good or very good place to raise children (86% vs. 77%) and respondents who were owners were more likely to rate their development as a good or very good place to raise children than renters (100% vs. 74%). One rental development – with fewer recreational amenities and less open space – had a notable percentage of "not so good" ratings from respondents with children.

8. Opportunities for very low-income households with children were constrained by the relatively low percentage of three-bedroom units available to this income group in the six developments and in some cases by the use of local preferences. The use of local preferences and their effect varied. Five of the six developments contained three-bedroom units (in the sixth, the developer dropped three-bedroom units at the request of town officials). Overall, three-bedroom units represented 25% of all units in the six projects, affordable 3-bedroom units represented 10% of all units and 3-bedroom units affordable to very low income households 7.6%. Consistent with the general market, the ownership projects – all single family homes – had higher percentage of three-bedroom units (60-100%) than rental projects (0, 28%, 38%).

		Subsidy Income limit	Total Units	Total 3 BR	Affordable 3 BR	Maximum # 3-BR Rental units affordable at 50% AMI	Local preference for affordable units?
Avalon at Lexington	Rental	50%,80%	198	56	17	17	Yes
Franklin Commons	Rental	50, 60%	96	24	24	24	Yes-25%
Woodlands at Abington	Rental	50%	192	-	-	-	Yes
Homes at Auburndale	7 Own, 3 rent	80% (3=S8)	10	6	2	2	Yes-broad
Harvard Green	Ownership	80% AMI	32	21	-	0	Yes
Indian Pond	Ownership	80% AMI	36	36	9	0	Yes-broad
TOTAL			564	143	60	43	

All of the developments gave local residents a preference for the affordable units, but the extent to which these favored current community residents varied. Two communities included employees of local firms in their definition of local residents, and in a third project (rental), the resident preference only applied to 25% of affordable units. In two other projects, the preferences applied to 70% of the affordable units.

Interviews with property managers and town officials indicated that the effect of local preferences wanes after initial lease up. In the case of rental developments, the number of local residents on the waiting list tends to decline and in the case of ownership projects, units become available one at a time and thus give all applicants an equal chance. However, this waning can take time when projects have relatively small numbers of affordable units, especially for families, and low turnover rates. While we did not collect data on the previous residences of all residents in the six developments, among our survey respondents, 28% of renters in affordable units lived in the same community just prior to moving, as did 75% of the owners in affordable units.

9. Families with school age children indicated high levels of satisfaction with local schools and the developments gave low and moderate income households access to better schools Half of the respondents in affordable units with children in public school (6/12) had moved from large cities (Boston and Brockton) with low rated school systems. (It should be noted, however, because Boston also has several very highly rated exam schools, it is possible that some respondents were already in good schools.)

Overall, 95% of the 21 respondents with children attending local public schools rated the schools as good or very good, including 100% of the respondents (12) in affordable units. However, only a few (9/21) provided comparisons with prior schools (some moved to the community before their children reached school age and five were already local residents). Overall, of the nine respondents who provided comparative data, five said their new schools were better, three rated them as "about the same" and one (market rate) said the new schools were not as good.

10. None of the developments were found to hurt nearby home values. Discussions with town officials indicated that the three rental developments were unlikely to have had any impact on nearby property values due to their distance from residential abutters. Our analysis of the remaining projects showed no negative impact on nearby residential properties. This finding is consistent with a 2005 Massachusetts Institute of Technology study that examined the impact of seven mixed-income rental developments on the value of nearby single-family homes and found no negative effect.[54] In one of the three ownership projects, town officials also felt it was too distant from other residential properties to have an impact on property values. In the two ownership projects built in older neighborhoods, we found that the assessed values of nearby properties increased at a rate equal or greater than the townwide average. In all cases, the projects added to the communities' tax bases because the sites had previously been vacant or used for low valuation purposes.

11. The projects increased housing opportunities for market rate households as well as for low and moderate-income households. The six developments all expanded housing choice for market rate households, by providing new rental units in communities that were either losing existing rental units or had added few new units in recent years and by adding more moderately priced ownership units. Two of the communities had experienced absolute declines in their rental supply between 1990 and 2000, as properties were converted to or replaced by ownership housing (in one community, the subject development now represents 10% of the town's rental stock). In the third community, the case study project represented the first new rental construction project in years. The ownership projects provided newly constructed homes at a somewhat lower price than was otherwise available in the community. In all three cases, buyers of market rate units included a number of long-time local residents, including both young families and empty nesters. The relatively lower prices, in part, reflected local housing goals.

Developers' Perspective

From the perspective of the six developers, mixed-income housing is a successful housing production model. In Massachusetts, it provides access to zoning flexibility that would not be available if they built entirely market-rate housing and for those motivated by a desire to produce affordable units, it allows projects to move forward in a tight subsidy funding environment. Overall, the developers generally believed that the local approval process is more protracted for subsidized housing than for entirely market rate housing and requires more negotiation of project details, but they knew this going into the process. All agreed that when projects serve families, local officials and community residents also prefer mixed-income housing to entirely subsidized housing.

The developers chose to build mixed-income housing for a variety of reasons, but in all cases, access to zoning flexibility was a factor. Five were for-profit limited dividend entities, while one was a non-profit. The five limited dividend companies all built on "transitional" sites – land located at the edge of existing residential areas, generally with few residential abutters and usually on formerly commercial sites. Land costs were low, compared to parcels in more desirable areas, and had limited development potential under as of right zoning. Only the non-profit developer built in the middle of a residential area and that city-owned site had long been designated for affordable housing under a plan developed with neighborhood support. All of the developers agreed that a strong local housing market, with pent up demand for the proposed product, was a major factor in site selection.

Five of the six had previous experience developing mixed-income housing and the sixth – had experience as a general contractor building mixed-income housing and saw its potential. The type of housing they built reflected their prior experience and their financial capacity.

The developers of the three rental projects were all fairly large. One firm had extensive experience developing entirely subsidized housing. It had decided to branch out into mixed-income housing and transit-oriented development for several reasons, including the increasingly shallow nature of subsidy programs, the pent-up demand for market rate rental housing in many communities, a belief that there was a market for transit-oriented development and that such an orientation might be more attractive to local officials.

The second firm was a national developer specializing in building and managing rental housing in "high barrier to entry" markets where there is pent-up demand. While the case study project was one of its first developments, it has since built many similar mixed-income projects in Massachusetts using the comprehensive permit process. The third firm specialized in building subsidized rental housing using the Low Income Housing Tax Credit program, primarily in three states (Massachusetts, Florida and California). While its projects in the other states are generally 100% entirely affordable, most of its recent Massachusetts projects have been mixed-income and most are located in suburbs at the edge of metropolitan areas where land costs are lower. All three projects used subsidized financing programs as well as Chapter 40B.

Two of the three developers of rental projects reported that their proposals were greeted with significant concern by local officials and described the local approval process as protracted (in one case, the Zoning Board of Appeals denied the comprehensive permit after the developer thought all issues had been resolved). Local concerns included affordability, school impacts, traffic impacts, and impacts on water and sewer capacity. Local concerns about affordability in the two communities differed. Both developers noted that they had to emphasize that their projects were different from “Section 8 housing”. In one community, the developer, whose project was primarily subsidized through the low income housing tax credit program, felt that the fact that their project would largely serve working households was an important selling point, while in the second, local officials asked the developer to deepen affordability by targeting the affordable units to households at 50% of median rather than 80% as he initially proposed.

In one case, the developer agreed to eliminate three bedroom units from the proposal to address school impact concerns. Both also agreed to design changes to increase the amount of open space on their sites. In both cases, the developers agreed to comprehensive permit conditions that required them to pay for traffic and infrastructure improvements, in the interest of avoiding delay, even though they might have successfully appealed them to the State.

In the third case involving rental housing, the proposal was more favorably received both because it would help meet an explicit goal of the town (to increase its rental housing stock) and because it significantly improve their Chapter 40B count (since the market rate units would also count). The approval process was faster and less difficult, with the only area of disagreement centering on the term of affordability.

Discussions with developers and local officials indicated that homeownership projects are generally more welcome than rental projects though the fact that the three ownership projects studied were all small may have played a role in that finding. Local officials and the developers reported hearing little concern that the affordable units in the homeownership projects would attract “outsiders”, perhaps because the projects were small, targeted a higher income group than earlier subsidized housing programs for renters and used the 70% local preference for affordable units allowed under LIP (meaning all but 2 or 3 affordable units in each community were reserved for residents qualifying for local preference).

The two limited dividend developers of homeownership projects were smaller firms, both with longstanding ties to the communities that were the sites of the study projects. Both had developed entirely market rate housing in these communities as well as nearby towns. One firm noted that their decision to build mixed income or market rate housing depended on site characteristics, including profit potential, the fit with surrounding uses and extent to which it might encounter neighborhood opposition. Both of the limited dividend developers used the Local Initiative Program (“friendly 40B”) which provides no financial subsidies but relies entirely on the density and regulatory waivers to create affordability, and both said they would not have pursued development if local officials had been hostile, in part because the approval process would have been much more difficult.

Both cited the existence of active local Housing Partnerships as factors in their decision to explore a mixed-income housing proposal, since they created a climate of receptivity. They also described the Partnerships as playing a crucial role in shaping the proposals to meet local goals and concerns and helping to build acceptance for the proposals. Both developers said their profits on these projects were lower than on their market rate housing developments, because of pricing or other agreements negotiated with the locality, rather than just because of the profit limits imposed when using Chapter 40B.

Both developers also expressed a personal sense of satisfaction in providing homeownership opportunities, but also reported – with regret - that they agreed to limit the size or features in the market-rate homes at the request of local housing partnerships. In one case, the revisions were cost-driven, as the housing partnership negotiated initial price caps on the market rate units in order to serve slightly higher-income first time homebuyers who were also priced out of the local market. In the second case, it reflected the housing partnership's desire to minimize outward differences among units.

In the case of the nonprofit project (Homes at Auburndale Yard), the decision to build mixed- income housing was based both on economics (subsidy funds were not available and the site could not accommodate many units) and the preference of both the City and neighborhood residents for providing affordable family units in mixed-income developments. A re-use plan for the city-owned site had been developed years earlier in consultation with neighborhood residents, though it was modified several times in response to federal funding cuts. It initially called for high density entirely subsidized elderly housing but after HUD funds were rescinded, the plan was revised to provide low-density, mixed-income family housing with some public housing units. The second plan also fell through due to HUD budget cuts. The third plan called for a small-scale homeownership project, with a preference for mixed-income housing, but failed to attract the interest of private developers. That ultimately led the City to seek a nonprofit developer for mixed-income housing.

The developer reported that the approval process moved quickly. The nonprofit spent about a year on design, meeting with both neighbors and local departments, and lining up financing, including HOME funds from the City. The comprehensive permit hearing lasted one evening and the permit was approved the same night. Like the other developers of ownership projects, this developer also reported relatively low profits. In this case, it was not due to price caps or design requirements, but to a slower than expected sales pace for the market homeownership units that led them to reduce prices slightly. The small size of the development (10 units), combined with its higher percentage of affordable units, may have played a role in creating initial hesitancy. However, resale prices have been strong.

All of the projects had high occupancy rates and none reported management or financial problems. Each developer felt that relatively few market rate tenants and buyers were put off by the mixed-income nature of their projects and all felt strongly that offering an attractive product at a competitive price was the key to the success of their projects.

Local Officials' Perspective

Interviews with local officials indicate that while they varied in their initial reactions to the six developments when first proposed, they agree that the developments have produced high quality, well-managed housing and none reported any concerns about traffic, crime or property values.

Regardless of the proposed income mix, local officials said communities generally dislike comprehensive permit applications because of the potential loss of control that comes with knowing a developer can appeal the ZBA decision. (The developers on the other hand felt that localities require more from them, such as design concessions and payments for traffic, open space or other improvements, than they require from conventional developers, knowing that developers would prefer not to have to use the State appeals process.)

Local officials and developers both agreed the projects proposed using the comprehensive permit always receive a higher level of scrutiny than the special permit process. In the case of the two Local Initiative projects, which requires local officials to endorse the proposal before the developer can apply for a comprehensive permit, officials did not feel this imbalance of power. In those cases, the major local concerns revolved around design (how well the development blended with the existing landscape and how well the proposal addressed local housing needs).

Local officials all agreed that project design also attracts significant attention in the review process and several noted when projects rely entirely on zoning waivers to create affordability, the higher density and more constrained project budgets can make new projects stand out a little.

Generally, local officials preferred mixed-income housing over older models of affordable housing as a social model (as noted, two rental developers talked about the importance of distinguishing their proposals from "Section 8 housing") and one community (Newton) had made it its primary production model for affordable family housing for several decades. Local officials also appreciated the fiscal benefits since it generates more property tax revenue per unit than 100% affordable developments. Housing partnership members also felt mixed-income housing reduced the potential for stigmatization.

Municipal interest in expanding affordable housing generally and in targeting affordability varied. Local officials in three of the communities studied could be considered both actively supportive of affordable housing at the time the case study projects were proposed (Lexington, Newton, Westborough) and concerned about extent to which specific income groups would benefit. In a fourth case, while not enthused about the project, town officials insisted on deeper income targeting. Affordable housing was a low or relatively low priority in the two other communities.

Discussions with local officials, town committee members, residents and developers indicated experience with affordable housing tends to temper community opposition to subsequent proposals and often creates a core of supportive local residents and/or officials who can play an important role in shaping a community's affordable housing goals and level of pro-activity.

The case studies suggest, however, that while local leadership can play an important role in promoting affordable housing, the form of local government also plays an important role in shaping outcomes. In communities with a town meeting form of government, even a minority of residents can defeat affordable housing initiatives supported by local officials, while in communities with a city form of government, it is easier for local officials to approve such initiatives even though residents are equally concerned about fiscal impacts.

Despite a general consensus that the six projects resulted in high quality housing that benefited local residents, fiscal concerns continue to limit receptivity to the additional production of affordable family units, especially rental units, even in mixed-income developments. Officials and local board or town committee members in several communities reported that the case study projects had paved the way for new affordable housing initiatives (mostly involving mixed income development), and all of the communities had either added additional subsidized housing to their inventory or had projects in the pipeline.

However, in at least three of the communities, new initiatives appeared to be at least as strongly motivated by a desire to become exempt from Chapter 40B that was critical to the feasibility of the case developments as by a desire to address housing affordability problems. Four of the communities have adopted plans that express a preference for or explicitly seek to limit development to projects with only one or two bedroom units or projects that served older households.

Residents' Perspective

Information on resident satisfaction, summarized in Appendix II, was collected entirely through mail surveys. The survey was designed to measure satisfaction in these six developments. We did not attempt to determine whether the residents in these affordable units had higher levels of satisfaction than residents in entirely subsidized family developments in these same communities.

As noted earlier, response rates averaged about 20% overall, making it difficult to draw broadly applicable conclusions, especially for the occupants of affordable units who moved from other communities since they represented a very small subset of respondents. Some of the key findings are:

- 95% of residents rated their developments as very good or good.
- 96% of renters rated their management company as courteous.
- 87% of residents rated the quality of building construction to be well-constructed or fairly well-constructed.
- 90% of residents found the other residents to be very friendly or friendly.
- 80% of residents rated their developments as a good place or very good place to raise children.
- 88% of market rate tenants and 79% of market homeowners said they were not concerned about the income mix in the development at the time they decided to lease or purchase their unit.
- Among residents who had moved from another community to live in their development, only 20% had children enrolled in the public schools.

APPENDIX 1: CASE STUDIES

Case Study 1: The Woodlands at Abington Station Abington, Mass.

Woodlands at Abington Station, a 192-unit rental development located 18 miles southeast of downtown Boston in the town of Abington, opened in 2003. Located 1/8 of a mile from a newly re-opened commuter rail station, it was the first major rental housing development in Abington since 1982 and has won numerous awards as an example of smart growth "transit oriented" development. Twenty percent (20%) of the units are reserved for households with incomes at or below 50% of median. The project used the comprehensive permit (Chapter 40B) process to obtain local approvals. Subsidy funding included tax-exempt financing through the state's housing finance agency, federal low income housing tax credits and State HOME funds It includes 78 one-bedroom and 114 two-bedroom units.

COMMUNITY OVERVIEW

Abington is a middle-income town of just over 16,000 located 18 miles southeast of downtown Boston and next to the state's sixth largest city (Brockton). Formerly home to both farms and manufacturing, today it is primarily a bedroom community, with 85% of employed residents commuting to other communities and 81% of the 4,000 jobs in town in 2000 held by non-residents. In 1999, the median family income was 12% above the statewide median.

Abington Statistics	
Population (2003)	16,052
Land Area (square mils)	9.97
Population Density/ sq mi (2000)	1,469
Miles from Boston	18
Type of Government	Open Town Meeting
Demographics (2000)	
Median Family Income (1999)	$68,826
State Rank (of 351)	(129)
% Adults age 25+ with college degree	22%
School District rank (2004 MCAS)	132[55]
Race/Ethnicity of Population	
White Non-Hispanic (Town)	97.0%
White Non-Hispanic (MSA Suburbs)	94.0%
White Non-Hispanic (MSA)	80.8%
Growth 1990-2000	
Population Growth	5.7%
Housing Units Growth	7.6%
Increase in Total Households	9.3%
Increase in households w/children <18	6.4%
Increase in School Enrollment	11.5%
Housing Characteristics	
Median Single Family Home Price (2004)	$314,900
Median Gross Rent (2000)	$676
Total Year Round Housing Units (2000)	5,332
Homeownership rate (2000)	71.8%

Until the mid-1990s, Abington grew more slowly than surrounding towns (while its housing supply grew by 51%, its population rose by only 18% between 1970 and 2000). Building and sales activity began to pick up in the mid-1990s, and school enrollment began to rise after declines in the late 1980s, as the state economy improved. The re-opening of a commuter rail line to Boston in late 1997 spurred further growth. New units permitted rose from an average of 41 a year in the 1990s to 100 a year since 2000 (excluding the Woodlands development). In late November 1999, Town Meeting adopted a growth management bylaw that limited the new building permits to 50 a year. Water and sewer connection limits began to be a problem, as detailed below.

Almost all of the housing permitted in the 1990s was for single-family homes and condominiums and the town's renter-occupied housing supply fell by 87 units as units were converted to other uses. By 2000, the percentage of the town's housing that was renter-occupied had fallen from 32% in 1990 to 28%, though still above the overall average for suburbs in the Brockton MSA (20%).

In 2000, single family detached homes made up two-thirds (66%) of the town's housing stock (up from 63% in 1990). The other one-third consisted of single family attached units (3%), 2-4 unit properties (15%) and multifamily properties (16%). Abington's housing market is strong and vacancy rates are low (0.3% for ownership units and 1.6% for rentals in 1999). Single family home values were slightly below the statewide median in 1999 at $168,700, but have since risen significantly as median single family home sale prices have more than doubled (rising from $165,000 in 1999 to $340,500 for January-July 2005).[56] A 2003 Town study found no change in vacancy rates and rising rents, with an average 2-bedroom rent of $1,050 excluding heat.[57]

Zoning Little land was available for new multifamily development in 2000 (when the Woodlands project was proposed), as the few areas where multifamily housing was allowed had little remaining development potential, since many had wetlands, and the zoning required a minimum lot of 4,000 to 5,000 square feet per unit, with no clustering allowed. Land prices also limited affordable homeownership production, since Abington's zoning required a minimum lot size of either 30,000 or 40,000 square feet for single family homes.[58] The Town indicated an interest in expanding housing opportunities in its Master Plan completed in July 1999, however, and recommended allowing duplex units, small multifamily buildings, and some apartments over commercial properties in the downtown areas, as well as supporting Local Initiative Projects and cluster development.[59]

Prior Experience with Affordable Housing At the time the Woodlands project was proposed, Abington had 250 units of subsidized housing (4.7% of it's year round stock and 16% of its occupied rental stock). All but six units were for elderly and disabled households. The six family units included two single family homes owned by the housing authority and 4 first-time homebuyer units in a 16 unit project approved just a year earlier as a "friendly 40B" under the Local Initiative Program. This latter project was Abington's first mixed-income development and its second 40B development (a 70-unit elderly public housing project received a comprehensive permit in 1990). At the time the Woodlands project was proposed, the Town had another comprehensive permit application before it, a 221 unit condominium proposal (the Gables) filed in 1999 after local officials denied the developer's application for a sewer connection for a 100% market rate project.

Recent Development	
Building Permits (Total U) 1996-2004	829
Single Family units permitted	475
Multifamily (5+) units permitted	346
% Units in Multifamily	41.7%
Minimum Lot Size – Single Family	30-40,000 SF

PROJECT DEVELOPMENT PROCESS

Beacon Residential, a division of the Beacon Companies, developed Woodlands at Abington Station. Beacon is a major regional developer/owner/manager of both commercial properties and affordable housing and had developed a number of high profile commercial properties in Boston. It began developing subsidized housing in the late 1960s and developed over 5,000 units under the Section 236 and Section 8 programs. Since 1995, Beacon has primarily focused on residential development. While most of its properties are in Massachusetts – including 483 units next door in the city of Brockton -- it has also developed housing in Connecticut, Rhode Island, New York, Pennsylvania and Virginia. It had extensive experience with subsidy programs, including low income housing tax credits and HOPE VI.

In the 1990s, it began expanding into market rate housing (usually with an affordable component), choosing sites that offered proximity to work, shopping and public transportation. The 1997 re-opening of the commuter rail line between Brockton and Boston made Abington and surrounding communities attractive for development. The Woodlands project was one of Beacon's first forays into a suburban location. In early 2000, it found a 34.9 acre site in Abington less than 1/3 of a mile from the new commuter rail stop that appeared suitable on many counts. Most recently used to stage paintball war games, the site was vacant. It was 21 miles from Boston by car and 30 minutes by rail and was close to both the town center and a number of shopping areas. It had offered an attractive landscape, with trees, open fields and a pond and had few residential abutters. It was bounded to the north by an existing street (Summer Street) already served by public utilities, to the east by commuter rail tracks, and to the west and south by open space in the form of public water supply lands owned jointly by the towns of Abington and Rockland. The only direct abutter to the site was an auto sales/fuel distribution business and residential uses in the general vicinity were limited.

Because the site was zoned industrial (multifamily housing not allowed) and was also in a flood plain and wetlands protection overlay district, Beacon knew it would need to cluster the development and would need to apply for a comprehensive permit under Chapter 40B (or seek a rezoning) in order to develop the site. Developers sometimes avoid applying for comprehensive permits in communities where they feel local opposition is likely to lead to a very protracted review process. However, Beacon knew there was some Town interest in multifamily housing for the site, as the town's 1999 Master Plan had recommended rezoning it to allow apartments and multi-unit housing by special permit at up to 10.9 units per acre.

Beacon filed a comprehensive permit application in late October 2000, proposing to build 192 rental units in 15 three-story buildings using wood frame construction and clapboard exteriors. The proposal clustered the housing on 20 acres of the 35-acre site, leaving considerable open space. It proposed to either reserve 25% of the units for households with incomes at or below 80% of median using a subsidy programs called the New England Fund (NEF) that provides below-market rate financing or to make 20% of the units affordable to households with incomes at 50% of median by using MassHousing's 80/20 tax-exempt financing program. The Zoning Board of Appeals (ZBA) opened it hearings on the application in November 2000. The Town hired a consultant to assist it in reviewing the application and negotiating, using a $10,000 grant from the Massachusetts Housing Partnership, a quasi-public agency that assists localities with affordable housing development. The ZBA held three public hearings on the project and approved the application for 192 units with 26 conditions on April 26, 2001, including a requirement that the affordable units remain affordable in perpetuity.

A number of elements were negotiated during the permit review, including the level of affordability and bedroom mix, traffic control and water and sewer issues. While Beacon's initial proposal included 17 three-bedroom units, town officials were concerned about the potential impact on the local elementary school and the developers agreed to the Town's request to eliminate them, substituting one-bedroom (5) and two-bedroom units (12) instead.

In response to the Town's desire for deeper affordability, the developer agreed to seek tax-exempt financing that would require at least 20% of the units be affordable at 50% of median and to return to the ZBA for approval of affordability details if it chose to use the New England Fund (which normally requires that 25% of the units be affordable to households at 80% of median). It also agreed to give local residents (defined as people currently living or working in Abington) preference for 70% of the affordable units and to provide up to $10,000 to fund a Town consultant to monitor the initial rent-up for compliance with fair housing requirements. Fiscal impacts were not a major concern, once the bedroom mix was set, because study results indicated the project was unlikely to generate a large number of new school-age children. The ZBA praised the site design, noting its relatively low overall density, compared to the 10.9 units/acre allowed as of right, the large amount of open space and Beacon's agreement to create a walking trail on the site.

The most pressing concern for the Town was the impact on water and sewer systems. Abington had been struggling with insufficient sewer and water capacity for a number a years. It has shared water with the adjacent town of Rockland since 1885 through the Abington/Rockland Joint Water Works. The system's safe yield was below the amount needed to meet average daily consumption. To address this gap, while working on a reservoir expansion expected to be complete in 2008, the Water Works adopted a policy that required any new development to produce water savings equal to twice the amount of water the new project would use before it could receive water service. Abington's sewage treatment system was also unable to meet demand. Abington had contracted with both Rockland and the city of Brockton to accept sewerage from Abington but was approaching the maximum in the areas served by the Brockton contract. The Abington Sewer Board had established a waiting list for new sewer connections and gave priority to existing homes where owners had paid betterment fees. New developments had to go on the waiting list unless they built on-site sewage disposal systems or added to the capacity of the existing system by funding water conservation practices.[60]

Because a series of State Housing Appeals Committee decisions had established that municipalities could not require developers to address infrastructure and traffic problems that were not of their making, Beacon could conceivably have asked for an exemption from these water and sewer policies. Instead, it agreed to develop, finance and implement a water conservation program that would add two gallons to the water system for every gallon withdrawn as one of the conditions (#22) of the comprehensive permit. Beacon also agreed to "not impact upon any of the sewer capacity reserved for residents." The Town in turn agreed that the sewer obligation impact would be met if at least half the water saved under Condition 22 came from buildings and water lines already contributing to the sewer system. The Town also required that both conditions be met before the project could receive a certificate of occupancy. Beacon spend $350,000 to develop and implement a multi-faceted strategy to meet these requirements, including funding low-flow showerheads, leak detectors and a program to find and repair water system leaks. Beacon also agreed to fund a needs study for a traffic light in response to a meeting they had held with nearby residents. Traffic improvements were approved by Town meeting and Beacon agreed to contribute $15,000 for associated planning and design work.

PROJECT MARKETING AND MANAGEMENT

Woodlands at Abington consists of 15 three-story wood-frame non-elevator buildings with a clapboard exterior arranged in an oval around a common. It is entered by a drive from Summer Street. Units have direct access to the outside through open breezeways, rather than enclosed hallways, and many have porches or balconies. The management office, community rooms and fitness center are housed in a separate building near the entrance, next to an outdoor pool and tennis courts. Other amenities include playgrounds, picnic areas, walking trails, a dog run and loaner mountain bikes. Beacon manages the property itself. On-site staff includes a full-time property manager, a full time administrative assistant/ bookkeeper, a part-time leasing consultant to process applications, two full time maintenance staff and a half-time maintenance supervisor.

Project Profile	
Tenure	Rental
Year Opened	2003
Total Units	192
Affordable Units	39 (20%)
Local Preference	27
Subsidy	Tax Exempt Bonds
Income Limit: Subsidized Units	50% AMI
Unit Mix:	
78 one-bedroom (16 affordable)	718-812 SF
114 two bedroom (23 affordable)	1009-1172 SF
Total site/	35 acres
Density:	5.5 units/acre
Population Served	Unrestricted

The 39 affordable units are identical to market units and interspersed throughout the development. Contract rents, in late 2004, excluding utilities, ranged from $1,290-1,690 for market rate units

Woodlands opened in phases between June and December 2003, with marketing and rent-up overseen by Beacon's vice president for marketing. The affordable units were fully leased by December 2003 and the market units were 100% occupied by May 2004. Beacon saw its market as households living in Boston and on the South Shore (communities south of Boston), graduate and medical students, and people relocating from out-of-state for work. At the request of the Town, Beacon began its marketing with extensive outreach to Abington residents and Town employees, contacting municipal departments, the teachers' union and the library, and placing ads in local newspapers. It also advertised in minority, regional and general circulation newspapers, apartment guides and on internet sites. Because its marketing research had shown that many Greater Boston residents did not know where Abington was, Beacon also advertised the project as "near Weymouth", highlighted its proximity to the commuter rail system and held marketing events at South Station, the Boston terminus for the commuter rail, and in communities and stations on the line.

Because Woodlands opened at the same time that a number of other new complexes came on line in Greater Boston and the rental market was softening due to a downturn in the economy, Beacon also decided to adopt a pet-friendly policy and to reduce security deposit requirements slightly. Residents, both in the market rate and subsidy units, mainly came from South Shore communities, and about 5% came from Boston. Marketing staff noted that the open space appeared to be a strong draw for tenants. The project has attracted a variety of household types including young professionals, families with young children and older residents. As of September 2004, it was home to 40 children, including some too young for school and some attending private school.

Beacon does not advertise the mixed-income nature of the development, but when asked, explains that some units are reserved for people on fixed incomes. The marketing director estimated that perhaps 5% of applicants decide against renting on learning that the project is mixed-income. She felt tenants generally do not know which units are affordable because they are completely interspersed, in every model style, building, unit size and floor. She saw no evidence of tension between market and subsidized tenants and noted that some residents are probably not aware that the project is mixed-income. She noted that the project amenities and resident events held by Beacon help create a sense of community. The pool, tennis court, fitness center and walking trail are well used and give tenants a chance to get to know each other.

Beacon estimates that 20-30% of the market units turn over at the end of their lease, well below the Massachusetts industry average of 50%. Turnover in the subsidy units has been much lower (one unit) and there is a waiting list for those units. Tenants move for a variety of reasons, most commonly to purchase a home. Vacated units have rented quickly and as of September 2004, the development was 99% committed. Beacon runs credit history and criminal background checks on all applicants. While it does not a have strict credit score cutoff, it does not accept applicants with a debt to income ratio exceeding 60%. Beacon estimates that 9-10 households have Section 8 vouchers, somewhat below the target they set as part of their MHFA financing agreement, despite outreach to local housing authorities and subsidy rents well within current FMRs.

RESIDENT PERSPECTIVE

In September 2004, CHAPA mailed a survey[*] to all residents asking about the factors that led them to rent at Woodlands and about their satisfaction with the development. We received responses from 32 households (17% of occupied units). The responses, summarized below, indicate high levels of satisfaction with the project and no concerns about the income mix. Response rates were slightly higher for tenants in subsidy units (18%) than market rate units (16.6%) and notably higher for residents in two-bedroom units than those in one-bedroom units (21% vs. 10%).

Resident responses indicate that the quality of the housing, the design of the development, its affordability for subsidy households, its location and its proximity to the commuter rail station all played a role in attracting tenants. Two thirds of the respondents in both market rate and subsidy units indicated the features of the development and apartments were the major factors in their decision to live at Woodlands.[†] Price was a much more important factor for respondents living in subsidy units than those living in market rate units. Community location (Abington) appeared less important, with one third of all respondents citing it as a factor. Though only one-quarter of the market rate respondents (and none of the subsidized respondents) cited access to the commuter rail station as a factor in their decision to move to Woodlands, almost half of all working households reported using the service 4 or more times a week (45% of working respondents in market units and 40% of those in subsidized units).

Among the 25 respondents in market rate units, the features of the development (18), unit quality (17) and unit size (15) were the most cited factors, followed by price (11) and the community (9). Proximity to the commuter rail station was cited by one quarter of the market rate tenants. Among the 7 respondents in subsidized units, the most frequently cited factors in the decision to move were price (5), unit size and development features (4 each) and unit quality (3). Two respondents indicated that the community in which the development was located was a factor, including one of three households that lived in Abington just prior to moving to Woodlands

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* The survey questions and tabulated responses are shown in Appendix II.

† The survey asked households to indicate the factors that were important in their choice of Woodlands and to rank them in order of importance. Of the 32 respondents indicating factors that were important, 18 provided rankings.

The mixed-income nature of the development appears to have had little effect on the decision of market rate tenants to live at Woodlands. Of the 22 respondents in market rate units who discussed this, three (14%) reported it was a factor, with one saying they almost decided against renting there when they learned (the other two did not detail the effect on their decision). Most others reported it was not a factor (16), while three were initially (1) or currently (2) unaware that the project was mixed-income. Three of the seven respondents in subsidized units indicated the income mix factored into their decision, all because it made their units affordable. None of the respondents indicated any concerns related to the income mix.

Overall, respondents reported a high level of satisfaction with the development. Respondents were asked to rate the development on a number of dimensions using a 4 point scale (the highest rating was "very good", the second "good" and the lowest "not good at all"). Ninety four percent (94%) rated the development overall as either very good (68%) or good (26%). All (100%) rated maintenance as very good or good and eighty nine percent (89%) rated the development as well- or fairly well constructed.

Respondents also generally felt Woodlands was a good place to raise children. Overall, two-thirds of the respondents who expressed an opinion (16/24) rated it as a very good or good place to raise children and only one rated it "not good." Respondents with children were even more positive, with seven of the nine respondents (77%) with children under 18 rating it a very good or good place to rate children, including all of the families in subsidy units. The three respondents with children in the Abington school system all rated the schools as good. The two respondents whose children had previously attended school in other towns rated the system quality as equal to their prior community. The majority of respondents (56%) felt Woodlands was a good value, while 16% had no opinion and 28% felt it was not. Prior tenure played a role in opinions about value. Over 70% of respondents who had moved from another rental unit felt it was a good value, compared to one third of those who had been homeowners just prior to moving.

TOWN PERSPECTIVE

The current Town Planner, Daniel Crane, who worked at the regional planning agency at the time the project was approved, reports that while Town officials were initially apprehensive when Woodlands was proposed, they are now very proud of it. He characterized it as "a plus for the community."[61] Positive reaction to Woodlands contributed to the approval in late 2003 of new "Transit Oriented Development (TOD)" zoning first proposed in 1999 and the numerous smart growth awards received by the project and the Town's zoning actions also helped "put Abington on the map."

A summary prepared by Crane in 2004 outlines some of the impacts of the project and concluded, "If one were to estimate the net costs of the Development and compare these to the expenses to the Town of Abington in governmental services, it could be reasonably concluded that it was financially a break-even situation. However, the intangible benefits of providing reasonable cost and affordable housing in the community have to be considered as a positive factor for the Town".[62] The report noted that Woodlands was assessed for $11.4 million dollars in 2004 and paid $139,512 in real estate taxes to the Town, while the estimated cost of educating 17 students from Woodlands in 2004 was $118,000. It noted that the Town incurred no new plowing or maintenance costs for the project since its interior roadway system is a private way. Crane's report cited consultant assistance from the State, through the Massachusetts Housing Partnership, as critical to helping the Town to address potential project impacts and noted that resulting agreement by the developer to pay the Water Department $300,000 to implement a water conservation program that benefited the entire town.

Despite the consensus that the development was very positive for Abington, Crane noted that towns generally do not like comprehensive permit projects because the ability of developers to appeal decisions gives municipalities less control. Completion of the Woodlands project allowed Abington to become appeal-proof at least through 2008, giving it more control over any new comprehensive permit proposals.

Abington availed itself of a State program that provides funding for communities to write a five-year affordable housing production plan that demonstrates how they will increase their subsidized housing inventory over five years by amount equal to at least 3.75% of their year round housing supply (as counted in the most recent decennial Census). Communities must achieve at least 20% of that goal each year (e.g. 0.75% of their year round housing supply). Once the plan is approved by the State, comprehensive permit decisions cannot be appealed if a community is meeting its annual goals. In Abington's case, it had to demonstrate it would add 201 units by 2008. The 192 units developed at Woodlands, combined a recently approved first-time homeowner project, provide 199 of the 201 units needed and 2 Habitat for Humanity houses are expected to round out the program.

Given Abington's appeal-proof status under Chapter 40B, it is unclear how much more affordable housing will be developed before 2008. In its Affordable Housing Strategy, the Town says it will try to exceed the 5-year goal by 80 units in order to reach a subsidized housing inventory percentage of ten percent (10%) and continue to be appeal-proof. The strategy states a desire to add at least 40 more units of elderly housing to address current long waiting lists and a preference for age 55+ housing. The Town hopes to create units both in the new Transit-Oriented Development (TOD) zoning district, which covers 30 acres around the commuter rail station and in another village center.

Case Study 2: Franklin Commons
Franklin, Massachusetts

Franklin Commons is a 96-unit rental development located in the town of Franklin, one of the fastest-growing communities in the state. It was built in 2003, after the State overturned the local decision to deny the project a permit under Chapter 40B. Two-thirds (66%) of the units are reserved in perpetuity for households with incomes at or below 60% of median. Funding included the low income housing tax credit program and State HOME funds. Over one-third (37.5%) of the units have three bedrooms.

COMMUNITY OVERVIEW

The town of Franklin, located in the Interstate 495 corridor, is situated 22 miles southwest of Boston and 28 miles north of Providence, RI. Formerly home to many mills and industries, today it is an attractive bedroom community, with three quarters of working residents commuting to other cities and towns.

Franklin Statistics	
Population (2003 estimate)	29,958
Land Area (square miles)	26.1
Population Density per sq mi (2000)/ rank	1,120 (94)
Miles from Boston	22
Type of Government	Town Council
Demographics (2000)	
Median Family Income (1999) State Rank (of 351)	$81.826 (67)
% Adults age 25+ with college degree	43%
School District rank (2004 MCAS)	33
Race/Ethnicity of Population	
White Non-Hispanic (Town)	95.3%
White Non-Hispanic (MSA Suburbs)	88.2%
White Non-Hispanic (MSA)	80.0%
Poverty rate (individuals)	4.3%
Growth Trends 1990-2000	
Population Growth	+33.8%
Housing Units Growth (Year Round U)	+34.1%
Increase in Total Households	+37.1%
Increase in households w/children <18	+52.4%
Increase in Public School Enrollment	+75.1%
Housing Characteristics	
Median Single Family Home Price (2004)	%399,900
Median Gross Rent (1999)	$677
Total Year Round Housing Units (2000)	10,295
Homeownership rate (2000)	81.2%
Detached Single Family (% of total units)(	70.3%
Multifamily 5+ (% of total units)	12.6%

Franklin ranks in the top 20% of cities and towns statewide in terms of median family income. It has relatively few minority households. In 2000, over 95% of the residents identified themselves as non-Hispanic whites, 1.5% as Asian, 1% as non-Hispanic blacks and 1% as Hispanic. These numbers have not changed significantly since 1990. Only about 1% of residents were receiving any form of public assistance.

Like many other communities along I-495, it has experienced rapid growth in recent decades, with its population growing by 34% since 1990 and by 66% since 1970. Its school district ranks in the top 15% of public districts statewide and it has attracted many families, resulting in a 75% rise in school enrollment between 1990 and 2000.

Franklin's housing stock is primarily owner-occupied (81% in 2000, up from 76% in 1990), with single family, detached homes comprising 70% of its housing supply in 2000 and 92% of the 2,635 units added to its housing supply between 1990 and 2000. Housing demand is strong and vacancy rates are low – 0.3% for ownership units and 2.9% for rental units in 2000. Median gross rents rose by 20% and median home values rose by 35% between 1990 and 2000, compared to statewide increases of 17% and 14%. Median single-family home prices rose 48% between 2000 and 2004.[63]

Zoning At the time Franklin Commons was proposed, almost all of Franklin's undeveloped residentially zoned land was restricted to single family homes, with two-family homes allowed in a few small areas. After a 1995 build-out analysis showed the that the percentage of land in Franklin occupied by homes had risen from 18% to 40% between 1985 and 1995 and that over 4,100 additional residential units could be developed under existing zoning, the Town began work on a Master Plan to guide future growth. That Plan, adopted in 1997, recommended that the Town make efforts to attract more commercial and industrial uses, discourage the conversion of open land to residential uses "which strain the capacity of town infrastructure and services", and encourage downtown revitalization efforts. The Plan also recommended that the Town take steps to increase its affordable housing supply, especially for the elderly, and remove current barriers to multifamily housing construction including limits on project size. (Zoning changes are easier to implement in Franklin than in many suburbs because they only have to be approved by Town Council.) It reported a high level of concern among residents about the inclusiveness of their community and noted that resident surveys in 1990 had found that 68% of owners and 88% of renters favored increasing the supply of low and moderate-income housing and that support rose to 92% and 97% respectively when such housing was for the elderly. Continued concern about growth led the Town Council to adopt a Growth Management bylaw in 1999 that caps the number of building permits for new units at 100 a year. Subsidized (Chapter 40B) developments and "senior villages" are exempt from the one-year cap, but count toward a two-year growth limit of 200 units.

Recent Development	
Building Permits (Total U) 1996-2004	829
Single Family units	475
Multifamily (5+) units permitted	346
Minimum Lot Size – Single Family	10,000-40,000 SF

Prior Affordable Housing Experience In 1980, 8.1% of Franklin's year-round housing counted as subsidized under the State's comprehensive permit law. While the town continued to add affordable housing, market rate production grew faster in the following decades and by 2000, when Franklin Commons was first proposed, its subsidized housing percentage had dropped to 5.5% (565 units), of which 334 were affordable (restricted to households with incomes at or below 80% of area median). The affordable units included 286 rental units – primarily for the elderly and disabled – and 48 ownership units in mixed-income developments. The Town was familiar with the comprehensive permit process and had used it for seven developments – all public housing or ownership projects.

PROJECT DEVELOPMENT PROCESS

The Gatehouse Group, a Massachusetts-based firm that develops, owns and manages affordable multifamily rental housing in Massachusetts, Florida, California and Rhode Island, built Franklin Commons. They have over two dozen projects in their portfolio, many financed through the federal low-income housing tax credit program and many 100% affordable. Most of their mixed-income projects are in Massachusetts. Here, they have focused on opportunities southeast of Boston, particularly around I-495, in communities where the demand for housing is high and the difference between tax credit and market rents is less pronounced. Franklin fit these criteria well and they found a 12-acre site occupied by a golf driving range on Route 140 (East Central St) that was zoned commercial along the street and for residential uses in the rear. The fact that the site was relatively secluded from other residential development and thus less likely to raise complaints from abutters was also attractive.

Project Profile	
Tenure	Rental
Year Opened	2003
Total Units	96
Affordable Units	63 (66%)
Local Preference	Yes
Subsidy	LIHTC, HOME
Income Limit: Subsidized Units	60% AMI (3 at 50% AMI)
Unit Mix:	
24 One-BR (14 affordable)	631 SF
36 Two-BR (24 affordable)	944 SF
36 Three-BR (25 affordable)	1,100 SF
Total site	12 acres
Density:	8 units/acre
Population Served	Unrestricted
Contract rents 2004 - (affordable units)	$845-1160
((market units)	$1150-1595

As with most of their Massachusetts projects, Gatehouse used the comprehensive permit process for Franklin Commons. In early discussions with Town officials, they proposed a 120-unit project, clustered in relatively tall buildings to maximize open space. The Town had several concerns with the original design, including building height and number of three-bedroom units proposed. It worried that it would ruin the New England character of the town and place a burden on the school district by adding 150 students. (Concerns about school capacity had led the Town to assess a school impact fee on all new development a year earlier that was overturned in State court in early 2000). Gatehouse revised the proposal to cut the number of three-bedroom units and in late March 2000, filed a comprehensive permit application for 108 units (24 one-bedroom, 48 two-bedroom and 36 three bedroom units), of which 40% (63) would be affordable. The proposed subsidy was the federal Low Income Housing Tax Credit program. Gatehouse Group felt a mixed income approach would make it more financially feasible and more palatable to abutters and community residents.

In response to Town concerns, Gatehouse made a number of changes to the proposal during the permit hearings. They lowered the height of the buildings and moved a proposed tot-lot originally sited in the center green to the corner of the lot to maintain the open space feel. They agreed to install stop signs at the site entrance in response to Police Department concern that the proposed entrance to the development was too dangerous given its location on a busy street along a curve. In response to Fire Department concern that there was a risk that low water pressure might occur at times, making firefighting problematic, they agreed to pay for a water pressure booster if needed.

In response to abutter comments, they also agreed to increase the landscaping buffer. They agreed to income limits on all units, with 27 initially at 100% of median, 18 at 80% of median for 15 years and 63 at 60% of median in perpetuity and to give Franklin residents a preference for 25% of the 63 tax credit units. They also provided data showing that the project would probably add far fewer students than the Town estimated, based on the unit mix and the fact that rental developments attract fewer families generally. Based on the negotiations, the developers expected the comprehensive permit application would be approved but the Zoning Board of Appeals denied it outright in September 2000, citing issues of health and safety. Specifically, it concluded that the new development would place too great a burden on the already overworked sewer system, causing manhole surcharges at times of peak flow, and that the proposed exit from the development to the street was too dangerous.

The developer appealed the decision to the State Housing Appeals Committee (HAC). HAC encouraged the parties to negotiate but when progress stalled, it overturned the denial in September 2001. It found that traffic concerns could be addressed with additional speed limit signs and re-grading of the road, both of which the developer agreed to fund. It also found that a Town sewer improvement program begun after the permit denial would eliminate most capacity problems before the new housing was complete and that additional mitigation measures proposed by the developer (installation of a “lockout” system to ensure sewer discharges did not exceed capacity) would address any remaining capacity issues.

HAC noted that the capacity and surcharge problems pre-dated the Franklin Commons proposal and that the contribution of Franklin Commons to the problem was minimal. HAC ordered the Town to issue a comprehensive permit, with a requirement that Gatehouse would fund the construction of a trench at the bottom of the sloped property to collect run-off and install a sewer lockout system. Gatehouse subsequently agreed to reduce the size of the project to 96 units, dropping 12 two-bedroom units. Construction began in 2002, and occupancy began in June 2003.

DESIGN, MARKETING AND MANAGEMENT

The development consists of seven buildings arranged in an oval around a central grass-covered area featuring a gazebo in the center and a tot lot at one end. Each building contains units of the same size (i.e. all one-bedroom or all two-bedroom or all three-bedroom). Parking is in the rear, with garage and storage space scattered around the perimeter of the property. The buildings feature breezeways (open-air rather than enclosed hallways), providing each unit with its own entrance and front door, rather than a community entrance. Amenities include a clubhouse (with a computer center, a fitness center, laundry facilities and a community room with kitchen) and a picnic area with grills. Contract rents in 2004 ranged from $1150 to $1595 for the market units and $845 to $1160 for the tax credit units. Tenants pay for electricity and gas separately and can pay extra to rent garage or storage space. Market units include a full size washer and dryer; tenants in other units can also rent a full size washer/dryer for a monthly fee.

Gatehouse handles all marketing and self-manages the property. It used a variety of marketing approaches during the initial lease-up, including advertising in newspapers and apartment guides, contacting local housing authorities and sending information to Metrolist (a listing service maintained by the City of Boston), setting up a booth at a regional mall and dropping off information to area businesses. The development manager reports that the development was fully occupied within 3 months of opening and that newly vacant units rarely remain so for long. It continues to advertise in local apartment guides and newspapers and people who call to inquire are told that the project has "market and affordable units."

It has established detailed screening criteria that are spelled out in an information packet provided to all applicants. Every prospective tenant must pass a background check, have a home visit and meet minimum income guidelines to ensure rent burdens do not exceed 30% for the market units and 40% for the subsidy units. In addition, applicants with a credit score below 575 are not accepted. Franklin residents are given preference if a decision must be made between them and non-residents, but the manager said it rarely comes down to this point. The property manager estimated that about one-third of the residents came from Franklin, with most others coming from nearby communities and a few from Boston. As of mid-2004, there were 71 children living at Franklin Commons, less than half the number the Town had originally feared might move in.

The affordable units rent more quickly than the market-rate units, but in general the development has very few vacancies. A waiting exists for the two- and three-bedroom affordable units. About 24% of the tenants move out each year, with most leaving to purchase their own home.

The manager's prior experience had been entirely with conventional market rate housing. Asked to compare managing a mixed income development with an entirely market rate project, she said the primary difference was the additional paperwork required to document compliance with subsidy requirements, including annual income re-certifications. She also felt that it was easier because residents in the affordable units tended to be appreciative of their housing.

She reported no signs of conflict between affordable and market rate tenants (nor among households in affordable units). She noted that residents have no obvious way to know who has an affordable or a market-rate unit, as units are identical and interspersed throughout each building. In addition, the subsidy units float (i.e. management can place new tenants in any unit, as long as they maintain the required income mix by unit size). The manager felt there was a sense of community within the development, especially among families with children. She organizes monthly activities to bring residents together, such as barbecues, picnics, and craft parties, and with many children and a large green courtyard.

RESIDENT PERSPECTIVE

In the summer of 2004, CHAPA mailed a survey to all Franklin Commons residents asking about the factors that led them to choose Franklin Commons and about their satisfaction with the development. The survey had a 25% return rate, with 24 households responding. Response rates were equal for both market rate and affordable unit tenants, but there was some variation by unit size, with households in 3-bedroom units slightly over-represented and those in 2-bedroom units slightly under-represented.

The survey responses indicate a high level of resident satisfaction. The survey asked respondents to rate the development on a number of qualities using a 4-point scale ranging from very good to not good at all. On almost every account, residents were satisfied with management, the maintenance staff and the quality of construction in the development. They felt that the staff was courteous, responsive and helpful. Residents also indicated that their neighbors were very friendly and Franklin Commons was good place to raise their kids. All of the respondents with children in the school system rated it as very good or good. Ninety-six percent (96%) of the respondents gave the development an overall rating of very good (56%) or good (39%), and the vast majority rated it very good or good on a number of dimensions, including repairs and maintenance (84%), and construction quality (79%). Eighty percent (80%) of respondents rated it a good value, including all of the market respondents. Overall, respondents in both affordable and market units reported equally high levels of satisfaction with their housing decision.

Respondents reported that they considered a number of factors in deciding to move to Franklin Commons. The importance of price varied, with 80% of the respondents in affordable units citing it as a decision factor, compared to only 11% of market rate respondents. Overall, the most commonly cited factor was unit size, particularly among residents in three-bedroom units. The factors cited most frequently by the nine market rate respondents were the size of units (6), the town (4) and proximity to work (3). Among the 15 respondents in tax credit units, the most frequently cited factors were price (12), unit size (11), the town (10) and unit quality (10). The majority of respondents (75%), including 89% of market rate respondents, indicated that the mixed-income nature of the development was not a factor in choosing to move to Franklin Commons. One market rate respondent reported having initial reservations but no concerns now. Two more said they were unaware of the income mix when they moved in, with one saying they would probably have decided against the move had they known.

TOWN PERSPECTIVE

The Town's current Director of Planning and Community Development, who joined Town government after Franklin Commons was built, said that the project had benefited the town by expanding housing opportunities and providing much needed rental housing. Overall, she felt that the community has not been negatively impacted by the project and noted that despite earlier concerns about the potential traffic hazards, there have been no problems there. She felt the development had not affected area property values since it was relatively remote from other housing. The assessed value of the property in 2005 was just under $10.5 million, up from $310,900 just prior to development in 2002.

She expressed some reservations about the ability of projects like Franklin Commons to meet the housing needs of Franklin's poorest residents, including those living in some more run-down properties, since they could not afford tax credit rents and did not own cars. She also would have liked to see more units designated for Franklin residents, noting that while Franklin residents received a preference, the developer, rather than the Town, handled tenant selection because it was a tax-credit project

Fiscal Profile	
Average Single Family Tax Bill (2000)	$2,840
Average Single Family Tax Bill (2005)	$3,515
2005 State rank (out of 340)	125
Residential share of property tax base (2002)	79%
Taxable property per capita (2002)	$107,138
State rank (out of 351)	139
Proposition 2 1/2 override votes held/passed[64]	6/3

However, she also noted that the debate over its development moved housing affordability to the forefront of the Town's agenda, and led it to develop an affordable housing strategy that would mesh with other planning goals as well, including downtown revitalization and transit-oriented development.

Since Franklin Commons was approved in 2001, the Town has taken a number of steps to control and shape affordable housing development in Franklin and increase its subsidized housing supply. These included writing a state-funded Community Development Plan that integrated open space, economic development, housing and transportation goals. The Plan recommended directing more housing growth to downtown centers, starting a housing rehabilitation program to address the needs of low-income renters in older properties and exploring incentive zoning to create affordability and reduce sprawl. While the Plan found that current plans for school facility upgrades would meet projected needs through 2010, they recommended trying to limit new subsidized housing to projects with one- and two-bedroom units and to elderly and age-restricted (55+) housing.

The Town also made achieving the 10% subsidized housing goal established under Chapter 40B a key goal and reached it in late 2005 after approving comprehensive permits for three mixed income projects. Two of these projects conform to Plan goals - containing only one- and two-bedroom units. The third, a 64-unit single-family home project (16 affordable), was approved to settle long-standing litigation.

The Town's Affordable Housing Strategy, finalized in early 2004, notes that appeal-proof status will allow the Town to play a stronger role in directing the location and characteristics of future affordable housing and recommended that the Town establish of a housing task force, similar to a housing partnership, to lead these future efforts.

Case Study 3: Avalon at Lexington
Lexington, Massachusetts

Avalon at Lexington is a 198-unit rental development built in 1994 in the town of Lexington, a wealthy suburb 11 miles west of Boston known for its high home prices and top-ranked schools. It was developed using tax-exempt bond financing and the Low Income Housing Tax Credit program. Just over a quarter of the units (28%) are affordable in perpetuity to households with incomes at or below 50% of area median income. It also includes a higher percentage of 3-bedroom units (28%) than most post-2000 suburban projects. It was built using the comprehensive permit process.

COMMUNITY OVERVIEW

Lexington is a town of 30,355, known both for its role in the American Revolution and its very highly rated school system. While home to over 21,000 jobs, it is primarily a bedroom community, with 84% of local jobs held by people who live elsewhere and 86% of working residents commuting to jobs in other cities and towns, including the cities of Boston (15%) and Cambridge (12%).

Lexington Statistics	
Population (2000)	30,355
Land Area (square miles)	16.4
Population Density/ sq mi (2000)	
Miles from Boston	11
Type of Government	Town Meeting
Demographics (2000)	
Median Family Income (1999) State Rank (of 351)	$111,899 (12)
% Adults age 25+ with college degree	69%
School District rank (2004 MCAS)	7
Race/Ethnicity of Population	
White Non-Hispanic (Town)	85%
White Non-Hispanic (MSA Suburbs)	91%
White Non-Hispanic (MSA)	83%
Growth Trends 1990-2000	
Population Growth	+4.7%
Housing Units Growth (Year Round U)	+4.5%
Increase in Total Households	+5.7%
Increase in households w/children <18	+25.3%
Increase in Public School Enrollment	+33.1%
Housing Characteristics	
Median Single Family Home Price (2004)	$650,000
Median Gross Rent (1999)	$1,288
Total Year Round Housing Units (2000)	11,271
Homeownership rate	82.6%

Lexington has long ranked in the top 5% of Massachusetts communities in terms of median family income, ranking 12th in 1999, and has a relatively low percentage of very low-income households (11% vs. the statewide figure of 25%). It is also relatively homogeneous in its racial and ethnic makeup, with non-Hispanic whites making up 85% of the population in 2000, followed by non-Hispanic Asians (11%). Less than 3% of residents identified themselves as non-Hispanic black (1.1%) or Hispanic (1.4%), similar to the figures in 1990.

Like many mature Boston suburbs, Lexington's population fell between 1970 and 1990 (dropping by 9% even as its housing supply rose by 22%), then rose modestly (4.7%) in the 1990s, mainly due to turnover of existing homes (housing supply rose by only 4.5%). However, consistent with studies that indicate that communities with highly regarded schools attract more families, school enrollment rose by 33% during the 1990s.

Recent Development	
Building Permits (Total U) 1996-2004	558
Single Family units	552
Multifamily (5+) units permitted	-
Minimum Lot Size – Single Family	15,500 SF or 30,000 SF

Lexington's housing stock is primarily owner-occupied (83% in 2000), with single family, detached homes comprising 80% of it housing supply in 2000. The balance of its inventory consists of 1-4 unit attached properties (11%) and multifamily properties (9.5% in 2000, up from 8% in 1990). Housing prices in Lexington were high in 1990 and remain high today, as both rents and sale prices rose at more than twice the statewide rates of increase in the past decade. Median gross rents rose by 35% and median home values rose by 48% between 1990 and 2000, compared to statewide median increases of 17% and 14%. By 2000, the median value for an owner-occupied single-family home was 2.25 times the statewide average, while median family incomes were slightly under twice the statewide average. Prices have continued to climb as median single-family home prices rose by 43% between 2000 and 2004.[65]

Zoning Most of Lexington's residential zoning allows only single-family homes, with two-unit homes allowed in some districts. Current minimum lot size requirements, enacted in 1953, are 15,500 or 30,000 square feet depending on the district, but homes continue to be built on grandfathered lots as small as 5,000 square feet, though land prices are high ($100,000-250,000/lot in 1997). Multifamily development is allowed in two other districts by special permit with site plan review and subject to an inclusionary zoning policy as described below. Zoning changes require a positive vote by two-thirds of Town Meeting members (Lexington, has a representative Town Meeting, with 189 members elected from nine precincts).

Prior Experience with Affordable Housing As the Town's 2002 Master Plan notes, Lexington "enjoyed a reputation as one that actively seeks to guide change to serve goals of community diversity and housing opportunity…" in the 1970s and 1980s.[66] In 1979, Town Meeting established an affordable housing production goal for the coming years of 412 units (174 for families, 238 for seniors). In 1983, it created a non-profit agency called the Lexington Housing Assistance Board (LexHAB) to investigate ways to create affordable housing, and over the years provided it with $1 million in seed capital from the sale of former schools for such development.

In 1985, it became one of the first communities in Massachusetts to use inclusionary zoning, adopting an inclusionary zoning "policy" (rather than a bylaw) for flexibility. The policy requires residential developers seeking an increase in density, a waiver of some requirements or a variance, to provide affordable units in exchange. The policy lays out a menu of affordability options, including donating 5% of the units to the Housing Authority, selling 15% to the Housing Authority at HUD-approved cost levels or reserving 25% of the units for households with incomes between 50-80% of area median income. Developers of ownership projects also have the option of making 40% of the units available for sale to households with incomes of 81-120% of median. Developers can also make an in-lieu payment to LexHAB. Under the policy, either the housing authority or LexHAB manages the affordable units. Most are rentals and most are reserved primarily for town residents and employees. Town Meeting also approved an update to the Housing Element of the town's Comprehensive Plan in 1985 that made increasing the town's overall rental housing supply a Town goal.

Between 1972 and 1990, when Lexington Ridge was first proposed, the Town's subsidized inventory, as defined by the State, rose by 325 units (4.3% of its year-round housing, up from 1.2% in 1972). Three developments with 140 units were built with zoning waivers under Chapter 40B, including one mixed- income rental project with 128 units, and 37 units were added through inclusionary zoning.

PROJECT DEVELOPMENT PROCESS

Lexington Ridge was initiated by an area developer, Dennis Sargent, but ultimately built by a much larger firm (Avalon Properties). Sargent had optioned a vacant 18-acre site, owned by a religious order and located at the edge of town, bordering the adjoining city of Waltham, in a commercial district (Waltham Street) with almost no residential abutters. After preliminary discussions with town officials, he filed an application for a comprehensive permit with the Lexington's Zoning Board of Appeals in late June, 1990 to build a 198-unit mixed-income rental development using a State program called TELLER (Tax-Exempt Local Loans to Encourage Rental Housing). TELLER allowed local housing authorities issue tax-exempt bonds and lend the proceeds to private developers and required that at least 20% of the units be affordable to households with incomes at or below 50% of median for at least 15 years. Sargent proposed making 56 of the units (28%) affordable.

After five months of "fairly harmonious"[67] negotiations between the developer, his consultant, the Town Planning Director and other town officials, the ZBA approved the permit application in late 1990 with 32 conditions. The developer accepted 30 of the conditions, but appealed two to the state Housing Appeals Committee (HAC), both relating to long term use restrictions. One required that the affordable units remain affordable in perpetuity. The second forbid any eventual conversion to condominiums unless the developer agreed at conversion to either (1) increase the percentage of affordable units to 35%, (2) sell 20% of the units to the Town at depreciated cost or (3) share the conversion proceeds with the Town. Sargent argued that these conditions violated the state's anti-snob zoning act because the Town did not impose similar restrictions on unsubsidized housing and because they made the project uneconomic (deprived the developer of a reasonable return). However, in June 1992, HAC upheld the conditions, finding them consistent with Lexington's use of inclusionary zoning and growing awareness of "expiring use" risks. By the time the decision was issued, however, the Massachusetts housing market was in deep recession and Sargent sold the site a year later to Trammell Crow Residential (TCR), a national developer/ owner/ manager of multifamily housing. TCR, in turn, spun off its Northeast/Mid-Atlantic portfolio as Avalon Properties later that year and Avalon took over the development of the project.

Lexington Ridge was one of Avalon's early projects and fit with the development strategy it had decided to pursue. The company - now named AvalonBay, after merging with a California company in 1998 - is a real-estate investment trust (REIT) that develops, acquires and manages "high quality apartment communities in high-barrier-to-entry markets"[68], focusing on 16 markets with diversified economies in ten states, mainly on the East and West Coast. It uses a decentralized approach, relying on local developers "who know the pulse of their markets, to make many of the key buying and development decisions."[69] While early projects primarily consisted of "garden-style apartments for people who live and work in the suburbs", it now "builds a variety of products" targeting several demographic subgroups (studio apartments for people in the first years of work, 2-bedroom units for young married households in areas with high-single family housing costs), including "high-rises for those who prefer urban areas and townhouses for families or empty-nesters who desire more space."[70] Avalon financed the Lexington project with a tax-exempt mortgage from MassHousing, the state's housing finance agency, and tax credits under the federal Low Income Tax Credit program. Construction began in 1993 and the project opened in 1994.

DESIGN, MARKETING AND MANAGEMENT

Lexington Ridge is comprised of 15 three-story buildings, with unit sizes ranging from 1-3 bedrooms, and some including amenities such as lofts or a second bathroom. All of the units have a patio, deck or balcony. The affordable units are interspersed throughout the development and are identical to the market units. Project amenities include an outdoor heated pool, a clubhouse, a fitness center, a playground and indoor half-court basketball and volleyball. Contract rents, excluding utilities, in late 2004 for market units ranged from $1,600-1,800 for one-bedroom units, $2,040 to $2,300 for two-bedroom units and $2,290 for three bedroom units.

Avalon has managed the project since it opened. On-site staffing includes an office manager and three associates, a maintenance supervisor and two maintenance technicians. Landscaping and common area cleaning are contracted out.

Avalon uses both newspaper and the internet to advertise openings for the market units and has a waiting list for the affordable units. They do not advertise the project as mixed-income, but disclose it if asked. As of mid-summer 2004, the development was 96% occupied. Tenant stays vary. Some market tenants stay just a year, while others have been there for up to 10 years. Many who leave do so to purchase a home or relocate for work. Subsidy units turn over much less frequently.

Project Profile	
Tenure	Rental
Year Opened	1994
Total Units	198
Affordable Units	56 (28%)
Local Preference	Yes
Subsidy	Tax Exempt Bonds
Income Limit: Subsidized Units	50% AMI
Unit Mix:	
14% One-BR (28 total/16 affordable)	850-1,045 SF
58% Two-BR (75 total/ 29 affordable)	920-1,186 SF
28% Three-BR (49 total/17 affordable)	1,298 SF
Total site	18 acres
Density:	11.0 units/acre
Population Served	Unrestricted

The property manager, interviewed in the summer 2004, had previously managed 100% market rate rental housing for six years. She described residents as highly educated and relatively affluent and felt tenant expectations were high because of the project's location in an affluent community. She felt the biggest difference between managing mixed-income and all market-rate housing was the extra reporting requirements for subsidy units. She felt there was no tension between market-rate and subsidized tenants and noted that not all residents are aware that the project is mixed-income. She said that Avalon tries to create a sense of community among residents and sponsors quarterly functions to help people meet their neighbors. The project's facilities (pool, fitness center, basketball court, etc) are all well used and give residents there more opportunities to meet than did other developments where she had worked As a property manager, she felt the project is well designed and constructed, though she would increase soundproofing between units if she were building the project today. She felt the biggest challenge was maintenance, now that the development is ten years old. She also noted that programming needs had changed as children who had moved in when young were now reaching their teens. Avalon uses annual resident surveys to inform management decisions.

RESIDENT PERSPECTIVE

CHAPA sent a mail survey to all residents in December 2004 asking about the factors that led them to choose the development and their satisfaction with their housing. Response rates were relatively low (14% of occupied units) despite several follow-up efforts. In addition, while respondents were representative in terms of the percentage living in subsidized (30%) and market (70%) units, not all unit sizes were represented equally. Among respondents living in affordable units, one-bedroom units were underrepresented (zero responses) and three-bedroom units over-represented (29% responded); the reverse was true for market units (one bedrooms over-represented and three-bedroom units under-represented).

Overall, respondents reported a high level of overall satisfaction with the development. Asked to rate the development overall on a 4 point scale (from very good to not good at all), 92% rated it either very good (50%) or good (42%). Two respondents (8%) – both in subsidized units- rated it "not too good" but gave no reason. Respondents indicated high levels of satisfaction with the management staff and property maintenance staff, with 88% rating maintenance as very good (58%) or good (31%) and 89% rated the development well constructed (58%) or fairly well constructed (31%). Two-thirds of both market and subsidy unit tenants described fellow residents as friendly (another 15% had no opinion). A majority (58%) felt Avalon at Lexington was a good value, while 23% felt it was not and 15% had no opinion.

Not surprisingly, respondents in subsidy units were more likely to rate it as a good value (87%) than those in market rate units (44%). However, few market tenants indicated price was a major factor in choosing to rent there. Consistent with the property manager's observations, respondents in subsidy units had lived at Avalon for a much longer period of time (8.6 years on average) than those in market rate units (19 months on average). One in five (18%) of the market rate respondents reported living there for more than 3 years.

Respondents in market rate and subsidy units differed somewhat in terms of the factors that were most important in their decision to live at Avalon.

- Among the eight respondents in subsidized units, the most frequently cited factors were the community in which the development was located (6), price (5) and unit size (5). Most also cited unit quality, convenience of location and development features as factors in the decision. All households that lived in Lexington prior to moving to Avalon ranked community location as the most important feature.
- Among 18 respondents in market rate units, the convenience of the location and unit size and quality were the most cited factors, though 3 households cited community features (e.g. school system) as most important. Only three of the 18 market rate respondents indicated price was a deciding factor.

The income mix appears to have had little effect on the decision of tenants to live at Avalon. Only two of the 18 market rate respondents reported it was a factor, with one reporting initial "worry about the quality of residents", and the other calling it a positive factor, saying he/she welcomed the opportunity to raise their children in a diverse community. Six appeared to be unaware that the project was mixed-income and the other 10 said the mix was not a factor in their decision. Two of the eight respondents in subsidized units indicated the income mix factored into their decision because it made their units affordable. While none of the market-rate respondents indicated concerns related to the income mix, one subsidized respondent felt it was easy to pick out below-market tenants and that that created tension.

TOWN PERSPECTIVE

Town officials were supportive of the project when it was proposed and discussions with Town planning staff indicate no concerns today. The project's 198 units played an important role in maintaining the Town's rental housing supply, helping to offset the loss of 235 other rental units to condominium conversions and teardowns between 1990 and 2000. In 2000, it represented 10% of the town's total rental inventory.

From a municipal service perspective, the biggest impact was ten years ago, when the project opened and added 84 school children to the school system, somewhat more than had been projected, in part because the final unit mix changed, increasing the number of 3-BR units, after the initial estimates were prepared. Subsequent studies suggest Lexington's strong school system combined with the low-rise design of the housing also made (and continues to make) Lexington Ridge and several other rental developments in Lexington more attractive to families with children than developments in communities with weak school systems.[71] The school impact was particularly noticeable because it was geographically concentrated at the elementary school level and occurred at a time when town wide enrollment had begun to rise rapidly, gaining 578 students (13%) between 1990 and 1994 after dropping by 595 students between 1985 and 1990. In 2003, 112 children from Lexington Ridge attended public school.

Despite general agreement that Lexington Ridge is a well-built, well-managed project that helped that Town meet important housing objectives, it turned out to be the only major affordable development approved in the 1990s (29 other affordable units were added, including 23 at an assisted living facility).

Fiscal concerns appear to have played a role in the slowdown in affordable housing production in the 1990s. School enrollment rose throughout the 1990s and growing Town fiscal pressures led to heightened sensitivity to the fiscal impacts of new development. Resident support for property tax increases waned over the decade. Until 1997, a majority of residents had consistently voted to approve property tax overrides, approving three between 1991 and 1995 totaling $5.3 million for town services, schools and trash collection.

Fiscal Profile	
Average Single Family Tax Bill (2000)	$4,689
Average Single Family Tax Bill (2005)	$7,248
2005 State rank (out of 340)	13
Residential share of property tax base (2002)	78%
Taxable property per capita (2002)	$200,804
State rank (out of 351)	35
Proposition 2 1/2 override votes held/passed	14/ 12

Since then, however, votes have become closer and overrides tend to take two voting cycles to pass. Residents rejected a temporary tax increase in 1997 to support a $68 million investment in school building projects, than approved a slightly lower amount in 1998. After approving a $3.4 million override and $42 million debt exclusion for schools, roads and town services in 2001 and 2002 respectively, they rejected a $5 million override in 2003, before approving a slightly lower amount in 2004. With voters almost evenly split on fiscal matters, it became impossible to garner the two-thirds majority needed to advance affordable housing proposals at Town Meeting and several proposals went defeated, despite the support of Town officials and committees.

Part of the slow-down may also have been due to the fact that significant new development was on the horizon after the State announced plans in 1992 to close a State hospital for the mentally ill (Metropolitan State) and dispose of the 336 acre campus that spanned Lexington and two adjacent communities (Waltham and Belmont). As required by law, the State negotiated a reuse plan with the affected communities. The first plan, issued in 1994, called for preserving most of the land as park land, creating a municipal golf course in Waltham, limiting new development (all housing) to 23 buildable acres already in use by the hospital and restricting traffic generation to then-current levels. Since 90% of the buildable land was in Lexington, the plan gave priority to Lexington's housing preferences. The plan required that at least 25% of the housing created be affordable at incomes up to 110% of median and that 10% of all units be reserved for mentally ill individuals, with the balance for elderly households and families (especially younger first time buyers). It expressed a preference for multifamily housing units, especially with two bedrooms or less, concluding that such a mix would probably have a slightly positive fiscal impact.[72] It also required that all zoning changes be implemented through rezoning (which requires approval of two thirds of Town Meeting members) rather than a comprehensive permit.[73]

In 2002, after 8 years of negotiation and two reuse plan modifications, the State issued an RFP for housing on the 23 acres. Five proposals were received and AvalonBay was selected in May 2003, with a proposal to develop 430 units (60 for age 55+), with 25% affordable at 80% of median. After a year of negotiations that reduced the project size to 387 units, Lexington's Town Meeting approved the rezoning in April 2004 and with the issuance of building permits in early 2005, the town technically reached the 10% housing goal under Chapter 40B that will make it appeal-proof for a number of years. The first units are expected to come on line in 2006.

Planning Board and Appropriations Committee reports to Town Meeting[74] recommending approval of the Metropolitan State rezoning illustrate the issues officials felt they needed to address (antipathy to Chapter 40B, school and fiscal impacts, density and property values) to reduce opposition.

- After discussing the need for affordable housing and the low level of production in the previous 8 years, the Planning Board noted the number of units recommended would make the town "40B proof" (appeal proof) by putting it just enough over the 10% threshold to provide a buffer against future housing growth as well.
- The Planning Board report noted that overall town demographic changes that are not subject to Town control have a much larger impact on school enrollment than does the addition of a single development, citing a recent School Department report on the difficulty of predicting enrollment changes and pointing out that school enrollment rose by over 90 students between 2002 and 2004 even though there was little net housing growth. Nevertheless, it pointed out that the number and mix of units at Metropolitan had been revised to reduce likely school impacts (55 two- and three-bedroom units were eliminated, and 12 one-bedroom units added). As a result, there would only be 24 three-bedroom units (6% of the total). In addition, 15% of the units, including 67% of the affordable 3-bedroom units, would be age restricted (55+). The report further noted that the Town - after using several consultant studies to develop estimates of the likely number of students the project would add (111)– based on the number of 2- and 3-bedroom units, income mix and unit design, had negotiated a 5-year "Education Cost Guaranty" with Avalon. Under it, Avalon agreed to set up an escrow fund and to pay the Town $7,100 per student to cover the estimated incremental cost for every student above 111 in any given year.
- The Appropriation Committee report also reviewed likely fiscal impacts but urged Town Meeting members not to make their decision on that basis. It noted that the estimates prepared by various consultants - ranging from slightly positive ($360 per household) to negative ($1,000 per household) were all possible and that the likely actual impact would be somewhere in the middle. However, it also noted that "existing residential property in Lexington, taken as a whole, does not meet the standard of revenue neutrality" with an average *net expense* per household of $300-$1000, and that "fiscal impact is only one of many considerations… and should not be unduly stressed. Rather, we recommend that you base your decision on whether you think this is the right development for this time and place."
- Finally, the planning board noted that because the site is distant from other development, it will essentially be a new neighborhood and while the developed portion will be fairly dense (18+ units/acre), it will be surrounded by 60 acres of permanent open space.

Given Lexington's new appeal-proof status under Chapter 40B and resident concerns about development impacts, it is likely that affordable housing production levels will be lower than in earlier decades. A reading of the Town's 2002 Comprehensive Plan suggests programmatic goals will be more modest as well. The Plan recommends six strategies to create and preserve housing that is "relatively affordable" and likely to "serve other diversity concerns such as serving small households." Nevertheless, officials and residents have taken a number of steps to build support for affordable housing and develop new funding sources, creating a Housing Partnership (2003), joining a HOME consortium (2005), and beginning talks with a developer on a 4-8 unit friendly 40B development under the Local Initiative Program. In addition, Town Meeting approved a citizen petition to schedule a vote in 2006 on adopting a 3% property tax surcharge under the state Community Preservation Act. It would raise an estimated $4 million a year for the Town (including $2 million in State matching funds), of which at least 10% would have to be spent on affordable housing.

Case Study 4: Homes at Auburndale Yard
Newton, Massachusetts

Auburndale Yard is a ten-unit development with both ownership and rental units, built in 1998 by a local non-profit housing agency, the Newton Community Development Foundation (NCDF). It includes seven homeownership units (four market, three affordable) and three units owned by NCDF and rented to families with Section 8 vouchers referred by the local housing authority. It was developed with community support on land donated by the City, a discounted construction loan at slightly below market rates through a Federal Home Loan Bank program, and City HOME and inclusionary housing funds.

COMMUNITY OVERVIEW

Newton is a middle- and upper-income suburban city of almost 84,000, located 6 miles west of downtown Boston and known for its highly rated school system. It has 14 distinct areas, called villages, within its 18 square miles, with diverse housing and demographic characteristics. It has an extensive public transit system connecting it to Boston, as well as a local public bus system, and good highway access to destinations through the metropolitan area. While home to over 46,000 jobs, it is primarily a residential community, with 73% of working residents commuting to other cities and towns, including Boston (29%) and 74% of local jobs held by non-residents (13% from Boston). It has a city form of government, with an elected mayor and a 24-member Board of Aldermen.

Newton Statistics	
Population (2003)	83,880
Land Area (square mils)	18.05
Population Density/ sq mi (2000)	4,644
Miles from Boston	6
Type of Government	City
Demographics (2000)	
Median Family Income (1999)	$105,289
State Rank (of 351)	(20)
% Adults age 25+ with college degree	68%
School District rank (2004 MCAS)	32
Race/Ethnicity of Population	
White Non-Hispanic (Boston PMSA)	80.0%
White Non-Hispanic (MSA Suburbs)	88.2%
White Non-Hispanic (Newton)	86.4%
Asian Non-Hispanic (Newton)	7.7%
Black Non-Hispanic (Newton)	2.0%
Hispanic (Newton)	2.5%
Poverty rate	4.3%
Growth 1990-2000	
Population Growth	+1.5%
Housing Units Growth	+5.3%
Increase in Total Households	+5.9%
Increase in households w/children <18	+16.4%
Increase in School Enrollment	+20.3%
Housing Characteristics	
Median Single Family Home Price (2004)	$692,000
Median Gross Rent (2000)	$1,083
Total Year Round Housing Units (2000)	31,857
Homeownership rate (2000)	69.5%

Newton has long been an affluent community, though incomes vary among neighborhoods. In 1999, its median family income of $105,289 was 70% above the statewide median. Like many mature Boston suburbs, Newton lost population between 1970 and 1990 (dropping by 9% even as its housing supply increased by 10%) and closed a number of schools due to declining enrollment. Between 1990 and 2000, these trends reversed. Its total population rose slightly (1.5%) and its year-round housing supply grew modestly (5.3%), but its school-age (5-17) population grew by 23% and public school enrollment rose by 20% (1,972 students) as its good schools proved particularly attractive to families with children.

As an older city, Newton has a more diverse housing stock and larger supply of rental units than many suburbs. In 2000, just over two-thirds (69.5%) of its housing was owner-occupied, a percentage that has remained fairly steady since 1970. Single-family detached homes made up 55% of its housing stock and multifamily properties (5+ units) made up 15%, with properties with 20 or more units accounting for half the growth in housing units between 1990 and 2000. It has long had a strong housing market with low vacancy rates and high housing prices. Median home values rose 51% between 1990 and 2000 (compared to a statewide increase of 14%) and have continued to rise. In 2004, the median sale price for a single family home was $692,000 and for condominiums $427,000, up 32% and 38% from 2000.[75]

Zoning Newton's residential zoning districts include both single-residence and multi-residence districts. Current zoning, adopted in 1953, requires a minimum lot size of 10-25,000 square feet in single residence districts depending on the district but development is still occurring on smaller grandfathered lots. Attached housing also generally requires a special permit; two-family and duplex units are allowed as of right in multi-residence districts. Accessory apartments are also allowed as of right in some cases and by special permit in others. Multifamily housing is allowed in some residential and business districts by special permit (all developments with four or more units require a special permit approved by the Board of Aldermen). While the City is largely built out (only about 3% of the its land is available for new development), a recent buildout analysis found about 3,500 more housing units under existing zoning and up to 4,600 units with zoning revisions.

Recent Development	
Building Permits (Total U) 1996-2004	1,266
Single Family units permitted	529
Multifamily (5+) units permitted	455
% Units in Multifamily	36%
Minimum Lot Size – Single Family	10-25,000 SF

Prior Experience with Affordable Housing Newton has been active in its support of affordable housing since the 1960s, aided in part by its status as a CDBG and HOME entitlement community. It has used inclusionary zoning for over 30 years, and like the town of Lexington, took advantage of school closings in the 1970s and 1980s to create affordable housing.

Efforts to create affordable family housing began in the 1960s as concerned citizens and religious groups urged the City to address regional residential segregation. (While the Housing Authority had begun developing housing for the elderly, there were no proposals for family housing.[76]) These groups formed a non-profit, the Newton Community Development Foundation (NCDF) – the developer of Homes at Auburndale Yards - in 1968 and worked closely with the City to develop an affordable housing plan which identified sites throughout the city that could accommodate new housing. After five years of contentious public debate, NCDF won approval to develop their first project, a 50-unit mixed-income development for families, financed by the Massachusetts Housing Finance Agency and completed in 1977. The Housing Authority also completed its first family units that year, in two small scattered site projects (10 units each).

Newton was also first community in the state to begin an inclusionary housing program and is one of a handful that have used it actively. Initially adopted as an informal policy in the 1960s, legal challenges[77] led the City to turn it into an ordinance in 1977. For its first ten years, the ordinance required that all developers seeking a special permit provide affordable units for a period of 15 years in a number equal to 10% of the total project units, either by leasing them to the Newton Housing Authority (NHA), providing units off-site or making a cash payment in lieu of providing units. In 1987, the Board of Aldermen revised the ordinance, changing the percentage of affordable units to 25% of the bonus units (the units allowed above the as-of-right number), lengthening the term of affordability to 40 years, expanding its coverage to all projects with three or more units (excluding subdivisions). The revisions also added a requirement that affordable units be identical to market units and interspersed throughout the development. All affordable units are provided on a rental basis, with leasing handled by the Housing Authority, and rent levels are set by the NHA or City based on funding source.

Overall, Newton's inclusionary zoning program created 225 affordable units between 1972 and mid-2000, with about 175 still affordable in 2000[78], through the direct provision of units and in-lieu payments that helped finance the acquisition of other units for scattered site public housing. In addition, Newton approved comprehensive permits for nine developments built with state and/or federal subsidies. By 1997, just before Homes at Auburndale Yard began, Newton's supply of subsidized housing, as defined by the State, had risen from under 200 in 1970 to 1,485 units (1,168 affordable), of which all but 5 were rental units. (Overall, mixed-income and entirely subsidized developments made up just under 13% of Newton's rental inventory in 2000, including about 25% of the units added between 1990 and 2000). Except for 22 units in three small projects, all of the subsidized units for families have been in mixed-income developments.

PROJECT DEVELOPMENT PROCESS

The Homes at Auburndale Yards project differs from the other developments featured in these case studies both in its origins (it was initiated by the City) and in the time it took to come to fruition. Its early history illustrates the impact of fluctuating subsidy availability on mixed-income housing production.

The project began in 1978, when the City began examining re-use options for a 7.3 acre parcel of city-owned land, a former public works yard, at the request of an alderman from the neighborhood of Auburndale, where the land was located. The land was declared surplus in 1982, after neighborhood representatives agreed that it should be used for elderly and family housing and the city-created advisory committee agreed on a more detailed re-use plan in mid-1983. That first plan recommended developing 20 primarily market rate single family homes (2 to be set aside for the housing authority under inclusionary zoning) on 5.9 acres and 30 units of entirely subsidized elderly housing on the remaining 1.4 acres (the Housing Authority had received a HUD award for 30 elderly units in March 1983). The Board of Aldermen approved the plan in March 1984, but missed HUD's deadline for site approval by a few weeks, and HUD rescinded the elderly housing award in July 1984.

After HUD rescinded the elderly housing funds, the City revised the reuse plan to allow the elderly project to be mixed-income (20% affordable) and selected a single developer for both parcels in late 1985. The developer built the single-family homes in 1988, but was unable to obtain subsidy funds for the elderly project and in 1991 returned the 1.4 acre parcel to the City, while retaining a right of first refusal if it could match the terms of any subsequent proposals for the site. A second effort to find a developer also failed.

In 1994, the City began considering family housing for the site. The Housing Authority had just received a $1.5 million allocation from HUD for 12 scattered-site family units and was looking for sites. The City agreed to make some of the Auburndale Yard land available for this purpose and in late 1994, the Board of Aldermen approved a plan for 8-12 units in 4-6 structures. The plan called for three income tiers - one third low-income rentals (to be owned by the Housing Authority), one-third moderate income (80% of median) for first time homeowners, and one-third market ownership units. The land would be donated to the developer. The City issued an RFP in mid-1995, but four days later HUD notified the Housing Authority that it was rescinding the funding award due to federal budget cuts.

The City issued an RFP addendum asking developers to submit two prices for the low-income rental units, assuming either HUD or City funding. Despite an initially high level of interest (23 developers requested kits), only two responses were received, both deemed substantially incomplete. The City concluded that the project was unlikely to be attractive to private developers, given its small size, limited profit potential and the still-open right of first refusal by the earlier developer, and began exploring the possibility of collaborating with a nonprofit.

In 1996, it issued a new RFP, again calling for mixed-income housing (10 units in 4-5 structures), including 4 market units, 3 first time homebuyer units and 3 very low income units, with a local preference to the maximum extent possible for all units. The Newton Community Development Foundation (NCDF) won designation. NCDF was an experienced nonprofit developer, and key partner in City affordable housing efforts. At the time of the 1996 RFP, it owned five affordable rental developments in Newton (three mixed-income developments, one elderly complex and a group home for the disabled), and managed two other properties. It has a sophisticated board of directors, with experts in zoning, planning and finance, and stable, knowledgeable staff. Because the RFP had been developed by the City with neighborhood input, project approval moved quickly after that.

NCDF worked with neighborhood residents and the city advisory group to develop more detailed project plans. At the City's request, it agreed to use granite curbing for the circular drive that serves as access to the site. In response to neighborhood requests, the City agreed that NCDF, rather than the Housing Authority, should own and manage the affordable units and assume responsibility from the City for maintaining a strip of conservation land that had been established ten years earlier as a buffer zone between the NCDF site and the single family homes developed in 1988. NCDF applied for a comprehensive permit in October 1997. The Zoning Board of Appeal opened the public hearing a month later and approved the permit the same night. The hearing record shows that a number of nearby residents and the local Alderman spoke in favor of the proposal and that no one spoke in opposition to it. NCDF started construction in 1998. The affordable units were completed first, with the ownership units sold that fall and winter and rental units occupied in January. The market rate units were completed in the spring of 1999.

DESIGN, MARKETING AND MANAGEMENT

The project consists of eight buildings - six detached single-family houses, all with 3 bedrooms, and two duplex buildings, each with two two-bedroom units, on a 1.37 acre lot. The development is accessed by a circular one-way driveway. The single-family homes are sited along the loop created by the driveway and the two duplexes are sited on a central island, bounded by the driveway and the street. There are 20 parking spaces – 10 tandem spaces and 10 side-by-side spaces. A 34,170 square foot buffer zone runs along the back of the lot, and is permanently restricted as open space under a City covenant. Homes at Auburndale Yards also differs from many recent affordable housing developments in that it was built in a long-standing residential neighborhood with a diverse housing stock, including one- and two-family homes dating back many decades as well as about 50 homes and condominiums (5 inclusionary) built in the preceding decade. It is located down the street from an elementary school and city recreation site with playgrounds and several acres of playing fields and tennis and basketball courts.

Project Profile

Tenure	Ownership (7) and Rental (3)
Year opened	1998-1999
Total Units	10
Affordable Units	6
Local Preference	Yes but includes local employees
Mix	4 market rate SF homes (all 3 BR) 3 affordable SF homes (one 3 BR, two 2 BR) 3 rental homes (1 3 BR, 2 2BR)
Income Limit:	80% AMI (owners)
Subsidized Units	Section 8 (renters)
Site	1.37 acres
Overall Density	7.3 units/acre
Subsidy Program	HOME, Project Based S8 Other
Initial prices	Market: 316,000-332,000 (3BR) Affordable: $99,000 (2BR) $112,500 (3BR)
Resale prices	$440-495,000 (2002)

The project serves three income levels:

- Four are market rate ownership units (all single-family detached homes with three bedrooms)
- Three are first-time homebuyers units (one 3-bedroom single family detached home and two attached 2-bedroom homes) restricted to buyers with incomes at or below 80% of median, with a 90-year resale restriction.
- Three are rental units (one 3-bedroom detached home and two 2-bedroom attached homes) owned by NCDF and covered by project-based Section 8 certificates (now vouchers) from the Newton Housing Authority. They are subject to high-HOME rent restrictions for 40 years and a 99 year affordability restriction overall. Contract rents, excluding utilities, in mid-2004 were $1,021 (two-bedroom units) and $1,172 (three-bedroom unit).

Unit sizes range from 1,200 square feet (interior space) for the two-bedroom to 1,576 for the three-bedroom homes (the 3-bedroom rental unit is slightly smaller at 1,364 square feet). All of the ownership units have basements. Funding sources for the project included a bank construction loan at a slightly below market interest rate under the Federal Home Loan Bank New England Fund (NEF) program, City HOME funds ($180,000) and City inclusionary zoning funds ($200,000).

Full sellout of the market units (the last unit sold in September 1999) took longer than NCDF originally anticipated, given that relatively little new housing was available in that price range. NCDF attributed the slower sales in part to some hesitation about the project mix both in terms of tenure and incomes (unlike most developers, NCDF was upfront about the mixed income nature of the project when marketing the market-rate units and the master deed describes it quite clearly as well). They also felt that the relative newness of the concept of condominium ownership of single-family homes might have deterred some potential buyers. To improve the sales pace, NCDF both reduced prices slightly (resulting in a smaller development fee) and met with brokers to educate them about the strengths of the project. Overall, they estimate that perhaps 20% of the potential buyers decided against the project because of concerns about the range of incomes.

By contrast, the July 1998 lottery for the three first-time homebuyer units attracted 144 applications from households throughout Greater Boston. Applicants were placed into one of three “preference pools”, consistent with state affirmative marketing goals and the City’s requirement that NCDF give local residents priority for the affordable units to the maximum extent allowed by law.

One pool was for “local residents” (people who live or work in Newton or have children in the school system) who were also members of minority groups as defined by HUD (i.e. Asian, Black, Hispanic, Cape Verdean, etc), one for local residents who were not members of a minority group, and one was for all other applicants. Among the 144 applicants, 22 households qualified for the local minority preference, 45 for the non-minority local preference pool and 77 for the general pool (including 63 minority households).[79] Tenants for the rental units are referred by the Housing Authority and selected “first-come, first-serve” by NCDF. Local residents also receive a preference for the rental units. Because the City used a broad definition of local resident, the project proved quite accessible to applicants from outside of Newton, including residents of Boston. Four of the six affordable units are occupied by households who moved from Boston. The project also expanded housing options for Newton residents (three of the original purchasers were Newton residents).

NCDF, as owner of the rental units, and the condominium association share responsibility for ongoing management. The association meets at least twice a year and NCDF’s executive director attends all meetings. NCDF is responsible for maintaining the rental units, including the outside landscaping (grass cutting, snow clearance); as a result, the rental units have greener lawns than some ownership units do. The City provides trash collection services and plows the circular drive. Maintenance staff visit regularly and management and social services staff are always available by phone. NCDF reports that residents get along well and has seen no signs of any tension between residents based on differences in income or tenure. They felt that the project’s small size of the project might also contribute to good relations among residents.

RESIDENT PERSPECTIVE

CHAPA sent a mail survey to the ten households in the summer of 2004 and received four responses (40% of occupied units), including two owners and two renters. All four reported a high level of overall satisfaction with the development. Asked to rate the development overall on a 4 point scale (from very good to not good at all), all rated it either very good (75%) or good (25%). Similarly, 75% rated management and property maintenance as very good, with one household rating it between good and very good. All rated the development well constructed (75%) or fairly well constructed (25%), characterized residents as friendly and their homes as a good value. Low turnover rates also suggest resident satisfaction. In the first five years, there has been no turnover among the first-time homebuyers or renter households.

Respondents varied in terms of the factors that were most important in their decision to live at Auburndale Yard. One renter ranked price as most important; the others cited factors related to the quality of the units (newness, size, general quality). The two households with school-age children, both renters, rated the quality of the school system as very good. All four respondents said the mixed-income nature of the development had no effect on their decision to live at Auburndale Yard.

Resales/Property Values To date, three of the four market rate units have resold, each once and all in 2002, with one selling for $440,000 (March), one for $475,000 (June) and one for $495,000 (October) – 37%, 49% and 50% above their 1999 sale prices. These gains outpaced changes in sales prices citywide. In the city overall, the median selling price for single family homes rose 31% between 1999 and 2002, while median condominium prices rose by 45%. While some of the gain these sellers realized may be due to the slightly reduced prices at the time of their original purchase, it seems clear values at Auburndale Yards are keeping pace with the general market.

A review of City assessing data also indicates no negative impact on surrounding property values. As noted above, the neighborhood includes a mix of older and new homes and condominiums, including an abutting subdivision in which 10% of the units are affordable under inclusionary zoning and a condominium development further down that street also with inclusionary units. The diversity of the surrounding stock, both in age and density, complicates comparisons, since changes in assessed values reflect both unit and neighborhood characteristics. Overall, the properties closest to Auburndale Yards experienced increases in assessed value between FY2000 and FY2005 that range from 38% (for one property in below average condition) to 88%, with single family homes experiencing increases ranging from 52-88% and condominiums experiencing increases of 70%. During the same period, the average assessed value for single-family homes citywide rose by 69% (from just under $441,000 to $743,000).

CITY PERSPECTIVE

The City was supportive of the project from the beginning and feels it has met all expectations. Given its small scale, there had been no concern about school impacts or traffic and given the City and the local advisory committee's long-standing support for the development of mixed income housing on the site, the question of fiscal impacts appears never to have been raised.

Given the City's long history of mixed-income housing, Auburndale Yards by itself does not offer any special insight into the political benefits of this model. However, a comparison of the attitudes of Newton officials regarding affordable housing with the attitudes of officials in some of the smaller communities examined in these case studies is instructive. Despite resident sensitivity to property tax increases (as measured by close votes on tax increases)[80], it appears that City policies regarding subsidized housing are guided less by a desire to become 40B-proof and manage fiscal impacts, compared to smaller communities (even though residential property makes up a higher percentage of its tax base than most of the communities studied) and more by affordability goals.

Fiscal Profile	
Average Single Family Tax Bill (2005)	$7,047
State rank (out of 351)	16
Residential share of property tax base (2002)	90%
Taxable property per capita (2002)	$188,994
State rank (out of 351)	42
Proposition 2 1/2 votes since 1990 (total/passed)	2/1

The fact that Newton has a city, rather than town meeting, form of government, may partially explain the difference since local officials, rather than residents, control budget and zoning decisions. Its greater access to subsidy funds (it was the only CDBG and HOME entitlement community in the study) presumably also has helped, but clearly strong local leadership and an active advocacy infrastructure play a role.

Since the Auburndale Yards project, Newton has added 654 more units (264 affordable) to its subsidized inventory, as defined by the State, raising its percentage of year-round housing that qualifies as subsidized to 6.6% in early 2005. Excluding specialized projects (housing for the frail elderly, group homes and supportive housing), all of the new projects but one (a 2-unit property) have been mixed-income, none have been age-restricted and all have included 3-bedroom units. The City's negotiations with the developer of two large mixed-income rental projects with 498 units (147 affordable) illustrate its concern for targeted affordability. In both cases, it used the comprehensive permit process to deepen affordability, requiring the developer to set the income limit on most of the affordable units at or below 50% of median rather than 70-80% of median as initially proposed, and to reserve some units for Section 8 voucher holders. It has balanced these deep targeting efforts with initiatives to serve slightly higher income renters and homebuyers in inclusionary zoning and Community Preservation Act programs.[81]

Affordable Housing Tools	
CDBG/HOME Entitlement or Consortium	Yes
State Owned Land Available for Disposition	No
Housing Partnership	Yes
Inclusionary Zoning	Yes
Housing Trust	Yes
Community Preservation Act	Yes

The City has also recently revised its inclusionary ordinance (2003) to address the limitations of relying on density bonuses to create mixed-income housing, at least when no additional subsidy funds are involved. While some of the revisions reflected a desire to serve a slightly wider range of incomes and create ownership opportunities, others reflected concerns with financial efficiency and income dichotomy. Many of the inclusionary units were created in luxury condominium projects, at high cost to the developers (due to the requirements that inclusionary units be identical to market units and that owners retain the inclusionary units as rentals). The City also felt that large gaps between the incomes of inclusionary renters and luxury condominium owners made some renters uncomfortable. In addition, the strict rules adopted in 1987 to ensure consistent administration made it difficult to adjust requirements based on the economics of individual developments. The revised ordinance allows higher income limits for some affordable units,[82] allows affordable ownership units, allows developers to make in-lieu payments to provide funding to nonprofits to create affordable units off-site and allows the City more flexibility in negotiating affordability.

Case Study 5: Indian Pond Homes
Westborough, Massachusetts

Indian Pond Homes is a 36-unit single-family home subdivision, with nine affordable units, built in 1998-1999 in the town of Westborough, an older but fast growing community 29 miles west of Boston. It was developed under the state's Local Initiative Program (LIP), a state program that provides technical assistance to municipalities for town-endorsed affordable housing developed without state or federal financial subsidies. It was Westborough's first privately initiated affordable homeownership development and followed the completion of similar town-sponsored project on state-owned land two years earlier.

COMMUNITY OVERVIEW

Westborough is a well-to-do town of 18,000 located 12 miles east of the state's second largest city (Worcester) and 29 miles west of Boston at the crossroads of major highways to both cities. It is also served by a commuter rail stop on the Worcester-Boston line that opened in August 2002. As a regional employment center with 25,000 jobs, it is less reliant on residential property taxes than many suburbs. Commercial properties provided 40% of local tax revenues in 2002 (down from 50% ten years earlier). It is also home to Westborough State Hospital, a 198-bed mental health facility with a 250-acre campus. Despite its strong job base, it is primarily a bedroom community. In 2000, 73% of its working residents worked elsewhere, including Worcester (10%) and Greater Boston (45%) and 87% of employees of Westborough firms lived elsewhere.

Westborough Statistics	
Population (2000)	17,997
Land Area (square miles)	21.6
Population Density/ sq mi (2000)	877
Miles from Boston	29
Type of Government	Town Meeting
Demographics (2000)	
Median Family Income (1999) State Rank (of 351)	$94,610 (36)
Poverty rate	4.7%
% Adults age 25+ with college degree	53.2%
School District rank (2004 MCAS)	48[83]
Race/Ethnicity of Population	
White Non-Hispanic (Worcester MSA)	85.5%
White Non-Hispanic (MSA Suburbs)	93.0%
White Non-Hispanic (Westborough)	85.8%
Asian Non-Hispanic (Westborough)	8.1%
Black Non-Hispanic (Westborough)	1.4%
Hispanic (Westborough)	3.3%
Growth Trends 1990-2000	
Population Growth	+27%
Housing Units Growth (Year Round U)	+18%
Increase in Total Households	+20%
Increase in households w/children <18	+47%
Increase in Public School Enrollment	+58%
Housing Characteristics	
Median Single Family Home Price (2004)	$430,000
Median Gross Rent (1999)	$863
Total Year Round Housing Units (2000)	6,729
Homeownership rate	64.4%

Along with other area communities, Westborough has grown significantly since 1990, due to the development of a high tech corridor along Interstate 495,[84] and its strong school system (ranking in the top 15 % statewide) has made it popular with families. Between 1990 and 2000, its population grew by 27% and its average household size also rose, resulting in a 58% increase in school enrollment (after a 24% drop in the 1980s).

Westborough has become more affluent in the past decade. In 1999, it ranked 36th among the 351 cities and towns in Massachusetts (up from 73rd ten years earlier). It has also become more racially and ethnically diverse. In 2000, 9.5% of residents identified as other races, primarily Asian, up from 3.4% in 1990, and just under 5% of residents identified themselves as black non-Hispanic or Hispanic, up from just below 4%.

Its housing stock is diverse and relatively new, with 71% of units built after 1960 and 16% built in the past decade. Single-family detached homes make up 57% of the town's housing and represent 80% of the units added between 1990 and 2000. Multifamily properties (5+ units) make up another 27%. Demand for housing in Westborough is strong (the 2000

Recent Development	
Building Permits (Total U) 1996-2004	631
Single Family units permitted	435
Multifamily (5+) units permitted	80
% Units in Multifamily	13%
Minimum Lot Size – Single Family	50,000 SF

homeowner vacancy rate was 0.3%) and median prices for single-family homes have risen by 5-10% a year since the mid-1990s.

Zoning Westborough's current residential zoning is largely restricted to single family housing, with most areas requiring a minimum lot size of 50,000 square feet (two family homes are allowed by special permit with a minimum lot size of 55,000 square feet). While it still has a relatively low population density, the Town reports new housing is consuming much more land than in the past. While residential land use in 1971 averaged 0.15 acres/resident, units added between 1985 and 1999 used 0.39 acres/resident.[85] A very small area – less than 1/10th of 1% of town land area - zoned as a Garden Apartment Area has long been fully developed Multifamily housing is also allowed as part of a mixed use project in a "planned parcel development", but this provision has been little used because sites must be at least 20 acres and approved by Town Meeting. The Town notes that developers seeking to build multifamily housing are more inclined to use the state comprehensive permit process (Chapter 40B).[86] Every subsidized development built in Westborough since the law's enactment has used a comprehensive permit.

Prior Experience with Affordable Housing When the Indian Pond project was first proposed in 1995, Westborough had 209 units of subsidized housing developments, representing 3.6% of its 1990 year round stock and about 8% of its total rental supply. In addition, it had been forced by the State to issue a permit for a 120 mixed-income rental development in 1992, but that project was on hold. The 1995 subsidized inventory included one Town-initiated mixed-income ownership project built two years earlier and 197 rental units in older 100% affordable developments (171 units of elderly housing and 26 units of family public housing).

The 1993 mixed-income project (North Hills) was the result of a re-use plan the Town negotiated with the State for the 175-acre campus of a former state school for wayward boys (the Lyman School). The plan set aside 13 acres for affordable housing, including two parcels for future public housing and one for private mixed-income development. Westborough's Housing Partnership – a volunteer committee comprised on local residents and officials - played an active role in writing the RFP for the parcel, which resulted in a condominium of 23 single family homes (12 affordable), and negotiated with the developer to achieve broader affordability by capping prices on the market units.

PROJECT DEVELOPMENT PROCESS

Indian Pond Homes was initiated by two area developers, Chris Christopher and Sotir Papalilo, who had been building single-family homes and condominiums in central and eastern Massachusetts for over 15 years, both individually and more recently as partners. Mr. Christopher's experience was primarily in high-end market rate housing, while Mr. Papalilo had experience with both mixed income and market rate homeownership and rental housing. They choose sites based on market opportunities.

They use comprehensive permits for some developments but not others – the decision is based on what makes most sense for a site. Considerations include how much of a site is buildable, and the receptivity of local officials to various types of proposals. Both had previously developed housing in Westborough and Mr. Papalilo had been the developer of the mixed income ownership project at the Lyman School two years earlier.

Project Profile	
Type	Single Family Homes
Total Units	36 (9 affordable)
Unit mix	All 3-bedrooms
Site	27.5 acres
Prior Use	Vacant land, one house lot
Overall Density	1.3 units/acre
Clustered?	Yes
Median lot size	9,350 SF
Year Built	1998-1999
Comp permit	Yes
Subsidy Program	LIP
Income Limit	80% of Median
Initial prices (market)	$169,900 – 219,000
(affordable)	$80,500
2004 prices (market)	$399,000-440,000

When the Indian Pond site (26.8 acres of undeveloped land, including a pond), came on the market, Mr. Christopher felt it could provide attractive housing if it could be clustered away from the water and in discussions with Mr. Papalilo concluded that using a comprehensive permit might make this feasible. The site was a less expensive area of Westborough with older homes on smaller lots, most built in the 1950s, and was fairly close to major streets and a sewage treatment plant. Based on their prior development experience in Westborough, including Mr. Papalilo's work with the local Housing Partnership, they felt that the Town would be open to a mixed income homeownership project, and decided to develop a proposal under the Local Initiative Program (LIP).

LIP is a state program that allows developers to apply for a comprehensive permit when developing affordable housing without state or federal financial subsidies (at least 25% of the units must be affordable at 80% of median under long-term use restrictions).[87] It can only be used for projects that have received a letter of endorsement from chief elected official and local housing partnership. Once that letter is received, developers submit a preliminary proposal to the State, which reviews basic feasibility, site appropriateness and compliance with design standards. If the State approves the proposal, the developer can then apply for a comprehensive permit.

The partners hired an architect to sketch out a site plan that clustered development and provided pond views from all the homes and came up with a proposal for a 56 unit subdivision (as of right zoning would have allowed 10 homes). They then contacted the Westborough Housing Partnership (WHP) to discuss the proposal. At the time, WHP rules required developers to submit definitive plans in advance, but agreed to revise their rules to allow earlier review.

The Partnership met several times with the developers to discuss the proposal and make suggestions, including a request that homes be a mix of styles (e.g. saltbox, colonials, capes), and then invited neighbors to meet and discuss the proposal as well. The one resident near the site who attended reacted positively, noting that the proposed homes would be more expensive then those in the current neighborhood and would probably raise surrounding property values. The Partnership also asked the developers to cap the price on the market units to keep them within reach of other first time homebuyers and the developers agreed to a cap of $159,900. After reaching agreement on the basic proposal, WHP asked the Board of Selectmen to issue a letter of endorsement. Since the WHP Chairperson was also a Selectman, the Board had been kept abreast of the project and quickly approved it.

Additional changes were made to the proposal during the comprehensive permit hearings in response to concerns raised by town residents and several town departments. Residents attending the hearing had diverse concerns. Some residents attending the hearing questioned specific elements, including the project density and the number of trees to be taken down, and some were concerned that having an affordable development nearby might stigmatize their neighborhood. Town boards and departments had concerns about traffic impacts and emergency access – since the homes would be built along a new single, dead end street - and requested a longer road (900 feet rather than the 500 feet proposed).

However, because the ZBA routinely uses a consulting engineer to help facilitate reviews, the developers and the Town were able to negotiate resolutions. In a series of meeting with the facilitator, the developers agreed to reduce the project size to 36 units (the cap on the sales price for market units was adjusted upward to $169,900 to cover costs). They also agreed to buy a home adjacent to the site in order to create turning space at the end of the new road and to upgrade an adjacent road; with these changes, the Town agreed to accept the new subdivision road. The Town planner helped them reach agreement on tree removal. The ZBA approved the proposal in January 1996 and the State gave final approval in July.

In comparing the Indian Pond development process with their experience with other projects, the developers noted that communities vary in terms of both their openness to comprehensive permit proposals, their sophistication regarding the review process and their goals. In general, they estimated it takes 12-18 months to obtain a permit in a receptive community and that negotiations tend to proceed more smoothly in communities, such as Westborough, that have prior experience with 40B proposals. Both said they would not have proceeded if Town officials had not been supportive. They noted that local affordability goals could sometimes conflict with development goals, citing the Housing Partnership's requirement that they cap the prices of market rate units in the two mixed-income ownership projects to make those units relatively affordable as well. Because price caps limit the development budget, they also limit design options. Both felt a well designed market rate component, which is often more expensive, is crucial to the overall attractiveness of mixed income projects in projects using no subsidies. They characterized Indian Pond as a “labor of love”, noting that the agreements reached on the project combined with LIP rules resulted in limited profits.

DESIGN, MARKETING AND MANAGEMENT

Indian Pond Homes consists of 36 single family homes built on a new road, which ends in a cul de sac. Lot sizes generally range from 7,500 to 10,000 square feet, with a few larger and one smaller. The development is clustered on 13.1 acres and the remainder of the site (14.4 acres, including the pond) is permanently restricted as open space for passive recreational use by the homeowners. All of the houses were built following a standard design (about 1,500 square feet with three bedrooms and a one car garage), and buyers could choose from a menu of upgrades if they wanted to pay extra (e.g. a two car garage, certain interior finishes). Except for the larger garage, market and affordable units were indistinguishable from the outside. Most buyers of market units purchased upgrades, resulting in purchase prices ranging from about $170,000 to $219,000. The affordable units were all priced at $80,500. The project was built over a period of 15 months.

The developers handled all aspects of the project directly, except the lottery for the affordable units, from design and construction through marketing and closings (one is an attorney). They used a commercial bank for construction financing. The market rate units sold quickly since there were few new houses in that price range in Westborough (the developers estimate that the price caps were about $30-40,000 below market value). While the developers did not emphasize that mixed income nature of the subdivision, that information was provided in the purchase and sales agreement. They said three or four buyers changed their minds when they learned some units were affordable.

The developers also handled outreach and initial application intake for the nine affordable units and the Town conducted the lottery. Eligibility was (and continues to be) limited to families with incomes at or below 80% of area median adjusted for household size who are first-time homebuyers. As required under the state guidelines, eligibility was limited to families with at least two members and larger households receive a preference if appropriate for the unit size. LIP guidelines also allow municipalities to give “local residents” a preference for 70% of the affordable units. Often, communities limit the preference to current and former residents and municipal employees, but Westborough used a relatively expansive definition (i.e. including people who work in or have relatives in Westborough) and thus attracted applicants from many communities.

LIP rules require localities to follow an affirmative marketing plan with the goal of achieving minority ownership (or tenancy) equal to the percentage of income-eligible minority households in the regional planning area,[88] using HUD’s definition of minority (Native American, Alaskan Native, Asian or Pacific Islander, African-American, Hispanic/Latino and Cape Verdean). To achieve this, the lottery for the affordable unit had three pools – a local preference pool, a minority preference pool and an open pool (for all applicants, including those who qualify for the local and minority preference pools). Names were drawn randomly from each and ranked in order of selection. Overall, the Town received applications from 165 eligible households. Of these, one third qualified for the local preference and 20% qualified for the minority pool. (To protect the privacy of residents, the Partnership asked that we not collect demographic information on the buyers.) The Town also handles all affordable unit resales, again using a lottery. Since resales tend to occur one unit at a time, affirmative marketing requirements are met as long the percentage of minority households in the lottery is at least equal to the percentage of income-eligible minority households in the region. The Town has also added a preference for families with children

Ongoing Management Because the project is not a condominium, individual homeowners are responsible for maintenance. A trust managed by the homeowners is responsible for maintaining the open space and all owners pay a monthly assessment, based on the original sale prices of the homes, to cover upkeep and taxes. While survey respondents did not report any concerns about upkeep, the developers said that, in hindsight, they might have developed the project as a condominium of single-family homes and placed responsibility for maintenance, especially open space maintenance, in the hands of the condominium association.

RESIDENT PERSPECTIVE

In December 2004, CHAPA sent a survey to all residents of Indian Pond asking about the reasons they choose to buy homes at Indian Pond and their satisfaction with their housing. It also provided space for general comments Seven (7) households responded (19% of all owners), including five owners of market rate units (18%) and two owners of affordable homes (22%). Their responses are summarized below.

All seven respondents indicated that price was an important factor in their decision to move to Indian Pond, and all four of the respondents who ranked the relative importance of decision factors, ranked price first. Five of the seven cited the community location (Westborough) as an important factor, and all four ranked location as the second most important factor. Three cited the size of the units as important and one liked the fact that it was a new location with other younger families. Three of the seven respondents lived in Westborough prior to purchasing at Indian Pond, including two of the five owners of market rate units, and all three had previously been renters. The other respondents all came from nearby communities. The average respondent had lived at Indian Pond for five years; five of the 7 were original owners, while one had purchased a home in 2001 and one in early 2004.

Overall, respondents reported a high level of satisfaction with the development. Asked to rate the development on a number of dimensions using a 4 point scale (the highest rating was "very good", the second "good" and the lowest "not good at all"), all rated it either very good (4/7) or good (3/7). All rated it a good value. Five out of seven rated it as well- or fairly well constructed and all rated it as a good or very good place to raise children. Three of the 7 respondents had children in the Westborough school system and all rated the schools as "very good." Two respondents, both original owners of market-rate units, reported that they had initially had some reservations about the mixed-income nature of the development, fearing that it might affect resale values or deter some future potential buyers, but stated this was no longer a concern. One noted that the houses are now selling at twice their original price and both rated the development as very good. Two respondents (one market) provided general comments. Both praised the project as giving them an opportunity to purchase homes in Westborough, but one felt that site planning suffered due to cost limits imposed on the project, citing the use of several flag lots.[89]

Resale/Property Values

Resale price data indicates that the project remains very attractive to buyers. At the end of 2004, six years after development, 12 of the 27 market rate units (44%) were occupied by their original owners and 15 had changed hands (three twice). Resale prices have risen steadily, with an average annual appreciation rate of 16.8%. The largest gains were realized on first resales, reflecting the below-market initial prices, but annual appreciation on second resales (averaging just over 10%) has also outpaced the townwide average. In the town overall, the median selling price for single family homes (new and existing) rose 65% between 1998 and 2004 or 8.7% a year.

Owners of the nine affordable homes have also benefited from the rising value of Indian Pond homes. To date, two have been resold – one in 2001 for $132,664 and one in 2003 for $170,000 – representing an annual rate of appreciation of over 20% compared to the original purchase prices of $80,500. Other owners have benefited through refinancing and home equity loans (municipal consent is required). Resales are handled by the Town and resale prices are controlled by deed restrictions, which require that the units be sold to another household with an income at or below 80% of median and set a maximum resale price equal to 52.5% of the fair market value of the home at the time of resale. (The 52.5% is equal to the ratio of the original purchase price to the initial market value of the homes). If that maximum is higher than income eligible buyers could afford, the municipality can lower the resale price but the revised price must at least equal the original purchase price plus the cost of capital improvements and selling costs.

While sales data on nearby homes is limited, a review of Town data shows that assessed values for the homes at Indian Pond and nearby streets rose more rapidly than the assessed values of single-family homes townwide. The assessed values for Indian Pond homes rose by 81% and the values for nearby single-family homes rose by 78%, compared to a townwide increase of 60% for single-family homes. Overall, the assessed value of Indian Pond rose from $65,000 just before development to $11.25 million in FY2006.

TOWN PERSPECTIVE

Town officials characterize the Indian Pond project as a success, providing attractive, well-maintained housing (a Partnership member noted that one of the affordable units was recently part of the annual town garden tour).

Several noted that officials and residents were initially leery of the comprehensive permit application, because the Town had had a difficult experience in the early 1990s involving a proposal for a large mixed-income rental development in another part of town. However, because the Town had since worked on a successful 40B project (North Hills) with one of the Indian Pond principals, they felt confident that this new proposal could be negotiated satisfactorily. Most of the Town concerns during the review related to design questions, specifically limited frontage (12 feet) for some lots and subdivision road dimensions. Traffic impacts were not a major concern from the Town's perspective, nor were potential school impacts since the project was small relative to Westborough's overall growth during that period. Fiscal impacts also did not appear to be a concern, presumably due to the town's diverse tax base and strong economic growth.

Discussions with Town officials, Partnership members and the developers suggest that control over the design of affordable housing was very important to town officials and residents and that much of the discomfort with the comprehensive permit process came from a feeling that the Town had less control over design and density issues. (The developers noted that planning boards are often unhappy with Chapter 40B because final decision-making rests with the ZBA.) The desire for control makes Local Initiative Program projects popular since they cannot proceed without the support of local elected officials; the ability to reserve 70% of the units for local residents is also a strong selling point.

Fiscal Profile	
Average Single Family Tax Bill (2005)	$5,939
State rank (out of 351)	31
Residential share of property tax base (2002)	78%
Taxable property per capita (2002)	$148,959
State rank (out of 340)	73
Number of Proposition 2 1/2 votes held	0

All parties felt that homeownership proposals are generally better received than rental proposals, in part because they tend to be smaller. One official felt that many residents who oppose rental proposals do so in part because they believe these projects add many children to the school system, even though new subdivisions have played a far greater role in enrollment increases in Westborough. He noted that two mixed income rental developments built in 1997 and 2003 with a total of 400 units (including 55 three-bedroom units) housed only 55 school age children, including some who were already Westborough students. By contrast, overall school enrollment increased by almost 700 students (to 3,432) between 1996 and 2004. Excluding Indian Pond, 399 single-family homes were permitted during that period.

Fear of low-income ("Section 8") households was also seen as a factor in some opposition to rental proposals. One official expressed one reservation regarding mixed income ownership projects, feeling there is a risk that the affordable units may stop blending in with market units over time. He noted that while all the Indian Pond homes had similar exteriors when built, some owners of market rate units had since received variances to expand (technically a violation of the comprehensive permit). He felt owners of affordable units would be less likely to upgrade, since they might not recapture their investment due to resale price limits. (In reality, the deed restrictions at Indian Pond provide for recovery of the cost of capital improvements)

Westborough's location, strong housing market and land availability has continued to make it attractive to developers. In the 8 years since Indian Pond was approved, Westborough has added two large mixed income rental developments to its subsidized inventory (including one originally approved in 1992) with 400 units (94 affordable), along with 58 beds in group residences. With this growth, 10.1% of its housing stock is now considered subsidized, making it appeal-proof under Chapter 40B until 2010.

However, it has not closed its doors to affordable housing. It completed a new Town master plan in 2004 that seeks to guide growth to meet a variety of community goals including the increased provision of affordable housing, in part to avoid future unfriendly 40B developments. The Plan recommends expanding the number of areas where multifamily housing is permitted, increasing the supply of housing for seniors, limiting the number of 3-bedroom units, and trying to minimize traffic impacts. It is also working to promote transit-oriented development.

A number of factors appear to contribute to the Town's relative receptivity to affordable housing. It has an active Housing Partnership that works closely with the Board of Selectmen. It also derives a lower percentage of its property tax revenues (60%) from commercial properties than most suburbs. Significant growth in its tax base in the past decade due to new residential and commercial development has enabled it to meet local needs without asking voters for a property tax override.[90] This same growth enabled the town to undertake a school improvement and expansion program, completed in 2002, that is expected to be able to accommodate future growth through 2010. It does not suffer the water supply and sewer treatment constraints that some smaller towns face; its recent master plan indicated that current infrastructure could accommodate up to 2,500 new homes or 600 acres of new business development or some combination of each.

Case Study 6: Harvard Green
Harvard, Massachusetts

Harvard Green is a 32 unit single-family residential condominium, with eight affordable homes, built in 1998-1999 in the small town of Harvard. It was developed under the Local Initiative Program (LIP), a state program that provides a regulatory framework for affordable housing developed without state or federal financial subsidies. The income limit for the affordable units is 80% of the area median income.

COMMUNITY OVERVIEW

Harvard is small affluent town of 5,230[92] with many historic properties and rural landscapes. (Its boundaries also include part of a former Army base - Fort Devens - currently being redeveloped by a state agency. Since Fort Devens receives no municipal services from Harvard and is not subject to Town zoning, this report describes the non-Devens portion of Harvard.).[93] It is located 32 miles west of Boston and 22 miles northeast of Worcester (the State's third largest city).

Harvard Statistics	
Population	5,230
Land Area	21.45
Population Density/ sq mi (2000)	244
Miles from Boston	31
Type of Government	Open Town Meeting
Demographics (2000)	
Median Family Income (1999)	$119,352
State Rank (of 351)	(9)
% Adults age 25+ with college degree	76%
School District rank (2004 MCAS)[91]	5
Race/Ethnicity of Population	
White Non-Hispanic (Town)	95.0%
White Non-Hispanic (MSA Suburbs)	88.2%
White Non-Hispanic (MSA)	80.0%
Growth 1990-2000	
Population Growth	12.2%
Housing Units Growth	13.4%
Increase in Total Households	14.9%
Increase in households w/children <18	20.2%
Increase in School Enrollment	29.4%
Housing Characteristics	
Median Single Family Home Price (2004)	$585,000
Median Gross Rent (1999)	$974
Total Year Round Housing Units	1,842
Homeownership rate	90.5%

Established in 1722, Harvard experienced little growth until the 1950s and still has a considerable amount of undeveloped land. It has grown more slowly than many nearby communities, despite its location in the fast-growing Route 495 region, because of high land costs, large lot requirements and limited infrastructure. It has no municipal wastewater system and municipal water service exists only in the town center, so most homes and businesses use on-site private wells and septic disposal systems.[94]

Harvard is one of the wealthiest communities in Massachusetts, with a median family income of over $119,000 in 1999. While home to 2,259 jobs in 2000 (1,219 at Devens), it is primarily a bedroom community, with 79% of local jobs held by people who live elsewhere, including 20% from older larger cities including Worcester. Similarly, 17% of working residents worked in Harvard in 2000 (6% in home-based jobs), while 83% commuted to jobs throughout the Boston and Worcester metropolitan areas. Its highly regarded school system attracts many families; though its population rose by only 12% between 1990 and 2000, school enrollment rose by 29%.

Detached single-family homes made up 94% of Harvard's housing stock both in 1990 and 2000. Harvard Green is one of only two condominium developments in Harvard. The other is a 16-unit property built in 1920 and converted to condominium ownership in 1990. The town has a strong housing market, with median sales prices rising 49% between 1990 and 2000, compared to a statewide rise of 14%. In 2000, the median price was $418,000, 2.25 times the statewide average. By 2004, it had risen another 40% to $585,000.[95] Vacancy rates are very low (0.7% for ownership units in 2000). Harvard has a limited rental inventory; over half consisting of single family homes in 2000 (among tenants paying cash rent). Rental vacancy rates are also low – 2.8% in 2000 (four units, all with asking rents of over $2000).

Recent Development	
Building Permits (Total U) 1996-2004	155*
Single Family units permitted	129*
Multifamily (5+) units permitted	0
% Units in Multifamily	0%
Minimum Single Family Lot Size	1.5 acres

Zoning Almost all (97%) of the residentially zoned land in town is zoned for single-family homes, with a minimum lot requirement of 1.5 acres. In practice, lots often exceed 3 acres to meet other dimensional and septic system standards (the average single-family lot townwide is 3.1 acres and the average for homes built between 1989 and 1999 was 4.1 acres).[96] While the bylaw allows cluster development on sites of at least 20 acres, it has never been used. Few subdivisions have been developed, because much of Harvard's terrain is forested or hilly and most local streets are protected under the state Scenic Road Act. As the town Master Plan reported in 2002, "Harvard's Zoning Bylaw makes no room for affordable housing, elderly housing or housing for persons with disabilities" outside of Chapter 40B.[97]

Prior Experience with Affordable Housing Harvard's efforts to create affordable housing began in the 1980s, when the Town bought two older properties as part of a land preservation program and rehabilitated them, creating 9 affordable rental units (1985-1987). It established a Housing Partnership in 1987, set up a housing authority in 1988 (though it was unable to obtain state or federal funds to develop housing), and made economic diversity a goal when it rewrote its Master Plan in 1988. In 1996, when Harvard Green was first proposed, its affordable inventory consisted of nine rental units created earlier and a 24-unit apartment complex for the elderly built under the Rural Housing Service Section 515 program using a comprehensive permit. These 33 units represented 1.1% of its 1990 year round housing stock and 19% of its 2000 rental units (excluding non-cash rentals).

HARVARD GREEN DEVELOPMENT PROCESS

Harvard Green was developed by Louis Russo, a local developer/builder who was also a long-time Harvard resident. Mr. Russo had over 20 years of experience with residential, commercial and public construction projects (a fire station, a nursery school). His company had built projects for several local housing authorities as well as a mixed-income development in a community similar to Harvard.

He had identified a 41 acre site on Route 110 (Ayer Road), a major through street in Harvard and one of the only areas zoned for new commercial development, as feasible for both housing (27 acres on side of the road) and commercial development (14 acres on the other side). At the time, the site was zoned commercial and consisted largely of woods, farmland and wetlands, except for two houses in one corner. It had residential abutters on three sides. He knew of the Town's interest in creating affordable housing and given the limited availability of state subsidy funds, felt the site offered an opportunity to develop mixed income housing using the Local Initiative Program (LIP).

The LIP program can only be used for projects that have received a letter of endorsement from local officials. Once that endorsement is received, developers can apply for a comprehensive permit and seek zoning and other local regulatory waivers. Because local support is required in advance, LIP projects are often called "friendly 40Bs." For much of the 1990s, LIP was the only subsidy program in Massachusetts available for ownership projects developed by for-profit developers (HOME funds were generally targeted to nonprofits). Most LIP projects are mixed-income, given the shallow nature of the subsidy. As a resident, Mr. Russo said the support of Town officials for the project was critical and that he would not have proceeded without it.

In 1996, Mr. Russo sounded out Town officials and then contacted the Housing Partnership with a proposal to develop 32 units on 22 acres of the site and to donate the remaining 5 acres to the Town for soccer fields. The Partnership has traditionally functioned as a gatekeeper for the Town on affordable housing proposals (as in most small towns, Harvard relies extensively on resident boards and committees). It provides early stage feedback to developers on their proposals and when the proposal is more fleshed out, it schedules an "all boards" meeting, inviting representatives from town boards and departments and the general public to hear about and comment on the proposal, with the goal of resolving major concerns before an applicant files for a comprehensive permit.

Mr. Russo initially proposed free-standing single family homes, but revised the design after the Partnership encouraged him to consider attached 2- and 3-unit buildings instead that would resemble the types of older farmhouses common in Harvard in terms of size and mass. He also accepted their suggestion to arrange the homes around a common. He also made changes based on a meeting with residents near the site, who had had already formed a neighborhood association to focus on concerns about commercial development on Route 110. The association initially encouraged Mr. Russo to drop the residential proposal, but they did not strongly oppose the project, with the exception of one resident. Based on their concerns about pollution risks (part of the site had fuel tanks on it and required remediation), Mr. Russo decided not to build on the formerly contaminated portion, swapping some of it for adjacent land owned by the original owner. With these changes, local officials endorsed the proposal and Mr. Russo applied for a comprehensive permit under LIP in January 1997.

The comprehensive permit hearing began in February 1997 and lasted five months. Potential school impacts were a major concern (Harvard has just one elementary school and one high school). To address this, Mr. Russo surveyed developers in surrounding communities about the number of schoolchildren living in their mixed income developments and showed that Harvard Green would probably add 8 or 9 children to the school system. Density was also a concern and Mr. Russo was asked to consider reducing the project size but after reviewing the project pro forma, the ZBA agreed that 32 units were needed to make the project feasible. Mr. Russo noted it would have been expensive to renegotiate the design since he had already developed and submitted detailed plans and engineering studies at the start of the hearing. The ZBA approved the permit application in August 1997.

Fiscal Profile	
Property tax value per capita (2002)	143,815
State rank (out of 340)	77
Residential share of property tax base	96%
Average Single Family Tax Bill (2005)	$6,315
Number of Proposition 2 1/2 votes held/passed (1990-2004)	18/14

Mr. Russo had not lined up financing prior to the ZBA approval, because local lenders he initially contacted were nervous about the project and its staged development. Once he had the permit, he decided to use the Massachusetts Housing Finance Agency (now called MassHousing) for construction financing, because they had contacted him, offered a competitive rate and were familiar with this type of development.

MARKETING AND MANAGEMENT

Harvard Green's 32 townhouses were designed by an architect who specializes in New England style homes and are in twelve buildings – four with 2 units, eight with 3 units - arranged around a central oval common. All have two (13) or three (19) bedrooms, a living room, dining room, kitchen, fireplace, attic, basement and garages and at least 1.5 bathrooms. Most market units have an extra full bathroom and some have additional storage space. Buyers could also request certain additional interior finishes. The affordable units are interspersed with the market units and all have three bedrooms. The affordable units have 1,300-1,560 square feet of finished living area and the market units about 1,360-2,700.

Marketing The developer handled all aspects of the project directly, except the lottery for the affordable units, from construction through marketing (both Mr. Russo and his brother are also brokers) The units were built in three phases of 10-11 units and sold over a 12 month period from July 1998-July 1999. Mr. Russo initially just used print advertising for the Phase I market units, but after a slow start, also began advertising on television on a Sunday morning real estate show and had a huge response. He pre-sold the Phase II and III market units. Ultimately, the sales pace exceeded his initial expectations, enabling him to complete build-out more quickly. While the developers did not emphasize the mixed-income nature of the subdivision, that information was provided in the legal documents and Mr. Russo said several potential buyers changed their minds when they learned some units were affordable. The initial purchase prices on the market units ranged from about $189,000 to $345,000, with a median of about $292,000. The affordable units were all priced at $94,500. Mr. Russo estimated that Harvard residents, including people who wanted to downsize, bought about eight of the 24 market units.

The Town handled the marketing and lottery for the eight affordable units. Eligibility was (and continues to be) limited to first-time homebuyers with incomes at or below 80% of area median adjusted for household size. As allowed under the state Local Initiative Program guidelines, the Town chose to give local residents a preference for 70% (five) of the affordable units. None of the affordable units has been resold since they were purchased in 1998 and 1999.

Management The condominium association handles all landscaping, plantings and painting and is also responsible for maintenance of the private water supply and wastewater treatment facility and the on site private roadway. As required under state law, the condominium fees are based on each unit's share of the total "fair value" of the units at the time of completion and thus the owners of the affordable units pay lower fees because of the restrictions on the initial price and on resales. The percentage interests for each unit are spelled out in the Master Deed for the Condominium.

RESIDENT PERSPECTIVE

In December 2004, CHAPA sent a survey to all residents of Harvard Green asking about the factors that were important in their decision to buy and their satisfaction with their housing. Nine (9) households responded (28% of all owners), including seven owners of market rate units (29%) and two owners of affordable homes (22%). While the market/affordable response rates were similar, among market rate owners, owners of two-bedroom units had a higher response rate than owners of three-bedroom units (53% vs. 22% responded) and long-time owners also had a much higher response rate (7 of 9). The survey results are summarized below.

Overall, respondents reported a high level of satisfaction with the development. Asked to rate the development on a number of dimensions using a 4 point scale (the highest rating was "very good", the second "good" and the lowest "not good at all"), 100% rated it either very good (67%) or good (33%). Seven of eight rated it a good value for the price (one had no opinion) and eight out of nine rated it well constructed or fairly well constructed and all rated it as a good or very good place to raise children. Only one of the nine respondents had school age children and they had lived in Harvard just prior to moving to Harvard Green. Of the five respondents who lived in other communities just prior to moving to Harvard Green, two rated it as better than their prior community and three rated it as "about the same." The owner of the affordable unit expressed gratitude for the opportunity to stay in Harvard and purchase a home ("not one day goes by that I don't feel fortunate, thankful, appreciative and undeniably lucky.")

The survey results indicate that price, unit quality and location were all important factors in the respondent's decisions to buy at Harvard Green. Eight of the nine respondents cited price was an important decision factor; seven cited the quality of the homes, six cited its location in Harvard and five said the size of the homes and features of the development, including general design, were important. Among the five respondents who ranked the relative importance of decision factors, three ranked price first, while the others ranked proximity to work (1) and development features (1) first.

Four of the nine respondents lived in Harvard just prior to purchasing at Harvard Green, including two of the seven market rate owners who responded, and three of the four had previously been renters. All but one of the other five respondents had lived in relatively nearby communities prior to purchasing at Harvard Green. Respondents, on average, had lived in Harvard Green for over 5 years (seven of the nine were original owners), one had purchased in 2003.

Only one respondent reported initial reservations about the mixed-income nature of the development and they reported that their concerns were alleviated by a reading of the condominium rules and regulations and by the fact that only 25% were affordable. One other respondent who has owned a market rate unit since the project opened expressed overall satisfaction with Harvard Green but was unhappy that owners of affordable units paid lower condominium fees and special assessments, believing all units should pay equally since all receive the same services.

Resale Prices and Neighborhood Property Values The original homes were first purchased between July 1998 and July 1999. At the end of 2004, 18 of the 32 units were still occupied by their original owners (including 10 of the 24 market rate units and all of the affordable units), while nine homes had changed hands once and five had changed hands twice. A comparison of original purchase prices and resale prices showed a median rate of appreciation of 8.3% a year, with some at over 12% a year. Sales prices for the four market rate units at Harvard Green sold in 2004 averaged $454,000.

The average assessment for the market units rose by 15% between FY2004 and FY2005. Assessments of single family homes in the same area (Assessing Map 8) rose 26.5% during the same period, slightly exceeding the town-wide average increase in assessed values for single family homes (24.6%)

TOWN PERSPECTIVE

Town officials and the Housing Partnership were supportive of the project when it was proposed and discussions with representatives from the Board of Selectmen and Partnership found satisfaction with the project today. As predicted by the developer, school impacts were limited. Harvard Green is home to only about 8-10 school age children, including children who lived in Harvard just prior to moving to Harvard Green. The project also met Town goals by expanding housing options for long-time Harvard residents, including the purchasers of market rate homes who previously rented or owned but wanted to downsize, and giving the buyers of the affordable units an opportunity to build equity (several have refinanced).

One official praised the design of the Harvard Green buildings, including the use of varied roof lines and colors to avoid an appearance of uniformity, but noted that many town residents found the change in the landscape jarring (the site previously housed a goat farm, pumpkin stand and two small ranch houses). This official was not involved in the Harvard Green approval process but felt that perhaps opportunities to soften design impacts had been missed (e.g. perhaps the Town could have required more landscaping to buffer the view from the road and more tree plantings around the homes). This official felt that more outreach to solicit public input before the comprehensive permit filing (since it is more difficult to negotiate at that point) might have led to these concerns being addressed. She noted that the Town was now more experienced regarding details it had not anticipated (e.g. differences between the affordable units and market unit amenities, such as central air conditioning, and the way condominium fees are assessed), which would improve their review of future proposals.

The same official noted that given Harvard's wealth and the high cost of its homes, there would always be residents who oppose affordable housing and creating economic diversity even as many other Harvard residents support these goals. The official felt that resistance to new development also reflected the difficulty of accepting that the town is changing - many residents still see the town as a rural community though it is really a suburb. The Town completed a new Master Plan in 2002 that seeks to address affordable housing needs and better guide new development generally in a way that incorporates long-term design and planning goals, recommending zoning changes to encourage clustering and village-centered design. Harvard Green falls within the one of the areas with village center potential.

Impact on Subsequent Affordable Housing Efforts While the only subsidized units developed since Harvard Green was completed in 1999 have been at the Fort Devens redevelopment site (17 homeownership units, 13 affordable), Town officials have taken a number of steps to plan for future production.

In April 2001, residents voted overwhelmingly (72% yes) to increase their property taxes by 1.1% specifically to fund open space, affordable housing and historic preservation activities as allowed under the state Community Preservation Act (CPA). CPA allows communities to adopt a surcharge of up to 3% on their local property taxes for these three types of activities, and receive state matching funds for up to 100% of the amount raised by the surcharge. At least 10% of the amount raised each year must be reserved for each of the three categories, but otherwise local committees can choose the mix of activities they fund. In the first three years, Harvard's CPA surcharge and state match raised almost $700,000. While most of the spending to date has been for open space, recreation and historic preservation, CPA is helping to spur planning efforts for affordable housing, reviving the Housing Authority and expanding options for the Housing Partnership. To date, Town meeting has reserved $55,000 for future housing activities, and approved expenditure of another $30,000 to help seed an Affordable Housing Trust Fund created in 2005 in a close vote and to continue design work for a 12-unit elderly project to be developed by the Housing Authority on town-donated land.

Affordable Housing Tools	
CDBG/HOME Entitlement or Consortium	No
State Owned Land Available for Disposition	Yes
Housing Partnership	Yes
Inclusionary Zoning?	No
Housing Trust?	Yes
Community Preservation Act	Yes

The Town also produced a new Master Plan in 2002, the first since 1988. The 2002 Plan noted that under current zoning another 2,564 single-family homes could be built (more than double the then-current total of 1,911). It recommended against allowing multi-family development but recommended that the town revise its zoning to meet the goals of allowing affordable housing and preserving open space, by encouraging clustering and village-centered development. Progress on the zoning changes has been mixed. In early 2005, proposals to make it easier to develop accessory units in existing structures on large lot properties were defeated at Town Meeting as opponents cited the likelihood that such housing would likely attract families with children.

The Town also developed an Affordable Housing Planned Production Plan in 2004, spurred in part by state regulations adopted in December 2002 that allow municipalities with a such a plan to gain control over Chapter 40B housing proposals if they produce a certain number of affordable units each year.[98]

To meet this standard, Harvard must add 16 units a year or 32 units every two years. Harvard acknowledges that it will have to rely on comprehensive permit projects and redevelopment at Devens to meet these goals. Currently, three projects that would provide 43 affordable units are in the planning pipeline, including 18 affordable units at Fort Devens and 13 affordable units in a Chapter 40B development. These mechanisms are likely to continue to be used. Devens and town officials have begun discussions about revising to Devens re-use plan to add up 1,500 more housing units and a private developer has begun discussions about mixed-income housing proposal elsewhere in Harvard using the comprehensive permit process.

APPENDIX II – SUMMARY OF SURVEY RESULTS

RESIDENT RATINGS OF DEVELOPMENTS – SURVEY RESULTS

	Total Respondents	All Renters	Market Renters	All Affordable Renters	Voucher holders	All Owners	Market Owners	Affordable Owners
Total Units	564	489	328	161	*	75	55	20
Total Responses	N=102	N=84	N=52	N=32	N=14	N=18	N=14	N=4
Overall Response rate	18%	17%	16%	20%	*	24%	25%	20.0%
As a Place to Live Overall:								
Very Good	59	48	28	20	9	11	8	3
Good	36	29	21	8	3	7	6	1
Not too Good	4	4	1	3	2	-	-	-
Not Good	1	1	1	-	-	-	-	-
No Opinion/blank	2	2	1	1	-	-	-	-
Total ratings**	100	82	51	31	14	18	14	4
% Very Good or Good	95%	94%	96%	90%	86%	100%	100%	100%
Repairs and Maintenance:								
Very Good	56	51	31	20	8	5	4	1
Good to Very Good	10	9	5	4	2	1	1	-
Good	22	17	12	5	2	5	4	1
Good to Not too Good	2	2	1	1	-	-	-	-
Not too Good or Not Good	4	3	1	2	2	-	-	-
No Opinion/blank	2	2	2	-	-	-	-	-
Not applicable (homeowner assn)	-	-	-	-	-	6	5	1
Total ratings **	94	82	50	32	14	11	9	2
% Very Good or Good	94%	94%	96%	91%	86%	100%	100%	100%
Management Courteous (Rental)								
Yes		77	49	28	11			
Sometimes		2	-	2	1			
No		1	-	1	1			
Blank/No Opinion		4	3	1	1			
Total ratings**		80	49	31	13			
% rating Management courteous		96%	100%	90%	85%			
Quality of Building Construction								
Well Constructed	36	29	18	11	4	7	6	1
Fairly Well Constructed	51	42	26	16	7	9	7	2
Fair to Poor	2	2	2	-	-	2	1	1
Poorly Constructed	11	9	4	5	3	-	-	-
Don't Know/No Opinion/Blank	2	2	2	-	-	-	-	-
Total ratings**	100	82	50	32	14	18	14	4
% Well/Fairly Well Constructed	87%	87%	88%	84%	79%	89%	93%	75%
Friendliness of Residents								
Very friendly	29	24	19	8	3	5	3	2
Friendly	55	50	30	20	9	5	5	-
Not too friendly	8	7	6	1	1	1	1	-
Not friendly at all	1	1	-	1	1	1	1	-
No opinion/blank/ Not asked[99]	9	2	-	2	1	7	5	2
Total ratings **	93	82	55	30	14	12	10	2
% rating very friendly or friendly	90%	90%	89%	93%	86%	83%	80%	100%

	Total Respondents	All Renters	Market Renters	All Affordable Renters	Voucher holders	All Owners	Market Owners	Affordable Owners
Good Place to Raise Children?								
Very Good	26	20	9	11	5	6	4	2
Good	41	29	17	12	4	12	10	2
Good to Not too Good	2	2	2	-	-	-	-	-
Not too Good	14	14	8	6	4	-	-	-
Not Good	1	1	1	-	-	-	-	-
No Opinion/blank	18	18	15	3	1	-	-	-
Total ratings**	84	66	37	29	13	18	14	4
% Good/Very Good	80%	74%	70%	79%	69%	100%	100%	100%
% with children in household	77%	70%	64%	74%	56%	100%	100%	100%
% without children	82%	78%	73%	90%	100%	100%	100%	100%

* Data not available
** "Total ratings" excludes all responses that were blank, "no opinion", "not applicable" or "not asked"

REASONS FOR SELECTING DEVELOPMENT – SURVEY RESULTS

Respondents were asked to indicate the factors that led them to select their current development and rank the selected factors in order to importance to the decision (see Appendix III). While most respondents provided information on their decision factors, fewer provided ranking information. The following table summarizes the number of respondents who listed each of the below factors as important to their decision. It also shows, within the subset who ranked the factors, the number who rated a given factor 1, 2 or 3 (1=most important).

	Total Respondents	All Renters	Market Renters	All Affordable Renters	Voucher holders	All Owners	Market Owners	Affordable Owners
Total Units	564	489	328	161	*	75	55	20
Total Responses	N=102	N=84	N=52	N=32	N=14	N=18	N=14	N=4
Response rate	18%	17%	16%	20%	*	24%	25%	20%
Total reporting following as a decision factor								
Price	50	33	10	**23**	**8**	17	**13**	**4**
Community features (e.g. schools, services)	48	35	17	**19**	**7**	13	**11**	**2**
Unit Size	58	48	**28**	**20**	**7**	10	8	2
Unit Quality	57	46	**27**	**19**	5	11	10	1
Development features (e.g. design, amenities)	47	41	24	17	6	6	5	1
Other (open ended)**								
Decision Factors (with Ranking Information)								
Total Respondents who ranked factors	47	36	23	13	3	11	8	3
% who provided ranking information	46%	43%	44%	41%	21%	61%	57%	75%
Number of Respondents who ranked the following factors as 1, 2 or 3								
Price	17	10	2	**8**	2	7	**4**	**3**
Community features (e.g. schools, services)	15	10	4	6	1	5	**4**	1
Unit Size	18	14	**10**	4	-	4	**4**	-
Unit Quality	22	16	8	**8**	1	6	**6**	-
Development features (e.g. design, amenities)	12	10	7	3	1	2	2	-
Other (open ended)**	16	14	**13**	1	1	2	2	-

* Not known
** The most commonly "other" factors were location (proximity to work), newness of the housing, and pet-friendly policies.

IMPACT OF INCOME MIX ON PURCHASE/RENT DECISION

The survey asked residents if the income-mix of the project affected their decision to live at the selected development (yes, no, not applicable because project is not mixed-income) and, if yes, to describe how it affected their decision. Early surveys did not include “not applicable because project is not mixed income” as a check-off option; as a result, that response may have been artificially reduced. Overall, the results indicate that at least 88% of market rate respondents and 79% of market rate owners who purchased were not concerned about the income mix at the time they decided to lease or purchase a unit.

	Total Respondents	**All Renters**	**Market Renters**	**All Affordable Renters**	**Voucher holders**	**All Owners**	**Market Owners**	**Affordable Owners**
Total Responses	N=102	N=84	N=52	N=32	N=14	N=18	N=14	N=4
Response rate	18%	17%	16%	20%	*	24%	25%	20%
Effect of Income Mix on Move-in Decision								
No Effect	67	52	32	20	9	15	11	4
Positive Effect (was affordable)	6	6	1	5	1	-	-	-
Not applicable (project not mixed income)	10	10	8	2	2	-	-	-
Didn't know mixed-income when moved in	3	3	3	-	-	-	-	-
Yes – had effect (i.e. had concerns)	6	3	3	-	-	3	3	-
Yes- had effect (effect not known)	7	7	2	5	2	-	-	-
Blank	3	3	3	-	-	-	-	-
Total rankings (excluding blanks)	99	81	49	32	14	18	14	4
% reporting no effect or positive effect	74%	72%	67%	78%	71%	83%	79%	100%
% not aware at time of decision know	12%	15%	20%	6%	14%	-	-	-
Subtotal	86%	86%	**88%**	84%	86%	83%	**79%**	100%
Yes- had some initial concerns	6%	4%	6%	-	0%	17%	21%	-
Yes- (no information how affected decision)	7%	9%	4%	16%	14%	-	-	-

BENEFITS OF MOVING TO A NEW COMMUNITY

The survey asked residents who had lived in a different city or town just prior to moving to their current housing whether they felt the new community was better overall than the city or town where they previously resided.

The survey also asked families with children to rate the quality of the schools and to indicate how these schools compared with those their children previously attended. Among the 82 respondents who had moved from other communities, only 17 had children in the public school system. Of these 17, 16 rated the current school system very good (9) or good (7), including all of the households in the affordable units. However, we were unable to collect useful information on how systems compared, as only 8 of the 17 provided comparisons (one other had no opinion, three could not provide a comparison because they had moved in before their children were school age, and data was not available from five because the comparison question was inadvertently omitted from the survey).

	Total Respondents	All Renters	Market Renters	All Affordable Renters	Voucher holders	All Owners	Market Owners	Affordable Owners
Total Units	564	489	328	161	not known	75	55	20
Total Responses	N=102	N=84	N=52	N=32	N=14	N=18	N=14	N=4
Overall Response rate	18.1%	17.2%	15.9%	19.9%		24.0%	25.5%	20.0%
Did not change city/town (local resident)	20	11	2	9	3	9	6	3
% of Total respondents	20%	13%	4%	28%	21%	50%	43%	75%
New Community:	82	73	50	23	11	9	8	1
Better	23	19	17	**2**	1	4	4	-
Better in some ways, worse in others	1	1	-	1	-	-	-	-
About the same	19	14	10	4	3	5	4	1
Worse	10	10	9	1	1	-	-	-
Blank/no opinion	6	6	5	1	1	-	-	-
Question omitted from survey	23	23	9	14	5	-	-	-
Total rankings (excludes blanks/ omitted)	53	44	36	**8**	5	9	8	**1**
Of Respondents providing comparison:								
% rating new community better	43%	43%	47%	25%	20%	44%	50%	-
% rating new community about same	36%	32%	28%	50%	60%	56%	50%	100%
% rating new community worse	19%	23%	25%	13%	20%	-	-	-

APPENDIX III – SURVEY QUESTIONNAIRE

CHAPA Survey of Residents of Recently Developed Housing in the Suburbs

Development Name: ____________________ City/Town: __________________________

1. How many bedrooms are in your unit?
   ____ 1 bedroom
   ____ 2 bedrooms
   ____ 3 bedrooms

2. How many people are in your household?
   Total people in household: _______
   Age 0-4 _______
   Age 5-18 _______
   Age 19-64 ________
   Age 65 and over ______

3. How many people in your household are…?
   ___ White
   ___ Black/African-American
   ___ Asian/Pacific Islander
   ___ Other

4. How many people in your household are.. ?
   Hispanic _____
   Non-Hispanic____

5. What month and year did you move into this development? __________________

Decision to Move to this Development/ Affordability

6. What city/town did you live in immediately prior to moving into this development?
   ____

7. Why did you decide to move to this development?
   (choose as many as applicable and rank with 1 being the most compelling reason)
   ____ Price
   ____ Community features (e.g. schools, services, other characteristics)
   ____ Convenient location
   ____ Unit Size
   ____ Unit Quality
   ____ Features offered by the development (e.g. design of complex, amenities)
   ____ Other, please describe ____

8. If this is a mixed-income development, did that fact affect your decision to live here?
   ___ No
   ___ Yes (if yes, please explain)
   ____ Not applicable

9. Did you rent the housing you lived in just prior to moving to this development?
   ____ Own
   ____ Rent

10. Compared to your previous residence, do you think this unit is a pretty good value for your money?
____ Good value
____ Not
____ Don't Know/No Opinion

11. How much rent do you currently pay? $________________

12. Do you currently receive a rental subsidy (e.g. Section 8)?
____ Yes
____ No

Quality of Housing and Management

13. As a place to live on the whole, do you think the development is…?
____ Very Good
____ Good
____ Not too Good
____ No Opinion

14. In general, what is your opinion of the building construction?
____ Well Constructed
____ Fairly Well Constructed
____ Poorly Constructed
____ Don't Know

15. Do the manager and the people in the office act courteously toward the tenants in general or not?
____ Courteous
____ Not Courteous
____ Don't Know/No Opinion

16. Is the management usually pretty good about the taking care of repairs and general maintenance of the development, such as keeping the hallways clean, taking care of the grounds, etc?
____ Very Good
____ Good
____ Not Good
____ Don't Know/No Opinion

17. In general, how friendly are people in the development?
____ Very Friendly
____ Friendly
____ Not Too Friendly
____ Not Friendly at All
____ No Opinion

18. Do you think the development is a good place to raise children?
____ Very Good
____ Good
____ Not too Good
____ Not Good at All
____ Don't Know

Community Satisfaction/Convenience

19. If you lived in a different city or town just prior to moving to this development, how would you say your current location compares to your previous community overall?
____ Better
____ About the same
____ Worse
____ Don't Know/No Opinion
____ Not applicable

20. If you have children in the public school system, how good are the schools they attend?
    ____ Very Good
    ____ Good
    ____ Not Too Good
    ____ Not applicable

21. If your children attended different schools prior to moving, would you say their current school is…?
    ___ Much Better
    ___ A little better
    ___ About the Same
    ___ Not as good
    ___ Don't Know/No Opinion
    ___ Not applicable

22. Do you have a car? Yes___ No____

23. How many adults in your household work…
    Full-time? _______
    Part-time? ______

24. How convenient is it for you to get to work?
    ___ Very Convenient
    ___ Convenient
    ___ Not too Convenient
    ___ Not Convenient at All
    ___ Don't Know/No Opinion

25. How convenient is this location for using public transportation in general?
    ____ Very Convenient
    ____ Convenient
    ____ Not too Convenient
    ____ Not Convenient at All
    ____ Don't Know/No Opinion

26. How convenient is this location for shopping?
    ____ Very Convenient
    ____ Convenient
    ____ Not too Convenient
    ____ Not Convenient at All
    ____ Don't Know/No Opinion

27. How convenient is this location for having friends or family come to visit?
    ____ Very Convenient
    ____ Convenient
    ____ Not too Convenient
    ____ Not Convenient at All
    ____ Don't Know/No Opinion

Other Comments Are there any comments you would like to add?

APPENDIX IV: LITERATURE REVIEW

The literature on the potential benefits of mixed-income housing is wide-ranging, reflecting the quite varied goals of proponents, particularly with regard to the income levels such housing should serve. Definitions of mixed-income housing are equally diverse, varying with the goals of proponents. The biggest divide is between definitions that require the inclusion of very low-income households, and especially extremely low-income households, and those that do not, because it is these lowest income groups who are most likely to have limited housing choice outside low-poverty areas and who are more likely to live in areas of concentrated poverty.

Overall, there is broad agreement in the literature that while there is little hard data on the benefits of mixed-income housing, it appears to be a useful vehicle for producing high quality, well-managed housing. At the same time, there is agreement that the social and real estate benefits can be also be realized in developments that do not include market rate units as long as these projects include working households and are adequately funded and well-managed. The literature also suggests that while siting housing in low-poverty areas offers important benefits to low-income families and lower risk and costs for developers and funders, income mixing and low-poverty siting alone have limited power to provide upward mobility to the most disadvantaged adults. Finally, there is general agreement that the policies that promote mixed-income housing must include safeguards to ensure that government will continue to address the housing needs of the most troubled and disadvantaged households, as well as households who do not wish to move to low-poverty areas.

Social, Real Estate and Political Rationale for Mixed Income Housing Support for mixed-income housing has always been based on a mix of social, real estate, and financial goals. Early supporters saw mixed-income housing as a way to create housing in low poverty areas and deconcentrate poverty. Today, there is also high interest its potential to redevelop distressed projects and distressed neighborhoods. As many observers have noted (McClure, 2003; Salama, 1999; Brophy and Smith, 1997), much of the interest stems from a desire to address shortcomings of earlier federal housing, transportation and other policies that have favored suburban development and helped increase the geographic isolation of the poor since the 1950s.

As numerous studies have pointed out, mixed-income housing is seen as potentially offering a number of benefits over entirely subsidized housing, though research to test whether it is achieving these goals is limited.

- Social benefits include:
  - Providing low-income households access to lower poverty areas, with a safer living environment, access to better schools and, in some locations, improved proximity to jobs, all of which increase their long-term prospects for upward mobility.
  - Breaking "the culture of poverty" – including joblessness, drug abuse, welfare dependency, rule breaking – associated with high poverty areas. The belief is that lower income households are likely to alter their behavior when given role models (higher-income, job-holding, law-abiding neighbors) and that the ability of nonworking low income households to join the labor force will be increased through interaction and informal networking with their new neighbors (Brophy and Smith, 1997; Rosenbaum, Stroh and Flynn, 1998)
- Real estate benefits include the production of higher quality, better managed housing. Developments that include units for households that can afford housing in the private

market must offer a competitive or even superior product, to attract and retain occupants. Stricter screening of low-income tenants is seen as an important element in achieving these outcomes (Epp 1996, Khadduri and Martin, etc). In distressed neighborhoods, replacing distressed housing with mixed-income housing can result in long-term neighborhood improvements by both attracting new private investment to the area and giving municipalities an impetus to improve services (Khadduri, 2001).

- Financial benefits can include increased project revenues (due to the rents or purchase prices paid by higher income households) and reduced reliance on state and federal subsidies for development costs and ongoing project viability. Increased revenues can also help fund service programs, such as after-school programs. A longer-term benefit, from the perspective of funding agencies, is the potential to reduce direct subsidy costs by raising the income profile of the subsidized tenants.
- Mixed-income housing cab also offer political benefits by reducing local opposition to affordable housing, as municipal officials and abutters prefer mixed income housing both as a matter of fiscal and social policy (who lives in their neighborhood). Abutters may be less likely to less worry about property value impacts when the project is primarily market rate (McClure 2003).

Definitions of Mixed Income Housing Definitions of mixed income housing vary but a study by Alastair Smith (2002) suggests a useful continuum of definitions based on how close or far away a project is "from being a true market-rate property". His continuum includes five categories: four that include market rate units and one that does not but serves a range of incomes.

- Moderate-Income Inclusion (predominantly market rate with perhaps 20% of units moderate income households at 80% of median),
- Low-Income Inclusion (predominantly market with some units for low income households – e.g. 20% at 50% of median),
- Broad Range of Incomes (serves extremely low income households as well as market rate, moderate- or low-income households – e.g. one third market, one third at 60% of median and one third extremely low income),
- Market-Rate Inclusion (predominantly low income with some market rate units – e.g. most units affordable at 50-60% of median, with perhaps 20% market rate), and
- Affordable Mix (serves moderate- or low-income households, as well as extremely low-income households – perhaps half at 60% of median, half at 30% of median).

Smith points out that the income mix in a given project is likely to depend on a number of developer or funder goals, such as gaining political support for project, reducing subsidy costs when funds are tight, providing upward mobility for low-income tenants and access to low poverty neighborhoods, and deconcentrating poverty in current high poverty neighborhoods. Local market conditions also affect the feasibility of certain mixes (i.e. predominantly market rate projects are more common in areas with tight housing markets).

Khadduri and Martin (1997) suggest that a more targeted definition should be used for mixed income housing if the goal is to deconcentrate poverty, give poor families access to better schools and safer neighborhoods and create a "culture of work". In their study of the extent of income mixing in HUD's older assisted multifamily inventory for "families" (as opposed to projects primarily for the elderly and disabled), projects had to meet two criteria to be considered mixed-income: (1) they had to include a significant percentage (at least 20%) of very poor families (incomes below $10,000) and (2) they had to include a significant percentage (at least 20%) *working* households with incomes above $20,000. They noted that it is important to use actual resident incomes, rather than income limits, in defining mixed-income housing, because projects in weak market areas that nominally have a "market" component (units not subject to rent or income limits), may have such low rents that they serve the same income group as the subsidized units. Within these parameters, they identified three types of mixed income developments:

- "*partly subsidized projects*" (having at least 10 units with no rent or income restrictions),
- "*broad range of incomes*" projects (100% subsidized but where at least 20% of households had incomes above $20,000), and
- "*culture of work*" projects (100% subsidized developments where less than 20% of households had incomes above $20,000 a year but at least 70% of the households reported wages as their primary source of income).

Nationwide, they found that about 16% of HUD's private multifamily stock for "families" fell into one of these categories – with each category accounting for about one-third (another 5% were mixed-income but had few residents with incomes below $10,000).

Based on site visits to selected projects, they concluded that both "culture of work" and "broad range of income" projects provide high quality, well-managed housing. They noted that location make it difficult to attract non-poor households, finding that broad range of income projects were more likely to be located in census tracts with poverty rates below 20% (70% total, including 40% in tracts with poverty rates below 10%), than culture of work projects (57% in tracts with poverty rates below 20% including 24% in tracts below 10%). In short, they found that the goals of providing higher quality housing and creating a culture of work could be achieved without middle- and upper-income households if a project had strong management, enforced occupancy rules and housed a "substantial number" of working households with incomes above $20,000.

Need for Research In a review of strategies for revitalizing distressed public housing, Epp (1996) found that mixed-income income housing offers a range of possible benefits (including more manageable developments, less isolated populations, reduced operating costs, creation of higher-income role models, the potential to integrate services into operating costs, and increased commercial investment due to financial viability). She pointed out, however, that it was impossible to know whether these benefits have actually been realized in recent mixed-income public housing revitalization developments because no long-term systematic evaluations had been undertaken, including a look at the effect of various income mix combinations. She also questioned whether income mixing in fact necessary to address the "social isolation" that William Julius Wilson described in areas of concentrated poverty and to create viable communities, again noting that a lack of evaluation data makes difficult to compare income mixing with other strategies (e.g. creating a culture of work or family self-sufficiency).

Schwartz and Tajbakhsh (1997) also concluded that much of the interest in mixed income housing is based on blind faith that it will provide benefits. They identified three categories of questions - Social Effects, Costs, and Essential Preconditions - that needed to be answered so that policymakers can create beneficial mixed income program guidelines.

Social Effects that need to be studied further include:

- Does mixed-income housing improve life chances of residents?

- How does the impact on life chances vary by type of development/income mix?
- What is mixed-income housing's effect on delivery of social services to residents?
- What income mix will lead to the greatest benefits and least risks, if any at all?

Questions surrounding costs include:
- Does income mixing make low-income housing production cheaper per unit?
- What are the possible additional costs of creating mixed-income housing?
- What amenities must be added to developments to be a viable mixed-income development?

Essential preconditions also need further study, including these topics.
- What is the role of the housing market's strength in the viability of a development?
- What is the role of its location?
- What is the role of the size, design and density?

While some of these questions have been addressed in subsequent studies, many others remain unresolved, as discussed below.

Benefits of Moving to Low Poverty Areas Policies that promote the deconcentration of poverty are founded in the belief that distressed neighborhoods have severe negative consequences for residents and that providing an opportunity to live in a better neighborhood will produce both immediate and long-term benefits to families able to leave. The literature indicates that moving from distressed neighborhoods produces clear benefits, with some increasing over time, but that its ability to produce upward mobility for very disadvantaged families is limited without additional interventions.

Ellen and Turner (1997) found that considerable evidence in the literature that neighborhood conditions shape the outcomes of individual lives but that also found that family characteristics (income, education and employment) play an even more an important role in shaping likely outcomes for children. They identified six ways that neighborhood characteristics can affect the outcomes of individuals at different stages of life:

(1) the quality of local services such as daycare and schools,
(2) socialization (adult role models available to youth),
(3) peer influences (e.g. exposure to antisocial behavior, especially in teen years),
(4) social networks (extent to which social support systems and job information networks exist and extend beyond the neighborhood),
(5) exposure to crime and violence, and
(6) physical distance and isolation from other resources (e.g. public transportation, living wage jobs).

They found that research is needed to understand the impact of these characteristics, noting that some may be nonlinear (i.e. crime rates may have a major negative effect only up to a certain threshold). *They concluded that negative neighborhood characteristics are more likely to affect families with low levels of income, education and employment* (i.e. they cannot afford private schools) and that such families are more likely to live in neighborhoods with poor ratings but that further study is needed to determine whether causal links exist and *which characteristics matter most*. That is, policymakers trying to design programs to help low-income families in troubled neighborhoods need to understand which characteristics to focus on both in terms of neighborhoods and families.

Lessons from Gautreaux and "Moving to Opportunity" Despite the questions about the interaction of family characteristics, numerous studies indicate that very low-income households experience improvements when given a chance to move from very high poverty areas to lower poverty areas.

The most well known studies involve the experiences of families in Chicago assisted under the "*Gautreaux*" program, which began in 1979, after a federal court ordered HUD to remedy the "extreme racial segregation" it had created in Chicago public housing. The program offered special Section 8 vouchers, along with housing search assistance, to African-American families in public housing or on waiting lists. The vouchers could only be used in racially mixed or predominantly white neighborhoods (ideally less than 30% African American).

Early follow-up studies found that the families who moved to predominantly white suburbs lived in safer neighborhoods and had higher employment rates than those who stayed in Chicago and their children had lower school dropout rates and were far more likely to go on to college or full-time employment. The studies also found that the benefits for the children showed up over time, beginning 7-10 years after the move. However, as Popkin et al (2000) and others have noted, many reviewers feel that early Gautreaux studies may have overstated location effects due to methodological weaknesses, including small samples and selection bias (program participation was voluntary and may have attracted more motivated households and screening criteria excluded some households with poor rent histories or poor housekeeping).

The early Gautreaux findings were subsequently tested by HUD's Moving to Opportunity (MTO) for Fair Housing Demonstration Program. The MTO program, begun in the mid-1990s, enlisted residents of federally assisted public and private housing in neighborhoods with extremely high poverty levels (40-60%) in five cities, to participate in an experiment. One third were randomly assigned to receive Section 8 vouchers that could only be used in areas with poverty rates below 10% (the "experimental group"); they also received search assistance. Another third (the "Section 8 group") received regular Section 8 vouchers (no locational restrictions or extra search assistance), and the remaining one third (the "control group") received no change in their housing assistance. As Ellen and Turner (1997) noted, this design made it possible to look at neighborhood effects apart from family characteristics

An Interim Impacts Evaluation (Orr et al, 2003), tracking the status of families five years later, found that moving to lower poverty areas offered many benefits, with families in the experimental group reporting better neighborhood conditions (i.e. less graffiti and loitering), greater safety, higher levels of satisfaction with their housing unit and reduced psychological distress. It did not find any difference among the three groups in terms of educational outcomes, rates of employment and income gains, though, the authors noted that the Gautreaux findings suggested that long term economic benefits might show up in subsequent years. Ellen and Turner (1997) had also theorized that neighborhood characteristics would have a greater effect the longer a household resides in a given areas.

The authors of the Interim Evaluation noted several factors that might contribute to the initial lack of economic benefits for movers. First, most of the families in the experimental group remained in the five cities and thus did not change school systems (including the 40% who did not use their voucher). In addition, most of these families still lived in segregated neighborhoods with relatively high poverty rates (10-20%), in part because some of the "low poverty" tracts become poorer over the years. It is unclear how many experimental families moved to areas with much lower poverty rates (i.e. the 5% or less that is typical of many suburban communities) and whether their outcomes differed.

Since the MTO interim evaluation, two more studies of Gautreaux families indicate that providing one-time assistance to low income families to help them move to better neighborhoods confers long-lasting benefits. Keels et al (2003), in a study of where Gautreaux families lived 15 years later, found that 70% of the families who initially moved to higher-income, mixed-race and suburban neighborhoods lived in similar neighborhoods 15 years later, while only 22% of those who initially stayed within Chicago lived in such neighborhoods, even though the demographics of the two groups prior to the move were almost identical (suburban movers may have better access to a car). The current neighborhoods of the original suburban movers were safer and had higher average family incomes ($64,000 in 2000), employment rates and education levels (potential measures of job networking opportunities). The suburban movers lived an average of 18 miles from their original Chicago home. Mendenhall et al (2005) also found that leaving poor neighborhoods led to modest gains in income, higher levels of employment and reduced receipt of public assistance for low-income black women.

While a mixed-income project can be feasible anywhere given the right conditions, Jill Khadduri (2001) points out that the benefits of income mixing are most noticeable when it provides low-income families the opportunity to live in a neighborhood that would not normally be accessible to them and that developing housing in low-poverty areas may be the best form of income mixing, resulting in the greatest benefits to everyone involved. However, she also points out that even in high-poverty areas, mixed-income housing can provide benefits to low-income residents.

Role of Income Mixing (vs. Employment Mixing) in Housing Success The literature indicates broad agreement that mixed income housing can produce many real estate benefits - though certain preconditions must exist for it to be feasible. However, there is disagreement over the importance and necessity of income mixing within individual housing developments to achieve the goals of better housing and upward mobility. A series of studies of Lake Parc Place in Chicago, a troubled public housing development that was renovated and converted to "mixed income" housing in 1991, have helped frame the debate

Lake Parc Place is a "broad range of incomes" development. Half of the units were reserved for households with incomes at or below 50% of median (displaced former tenants received first priority), and half are reserved for moderate-income working households with incomes of 51 to 80% of median. Rents for the moderate-income units were set at a flat rate of $371 for five years, as long as incomes remained at or below 80% of median. Moderate-income residents could not stay more than five years. The renovated project included modest interior amenities (ceiling fans, closet doors) not usually included in public housing, as well as landscaped grounds and play areas, and was managed by a private firm with a good reputation.

In an evaluation of the project a year after it opened, Rosenbaum, Stroh and Flynn (1998) found the project had been successfully transformed to a well-managed mixed-income community that provided high quality, well-maintained and safe housing. Surveys and interviews found both the low- and moderate-income tenants were generally more satisfied with Lake Parc Place than with their previous residence. Rosenbaum et al concluded that Lake Parc Place was successful despite the very poor reputation of most Chicago Housing Authority (CHA) properties. They attributed this success to a number of factors, including location (while the neighborhood was very poor and highly segregated, the site overlooking Lake Michigan offered beautiful views and was near downtown) and extra amenities that helped to attract moderate-income residents.

The felt the amenities also created pride in the development and increased the demand for better maintenance. In addition, CHA placed a high priority on management and security. It also chose an income mix that was continuous and which proved conducive to neighbor interaction, and by mixing income levels on every floor, they avoided the danger of creating divisions among residents.

The authors did not directly explore whether moderate-income tenants provided role models for the low-income tenants because they found that the latter were offended by such questions. However, they theorized that because moderate-income households were more supportive of project rules, the increased likelihood that rule breaking would be reported and punished had a positive effect that could be attributed to the new income mix.

Other reviewers have challenged the implication that income mixing played a major role in the success of Lake Parc Place. Lawrence Vale (1998) notes that other public housing projects have been redeveloped with equally positive results in terms of resident satisfaction, safety and improved housing quality without a level of income mixing that sacrifices the number of low-income residents served. He points out that there is little empirical evidence to support the idea that Lake Parc Place was successful due to income mixing as opposed to the fact that a large number of the people who lived there were employed, including 46% of the low-income residents when picked for the development. He suggests this indicates a creaming of applicants and argues that the message of Lake Parc Place is that "the best way to assist the least-advantaged renters is to put very few of them in any one place" (Vale, 1998, 754). He found the assumption that the low-income tenants – who had all passed strict screening - still required the role models of higher income families to help them understand that rules are necessary insulting and unfounded.

Vale furthermore noted that while very low-income unemployed households may have more interactions with working households in mixed-income housing, there is a limit to the extent to which this will increase employment among the former since the higher income "role models" cannot provide the counseling, transportation and child care assistance very low income nonworking households often need to access better economic opportunities. Given the limits on what role models can do, he questions the need to attract households who can afford alternative housing in the private market when trying to improve distressed projects with hyperconcentrated poverty. He believes *policymakers need to ask, "How much income mixing is needed to create viable communities" and need to be clear about whether the answers are based on sociological, financial or political evidence.*

Vale concluded that public housing can be significantly improved at less risk to low income households by aiming to create *mixed-employment* developments (where at least 40-50% of households derive their main income from working, even if they are not particularly high-income) and *also* incorporate the amenities and strong management found in mixed-income developments, factors which he credits more heavily for the success of Lake Parc Place than income mixing. Khadduri (2001) also concluded that tenant screening and strong management could result in major housing improvements even if such housing does not include market rate units.

Philip Nyden (1998), in comments on Rosenbaum et al, also suggests that income mix played a limited role in the success of Lake Parc Place. He notes that the low-income residents felt that their role as watchdog, rather than the presence of higher-income residents, was a major factor in the effectiveness of the management company and concludes that resident involvement combined with responsive management creates a sense of investment that can be an important factor in the success of any affordable housing development, whether mixed income or not.

Brophy and Smith (1997) came to similar conclusions about the role of income mixing, after reviewing seven mixed-income rental developments with varied geographic, physical and demographic characteristics. Among other things, their study sought to learn whether successes in projects can be attributed to income mixing alone and whether people in the developments are actually "neighboring", or interacting. They noted interactions between market rate and subsidized tenants tended to be limited, but that this was unsurprising as resident interactions in market rate rental housing generally tend to be limited (renters move relatively frequently and may be at a stage in their life where neighboring is relatively unimportant). While all seven projects succeeded in their real estate goals, Brophy and Smith concluded that income mixing alone is unlikely to produce upward mobility for low income tenants and that if such upward mobility is a goal for mixed-income housing, funders must consider adding programs to increase job skills and employment.

Ideal Income/Employment Mix Like Vale, Brophy and Smith (1997) emphasize the importance of defining goals when designing policies to promote mixed income housing (e.g. is the goal simply income mixing or is it upward mobility of the low-income residents? How much should programs try to serve the most disadvantaged low-income households?). The goals selected affect decisions regarding both location and ideal income mixes.

A recent literature review (McClure (2003) suggests that employment status is as important as income status when considering appropriate income mixes. Like Brophy and Smith, he finds that income mixes that limit the disparity between the lowest and highest income levels are more likely to create an atmosphere that encourages interaction between residents. However, but reports "a very clear message" in the research that occupancy by low-income *nonworking* households "must be no more than a minority of the households in the development" (McClure 2003, 9). He notes that Khadduri and Martin (1997) found that many managers and owners agree mixed-income housing is generally feasible if the percentage of *non-working* low-income families does not exceed 15-20% and should not exceed 40% even with intensive management. He notes that studies by the Millennial Housing Commission came to a similar conclusion, recommending keeping the percentage of low-income *non-working* households at or below 20% unless the developer offers significantly more intensive management; even then, they recommended capping the percentage of non-working low-income households at 40%.

Conditions Required to Attract Higher Income Households to Mixed Income Housing Several studies have examined the conditions that make income mixing feasible or infeasible, and the question of how high an income group should be sought.

Brophy and Smith (1997) looked at seven mixed-income developments in both urban and suburban locations with a variety of income mixes and financing sources. In terms for factors for success, they concluded that

- Mixed-income housing works best when it emphasizes the fundamentals of real estate (strong market, strong location, quality housing and management, sound underwriting).
- There must be enough units for higher-income populations to create a "critical mass" (high enough to keep attracting tenants for the higher cost units) though further study is needed to understand what the optimal mix is and it may vary by project).
- The mixed-income nature of a development should not be emphasized in marketing or design so as not to deter higher-income residents, and there should be no difference in the nature and quality of market and affordable units.

- Mixed-income housing may be more difficult to manage when the income mix is dichotomous rather than on a continuous scale that also includes moderate-income residents.

In their study of HUD multifamily projects, Khadduri and Martin (1997) found that:

- it is easier to create mixed income housing (defined as a broad range of incomes but not necessarily including middle or upper income households) in low-poverty areas because it is easier attract more higher-income residents to these areas.
- Using rent ceilings can help attract higher-income tenants by giving them an attractive alternative to market units.
- It is also easier to create mixed-income housing in regions that have tight housing markets and large immigrant populations looking for affordable units and these qualities might at times make development in high-poverty areas feasible.

Howell and Leonard (1999) point out that while HOPE VI developments are not meant to attract doctors and lawyers, even moderate-income families will not be attracted if the development lacks typical market-rate amenities. They emphasize that:

- A good location, high quality design and construction, competitive rent and sales prices, and innovative marketing, along with addressing issues of security, will attract market rate renters and buyers. Creating curb appeal or including design features that make potential residents excited about moving in simply by seeing the development is also important.
- They also recommend keeping the percentage of working families high (50-80%) to maintain a project's appeal to other working families.

Risks to Low Income Tenants and Possible Ways to Mitigate Several studies have noted that the trend toward mixed-income housing often can hurt extremely low-income households. To address this, they recommend special initiatives to assist the most troubled families who are unable to pass strict screening standards and increases in subsidy funding to encourage developers to set aside more units for other very low-income households.

Popkin et al (2000) point out that the HOPE VI program presents very real risks for the most troubled residents of public housing, since they often fail to pass screening criteria for the new developments and because it has resulted in a large reduction in the supply of public housing units. New, stricter screening processes for federal public housing generally means this group is often pushed out of public housing altogether and screening by landlords makes it difficult for these families to use Section 8 relocation vouchers.

At the same time, in a study of the first HOPE VI project in Chicago, Henry Horner Homes, the authors found that the redeveloped project experienced high crime and other problems, largely because a court decree prohibited screening returning tenants as strictly as new tenants were screened. They note that many of these troubled families have complex needs and recommend that HUD come up with a multifaceted program to help them, perhaps similar to the transitional assistance programs created for homeless families.

Karen Ceraso (1995) describes how income mixing combined with funder willingness to include services in a project budget, can meet multiple goals. She points to the experience of the New Settlement housing development, a non-profit project created from abandoned housing in a very poor Bronx neighborhood. While 30% of the units are set aside for homeless families, the decision to reserve other units for working families meant some extremely low income applicants had to be turned away. However, the higher rental income stream made it possible to fund after-school programs, workshops and classes, as well as improvements that enhance the project's livability (e.g. more security and lighting, prompt graffiti removal). These activities benefit both tenants and low-income neighborhood residents (since they are welcome to take part in the programs).

The Neighborhood Reinvestment Corporation (NRC) has also found that providing flexible subsidy funding to mixed-income developers makes it possible to serve extremely low-income households (incomes at or below 30% of median). Its Mixed-Income Demonstration Program offered grants to mixed-income housing developers who agree to reserve at least 5% of their units for extremely low-income households, providing up to $40,000 for each such unit and allowing grantees to decide to use the funding. In a preliminary evaluation of 14 projects, NRC reported that grantees used the funds in quite varied ways (Neighborhood Reinvestment Corporation, 2004). Some used it to fund services and/or enhance property management, while others used it to reduce debt and thus lower the rents needed for the extremely low-income units. One used it to convert some tax credit units to market rate and used the extra rent to write some units down to 30% of median. Others worked with their housing authorities to set some rents to below fair market rent levels, making units affordable to voucher holders while reducing the Section 8 costs. NRC concluded that the program provided a workable model that is flexible enough to permit users to tailor it to individual project circumstances and still meet the requirements of other subsidy programs. NRC also pointed out that many extremely low-income households work (28% of those with incomes between 10% and 20% of median and 67% of those above 20% of median report significant working income).

Role in mixed income housing in overall housing policy Several studies note that mixed-income housing has some advantages over two other common strategies (rental assistance and scattered site public housing) to expand housing opportunities in low poverty areas. As McClure (2003) notes, small, scattered site developments are more expensive to manage and residents in such housing may still feel stigmatized.

Housing mobility strategies, most notably the Section 8 Housing Choice Voucher program, have also had limited success in enabling families to live in low poverty areas, for many reasons including housing discrimination, limited housing search assistance and low fair market rents (FMRs). Recent changes in Section 8 funding are likely to make it even more difficult to move to low-poverty neighborhoods, particularly in tight housing markets. As the Neighborhood Reinvestment Corporation noted (2004), mixed-income housing programs can help address this, if they use subsidy programs that build deeper affordability into the base rents (so that they are affordable to voucher holders) and reserving some units for voucher holders.

Overall, the findings in the literature suggest that promoting mixed-income housing development in suburban communities offers many potential benefits, including access to stronger school systems and lower risks for developers and funders. At the same time, a number of analysts have noted over-emphasizing low poverty siting as a policy goal can hurt some low-income families. Gabriel Grant (2001) cautions that while building mixed-income housing in low poverty areas makes it easier to attract higher income tenants, policymakers cannot ignore the needs of low-income families that do not find suburban locations attractive (e.g.. they don't own a car, have jobs that are hard to reach from suburban areas or don't want to lose resources in their current community for child care, medical care and emotional support.)

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ENDNOTES

1 Commonwealth of Massachusetts, "Final Report of the Special Commission on Low Income Housing", submitted to the State Legislature on April 21, 1965. (Chapter 107 of the Resolves of 1964, House No. 4040).

2 "Legal Basis of Planning and Zoning" www.hingham-ma.com/assetts/applets

3 Massachusetts General Laws, Chapter 41A, Sections 81 K-GG.

4 J.M. Pogodzinski, "The Effects of Fiscal and Exclusionary Zoning on Household Location: A Critical Review", page 145, Journal of Housing Research, Volume 2, Issue 2., 1992. Washington DC

5 Commonwealth of Massachusetts – Executive Office of Administration Finance, "Bringing Down the Barriers: Changing Housing Supply Dynamics in Massachusetts", p. 22, Policy Report Series No. 4 – October 2000, Boston, MA

6 Residents can vote to exceed [override] the 2.5% levy ceiling temporarily to raise funds for specific capital projects and debt service costs. Local officials can also approve an override for water and sewer projects without a popular vote as long as they reduce water and sewer rates by an amount equal to the override amount.

7 "Bringing Down the Barriers", pp.33-35

8 "School Finance: Chapter 70 Program: Proposed Changes to Chapter 70", Massachusetts Department of Education, Draft dated 10/19/1999, page 1 (available online from http://finance1.doe.mass.edu/chapter70/formula99_1.html). The formula currently uses about 35 factors to determine the foundation budget amount and another 19 to estimate local ability to pay.

9 The Chapter 70 "foundation reserve" or "pothole" program is a setaside of funds that the State Department of Education uses to help localities facing extraordinary or unanticipated needs for a variety of reasons, including a major increase in the required local contributions, major drops in state aid or increases in enrollment. Because eligible funding requests tend to exceed available funds, the eligibility requirements for assistance tend to change from year to year. In FY2004, communities could apply for reserve aid if they experienced an enrollment increase of at least 4% in the past year, while in FY2005, they could apply if they experienced at least 10% increase in enrollment in the past five years (FY2000 to 2005).

10 Judith A. Barrett et al., "Housing the Commonwealth's School-Age Children: The Implications of Multi-Family Development for Municipal and School Expenditures, prepared by Community Opportunities Group, Inc and Connery Associates, for Citizens Housing and Planning Association, Boston, MA August 2003 (available online from http://www.chapa.org/HousingSchoolAgeChildren.pdf). Page 1.2, 2.4, 2.5

11 Katharine L. Bradbury, Karl E. Case, Christopher J. Mayer, "School Quality and Massachusetts Enrollment Shifts in the Context of Tax Limitations", New England Economic Review: July/August 1998, Federal Reserve Bank, Boston, MA, pages 17-18.

12 Chapter 774 of the Acts of 1969, "An Act Providing for the Construction of Low or Moderate Income Housing in Cities and Towns in Which Local Restrictions Hamper Such Construction", codified as Chapter 40B of Massachusetts General Laws.

13 The State defines "year round housing" as the Census Bureau's count of total housing units minus its count of "seasonal, recreational and occasional use" units. DHCD uses the most recent decennial data to determine the total year round housing units, though parties involved in an appeal to the Housing Appeals Committee may introduce more current information on a community's total housing supply.

14 Edith M. Netter, "Comprehensive Permits and the Anti-Snob Zoning Act", for the Massachusetts Housing Partnership, Boston MA, 11 April 2003, p.3 http://www.mhp.net/termsheets/40BshortNetter.pdf) The state regulations governing ZBA procedures can be found at 760 CMR 30.01 (local procedures) and 760 CMR 31.02(3)(a) (HAC model rules).

15 Netter, pp. 3-4

16 Bonnie Heudorfer, "The Record on 40B", prepared by Citizens Housing and Planning Association, Boston, MA, June 2003, p. 10. Available online at http://www.chapa.org/TheRecordon40B.pdf

17 Massachusetts Draft 2005-2009 Consolidated Plan, DHCD, page 33.

18 Bonnie Heudorfer, "The Record on 40B: The Effectiveness of the Massachusetts Affordable Housing Zoning Law", Citizens Housing and Planning Association, Boston, MA, June 2003, p.19

19 Netter, p.1

[20] Philip Herr, "Zoning for Housing Affordability", prepared for the Massachusetts Housing Partnership, Boston, MA 2000. While over 100 communities have inclusionary zoning ordinances, most ordinances have been little used because they provide too small or soft an incentive or because they impose threshold requirements that are hard to meet (e.g. require very large sites). In communities where inclusionary zoning is actively used, definitions of affordability vary, with some using income limits above 80% of median. Most give local residents a preference for the affordable units.

[21] Bonnie Heudorfer, "The Record on 40B: The Effectiveness of the Massachusetts Affordable Housing Zoning Law", Citizens Housing and Planning Association, Boston, MA, June 2003, p.25.

[22] Bonnie Heudorfer, Barry Bluestone, Stein Heimlich, "The Greater Boston Housing Report Card 2003", prepared by The Center for Urban and Regional Policy (CURP), Northeastern University, April 2004, pp. 31-33.

[23] Commonwealth of Massachusetts, "Final Report of the Special Commission on Low Income Housing", submitted to the State Legislature on April 21, 1965.

[24] The Massachusetts Housing Finance Agency enabling act (Chapter 708 of the Acts of 1966, §2) stated that "…experience has demonstrated concentration of low income families and families even in standard structures built with public subsidy does not eliminate undesirable social conditions" and that new mortgage financing sources were needed to "prevent the recurrence of slum conditions and assist in their permanent elimination by housing persons of varied economic means in the same projects and neighborhoods". The enabling act for the Chapter 707 rental assistance program described the program's purpose as to "help end the undesirable concentration and segregation of families of low income in separate, concentrated areas of our cities and towns and help give every citizen an equal opportunity to enjoy decent, safe and sanitary housing in a neighborhood of his own choice."

[25] HUD's "Section 23" program, authorized by Congress a year earlier, in 1965, allowed housing authorities to *lease* units in private housing. Initially limited to existing housing, it was extended to newly constructed units in 1970. Leases were 15 years for existing housing and 20 years for new construction projects. Housing authorities were encouraged to rent no more than 10% of the units in a property; if leasing units in HUD Section 221d3 or HUD 236 projects, Section 23 and Rent Supplement subsidies together could not cover more than 20% of the units without a HUD waiver. Tenants paid the same rent they would pay in conventional public housing and housing authorities covered the difference between the tenant payment and the contract rent. The program was replaced by Section 8 in 1974.

[26] Michael Feldman and Arthur Segel, "Report and Recommendations on the Massachusetts Department of Community Affairs", Massachusetts Advocacy Center, 1982, p.8.

[27] In contrast to the low utilization of the Chapter 705 program to lease units for public housing families, about a dozen housing authorities in large cities used the federal Section 23 program extensively, leasing over 3,700 units by the end of 1968 according to a State report.

[28] Charles Orlebeke, "The Evolution of Low-Income Housing Policy, 1949 to 1999", Fannie Mae Foundation, *Housing Policy Deb*ate, 2000, Volume II, Issue 2, page 504.

[29] William C. Apgar and Arthur P. Solomon, "Housing Needs, Programs and Policies for the Commonwealth of Massachusetts", prepared for the Massachusetts Department of Community Affairs, January 1972, page 16.

[30] Chapter 406, Section 35 of the Acts of 1985 (enacted October 15, 1985).

[31] Eric Nakajima, "State Growth Policy in Massachusetts (1975-1991): The Prototype of a New Governance Model", Department of City and Regional Planning, University of California – Berkeley, December 2001, pages 15-16.

[32] MHP became a separate quasi-public agency and added lending to its functions in 1990, pursuant to Executive Order 287 and new legislation that required that companies that acquire Massachusetts banks make funds available to MHP at below market rates for loans for affordable multifamily rental housing (Massachusetts Interstate Banking and Community Reinvestment Act of 1990 – see M.G.L. 167A, §4). Some banks have agreed to provide some of this assistance in the form of grants. MHP also administers several state-funded housing programs.

[33] Massachusetts General Laws, Chapter 23, §25-27.

[34] "Chapter 707" was a state-funded rental assistance program that largely followed the structure of the Section 8 program, having both a tenant-based component and a project-based component. In the early 1990s, the program was revamped and renamed the Massachusetts Rental Voucher Program (MRVP).

[35] TELLER was authorized by Chapter 233, Section 36 of the Acts of 1984. The legislative intent was described in the program regulations issued in 1986 (760 CMR 35.00, later replaced by 760 CMR 21.00).

[36] The affordability requirement followed federal rules for tax-exempt bonds. Early projects had an upper income limit of 80% of median. The requirement changed to the 20% at 50% or 40% at 60% after 1986.

[37] Some projects took longer to complete than originally anticipated as the state economy went into a deep recession in 1990, and overbuilding resulted in excess inventory, particularly in regions particularly hard hit by job losses– including the central part of the state.

[38] Maintaining ongoing affordability in the HOP program proved to be a challenge in some areas, in part because mechanisms to track resales were sometimes weak. In addition, because the initial selling price for some "affordable units" was above what households could afford at 80% of median, and the program gave owners the right to a minimum resale price pegged to the increase in its appraised value, the steep rise in housing prices after the mid-1980s led to minimum resale prices that were far above what a new buyer at 80% of median could afford. While communities have a right of first refusal on resale, many smaller communities lacked the funds to exercise that option and then write down the resale price. These problems have largely been addressed in subsequent homeownership programs, such as LIP, through lower initial selling prices and stronger deed restrictions. In addition, some communities have begun requiring developers to set up a fund (usually by contributing a fixed dollar amount per market unit sold) that will help the municipality fund carrying costs if it exercises its right of first refusal.

[39] "Procedural Regulations of the Housing Appeals Committee", 760 CMR 30.01

[40] While minority occupancy goals are based on the percentage of "*income eligible* minority households" in the MSA, the percentage of minority applicants that must be included in the local preference pool is based on the percentage of total minority residents in the MSA. The latter percentage tends to be lower than the former (in 2000, minority households made up 21.6% of households with incomes at or below 80% of median statewide, while making up 15.5% of the total population).

[41] Lynn Elaine Brown, "National and Regional Housing Patterns", New England Economic Review, July/August 2000, p.49. Federal Reserve Bank of Boston, Boston MA

[42] Brown, p. 49

[43] Brown, pp. 51-52

[44] "Report of the Governor's Special Commission on Barriers to Housing Development", January 2002. pp.16-25

[45] The Commonwealth Development Coordinating Council (M.G.L. Chapter 6A, §8A)

[46] M.G.L. c40R, added by Chapter 149 of the Acts of 2004. Cities and towns can receive a one-time fixed payment per district for each state-approved smart-growth zoning district they create that increases the number of units that can be developed as of right (the formula provides about $500-2000 per unit allowed in the district). They can also receive a "density bonus" payment of $3,000 per unit for each bonus unit that receives a building permit. The overlay must allow densities of at least 8 units per acre for single family homes, 12 units for 2- and 3-unit buildings and at least 20 units for multifamily housing as of right (this can be waived for towns under 10,000).

[47] Chapter 40R allows individual projects in an eligible district to have higher or lower percentages of affordable units but all projects of 13 or more units must be at least 20% affordable.

[48] The plan must result in an annual increase in units qualifying for inclusion in the Subsidized Housing Inventory equal to at least 0.75% of the community's total housing units.

[49] Communities that add affordable units equal to 1.5% of their year round stock in a year get a two-year period of protection.

[50] The Subsidized Housing Inventory (SHI) has several limitations as a data source. The first regards timing. In early years, projects were counted if they were "in process". Today, projects are counted as soon as they receive a comprehensive permit or building permit, meaning that the count at a given point in time is higher than the actual number of units available for occupancy and includes projects that for various reasons will end up not being built. A second difficulty is that the State relies on localities to verify the counts and the quality of local tracking varies (smaller communities often lack the staff to carry out this task and big cities that are well over the 10% goal have little incentive to add every unit that might qualify for inclusion). A third difficulty is that the State has expanded its definition of the types of programs and projects that count over the years, recently adding group homes for the disabled and homeowner rehabilitation programs for example; these changes result in jumps in the number of qualifying units as older projects are added retroactively. A final difficulty is that the State only publishes the number of units that count toward the 10% subsidized housing goal under Chapter 40B. Prior to 1982, only the affordable units in a project counted toward that goal. After a 1982 decision that all units in qualifying rental

projects should count toward the 10% goal, the “40B” count could no longer be assumed to equal the number of affordable units.

[51] Because the profile of affordable housing counted in the SHI has changed significantly since 1984, the 2005 SHI now includes several types of housing not usually considered in discussions of the social and financial goals of mixed income housing. We have adjusted the official February 2005 SHI count to exclude 15,000 units in the following types of projects:

- Projects exclusively serving special populations, including group homes for individuals leaving state facilities and supportive transitional and permanent housing for homeless and formerly homeless individuals and families. (We have not excluded projects that create units for disabled individuals through the purchase of condominiums in large developments).
- Single room occupancy (SRO) projects.
- Owner-occupied and small investor properties that have received rehabilitation loans with soft use restrictions (can be released at any time if the owner repays some or all of the loan).

[52] The 15 poorest cities with a population over 25,000 include Boston, Brockton, Chelsea, Chicopee, Fall River, Fitchburg, Holyoke, Lawrence, Lowell, Lynn, New Bedford, Pittsfield, Revere, Springfield and Worcester.

[53] Bonnie Heudorfer, “Age Restricted Active Housing in Massachusetts”, Citizens Housing and Planning Association, Boston, MA, June 2005, p.10.

[54] Henry O. Pollakowski, David Richay, Zoe Weinrobe, “Effects of Mixed-Income Multi-family Rental Housing Developments on Single-Family Housing Values”, MIT Center for Real Estate, Cambridge, MA, April 2005.

[55] The Massachusetts Comprehensive Assessment System (MCAS) is a mandatory statewide test administered annually in selected grades at the elementary, middle and high school level. The Boston Globe publishes annual rankings of school districts based on average district scores across grade levels. Comparisons are complicated by the fact that some smaller communities have locally funded elementary schools but are part of regional systems for higher grades. This comparison is based on the 2004 rankings for 224 local districts and 55 regional districts and excludes charter and vocational schools.

[56] “Townstats”, The Warren Group, Boston, MA (available online from http://www.thewarrengroup.com).

[57] Abington Planning Board and Old Colony Planning Council, “Town of Abington Community Development Plan”, April 2004, pages II-6 and II-7 (https://www2.massdhcd.com/e418portal/Upload/E418/{796A9A7E-E646-4626-B1F8-C4D61DC83806}_{67A045D6-3061-4879-9F6B-1EDB00B5270F}_Abington%20CD%20Plan%202004.pdf)

[58] Town of Abington, Fiscal Year 2002 Executive Order 418 Housing Certification, Items 30-34 and Summary. (https://www2.massdhcd.com/e418portal/CommReport02.asp?MNO=1&FY=2002

[59] Ibid.

[60] “Abington Affordable Housing Strategy 2003” (http://www.mass.gov/dhcd/ToolKit/PProd/apAbing.pdf), p. 9.

[61] Vicki-Ann Downing, “Apartments Help Towns Meet 40B Requirements”, *The Enterprise*, 20 March 2004, p.3.

[62] Daniel Crane, “Town of Abington, MA Smart Growth Nomination”, 2003, page 3.

[63] “Townstats”, The Warren Group, Boston, MA (available online from http://www.thewarrengroup.com).

[64] All votes on temporary debt exclusions passed, while all votes on operating cost overrides failed.

[65] “Townstats”, The Warren Group, Boston, MA (available online from http://www.thewarrengroup.com).

[66] 2002 Comprehensive Plan, Town of Lexington, page 44.

[67] Housing Appeals Committee Decision 90-13, *Lexington Ridge Associates v. Lexington Board of Appeals”*, June 25, 1992, page 2.

[68] AvalonBay Communities Inc., “Company Profile”, available online at http://www.avalonbay.com (downloaded December 2004).

[69] Les Shaver, “The Heights: 2004 Builder of the Year”, *Multifamily Executive*, Volume 10, No.1, Washington DC, January 2005, available online at http://www.multifamilyexecutive.com”, pages 1-2.

[70] Ibid, pages 1, 4 and 5.

71 Larry Koff and Associates, "Review of Fiscal Impact Analysis: Avalon at Lexington Square, prepared by Connery Associates", January 9, 2004 (available online at http://ci.lexington.ma.us/Planning/2004%20Zoning%20Warrant%20Articles/Peer%20Review%20of%20Fiscal%20Analysis%20final.pdf), see page 11.

72 "Metropolitan State Hospital Reuse Plan", Massachusetts Division of Capital Planning and Operations (DCPO) in cooperation with the Tri-Community Task Forces, Boston, MA, June 30, 1994 (available online at http://ci.lexington.ma.us/Planning/2004%20Zoning%20Warrant%20Articles/Reuse%20Plan.pdf), pages 15-21.

73 Ibid, page 22.

74 "Planning Board Report to the 2004 Town Meeting on Article 13" and "Appropriation Committee Update #3 to Report to 2004 Town Meeting on Article 13", both available at the Town of Lexington website at http://ci.lexington.ma.us/Planning/REPORTS%20TO%20TM/Article%2013%20Report%20to%20TM.pdf

75 "Townstats", The Warren Group, Boston, MA (available online from http://www.thewarrengroup.com).

76 Unlike most nearby communities, Newton did not built any rental housing for veterans in the late 1940s and early 1950s when a state-funded public housing program for the purpose was very active, producing over 20,000 units in a 4-5 year period. Instead, it used City bond funds to create a new neighborhood of 412 homes for veterans. Only veterans who had lived in Newton prior to the war were eligible to purchase homes.

77 Robert Engler, "An Inclusionary Housing Case Study: Newton, Massachusetts", from "Inclusionary Zoning: Lessons Learned in Massachusetts", NHC Affordable Housing Policy Review (Volume 2, Issue 1 – January 2002), National Housing Conference, Washington DC, page 32. Available at http://www.nhc.org/nhcimages/massiz.pdf

78 "Planning Department Update", City of Newton, October 27, 2000.

79 Among the 22 minority applicants for the first-time homebuyer units who qualified for a local preference, 9 were Asian, 8 African American and 3 Hispanic. Among the 77 applicants who did not qualify for a local preference, 64 identified themselves as minority households, including 46 Asians, 13 African Americans, 3 Hispanic, 1 Haitian and 1 other).

80 While Newton became one of the first communities to participate in the then-new state Community Preservation Act (CPA) program, which allows municipalities to adopt a property tax surcharge of 1-3% for affordable housing, open space and historic preservation activities and receive state matching funds, the vote by residents was very close (50.9% yes, 49.1% no). Newton adopted a 1% surcharge. A 2002 property tax override vote to provide $11.5 million for municipal and school operating expenses also just barely passed (51% yes, 49% no).

81 The Community Preservation Act (CPA) law requires that at least 10% of the funds raised each year must be used for each of the three core activities (affordable housing, historic preservation and open space/recreation), with spending decisions made by an appointed local committee, CPA has proven to be a significant funding source for Newton, currently generating about $3.6 million a year (localities receive $1 in state matching funds for every $1 raised by the local surcharge), far more the $2.5 million Newton received under the CDBG program in 2005. The CPA statute allows affordable housing assistance to households with incomes of up to 100% of median. To date (late 2004), of the CPA funding awarded to projects, half (49%) has gone to affordable housing, primarily as gap filler funding for projects that include units for households at or below 80% of median, with a small allocation for first time homebuyers with incomes up to 100% of median.

82 The revisions to the inclusionary ordinance raised the income limit for the affordable rental units from 50% of median to up to 80%, with an average of 65% of median and allows affordable ownership units for households up to 80% of median (with one-third for households up to 120% of median in larger projects). The percentage of inclusionary units that must be created was also revised from 25% of the bonus units to 15% of all units. See City of Newton, Ordinance X-48, adopted April 22, 2003 (Section 30-24(f) Inclusionary Zoning).

83 See endnote 55.

84 Westborough Master Plan 2003, p. A-6

85 Ibid, p.13

86 Westborough Master Plan 2003, p. 18.

87 The State provides technical assistance to the municipality in the form of guidelines and minimum standards regarding affordability, affirmative marketing, tenant/homebuyer selection, legal documents and post-construction monitoring. The LIP program can also be used for projects that not use the comprehensive permit process. For those projects, there is no requirement that at least 25% of the units in a project be affordable.

[88] The minority goals been slightly revised since Indian Pond was approved; now the percentage is the larger of income-eligible minority households in the community or the FMR region (rather than planning region).

[89] Flag lots tend to be shaped somewhat like a flag on a pole and allow developers to build houses off long driveways or private right of ways in areas where there is insufficient frontage.

[90] In 1999, Westborough asked voters to approve a small debt exclusion ($140,595) to purchase equipment for the high school. It passed by a margin of almost 2 to 1 (66% approved).

[91] See endnote 55.

[92] "Draft Housing Production Plan", Town of Harvard, August 12, 2004.

[93] Fort Devens is in a separate census tract. When it closed in the early 1990s, Harvard's official population fell by almost 7,000, but town planners note that the base has historically had little connection with Harvard since base residents attended school and generally shopped in the other communities. A state quasi-public agency took over the property, which also houses a federal prison medical compound, in 1995 and is redeveloping it for commercial, industrial and residential purposes subject to its own zoning rules and a re-use plan negotiated with the 4 municipalities it spans. It currently houses businesses with about 3,000 employees. Under the current re-use plan, residential development is capped at 282 units (of which 100 unit have been built).

[94] Draft Housing Production Plan, p.1

[95] "Townstats", The Warren Group, Boston, MA (available online from http://www.thewarrengroup.com).

[96] Town of Harvard Master Plan – November 2002, page 2.2

[97] Ibid, page 3.6

[98] The plan must result in an annual increase in units qualifying for inclusion in the Subsidized Housing Inventory equal to at least 0.75% of the community's total housing units. Communities that add affordable units equal to 1.5% of their year round stock in a year get a two-year period of protection.

[99] The survey was modified during the study, with the addition of several questions and in a few cases, the deletion of some questions. Early surveys assumed residents knew that their development was mixed-income; later surveys did not. Similarly, early surveys simply asked residents who had changed communities to rate their children's new schools; later surveys also asked how the new schools compared with the previous school. In a few communities, we were asked to delete questions regarding demographics and resident friendliness.