



July 5, 2022

The Honorable Ron Mariano, House Speaker
The Honorable Karen Spilka, Senate President
State House
Boston, MA 02133
via email

Re: Coalition Urges Essential Funding of HDIP to Benefit Gateway Cities

Dear Speaker Mariano and Senate President Spilka:

As the legislative session draws to a close, we, a coalition of Gateway City developers and business organizations, urge the legislature to pass language contained in H.4864, which increases the annual cap on the state's highly effective Housing Development Incentive Program (HDIP). The bill received a favorable report from the Joint Committee on Economic Development and Small Business and without it, especially in light of inflationary pressures, investments in Gateway Cities threaten to come to a standstill.

This entails a one-time cap increase to \$57 million this year to eliminate the program's crippling 6-year waitlist, followed by a permanent cap increase from \$10 million to \$30 million starting next year. At an average subsidy of \$25k per unit, compared to over \$125k per traditional subsidized unit, we estimate that this change could enable HDIP to produce up to 12,000 new homes and create \$3.75 billion of investment in Gateway City downtowns over 10 years.

As Gateway City developers and business organizations, we have found HDIP to be a critical program. The cost of building market rate housing is practically the same in Gateway Cities as it is in Boston, but the rents are significantly lower, and the projects often cannot be financed without the HDIP subsidy. However, the demand for the program, combined with the \$10 million annual funding limit, has pushed the practical

availability of funding out 5 to 6 years. Rising construction costs and interest rates are compounding this problem. As a result, many otherwise viable projects are falling apart or stalled, threatening the rate of progress being made to create more market rate housing in the cities that need it most.

It all comes down to this: Gateway Cities need jobs, and without adequate supply of market rate housing, employers that would bring skilled workers will not locate there. In addition, new residents of market rate HDIP projects also bring new purchasing power that will help small businesses to thrive.

We see the following as the HDIP program's strongest assets:

- Flexibility, allowing communities to create policies according to their cities' needs that help developers solve unique financing and site challenges. In communities like Fall River and Holyoke, that need may be 100% market-rate units. In relatively stronger markets like Salem or Lynn, cities can leverage HDIP to create mixed-income developments with both affordable and market-rate units.
- Lower transaction costs and the program's availability for either new construction or rehabilitation projects allow HDIP to support moderate sized projects in the range of 20 to 80 units. These infill and adaptive reuse projects are complicated and difficult to put together, especially for smaller developers, who are often local and want to invest in their communities. HDIP makes traditional bank financing feasible for these challenging but desirable projects.
- HDIP has revitalized many properties that had been vacant and underutilized for decades, helping to reverse the woes caused by disinvestment, fire, and demolition. The most sustainable and equitable development strategy for Massachusetts is to repopulate our small city downtowns. In many cases, these projects simply don't work without HDIP. With the Commonwealth's support, we can produce the housing that our state needs while minimizing the environmental impact of development.

The state's smaller cities have the potential to offer many of the amenities that today's hybrid workforce desires, including walkability, a mix of uses, a diverse population, unique small businesses, arts and culture, distinctive neighborhoods, and multimodal transportation. The state also has a cadre of creative and experienced developers who know the cities and how to build housing there. HDIP can unlock this potential.

Thank you for your attention. Please contact Jonathan Cozzens at jonathan@leepropertiesre.com or Shaw Rosen at srosen@lupolico.com for further information.

Sincerely,

Sal Lupoli, CEO, Lupoli Companies

Jonathan Cozzens, Managing Director, Lee Properties

Tamara Small, CEO, NAIOP Massachusetts

Peter Forman, South Shore Chamber of Commerce

Craig Blais, President, Worcester Business Development Corporation

Derek Santos, New Bedford Economic Development Council

Mike O'Sullivan and Rick Kidder, Co-CEOs, One SouthCoast Chamber of Commerce

Jordan Hart, Executive Director, Greater Holyoke Chamber of Commerce

Nicholas Crist, President & CEO, Bay Coast Bank

Christopher Cooney, MPA, CEO, Metro South Chamber of Commerce

Alexandria Eberhardt, President, Greater Haverhill Chamber of Commerce

Frank Marchione, President, Bristol County Economic Development Council

Ken Fiola, Bristol County Economic Development Council
Joe Bevilacqua, President & CEO, Merrimack Valley Chamber of Commerce
Karen Andreas, President & CEO, North Shore Chamber of Commerce
Ted Carman, President, Concord Square Planning & Development, Inc
Rich Mazzocchi, Managing Director, Boston Capital Development, LLC
Andrew Consigli, Managing Partner, Civico Development
Nicholas Pelletier, Team Lead, Pelletier Properties
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Jim Lambert, Managing Director, Wood Partners
David G. Carver, Partner, CT Management Group, LLC
Helene A. Florio, President, Holyoke Taxpayers Association
Louis E. Allegrone, Principal, Allegrone Companies
Tim Burke, CEO and Managing Director, Mill Town Capital
Ted Ammon, Owner, First Light Capital
Robert Pereyra, Manager, Sanford Spinning Mills
Alan Macomber, Principal, Creative Class
Anthony Cordeiro, Owner, Cordeiro Properties
Bob Karam, Principal, JNC Realty
Jim Wallace, Principal, Residences at Davol Street
Mike Camara, Principal, Davol Street LLC
Vitaly Fedosik, Principal, Davol Street Landing
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Geoffrey Anatole, South Shore Property
Jonathan Cody, Atlantis Investments, LLC
Anthony Witman, Witman Properties
Jeff Bush, President, Heritage Properties
Justin MacFarlane, Principal, Nine Zero Two Development, LLC
Teri Bernert, Executive Director, Waterfront Historic Area League, Inc.
Lawrence Frej, Partner, Harbor Point Properties
Aaron J. Papowitz, Managing Principal, The SilverBrick Group
Obiora "Bo" Menkiti, Founder and CEO, The Menkiti Group
Sandi Wolchansky Silk, Senior Vice President/Development Partner, Jefferson Apartment Group
Eric Chinburg, President, Chinburg Properties

cc:

Rep. Aaron Michlewitz, Chair, House Committee on Ways and Means
Sen. Michael Rodrigues, Chair, Senate Committee on Ways and Means
Rep. James Arciero, Chair, Joint Committee on Housing
Sen. John Keenan, Chair, Joint Committee on Housing