

Housing Development Incentive Program (HDIP)

Updated Analysis of Program Data

Data provided to MassINC by DHCD as result of public records request (Jan. 2023)

February 3, 2023

Bottom Line: HDIP is the state’s most efficient housing development program to date, costing an average of only \$23,664 per unit and resulting in the production of 2,687 new units in Gateway City downtowns and transit areas so far. Despite DHCD funding \$20 million worth of HDIP requests over the past two years, the pipeline of HDIP requests remains at nearly \$40 million dollars, representing at least a four-year wait for any new housing projects. Those projects awaiting funding represent 1,782 shovel-ready units with a total development worth nearly half a billion dollars. Furthermore, MassINC judges that the real demand for the program far exceeds these numbers, since DHCD has not solicited new HDIP projects since August 2021, and economic development directors around the state tell us that they are turning housing developers away because of the backlog.

Policy Recommendation: The Legislature and Governor should clear the project backlog with a one-time allocation of funding, followed by permanently increasing the annual HDIP tax credit cap from its current \$10 million to \$30 million.

Future Impact: An investment of \$30 million per year for the next ten years (\$300 million) could produce 12,500 new homes and leverage direct real estate investment of nearly \$4 billion in our Gateway Cities, creating walkable and vibrant downtowns across the state.

Affordability

HDIP is the state’s only housing program designed to overcome development barriers beyond those related to affordability. Its statutory objectives are: “promote 1) increased residential growth, 2) expanded diversity of housing supply, 3) neighborhood stabilization, and 4) economic development within housing development zones in gateway municipalities.”

This support is essential in “weaker-market” communities, particularly those outside I-495, where private housing development is difficult if not impossible to finance with traditional bank loans as a result of high construction costs coupled with low rents.

MassINC has found that communities that have used HDIP for 100% market-rate housing projects to jumpstart their housing markets quickly evolve as those markets strengthen. For example, the City of Salem now uses HDIP as leverage with private developers to secure higher levels of inclusionary units in private projects, and cities like Worcester and Revere are similarly moving in this direction. This is made possible by HDIP’s flexibility, the true strength of the program, which allows up to 20% of units to be subsidized affordable units, which compares favorably to the requirements in Chapter 40R, Chapter 40B, and the strongest inclusionary zoning ordinances in the state.

Targeting of HDIP Subsidies

Of the 74 projects that have received HDIP tax credits, only 7 are located inside the Metro Boston area (i.e. closer than Brockton). With 91% of the funded projects in parts of the state where financing multifamily housing construction can be challenging, this appears to be a strong indication that the program has been achieving its targeted goals. A closer look at the 7 Metro Boston projects reveals the following characteristics:

Chelsea: 1 project, 2014, mixed-income: 5 affordable rental units

Lynn: 1 project, 2017, 100% market rate, historic rehab: current rents \$1400-2200

Malden: 2 projects, both 100% market rate

- 2018, long-vacant property with historically significant façade
- 2020, complicated tear-down of City Hall to build TOD/mixed-use redevelopment

Quincy: 1 project, 2019, mixed-income: 86 units 110% AMI; 28 units 50% AMI; 26 units market-rate

Salem: 2 projects, both include affordable units

- 2022, 6 affordable homeownership units
- 2022, 3 affordable rental units

HDIP Impact to Date (Projects receiving final certification from DHCD)

2014 awards	\$ 1,167,825
2015 awards	\$ 0
2016 awards	\$ 5,004,105
2017 awards	\$ 8,387,379
2018 awards	\$ 3,641,844
2019 awards	\$ 9,939,110
2020 awards	\$ 10,000,000
2021 awards	\$ 10,000,000 (\$5,354,059 reserved, not yet issued)
2022 awards	\$ 10,000,000 (still reserved, not yet issued)
2023 awards	\$ 5,443,618 (still reserved, not yet issued)
Total State Credits Awarded	\$ 63,583,881
Total Development Cost ¹	\$ 806,354,604
Total Housing Units Created	2,687
Per Unit Cost	\$ 23,664

HDIP Pipeline (Conditional Awards In Process)

2023 credits	\$ 4,556,382 (reserved)
2024 credits	\$ 9,240,618 (reserved)

¹ Total Development Cost (TDC) represents the public and private real estate investment for each project

2025 credits	\$ 6,050,000 (reserved)
Additional reserved credits ²	\$ 5,975,000 (to be allocated FY24-26)
Total Conditional Awards ³	\$ 25,822,000
Total Development Cost	\$ 349,328,156
Housing Units to be Created	1,289
Per Unit Cost	\$ 20,033

HDIP Pipeline (Projects Expected to Apply)

Credits to be requested	\$ 13,969,527
Total Development Cost	\$ 141,029,000
Housing Units to be Created	493
Per Unit Cost	\$ 28,336

Total HDIP Pipeline (Combined Projects in Queue and Waiting to Apply)

Total HDIP Project Pipeline	\$ 39,791,527
Total Development Cost	\$ 490,357,156
Total New Housing Units	1,782
Per Unit Cost	\$ 22,330

NOTE: DHCD’s last call for HDIP applications was in Summer of 2021. Should the program cap be lifted and/or a new competitive application round announced, we expect the pipeline of projects to grow significantly.

Overall program impact (past and pipeline)

HDIP State Tax Credits	\$ 103,375,408
Total Development Cost	\$ 1,296,711,760
Housing Units Produced	4,469
Per Unit Cost	\$ 23,132

² From 2021 competitive round

³ Pending final certification by DHCD