2024

Inaugural Edition with a Special Analysis of the Gateway City Housing Shortage

Gateway Cities Housing Monitor

MassINC Policy Center

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Acknowledgments

We would like to recognize the many leaders who assisted with this study. They include the 21-member project advisory committee, who attended advisory board meetings, reviewed research findings, and provided valuable guidance; and Timothy Reardon, Chief of Data and Research at the Executive Office of Housing and Livable Communities, for coordinating and assisting with data requests.

We would also like to acknowledge the valuable contributions to this report made by André Leroux and the Gateway Cities Innovation Institute economic developers' network. Their efforts contributed significantly to this report by enabling the MassINC Policy Center Survey of housing policies in Gateway Cities and assisting with interpretation of survey findings.

This report was made possible by generous financial support from the Eastern Bank Foundation, with addition financial support from MassHousing and the Massachusetts Housing Partnership (MHP).

The MassINC Policy Center bears full responsibility for the findings and recommendations contained herein.

Advisory Committee Members

Jeffrey Fuhrer
Eastern Bank

Maria Fernandes-Dominique
Culture Builders
Cooperative, LLC

Keith Fairey
Way Finders

Dana LeWinter
Massachusetts Housing
Partnership

Jessie Partridge
Metropolitan Area Planning
Council

Paul McMorrow
MassHousing

Karen Kelleher
BlueHub Capital

Robert Corley
NeighborWorks

Jonathan Cozzens
Lee Properties

Denise Jordan
Springfield Housing Authority

Alex Corrales
Worcester Housing Authority

Liz Murphy
Fitchburg Community
Development & Planning

Ilialis "Lily" Reyes
City of Lawrence

Whitney Demetrius
Citizens' Housing And
Planning Association

Joyce Tavon
Massachusetts Housing
& Shelter Alliance

Don Bianchi
Massachusetts Association
of Community Development
Corporations

Daniel McCue
Joint Center for Housing
Studies at Harvard University

Walki Manzueta and
Johan Lopez
Jowamar Companies

Jon Rudzinski
Rees Larkin Development

John Fitterer
Massachusetts Housing
Investment Corporation

About MassINC

MassINC is a nonpartisan, non-profit civic organization working to make Massachusetts a place of civic vitality and inclusive economic opportunity. We believe public policy should be informed by data, evidence, and accurate information and that policy makers should be transparent and accountable to the public. We do our work across three independent divisions—the MassINC Policy Center, our civic news organization CommonWealth Beacon, and our subsidiary company, The MassINC Polling Group.

About the MassINC Policy Center

The MassINC Policy Center generates research to frame pressing issues, identify actionable solutions, and monitor progress. The Center favors a collaborative approach, engaging with state and local officials and civic leaders to surface problems and actionable strategies to address them. We strive to produce timely and accurate information that leaders can rely on when tasked with making difficult choices.

Authors
Elise Rapoza, Senior Research Associate
Ben Forman, Research Director

Graphic Design
mediumstudio

Editing
The Hired Pens

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Letter from the CEO

NOVEMBER 2024

Dear Friends:

Over my 30-year career in housing, I have never witnessed another moment when this issue has been the center of so much attention. The state has taken important steps to address the daunting housing challenges in recent years, but much work remains. In the coming weeks, the Healey-Driscoll administration will release the Commonwealth's first-ever housing production plan with statewide goals. Our inaugural *Gateway Cities Housing Monitor* can help leaders position these communities to contribute to these growth targets at their full potential.

Three compelling opportunities emerge from this in-depth research. First, Gateway Cities can accommodate a large share of the new homes that Massachusetts needs by tailoring solutions to overcome the financial barriers to production in their housing markets. Second, attracting more housing and people to Gateway Cities can advance other critical goals related to climate, transportation, education, workforce, and racial equity. Third, as we channel residential investment toward vibrant, mixed-income neighborhoods in these inclusive urban communities, we must ensure that all residents can remain in these areas and benefit from new development.

Our hope is that the data, information, analysis, and recommendations in this report will help policymakers, civic and business leaders, housing advocates, and others come together to advance this vision for equitable and sustainable Gateway City growth.

Before you read on with this charge in mind, please join me in appreciating the people who made this important work possible. The Eastern Bank Foundation provided the seed funding and entrusted our small team to tackle this challenging project. Without a 27-member all-volunteer advisory board, we would not have made it very far. These leaders went above and beyond, sharing valuable expertise on research methods, participating in multiple group meetings, taking one-on-one Zoom calls to help us work through roadblocks, and promptly commenting on findings. Our Senior Research Associate, Elise Rapoza, took on the daunting task of leading the project. She immersed herself in the work and drove it to a successful conclusion, as only a Gateway City resident with a deep passion for these communities could.

Now that we have a basic evaluation framework in place, we plan to publish the *Gateway City Housing Monitor* annually, drawing attention to the complexities of these housing markets, and iteratively enhancing our thinking about how we can best serve them. With this concept in mind, we encourage you to share feedback and ideas for how we can continue to refine this analytical tool to make it a stronger force for good.

Sincerely,

Joe Kriesberg
CEO

Executive Summary

To recover from an affordable housing crisis that has been decades in the making, Massachusetts needs Gateway City housing markets to produce new homes in line with increasing demand. These inclusive urban communities must also build new housing in a manner that fosters mixed-income neighborhoods to help Massachusetts close the growing economic divide. While the residents and leaders of Gateway Cities welcome this twofold challenge, the real estate markets in these areas vary considerably in their ability to produce homes for people of all incomes. State and local leaders need information to tailor housing strategies to the reality in each of these markets.

The *Gateway Cities Housing Monitor* is a new tool to provide the data needed to make effective housing policy decisions. It tracks housing market conditions in the 26 Gateway Cities and their suburbs by asking and answering five critical questions on an annual basis:

1. **To what extent is Gateway City housing supply keeping pace with demand?**
2. **How affordable is housing for Gateway City residents?**
3. **How do the economics of housing production vary across Gateway Cities?**
4. **Are Gateway City neighborhoods revitalizing?**
5. **Is neighborhood revitalization occurring in an equitable manner?**

Each year, the Housing Monitor will also include a special analysis section with an in-depth look at a topic of interest. For this inaugural edition, the focus is on the current housing shortage. We estimated the scale of the current housing supply shortage in Gateway Cities and their suburbs, and the number of new homes that Gateway Cities will need to produce over the next 10 years to stabilize prices and balance supply and demand.

The stories these data tell are nuanced and varied, but in essence they show that Gateway Cities must double the pace of housing production to build their way out of the current shortage and keep up with increasing demand. While the present lack of inventory creates significant housing cost burdens and puts homeownership out of reach for many Gateway City residents, housing market trends over the past decade reflect generally positive developments:

- **Concentrated poverty is falling.**
- **Residents are more stably housed.**
- **Vacant and blighted housing is returning to productive use.**
- **Homeownership rates are rising for residents of color.**
- **Property is appreciating at a faster pace in neighborhoods of color than in majority-White neighborhoods.**

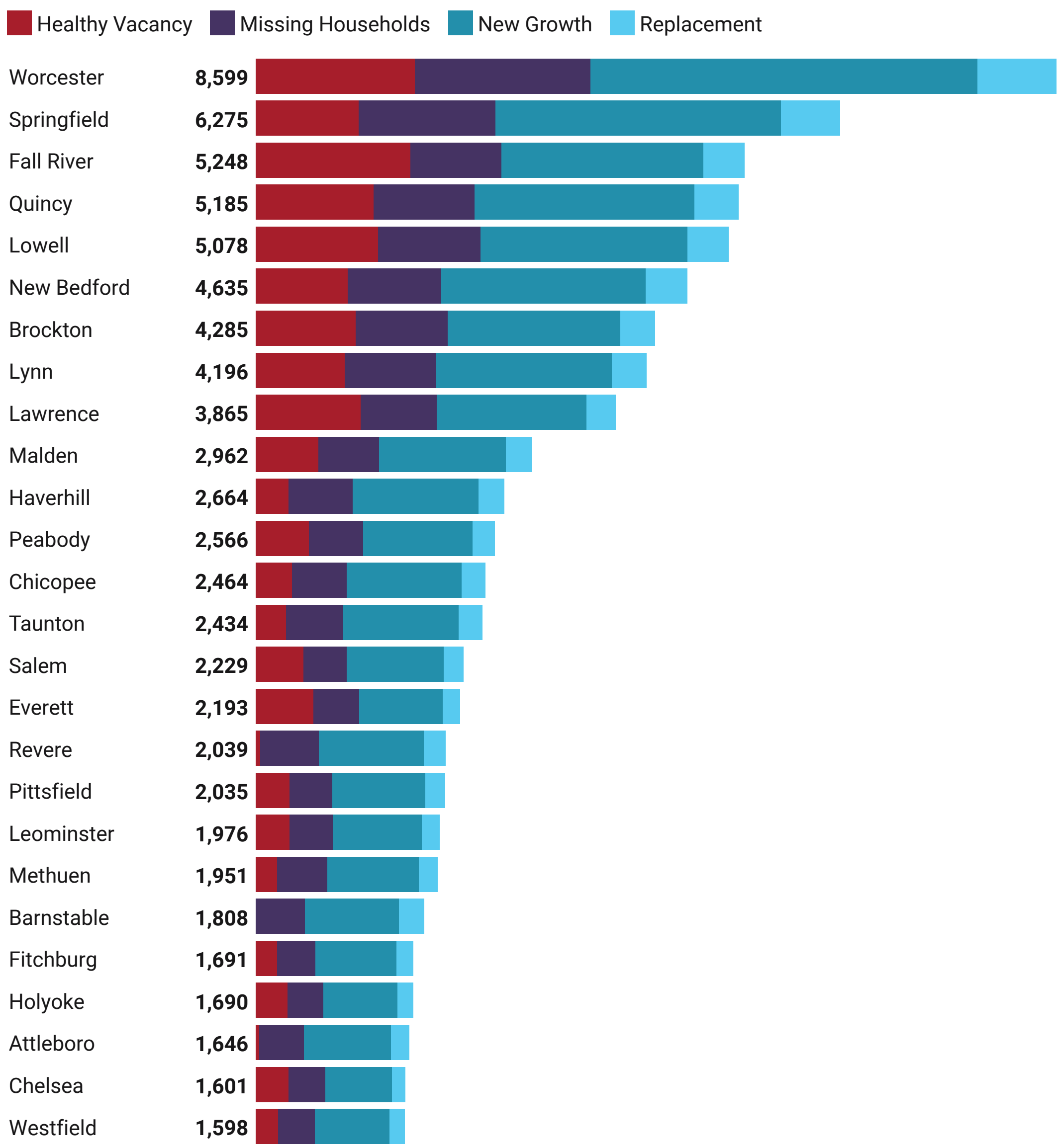
Section by section, this Executive Summary fleshes out these key findings in greater detail. It also provides a synopsis of potential goals and strategic action items indicated by this rich analysis of Gateway City housing markets.

Special Analysis:

The Gateway City Housing Shortage

This section estimates the number of homes that Gateway Cities will need to produce over the next 10 years to address the current shortage while also keeping up with modest household growth and replacing the older housing stock that is invariably lost each year.

Figure ES.1 – Estimated housing production needed over next 10 years



For a full explanation of these terms, see the Special Analysis section of the full report. Estimates should be interpreted with caution due to margins of error in the underlying data.

Source: Analysis of American Community Survey 5-year estimates • Created with Datawrapper

Key Findings:

To address the immediate housing shortage for current residents, Gateway Cities need roughly 36,000 additional homes.

In addition to the 36,000 unit housing shortage in Gateway Cities, there is a 20,000 unit shortage in their suburbs. While there is no clear regional pattern to the shortages in Gateway Cities, estimates for their suburbs show larger shortages closer to Boston.

Anticipating future population growth and housing obsolescence, Gateway Cities should aim to produce 83,000 new homes in total over the next 10 years.

This total includes 36,000 units to meet the current shortage; 39,000 units to accommodate projected (5 percent) household growth over the next 10 years; and 8,000 units to replace those lost to obsolescence.

Currently, the largest shortages in Gateway Cities appear to be of apartments for the lowest-income households as well as rental and homeownership opportunities for middle- and upper-income households.

The 26 Gateway Cities have 35,000 more extremely low-income renters than they have apartments that are affordable to this population. These communities are also home to 50,000 middle- and upper-income renters who can afford to pay significantly more for housing and might choose to do so if attractive apartments were available in the market at higher price points. Of these 50,000 middle- and upper-income households, 16,600 would need to become homeowners for those income groups to reach the state average homeownership rates by percent of area media income.

1. Housing Production

This section shows how household growth outpaced housing stock growth over the past decade, tightening markets and reducing vacancy rates across the Gateway Cities.

Key Findings:

Between 2012 and 2022, Gateway Cities created over 40,000 new homes and their suburbs added more than 42,000 new homes.

Nearly all of the Gateway Cities (23 of 26) grew their housing stock over the past 10 years. While multifamily buildings did account for a large majority of housing unit growth, data from assessors show that detached single-family homes represented the majority of new buildings (63 percent). About 10 percent of the growth in Gateway Cities came from long-term vacant properties that were brought back into the market.

Household growth outpaced housing stock growth by nearly 16,000 households in Gateway Cities and over 6,000 households in their suburbs.

Between 2012 and 2022, the housing stock in both Gateway Cities and their suburbs grew by 5 percent. But the number of households increased at an even faster pace—8.2 percent in Gateway Cities and 6.7 percent in the suburbs.

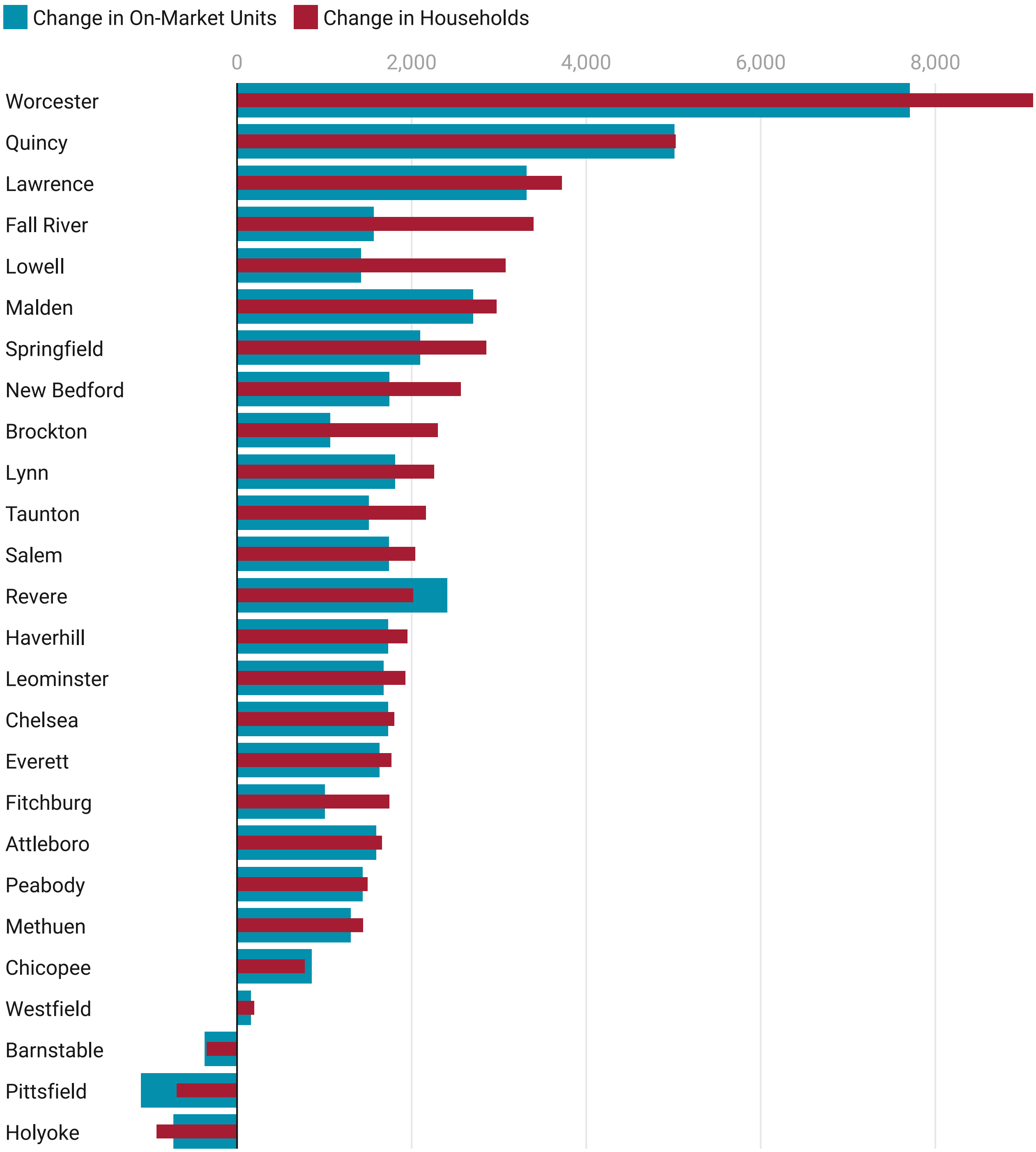
With household growth exceeding growth in supply, residential vacancy rates fell in Gateway Cities and their suburbs.

In Gateway Cities, vacancy rates fell sharply between 2012 and 2015 as communities recovered from the foreclosure crisis. In Gateway City suburbs, vacancy has steadily declined since 2012, with a particularly steep drop in 2020.

Gateway Cities have enough vacant units that are not on the market to address nearly two-thirds of the estimated housing shortage.

Across the 26 Gateway Cities, there are over 23,000 vacant units in the “other vacant” category. These are generally long-term vacant units that often need considerable rehabilitation to be fit for occupancy. Reclaiming these vacant properties would go a long way toward addressing the immediate 36,000-unit housing shortage.

ES.2 - Household growth and net on-market housing unit growth, 2012–2022



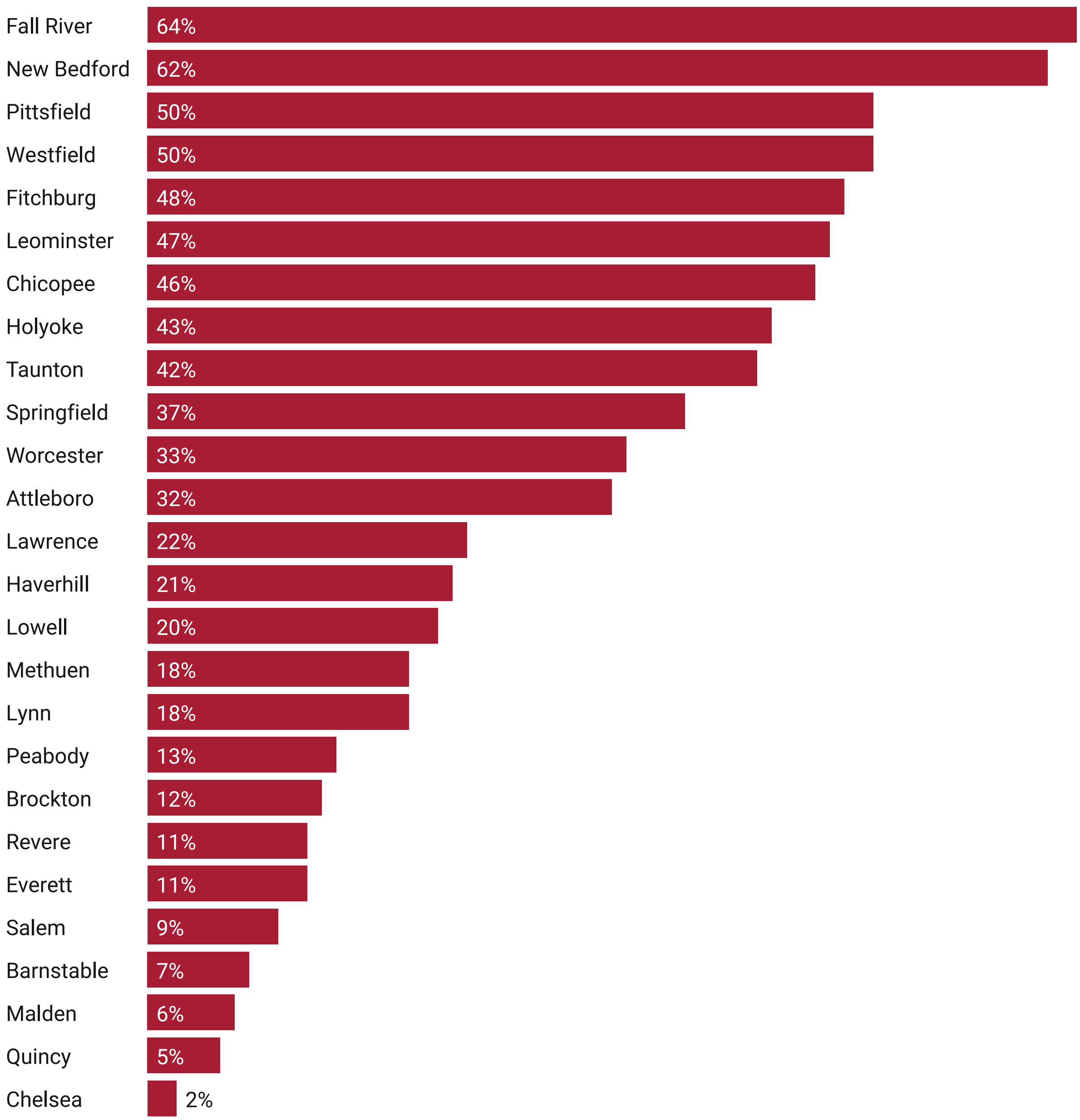
Ranked by changed in number of households

Source: American Community Survey 5-year estimates • Created with Datawrapper

2. Housing Affordability

This section explores housing affordability for residents of Gateway Cities in both the rental and for-sale markets. Despite significant variation in rent across these cities, the analysis finds that a large proportion of renters face heavy cost burdens and that for-sale housing is out of reach for most residents in nearly all of these communities. This section also describes the state of the affordable housing inventory in Gateway Cities and their suburbs, including both naturally occurring and deed-restricted units.

Figure ES.3 – Naturally occurring affordable housing as a share of all rental units, 2022



Source: Analysis of data from Housing Navigator, the American Community Survey, and the Massachusetts Department of Housing and Livable Communities • Created with Datawrapper

Key Findings:

Asking rents vary considerably across the state's Gateway Cities, with apartments in the most expensive cities costing twice as much as those in the least expensive cities.

In July 2024, typical asking rents ranged from $1,350 in Holyoke to $2,878 in Malden.

Across Gateway Cities, half of renters are cost-burdened, and there is little discernable geographic pattern.

On average, half of Gateway City renters spend more than 30 percent of their income on rent and one-quarter spend more than 50 percent. Proximity to Boston has little influence on the share of renters experiencing housing cost burdens. On average, the median renter in Gateway Cities would need to earn $38,000 more to afford current asking rents.

Gateway Cities are home to nearly two-thirds of the state's naturally occurring affordable housing stock, but this inventory is dwindling.

Many of the older market-rate homes in Gateway Cities rent at amounts that are relatively affordable. Defining "naturally occurring affordable housing" as unsubsidized units affordable to households making under 50% of state median income, our estimates show this type of housing represents 46 percent of all the affordable housing (subsidized and unsubsidized) in Massachusetts. In Gateway Cities near Boston, this reservoir of affordable housing has mostly been depleted, but naturally occurring affordable housing still makes up half or more of the apartments in Fall River, Pittsfield, New Bedford, and Westfield.

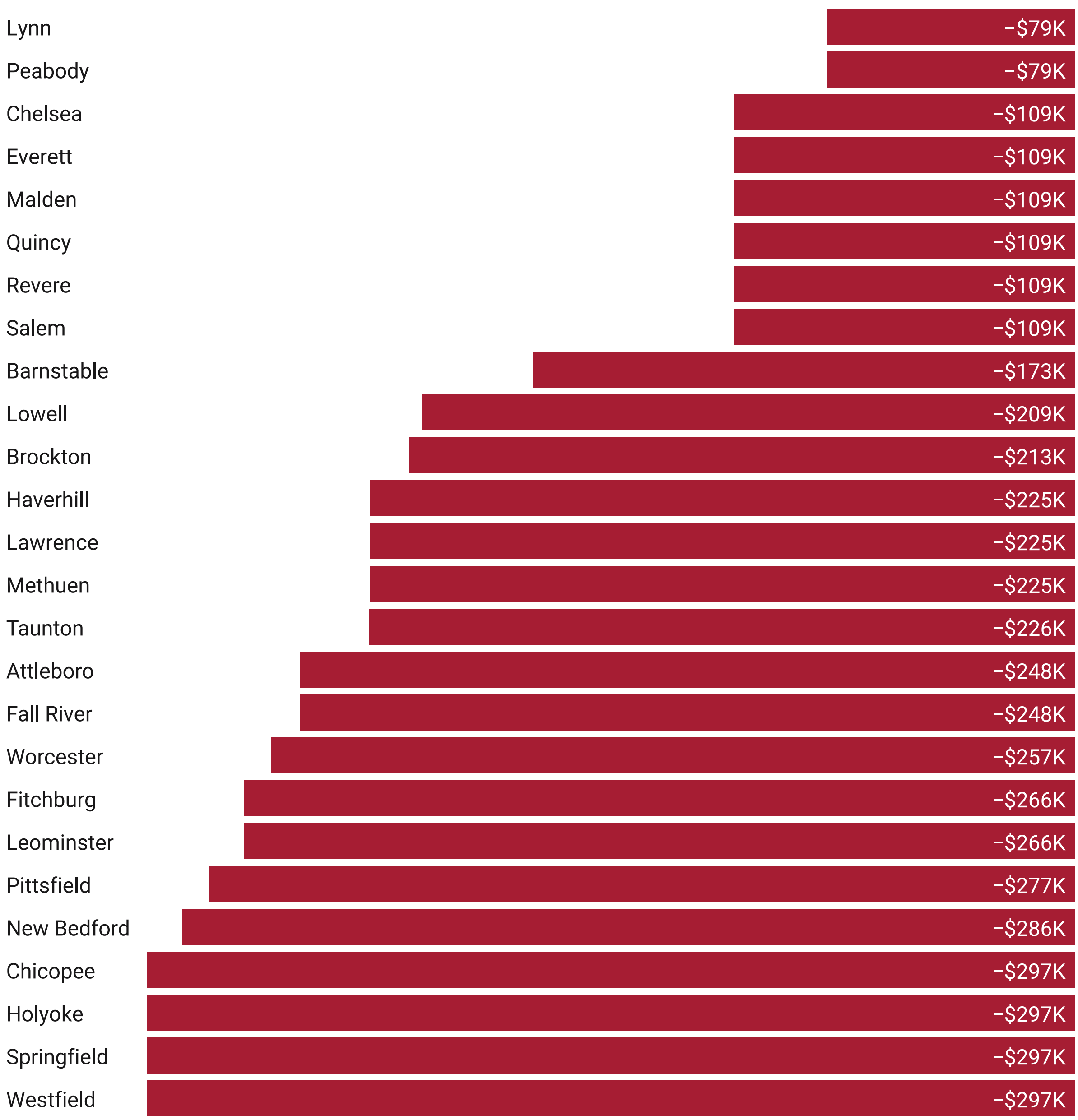
Gateway City home values are rising faster than rents. Current prices put homeownership out of reach for three out of every four Gateway City residents.

Over the past year, the average Gateway City home price rose by 5.5 percent. In contrast to rent burdens, the affordability of for-sale housing varies considerably across cities, with large regional variation. In Malden, just 5 percent of residents can afford the average-priced home, whereas in Holyoke homes are affordable to more than half of residents. While deed-restricted affordability provisions protect roughly one in every five apartments in Gateway Cities, deed-restricted homeownership units make up less than half a percent of the owner-occupied and for-sale housing in these communities.

3. Conditions for Growth

This section models pro formas for residential development to show how the high cost of construction currently makes it economically challenging to produce new housing in Gateway Cities across the state. While an analysis of regulatory and residential development policies in these communities shows that Gateway Cities have instituted a variety of policies to lower the barriers to construction, most could go further still.

Figure ES.4 – Estimated financial gap to construct rental units, 2024



Source: Analysis of data from United States Department of Housing and Urban Development, RSMeans Data, and Zillow • Created with Datawrapper

Key Findings:

A sizeable financial gap makes it difficult to build new rental units in Gateway Cities without public subsidy.

While this gap exists in all Gateway Cities, it is three times larger in the cities furthest from Boston. In the Western Massachusetts Cities—including Chicopee, Holyoke, and Springfield—each new apartment costs almost $300,000 more to produce and operate than capitalized rental income will cover. Gateway Cities near Boston have much smaller financial gaps, but apartments in Lynn, Peabody, and Malden still cost about $80,000 more to produce and operate than rents can offset.

While there is also a significant financial gap for homeownership units in most Gateway Cities, it is roughly half as the gap for rental units.

For new condominiums, the estimated financial gap is less than $150,000 per unit in nearly all Gateway Cities. Our analysis suggests that in nine cities, condominiums can be built and sold at a profit without gap-filling subsidy.

Some locally-imposed regulatory barriers likely contribute to the financial gap. However, Gateway Cities are making considerable effort—including by using municipal funds for affordable housing—to close the financial gaps on projects.

On the regulatory barrier side of things, most notable is that only three Gateway Cities currently allow for the construction of triple-deckers by-right in their residential neighborhoods. But on the pro-housing growth side, there are many bright spots. Most Gateway Cities have abated municipal taxes to spur housing development. More than half have established local affordable housing trust funds. And half provide density bonuses or other forms of regulatory relief to affordable housing projects.

Gateway Cities have significant potential for transit-oriented development.

Over the past 10 years, an average of 30 percent of the new housing that was built in Gateway City communities with commuter rail service was constructed within half a mile of a station. There is considerable opportunity to continue infill development in a manner that gains even more leverage from the state's existing transit infrastructure. In most Gateway Cities, the majority of census block groups fall into the "above average walkable" or "most walkable" categories. In eight Gateway Cities, more than one-third of census block groups fall within half a mile of a commuter rail station. In 17 of the 26 Gateway Cities, every census block group is located within half a mile of an MBTA or RTA bus stop.

4. Neighborhood Revitalization

Trends presented in this section suggest that most Gateway City neighborhoods are on a stable-to-improving course, though several continue to struggle with extreme concentrations of poverty and blighted property.

Key Findings:

The gap between local and state median income has remained relatively constant for most Gateway Cities over the past 10 years.

On average, median household income (MHI) in Gateway Cities inched closer to the statewide average by just one percentage point, moving from 75 percent of state MHI in 2012 to 76 percent in 2022. Cities closest to Boston did see more significant gains, but overall regional variation is relatively small.

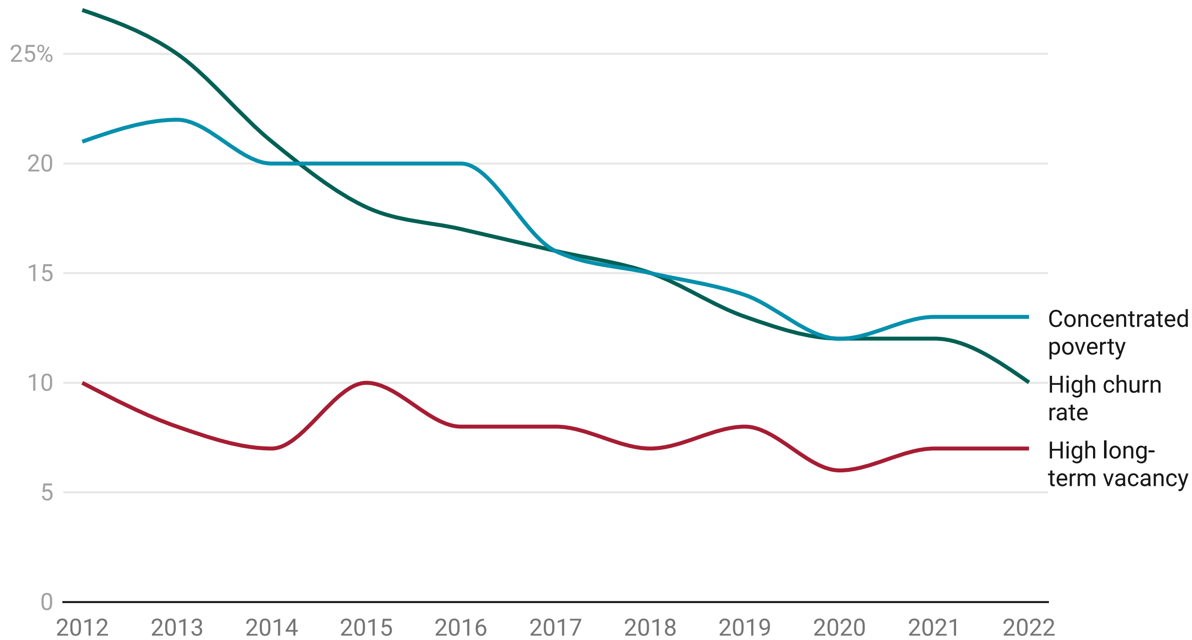
Though it still presents a major concern for several Gateway Cities, concentrated poverty has fallen significantly since the Great Recession.

From 2012 to 2022, the share of census tracts in Gateway Cities with poverty rates over 30 percent fell from 21 percent to 13 percent. Still, nearly 200,000 Gateway City residents live in neighborhoods with poverty rates over 30 percent. In Holyoke and Springfield, about one in every three residents lives in neighborhoods with this level of concentrated poverty.

Residential stability has increased dramatically in Gateway Cities; the number of neighborhoods with high levels of vacant and blighted property is slowly trending down.

Across Gateway Cities, the share of census tracts where more than one-fifth of residents moved within the past 12 months has fallen steadily, from 27 percent in 2012 to 10 percent in 2022—a trend that started long before the COVID pandemic. The share of Gateway City census tracts where more than 8 percent of housing structures are classified as long-term vacant fell from 10 percent in 2012 to 7 percent in 2022. (Studies indicate that long-term vacancy presents a serious concern when it exceeds this 8 percent threshold.)

Figure ES.5 – Share of census tracts in Gateway Cities by indicator of neighborhood health, 2012–2022



Source: American Community Survey 5-year estimates • Created with Datawrapper

Springfield Converts Vacant and Abandoned Housing to Affordable Homeownership

Springfield responded to the 2008 housing foreclosure crisis by passing a vacant property ordinance that requires properties that have been vacant for 90 days or more to be registered to ensure proper maintenance. Since then, long-term vacancies have dropped from 3,369 in 2012 to 2,640 in 2022 according to census data. However, the city still has the second-highest number of vacant properties among Gateway Cities, trailing only Worcester.

In collaboration with retired housing court judge Dina Fein and the City of Springfield, Way Finders launched the City of Homes program. This initiative renovates vacant properties and sells them to moderate-income first-time homebuyers, thereby tackling blight, stabilizing neighborhoods, and fostering generational wealth.

Properties enter the program in three ways: direct purchase, through a city Request for Proposal (RFP), or via Special Attorney Receivership (SAR). SAR allows a court-appointed attorney to oversee the property's stabilization and sale to a nonprofit for development, bypassing traditional auctions that often lead to investor ownership and rental conversions.

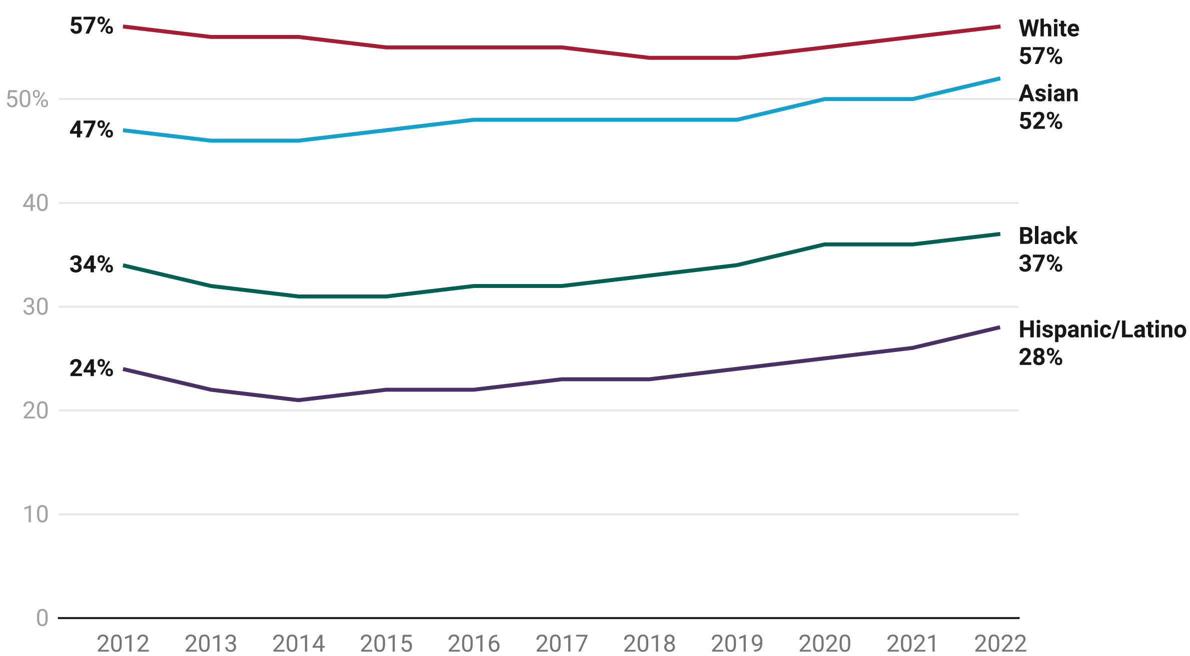
The Affordable Homes Act, signed in August, amended the state's receivership law to allow courts to sell vacant properties to nonprofits at fair market value for rehabilitation and resale to eligible first-time homebuyers. This change is part of a larger effort to address housing shortages and promote homeownership, particularly in low-income neighborhoods and communities of color. Way Finders focuses on rehabilitating homes in at least six Springfield neighborhoods, including McKnight, Bay, and Six Corners.

5. Equitable Development

The evidence in this section suggests that the markers of gentrification are mostly absent in Gateway Cities, with the exception of those adjacent to Boston. It also uncovers positive equitable development trends with respect to homebuyers of color and property values in Gateway City neighborhoods of color.

Ribbon cutting of a homeownership unit developed by Worcester Common Ground.

Figure ES.6 – Homeownership rates by racial/ethnic group, Gateway City 5-year rolling average, 2012–2022



Source: American Community Survey 5-year estimates • Created with Datawrapper

Key Findings:

Homeownership rates have held steady in most Gateway Cities across building types.

Over the past 10 years, the homeownership rate for Massachusetts residents who live in Gateway Cities has remained virtually unchanged at 49 percent. In 2022, nearly 90 percent of single-family homes were owner-occupied, and 70 percent of two- and three-family homes had an owner-occupant in one of their units. These are about the same rates as 2012, which dispels some concern about increased investor activity in an important segment of the Gateway City housing market.

Homeownership rates are rising for residents of color in Gateway Cities, but they remain substantially lower for residents of color than for White residents.

Between 2012 and 2022, the White homeownership rate held steady at 57 percent, while the Black homeownership rate rose 3 percentage points to 37 percent. During that period, the Asian and Hispanic homeownership rates increased by 5 percentage points each, rising to 52 percent and 28 percent, respectively.

Homes values remain lower in Gateway City neighborhoods of color, but prices are appreciating faster in those neighborhoods than in majority-White Gateway City neighborhoods.

Property values in Gateway City neighborhoods where residents of color make up more than half the population are roughly $100,000 lower, on average, than in majority-White Gateway City neighborhoods. However, home values rose by 276 percent in neighborhoods of color, slightly faster than the 234 percent increase in majority-White neighborhoods between 2012 and 2022.

In almost all Gateway Cities, new residents are no more likely than established residents to have incomes above $75,000.

Concerns about gentrification are often based on the theory that higher income renters pushed out of Boston are moving to Gateway Cities and competing with Gateway City residents for apartments. With the exception of Everett, Malden, and Revere, Gateway City newcomers have slightly lower incomes than people who have lived in these communities for longer.

6. Data-Driven Goals and Strategic Action

To produce the quantity of housing required, Gateway Cities must stimulate private investment in residential development in a manner that best serves the varied needs of their residents. Toward these ends, this final section describes high-level goals and potential strategies to achieve them in four interrelated categories: new housing production, vacant property reclamation, homeownership creation, and concentrated poverty reduction. While this summary presents strategies for Gateway Cities as a group, variation among communities translates into variation in the relative importance of each of these objectives, as noted throughout the report. State and local leaders must find solutions that target these varying strategies in proportion to the local need.

Figure ES.7 – Summary of goals by strategy

Strategy	10-Year Goal	Notes
1. Increase housing production	Produce 80,000 units	This is double the pace of development over the previous 10 years. (Units brought back onto the market through rehabilitation count towards this goal.)
2. Reclaim vacant property	Rehabilitate 8,600 vacant units	This is double the pace of rehabilitation over the previous 10 years.
3. Increase homeownership	Raise the homeownership rate by 2.5 percentage points	This can be achieved by creating new for-sale units, returning rehabilitated vacant units to the market, and converting rental properties to owner-occupancy.
4. Reduce concentrated poverty	Reduce the poverty rate in the 51 census tracts with concentrated poverty by 5 percentage points	This would bring the number of census tracts with concentrated poverty from 51 to 24.

Created with Datawrapper

1. Increase housing production.

Goal: Produce 80,000 new units in our Gateway Cities by 2035.

Potential Strategies:

- Provide more “shallow subsidies” to make market-rate residential projects economically feasible.
- Assemble, clean, and pre-permit land for multifamily residential development.
- Make it possible to build triple-deckers and duplexes by-right.
- Create predictable policies around municipal tax abatement for affordable housing.
- Develop and execute a regional construction workforce strategy.
- Support emerging developers through both local initiatives and state incentives.
- Partner with suburban neighbors to develop and execute regional housing strategies, particularly with regard to serving extremely low-income households.

2. Reclaim vacant property.

Goal: Rehabilitate 8,600 blighted/ vacant units by 2035.

Potential Strategies:

- Increase state investment in vacant property acquisition and rehabilitation.
- Reassess the state’s rehabilitation building code.
- Utilize the new receivership statute.
- Clarify the new municipal tax lien foreclosure statute.

3. Increase homeownership.

Goal: Raise the Gateway City homeownership rate by 2.5 percent by 2035.

Potential Strategies:

- Develop local homeownership targets and strategies with a focus on closing racial and ethnic homeownership gaps.
- Build more affordable homeownership opportunities using the shared equity model.
- Expand and enhance programs to help households move from subsidized rental housing to affordable homeownership.

4. Reduce concentrated poverty.

Goal: Reduce the poverty rate by 5 percent in the 51 Gateway City census tracts with concentrated poverty by 2035.

Potential Strategies:

- Redevelop public housing into mixed-income communities.
- Develop a regional strategy and complementary state policy to produce more housing for extremely low-income households in areas with lower poverty rates.

Introduction

For much of the 20th century, Gateway Cities enjoyed relative housing abundance. They sheltered a wide range of residents—rich and poor, young and old, native and foreign-born—without imposing burdensome housing costs on any of these groups. This allowed theses cities to earn, and live up to, the "Gateway City" moniker.

Our regional urban centers retain their diverse older housing stock, but most have gone decades without meaningful additions to their supply. What new housing they have gained in recent years has mostly consisted of income-restricted apartments and suburban style single-family homes. This is not by design. Most Gateway Cities are eager to see all forms of residential development, but the cost of producing housing in Massachusetts makes it uneconomical to build at the levels necessary to keep pace with household growth, especially in urban markets where rents and home prices are lower.

In a state that is now losing tens of thousands of residents to outmigration each year, finding ways to help Gateway Cities produce more housing of all types is essential, for the outward flow of human talent is only the most noticeable impact of the state's housing crisis. It is far from the most damaging.

Workers are less productive when they worry constantly about their ability to make rent or cover their mortgage payments. Children struggle in school when they lack stable housing and must switch schools in the middle of the school year as a result. Unaffordable housing pushes growing businesses to expand elsewhere, and it makes recruiting dynamic new companies harder. When entrepreneurial residents are unable to save, they cannot bootstrap start-ups. Residents shouldering severe housing cost burdens have few dollars left for discretionary spending at cafes, bars, restaurants, and other local businesses.[1]

Positioning Gateway Cities to develop new housing to serve residents across the income spectrum will expand supply and lower the cost of housing statewide. But this cannot be the sole objective for Gateway City housing policy. These inclusive urban communities are home to nearly half of the Massachusetts residents who are seeking to climb the economic ladder. To provide pathways to the middle class, Gateway Cities must build and preserve economically integrated neighborhoods.

Without a mix of incomes, children will attend under-resourced schools. Circumscribed to more limited social networks, they will also have less exposure to the advanced opportunities in our knowledge economy.[2] In this manner, growing up in neighborhoods with concentrated poverty will reduce their educational achievement and drastically limit their prospects for making it to the middle class. To be sure, creating opportunities to live in mixed-income neighborhoods also matters to adults. From less access to healthy foods to more residential churn that leads to lower levels of trust and higher levels of crime, concentrated poverty harms residents of all ages.[3]

Crafting housing policies that meet the twofold need to both grow Gateway Cities' housing supply and revitalize their neighborhoods without displacement requires a comprehensive understanding of the dynamics at play within each of these communities. Gathering information to develop informed strategies and establish meaningful and achievable goals is difficult. Data for small- to mid-sized cities is limited, and most of what is available comes from the US Census Bureau. Drawn from surveys, these estimates have a lengthy time lag and a significant margin of error.

Working within these constraints, the MassINC Policy Center (MPC) has been honing new methods to analyze Gateway City housing markets. In 2023, MPC partnered with the New Bedford Economic Development Council's Regeneration Committee to conduct a detailed housing assessment for Greater New Bedford.[4] Building on the techniques developed for that project, MPC constructed this *Gateway Cities Housing Monitor,* an annual report that tracks housing market dynamics. Its analysis pursues answers to five perennial questions:

1. **To what extent is housing supply keeping pace with demand?**
2. **How affordable is housing for Gateway City residents?**
3. **How do the economics of housing production vary across Gateway Cities?**
4. **Are Gateway City neighborhoods revitalizing?**
5. **Is neighborhood revitalization occurring in an equitable manner?**

In addition to in-depth examination of these five topics, this inaugural report includes a special analysis section probing deeper into the housing shortage. We estimate the number of new units Gateway Cities will need to produce over the next 10 years to stabilize prices and balance supply and demand. Pursuant to the dual objectives of expanding Gateway City housing supply and equitably revitalizing Gateway City neighborhoods, the concluding section draws on the report's full analysis to propose high-level goals along with strategies to achieve them.

Notes on the Data & Methods

The analysis presented in this report relies on a variety of methods and assumptions. For brevity, these details are relegated to the endnotes. However, all readers will benefit from a high-level summary of the geography and data utilized for this analysis.

Defining Gateway Cities

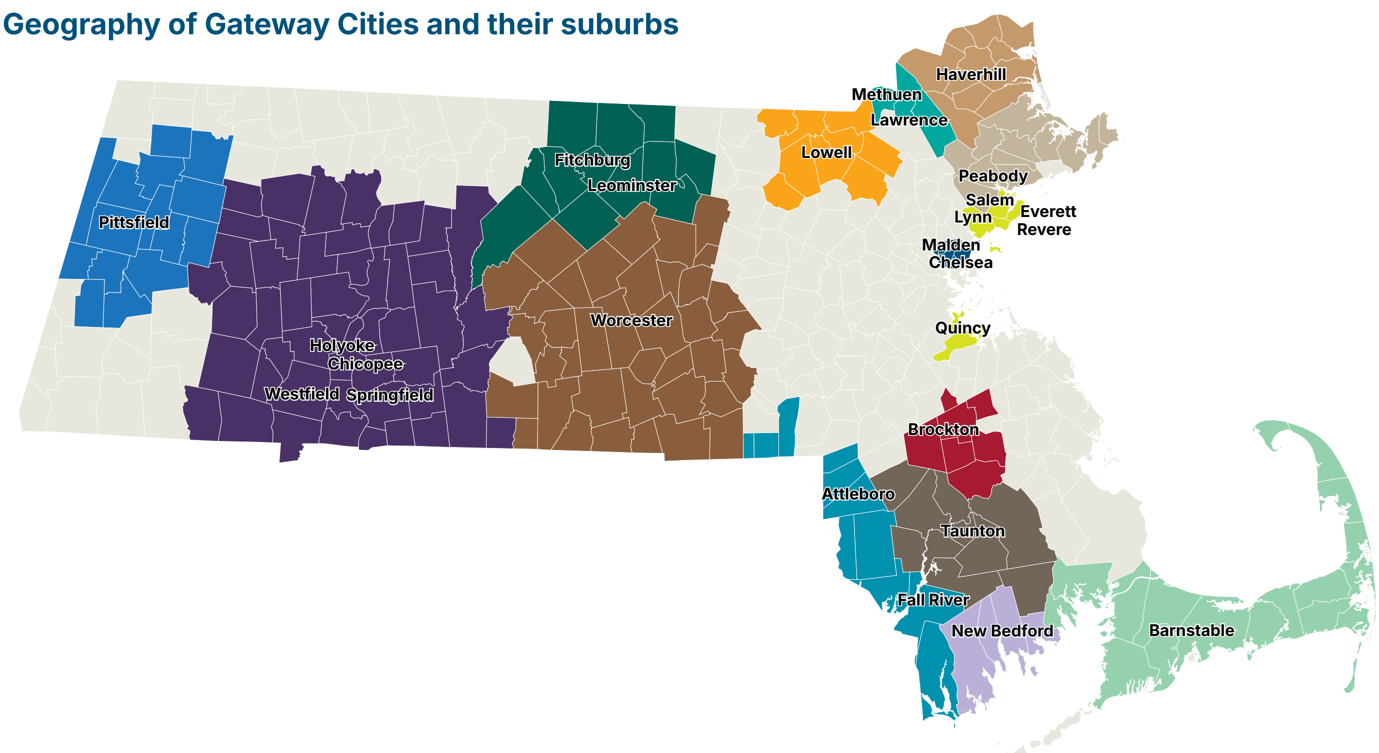
Gateway Cities are midsize urban centers that anchor regional economies across the state. For generations, these communities were home to large immigrant communities and industries that offered residents good paying jobs and a "gateway" to the American Dream. These manufacturing jobs gradually disappeared as Massachusetts shifted to knowledge industries. Furthermore, federal redlining deprived many residential neighborhoods of mortgage lending, thereby creating a cycle of disinvestment. Lacking resources and capacity to rebuild and reposition for the new economy, Gateway Cities struggled to draw private investment.

As result, these historic mill cities face a legacy of stubborn social and economic challenges, but they nevertheless have many assets with unrealized potential. These include walkable neighborhoods; robust public infrastructure; museums, hospitals, universities, and other major institutions; and perhaps above all, a large stock of relatively affordable housing.

This analysis presents data for the 26 Gateway Cities as defined by state law: Attleboro, Barnstable, Brockton, Chelsea, Chicopee, Everett, Fall River, Fitchburg, Haverhill, Holyoke, Lawrence, Leominster, Lowell, Lynn, Malden, Methuen, New Bedford, Peabody, Pittsfield, Quincy, Revere, Salem, Springfield, Taunton, Westfield, and Worcester.

At their peak population, these 26 communities housed nearly 40 percent of the state's population on just 8 percent of its landmass. While Gateway City residents make up just 27 percent of the state's overall population today, they are home to much larger proportions of our low-income (43 percent), people of color (45 percent), and foreign-born (38 percent) residents.

Geography of Gateway Cities and their suburbs



Defining Gateway City Suburbs

Housing market dynamics are regional, so where possible this report presents analysis for both the 26 Gateway Cities and their suburbs. The suburbs are derived from New England City and Town Areas (NECTAs) or NECTA Divisions. NECTAs and NECTA Divisions are core-based statistical areas defined by the US Office of Management and Budget primarily based on regional commuting patterns. Cities and towns that are within these regions but are outside of Massachusetts are excluded from this analysis. In regions with multiple Gateway Cities, the suburbs include only non-Gateway Cities. The report does not provide regional analysis for the Boston area given the complicated regional positioning of Gateway Cities in a market that includes Boston and Cambridge as well as numerous suburbs.

Main Data Sources

The main sources of data for this report the US Census Bureau's American Community Survey (ACS) and Zillow. The ACS provides detailed information on income and housing costs for each city. However, the Census Bureau aggregates responses over five-year periods to increase the sample size and improve the precision of the estimates for this relatively small geographical area. The most recent ACS data available at time of publication are from surveys administered between 2018 and 2022. For more recent information on home values and rents, the analysis relies on publically available data from Zillow. While Zillow provides this information for major cities over a two-decade span, historical rent information for all 26 Gateway Cities is extremely limited. As a result, the analysis can only present changes in rents over the past year.

Special Analysis: The Gateway City Housing Shortage

This first *Gateway City Housing Monitor* comes amidst a housing crunch. From coast to coast, communities both rural and urban have struggled to provide enough housing for their residents ever since the COVID-19 pandemic upended lifestyles and disrupted markets. Even before this seismic event, demand for housing greatly exceeded supply in much of Massachusetts. With home values steadily exceeding growth in income, this imbalance is evident. But to respond to and correct it, we need to know how many additional homes are actually required to bring supply and demand back into equilibrium. This special analysis attempts to answer this question in as much detail as possible. We estimate how much additional housing is needed today, how much will likely be required in the next 10 years, and which income groups are most underserved by the market.

To address the immediate housing shortage, Gateway Cities need roughly 36,000 additional homes and their suburbs need approximately 20,000 more.

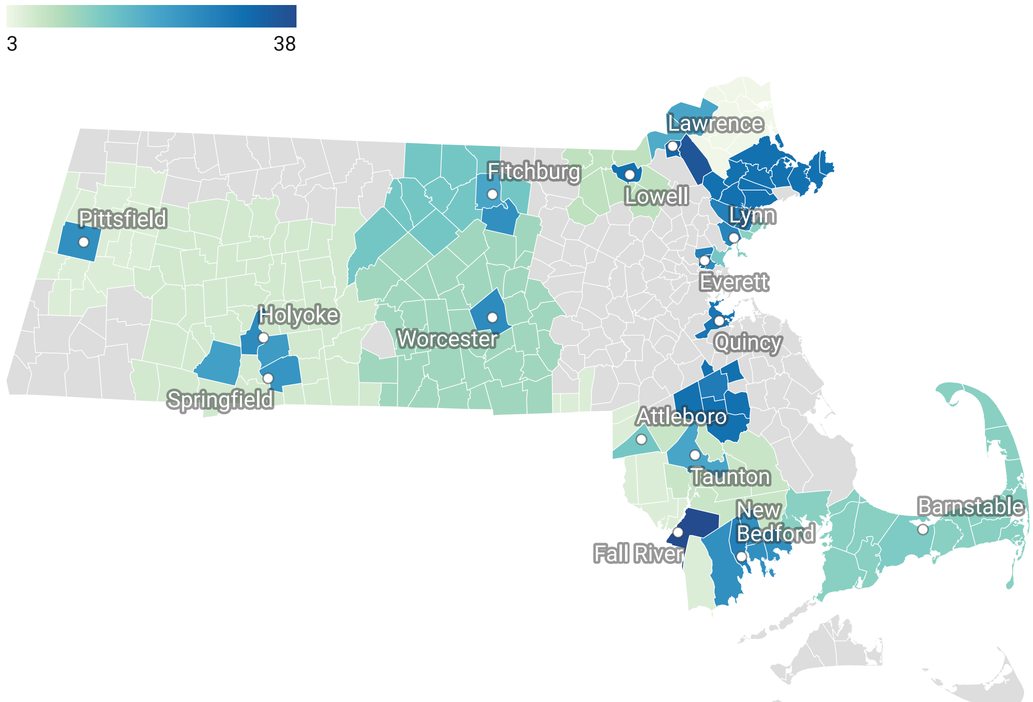
In a housing market with stable price levels, supply and demand are in balance. Supply is considered to be sufficient to serve demand when vacancy rates reach their "natural levels."[1] Because supply and demand are currently out of balance, many households have been priced out of the market.[2] So we must first estimate how many households are on the sidelines, referred to here as "missing households", and then how much new housing is required to increase vacancy rates to natural levels, assuming these households return to the market. A total of 36,000 units are estimated to be needed to meet the current demand for housing across the 26 Gateway Cities. This assumes that there are currently 19,000 households missing from these markets, and that 17,000 units are needed to achieve a healthy vacancy rate.

Worcester has the largest estimated housing shortage in absolute terms, with a total of 3,595 units needed (see Figure SA.2). Relative to population, the housing shortage ranges from 14 units per 1,000 adults in Barnstable to 38 units per 1,000 adults in Fall River (see Figure SA.1). However, these city-level estimates must be interpreted cautiously, particularly for the smaller communities, because they rely heavily on precise vacancy rate estimates, and there is considerable variability in this measure. More notably, the city-by-city breakdowns reveal no clear regional pattern. This suggests that production is struggling to keep pace with demand in Gateway Cities throughout the commonwealth.

In the suburbs, the 20,000-unit shortage includes 11,000 homes for households currently missing from the market and 9,000 homes needed to achieve a healthy vacancy rate (see Figure SA.3). The suburban pattern shows some regional variation, with communities closer to Boston generally having more of a shortage (see Figure SA.1). One notable exception is the suburbs surrounding New Bedford.

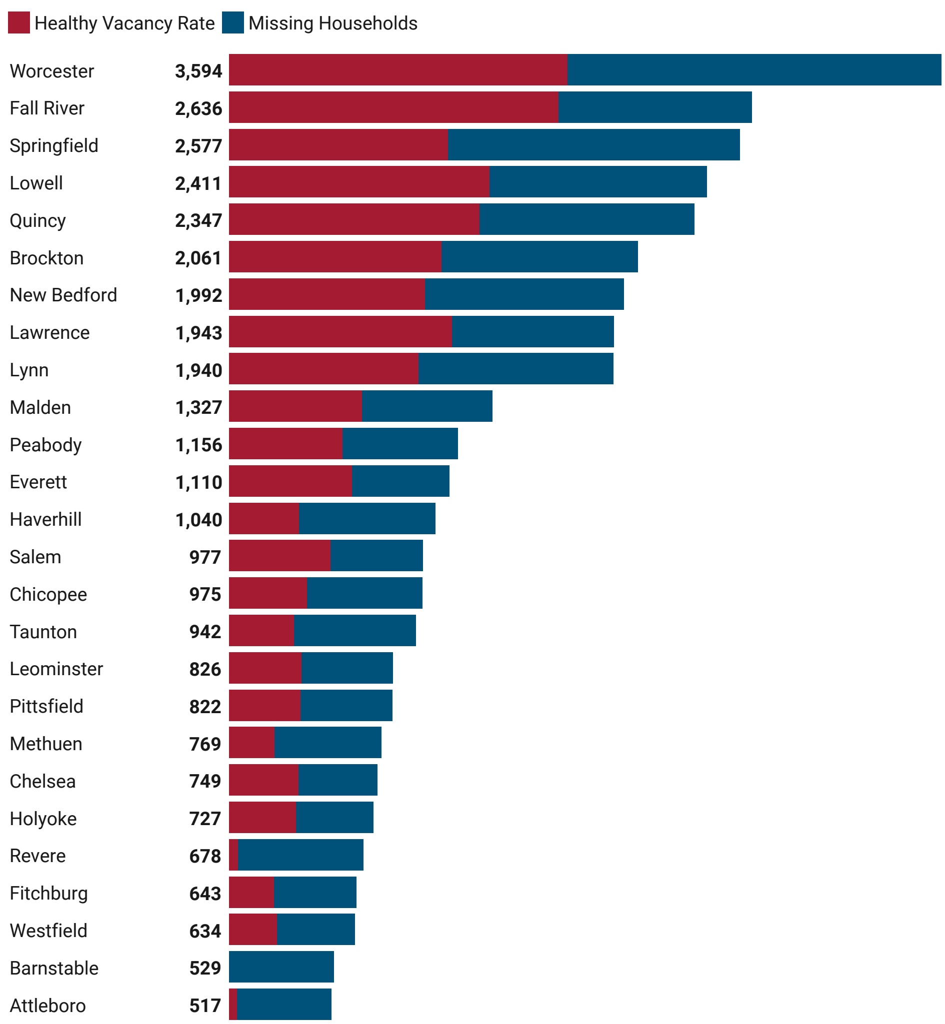
There are two important caveats to consider when interpreting these urban-suburban splits. First, we have assumed that markets maintain the same proportions of owners and renters. Increasing homeownership rates would decrease the need for units slightly, because there is less churn in the for-sale markets, which allows them to reach market equilibrium with a much lower vacancy rate. Gateway Cities have low homeownership rates, especially compared to their suburbs, and it is likely that there is regional demand for for-sale housing that these communities could help meet. Second, these estimates likely do not fully capture the need for homes for the unhoused. Some of these households may be included in the missing household estimates, but to the extent that regions have historically had a significant number of families and individuals living in shelters we are likely still underestimating this need. In the future, we hope to collect the data necessary to accurately estimate this need.[3]

Figure SA.1 – The housing shortage per 1,000 adults, 2022[4]



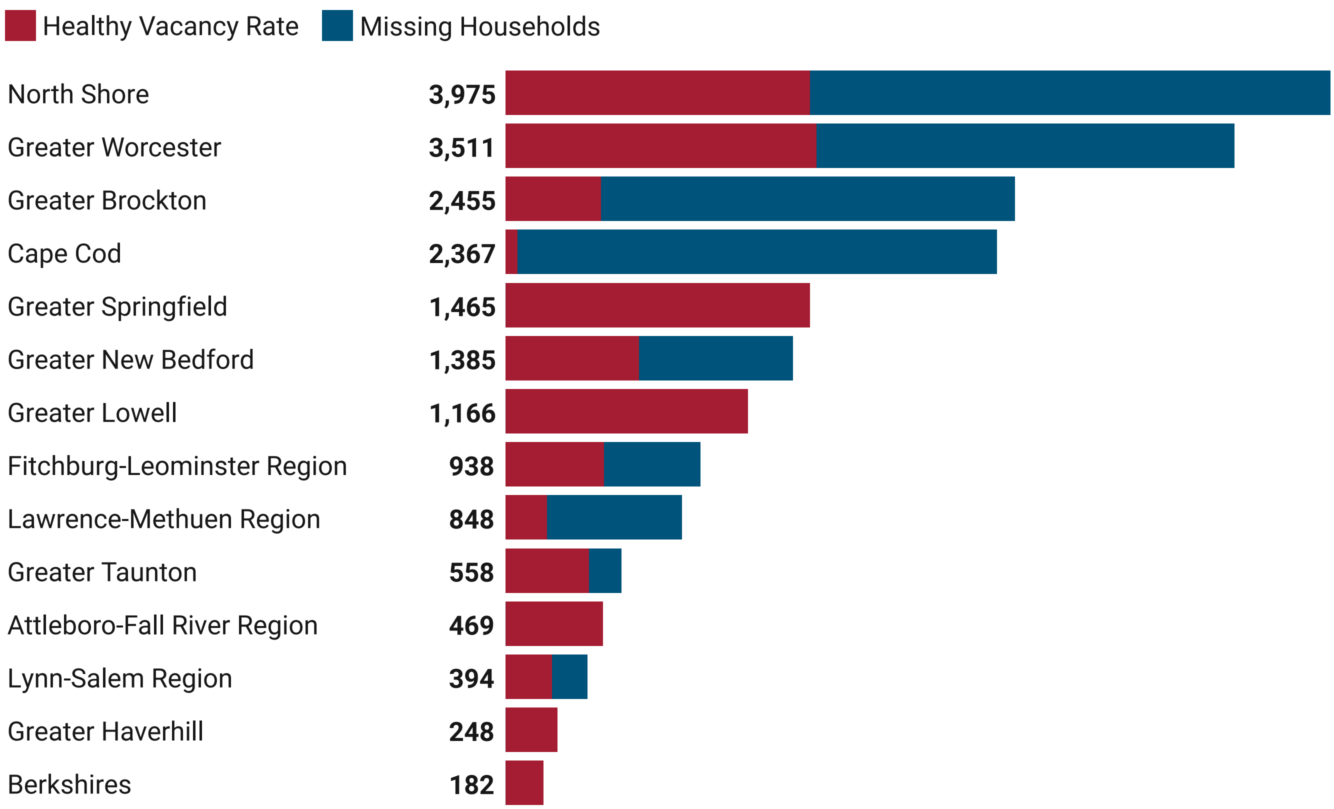
Source: Analysis of American Community Survey 5-year estimates • Map data: MassGIS • Created with Datawrapper

Figure SA.2 – The housing shortage in Gateway Cities by component, 2022



Source: Analysis of American Community Survey 5-year estimates • Created with Datawrapper

Figure SA.3 – The housing shortage in Gateway City suburbs by component, 2022



Source: Analysis of American Community Survey 5-year estimates • Created with Datawrapper

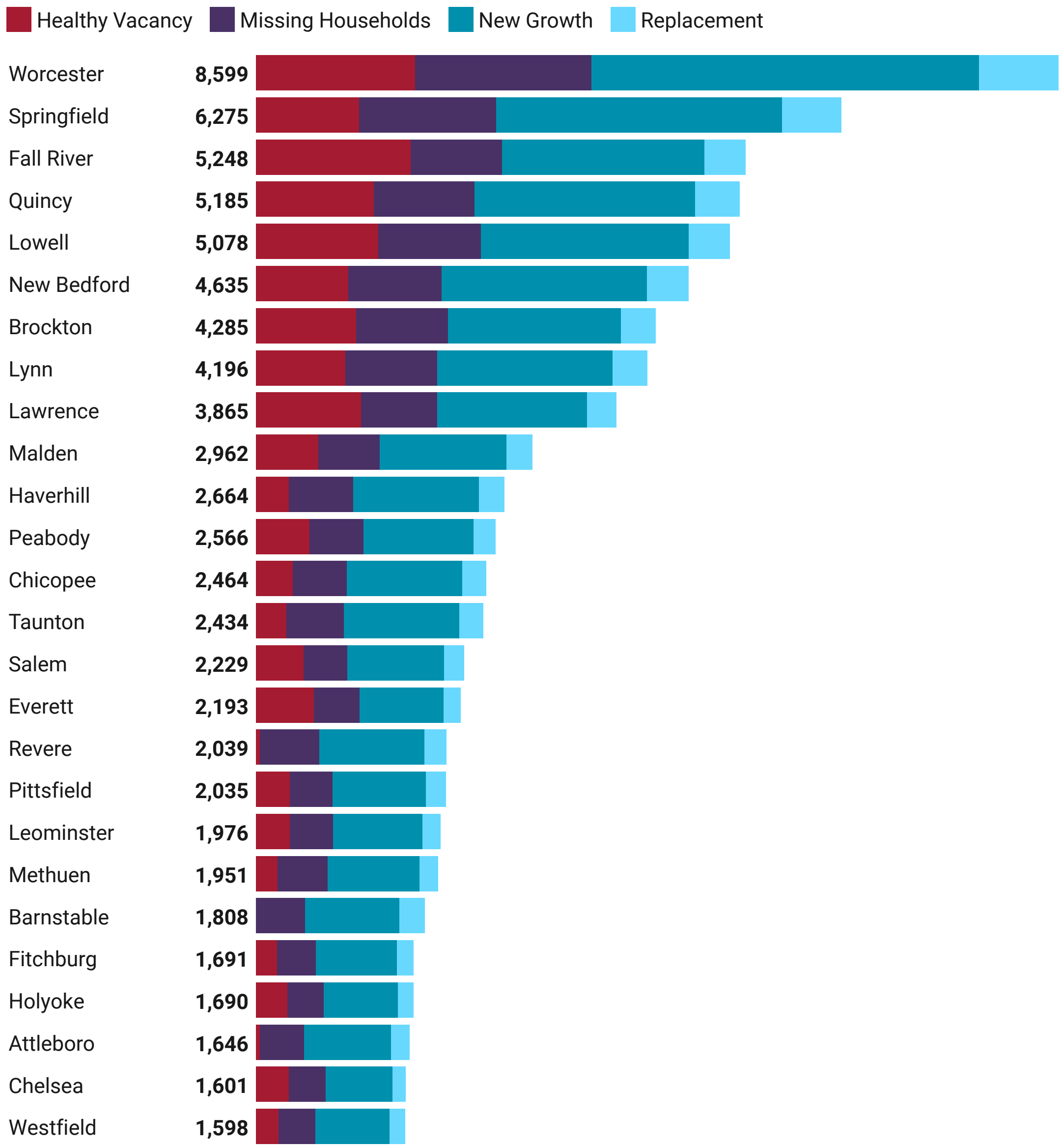
Anticipating future housing obsolescence and population growth, Gateway Cities should aim to produce 83,000 new homes in total by 2032.

Given the long lead time to produce new housing, it is prudent to anticipate housing demand several years out when establishing goals and crafting strategies to achieve them.[5] Projecting population growth for Gateway Cities is extremely challenging because international migration is the largest component of population change.[6] A 5 percent growth rate from 2022 to 2032 is a reasonable assumption to make in this instance, given that Gateway Cities grew by 8 percent, on average, over the previous 10 years.[7] Housing these additional households (while also creating enough units to maintain healthy vacancy rates) will require an extra 39,000 units.

Setting a construction target also requires accounting for housing units that will be permanently lost due to fire, flooding, deterioration, or consolidation. Conservatively assuming a 1 percent loss rate over the 10-year period, Gateway Cities would need to construct 8,000 units just to maintain the stock at its current size.[8]

Altogether, producing units to address the current shortage, accommodate a growing population, and replace permanently lost units requires that Gateway Cities work to build 83,000 units between now and 2032 (see Figure SA.4).

Figure SA.4 – Housing production needed by 2032, Gateway Cities



Source: Analysis of American Community Survey 5-year estimates • Created with Datawrapper

Currently, the largest shortages in Gateway Cities appear to be of homes for the lowest-income households, higher-income households, and households that would like to own.

Data on the makeup of Gateway City households by income and Gateway City housing at different price points reveals large gaps at both the bottom and the top of the market. Evidence also suggests there are many potential buyers among the renter households in Gateway Cities. More specifically, this analysis indicates that:

- ***Gateway Cities have 35,000 more extremely low-income households than housing units that are affordable to this population.*** In every Gateway City but one, there is a much larger number of households with extremely low incomes—that is, incomes that are below 30 percent of the Area Median Income (AMI)--than housing units affordable to his population. This is a marked contrast to other segments, as nearly all Gateway Cities currently have a sufficient number of units to house those in the very low-income (30-50 percent of AMI) and lower-income (50-80 percent of AMI) income bands (see Figure SA.5).

  Providing housing for the lowest-income residents requires very large subsidies, and there are not enough federal resources to meet this need in Massachusetts. Local resources can help fill the gaps, but Gateway Cities have limited fiscal capacity. Setting housing production goals to meet the needs of those with the lowest incomes requires strong regional cooperation.

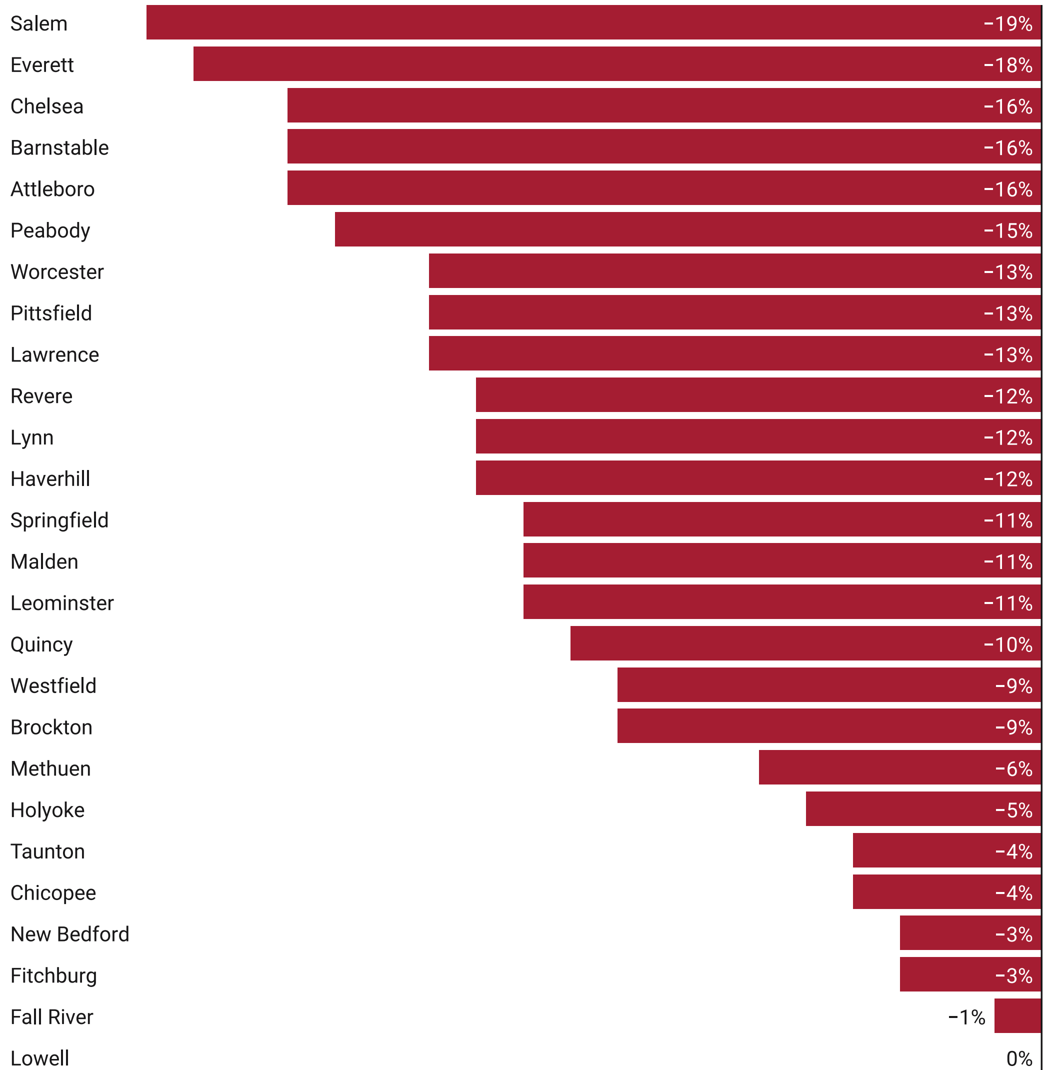
- ***Gateway Cities have 50,000 more middle- and upper-income renters than comparatively priced rental units.*** At the other end of the spectrum, every Gateway City has many middle- and upper-income households (80 percent of AMI and above) that are paying significantly less for rent than they can afford. Many of the cities with the largest gap in the supply of middle- and upper-income units are also the least expensive Gateway Cities (see Figure SA.6).

  Low rent is likely a selling point for these communities, especially for those looking to save money before purchasing a home. However, some fraction of these households would likely choose to consume higher-end housing if more of these units were available in the market. With higher rents, constructing these apartments is more financially feasible, and bringing them to market would free up the naturally occurring affordable units that these middle- and upper-income households are currently occupying.

- ***Gateway Cities have 16,600 renters who conceivably would like to own.*** Many of these middle- and upper-income renters may also have an interest in purchasing a home. By comparing homeownership rates by income group to those same rates for the state as a whole, we conservatively estimate that there is an unmet, internal "latent demand" for about 600 housing units affordable to households making between 80 and 100 percent of AMI as well as for 16,000 housing units affordable to households making over 100 percent of AMI. All of the households in the 80-to-100 percent category live in Fall River, Lowell, and New Bedford. The 16,000 households over 100 percent of AMI are spread across 14 Gateway Cities, with large concentrations in Quincy, New Bedford, Fall River, Lawrence, and Worcester (see Figure SA.7).[9]

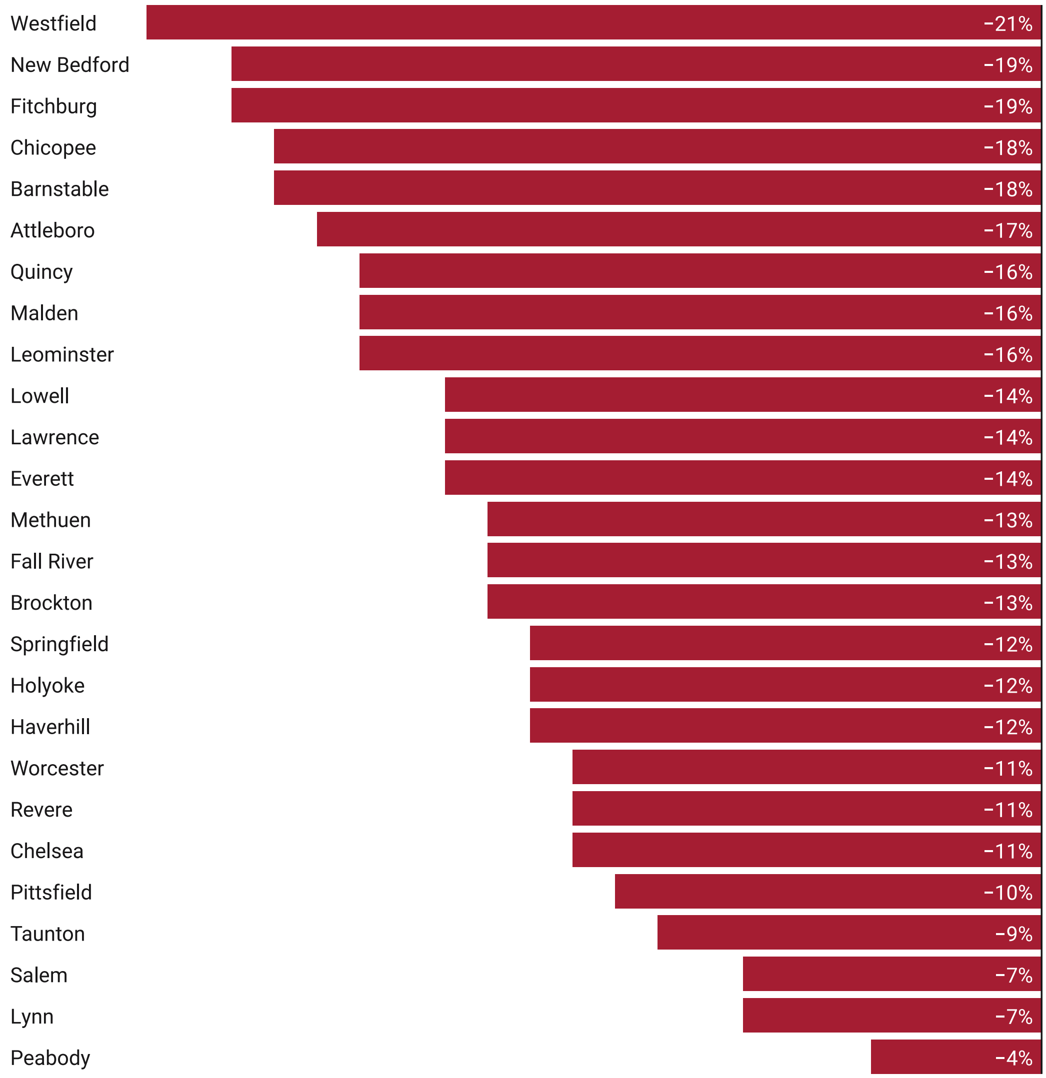
  There are many advantages to prioritizing production of for-sale housing. Fewer units are needed to stabilize the market because there is less turnover among homeowners than among renters and thus the natural vacancy rate is lower. Homeownership housing is also generally less expensive to finance because the developer does not bear the operating costs.

Figure SA.5 – Shortage of rental units affordable to extremely low-income households (those earning less than 30 percent of Area Median Income) as a percent of the total number of renters, 2022



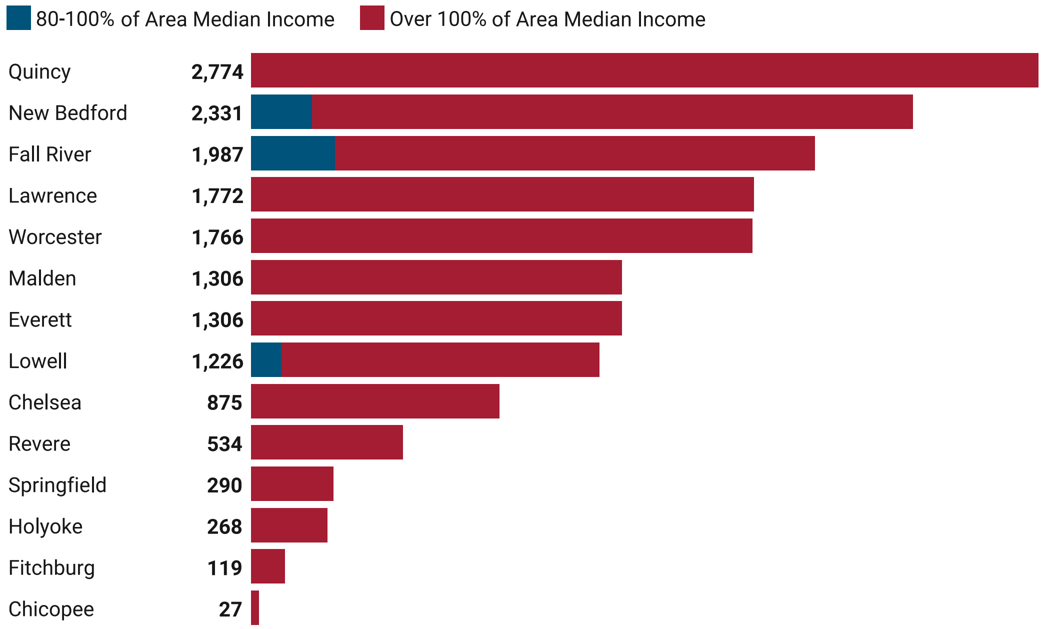
Source: Analysis of American Community Survey 5-year estimates US Department of Housing and Urban Development

Figure SA.6 – Shortage of units affordable to middle- and upper-income households (those earning more than 80 percent of Area Median Income) as a percent of the total number renters, 2022



Source: Analysis of American Community Survey 5-year estimates US Department of Housing and Urban Development 2022 AMIs • Created with Datawrapper

Figure SA.7 – Latent demand for homeownership among existing Gateway City renters, 2022



Gateway Cities not shown had no homeownership rate gap at moderate and upper incomes.

Source: Analysis of American Community Survey 5-year estimates • Created with Datawrapper

Adjustments to tenure balance (i.e., the ratio of for-sale units to rental units) can be used to increase homeownership in Gateway Cities while lowering the cost of achieving housing production needs.

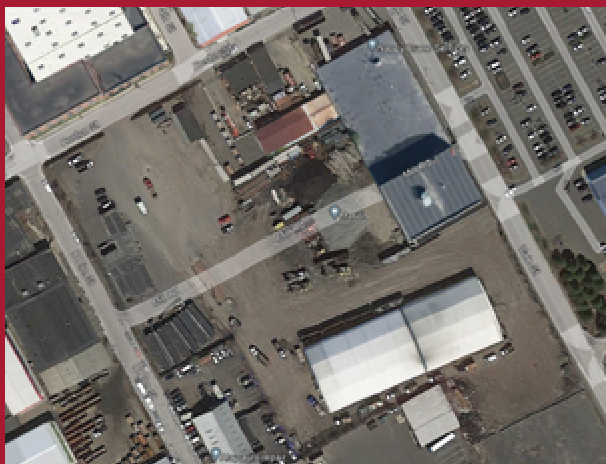
Nationally, the owner-occupancy rate has remained at around 65 percent over decades despite various attempts to increase it. In Gateway Cities, owner-occupancy rates are well below the national average at just 50 percent of all units, although there is considerable variation between Gateway Cities. If Gateway Cities with owner-occupancy rates below 65 percent focused their efforts on incentivizing the supply of ownership units, as many as 35,000 of the 83,000 units that need to be created by 2032 could be additional ownership units.

Compared to the scenario in which the tenure mix of households remains constant, 1,000 fewer housing units would need to be produced because of the lower vacancy rate needed in the for-sale market. Furthermore, the financial gap for condominiums is smaller than for rentals. Taken together, these two differences reduce the aggregate financial gap by a total of $2 billion. Though it is natural for cities to have a relatively large supply of rental units, old and new forms of ownership agreements make a diversity of high-density ownership opportunities possible.

Everett Balances Housing Production with Traffic and Parking Impacts

85 Boston Street

BEFORE



AFTER

Everett's Transportation Demand Management (TDM) Ordinance, adopted in 2021, has played a key role in facilitating the city's housing boom by making it easier for private developers to balance housing production with transportation impacts and the costs of providing onsite parking. Instead of lowering the statutory parking minimum outright, Everett allows developers to qualify for parking reductions by participating in the Transportation Management Association (TMA) and implementing traffic-reducing measures. The system uses a points-based approach, where developers accumulate credits through transportation initiatives such as installing bike facilities, providing incentives to take public transportation, and making financial contributions to public transportation infrastructure. This approach not only encourages less reliance on personal vehicles through transportation and parking-related measures, but also contributes to the creation of more walkable neighborhoods by awarding points for on-site public amenities, such as childcare and retail.

More recently, the city has further accelerated housing production by making the permitting process more efficient. What once required approvals through the Zoning Board of Appeals now goes through a streamlined site plan review by the Planning Department. Weekly meetings between developers and department heads before formal submissions further expedite projects. By removing bureaucratic hurdles and creating flexible parking requirements tailored to a transit-oriented approach, Everett has unlocked significant housing potential, launching a significant increase in housing production within the city.

1. Housing Production

To what extent is housing supply keeping pace with demand?

This section evaluates the relationship between housing production and demand in Gateway Cities and their suburbs over the past decade. It highlights how household growth has outpaced growth in the housing stock, thereby tightening markets and reducing vacancy rates. The focus is on not only the quantity of housing but also the availability of housing for year-round occupancy, accounting for factors like vacant and blighted properties as well as seasonal and recreational use.

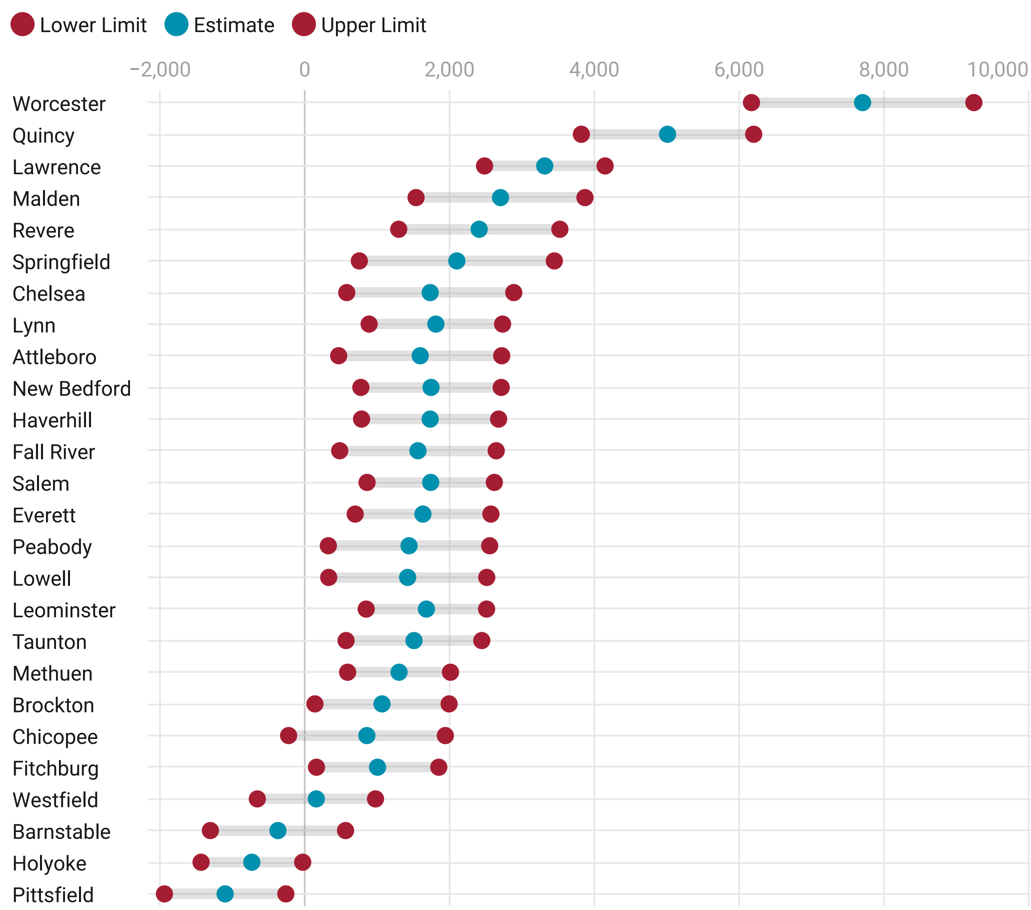
Between 2012 and 2022, Gateway Cities created over 40,000 new homes while their suburbs added more than 42,000.

Nearly all of the Gateway Cities (23 of 26) grew their housing stock over the past 10 years, adding 40,717 units in total across the 26 cities.[1] Worcester posted the largest gain, followed by Quincy, Lawrence, and Malden. Holyoke, Barnstable, and Pittsfield have seen slight reductions in their stock since 2012 (see Figure 1.1).

The suburbs surrounding regional Gateway Cities added 41,880 housing units between 2012 and 2022. Most of the suburban growth (86 percent) came from new single-family homes. In comparison, single-family housing accounted for less than half (44 percent) of the new units in Gateway Cities. Large buildings with 50 or more units accounted for 30 percent of the growth in Gateway Cities, compared to just 10 percent in the suburbs.

Assessor's data provide a more refined view of recent production in Gateway Cities from a smart growth perspective. For instance, 60 percent of the residential growth in Gateway Cities over the past decade came from ground-up new construction, while adaptative reuse of existing buildings contributed roughly 40 percent of the new homes. On average, 30 percent of the new housing in Gateway Cities was built within half a mile of a rail station in communities with commuter rail service. And while multifamily buildings did account for a large majority of housing unit growth, as noted previously, the assessor's data show that detached single-family homes represented the majority of new buildings (63 percent); two- and three-family homes made up less than 5 percent of the new growth in Gateway Cities over the past decade.

Figure 1.1 – Gateway Cities ranked by net change in occupiable, year-round housing units, estimate and confidence interval, 2012 to 2022



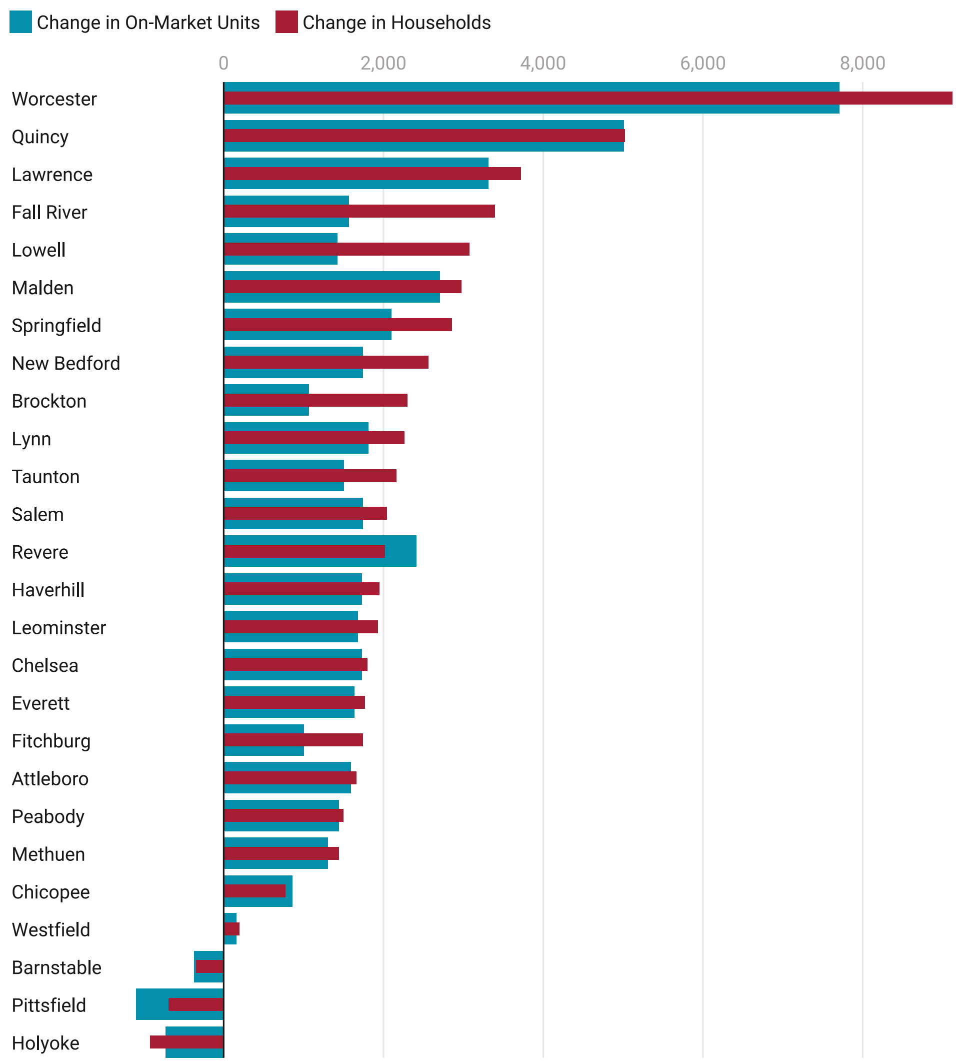
90% confidence intervals

Source: American Community Survey 5-year estimates • Created with Datawrapper

Census data capture another form of green building: rehabilitation of blighted housing. Between 2012 and 2022, these communities added to their housing supply by bringing 4,321 vacant properties back to the market.[2] Taken together, the creation of new units plus the return of existing units to the market led to a net increase of 45,038 homes for year-round occupancy in Gateway Cities between 2012 and 2022. Meanwhile, the suburbs brought 6,098 vacant properties back to the market, and 606 units moved from seasonal to year-round use, producing a net increase of 48,584 homes for year-round occupancy. All together, Gateway Cities and their suburbs increased the available housing stock by 93,622 units during this 10-year period.

Household growth outpaced growth in the housing stock by nearly 16,000 units in Gateway Cities and by over 6,000 units in their suburbs.

Figure 1.2 – Gateway Cities ranked by difference between household growth and net on-market housing unit growth, 2012 to 2022



Ranked by changed in number of households

Source: American Community Survey 5-year estimates • Created with Datawrapper

Between 2012 and 2022, the housing stock in both Gateway Cities and their suburbs grew by 5 percent. But the number of households increased at an even faster pace—8.2 percent in Gateway Cities and 6.7 percent in the suburbs. These disparate rates meant household growth exceeded the expansion of supply by 15,608 units in Gateway Cities and 6,098 units in their suburbs.

Nearly half (46 percent) of Gateway Cities experienced household growth in excess of 10 percent, with a large spike coinciding with the onset of the COVID-19 pandemic in 2020. In the three Gateway Cities where the housing stock contracted (Barnstable, Holyoke, and Pittsfield), the number of households also fell slightly from 2012 to 2022. Among the remaining 23 cities, household growth exceeded the increase in housing units available for year-round occupancy with just two exceptions (Chicopee and Revere). The gap between household and housing unit growth was greatest in absolute terms in Fall River (2,750 units), Lowell (2,491 units), Worcester (2,085), and New Bedford (2,012). Relative to the size of the 2022 housing stock, the discrepancies were largest in Fitchburg (6.6 percent), Fall River (6.3 percent), New Bedford (4.5 percent), and Brockton (3.3 percent; see Figure 1.2).

Springfield Converts Vacant and Abandoned Housing to Affordable Homeownership

Springfield responded to the 2008 housing foreclosure crisis by passing a vacant property ordinance that requires properties that have been vacant for 90 days or more to be registered to ensure proper maintenance. Since then, long-term vacancies have dropped from 3,369 in 2012 to 2,640 in 2022 according to census data. However, the city still has the second-highest number of vacant properties among Gateway Cities, trailing only Worcester.

In collaboration with retired housing court judge Dina Fein and the City of Springfield, Way Finders launched the City of Homes program. This initiative renovates vacant properties and sells them to moderate-income first-time homebuyers, thereby tackling blight, stabilizing neighborhoods, and fostering generational wealth.

Properties enter the program in three ways: direct purchase, through a city Request for Proposal (RFP), or via Special Attorney Receivership (SAR). SAR allows a court-appointed attorney to oversee the property's stabilization and sale to a nonprofit for development, bypassing traditional auctions that often lead to investor ownership and rental conversions.

The Affordable Homes Act, signed in August, amended the state's receivership law to allow courts to sell vacant properties to nonprofits at fair market value for rehabilitation and resale to eligible first-time homebuyers. This change is part of a larger effort to address housing shortages and promote homeownership, particularly in low-income neighborhoods and communities of color. Way Finders focuses on rehabilitating homes in at least six Springfield neighborhoods, including McKnight, Bay, and Six Corners.

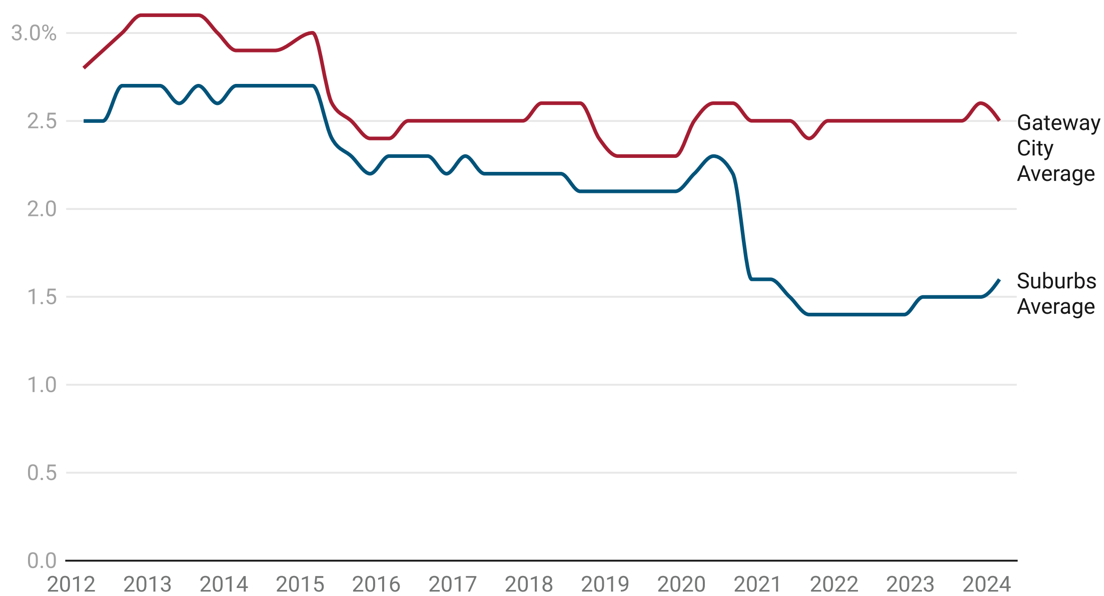
With household growth exceeding growth in supply, residential vacancy rates fell in Gateway Cities and their suburbs.

In the aggregate, residential vacancy rates for Gateway Cities and their suburbs have been below 5 percent for the past 10 years. In Gateway Cities, vacancy rates fell sharply between 2012 and 2015 as communities recovered from the foreclosure crisis. In Gateway City suburbs, vacancy has steadily declined since 2012, with a particularly steep drop in 2020.

As a general rule, there is sufficient housing if the share of properties available for rent or sale is above 5 percent of all occupiable housing units.[3] The most recent figures (March 2024) show that the residential vacancy rate is 2.5 percent in Gateway Cities and 1.6 percent in their suburbs. While the vacancy rate is slightly higher in Gateway Cities, these markets are actually more out of balance given the large share of renters in these communities (see Figure 1.3). Rental markets require a significantly higher natural vacancy rate (~7.4 percent) to keep prices from rising because tbecause they experience more churn and thus have a larger share of residents looking for housing at any given point in time. In contrast, the natural vacancy rate that keeps prices stable is much lower in homeownership markets (~1.5 percent), where households tend to stay put for longer periods of time.[4]

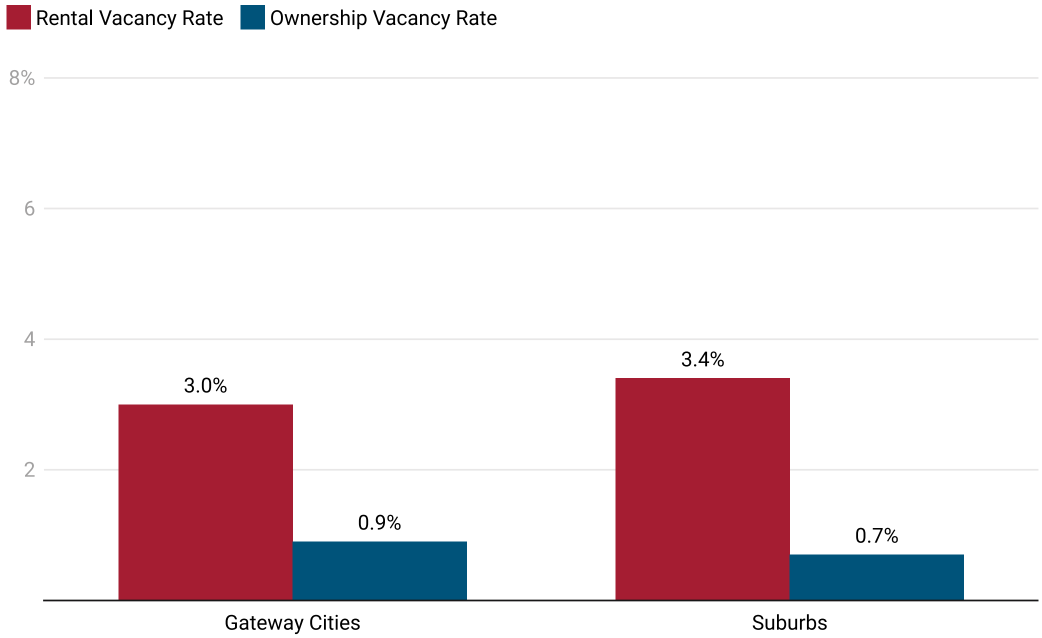
The ACS is the best data source for vacancy rates in both the rental and for-sale markets. The most recent ACS figures show that the rental and homeownership vacancy rates for Gateway Cities and their suburbs are similar (see Figure 1.4). While the rates vary by city, almost every community falls well below the natural vacancy rate for both rental and for-sale housing (see Figure 1.5).

Figure 1.3 – Residential vacancy rate, March 2012 to March 2024



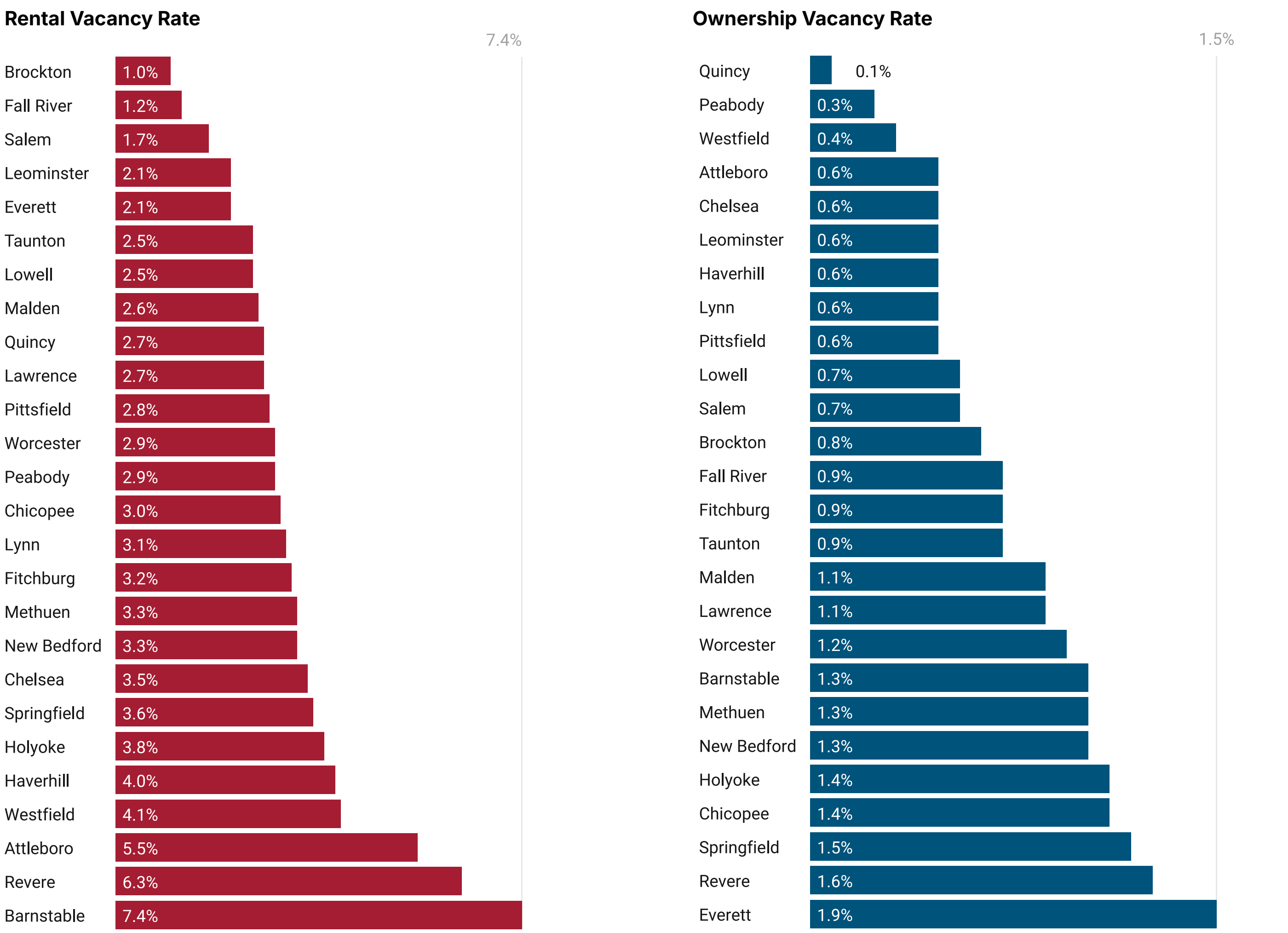
Source: HUD Aggregated USPS Administrative Data on Address Vacancies • Created with Datawrapper

Figure 1.4 – Vacancy rate of year-round, occupiable housing units, 2022



Source: American Community Survey 5-year estimates • Created with Datawrapper

Figure 1.5 – Vacancy rates of year-round, occupiable housing units by Gateway City and tenure, 2022



Source: American Community Survey 5-year estimates • Created with Datawrapper

Gateway Cities have enough vacant units that are not on the market to address nearly two-thirds of the estimated housing shortage.

The vacancy rates reported above are for the roughly 15,000 rental and ownership units on the market in Gateway Cities. However, there are over 23,000 vacant units in the "other vacant" category. These are generally long-term vacant units (i.e., properties that are caught in probate or foreclosure proceedings or are uninhabitable due to poor physical condition). Nearly 10 percent of the net housing unit growth in Gateway Cities between 2012 and 2022 came from returning 4,300 long-term vacant units to the market in the recovery from the Great Recession. With 23,000 vacant units still in limbo, Gateway Cities could address nearly two-thirds of the immediate 36,000-unit housing shortage (described in the Special Analysis section) by bringing these vacant units back online.

Westside Legends transforms from neighborhood organization to local housing developer

Pittsfield's Westside neighborhood exemplifies the impact that a history of redlining and discriminatory housing policies can have on a community. In the 1930s, federal redlining restricted mortgage access in "high-risk" areas like Westside, where many Black and immigrant families lived. Without financing, property conditions declined and neglect worsened. Later, urban renewal projects in the 1960s displaced many residents and isolated the neighborhood. Today, the impact of these policies lingers in the form of lower Black homeownership rates, concentrated poverty, health disparities, and lower life expectancy, according to a 2022 report by the NAACP of Berkshire County.

Tony Jackson, who grew up in Westside and witnessed these effects firsthand, founded Westside Legends to help revitalize the community. Initially a neighborhood organization, Westside Legends pivoted to address housing challenges after a partnership grew out of a discussion with Greylock Federal Credit Union and other local funders. What began as a conversation about a mural grant application evolved into a mortgage assistance program that aims to help people of color and other Westside residents overcome savings and credit score barriers. Realizing that the homes that were available for purchase at affordable prices weren't always high quality, Westside Legends later launched a "buy-back" initiative to purchase, renovate, and resell homes affordably, thereby fostering wealth-building for local families. They are now developing 16 new townhomes, called Legacy Townhomes, which will provide high-quality housing to neighborhood residents.

MassDevelopment's Transformative Development Initiative and MassHousing's Neighborhood HUB Program have provided hands-on support and financial assistance to help Westside Legends emerge as a positive force for change. Jackson's journey from concerned citizen to local housing developer highlights the value of cultivating community-rooted leaders who understand residents' needs and local conditions when addressing housing-related challenges. By investing time and treasure in the development of a locally made housing developer, Pittsfield is drawing investment to an underserved community while also ensuring that redevelopment respects the community's history and supports practical, resident-centered solutions.

2.

Housing Affordability

How affordable is housing for Gateway City residents?

This section explores housing affordability for residents of Gateway Cities and their suburbs in both the rental and for-sale markets. Despite significant variation in rent across these cities, this analysis finds a large proportion of renters face heavy cost burdens and for-sale housing is out-of-reach for most residents in all communities. This section also describes the state of the affordable housing inventory in Gateway Cities and their suburbs, including both naturally-occurring and deed-restricted units.

Asking rents vary considerably across the state's Gateway Cities, with apartments in the most expensive cities costing twice as much as those in the least expensive cities.

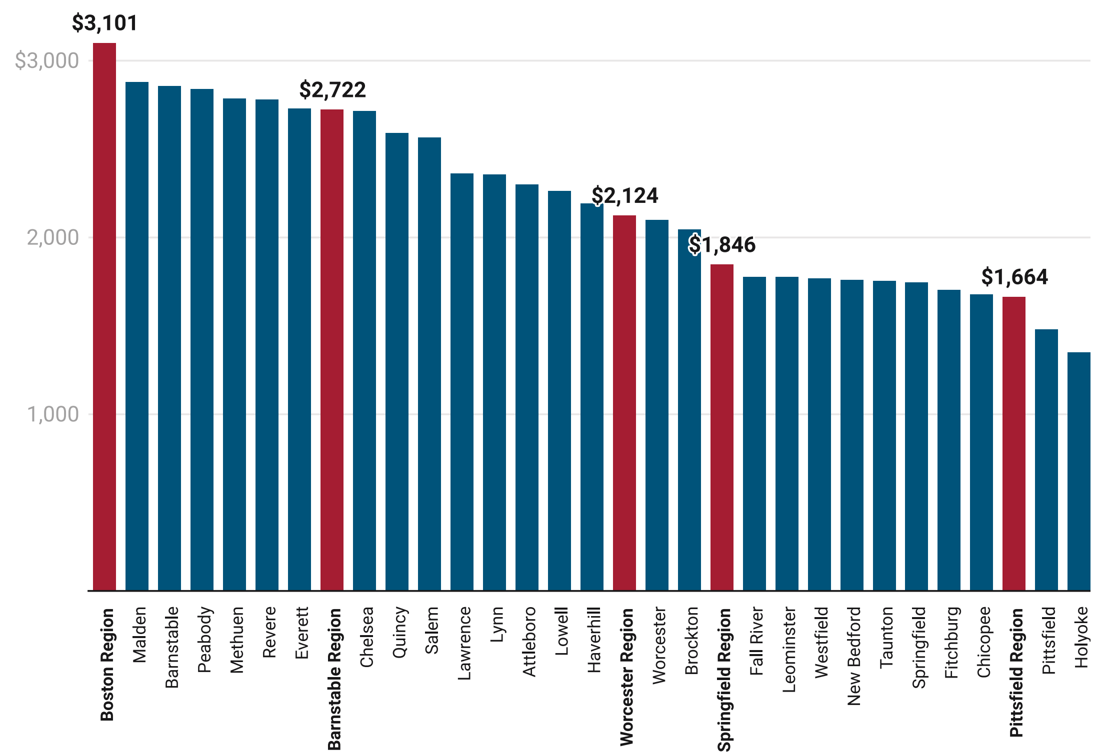
In July 2024, typical asking rents ranged from $1,350 in Holyoke to $2,878 in Malden—a difference of more than 100 percent (see Figure 2.1). With the exception of Barnstable, which is on Cape Cod, all of the most expensive Gateway Cities are found in Greater Boston. The converse is also true, as the least expensive Gateway Cities are located the furthest from the Greater Boston area. This wide range of market conditions—and the geographic pattern they create—places Gateway Cities into three buckets:

- **Most Expensive:** includes Malden, Barnstable, Peabody, Methuen, Revere, Everett, Chelsea, Quincy, and Salem. Typical asking rents in these Gateway Cities ranged from $2,500 to nearly $3,000 in July 2024.

- **Moderately Expensive:** includes Lawrence, Lynn, Attleboro, Lowell, Haverhill, Worcester, and Brockton. Typical asking rents in these Gateway Cities ranged from $2,000 to $2,400 in July 2024.

- **Least Expensive:** includes Fall River, Leominster, Westfield, New Bedford, Taunton, Springfield, Fitchburg, Chicopee, Pittsfield, and Holyoke. Typical asking rents in these Gateway Cities ranged from $1,300 to $1,800 in July 2024.

Figure 2.1 – Typical asking rents, Gateway Cities and regions, July 2024

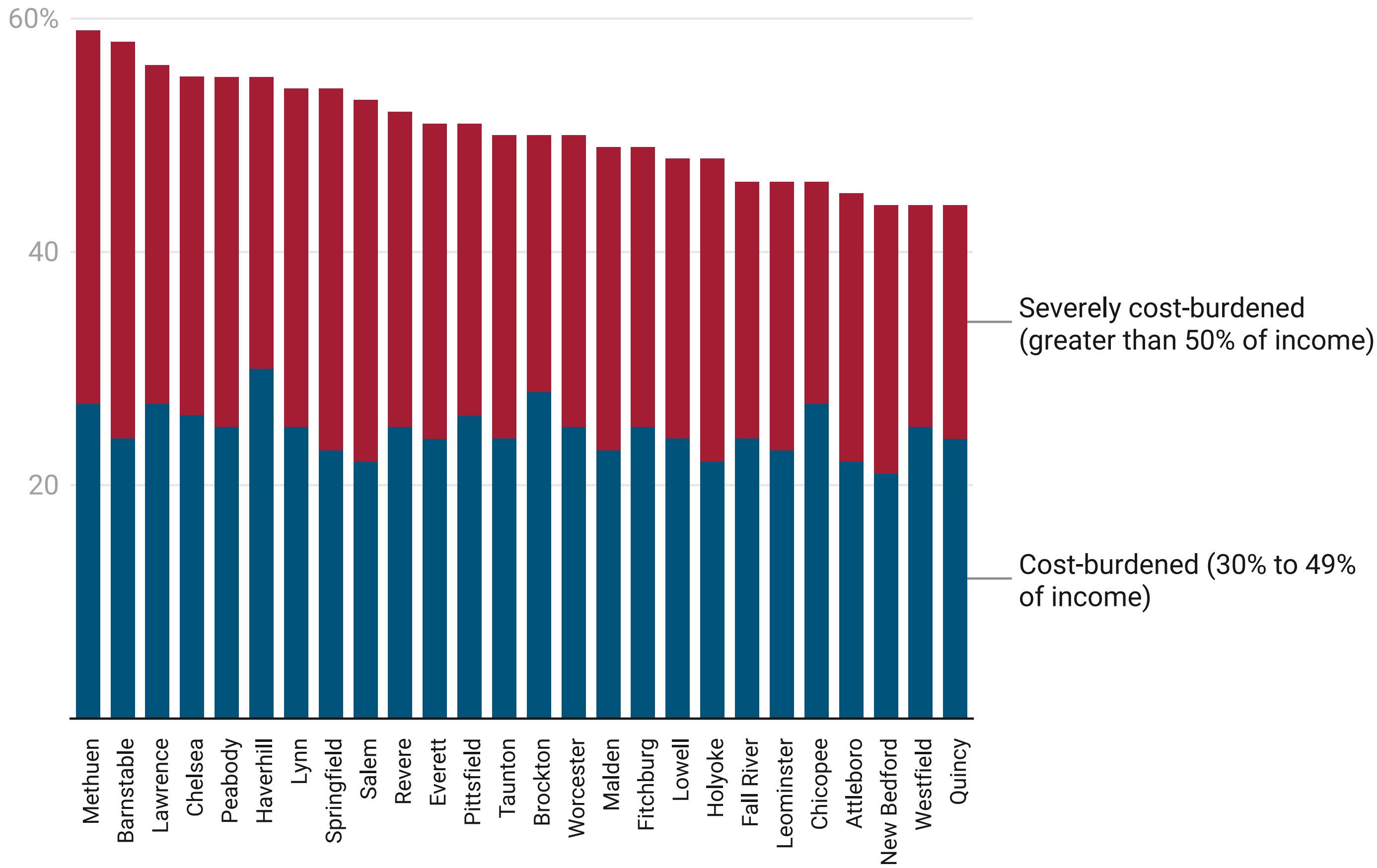


Source: Zillow Observed Rent Index • Created with Datawrapper

Across Gateway Cities, half of renters are cost-burdened with little discernable geographic pattern.

On average, exactly half of Gateway City renters spend more than 30 percent of their income on rent. And one-quarter are extremely cost-burdened, meaning that rent consumes more than 50 percent of their income. The variability across Gateway Cities on this affordability measure is much less extreme than for rent levels because income also varies by region (see Figure 2.2). Proximity to Boston has little influence on the share of renters experiencing housing cost burdens. The housing cost burdens for renters in Pittsfield are about the same as those experienced by renters in Everett and Revere. From 44 percent of renters in Quincy to 59 percent in Methuen, the spread between the lowest and highest cost-burden community is just 15 percentage points.

Figure 2.2 – Rent burden levels, 2022



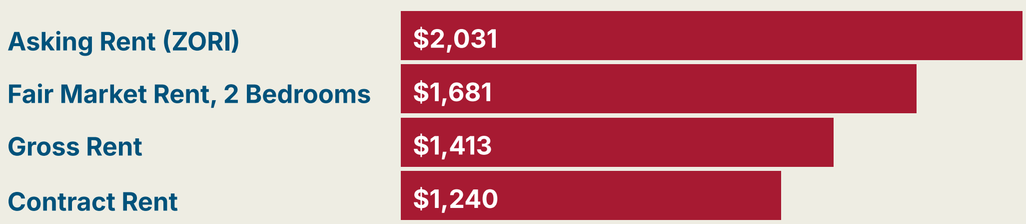
Source: American Community Survey 5-year estimates • Created with Datawrapper

Measuring Rent

Rent estimates that are reported by available data sources vary greatly and are designed to measure different things. In the report, we generally use Zillow's Observed Rent Index to get the most recent information about how much landlords are requesting for their units and contract rent from the Census Bureau to measure the amount current tenants are actually paying.

- **Contract rent** is the monthly rent agreed to or contracted for, regardless of any furnishings, utilities, fees, meals, or services that may be included. Data are from the American Community Survey.
- **Gross rent** is the contract rent plus the estimated average monthly cost of utilities (electricity, gas, and water and sewer) and fuels (oil, coal, kerosene, wood, etc.) if these are paid by the renter (or paid for the renter by someone else). Data are from the American Community Survey.
- **Fair Market Rents** are estimates of 40th percentile gross rents for standard quality units within a metropolitan area or nonmetropolitan county. Data are from the US Department of Housing and Urban Development (HUD).
- The **Zillow Observed Rent Index (ZORI)** measures changes in asking rents for vacant units available to rent, regardless of the final contracted amount, controlling for changes in the quality of the available rental stock over time. Data are from Zillow Research.

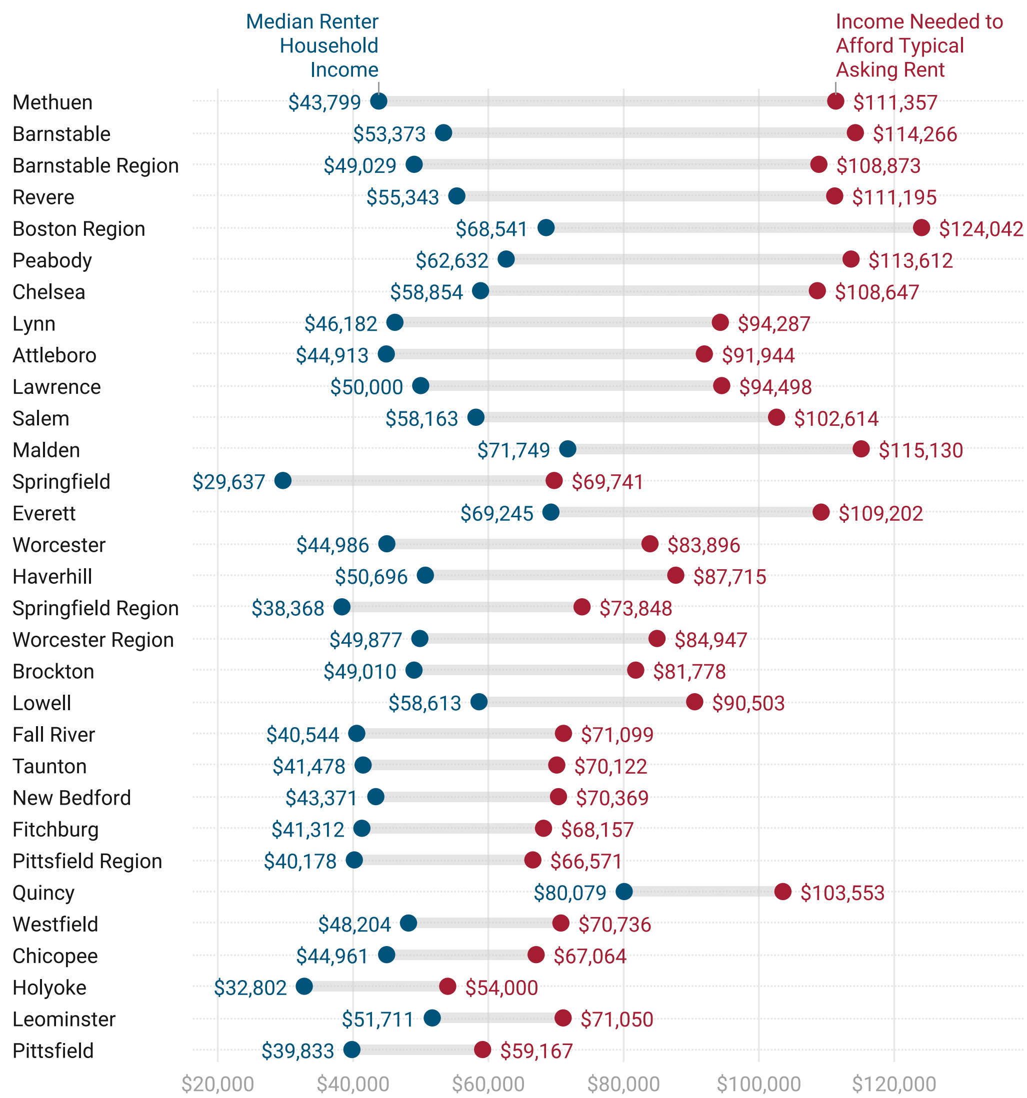
2022 Gateway City Average



Median renter incomes would need to increase an average of $38,000 to afford current asking rents.

On average, the median Gateway City renter household earns about $50,000 per year. However, the minimum annual income needed to afford today's asking rents is $88,000. Income for the average Gateway City household would need to rise by $38,000 for residents to afford apartments that are currently on the market. This income shortfall ranges from $19,000 in Pittsfield, where households need an annual income of at least $60,000 to afford a typical apartment, to $68,000 in Methuen, where households must earn at least $111,000 to make today's asking rents work for their budgets (see Figure 2.3).

Figure 2.3 – Income needed to afford typical asking rents and median household income of renters, ranked by difference, Gateway Cities and Metropolitan Statistical Areas, July 2024

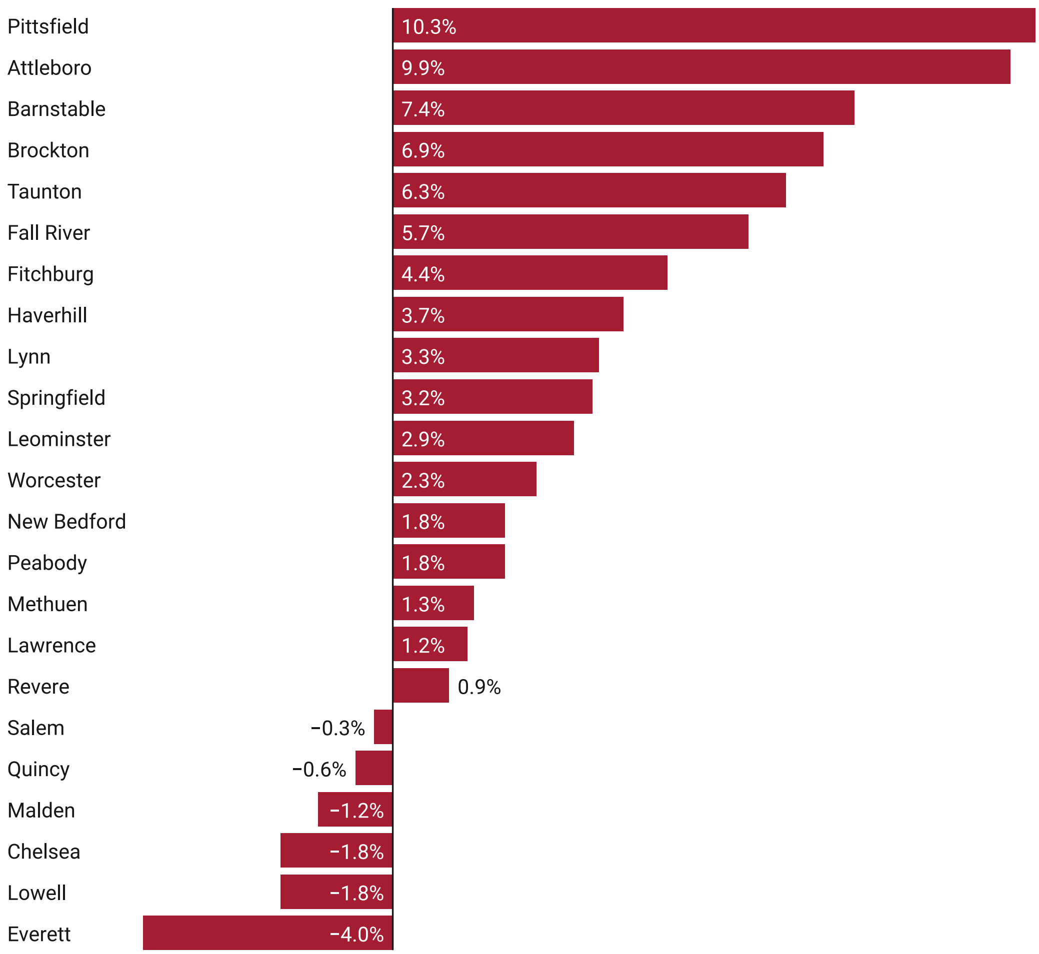


Source: Zillow Observed Rent Index and American Community Survey 5-year estimates, adjusted for inflation to 2024 dollars • Created with Datawrapper

While rent increases appear to be moderating across the Gateway Cities on average, rents are still rising steadily in communities furthest from Boston.

On average, inflation-adjusted asking rents in Gateway Cities increased by just 2.3 percent between July 2023 and July 2024. However, in a number of communities well beyond the Boston area—including Attleboro, Barnstable, Fall River, Pittsfield, and Taunton—asking rent increased by more than 5 percent over the past year. At the same time, rents fell in Chelsea, Everett, Malden, Quincy, and Salem (see Figure 2.4). This geographic pattern meant that the gap between local asking rents and rents in Greater Boston narrowed in 19 of the 26 Gateway Cities.[1]

Figure 2.4 – Percent change in typical asking rents, Gateway Cities, July 2023 to July 2024



Source: Zillow Observed Rent Index, adjusted for inflation to 2024 dollars • Created with Datawrapper

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How we define *affordable housing* for this analysis

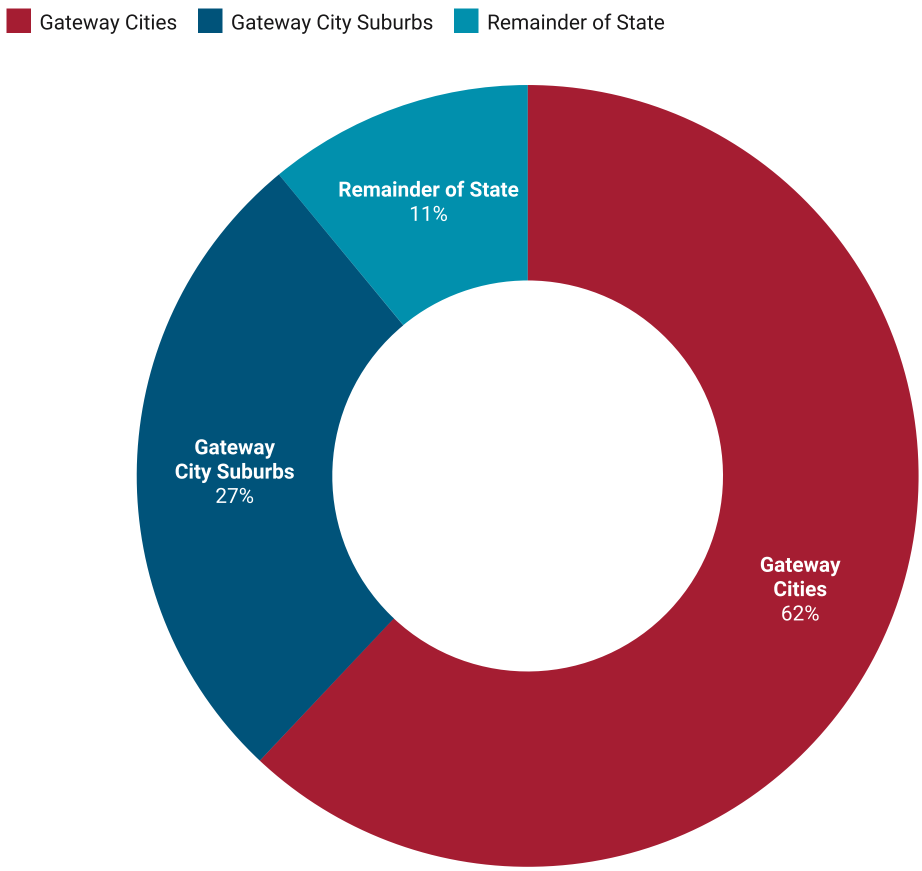
The term *affordable housing* is often used to describe many different things, but here it includes both naturally occurring and deed-restricted affordable housing. Naturally occurring affordable housing encompasses any housing that is affordable to people earning less than 50 percent of state median income.[1] Deed-restricted housing is both rental and for-sale housing that is limited to those with low or moderate income. This latter category is sometimes referred to as “subsidized housing,” but not all deed-restricted housing is produced with government subsidies (as is the case with affordable units created through inclusionary zoning).

Gateway Cities are home to nearly two-thirds of the state's naturally occurring affordable housing stock. Rising rents pose a threat to this limited resource.

The older market-rate housing stock in Gateway Cities rents at lower price levels that are relatively affordable without public subsidy. In the parlance of the industry, this is "naturally occurring affordable housing" (NOAH), of which there are 183,000 units across the state.[2] Our estimates show that NOAH represents 46 percent of all the affordable rental housing in Massachusetts, and 62 percent of the NOAH units in the state are located in Gateway Cities (see Figure 2.5). Notably, outside of Gateway Cities, the vast remainder of the NOAH units in Massachusetts are located in Gateway City suburbs. There are almost no NOAH units remaining in Boston or the Greater Boston suburbs.

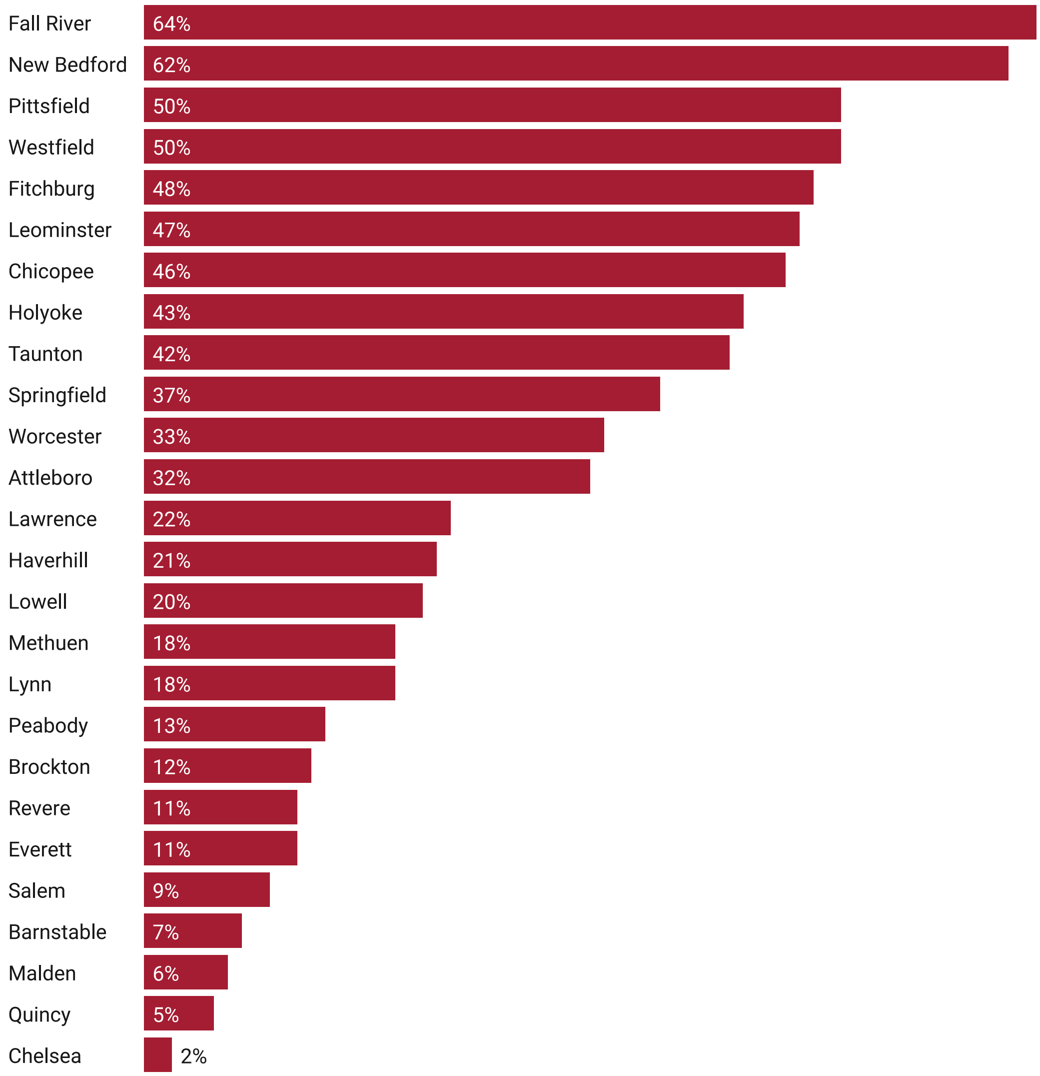
In the Gateway Cities near Boston, NOAH is already scarce. In Chelsea and Quincy, less than 5 percent of market-rate units are NOAH. Further from Boston, there are still large deposits; NOAH makes up half or more of the apartments in Fall River, Pittsfield, New Bedford, and Westfield (see Figure 2.6).

Figure 2.5 – Where naturally occurring affordable housing is located, Gateway Cities and suburbs, 2022



Source: Analysis of data from Housing Navigator, the American Community Survey, and the Massachusetts Department of Housing and Livable Communities • Created with Datawrapper

Figure 2.6 – Percent of all rental units that are naturally affordable, Gateway Cities, 2022



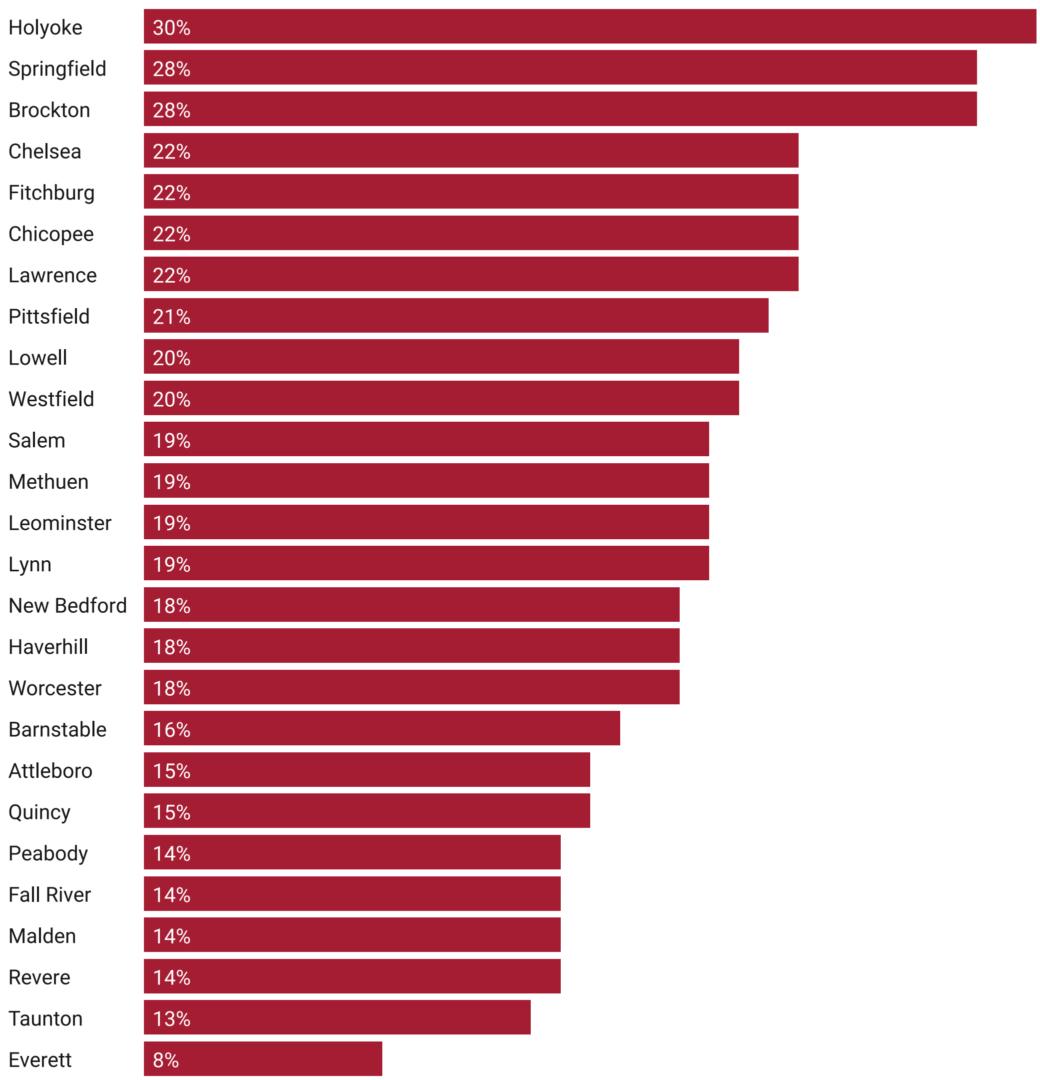
Source: Analysis of data from Housing Navigator, the American Community Survey, and the Massachusetts Department of Housing and Livable Communities • Created with Datawrapper

One out of five rental units in Gateway Cities is deed-restricted for affordability. While a similar share of rental units is restricted in their suburbs, the suburbs have very few rentals in their stock, and age-restricted units make up more than half of their affordable rentals.

Gateway Cities have nearly 75,000 deed-restricted rental units that provide a buffer against rising rents. However, the share of the rental stock that is deed-restricted for affordability varies considerably, from just 8 percent in Everett to 38 percent in Holyoke (see Figure 2.7).

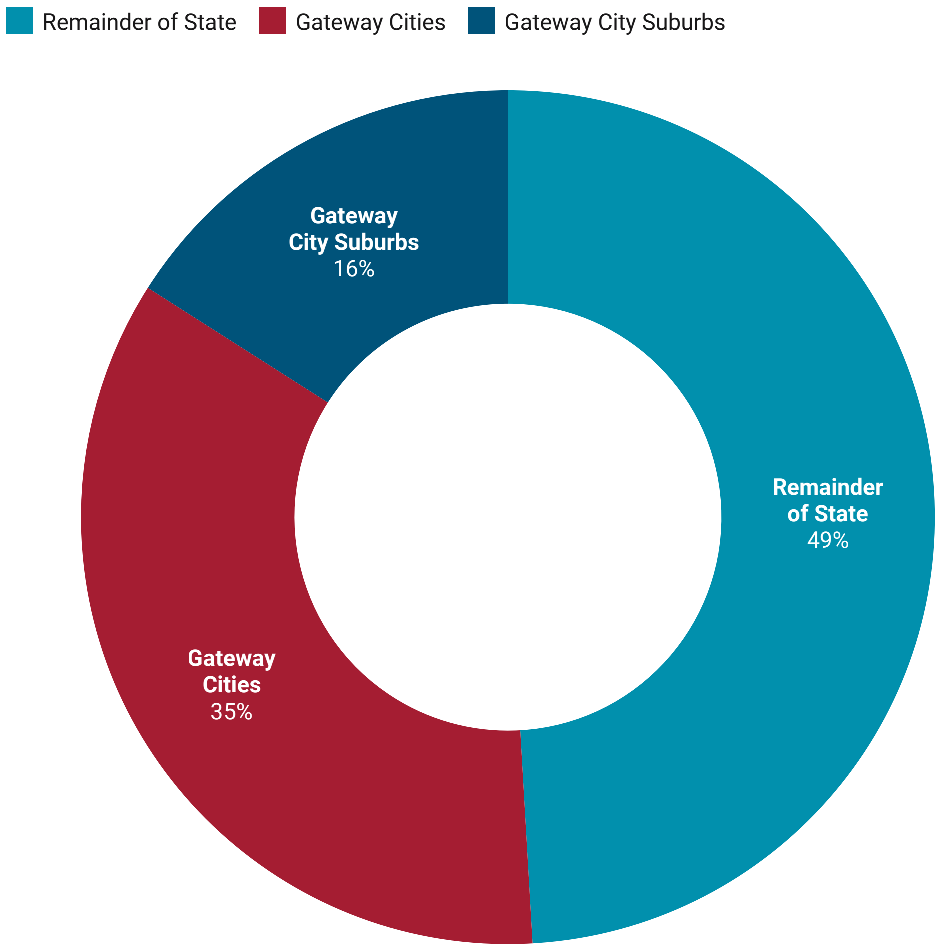
As a share of all rentals, Gateway Cities and their suburbs actually have a very similar proportion of deed-restricted affordable housing (see Figure 2.9). However, the cities have twice as many rental units, which means that their affordable rental stock is also double that of their suburbs. Moreover, the majority of deed-restricted affordable rental housing units located in the suburbs are limited to older adults (56 percent), whereas just over one-third (36 percent) are limited to this population in the cities (see Figure 2.10). While more sizeable units are uncommon in all communities, Gateway Cities are also more likely to have larger family-sized deed-restricted affordable apartments with three or more bedrooms (14 percent vs 8 percent).[3]

Figure 2.7 – Percent of all rental units that are deed-restricted for affordability, Gateway Cities, 2023



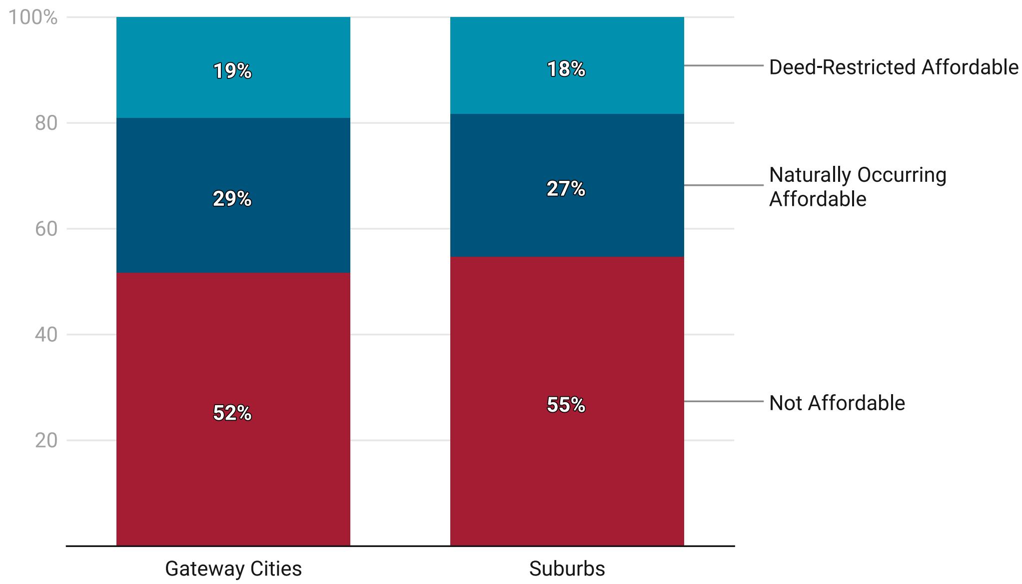
Source: Housing Navigator • Created with Datawrapper

Figure 2.8 – Where deed-restricted affordable housing is located, Gateway Cities and suburbs, 2023



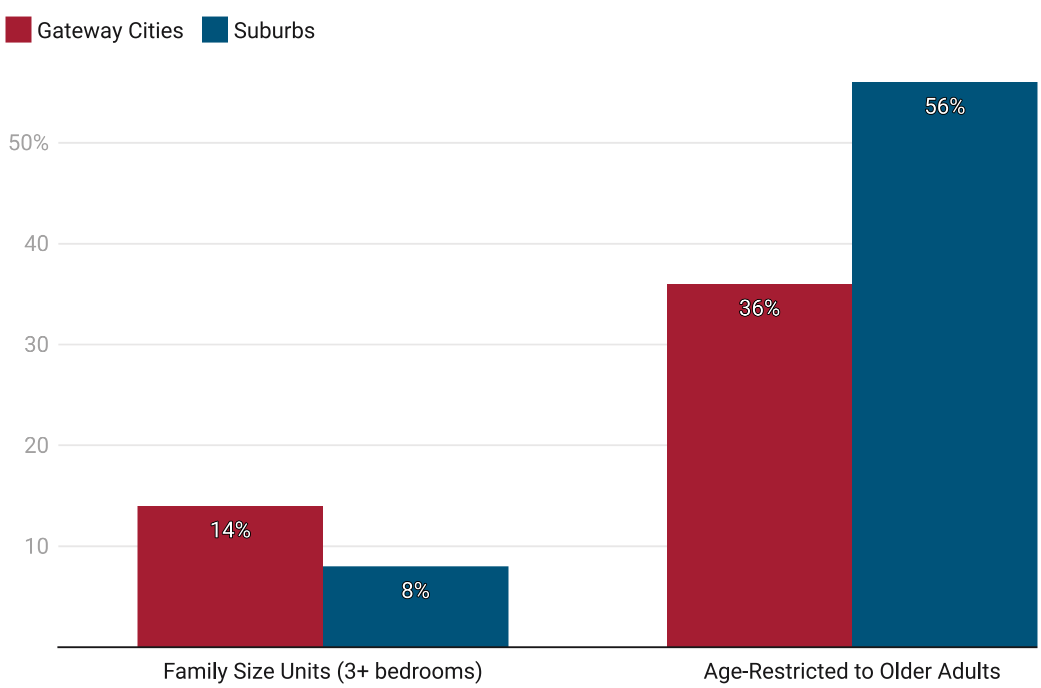
Source: Analysis of data from Housing Navigator, the American Community Survey, and the Massachusetts Department of Housing and Livable Communities • Created with Datawrapper

Figure 2.9 – Percent of rental housing by affordability type, Gateway City and suburb totals, 2022 and 2023



Source: Analysis of data from Housing Navigator, the American Community Survey, and the Massachusetts Department of Housing and Livable Communities • Created with Datawrapper

Figure 2.10 – Percent of deed-restricted affordable housing units by bedroom size and age restrictions, Gateway Cities and suburbs, 2023



Source: Housing Navigator Massachusetts • Created with Datawrapper

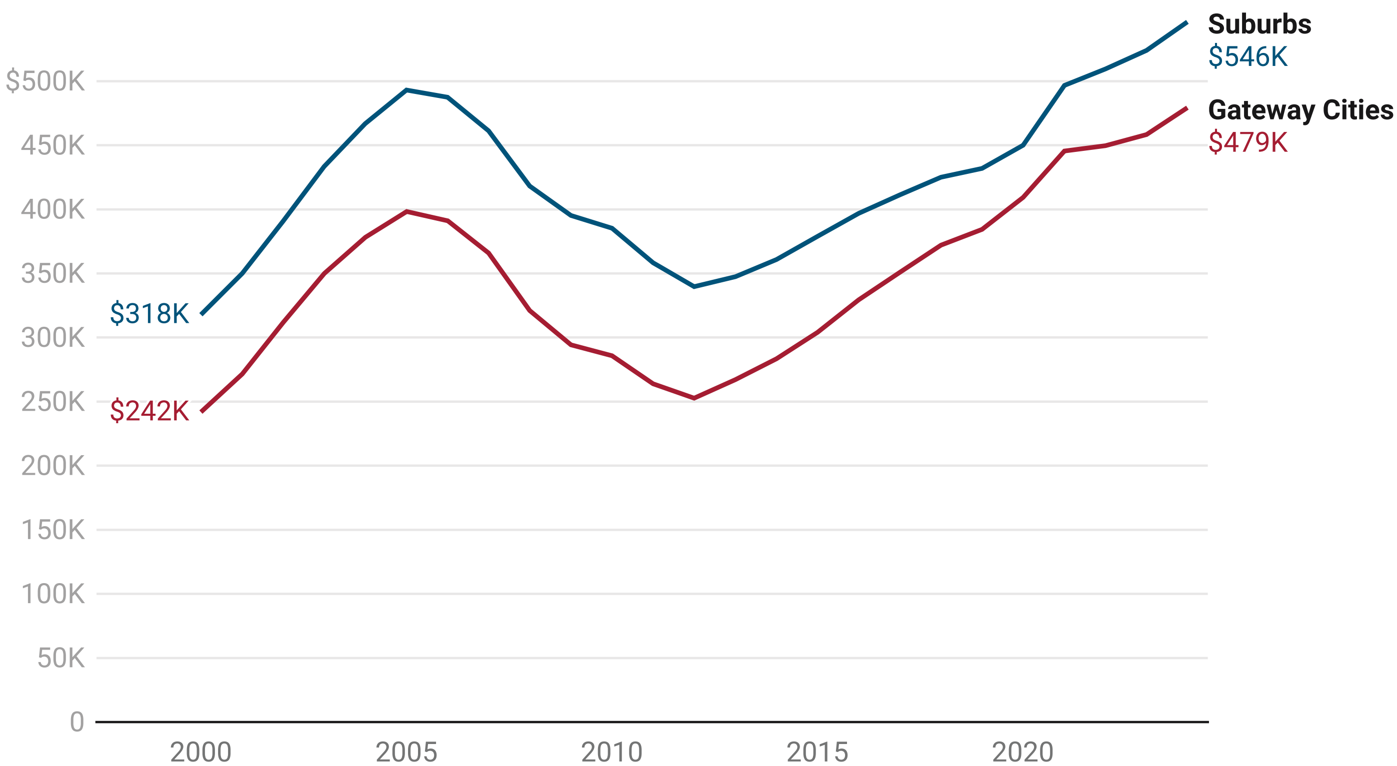
The For-Sale Market:

Gateway City home prices are rising faster than rents.

Adjusted for inflation, home prices have risen steadily in Gateway Cities since the bottom of the Great Recession in 2012. They surpassed the 2005 peak in April 2020 and then rose an additional 20 percent (see Figure 2.11). While the growth did stall for a period in 2022 and 2023, prices rose 5.5 percent above inflation over the past year. Every Gateway City saw home values increase between July 2023 and July 2024, with the strongest growth in New Bedford (7.9 percent), Lawrence (7.6 percent), Fitchburg (7.6 percent), and Lowell (7.1 percent).

The strong recovery from the Great Recession narrowed the gap between Gateway City and suburban home values significantly from 2012 to 2020, from 74 percent of suburban home values in 2012 to 91 percent in 2020. Since then, the gap has widened slightly to 88 percent, but it is still 14 percentage points narrower in 2024 than in 2012.

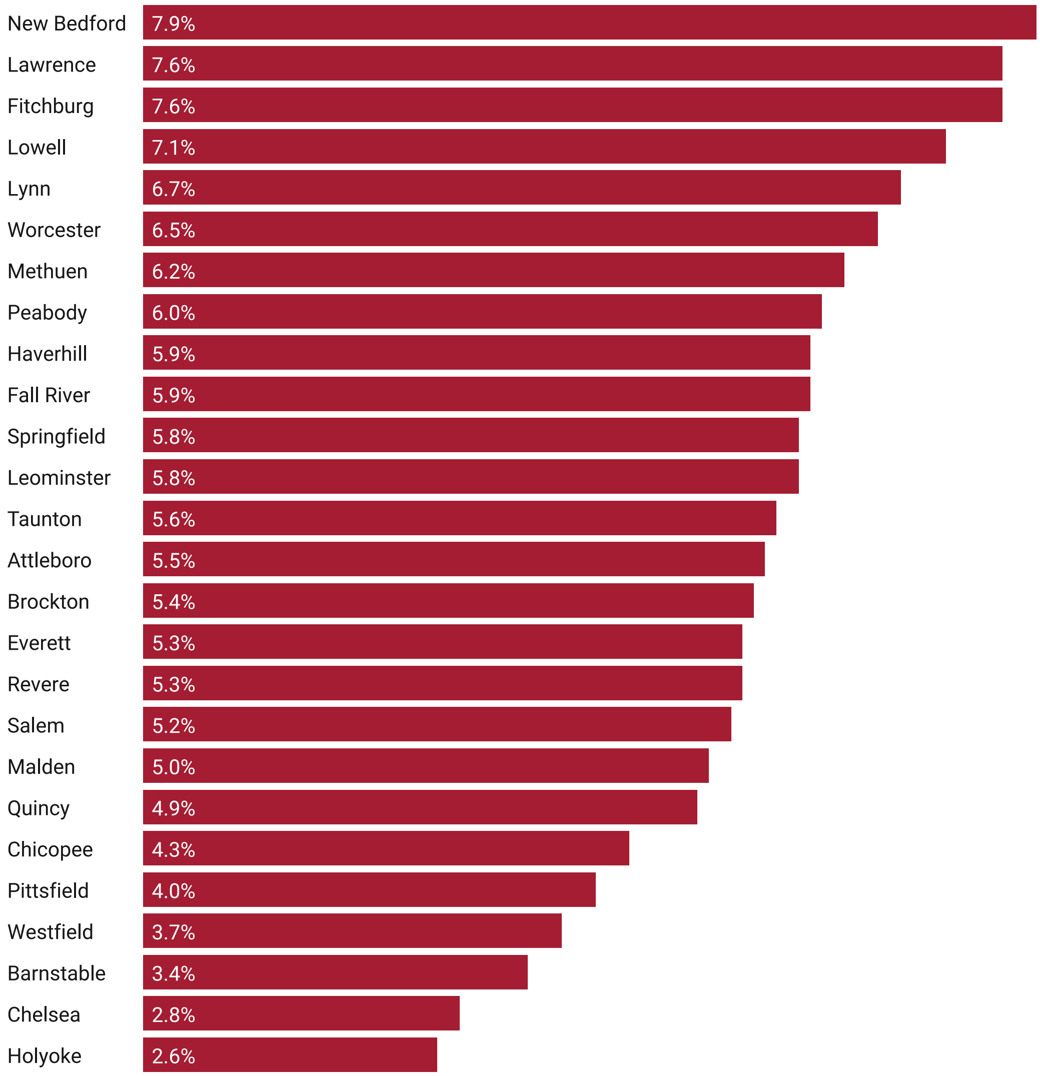
Figure 2.11 – Typical home values, Gateway City and suburban annual averages, January 2000 – July 2024



2024 dollars

Source: Zillow Home Value Index • Created with Datawrapper

Figure 2.12 – Growth in typical home values by Gateway City, July 2023 – July 2024



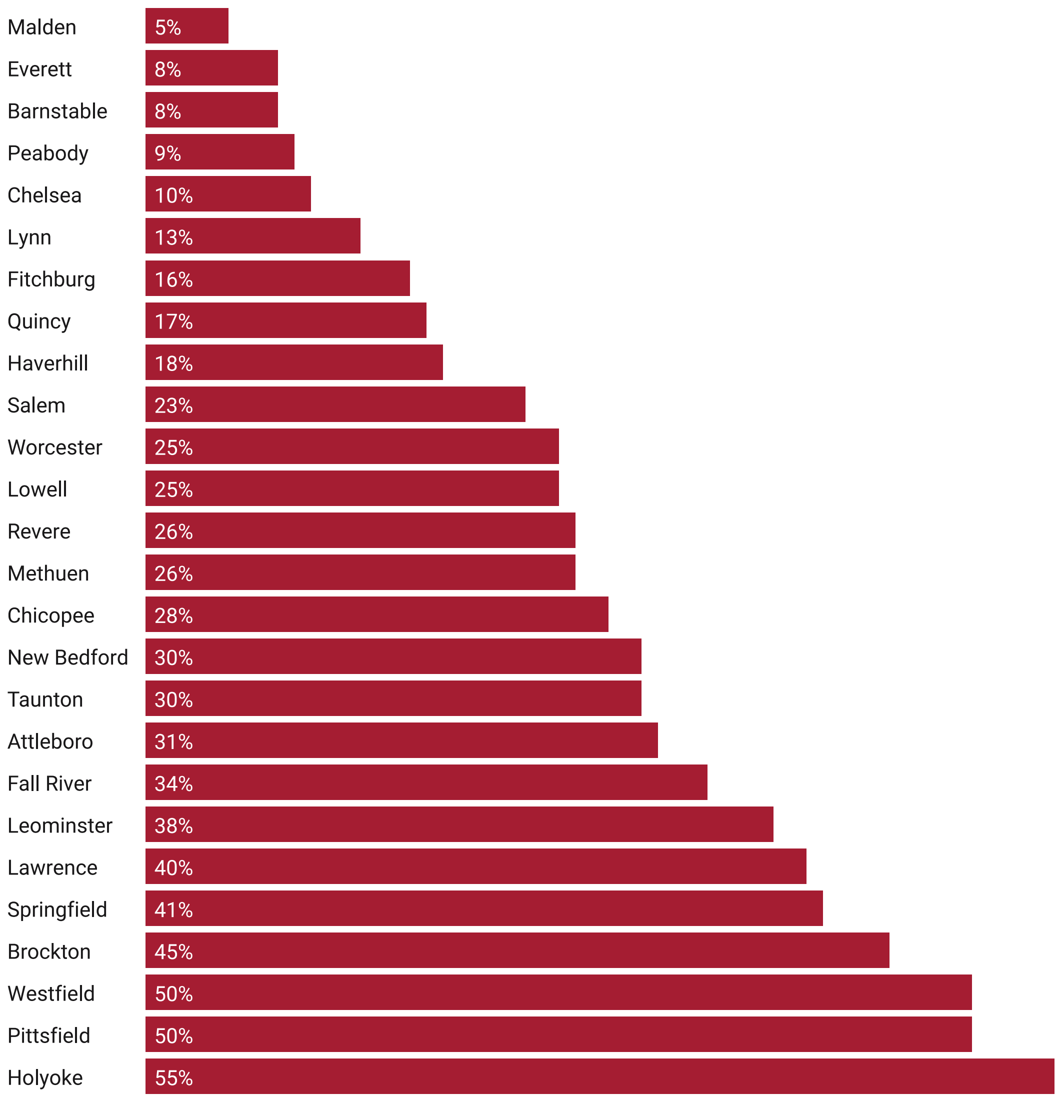
Constant 2024 dollars

Source: Zillow Home Value Index • Created with Datawrapper

Homes are unaffordable to nearly three-quarters of Gateway City residents.

Rising home prices mean that homes have become increasingly unaffordable to aspiring first-time home buyers and people wishing to purchase a new home. On average, just 27 percent of residents can afford the median-priced home in Gateway Cities. Homes are particularly unaffordable to residents of Gateway Cities near Boston. In Malden, just 5 percent of households can afford the current median price (see Figure 2.13).[4]

Figure 2.13 – Percent of households able to afford a new 30-year mortgage at current terms, July 2024



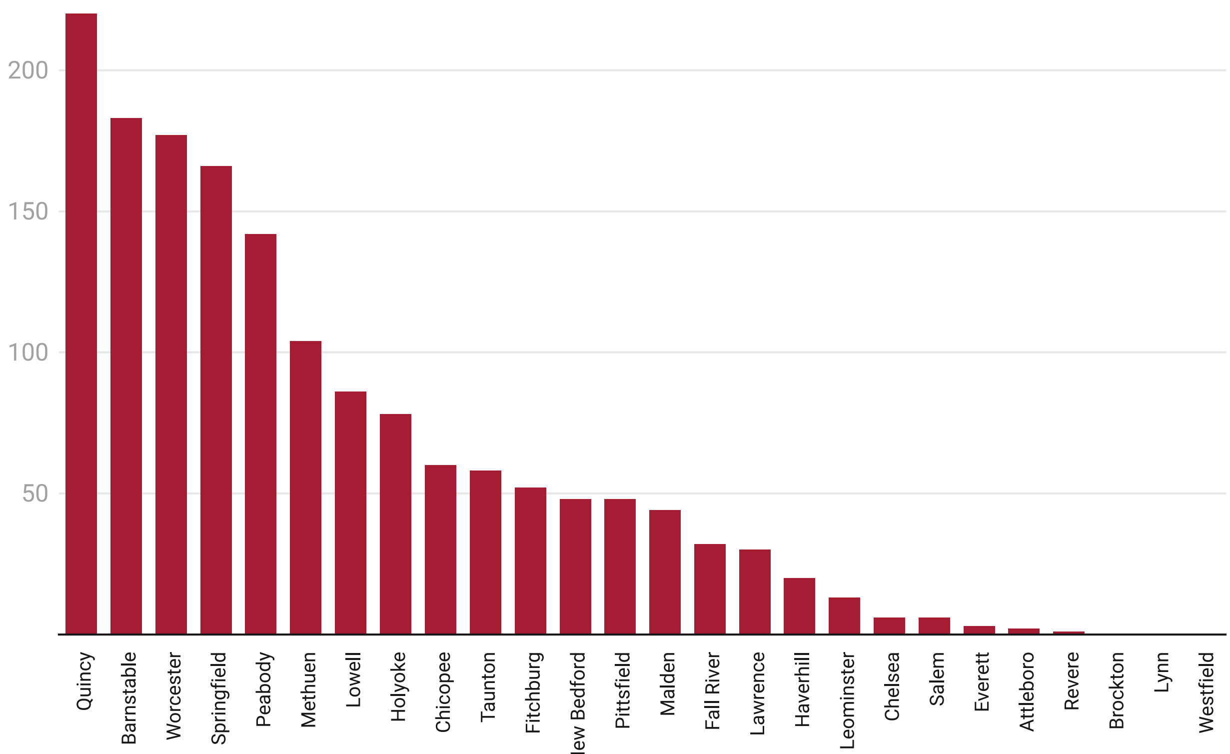
Source: Analysis of American Community Survey, Zillow, and Federal Reserve Economic Data • Created with Datawrapper

Gateway Cities have very few affordable homeownership units, particularly when compared with rental units.

Massachusetts created a Subsidized Housing Inventory (SHI) for the purposes of compliance with Chapter 40B (also known as the Comprehensive Permit Law), which aims to ensure that at least 10 percent of a community's housing stock qualifies as affordable to low- and moderate-income households. This inventory enables developers to apply for comprehensive permits if a community falls below the 10-percent threshold. There are very few deed-restricted affordable ownership units on the SHI—but they do exist. Both rental and ownership units are eligible to be included in the SHI, as long as they meet certain affordability criteria, making the SHI a rare source of information about affordable ownership units. However, it is important to note that not all deed-restricted affordable units have been added to the SHI, and not all ownership units on the SHI are affordable.

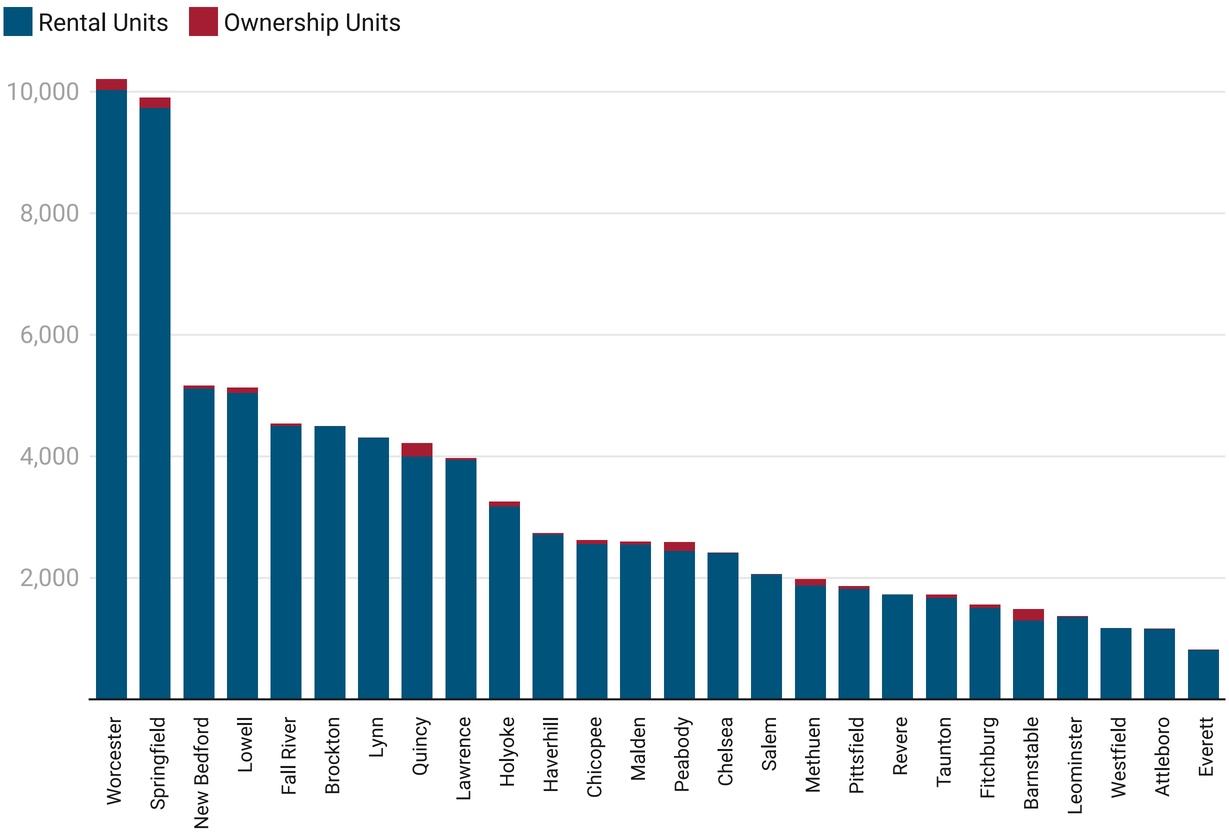
Among Gateway Cities, the number of ownership units on the SHI ranges from 220 in Quincy to zero in Brockton, Lynn, and Westfield (see Figure 2.14). Ownership units are a small fraction of the overall affordable rental stock listed on the SHI, accounting for just 1.9 percent of all units on the SHI in Gateway Cities (see Figure 2.15). In Barnstable, ownership units contribute the most toward meeting the 10-percent SHI threshold, with ownership units on the SHI accounting for 0.8 percent of all year-round units. Proportionally, the suburbs around Lowell have the most ownership units on the SHI among the regions studied for this report, accounting for 1.0 percent of all year-round units.

Figure 2.14 – Ownership units counted on the Subsidized Housing Inventory, Gateway Cities, June 2023



Source: Executive Office of Housing and Community Development, June 2023 • Created with Datawrapper

Figure 2.15 – Units listed on the Subsidized Housing Inventory by tenure, Gateway Cities, June 2023



Source: Executive Office of Housing and Community Development, June 2023 • Created with Datawrapper

Lynn and Salem Adopt the Commonwealth Development Compact

In May of 2023, the Gateway Cities of Salem and Lynn—along with Boston, Cambridge, and Somerville—became the initial signatories to the Commonwealth Development Compact, which commits them to incorporating Diversity, Equity, and Inclusion (DEI) evaluation criteria of real estate development projects, as well as incorporating DEI consideration into development more generally. Expanding on the Massport Model for public land disposition, the Compact is designed to build capacity and economic opportunity for minority- and woman- owned firms to participate in real estate development and benefit the people and businesses in the communities where such development occurs.

For municipal-owned properties, Salem and Lynn will ensure that a DEI plan comprises 25 percent of the evaluation criteria for responses to RFPs. They will also request that all private projects needing special permits or zoning relief include a DEI Plan Disclosure. The DEI standards can be met in a variety of ways, including by contracting with minority and woman-owned businesses, partnering with diverse equity investors, adding space for community use and retail, or creating internships and talent pipelines that are promoted to populations of color.

The initial signatories are part of a pilot project, the results of which will be collected, evaluated, and discussed with other municipalities and Compact partners. The goal is to expand these practices across the state, ensuring that future development projects prioritize diversity, equity, and inclusion while fostering long-term economic growth in underserved communities.

3. Conditions for Growth

How do the economics of housing production vary across Gateway Cities?

This section explores financial, regulatory, and infrastructure-related drivers of housing production in Gateway Cities. The analysis shows how the high cost of construction currently makes it economically challenging to produce new housing in Gateway Cities across the state. While these communities have instituted a variety of policies to lower such barriers, most could go further still. The section also provides an initial look at the favorable conditions for growth in Gateway Cities from a mobility standpoint, laying the groundwork for a more advanced analysis of the real estate value produced by transportation infrastructure in future reports.

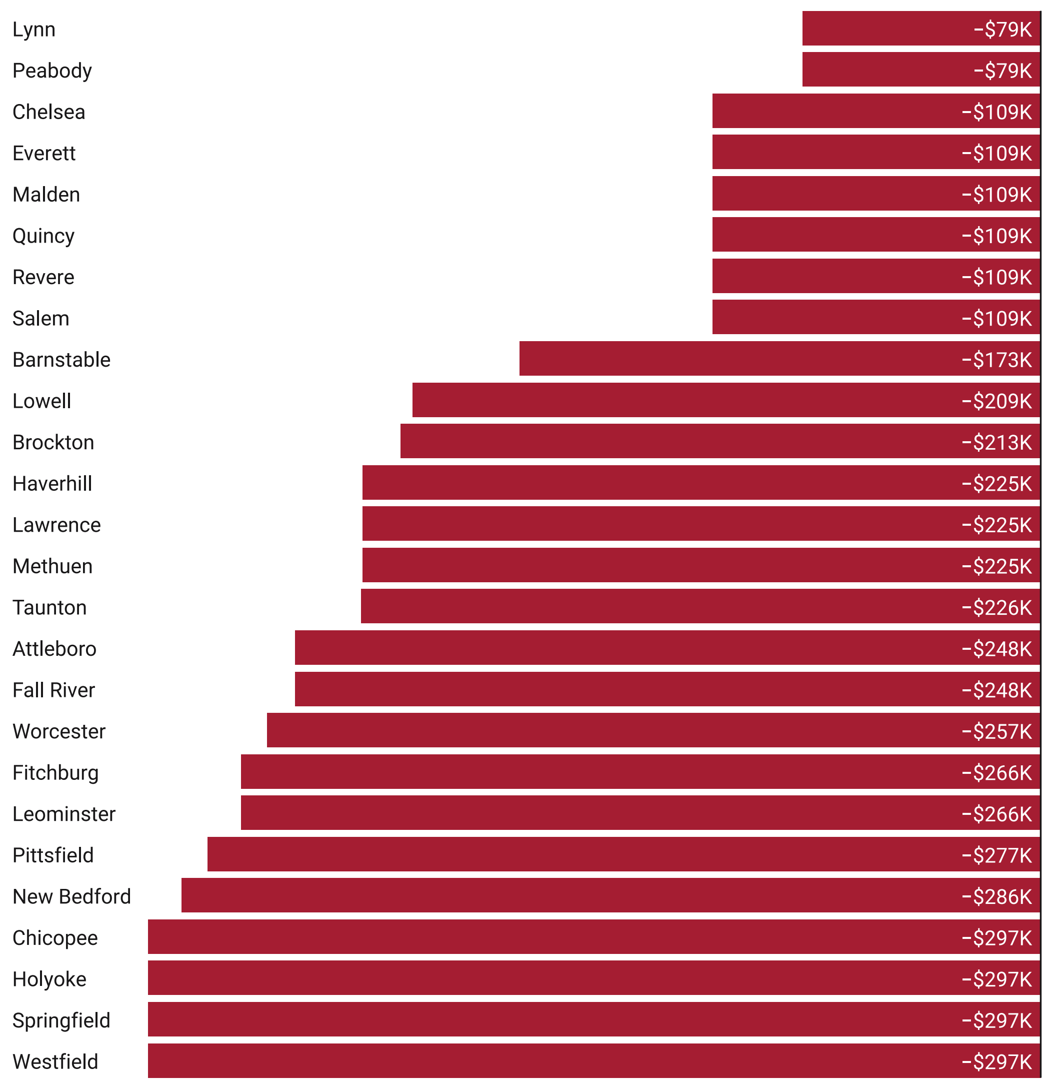
Financial Conditions:

A sizeable financial gap makes it difficult to build new rental units in Gateway Cities without public subsidy. While this gap exists in all Gateway Cities, it is three times larger in the cities furthest from Boston.

Property values have steadily risen in Gateway Cities over the past decade, but construction costs have also increased considerably. In each of the Gateway Cities, it still costs significantly more to build and operate rental units than rental income will support. The financial gap is largest in places with the lowest rents. In the Western Massachusetts Gateway Cities—including Chicopee, Holyoke, and Springfield—a new apartment costs almost $300,000 more to produce and operate than capitalized rental income will provide. Gateway Cities near Boston have much smaller financial gaps, but apartments in Lynn, Peabody, and Malden still cost about $80,000 more to produce than rents will cover with an 8 percent capitalization rate. While investors will likely accept more standard multifamily returns in these stronger markets, there is still a financial gap in all of these cities at a 6 percent capitalization rate.[1]

These calculations assume 50th percentile rents as defined by the US Department of Housing and Urban Development.[2] However, even if rents were 30 percent higher, large gaps would exist for every Gateway City market beyond Route 128. For more information about the financial gap calculations, see the Appendix.

Figure 3.1 – Estimated financial gap to construct rental units, 2024

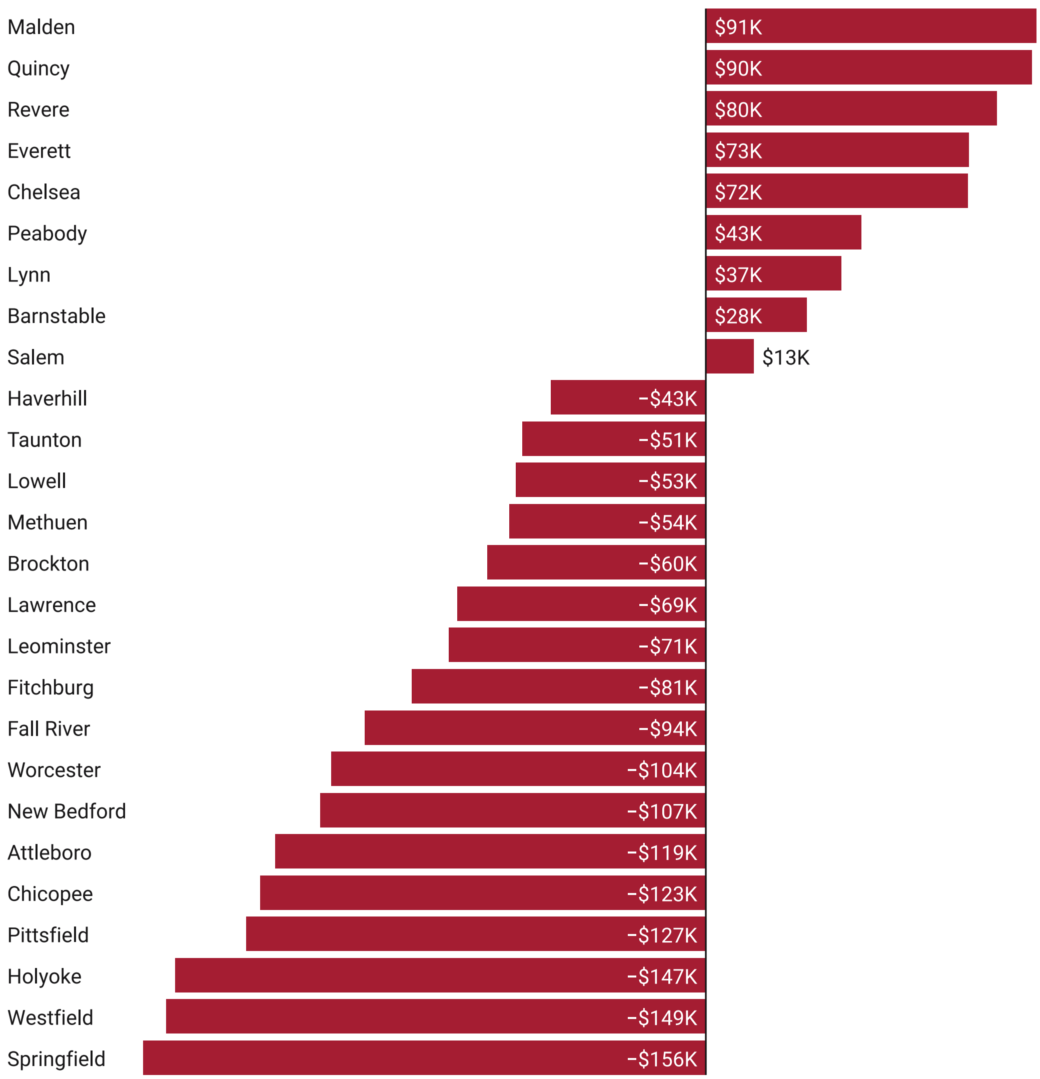


Source: Analysis of data from HUD, RSMeans, and Zillow • Created with Datawrapper

While there is also a significant financial gap for homeownership units in most Gateway Cities, it is roughly half as large.

For new condominiums, the estimated financial gap is less than $150,000 per unit in nearly all Gateway Cities, and in nine cities condominiums can be sold at a profit. This difference is largely because our hypothetical pro formas for homeownership units do not include operating costs. The returns are also estimated using the average recent sales price as opposed to 50th percentile rents. Except for Barnstable, the cities where production of homeownership units is currently economically feasible without subsidy are all within Route 128.

Figure 3.2 – Estimated financial gap to construct for-sale units, 2024



Source: Analysis of data from HUD, RSMeans, and Zillow • Created with Datawrapper

Regulatory Conditions and Municipal Investment in Housing:

Much of the housing that exists in Gateway Cities today was built before regulations from all levels of government added time and cost to residential construction projects. Recognizing the barrier that these policies pose, Gateway Cities are taking steps to both relax regulation and to provide local resources to help fill gaps to make projects economically feasible. With assistance from local officials, we developed a survey tool that can be administered each year to record the progress of these efforts. The initial results capture several revealing patterns.

Few Gateway Cities allow for the construction of triple-deckers by-right in residential neighborhoods, but most allow higher-density development with relatively low parking minimums in selected areas.

Gateway Cities are known for their iconic triple-deckers, yet in most cases this building form is no longer allowable without lengthy regulatory review. Only four Gateway Cities allow the construction of triple-deckers by-right on at least half of their residential parcels, and just seven allow duplexes by-right throughout their neighborhoods. This finding likely overstates the extent to which triple-deckers are possible without a variance or special permit; while the zoning code may allow this level of density, dimensional requirements often make it impractical to accommodate these structures without regulatory relief.

On the other hand, most Gateway Cities do allow much higher-density residential development by-right in certain locations. Twenty-two of the 26 Gateway Cities have at least one zoning district that permits multifamily properties with more than 10 units by-right. These large structures often require steel, elevators, and other systems that make development more expensive, widening the financial gaps. With these additional cost drivers, parking requirements can be especially difficult to meet. More than half (15) of Gateway Cities have recognized this concern by creating zoning districts with reduced parking minimums (at or below one space per housing unit).

Overall, we rated Gateway Cities on the seven pro-housing policies presented in Figure 3.3. No city has instituted all these approaches. On average, cities have 2.4 of these policies in place (five have four; seven have three; nine have two; three have one; and two have zero).

Figure 3.3 – Share of Gateway Cities with pro-housing zoning and permitting policies, 2024

	Number	Percent
Zoning districts that allow for multifamily properties with more than 10 units of housing by-right	22	85%
Zoning districts with parking minimums at or below 1 space per housing unit	15	58%
40R Smart Growth District	13	50%
Master-planned and/or pre-permitted areas for multifamily housing development	8	31%
Duplexes by-right on at least half of residential parcels	7	27%
Expedited permitting processes for multifamily housing development	7	27%
Three-family buildings by-right on at least half of residential parcels	4	15%

Source: MassINC Policy Center Survey • Created with Datawrapper

Most Gateway Cities have made municipally-owned land available for housing development, but only a handful are using this as an opportunity to increase diversity in the real estate industry.

Twenty-two Gateway Cities have made city-owned land available for housing development, a significant local contribution to reduce the financial gap and spur housing production. The Request for Proposal (RFP) process for the disposition of public land is one of the few areas where Massachusetts law allows communities to consider diversity and equitable development goals. Of the 22 Gateway Cities that have gone through this disposition process, eight evaluated the diversity of the development team when scoring RFPs. While this is still relatively rare, half of Gateway Cities (13) report efforts to provide additional assistance to help emerging developers navigate the regulatory process.

Figure 3.4 – Share of Gateway Cities supporting residential construction on city-owned land and equitable development, 2024

	Number	Percent
City-owned land made available for housing development	22	85%
Goals for local or minority participation in construction	14	54%
Programs or personnel dedicated to assisting emerging housing developers	13	50%
Additional points for diverse development teams during RFP process	8	31%

Source: MassINC Policy Center Survey • Created with Datawrapper

Gateway Cities are using a variety of tools to help finance housing development.

Many communities in Massachusetts are averse to new growth because they believe it will strain municipal budgets. In contrast, Gateway Cities are expending local resources to support both affordable and market-rate housing production. Most (19 of 26) have created a Housing Development Incentive Program (HDIP) district. While this tax credit is partially a state incentive, cities are required to match the state funds by abating local property taxes. Ten Gateway Cities have utilized the Urban Center Housing Tax Increment Financing Program (UCH-TIF) to abate local property taxes for housing projects that include affordable units. More than half of the Gateway Cities have established local affordable housing trust funds while a similar number have adopted the Community Preservation Act and are utilizing a portion the the revenues from this program for affordable housing development. And half provide density bonuses or other forms of regulatory relief to affordable housing developments.

For this analysis, we counted how many Gateway Cities are using each of the six policies to promote housing development with local resources presented in Figure 3.5. On average, cities have 3.2 of these policies in place (three cities have instituted all of them; two have five; 10 have three; four have two; two have one; and one has zero).

Figure 3.5 – Gateway Cities providing local resources to support housing development, 2024

	Number	Percent
HDIP district	19	73%
Community Preservation Act (CPA)	14	54%
Municipal Affordable Housing Trust fund	14	54%
CDBG funds for housing projects	14	54%
Density bonuses or other forms of regulatory relief for affordable housing development	13	50%
UCH-TIF program tax abatement	10	38%

Source: MassINC Policy Center Survey • Created with Datawrapper

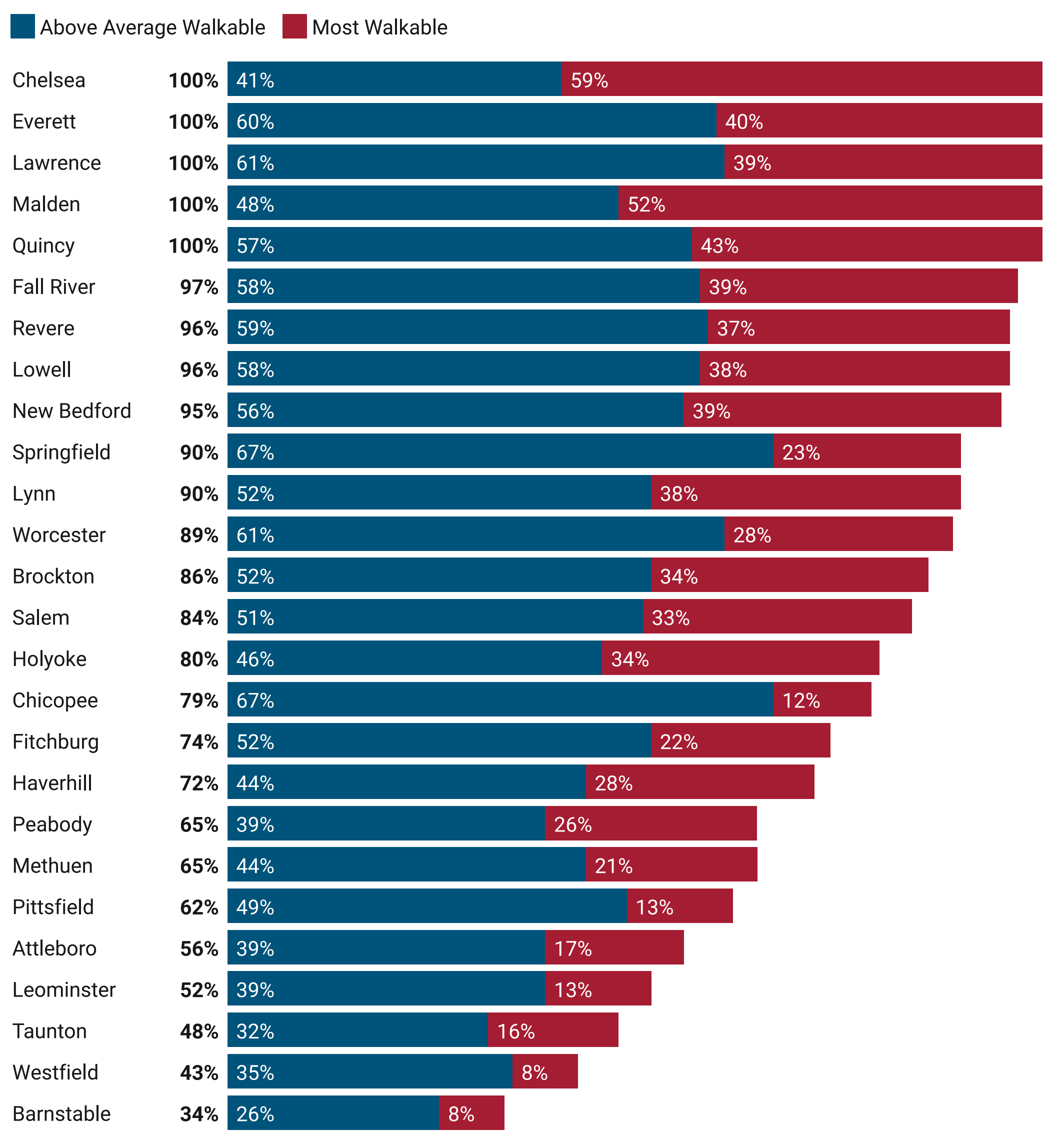
Mobility and Transportation Infrastructure:

Cities can create real estate value that will make financing new housing more economically feasible by developing walkable neighborhoods with convenient transportation infrastructure. As noted previously, development in Gateway Cities with commuter rail appears to be concentrating in the station areas. In future reports, we will work to provide a more nuanced understanding of how transportation networks are creating real estate value. This inaugural *Housing Monitor* provides baseline metrics for walkability, commuter rail, and bus transit.

In most Gateway Cities, the majority of census block groups are classified as "above average walkable" or "most walkable" by the EPA.

Across the 26 Gateway Cities, 84 percent of census block groups are "above average walkable" or "most walkable" according to the National Walkability Index of the US Environmental Protection Agency (see Figure 3.6).[3] In 23 Gateway Cities, at least half of all block groups meet these criteria. Only in Taunton, Westfield, and Barnstable are less than half of all block groups highly walkable. In five Gateway Cities—Chelsea, Everett, Lawrence, Malden, and Quincy—every block group is designated as highly walkable. The major source of differentiation between Gateway Cities is in the degree to which their block groups are considered "most walkable." Reaching the most-walkable tier requires strong public transportation options.

Figure 3.6 – Share of census block groups with high walkability, Gateway Cities, 2021

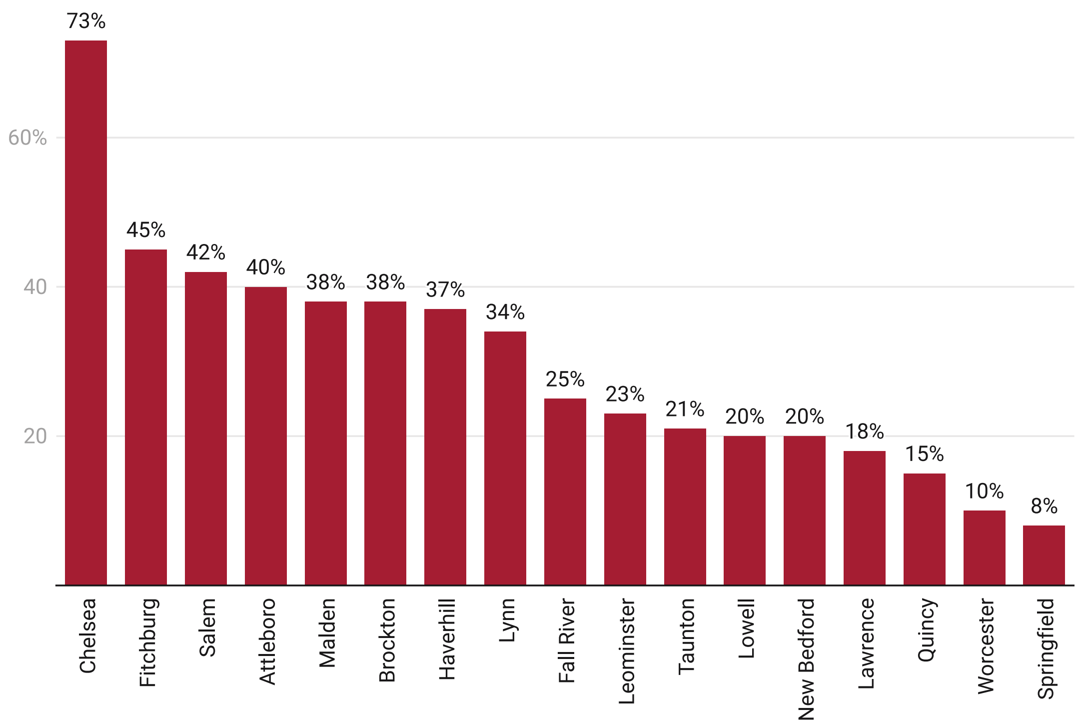


Source: US Environmental Protection Agency National Walkability Index • Created with Datawrapper

In at least half of the Gateway Cities, existing commuter rail stations present major opportunities for transit-oriented development.

In eight Gateway Cities, more than one-third of census block groups fall within half a mile of a commuter rail station. While they include the dense cities close to Boston (such as Chelsea and Malden), Attleboro, Fitchburg, Brockton, and Haverhill also have exceptional opportunities for transit-oriented development (TOD) by this measure. There is also considerable opportunity in cities such Fall River, Lowell, and New Bedford, where between one-fifth to one-quarter of the census block groups are located within walking distance of a commuter rail station.

Figure 3.7 – Share of census block groups within 0.5 miles of a commuter rail station



Barnstable, Chicopee, Everett, Holyoke, Methuen, Peabody, Pittsfield, Revere, and Westfield do not have commuter rail stations.

Source: Analysis of data from MassGIS • Created with Datawrapper

Almost every Gateway City neighborhood connects to regional bus service.

In 17 of the 26 Gateway Cities, every census block group is located within half a mile of an MBTA or RTA bus stop. Except for Barnstable, at least 90 percent of block groups are within walking distance of a bus stop in all of the Gateway Cities. While bus service is generally not a driver of high-density, mixed-use TOD because the routes are not fixed, greater mobility certainly contributes to local economic development and real estate value. Massachusetts has made considerable investments in RTA service in the past two state budgets.

4. Neighborhood Revitalization

Are Gateway City neighborhoods revitalizing?

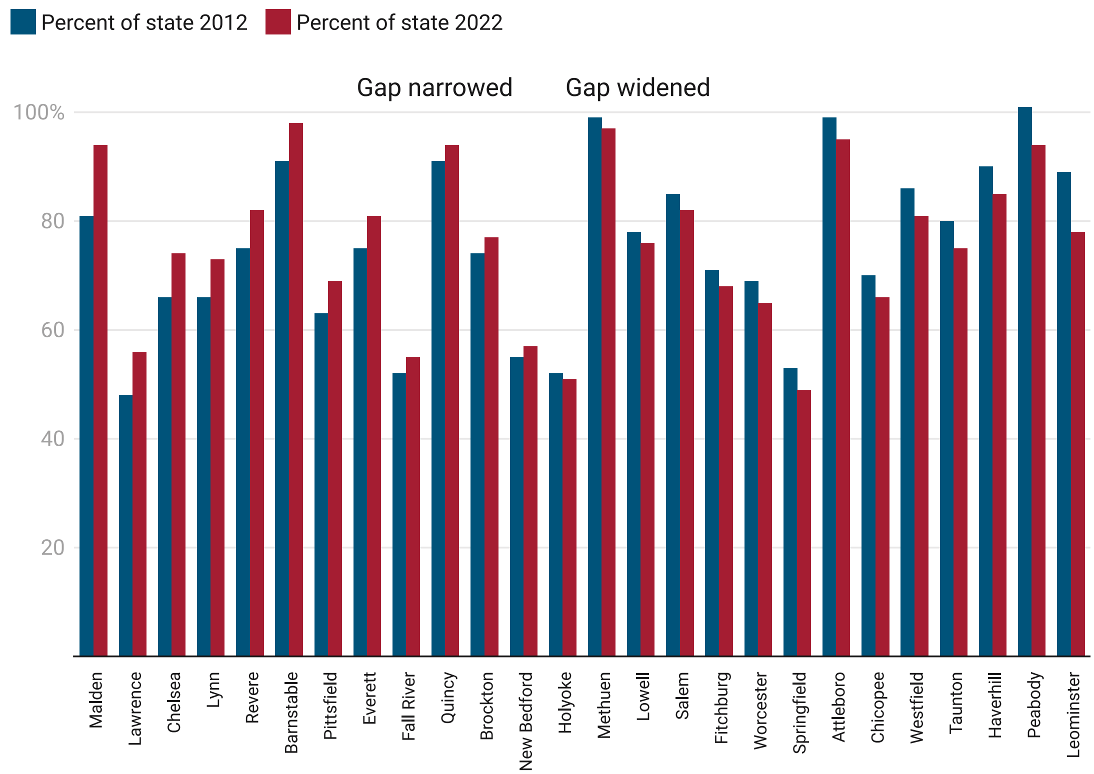
This section assesses the degree of revitalization in Gateway City neighborhoods by examining key indicators of economic and community well-being. These metrics suggest most Gateway City neighborhoods are on a stable-to-improving course, though a handful continue to struggle with extreme concentrations of poverty and blighted property.

The gap between local and state median income has remained relatively constant for most Gateway Cities over the past 10 years.

On average, median household income (MHI) in Gateway Cities inched closer to the statewide average by just one percentage point, moving from 75 percent of state MHI in 2012 to 76 percent in 2022. Whether up or down, in most cities the change in household income relative to the state average was minor and well within the American Community Survey's margin of error. However, there were some exceptions. The gap for Leominster widened by more than 11 percentage points. Conversely, income rose significantly in Malden, Lawrence, and Chelsea, closing the difference with the state by 8 to 12 percentage points (see Figure 4.1).

Overall, this fundamental measure of economic conditions indicates relative stability with only modest regional variation. The relative income gains in cities near Boston could indicate a degree of gentrification. However, all else being equal, we would expect to see Gateway City incomes rise relative to the state over this period, given how residents of these communities were generally more impacted by the Great Recession and slower to regain employment and earnings.

Figure 4-1 – City median income as a percent of state median income, ranked by change from 2012 to 2022



Source: American Community Survey 5-year estimates • Created with Datawrapper

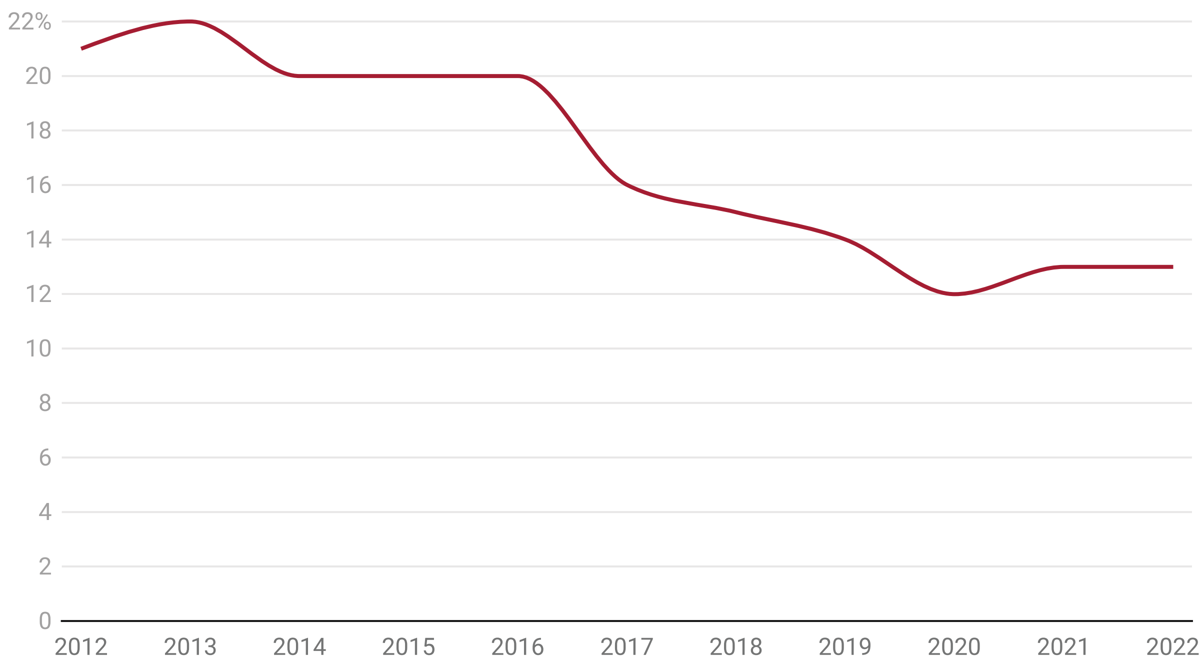
Though it still presents a major concern for several Gateway Cities, concentrated poverty has fallen significantly since the Great Recession.

Poverty rates across Gateway City census tracts provide a more nuanced picture of changing economic conditions in residential neighborhoods. With intensifying economic segregation over the last several decades, high concentrations of poverty in urban neighborhoods have become an increasing concern. These concentrations of disadvantage reduce academic achievement, upward mobility, health, and well-being.[1]

Researchers believe lasting harm occurs when residents live in neighborhoods with poverty rates over 30 percent, and the consequences may be particularly severe in neighborhoods where poverty rates surpass 40 percent. However, these findings are drawn from national studies using the federal poverty line as the threshold. The federal poverty rate does not factor in the cost of living. Given the higher costs in Massachusetts, 30 percent may be a better marker of extreme concentration.

From 2012 to 2022, the share of census tracts in Gateway Cities with concentrated poverty over 30 percent fell from 21 percent to 13 percent (see Figure 4.2). Still, nearly 200,000 Gateway City residents lives in neighborhoods with poverty rates over 30 percent. In Holyoke and Springfield, about one in three residents live in neighborhoods with this level of concentrated poverty. Gateway Cities in other corners of the commonwealth also struggle with this challenge. Nearly one in five residents in Worcester lives in neighborhoods (that is, a census tract) with concentrated poverty. Fall River, Lawrence, and New Bedford each have four or more high-poverty neighborhoods (see Figure 4.3).

Figure 4.2 – Percent of census tracts in Gateway Cities with concentrated poverty, 2012–2022



Source: American Community Survey 5-year estimates • Created with Datawrapper

Figure 4.3 – Number of census tracts with concentrated poverty by Gateway City, 2012 and 2022[2]

	2012	2022
Attleboro	0	0
Barnstable	1	0
Brockton	2	1
Chelsea	2	1
Chicopee	1	1
Everett	0	0
Fall River	8	3
Fitchburg	1	1
Haverhill	1	1
Holyoke	6	5
Lawrence	11	5
Leominster	0	0
Lowell	3	2
Lynn	6	2
Malden	0	0
Methuen	0	0
New Bedford	10	5
Peadbody	0	0
Pittsfield	1	1
Quincy	1	1
Revere	0	0
Salem	0	1
Springfield	18	15
Taunton	0	1
Westfield	0	0
Worcester	15	5
Total	**87**	**51**

Source: American Community Survey 5-year estimates • Created with Datawrapper

Residential instability has fallen dramatically in Gateway Cities.

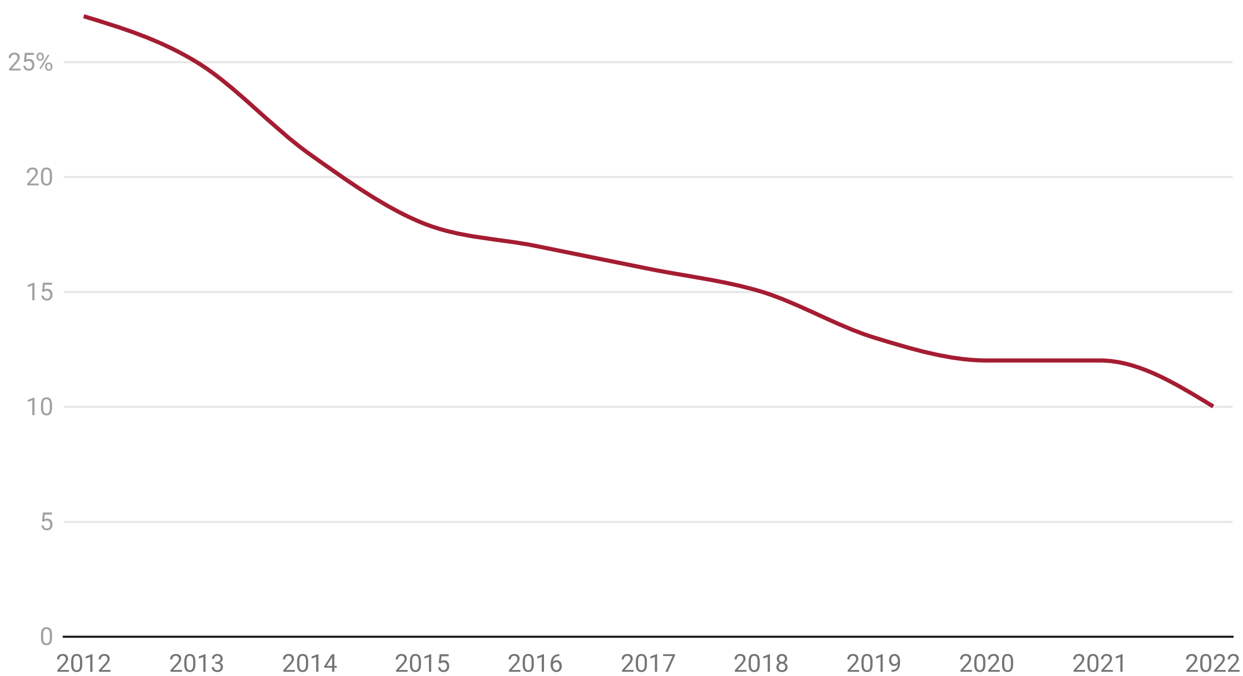
In neighborhoods where residents move frequently, there are fewer trusting relationships among neighbors and less identification with the community. This leads to lower levels of civic engagement and higher rates of crime. With many families coming and going, schools find it particularly challenging to keep pace with instruction, and students fall behind grade levels.[3]

Across Gateway Cities, the share of census tracts where more than one-fifth of residents moved within the past 12 months has fallen steadily, from 27 percent in 2012 to 10 percent in 2022. Similarly, the number of Gateway Cities with at least one of these high-churn neighborhoods fell from 25 to 17 (see Figure 4.4).

In several Gateway Cities, the number of high-churn neighborhoods has fallen to zero. Fitchburg and Holyoke experienced the most dramatic reductions: in these cities, 40 percent and 36 percent of census tracts had high churn rates in 2012, respectively. Only in Peabody did the number of high-churn neighborhoods increase. Westfield and Worcester continue to have high-churn in roughly 25 percent of their census tracts, but this is likely related to their college student populations (see Figure 4.5).

COVID-related eviction protection programs likely played a role in driving down these numbers, but the reductions began well before 2020. Notably, this downward trend aligns with major increases in state funding for the Residential Assistance for Families in Transition (RAFT) program. Funding for RAFT rose from $354,000 in FY 2011 to nearly $22 million in FY 2020.[4]

Figure 4.4 High-churn census tracts in Gateway Cities, 5-year moving average, 2012–2022



Source: American Community Survey 5-year estimates • Created with Datawrapper

Figure 4.5 – Number of census tracts with high churn rates by Gateway City, 2012 and 2022

	2012	2022
Attleboro	1	0
Barnstable	1	0
Brockton	6	1
Chelsea	1	1
Chicopee	2	0
Everett	1	0
Fall River	6	3
Fitchburg	4	0
Haverhill	4	1
Holyoke	4	0
Lawrence	9	3
Leominster	2	0
Lowell	7	3
Lynn	7	1
Malden	3	1
Methuen	1	0
New Bedford	8	2
Peabody	0	1
Pittsfield	1	1
Quincy	7	3
Revere	4	1
Salem	3	0
Springfield	15	2
Taunton	2	2
Westfield	2	2
Worcester	15	11
Total	**115**	**39**

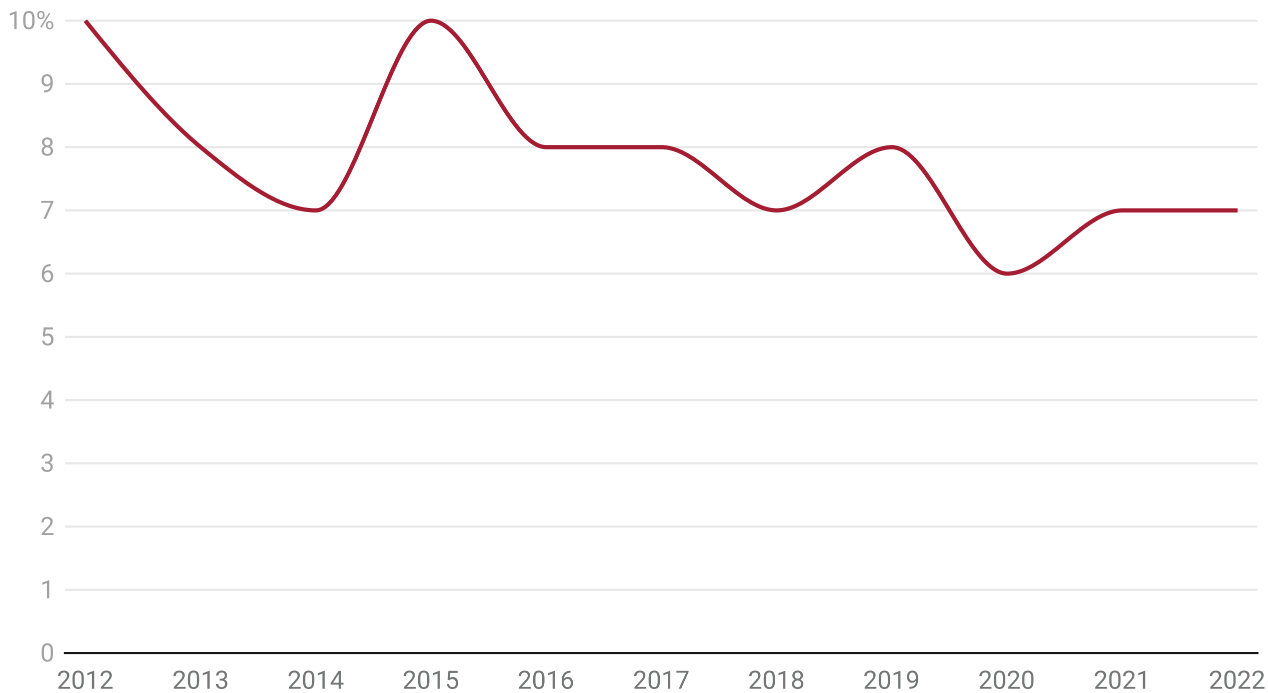
Source: American Community Survey 5-year estimates • Created with Datawrapper

The number of Gateway City neighborhoods with high levels of vacant and blighted property is slowly trending down.

Keeping housing occupied and in good condition is important for public health, public safety, local property values, and fiscal stability for municipal governments.[5] There is no available measure of property conditions across neighborhoods, but researchers can generally make inferences based on data from the "other vacant" category of the American Community Survey. Studies indicate that neighborhoods merit attention when this measure exceeds 8 percent.[6]

The share of Gateway City census tracts where more than 8 percent of housing structures classified as long-term vacant fell from 10 percent in 2012 to 7 percent in 2022 (see Figure 4.6). Springfield made considerable progress, reducing the number of high-vacancy tracts from 28 percent to 8 percent. New Bedford (22 percent to 6 percent) and Fitchburg (10 percent to zero) also saw major improvements. A handful of cities moved in the opposite direction—most notably Holyoke, where high-vacancy tracts went from making up percent of tracts in 2012 to 45 percent in 2022 (see Figure 4.7).

Figure 4.6 – Share of census tracts with high rates of vacant/blighted properties, Gateway City total, 2012 – 2022



Source: American Community Survey 5-year estimates • Created with Datawrapper

Figure 4.7 – Number of census tracts with high rates of vacant/ blighted properties by Gateway City, 2012 and 2022

	2012	2022
Attleboro	1	2
Barnstable	1	0
Brockton	2	3
Chelsea	0	0
Chicopee	2	0
Everett	0	0
Fall River	7	6
Fitchburg	1	0
Haverhill	0	0
Holyoke	1	5
Lawrence	0	0
Leominster	0	0
Lowell	2	0
Lynn	1	0
Malden	0	0
Methuen	0	0
New Bedford	7	2
Peabody	0	0
Pittsfield	0	2
Quincy	0	1
Revere	1	1
Salem	0	0
Springfield	10	3
Taunton	0	0
Westfield	0	0
Worcester	8	6
Total	**44**	**31**

Source: American Community Survey 5-year estimates • Created with Datawrapper

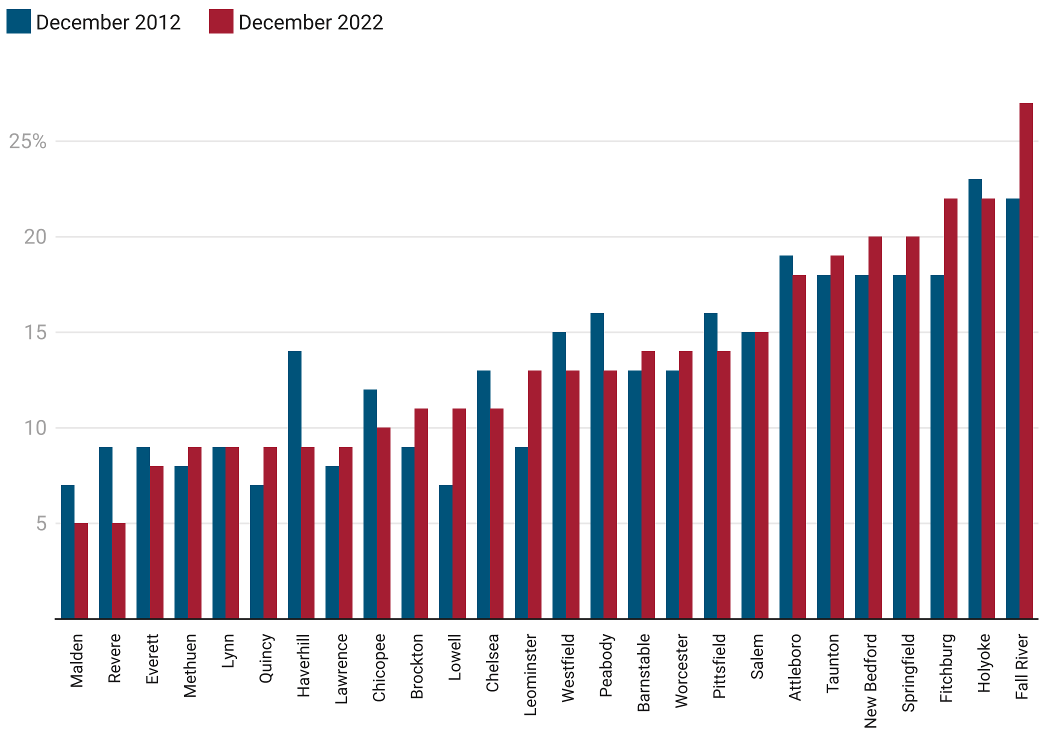
Many Gateway Cities have high commercial vacancy rates, and few have seen occupancy rise over the past 10 years.

Downtown and main street business districts are central to vibrancy and quality of life for city residents. In gentrifying areas, rising commercial rents can displace local businesses and the local cultures that these enterprises represent. However, this pattern is relatively rare. With online retailers and big box stores competing for consumer spending, and with rising housing costs making it more difficult for many households to spend money on meals and entertainment, most cities struggle with low occupancy in their commercial areas.

Some vacancy is needed, though, and in a balanced commercial real estate market, the commercial vacancy rate hovers around 10%.[7] The Gateway City average was essentially unchanged from 2012 to 2022, remaining at around 13%. In 2022, 17 of the 26 Gateway Cities had commercial vacancy rates above 10 percent, and in eight cities they exceeded 15 percent. However, commercial vacancy rates were very low and falling in the Gateway Cities closest to Boston (Everett, Malden, and Revere).

Commercial vacancy data will be important to monitor going forward, as these 2022 figures are undoubtedly impacted by COVID-19 pandemic-related closures. In addition, many Gateway Cities have added significant new commercial space to their downtowns with the construction of new mixed-use buildings. So while vacancy rates may remain high, residents are likely benefiting from the services and amenities that businesses in these new spaces provide.

Figure 4.8 – Commercial vacancy rates by Gateway City, December 2012 and December 2022



Source: HUD Aggregated USPS Administrative Data on Address Vacancies • Created with Datawrapper

5. Equitable Development

Is residential growth balanced?

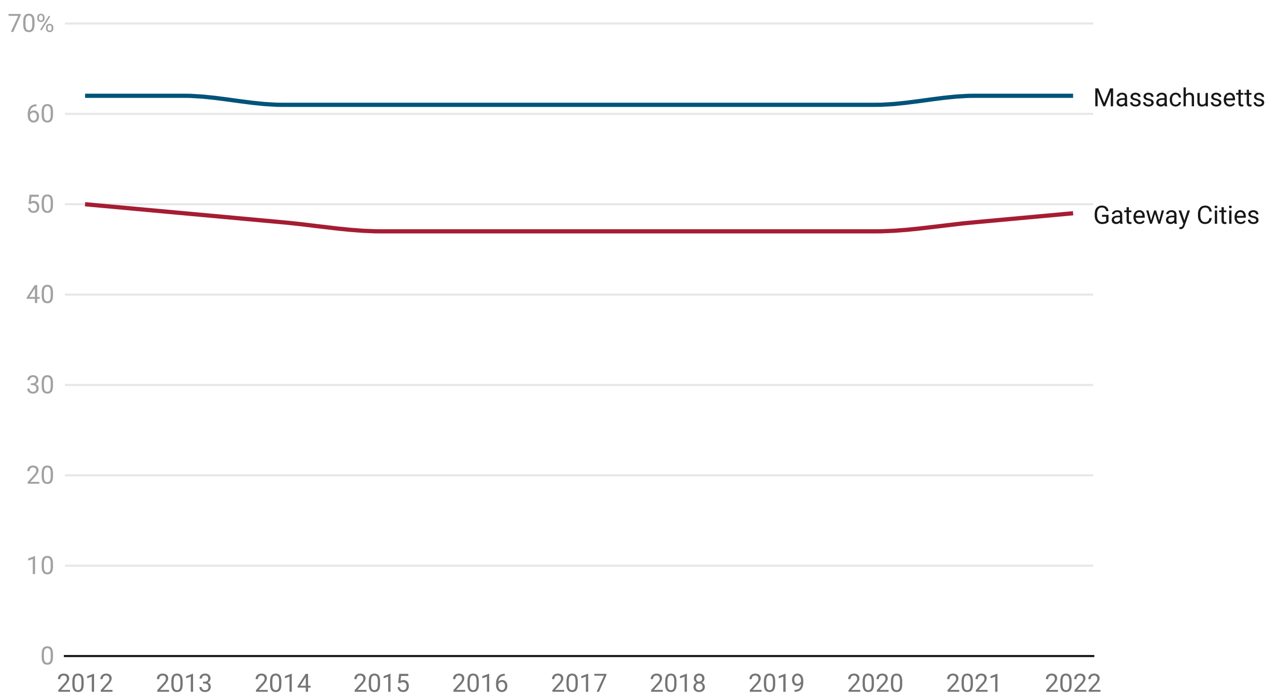
This section delves into the critical question of whether housing development in Gateway Cities is benefiting residents equitably. We examine trends in homeownership, property values, and demographic shifts, focusing on how these factors affect different racial, ethnic, and socioeconomic groups. Homeownership is a key way for residents to benefit from the economic growth of their communities, but access to this opportunity varies widely across Gateway Cities and racial groups. We also explore the markers of gentrification, testing assumptions about the relationship between revitalization and displacement. By analyzing these dynamics, we aim to provide the fact set needed to enable the charting of a middle path that maximizes the benefits of neighborhood improvement while minimizing the potential for harm to individuals.

Homeownership rates have held steady in most Gateway Cities. However, there is large variation in the share of households that own their own homes across these communities.

Homeownership patterns can tell us a lot about whether growth is generating equitable outcomes in low- to moderate-income communities. Residents who own their own homes build wealth when neighborhoods that have suffered from decades of disinvestment begin to revitalize. Homeowners are also protected from displacement pressures that may increase when reinvestment makes urban neighborhoods more vibrant and desirable places to live.

Over the past 10 years, the homeownership rate for Massachusetts residents who live in Gateway Cities has remained virtually unchanged at 49 percent (see Figure 5.1). However, the rate varies greatly across these communities. One-third or fewer households own in Chelsea, Everett, Fall River, and Lawrence, whereas two-thirds or more own in Attleboro, Barnstable, Methuen and Westfield.

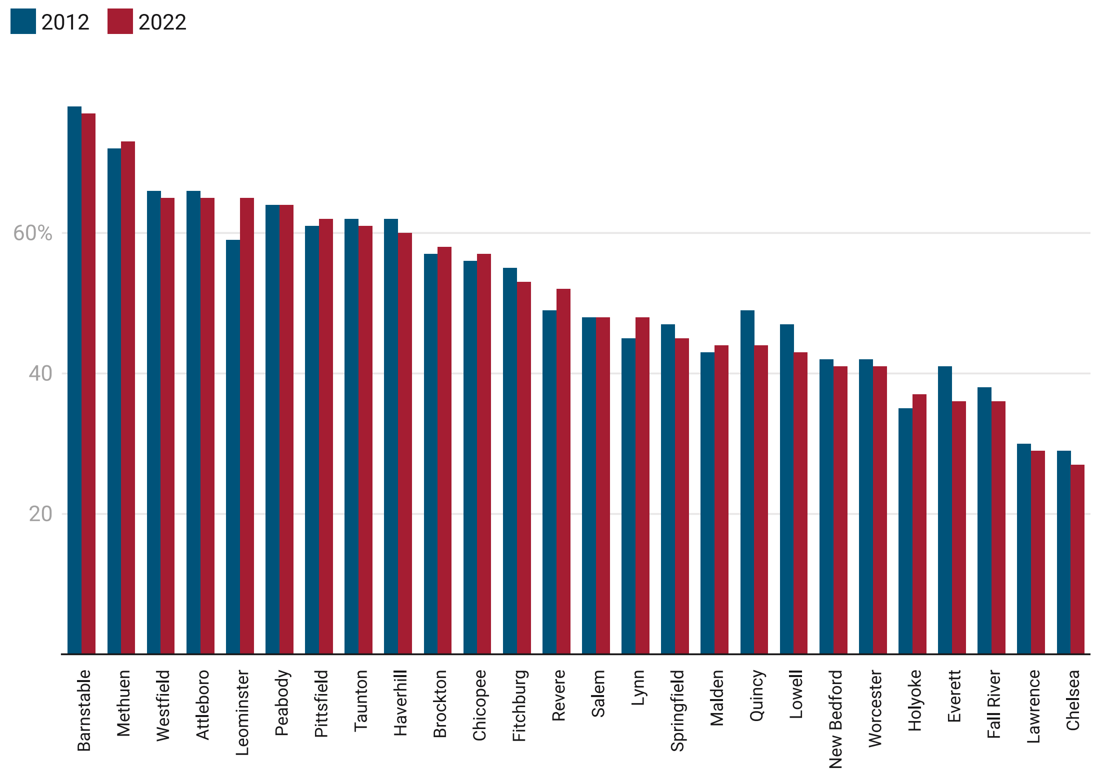
Figure 5.1 – Homeownership rates, Massachusetts and Gateway Cities, 2012–2022



Source: American Community Survey 5-year estimates • Created with Datawrapper

Between 2012 and 2022, homeownership rates remained stable for most Gateway Cities except Everett, Lowell, and Quincy, where they fell 5 percentage points; and Leominster, where homeownership increased 6 percentage points (see Figure 5.2). In all the cities where homeownership rates declined, the absolute number of homeowners also fell. This means the falling homeownership rate was at least partially driven by housing units that were previously occupied by owners becoming rentals, as opposed to new apartment buildings making up a disproportionate share of housing production in the city over the past 10 years.

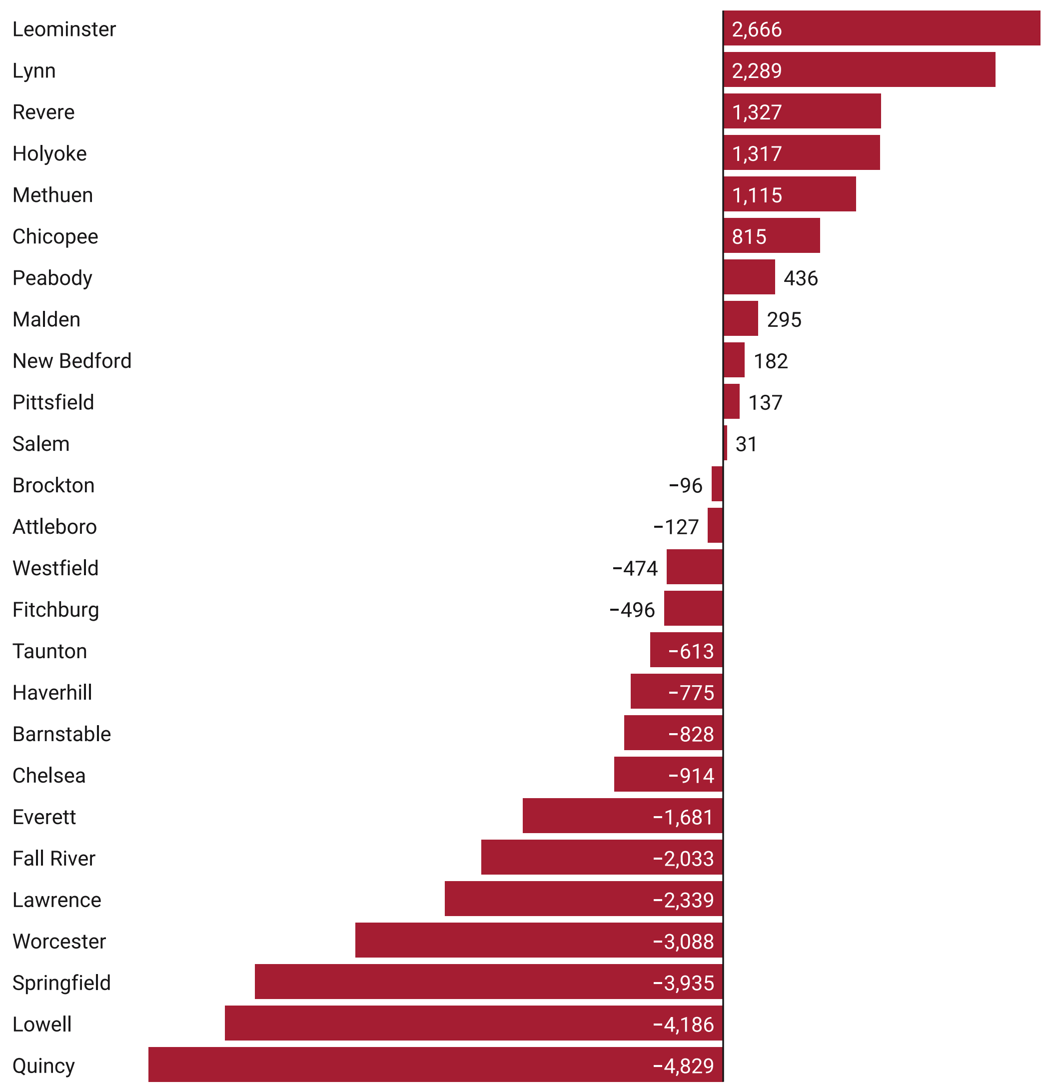
Figure 5.2 – Homeownership rates by Gateway City, 2012 and 2022



Source: American Community Survey 5-year estimates • Created with Datawrapper

The stability of homeownership suggests gentrification processes are not behind the recent increases in housing costs, as homeownership would tend to rise with an influx of wealthier residents. Moreover, the data show that there has been no conversion of the rental stock to homeownership in the aggregate, so it does not appear that there are gentrification forces that are causing a large degree of rental conversions to homeownership. In Lynn, the net change in units occupied by owners from 2012 to 2022 exceeded the net change in renters by nearly 2,300 units. Revere also saw a large differential increase in homeownership of 1,300 units. But other Boston-area Gateway Cities—including Chelsea, Everett, and Quincy—saw shifts in the other direction, most likely because of stronger rental production. This pattern does not always indicate strong markets. Outside of Route 128, Holyoke and Leominster also saw pronounced shifts toward ownership. Other cities with rising rents—including Lawrence, Lowell, and Worcester—saw rental units expand much faster than owner-occupied units (see Figure 5.3).

Figure 5.3 – Shift in the difference between owner-occupied and renter-occupied housing



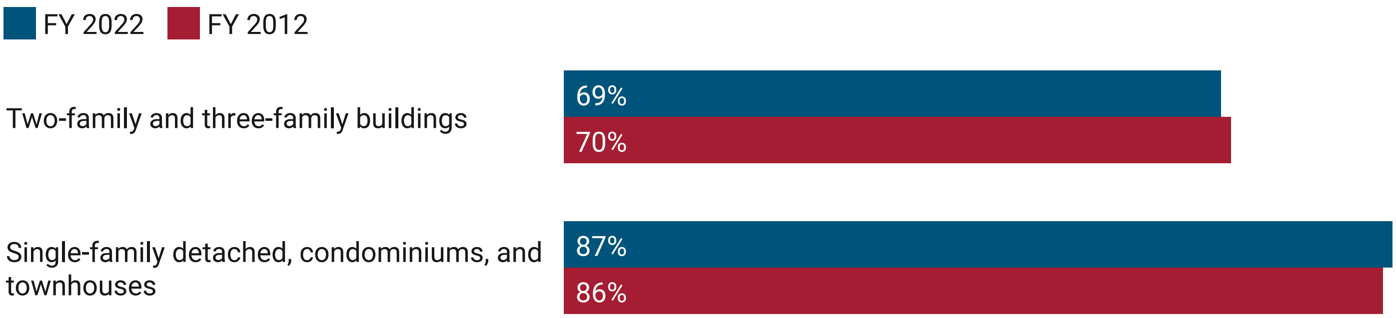
Positive values indicate an increase in owner-occupied housing

Source: American Community Survey 5-year estimates • Created with Datawrapper

Owner-occupancy of duplexes and triple-deckers remains stable at around 70 percent.

When we look more closely at the stock of housing in Gateway Cities, owner-occupancy is relatively high and stable. In 2022, nearly 90 percent of single-family homes were owner-occupied, and 70 percent of two- and three-family homes had an owner-occupant in one of their units. This is about the same as 2012, which dispels some of the concern about widespread increases in outside investors purchasing this stock in recent years (see Figure 5.4).[1]

Figure 5.4 – Owner-occupancy rates by property type



Source: Analysis of assessor's records compiled by MassGIS • Created with Datawrapper

As of 2022, most Gateway Cities had owner-occupancy rates for two- and three-family buildings that were close to the average with a few exceptions—most notably Barnstable, Pittsfield, and Westfield on the low end and Lawrence, Methuen, and Revere on the high end (see Figure 5.5). Springfield and Worcester also had relatively low owner-occupancy rates at 60 and 62 percent, respectively. While two- and three-family owner-occupancy levels were stable in most cities from 2012 to 2022, there were some notable exceptions in both directions. Lawrence saw a 12-percentage-point rise to 82 percent, leaving it trailing only Revere and neighboring Methuen, which had the highest rates in 2022. Brockton also enjoyed a large 8-percentage-point increase to 78 percent. On the other hand, Westfield (-10 percentage points), Chelsea (-7 percentage points), and Salem (-6 percentage points) did experience significant declines in two- and three-family owner-occupancy between 2012 and 2022.

The Methuen and Fall River Housing Authorities Lead on Family Self-Sufficiency

HUD's Family Self-Sufficiency (FSS) program helps families in public housing and those utilizing Housing Choice Vouchers achieve economic independence. Participants voluntarily work with FSS coordinators to set and achieve personal goals such as reducing debt, improving credit, furthering education, and securing better employment. Over time, as participants' earned income increases, the rise in rent that typically accompanies income growth is instead placed into an escrow account. Families can access these funds upon completing their self-sufficiency goals, providing a financial incentive for participants to increase their income and move into market-rate housing.

Methuen and Fall River have been exemplary in implementing the FSS program. Both cities have successfully guided numerous families toward economic stability by providing tailored support and resources. Their commitment to the program has not only benefited their residents but also positioned them as leaders in the statewide FSS coordinators group. This group facilitates the exchange of best practices and supports other housing authorities in adopting the FSS model, thereby expanding the program's positive impact across the state.

Figure 5.5 Share of two- and three-family buildings with an owner-occupant, 2012 and 2022

	2012	2022	Percentage Point Change
Attleboro	65%	64%	−1
Barnstable	31%	27%	−4
Brockton	70%	78%	8
Chelsea	74%	67%	−7
Chicopee	71%	67%	−4
Everett	74%	72%	−2
Fall River	74%	69%	−5
Fitchburg	66%	65%	−1
Haverhill	67%	68%	1
Holyoke	75%	74%	−1
Lawrence	70%	82%	12
Leominster	74%	74%	0
Lowell	67%	64%	−3
Lynn	73%	75%	2
Malden	78%	75%	−3
Methuen	NA	83%	NA
New Bedford	68%	69%	0
Peabody	71%	67%	−4
Pittsfield	56%	52%	−4
Quincy	73%	66%	−7
Revere	85%	84%	−2
Salem	74%	68%	−6
Springfield	58%	62%	3
Taunton	75%	76%	1
Westfield	63%	53%	−10
Worcester	63%	60%	−3

Source: Analysis of assessor's records compiled by MassGIS • Created with Datawrapper

Homeownership rates are rising for residents of color in Gateway Cities, while the number of white owners is falling.

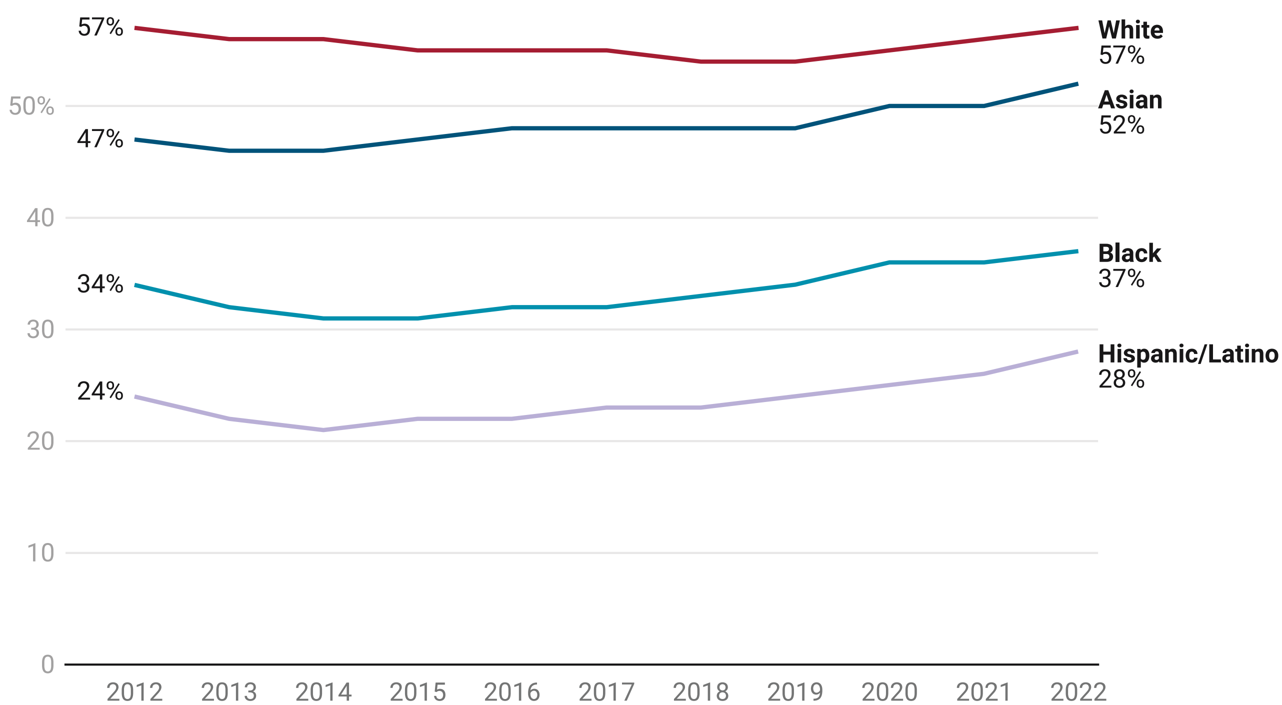
White Gateway City residents have significantly higher homeownership rates than Gateway City residents of color, but the gaps closed slightly between 2012 and 2022. The White homeownership rate held steady at 57 percent, while the Black homeownership rate rose 3 percentage points to 37 percent, and the Asian and Hispanic homeownership rates increased by 5 percentage points each to 52 percent and 28 percent, respectively (see Figure 5.6).

In absolute terms, the patterns are more stark. Between 2012 and 2022, the number of White homeowners in Gateway Cities fell by 7 percent while the number of Asian, Black, and Hispanic owners increased by 52 percent, 25 percent, and 68 percent, respectively. In all but five Gateway Cities (Attleboro, Chicopee, Leominster, Peabody, and Salem), the number of White homeowners fell. The generalized decline in White homeownership is another indication that gentrification forces are not behind rising Gateway City housing costs.

In most Gateway Cities, White residents continue to make up a large majority of homeowners, however several Gateway Cities have achieved diversity in ownership (see Figure 5.7). Hispanic residents make up the majority of owners in Lawrence and are approaching a majority in Chelsea. In Brockton, the number of Black owners is approaching the number of White owners. Everett and Springfield also have very diverse mixes.

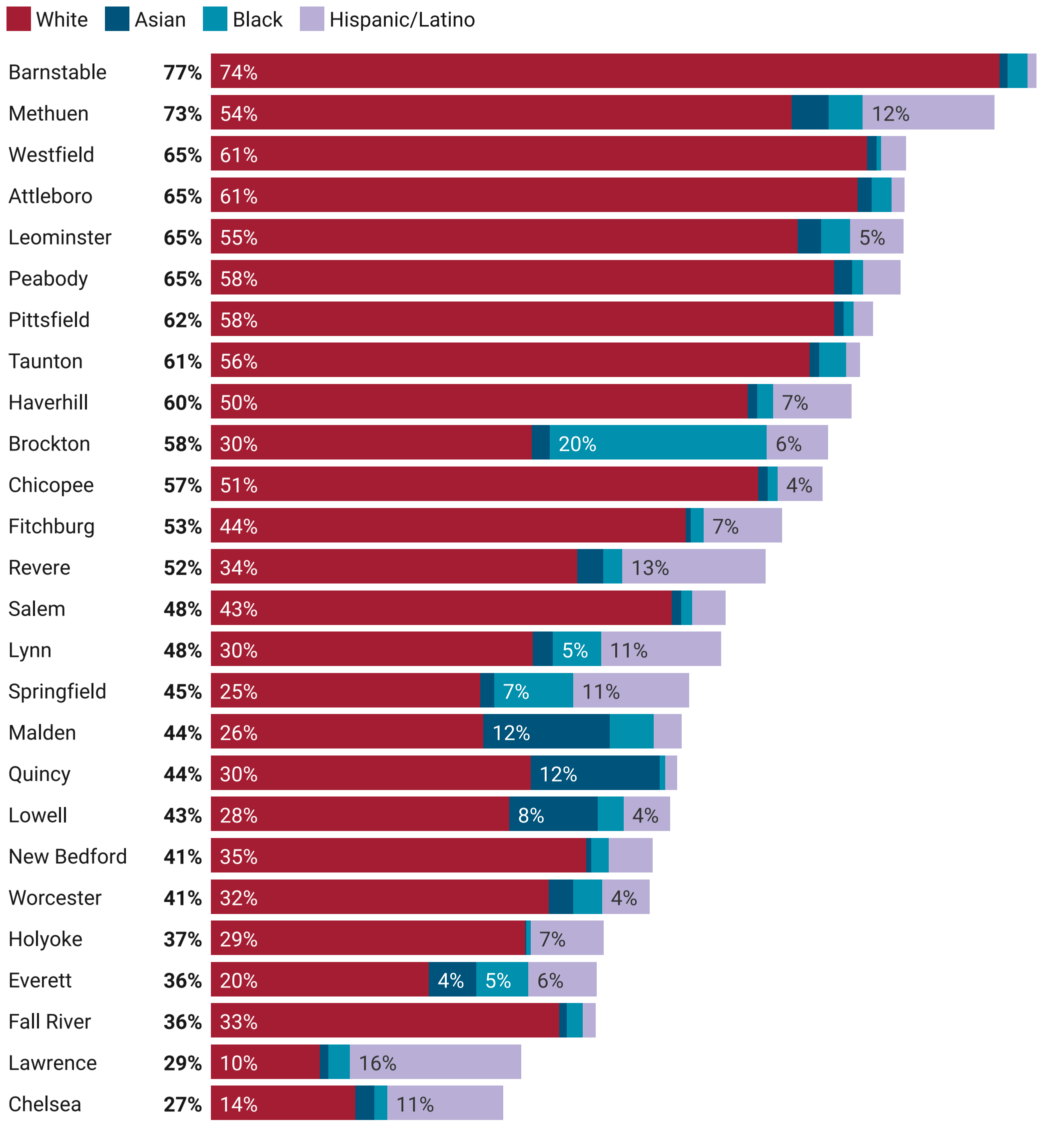
However, it is important to note that the cities where residents of color make up a large share of homeowners generally have low homeownership rates overall. Unless something changes structurally to provide more residents with opportunities to purchase homes, the majority of residents will not build wealth as their communities revitalize. Rather, they will need to move to other communities in order to access homeownership as a wealth-building pathway.

Figure 5.6 – Homeownership rates by racial/ethnic group, Gateway City 5-year rolling average, 2012–2022



Source: American Community Survey 5-year estimates • Created with Datawrapper

Figure 5.7 – Composition of the aggregate homeownership rate by race/ethnicity, Gateway Cities, 2022



Source: American Community Survey 5-year estimates • Created with Datawrapper

Home values are lower in Gateway City neighborhoods of color, but prices are appreciating faster in neighborhoods of color than in majority-White Gateway City neighborhoods.

Even with relatively low homeownership rates in Gateway Cities, it is important to recognize that the majority of people of color purchasing homes in Massachusetts have been doing so in Gateway Cities.[2] In this regard, the state's progress in closing racial wealth gaps is heavily contingent on the trajectory of Gateway City neighborhoods, particularly the areas within Gateway Cities where people of color are buying homes.

Property values in Gateway City neighborhoods where residents of color make up more than half the population are roughly $100,000 lower, on average, than in majority-White Gateway City neighborhoods. However, they increased by 276 percent between 2012 and 2022, slightly faster than the 234 percent increase in majority-White neighborhoods. Still, in absolute terms owners in majority-White neighborhoods built significantly more equity in their homes over the past 10 years because of their properties' higher starting values (see Figure 5.8).

Figure 5.8 – Difference in average home values between majority-White and majority-persons-of-color (majority-POC) zip codes in Gateway Cities, July 2012 to July 2022

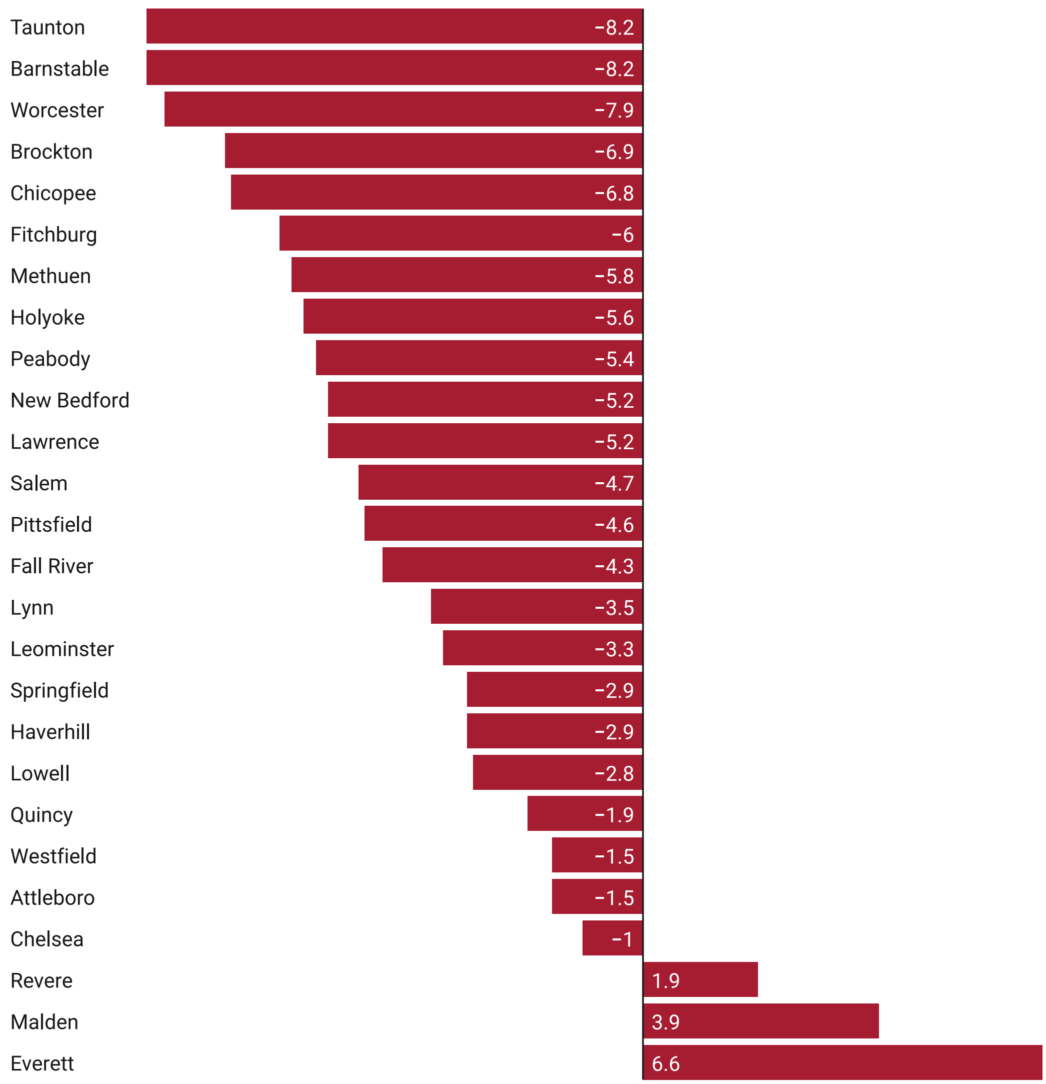
	2012	2022	Increase	Percent Change
Home values in majority-White neighborhoods	$156,990	$525,688	$368,698	234%
Home values in majority-PoC neighborhoods	$110,456	$415,726	$305,270	276%
Difference in home values	$46,534	$109,962	$63,428	136%
Majority-PoC neighborhoods as a percentage of majority-White neighborhoods	70%	79%	9 p.p.	13%

Source: Analysis of data from Zillow Research (ZHVI) • Created with Datawrapper

In most Gateway Cities, new residents are much less likely than longer-term residents to have annual incomes over $75,000.

Concerns about gentrification are often based on the theory that higher income renters who have been pushed out of the Boston market are moving to Gateway Cities and competing with Gateway City residents for apartments. Migration data are limited, but the American Community Survey does provide income estimates for those who have moved to the community over the past 12 months. In general, Gateway City newcomers have slightly lower incomes than people who have lived in these communities for longer. However, there are a few cities adjacent to Boston where the share of residents with incomes over $75,000 is greater among newcomers than among longer-term residents.[3] In Everett, the share of residents with incomes above $75,000 was 7 percentage points higher among newcomers than among established residents (see Figure 5.9). Newcomers were slightly more likely to be high earners in Malden and Revere, but these differences were small and well within the survey's margin of error.

Figure 5.9 – Percentage-point difference in share of recent movers with incomes over $75,000 compared to established residents with incomes over $75,000, Gateway Cities, 2022



Percentage-point difference in high earners among recent arrivals compared to established residents. Positive values indicate a larger share of high earners among recent arrivals.

Source: American Community Survey 5-year estimates • Created with Datawrapper

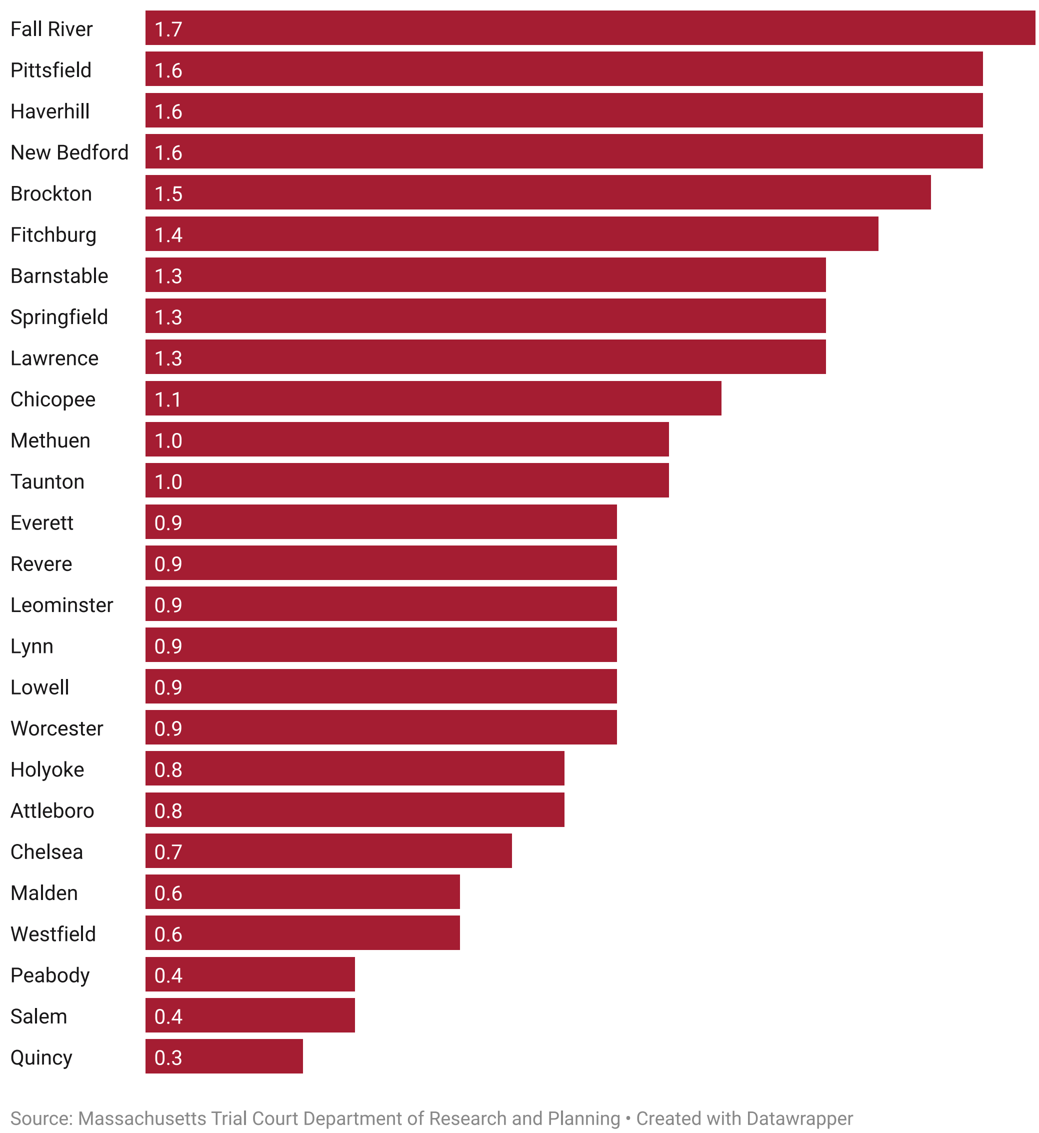
No-cause eviction filing rates are higher in less expensive Gateway cities.

Eviction trends are difficult to assess because of the COVID-19 eviction moratorium and the limited availability of data across cities from previous years. Because detailed information on eviction filings is becoming increasingly available, the *Gateway City Housing Monitor* will provide more analysis of eviction patterns in the future.

The limited information that we have this year provides an illuminating view of no-fault evictions. Research shows that eviction filings and removals are much higher in low-income neighborhoods that are not undergoing gentrification than those that are.[4] But this pattern could be very different for no-cause evictions. Many are concerned that landlords are using this process to remove tenants at will (i.e., those with a month-to-month lease) so that they can vacate apartments and seek higher rents (with or without renovating the units).

In 2023, no-cause eviction rates across Gateway Cities were not positively correlated with rent levels (see Figure 3.10). Except for Barnstable, the cities with the highest levels of no-cause evictions were among the least expensive Gateway Cities. Still, caution is warranted in interpreting these data. They represent only one year of filings, and it could be that no-cause eviction is most prevalent during the early stages of gentrification.

Figure 5.10 – No-cause eviction rates, Gateway Cities, 2023



6. Data-Driven Goals and Strategic Actions

How do we meet the housing needs revealed by this analysis?

To produce the quantity of housing required, Gateway Cities must stimulate private investment in residential development in a manner that best serves the varied needs of their residents. Toward these ends, this final section describes high-level goals and potential strategies to achieve them in four interrelated categories: new housing production, vacant property reclamation, homeownership creation, and concentrated poverty reduction. While this summary presents strategies for Gateway Cities as a group, variation among communities translates into variation in the relative importance of each of these objectives, as noted throughout the report. State and local leaders must find solutions that target these varying strategies in proportion to the local need.

Midway through the third decade of the 21st century, it is clear that Gateway Cities have as much as ever to offer our commonwealth and its regional economies. But canals, mills, and other industrial assets are no longer the primary strength of most of these communities. Instead, much of their strength lies in their housing stock and the potential of their dense urban fabric to accommodate additional residents in tight-knit neighborhoods, where homes are affordable, transportation options are plentiful, and the quality of life is high. This is a critical function today because Massachusetts' economy is driven by its people. Yet, we are losing tens of thousands of residents each year to domestic outmigration, making it essential to leverage these urban strengths to retain and attract a stable and thriving population.

For Gateway Cities to fully contribute as residential centers, their housing markets must operate effectively. Fundamentally, this means that we must do two things: expand the supply of housing n a way that is aligned with household growth, so that homes remain affordable; and maintaining strong neighborhoods, so that residents with lower incomes are well-positioned to move up the economic ladder and households across all income levels want to live in Gateway Cities.

Data-driven goals will focus state and local leaders on strategic actions that they can cooperatively pursue to further these two housing fundamentals. Drawing on the analysis presented previously, this final section scopes out high-level goals and strategies to achieve them across four interrelated categories: new home production, vacant property reclamation, homeownership promotion, and concentrated poverty reduction.

While we present goals for Gateway Cities in the aggregate, we reiterate that these communities experience different housing challenges. Each local real estate market will require more of some strategies and less of others. We must ensure that our policies and practices balance the various housing needs of Gateway Cities with strategic effort and targeted support.

Figure 6.1 – Summary of goals by strategy

Strategy	10-Year Goal	Notes
1. Increase housing production	Produce 80,000 units	This is double the pace of development over the previous 10 years. (Units brought back onto the market through rehabilitation count towards this goal.)
2. Reclaim vacant property	Rehabilitate 8,600 vacant units	This is double the pace of rehabilitation over the previous 10 years.
3. Increase homeownership	Raise the homeownership rate by 2.5 percentage points	This can be achieved by creating new for-sale units, returning rehabilitated vacant units to the market, and converting rental properties to owner-occupancy.
4. Reduce concentrated poverty	Reduce the poverty rate in the 51 census tracts with concentrated poverty by 5 percentage points	This would bring the number of census tracts with concentrated poverty from 51 to 24.

Created with Datawrapper

1. Increase housing production.

Our analysis suggests that Gateway Cities must aim to produce at least 80,000 units over the next 10 years to balance supply and demand while accommodating modest population growth. This is double the number of units that Gateway Cities built over the past 10 years. With an average financing gap of $200,000 per apartment and $40,000 per for-sale home, closing the gap to make the construction of 80,000 new market-rate units financially feasible would require roughly $1 billion per year in subsidy.

Generating market-rate housing at these levels will stop prices from rising dramatically and protect naturally occurring affordable housing, but it will not meet the very large need to provide affordable housing for 35,000 Gateway City residents with extremely low incomes. Producing deeply subsidized income-restricted homes requires at least $500,000 per unit-and often considerably more.

To put all these figures into perspective, Massachusetts currently spends $500 million annually on its housing development programs across the whole state. Combined with federal funds, this only produces about 2,000 new units per year. The *Affordable Homes Act* contains much larger authorizations, but borrowing limits will prevent the state from significantly increasing capital appropriations. Prioritizing housing over other needs in the capital budget will allow the state to keep up with the rising cost of construction while production remains level or increases marginally.

Given these realities, it is imperative that Gateway Cities work hand-in-hand with the state to strategically lower the barriers to housing production and reduce the financial gap in every way possible. The following strategies can further this objective:

- **Provide more "shallow subsidies" to make market-rate residential projects economically feasible**. Massachusetts and the Gateway Cities will enjoy fiscal returns from the economic activity that building more housing produces, including through construction activity, property and income tax receipts, labor and productivity gains, and induced economic activity through the local spending impacts of new residents. Thus, shallow subsidies that make projects economically feasible pay for themselves many times over in the long run. The Housing Development Incentive Program (HDIP) has demonstrated how shallow subsidies can cost-effectively close financial gaps and spur construction of both apartments and condominiums. Not only does this supply reduce price pressures in the market generally by relieving demand, but the additional stock also makes it easier for those with state and federal vouchers to find apartments for rent.

  In the first round of awards since the legislature provided additional funding in 2023, 547 units across 13 projects in 11 communities have been allocated credits at a cost of $49,360 per unit. The MassINC Policy Center has previously estimated that the state's HDIP investment leverages private dollars at a rate of 12 to 1, far more than any other existing state housing program.[1] The state should continue to fully fund the HDIP project pipeline as long as projects can convincingly demonstrate that construction is not feasible without the state and local contributions. These mid-sized projects fill in vacant, blighted, or underutilized properties in key locations, thereby creating new homes without displacement, increasing transit use, restoring property values and municipal tax revenue, and adding pedestrian activity and patronage for local businesses. Significantly, HDIP is a flexible tool that can also be used in stronger markets to produce some income-restricted units through locally-adopted inclusionary development programs.

- **Assemble, clean, and pre-permit land for multifamily residential development**. Taking title to property, assembling adjacent parcels into larger tracts, remediating contaminants, and pre-permitting multifamily housing is by far the most powerful step that municipalities can take to spur housing production. These efforts take considerable time and risk out of the equation, significantly lowering the cost of building in urban areas and attracting more private investment in residential development. Positioning municipal governments to undertake this essential work requires state partnership. More specifically, cities need more staff capacity as well as funds that they can draw on for site acquisition and brownfield remediation. To the extent that municipalities are ready and willing to undertake the work of increasing housing supply, the state can benefit by providing this assistance.

  The state should be a particularly active partner for development around transit. The more densely that cities can develop around stations, the more riders there will be to make efficient use of this infrastructure. For the state, this leads to significant long-term fiscal benefits while also advancing the state's climate and sustainable development goals.

- **Make it possible to build duplex and triple-deckers by-right.** While cities focus on assembling and pre-permitting land for larger projects, private developers can accomplish a lot by rebuilding the triple-deckers that have been lost over time on vacant lots. Cities can encourage this production and make it more financially feasible by allowing the construction of duplexes and triple-deckers by-right in all of their residential neighborhoods. In addition to allowing triple-decker density and traditional setbacks and dimensional requirements, cities should develop their codes to enable contemporary approaches to parking on these parcels.

- **Create predictable policies around municipal tax abatement for affordable housing**. As noted in Section 4, many Gateway Cities have reduced local property taxes to make new construction economically feasible using both HDIP and the Urban Center Tax Increment Financing program. However, these tools are unpredictable and require lengthy approval processes. Last year, the legislature created a new statute (G.L. c. 59, § 5O) authorizing municipalities to adopt property tax abatement ordinances to support the construction of apartments rented at prices that are affordable to residents with incomes up to 200 percent of AMI. These ordinances should streamline the approval process and make it far more predictable for developers.

  Gateway Cities and any other municipalities that adopt and act on these ordinances should receive priority for state housing funds and for other state resources administered through the Community One Stop for Growth. For suburban communities, adopting a municipal tax abatement ordinance will send a powerful signal that the community is committed to fair housing and welcoming to all.

- **Develop and execute a regional construction workforce strategy**. Massachusetts has aggressive plans to both increase housing production statewide and decarbonize existing buildings. Making meaningful progress toward these goals simultaneously in the coming years will require far more construction workers than the state currently has. Each region must have a strategy to ensure that it is training enough workers to meet projected demand. Again, success in this endeavor will come thorugh clear, data-driven goals. The MassINC Policy Center is completing an analysis of the current statewide training landscape to identify opportunities to increase output. State and local leaders will be able to use findings from our forthcoming research to tailor regional construction workforce strategies.

- **Support emerging developers through both local initiatives and state incentives**. In addition to more workers, Gateway Cities need more private developers who will explore development opportunities and find creative ways to make projects economically viable. Gateway Cities are uniquely positioned to cultivate these entrepreneurs. Many of their residents have experience in construction, which is excellent preparation for buying and developing property. As noted in Section 4 of this report, several Gateway Cities have taken steps to help these residents enter the field by awarding extra points to diverse development teams when soliciting projects on city-owned land, as well as by assisting emerging developers as they work through regulatory processes. Regardless of present market conditions, all Gateway Cities can learn from these leaders and adopt programs that will best serve their populations.

  The state is also working to grow the field, most notably by using $50 million in federal recovery resources to create an Equitable Developers Fund. Administered jointly by MassHousing and Mass Housing Investment Corp, the fund will provide working capital lines of credit and standby letters of credit to Gateway City residents who have real estate development experience. Just as importantly, the fund will provide at least $10 million to emerging developers for project-level predevelopment, acquisition, and construction financing. In administering these limited funds, the state can incentivize local action by giving preference to Gateway Cities that are working hard to support their emerging developers.

- **Partner with suburban neighbors to develop and execute regional housing strategies, particularly with regard to serving extremely low-income households.** This analysis shows that Gateway City suburbs need to build more rental housing just as urgently as they need to build more affordable housing. Many of these communities recognize the challenges that the lack of rental housing presents, and they are open to working proactively to build more. Cities can support their efforts by lending knowledge and experience. Regional collaboration on housing can also help leaders understand and address more specific needs, such as gaps in the supportive housing Continuum of Care system.

2. Reclaim vacant property.

From a supply-and-demand standpoint, putting a vacant unit back online is the same as building a new one, and rehabilitation generally costs significantly less than new construction. Moreover, rehabilitation that removes blight makes neighborhoods safer, creates healthier environments, and stimulates private investment in other vacant or distressed properties. Efforts to reclaim properties that are suffering from neglect are especially important in the 30 Gateway City census tracts with high levels of long-term vacant property. Reducing blight will stabilize these communities, thereby improving resident well-being and helping to reduce concentrated poverty.

As noted in Section 1, Gateway Cites could address two-thirds of their current housing shortage by reclaiming all of their long-term vacant properties. However, this is likely infeasible, since properties are constantly moving in and out of this status and dealing with each of them is a complex undertaking. Over the past 10 years, Gateway Cities returned roughly 4,300 long-term vacant properties to the market. At a minimum, we should aim to double this figure over the next 10 years by pursuing the following strategies:

- **Increase state investment in acquisition and rehabilitation.** MassHousing's Neighborhood Hub and Neighborhood Stabilization Program work in tandem to help Gateway Cities develop vacant property strategies and ensure that these communities have the funding to acquire blighted and abandoned homes as well as to return them to productive use by working with both private and nonprofit developers. However, the agency receives less than $10 million annually to undertake this work. This is well below 2 percent of state housing investment.

  More state resources are needed to provide Gateway Cities with technical assistance for this challenging work. Our survey of Gateway Cities found that only half are currently using standard practices (such as requiring landlords to register rental properties) to maintain housing quality. And only seven have integrated data systems in place to track and assess the risk of building code violations and other problem-property conditions that have detrimental impacts on neighborhoods.

  Significantly more state resources are also required for capital investments in blighted property. Increasing state resources for rehabilitation is a strong investment proposition because these properties increase available housing for less than the cost of new construction. Furthermore, these properties are often resold to low- and moderate-income residents, adding to the limited supply of affordable homes for sale and giving these residents the chance to build financial stability and wealth.

- **Reassess the state's rehabilitation building code.** For years, Gateway City leaders have pointed out that the Massachusetts state building code contains unusual provisions that make it more difficult to restore older properties. The most egregious concern is the requirement that buildings conform with modern building codes whenever improvements account for more than 30 percent of a property's assessed value. Because property values are extremely low in the places where older properties need the most investment, this requirement is triggered more easily, creating massive regional disparities. The state should assemble a task force to examine these issues and propose potential solutions. With limited subsidy dollars available, it is crucial to act with urgency to find any regulatory changes that will pass a cost-benefit test.

- **Utilize the new receivership statute.** In Springfield and several other Gateway Cities, receivership has proven to be a powerful tool to rehabilitate vacant properties that pose an immediate health threat. To help other communities make full use of receivership, the Affordable Homes Act amended the state's receivership statute to explicitly permit courts to expeditiously approve the sale of vacant properties in receivership to nonprofits rehabilitating these homes for low- or moderate-income first-time homebuyers. Working with the Attorney General's Office and Neighborhood Hub, Gateway Cities can develop strategies to take advantage of these statutory changes.

- **Clarify the new municipal tax lien foreclosure statute.** Taking properties that owe significant back taxes is one of the primary ways that municipalities reclaim vacant property. A unanimous 2023 US Supreme Court ruling requiring cities to ensure that they are not taking equity above the taxes owed made it impossible for municipalities to carry out this work without a state statute laying out the process for protecting the owner's equity. The legislature worked quickly to comply by enacting a statute this year, but municipalities remain concerned that the new law is vague in several areas. These issues may be addressed through regulation and/or guidance from the Attorney General. However, if this is not sufficient, Massachusetts will need to further amend the new statute.

3. Increase homeownership.

Less than half of Gateway City residents own their own homes, whereas nearly 68 percent of non-Gateway City residents own homes. With college students and other mobile populations, these urban centers will always have lower homeownership rates, but there are several Gateway Cities with homeownership rates under 40 percent-and many neighborhoods have even lower rates. This means that a large majority of residents are not well positioned to enjoy equal benefits from the growth of their communities. Changing this situation is fundamental to achieving equitable development. Increasing homeownership is also central to stabilizing neighborhoods and reducing concentrated poverty.

Our analysis shows that the middle and upper-income homeownership rate in Gateway Cities is below the state average to the tune of 16,600 households. If all of these households bought a home, the overall homeownership rate would rise by just two percentage points. Similarly, if Gateway Cities meet our projected housing supply need by adding 80,000 units to their housing stock over the next 10 years, and all these new units are owner-occupied, the homeownership rate would increase to just 54 percent.

Moving the needle on homeownership will require considerable time and persistence, but this should not deter us from working to increase the homeownership rate by 2.5 percentage points over 10 years. This can be accomplished through a combination of building more for-sale homes, rehabilitating vacant and blighted homes for affordable homeownership, and helping more Gateway City renters become homeowners. We see three key tasks that are needed to make progress toward this goal:

- **Develop local homeownership targets and strategies with a focus on closing racial and ethnic homeownership gaps.** Increasing homeownership will likely require different approaches and prioritization in each community given the considerable variation in homeownership rates and market conditions. As a starting point, cities need to thoroughly understand their for-sale market through survey research and other outreach to residents. This will help them gain basic insights, such as whether households aspire to own a home in the community; the barriers that they face, both real and perceived; and whether households are aware of and making use of the supports available to them. With a more complete understanding of these dynamics, cities can craft an effective strategy.

- **Build more affordable homeownership opportunities using the shared-equity model.** The shared-equity model can help households that cannot afford to purchase market-rate homes build wealth while also preserving a property's affordability for the long term through deed restrictions that limit how much financial gain the owner can realize when the home is resold. Studies consistently find that those who have the opportunity to buy these affordable homes build more wealth than similarly situated households that continue to rent. They are also more likely to own a market-rate home in the future. [2]

  Building the stock of affordable for-sale housing in Gateway Cities requires balancing the need to preserve affordability with the realities of market conditions. In softer Gateway City markets, the priority should be to rehabilitate homes for low- and moderate-income buyers. Attaching lengthy deed restrictions is counterproductive in this context because it will significantly lower the home value, increasing the subsidy required for continued housing production. As the price of market-rate homes rises beyond the reach of most first-time homebuyers, building an inventory of affordable homes for purchase becomes critical to preserving the bottom rungs of the homeownership ladder as a path to wealth-building.

- **Expand and enhance programs to help households move from subsidized rental housing to affordable homeownership.** Housing authorities and other entities that provide affordable housing through both mobile and project-based Section 8 vouchers should utilize the HUD's Family Self-Sufficiency Program (FSS) to help households move out of subsidized housing and into their own market-rate homes. FSS provides households with one-on-one coaching to help them reach their education and job training goals. Coaches also help participants develop financial literacy, build credit, and access childcare and transportation. Participating households place income gains in escrow rather than paying higher rent. These savings can be used to make a down payment on a home or progress toward other self-sufficiency goals.

While few FSS participants earn enough to afford market-rate housing in high-cost markets, FSS has far more potential to increase homeownership when participants can use voucher subsidies to help cover the cost of the mortgage. This reduces the public subsidy necessary in the long run because mortgage payments do not rise. A serious homeownership strategy will rigorously evaluate the potential of FSS in combination with voucher funds.

A strong approach to homeownership will also leverage down payment assistance and reduced-rate mortgage programs offered by MassHousing, Massachusetts Housing Partnership, and others. While the subsidy required to make purchases possible through these programs is often quite large, if this assistance enables a resident of affordable housing to transition to homeownership with financial stability, it opens up a unit of affordable rental housing at a far lower cost than producing a new affordable home.

4. Reduce concentrated poverty.

Gateway Cities have 51 census tracts with concentrated poverty. This high level of disadvantage harms the nearly 200,000 residents living in these areas. Gateway Cities need an approach to housing that explicitly recognizes this problem and seeks to address it. This is another area that will require slow and deliberate strategy—which makes conscientious goal-setting all the more important. Working to reduce the poverty rate in each of these 51 census tracts by 5 percentage points over a 10-year period is a manageable goal that would cut in half the number of census tracts meeting the definition of having concentrated poverty. All the strategies covered previously can support this objective, however, two action items can be pursued with this explicit objective:

- **Redevelop public housing into mixed-income communities.** Throughout Gateway Cities, state and federal public housing developments have suffered from years of neglect, and many of these buildings need total replacement. Redevelopment of these older projects presents an opportunity to add more units at higher price points while preserving the existing affordable units. The Affordable Homes Act makes considerable funding available to undertake this work. Gateway Cities need to seize on this opportunity with forward-thinking proposals to make these new housing developments stronger assets to their neighborhoods.

- **Develop a regional strategy and complementary state policy to produce more housing for extremely low-income households in areas with lower poverty rates.** Providing affordable housing for households with very little income requires increasingly large subsidies because of rising construction and operating costs. In addition to more state and federal funds, meeting this production need will take considerable resources and creative problem-solving at the local level. Gateway Cities cannot provide enough homes for these households on their own. Their suburban neighbors must work with them to safely house residents who cannot afford housing due to age, disability, or other difficult circumstances.

  Massachusetts needs statewide policy to incent this regional cooperation. Chapter 40B has successfully created tens of thousands of multifamily homes in Massachusetts, but it has left the matter of caring for those with the greatest need entirely unaddressed. Until we find a way to share this responsibility, urban areas will have great difficulty serving all their residents—especially the most vulnerable, who tend to be concentrated in high-poverty neighborhoods.

Concluding Thoughts: Building the Capacity to Mount an Effective Response

There is no single step that Gateway Cities can take to help Massachusetts build its way out of this housing shortage, while also working to ensure that new growth meets the multiple housing needs of their neighborhoods and residents. Our survey of Gateway City housing policies shows that communities are already employing a variety of best practices to stimulate development and reclaim vacant property. However, no city has been able to implement numerous strategies all at once. This is largely a matter of capacity. Gateway Cities have limited staff and resources. While CDCs can complement and magnify municipal capacity, many Gateway Cities lack these key partners. Mounting an effective response to the housing crisis will require considerable attention to capacity building in local government, state agencies, and nonprofits. As policymakers consider how the action items outlined above could play a role in the state's housing strategy, they must prioritize capacity building to ensure Gateway Cities are equipped to utilize these tools and execute the plan effectively.

Topics for Future *Gateway City Housing Monitors*

Generating this analysis brought to light numerous topics that require more in-depth analysis. Future *Gateway City Housing Monitors* may use these as topics for Special Analysis sections or themes for regular treatment on an annual basis. They include:

Supportive housing

What do the supportive housing needs of varying populations look like in each region, and where are the gaps most pronounced?

Homeownership

How do consumer preferences, household finances, and the existing housing stock contribute to variation in Gateway City homeownership markets?

Green building and energy efficiency

How do the costs of heating and cooling older homes in Gateway Cities vary? How does this impact the affordability of housing across communities? How much progress are we making to electrify new and existing residential buildings? What tools can be used to accelerate this work?

Mobile housing vouchers

To what extent do mobile vouchers reduce concentrated poverty in Gateway City regions? What share of affordable units in 40B developments are rented by tenants with mobile vouchers, and how does this compare with the share of affordable rental units in Gateway Cities with voucher holders?

Fiscal impacts of housing development

What is the net fiscal impact of different forms of housing development for state and local governments? How can we ensure the costs and benefits are equitably distributed?

Endnotes

Special Analysis: The Gateway City Housing Shortage

1. The natural vacancy rate is significantly higher for rental housing than for for-sale housing because renters tend to move more frequently. Using prevailing economic estimates, we assume the natural rate is 7.4 percent for the rental market and 1.5 percent for the for-sale market. See Eric Belsky and others. "Projecting the Underlying Demand for New Housing Units: Inferences from the Past, Assumptions about the Future." (Cambridge, MA: Joint Center for Housing Studies, Harvard University, 2007).
2. College students were excluded from the population count since they have very different household sizes and demand for housing than the general population, but off-campus student-led households were still included in the household count. The headship rate was calculated in the aggregate and then apportioned to individual Gateway Cities based on each city's share of the adult non-institutional, non-student population.
3. Because New Bedford had its own Continuum of Care region, MassINC was able to produce an estimate of the number of housing units needed to serve un- and underhoused populations in a previous analysis. This increases the estimated number of housing units needed for New Bedford from 2,000 to 2,800. However, it may be more appropriate to think of these additional units as a regional need that must be met given that the city already serves a disproportionately large share of those with housing barriers.
4. Includes only the non-institutional, non-student population.
5. Nationally, the average time to build new multifamily housing after authorization to begin construction was 19.8 months in 2022. It takes longer in the Northeast than other parts of the country, where construction averages 23.7 months. These figures do not include the substantial amount of time required to obtain funding and building permits, which brings the total development timeline to at least three years. See National Association of Home Builders' analysis of data from the US Census Bureau 2022 Survey of Construction. https://eyeonhousing.org/2023/08/dramatic-apartment-construction-in-2022
6. From 2012 to 2022, 68 percent of all population growth in Massachusetts accrued to the top 15 percent of communities by size of the foreign-born population, of which 77 percent were Gateway Cities. Among Gateway Cities, places with the largest foreign-born populations in 2012 experienced the most population growth from 2012 to 2022. Also see: Peter Ciurczak. "Mass. Migration: An Analysis of Outmigration from Massachusetts Over the Last Two Decades," (Boston, MA: Boston Indicators, 2024).
7. We assume that growth will be distributed proportionately across Gateway Cities, even though there is evidence that it is more likely to occur in places that have large immigrant populations or are close to major job centers.
8. Nationally, about 3 percent of units were permanently lost over a recent ten-year period. See: "American Housing Survey Components of Inventory Change: 2015–2017," (Washington, DC: US Department of Housing and Urban Development, 2020).
9. This method of comparing statewide rates to Gateway City rates likely undercounts the actual number of households that would like to own if homes were more affordable to middle-income households in Massachusetts.

1. Housing Production

1. These estimates are based on housing unit counts in ACS data and may overstate actual growth in some communities. This discrepancy occurs because ACS data utilize the decennial census as a baseline and many cities employed GIS and other technologies to improve their master address lists between the 2010 and 2020 decennial census counts. However, this is the best data that is currently available to estimate new production. While researchers often use construction permit data published by the US Census Bureau, these data are known to be incomplete, particularly with regard to the actual number of units in each new building.
2. In this context, "on-market" housing units are defined as those that are occupied year-round or are available to rent or own. It excludes units that are long-term vacant, such as unoccupiable blighted units, as well as seasonally occupied units such as AirBnBs and summer homes.
3. The United States Postal Service (USPS) provides aggregate vacancy and no-stat counts of residential and business addresses that are collected by postal workers and submitted to HUD on a quarterly basis. Data from the USPS provide the most up-to-date measure of residential vacancy, although they have some limitations in distinguishing between on-market and off-market vacancy. To the USPS, the address is either occupied and requires mail service or is vacant and does not.
4. Eric Belsky and others. "Projecting the Underlying Demand for New Housing Units: Inferences from the Past, Assumptions about the Future." (Cambridge, MA: Joint Center for Housing Studies, Harvard University, 2007).

2. Housing Affordability

1. Due to the way that ACS data are collected, deed-restricted affordable housing and households with mobile housing vouchers were subtracted from the total number of units with asking rent or contract rent below the specified amount. Because some voucher-holders may live in a deed-restricted unit, the end result may be a slight undercount.
2. There is not standard definition for NOAH. For this analysis, NOAH is defined as rental housing that is affordable to households making 50 percent of the state AMI. In 2022, these were units with rents at or below $1,181 in Massachusetts. In 2012, these were units with rents at or below $817.
3. Deed-restricted affordable housing with single-room occupancy are exceedingly rare, though they are more common in Gateway Cities than in their suburbs. Single-room occupancy units make up just 0.9 percent of deed-restricted affordable units in Gateway Cities and 0.4 percent of such units in the suburbs.

4. At the median home value, assuming a 30-year mortgage, a 20 percent down payment, no private mortgage insurance, and a mortgage payment equal to no more than 28 percent of gross income. Calculations rely on information from the Zillow Home Value Index, Massachusetts Municipal Databank (for tax rates), Massachusetts Division of Insurance (for local property insurance costs), and Federal Reserve Economic Data (for mortgage rates and recent changes in property insurance costs).

3. Conditions for Growth

1. These capitalization rates were modeled based on conversations with local developers and online research for the Greater Boston market.
2. This estimate is based on 50th percentile rents because this is the only reliable sources of information on local rents by apartment size, and this information is necessary to model construction costs.
3. The EPA's National Walkability Index ranks block groups according to factors that affect walkability, including street intersection density, proximity to transit stops, and a diversity of land uses (e.g. commercial and residential). They are categorized as "least walkable" (typically rural areas), "below average walkable" (typically suburban areas with few nearby commercial retail options), "above average walkable" (typically city and town centers), and "most walkable" (typically urban areas with high-quality public transportation). See: https://www.epa.gov/smartgrowth/national-walkability-index-user-guide-and-methodology

4. Community Revitalization

1. Elizabeth Kneebone. "The Growth and Spread of Concentrated Poverty, 2000 to 2008-2012." (Washington, DC: The Brookings Institution, 2014); Paul Taylor and Richard Allan Fry. "The Rise of Residential Segregation by Income." (Washington, DC: Pew Research Center, 2012).
2. Gateway Cities excluded from this table have zero census tracts with concentrated poverty.
3. Shigehiro Oishi and others. "The socioecological model of procommunity action: the benefits of residential stability." Journal of Personality and Social Psychology, 2007.
4. RAFT provides short-term emergency funding to help prevent eviction, foreclosure, loss of utilities, and other housing emergencies. Data are from Mass. Budget Budget Browser and have been comparison-adjusted for inflation.
5. Add citation.
6. The 8 percent cutoff is based on the distribution of long-term vacancy rates across census tracts. See Austin Harrison and Dan Immergluck. "Housing vacancy and hypervacant neighborhoods: Uneven recovery after the US foreclosure crisis." Journal of Urban Affairs, 2023.
7. John Krainer. "Natural Vacancy Rates in Commercial Real Estate Markets," Economic Letters of the Federal Reserve Bank of San Francisco, 2001.

5. Equitable Development

1. This analysis relies on analysis of assessor's data. For readability, we have labeled the two periods as 2012 and 2022, but the actual years vary due to differences in data availability across cities as follows: Attleboro: 2013, 2023; Barnstable: 2011, 2022; Brockton: 2012, 2022; Chelsea: 2012, 2023; Chicopee: 2012, 2022; Everett: 2012, 2022; Fitchburg: 2012, 2022; Lawrence: 2009, 2022; Leominster: 2013, 2023; Lowell: 2011, 2022; Malden: 2012, 2022; New Bedford: 2012, 2023; Pittsfield: 2012, 2022; Quincy: 2012, 2020; Salem: 2011, 2022; Taunton: 2012, 2023; Westfield: 2012, 2018; Worcester: 2014, 2024; Haverhill: 2011, 2022; Lynn: 2013, 2023; Springfield: 2013, 2023; Fall River: 2012, 2022; Holyoke: 2012, 2022; Methuen: 2012, 2022; Peabody: 2012, 2022; Revere: 2012, 2022
2. Ben Forman and Abram Reiss. "Will Recent Homebuying Trends Intensify Racial Wealth Gaps?" (Boston, MA: MassINC, 2020). Data show Black and Latino residents increasingly purchasing in unstable Gateway City neighborhoods.
3. $75,000 and higher is the uppermost income bucket produced by the Census Bureau for this table.
4. Peter Hepburn and others. "Beyond Gentrification: Housing Loss, Poverty, and the Geography of Displacement." Social Forces, 102.3 (2024).

6. Data-Driven Goals and Strategic Actions

1. MassINC, Housing Development Incentive Program (HDIP) Fact Sheet (2021). See https://massinc.org/2021/10/26/housing-development-incentive-program-hdip-fact-sheet/
2. Arthur Acolin and others. "Transitioning to Homeownership: Asset Building for Low-and Moderate-Income Households." Housing Policy Debate 31.6 (2021); Mark Temkin and others. "Sharing Equity with Future Generations: An Evaluation of Long-Term Affordable Homeownership Programs in the USA." *Housing Studies*, 28.4 (2013); Meagan Ehlenz and Constance Taylor. "Shared Equity Homeownership in the United States: A Literature Review." *Journal of Planning Literature*, 34.1 (2019).

Appendix: Components of the Housing Development Financial Gap, Gateway Cities, 2024

Notes and Assumptions:

1. 20 percent of total development costs
2. RSMeans data on the 2023 per-square-foot cost estimate for 6-story apartment building with basic finishes multiplied by local price factors
3. Column 1 plus Column 2
4. July 2024 Zillow Home Value Index for condos divided by the average square footage of condos in the city according to local assessor records
5. Difference between per-square-foot sales price and per-square-foot costs for a 1,200 square-foot unit
6. FY 2024 HUD 50th-percentile rent for two-bedroom apartments
7. Annual cash flow after subtracting annual operating expenses ($10,000 per unit) from annual rental income (Column 6 multiplied by 12)
8. Column 7 divided by a market capitalization rate of 8 percent
9. Capitalized value (Column 8) per unit minus cost per unit (Column 3 × 1200)

	Acquistion Cost (sq. ft)	Construction Cost (sq. ft)	Total Development Cost (sq. ft)	Sales Price (sq. ft)	Capital Gap For Sale	Fair Market Rent	Net Operating Income	Capitalized Value	Capital Gap Rental
	1	2	3	4	5	6	7	8	9
Attleboro	$66	$264	$330	$231	-$118,996	$1,821	$11,852	$148,150	-$247,760
Barnstable	$64	$256	$321	$344	$27,798	$2,243	$16,916	$211,450	-$173,255
Brockton	$67	$266	$333	$283	-$60,295	$2,079	$14,948	$186,850	-$212,795
Chelsea	$73	$294	$367	$428	$72,401	$3,045	$26,540	$331,750	-$108,980
Chicopee	$65	$261	$327	$224	-$123,199	$1,470	$7,640	$95,500	-$296,675
Everett	$73	$294	$367	$428	$72,606	$3,045	$26,540	$331,750	-$108,980
Fall River	$66	$264	$330	$251	-$94,320	$1,821	$11,852	$148,150	-$247,760
Fitchburg	$65	$261	$327	$259	-$81,245	$1,676	$10,112	$126,400	-$265,775
Haverhill	$68	$271	$339	$304	-$42,751	$2,045	$14,540	$181,750	-$225,365
Holyoke	$65	$261	$327	$205	-$146,690	$1,470	$7,640	$95,500	-$296,675
Lawrence	$68	$271	$339	$282	-$68,661	$2,045	$14,540	$181,750	-$225,365
Leominster	$65	$261	$327	$268	-$71,050	$1,676	$10,112	$126,400	-$265,775
Lowell	$68	$271	$339	$295	-$52,535	$2,155	$15,860	$198,250	-$208,865
Lynn	$68	$274	$342	$373	$37,338	$3,045	$26,540	$331,750	-$79,100
Malden	$73	$294	$367	$443	$91,322	$3,045	$26,540	$331,750	-$108,980
Methuen	$68	$271	$339	$294	-$54,329	$2,045	$14,540	$181,750	-$225,365
New Bedford	$66	$264	$330	$241	-$106,533	$1,569	$8,828	$110,350	-$285,560
Peabody	$68	$274	$342	$378	$42,883	$3,045	$26,540	$331,750	-$79,100
Pittsfield	$63	$251	$314	$209	-$126,981	$1,502	$8,024	$100,300	-$276,935
Quincy	$73	$294	$367	$442	$90,080	$3,045	$26,540	$331,750	-$108,980
Revere	$73	$294	$367	$434	$80,426	$3,045	$26,540	$331,750	-$108,980
Salem	$73	$294	$367	$378	$13,145	$3,045	$26,540	$331,750	-$108,980
Springfield	$65	$261	$327	$197	-$155,554	$1,470	$7,640	$95,500	-$296,675
Taunton	$67	$266	$333	$291	-$50,661	$1,992	$13,904	$173,800	-$225,845
Westfield	$65	$261	$327	$203	-$149,118	$1,470	$7,640	$95,500	-$296,675
Worcester	$67	$269	$336	$250	-$103,555	$1,808	$11,696	$146,200	-$257,180

Source: Analysis of data from HUD, RSMeans, and Zillow

MassINC Policy Center

Massachusetts Institute for a New Commonwealth
11 Beacon Street
Suite 500
Boston, MA 02108
massinc.org