



2013 WINNER

ORGANIZATION

Executive Office of Housing and Economic Development

LOCATION

The Commonwealth of Massachusetts

YEAR OF IMPLEMENTATION

1969

NUMBER OF UNITS PRODUCED

4,000

MIXTURE OF HOUSING TYPES

100 percent of units affordable to households earning 60 to 120 percent of AMI

WEBSITE

www.mass.gov/hed/economic/initiatives/housingthatworks/housing-that-works.html



Executive Office of Housing and Economic Development The Commonwealth of Massachusetts

The Commonwealth of Massachusetts is among the most competitive real estate markets in the United States. The high cost of housing poses a major issue affecting the Commonwealth's ability to attract and maintain the kind of talented workforce that sustains its innovation economy.

In identifying and analyzing the workforce housing issue, the Commonwealth has benefited from the Terwilliger Center for Housing's work, particularly its study of housing affordability in the Metropolitan Boston area called *Priced Out: Persistence of the Workforce Housing Gap in the Boston Metro Area*. As that study aptly noted in October 2010, the Boston metro area is still one of the least affordable in the nation, even after the decline in home prices during the economic downturn.

The target monthly housing cost for a family of four renting an apartment is \$2,360. With the likely cost of renting a 3BR at \$2,650-2,950 including utilities, there is a significant affordability gap that exists and, without a response, will continue to burden renters.

In 2007, under Governor Deval Patrick's leadership, the state initiated its "Planning Ahead for Growth Strategy" that embraces a wide portfolio of strategies and programs to encourage workforce housing. This effort has resulted in at least 4,000 workforce housing units affordable for households with incomes between 60 and 120 percent of AMI. Several tools have been developed to implement this location-based strategy, including:

Comprehensive Permit Applications (Chapter 40B, adopted in 1969). Chapter 40B enables local Zoning Boards of Appeals to approve affordable housing developments under flexible rules if at least 20-25 percent of the proposed units have long-term affordability restrictions. The affordable units are reserved for those who make less than 80 percent of AMI, typically less than \$50,000 per year.

The Smart Growth Zoning Statute (Chapter 40R, adopted in 2004). Municipalities qualify for state financial incentives when they adopt overlay zoning districts that permit sufficient density (20 units/acre for multi-family, 8 units/acre for single family housing). In addition, twenty percent of the housing in the district must be affordable to those earning 80 percent or less of the median income and be deed restricted for at least 30 years.

Employer-Assisted Housing. In 2008, Massachusetts Housing Partnership (MHP) and Department of Housing and Community Development (DHCD) created an employer-assisted mortgage program for first-time home buyers with incomes at or below 100 percent of AMI. The program combines an employer contribution with a dollar-for-dollar state matching grant.

Expiring Use Legislation (Chapter 40T, adopted in 2009). Owners of projects with certain state and federal subsidies must notify DHCD two years before the affordability restrictions for housing serving households up to 80 percent of AMI are scheduled to expire. 40T has contributed to preserving the affordability of more than 8,600 units.

Housing Development Incentive Program (HDIP) for Gateway Cities. In 2010, the legislature authorized the use of state tax credits and local real estate tax exemptions to support substantial rehabilitation of market rate units in 26 Gateway Cities—which are older industrial cities-- as defined by statute. HDIP supports units above the 60 percent of AMI range.

MassWorks Infrastructure Program. In 2011, six infrastructure funding programs were consolidated within the Executive Office of Housing and Economic Development and re-named MassWorks, which now provides a one-stop shop for municipalities and other eligible public entities seeking public infrastructure funding to support economic development and housing development.

The state has also established a set of sustainable development principles, including providing for transportation choice, promoting clean energy, and using natural resources wisely, which are required of projects financially supported by the Commonwealth.

Among the most significant challenges the Commonwealth has faced in expanding workforce housing is the negative perception of multi-family and rental housing in some communities. Another deterrent is the lengthy, costly and unpredictable factors involved in the local control of zoning and permitting that can increase development costs.

Many of the communities most willing to accommodate workforce housing are in weaker markets, including many of the Gateway Cities. For these cities, the challenge is identifying locations that can be made attractive to developers using targeted state intervention and, to some extent, changes in the public perception about these communities.

To address these persistent challenges, in November 2012 Governor Patrick announced a statewide goal of producing 10,000 multi-family units annually through 2020 under the Commonwealth's "Housing that Works" initiative. This goal seeks to communicate clearly to municipalities, developers, employers, and the public that the Commonwealth is serious about increasing housing affordability. While the Commonwealth's focus in 2007 was primarily with rising home prices, it is currently focusing more on rising rents (keeping in mind that home prices are also starting to rise again). For example, the average quarterly effective rent in Greater Boston was \$1,772 in Q2 2013. This number has risen steadily each quarter from \$1,686 in Q1 2012.

“Governor Patrick has declared that the lack of available reasonably-priced housing is affecting the economic competitiveness of Massachusetts. We can’t lose our competitive advantage. Employers come seeking talent, and they need to be able to find it.”

**Secretary Gregory Bialecki
Executive Office of Housing
and Economic Development
The Commonwealth of Massachusetts**

In response to these trends, the effort centers on increasing the supply of multi-family units that are affordable to moderate income households, particularly in locations near transit, town centers and employment. Recent initiatives to support this goal and add to existing tools include:

- **Compact Neighborhoods.** Introduced in Nov. 2012, this is a companion program to Chapter 40R that provides incentives to communities that are willing to zone more densely as-of-right in eligible locations.
- **MassWorks Infrastructure Program.** In 2013, priority has been given to support of multi-family housing in mixed-use districts that demonstrate a strong connection to significant employment opportunities.
- **Multi-Family Housing Advisory Council.** Established in 2013, the council provides advice on workforce housing programs and policies with a particular mission to build public support for workforce housing.

Moderately-priced housing is an important need for both aging baby boomers and the growing Generation Y workforce and their families. As a program that has developed at the state level in partnership with local governments, “Housing That Works” offers a collaborative approach that invites communities in Massachusetts to explore new housing production—while also embracing opportunities to redevelop historic buildings or reclaim brownfields.

Meeting the ambitious annual goal of adding 10,000 workforce housing units throughout the state is a critical strategy for sustaining the continued economic competitiveness of Massachusetts. The Commonwealth demonstrates the importance of having a comprehensive suite of incentive-based tools to support housing affordability across the state.

