



# Background on Affordable Housing

**Massachusetts Select Board Association**  
**November 16, 2022**

# What is Affordable Housing?



- **DHCD defines low & moderate income housing to mean housing that serves individuals or families that earn less than 60% of Area Median Income (AMI); the housing that DHCD funds primarily serves individuals or families earning less than 60% of AMI.**
  - AMI is calculated each year by HUD for every metropolitan region in the country.
  - For example, metro area XYZ has a median income of \$80,000 for a family of four; 60% AMI equals \$48,000. Affordability is generally defined as 30% of a household's income -- \$14,400. Thus, a family of four at 60% of AMI can afford a rent or mortgage payment of \$14,000 annually/\$1,200 monthly.
- **Moderate-Income/Middle-Income/Workforce Housing is usually defined as housing affordable to households with incomes between 80% - 120% AMI.**
- **The funding ecosystem in MA includes:**
  - Federal Government
  - DHCD – controls the majority of the resources
  - Four quasi-public agencies that work closely with DHCD:
    - Community Economic Development Assistance Corporation (CEDAC)
    - MassHousing
    - Mass Housing Partnership (MHP)
    - MassDevelopment
  - Local Governments (e.g., Community Preservation Act, Municipal Affordable Housing Trust Funds, Municipal ARPA, etc.)
- **The affordable housing development system in MA consists of over 70 for-profit and nonprofit developers.**

# Investments to Confront the Housing Crisis



- **2018 Housing Bond Bill:**
  - In 2018, Governor Baker signed the **largest housing bond bill in state history**, authorizing more than \$1.8 billion to the future of affordable housing production and preservation.
  - Since 2015, Massachusetts has invested **more than \$1.5 billion** in the affordable housing ecosystem, resulting in the production and preservation of more than **24,000 housing units**, including over **21,000 affordable units**.
- **2021 Economic Development Bill:**
  - \$50M for **Transit Oriented Housing Development** to produce new, high-density, mixed-income affordable housing developments located near major transit nodes and help mitigate environmental/traffic concerns
  - \$50M for **Neighborhood Stabilization** to return blighted or vacant units back to productive use, including in communities disproportionately affected by COVID-19
  - \$10M for **Climate-Resilient Affordable Housing Production** of affordable, multi-family housing developments, with the goals of equipping homes to better respond to climate changes and reducing greenhouse gas emissions
- **December 2021 ARPA Spending Package (In Process):**
  - *Homeownership:* \$115M for the **CommonWealth Builder Program** and \$65M for **First-Time Homebuyer Assistance**
  - *Affordable Housing:* \$115M for the **Affordable Rental Housing** and \$150M for **Supportive Housing**
- **November 2022 ARPA Spending Package (New):**
  - *Homeownership:* \$100M for the **CommonWealth Builder Program**
  - *Affordable Housing:* \$100M for the **Affordable Housing Trust Fund** and \$100M for **Workforce Housing Production**
  - *Housing Equity:* \$50M for the **Equitable Developers' Financing Program**

# Producing New Affordable Rental Units While Preserving Existing Stock



- Massachusetts typically runs at least four competitive funding rounds annually, where developers may request a variety of financial resources to support affordable housing production or preservation.
  - Each year, the funding rounds support production of ~1,600 new units of affordable housing and preservation of ~800 units of existing affordable housing that would otherwise convert to market rate.
- The **Affordable Housing Rental Round(s)** are supported by the following tools:
  - The federal and state Low-Income Housing Tax Credit (LIHTC) program, which can generate over \$400 million in equity each year.
  - Numerous state-funded bond programs –~\$130 million annually– funds provided as soft loans to support projects.
    - The 2018 Housing Bond Bill made \$1.8 billion in capital authorizations available for affordable and mixed-income housing programs across ten capital accounts.
  - Important for deeply affordable housing: federal HOME and National Housing Trust Fund programs
- Most key DHCD programs can support both production and preservation projects
  - Eligible sponsors are for-profit and non-profit developers
- All projects carry rent and tenant eligibility restrictions for at least 30 years and are monitored by DHCD contractors.
- Learn more here: <https://www.mass.gov/housing-development-programs>



The Community One Stop for Growth is a single application portal and collaborative review process of the Commonwealth's community development grant programs. This process streamlines the experience for the applicant and better coordinates economic development programs and staff on engagement and grant making. The Baker-Polito Administration is in the process of awarding more than \$143 million in grant awards to support 337 local economic development projects in 169 communities.

## Executive Office of Housing and Economic Development

- ✓ Mass Works Infrastructure Program
- ✓ Urban Agenda Grant Program

## Department of Housing and Community Development

- ✓ Community Planning Grant Program
- ✓ Rural and Small Town Development Fund
- ✓ Housing Choice Community Grant Program
- ✓ Massachusetts Downtown Initiative

## MassDevelopment

- ✓ Brownfields
- ✓ Site-Readiness Program
- ✓ Underutilized Properties Program
- ✓ Collaborative Workspaces (**NEW IN FY23**)
- ✓ Commonwealth Places (**NEW IN FY23**)
- ✓ Real Estate Services (**NEW IN FY23**)



# Zoning Reforms to Unlock Production



Municipalities play a key role, through zoning and permitting, in determining whether or not housing is built. Cities and towns are therefore necessary partners if the Commonwealth is to solve our housing crisis. Two key tools to unlock more opportunity:

- **Housing Choice Zoning Reforms (i.e. Simple Majority Voting Thresholds):**
  - Multi-year effort to better enable municipalities to adopt the zoning measures needed to meet the state’s housing needs. This passed in January 2021 as part of the economic development bill.
  - These targeted changes to M.G.L c. 40A reduce the threshold of votes needed to adopt certain zoning measures that promote housing production from 2/3 to simple majority.
    - Guided by a basic principle: Where there is majority consensus in communities around increasing housing production, a minority of voters should not be able to block zoning reform.
- **New Multifamily Zoning Requirement for MBTA Communities:**
  - This new law requires that each “MBTA community” shall have at least one zoning district of reasonable size in which multi-family housing is permitted as of right and meets other criteria set forth in the statute.
  - The Baker-Polito Administration issued final compliance guidelines on 8/10/22. The guidelines provide clarity around core components of the law, including that a zoning district of “reasonable size” will be determined by the type of public transit service in each community.
    - Please visit [mass.gov/mbtacommunities](https://mass.gov/mbtacommunities) to learn more.
  - It is important to remember that this law is all about zoning—the rules that establish what can be built, and where. This is a real opportunity to establish a new paradigm for encouraging multi-family housing production.

# Chapter 40B and 40R



**Chapter 40B** is the Comprehensive Permit Law adopted in 1969.

- Enables local Zoning Boards of Appeal (ZBAs) to override zoning and approve housing developments under flexible rules if at least 20-25% of proposed units have long-term affordability restrictions
- Housing Appeals Committee may overturn a denial of a comprehensive permit, or a grant with onerous conditions, unless a minimum of 10% of the community's housing stock is "affordable" to households below 80% AMI or certain other statutory & regulatory safe harbors are met.
- Four subsidizing agencies involved with 40B: MassHousing, MHP, MassDevelopment and DHCD
- 40B has produced more housing than any other single housing program in the Commonwealth
  - Approximately 70,000 total units have been produced since 1969
- Local Initiative Project / Local Action Unit (LIP/LAU) program + Inclusionary Zoning are also options at the local level for creating affordable units

**Chapter 40R** is the Smart Growth Zoning and Housing Production Act adopted in 2004

- Promotes housing and mixed-use development in certain eligible "smart growth" locations
- Cities and towns adopt 40R overlay districts that meet 40R requirements
- Qualifying municipalities are eligible for a Zoning Incentive Payment ranging from \$10,000 to \$600,000 based on the number of new housing units allowed on developable and underutilized land
- Communities are also eligible for a \$3,000 Density Bonus Payment for every new housing unit that receives a building
- The bill signed into law last week includes a series of reforms for the Starter Home Zoning, which is designed to encourage the production of smaller and more affordable single-family homes. This will be codified as **Chapter 40Y**.

# Affordable Housing Resources



## ▪ MHP's Center for Housing Data has created a variety of tools:

- DataTown - a site where all 351 municipalities can review key demographics  
<https://mhpcenterforhousingdata.shinyapps.io/DataTown/>
- TODEx: Transit Oriented Development Explorer  
<https://mhpcenterforhousingdata.shinyapps.io/todex/>
- **Coming Soon:** "Residency" a new interactive mapping program that estimates existing residential density for every community in MA
- Online Resources relating to affordable development for municipalities and developers (sort of Affordable Development 101)



## ▪ MassHousing Resources

- Main page: <https://www.masshousing.com/>
- Neighborhood HUB <https://www.masshousing.com/programs-outreach/neighborhood-hub>
- Neighborhood Stabilization Program (NSP) <https://www.masshousing.com/programs-outreach/neighborhood-stabilization-program> Applications must be submitted by 5:00 p.m. on Tuesday, January 10, 2023 to be considered for this funding round.

