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HOUSING A CHANGING CITY

BOSTON 2030



CHAPTER 1

2014



HOUSING BOSTON'S LOW-INCOME, NON-ELDERLY HOUSEHOLDS

With 19 percent of its housing units reserved to help house its low- and moderate-income residents, Boston's share of affordable housing is higher than any other major city in the country. But even though Boston is a national leader in affordable housing production and policy, there are still many residents in need of affordable housing options.

As Boston grows, so too will the number of low-income citizens who will need to secure affordable housing. Boston must encourage the development of affordable housing throughout the city, while improving access to existing affordable units by those households most in need.

While we strive to create additional affordable housing, we must be mindful to build it throughout Boston, creating healthy and vibrant mixed-income neighborhoods that serve the entire city.

Note: This chapter does not address the needs of seniors, whose housing needs are outlined separately. It also does not address students and young adults under 25, whose high housing cost burdens will generally be addressed through income growth.



A Growing Need for Low-Income Housing

The city of Boston is currently home to an estimated 28,400 low-income households burdened by their housing costs. These households fall into two categories. There are 23,800 households with incomes below \$50,000 in Boston who pay 50 percent or more of their income on rent. In addition, there are 4,600 families with children who are paying more than 35 percent of their household incomes in rent. We include these 4,600 families in our calculations since the cost of raising children means these households are unable to devote the same share of their income to housing as households without children.

The need for affordable housing will continue to grow. Demographic projections show that by 2030, there will be approximately 9,750 additional low-income non-elderly households living in Boston (Table 4). The combination of these new low-income residents, with Boston’s 28,400 existing rent burdened low-income residents results in a projected affordable housing need of approximately 38,200 units by 2030.

For many of these low-income households, the market will offer few affordable housing options, since income growth has not kept pace with the increased cost of housing in Boston. In fact, only nine percent of today’s rental housing listings are within reach of households with incomes of \$50,000, while only one percent of the listings are affordable to households earning \$25,000 annually (Table 5).

There are Limited Options for Extremely Low-Income Households

Of the 38,200 households that will need affordable housing in 2030, an estimated 21,100 will have extremely low incomes. Households with extremely low incomes have annual incomes below \$25,000. These households very often require public housing, rent-subsidized housing units (i.e., Project-Based Section 8), or tenant-based rental vouchers from the State or Federal government in order to find adequate housing in Boston.

TABLE 4: **Projected Growth of Low-Income Non-Elderly Households 2010-2013**

	2010	Projected 2030	Change 2010-2030	% Change 2010-2030
Income <\$25,000	49,456	54,230	4,773	10%
Income \$25,000-\$50,000	37,682	42,659	4,977	13%
Total Low-income	87,138	96,889	9,750	11%

Source: MAPC Demographic Forecasts For Boston, August 2014 MAPC provided household income projections by Area Median Income (AMI); the City converted these into the dollar income ranges used in this Plan. For the purposes of the City’s analysis, \$50,000 is considered to be 60% AMI, and \$25,000 is considered to be 30% of AMI.

Currently, Boston has approximately 22,000 non-Boston Housing Authority (BHA) housing units with rental subsidies for non-senior households. These units can serve extremely low-income households, as rents are based on a tenant's ability to pay. Rents for these units are generally set at 30 percent of the household's income, as opposed to a fixed rent. Approximately five percent of these units turn over every year, meaning that nearly 1,100 of these privately-owned rent-subsidized units become available annually. Over the 17-year period of this plan, it is anticipated that close to 18,700 of these units will become available as affordable housing options for extremely low-income households. Although turnover does not add new units, providing better access to these existing units would reduce the number of rent-burdened, extremely low-income households over time.

The production of new affordable housing, when combined with Project Based Section 8 certificates and the Massachusetts Rental Voucher Program (MRVPs), can be an effective housing solution for households with very low income levels. Demand for these

Federal and State rental subsidies remains high, making this development model a challenge; however, the City, working closely with the BHA and the State, anticipates the ability to secure some rental subsidies for new rental production. This will help increase the permanent housing stock for our lowest income citizens.

Creating additional options for low-income households

Estimates show that 17,100 of the 38,200 households who will need affordable housing in 2030 will have incomes between \$25,000 and \$50,000 (30-60 percent AMI). These 17,100 low-income households have some additional options available to them as they are better able to afford more typical below-market affordable housing units that do not have attached rental subsidies.

In order to better meet the needs of low-income households, the City will need to increase its production of affordable rental housing and make it easier for low-income households to access existing affordable housing.

TABLE 5: Share of 2013 Rental Listings that are Affordable

% of Income Spent on Rent	Income: \$25,000	Income: \$50,000
35% of Income	<1%	9%
50% of income	<1%	41%

Source: MLS and Rental Beast



Housing Boston's Low-Income, Non-Elderly Households: Key Issues

To improve affordable housing production and access, Boston must address four key issues:

The Rising Cost of Producing Housing

Over the last five years, the cost of producing affordable rental housing has risen substantially. In the private sector, rising production costs are generally covered by increasing rents to support the increased debt and equity necessary to complete a development. In the affordable housing sector, however, public resources are invested to bridge the gap between the cost to build and the smaller amount of private debt that can be supported by lower, affordable rents.

With development costs rising and affordable rent levels remaining effectively constant, increasing amounts of

public resources are required to simply maintain the current rate of affordable housing production. If Boston can reduce the cost of creating affordable housing, allowing for more efficient use of public resources, it will be able to increase affordable housing production rates. Public resources to create affordable housing are limited. Federal programs such as HOME and CDBG have been significantly reduced over the last five years, making remaining resources even more competitive. With limited public resources, controlling and reducing production costs becomes critical.

Limited Resources and New Models

The primary resource used to create low-income housing is the 9% Low Income Housing Tax Credit (LIHTC), layered with multiple Federal, State and City funding sources. While this funding scenario has

TABLE 6: **Low-Income Non-Elderly Rental Production 2010-2014**

Year	Low-income Rental Units Created	Tax Credit Funding Per Unit *	City Funding Per Unit
2010	192	\$144,561	\$60,842
2011	216	\$138,583	\$61,584
2012	124	\$193,274	\$69,110
2013	327	\$183,101	\$55,004
2014 to date	146	\$237,580	\$69,224
Average Annual	223	\$171,654	\$61,446

* Includes all forms of Federal, State & Historic Tax Credits

produced thousands of high-quality units, demand for this finite resource continues to grow annually. Due to limited availability and high demand, it can take several years to secure 9% LIHTC for an affordable housing development. For the City to increase its affordable housing production above the current average of 223 new units per year (Table 6), it must develop alternative development models that utilize new and expanded resources, and couple those new financing models with projects that are able to reduce their development costs. Working closely with the State and other funding partners, Boston has begun work on creating these new financial structures.

Improving Access to Affordable Units & Fair Housing

Tenant selection procedures for affordable housing units do not always ensure that those with the greatest need are housed. Outside of the BHA's homeless preference, housing need is not a factor in tenant selection. Income-eligible households with no cost burdens (e.g., Section 8 mobile voucher holders) have the same access to low-rent units as heavily rent-burdened households who may be on the verge of homelessness.

Modifying the tenant selection process in a way that prioritizes those with greatest need could help to reduce the number of rent-burdened households, as well as reduce the incidence of homelessness. However, changing the tenant selection process would be a challenging task. Federal and State fair housing regulations that govern tenant selection are difficult to change, and property owners already have long waiting lists. However, making it easier for households with

critical housing needs to locate and access affordable housing must be a goal.

Non-elderly persons with disabilities also struggle to secure affordable housing. Many younger, disabled individuals find themselves living in nursing homes because they are unable to access appropriate supportive housing. In addition, the City needs to plan for accommodating the rising number of children and young adults with autism. Ensuring that both new and existing accessible units are available to and occupied by those with need of accommodation has been an ongoing challenge. While notification of accessible units has improved, more coordination is necessary.

Increasing Regional Action

Boston leads the region with approximately 19 percent of its housing stock considered affordable; however, many surrounding cities and towns do not meet this percentage. If this persists, there will always be a shortage of low-income housing and pressure on Boston's affordable housing market. If all communities in Greater Boston had at least 10 percent of their stock in affordable housing, the State's minimum target under Chapter 40B, there would be 11,500 more affordable units in the region. If every community were to achieve Boston's 19 percent rate, there would be 56,700 more units of affordable housing available. Creating communities that are economically and racially diverse requires regional action. Providing housing choices for low- and moderate-income families across the region is critical to furthering fair housing goals.



Housing Boston's Low-Income, Non-Elderly Households: Goals

To address the needs of 38,200 current and future low- and extremely-low income Bostonians only through new rental production would require raising \$12.6 billion in public resources alone.

Given the constraints of space, the high cost of land, declining federal funding, and a finite amount of City dollars available, we must acknowledge that the City cannot build its way out of this problem; rather, several practical strategies must be put in place that, taken together, will further meet the needs of Boston's low-income households.

1. Increase the production of new, low-income, non-elderly housing by 50 percent

This increase will create 6,500 new low-income affordable units across all of Boston's neighborhoods by 2030 — enough to house 65 percent of the anticipated growth in low-income workforce households by 2030.

2. Ensure that a subset of these new affordable units is accessible to extremely low-income households

Secure a minimum of 1,700 rent subsidies for affordable housing developments to increase the number of units targeted to extremely low-income households.

3. Increase the ability of low-income and highly rent-burdened households to access new and turnover affordable housing units

Centralize information and establish predictable procedures, providing the most rent-burdened households easier access to affordable housing as it becomes available.

4. Improve access to housing that will accommodate non-elderly persons with disabilities

Work with the Disability Commission to acquire a better understanding of the needs of the disabled community, and establish both production targets and procedures to make it easier for the disabled community to occupy accessible housing.



Housing Boston's Low-Income, Non-Elderly Households: Actions

1. Prioritize cost-efficient, high-quality developments when selecting projects for City funding programs

Key cost-containment strategies should include: investigating more efficient technologies to reduce construction costs; reducing design requirements without compromising habitability or accessibility; reducing soft costs; and designing and building to specific price points.

2. Continue to work closely with our State partners to secure existing affordable housing resources

Boston will continue to compete, advocate for, and utilize LIHTC, State tax credits, subordinate financing, and rental subsidies for Boston's affordable housing projects. To accomplish this, the City will work with developers to structure developments that are reasonably priced and complement the State's priorities.

3. Raise additional resources for affordable housing production (see Chapter 8, Resources)

Even with cost savings in existing programs, the City will need to generate substantial new resources to achieve our goals. In addition, along with DHCD and other housing advocates, Boston will continue to advocate for federal funding programs such as HOME and CDBG.

4. Create new, permanently affordable units to serve extremely low-income households by converting at least 1,700 Section 8 vouchers into project-based assistance for rental developments

By converting Section 8 vouchers to project-based assistance, developers will be able to serve extremely low-income households. It is expected that this initiative will become significantly more challenging if cuts to Section 8 and other rent subsidy programs continue. The City will work in partnership with the State to exceed this goal whenever possible.

5. Create a new acquisition/conversion program that will make it easier to acquire existing rental properties and convert them into permanent affordable housing

Acquiring existing rental housing and converting it to affordable housing with a mix of incomes can be substantially less expensive than building new units, but current funding systems and regulatory requirements will need to be adjusted. The current, multi-year funding pathway requires that developers hold and maintain properties for extended time periods without financial support.

As part of the effort to reduce the costs of affordable housing production and stabilize existing tenancies,



this new program will provide access to privately funded acquisition capital; provide project-based rental assistance for a percentage of the units; offer expedited access to 4% Housing Tax Credits; and offer out-of-round gap funding from the City and State's affordable housing resources.

6. Create a new financing model that supports the creation of new, low-income rental housing and does not depend on 9% LIHTC

This new financing model will be developed with State cooperation as an alternate, accelerated funding pathway for more cost-efficient projects. It is anticipated that this program will use 4% LIHTC, State Housing Tax Credits, and gap funding from City and State sources.

7. Create new processes to help those with the greatest need efficiently access affordable units

The City will work with regulators, property owners, and service providers to create new ways to help

those with the most critical housing needs find and access available affordable housing. In Boston, this information will be centralized across departments.

The City will also work to expand housing choice through an enhanced Metrolist/Affirmative Marketing program within the Office of Fair Housing and Equity. This will ensure that all of Boston's residents are aware of affordable housing opportunities, and have equitable access to them.

8. Work with the Commission for Persons with Disabilities to establish a task force to better understand the ongoing housing needs of the disabled community

This task force will help inform the City on the housing needs of the disabled community. In addition, it will better connect citizens who need accommodations with new and existing units that meet ADA and Massachusetts Architectural Access Board requirements.