



January 24, 2024

Representative James Arciero, Co-Chair
 Senator Lydia Edwards, Co-Chair
 Joint Committee on Housing
 24 Beacon Street
 Boston, MA, 02133

Re: H.4138 - The Affordable Homes Act

Dear Chairs Arciero and Edwards, and members of the Committee on Housing,

We, the undersigned mayors and managers of Gateway municipalities, write in support of The Affordable Homes Act (H.4138) filed by Governor Healey. While the bill contains many commendable investments in support of housing affordability that we support, we will focus our attention here on the provisions that promote mixed-income neighborhoods and help overcome production barriers in our regional urban centers.

The commonwealth's 26 Gateway Cities represent 27% of the state's population and 42% of the state's nonwhite population; more than two out of every five households in our communities make less than

\$50,000 per year. According to Census data for the decade ending in 2020, Gateways accounted for only 11% of the housing permits issued in the state overall but created 31% of the state's Low-Income Housing Tax Credit (LIHTC) units. In short, unique challenges and barriers continue to hinder housing production in many of our communities across all incomes, but particularly for workforce housing and reasonably priced market-rate units.

In that spirit, we call your attention to the following features of the Governor's housing bill.

HousingWorks: \$955M

We applaud the administration's creation of a sister program for MassWorks, which, with bipartisan support, has been perhaps the state's most important program for urban revitalization over the last two administrations. Dedicating up to \$200M per year to housing projects will ensure that the commonwealth has resources to produce much-needed housing, while also freeing up MassWorks to focus exclusively on economic development. In the past, municipalities had to prioritize between key residential and commercial projects when soliciting state support, but now we can advance these developments at the same time. We recommend maintaining at least this level of funding for HousingWorks in your final bill. We would also like you to consider requiring EOHL to adopt a set of portfolio goals for the program. When MassWorks was established during the Patrick administration, the idea was to provide the agency with flexibility to fund any individual project, as long as it met its overarching goals that aligned with state interest. Those overall objectives included the following: 50% of projects would be located in Gateway municipalities; 80% of projects would be redevelopment sites rather than greenfields; and 67% of projects would qualify as smart growth/TOD locations. EOHL tracked these metrics for a number of years but they seem to have fallen by the wayside. The Legislature should reinstitute this portfolio management approach with accountability and transparency.

CommonWealth Builder: \$100M

One of the most important ways for our residents to build wealth and for the state to reduce racial inequality is to increase homeownership particularly for low-income families of color. CommonWealth Builder is a step in the right direction but there have been challenges making the program work for our cities. Requiring projects to produce a minimum of 10 homes to be eligible for funding is too much and favors large developers. This high threshold also favors condominium ownership, which does not always work best for our communities. Rather, we find it can be more impactful to build small infill homeownership projects that stitch together the fabric of our neighborhoods by utilizing vacant lots and restoring two and three-family homes that are disinvested and deteriorated. Therefore, we applaud establishing a dedicated stream of funding for this program but recommend eliminating the minimum number of homes in eligible projects. Applicants should compete on the merit of their projects and the transformative impact they demonstrate.

Middle-Income Housing Fund: \$100M

Another MassHousing program, formerly the "Workforce Housing Program," this initiative rightly targets families that make too much to be eligible for affordable housing units but not enough to pay market rents. Many of our hard-working Gateway families find themselves in this position. The challenge, again, is that MassHousing unnecessarily restricts entry to the program by also requiring applicant projects to include at least 20% affordable units at 80% AMI. While we appreciate the desire to promote greater affordability in every project, this approach mandates that every funded project consume multiple

sources of subsidy, since such projects are generally not economically feasible without LIHTC allocations or other subsidies. This turns the middle-income housing fund into merely a supplement for affordable housing projects, a way to fill financial gaps and bring additional subsidy to affordable housing already in development. Rather, we urge the Legislature to reduce MassHousing's barriers to entry for its programs, increase program flexibility, and explore opportunities for deploying these kinds of "shallow subsidies" to make projects work that would not otherwise be on the table, thereby generating more housing overall. We believe Gateway Cities offer many opportunities where this kind of program could spark the creation of new reasonably priced housing where no project is currently feasible.

Momentum Fund: \$50M

This new proposal fills a critical need: rescuing housing developments threatened by changing financial circumstances, notably inflation and high interest rates. We fully endorse the creation of a revolving fund for this purpose. Given the exorbitant cost of housing development, we note that \$50M over five years is probably not adequate to cover the needs of the entire state. With interest rates at their highest now, we recommend deploying as much as possible this year. Therefore, we recommend that the Legislature increase this fund to at least \$75M and require at least \$25M to be deployed in the first year. Finally, to sound a familiar theme of this letter: the filed language requires applicants for this fund to have at least 20% of its units income-restricted to residents between 60-120% AMI. While this is more flexible than the two MassHousing programs mentioned above, it still unnecessarily adds complexity and restrictions to getting projects in the door. The state needs new housing supply at all income levels, so there is no good reason to refrain from considering worthy but at-risk market-rate projects in Gateway Cities and other communities where housing financing remains challenging. If anything, market-rate projects are more vulnerable in these markets because they lack the buffer of public subsidy. We recommend that all housing projects in Gateway Cities and "Gateway-like" census tracts be eligible for consideration. Rather than shutting the door on vulnerable market-rate projects in these locations, this could represent an opportunity to pair the Momentum Fund with a shallow subsidy from the Middle-Income Fund and thereby secure restricted workforce housing units that the project would not otherwise have.

Neighborhood Stabilization Program (NSP): \$50M

This is a critical program for reducing vacancy, rebuilding blocks, and strengthening neighborhoods in communities like ours. NSP has proven to be a valuable tool to return existing homes to the market at a far lower cost per unit than producing new housing. Given its proven effectiveness, we recommend increasing this authorization to at least \$75M. In addition, to amplify its impact, we recommend adopting the language of H.227/S.1777, *An Act relative to neighborhood stabilization and economic development*. This bill, filed by Rep. Cabral and Sen. Cronin on behalf of the Gateway City Legislative Caucus, would build on previous neighborhood stabilization successes. The key provisions here would modernize state laws including eminent domain to facilitate addressing vacant properties. Despite the hot housing market, many of our communities continue to struggle with key parcels of land with convoluted chains of ownership and other legal issues that tie them up for decades. This bill was drafted with the assistance of the Conservation Law Foundation to ensure that property rights would be respected while achieving fair and equitable outcomes.

State Surplus Land Disposition: \$30M

In a recent conversation with Secretary Augustus, challenges with state land ownership came up time and again. Many of us have important development opportunities that hinge on securing or transferring a parcel of public land. Often these properties are owned by opaque agencies such as the MBTA. We welcome the administration's proposals to both streamline the process across agencies, enabling EOHL to cut through red tape, as well as a fund to support site assessment, clean-up and readiness. Doing so should unlock numerous housing opportunities in small cities. We strongly support these provisions.

Local Option Real Estate Transfer Fee

While it is likely that only a small number of our communities would utilize this provision if it were made available, We generally support giving municipalities the option of adopting such a fee or not. We note that the communities most likely to take advantage and benefit from this provision are municipalities with strong property values—among Gateway Cities, those of us situated in proximity to Boston. Most residential property sales in our communities fall below the \$1 million threshold, while levying such a fee on commercial properties may be difficult, especially where the business community may already feel beleaguered and where it has taken many years—and state matching funds—for the Community Preservation Act to take root. Wealthier communities will be more inclined to take advantage of this tool. That being said, we support municipalities investing more in affordable housing and contributing their fair share to solving the housing crisis.

Note on the Bond Cap

While we welcome the Governor's ambition in promulgating a \$4.1 billion housing bond, we must note that her capital plan for housing for the next five years totals only \$1.547 billion. This disconnect indicates that much of what is proposed here will not be achievable unless the bond cap is raised. While this is the purview of the Executive Office of Administration and Finance and not the Legislature, we hope you should do what you can to encourage the Administration to raise the cap for housing. If the cap is not raised, then we caution against creating many new programs that will require staffing and regulations only to have very low levels of annual funding. In such a scenario, perhaps consolidating programs and making them more flexible would be the more prudent path forward.

Conclusion

We have highlighted a recurring concern in this letter about mandating income restrictions in statute for programs designed to promote moderate-income and mixed-income housing in Gateway Cities. Let us be clear: We do not in any way oppose the use of these programs by state agencies to create tiered-income projects, but we point out that housing development is complicated and such requirements can have unexpected consequences in Gateway municipalities. We urge the Legislature to preserve maximum program flexibility and remember that market-rate rents in some of our communities are comparable to workforce housing parameters elsewhere, and even comparable to income restrictions at 60% AMI in still other places like Boston. A better approach would be to call for the inclusion of at least 20% income-restricted units to be a "preference" or a "priority" and not a requirement. Alternatively, allow agencies to grant exemptions of that requirement in Gateway Cities and other "Gateway-like" census tracts.

Many of our communities are places where "shallow" project subsidies can make a difference between disinvestment and redevelopment, and we should let applicants be as creative as possible. Agencies

should actively solicit all kinds of proposals and provide more assistance and flexibility to small, local, and minority-owned real estate businesses. We should not create programs that sound on paper like they solve Gateway City challenges and then limit their implementation, or make accessing funds to every program contingent on also securing LIHTC credits—building and managing income-restricted units generally requires expertise that only a small group of well-connected developers with specialized staff may have.

The bottom line is that the commonwealth will not move the needle on housing production in a meaningful way without Gateway municipalities. We cannot address the supply problem without building for a range of incomes in our cities. We cannot address issues of displacement without taking steps to protect residents of our cities who have nowhere else to go. And we cannot address issues of segregation and inequality without supporting skill- and wealth-building.

We thank you for your consideration and look forward to further discussion on this matter. Please do not hesitate to contact us or André Leroux at aleroux@massinc.org for more information.

Thank you,

Cathleen DeSimone, Mayor of Attleboro
Felicia Penn, Barnstable Town Council President
Robert F. Sullivan, Mayor of Brockton
Fidel Maltez, City Manager of Chelsea
John L. Vieau, Mayor of Chicopee
Paul Coogan, Mayor of Fall River
Samantha M. Squailia, Mayor of Fitchburg
Joshua A. Garcia, Mayor of Holyoke
Daniel P. Rourke, Mayor of Lowell
Jared Nicholson, Mayor of Lynn
Brian DePeña, Mayor of Lawrence
Dean Mazzarella, Mayor of Leominster
Neil Perry, Mayor of Methuen
Jon Mitchell, Mayor of New Bedford
Edward A. Bettencourt, Jr., Mayor of Peabody
Peter Marchetti, Mayor of Pittsfield
Patrick Keefe, Mayor of Revere
Dominick Pangallo, Mayor of Salem
Shaunna O'Connell, Mayor of Taunton
Eric D. Batista, City Manager of Worcester