A Report on

Boston's Housing Strategy

FY2004-FY2007

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Mayor
ACKNOWLEDGEMENTS

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Dear Friends,

In 2000, I announced *Leading the Way*, a comprehensive three-year housing strategy designed not only to increase production of new housing within the city of Boston, but also to preserve affordability. I established what were considered to be ambitious goals at that time, pledging to build 7,500 units and to preserve 10,000 more. Last fall, I was proud to announce that we had achieved our goals, and even exceeded them on a couple of key points.

The achievement of one set of goals doesn't mean that the hard work is over. Greater Boston still has a cumulative housing production deficit, and not only for affordable housing. The lack of readily available housing has made it more difficult for those who earn the least to find affordable housing. Although the economic downturn of the last couple of years has made it more difficult to produce new housing, it also means that those among us who are most vulnerable economically have found their goals of homeownership or affordable rent even harder to achieve.

On the following pages, you will find Boston's housing strategy for the next four fiscal years. Even while the Advisory Panel was meeting to establish new goals for *Leading the Way II*, we continued on our accelerated production and preservation schedule, building on the solid foundation of what we achieved in *Leading the Way I*.

Four years ago, I said that Boston could not solve the regional housing crisis on its own, and I stand behind that statement. When we undertook this housing strategy, we called it *Leading the Way* because we intended it to be a blueprint, not only of a viable production and preservation model, but of the kinds of collaborations that other cities and towns could emulate if they wanted to be successful. We cannot stop now -- the need is simply too great.

I look forward to reporting on our continued successes, and hope that others will build upon them.

Sincerely,

Thomas M. Menino, Mayor
City Of Boston
Charlotte Golar Richie leads the agency that will oversee the development of 1,400 of the planned 2,100 new affordable housing units, the preservation of 2,700 existing affordable units, and the conversion of 300 units of unregulated rental housing into new long-term affordable housing over the course of four years. In addition, DND will continue in its long-term mission of making Boston the most livable city in the nation by ensuring that Boston's neighborhoods maintain the quality of life that makes them so valued by the city's residents. To achieve this goal, DND will renovate 2,000 properties, including a targeted effort to reclaim vacant houses and other distressed properties, expand homebuying opportunities for people currently priced out of the market and protect existing homeowners from losing their homes to foreclosure. Working with its nonprofit partners, the lender community and State agencies, DND will continue its long-term goal of working smarter and harder to make the neighborhoods of Boston work for all citizens.

Sandra Henriquez heads the region's largest provider of housing for low-income people and oversees the administration and management of more than 14,000 public housing apartments and 11,000 Section 8 rental assistance vouchers. Under her leadership, the BHA focus for Leading the Way II is to preserve the significant gains the Authority has made in the face of shrinking federal and state resources for both public housing and rental assistance. The BHA will continue to invest in public/private redevelopment efforts to replace several hundred public housing units with newly designed developments. Homeownership opportunities will be made available to public housing and Section 8 residents through the BHA's HOPE VI revitalization efforts. In addition, the BHA will upgrade the quality of its public housing stock by renovating 325 BHA apartments for persons with disabilities. Finally, the BHA will continue to partner at the City and community level to secure critical resources and develop innovative strategies to address the housing needs of Boston's low-income community.

Mark Maloney leads the BRA in its effort to meet the housing goals outlined in this plan. Specifically, the BRA will work with the private sector to produce more than 7,500 housing units. In addition, the agency has recently strengthened its inclusionary development policy to require more units for moderate and middle-income residents, ensuring that Boston remains a city for everyone. The BRA will work with the city's medical, academic, and research institutions to build more housing for students, faculty, and staff. Using its regulatory authority and other planning and development tools, the agency will continue to promote housing that enhances Boston's neighborhoods and builds strong communities.
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EXECUTIVE SUMMARY

BOSTON’S RECORD
In the January 1999 State of the City address, Mayor Thomas M. Menino acknowledged Boston's growing housing shortage and declared housing to be a top priority for City action. He created a new cabinet level position, Chief of Housing, and challenged the City and development community to work together to double housing production from under 900 units to 2,000 units in just one year.

That commitment to housing has continued to this day. In the last three years, under the auspices of the first Leading the Way (LTW I) housing strategy, Boston has added more than 7,900 units of new housing. Of those, more than 2,200 are affordable new units. Another 5,000 households were protected from displacement through City efforts to prevent their subsidized apartments from becoming market rate. Virtually all of the Boston Housing Authority's vacant units are now being reclaimed to create new housing, particularly for the homeless.

With the generous help of the housing experts who comprised the Mayor's Advisory Panel on Housing, Boston is moving forward with a new four-year plan that builds on the best of what was done in the past and has evolved to meet the challenges that we face today. Among those challenges are a softer economy with rising unemployment, ever-tightening local, State and Federal budgets with cuts in many programs, and an emerging crisis in the Section 8 Rental Assistance Program where Federal cuts are leading to a nationwide crisis in the program. Despite these challenges, the Menino administration is committed to doing everything it can to continue making progress in housing. This strategy, called Leading the Way II (LTW II), is that commitment.

BOSTON’S HOUSING MARKET
Boston's housing market is driven by two key factors. Despite the recent economic downturn, there has been a long term significant regional housing production shortage that has kept vacancy rates low and prices high. An equally important market force has been the steadily improving quality of life in Boston's neighborhoods that has made city living an increasingly attractive option. Five years ago, a single-family house in Boston sold for almost 40% less than one in a typical suburban community. By 2003, that difference had shrunk to 19%. These combined forces have brought house values in the city up by 112% over the past five years -- almost double the regional average price increase of 60%. In most of Boston's historically affordable neighborhoods, the price increases have been even larger: values grew by 185% in Roxbury and 152% in East Boston. Lower-priced neighborhoods where market-rate prices were affordable are quickly disappearing, leaving renters and homebuyers with dwindling options other than publicly assisted housing, or leaving Boston.

After growing rapidly between 1996 and 2001, rents have stabilized over the last two years, but they remain at levels well out the reach of most Bostonians. In 2003, only a third of listed apartments cost what the average Bostonian could afford. For homebuyers, the situation is even more difficult. Despite declining interest rates, it now requires an income of more than $105,000 to afford the average single-family home, as compared to $55,500 five years ago.
Only about one in four Bostonians has the income necessary to buy the average-priced home. Many in the middle-class, historically Boston's first-time homebuyers, are now staying in the rental market, putting further pressure on rents.

Rising rents and declining employment usually precipitate rapid growth in the homeless population. However, due in large part to the efforts of the Boston Housing Authority to reclaim vacant units primarily for the homeless, this population has not grown as quickly as might have been anticipated. In fact, over the past three years, it has grown at half the rate that it grew in the previous three years. However, during the last six years, the fastest growing segments of the homeless population were women and children. This is a trend that needs to be reversed.

For some of Boston's neighborhoods, the effects of the recession are becoming more apparent. Rehabilitation investment fell by 18% in the last year as property owners deferred their investment until the economic picture improves. We know that quality of life is a critical element supporting the Boston housing market and maintaining it by reversing the trend toward disinvestment is essential to stabilizing neighborhoods. With prompt action, we can prevent the cycle of disinvestment and devaluation from taking hold as it did in the early 1990s.

**BOSTON’S PLAN OF ACTION**

**GOAL 1: Preserve Neighborhood Stability.** Ensuring that Boston's neighborhoods maintain their quality of life is the lynchpin of Boston's new housing strategy. Specifically, the City will commit to:

- **Renovate 2,000 properties, especially buildings in visible disrepair**
  - Reclaim 130 vacant houses and distressed properties with a goal of cutting abandonment by 50%
  - Expand homebuying opportunities for people currently priced out of the market and protect existing homeowners from losing their homes to foreclosure

To achieve these goals, the City will:

- Offer a new exterior home improvement rebate incentive to supplement ongoing programs for health and safety repairs. These rebates will encourage homeowners to do painting, landscaping, fence repairs and other exterior improvements.

- Streamline the permitting process with on-line services and the use of other technological efficiencies highlighted in the 2003 Sommers Report on operational improvements at the Inspectional Services Department (ISD).

- Implement an interagency coordinated attack on abandoned and eyesore properties. This will include a *House of Shame* public information campaign, and the new
Residential Assistance and Repair Effort operated through ISD that includes condemnation, owner referrals to City assistance, and in some cases, receivership actions. Tax foreclosure enforcement and eminent domain takings will be pursued if necessary and appropriate.

- Commit to continue its efforts to get all vacant houses it receives through foreclosure back into productive use as quickly as possible. Specifically, the City will endeavor to ensure that all remaining properties in the current inventory will be sold and in construction or complete within a year and that all future foreclosures with clear title will be in a redevelopment program on or before the day the previous owners' right to redeem the property expires.

- Implement expanded Don't Borrow Trouble and foreclosure prevention efforts, including preventing homeowners from taking on predatory loans and assisting homeowners restructure existing loans and refinance out of predatory loans with the support of Freddie Mac.

- Create the Boston Homebuyer Investment Fund on a demonstration basis, to help homebuyers that are currently priced out of the market. In this fund, investors will provide capital to the homebuyer in exchange for a proportionate share of future property appreciation that is paid upon the sale or refinancing of the property.

- Increase the number of minority homebuyers. Fannie Mae will be a key partner in this effort with a target of doubling the number of first-time minority buyers it finances over the coming ten years.

- Expand credit management training efforts to help more people become qualified to buy or become better at managing the expenses of a home.

- Offer Homeownership Fairs in neighborhood locations to inform the public about existing and new services for both homebuyers and homeowners.

**GOAL 2. Produce More Housing.** The City will continue to make its contribution to addressing the regional housing production shortfall by producing new housing. Specifically, the City's goal is to:

**Produce 10,000 new units of housing,**

**2,100 of which will be below-market affordable units**

To achieve this goal, the City will:

- Continue to make the development of new affordable housing a top priority with a target of 2,100 new affordable units. 75% of those new affordable units will be for low- and moderate-income households.
· Implement a demonstration program to increase the City's inclusionary development requirement. New projects will be required to set aside 15% of the market-rate units for affordable housing compared to the current 10% requirement.

· Enact technological and other recommendations of the Sommers Report on ISD management systems to improve the housing permitting process.

· Stimulate new downtown housing development though new incentive zoning that permits taller residential buildings in the downtown core.

· Encourage green building design in new housing to improve both long-term operating efficiency and environmental quality for the residents. Fund feasibility studies to help developers pursue this technology.

· Promote well-designed higher density housing around transit and commercial nodes such as the Fairmount Line stations planned for Dorchester and Jackson Square in Roxbury, as well as the neighborhood business districts.

· Expand the role of educational and medical institutions as housing providers by supporting their efforts to build graduate student housing and housing for faculty and staff.

· Pilot a new owner-builder housing program in mid-2004. The *Boston Build Home Program* will offer City-owned land to moderate- / middle-income first-time homebuyers to build a home.

· Create new housing development opportunities for small contractors. Packages of City-owned lots will be offered to small contractors that have a demonstrated capacity to build quality housing at affordable prices.

**GOAL 3: Retain Affordable Housing for Boston's Workforce.** The City will expand its efforts to preserve affordable housing to achieve the following goals:

**Preserve at least 3,000 units of affordable rental housing**

**Convert 300 units of unregulated rental housing into new, long-term affordable housing**

To achieve this goal, the City will:

· Preserve 75% of the 2,746 governmentally assisted rental units that are at-risk of becoming market rate through mid-2007. Preserve non-profit owned housing that is in financial or physical distress.
· Renovate its public housing stock through the HOPE-6 program and reconfigure several hundred units to make them accessible to people with disabilities.

· Offer a new pilot Rental Housing Acquisition Program that will assist non-profit and private owners to buy existing unregulated rental housing and operate it as affordable housing.

GOAL 4: Expand the City’s Commitment to House the Homeless. The City believes it must expand its efforts to house the homeless when reclamation of its vacant public housing units has been completed. This will be a challenging task in an era of diminishing Federal rental housing assistance. Siting of homeless facilities in a manner that has community support can also be challenging. To meet this new challenge, the City will:

Launch a new $10 million campaign to prevent homelessness and expand housing opportunities for Boston's existing homeless

To achieve this goal, the City will:

· Support an expanded homelessness prevention effort by engaging homeless service providers and foundations to develop and implement new strategies aimed at keeping people in their existing housing wherever possible. This includes working with the State to ensure full implementation of the State policy of not discharging people from State institutions such as prisons or mental health facilities to homelessness.

· Expand housing opportunities for the full spectrum of Boston's homeless population, ranging from transitional housing to single room occupancy units for homeless individuals to larger units for families. This includes offering financial incentives to developers to provide more units for the homeless than are currently required in the City's 10% homeless set-aside policy.

· Make special outreach efforts to ensure that families residing in hotels/motels, and the street homeless have improved access to the housing produced by this initiative.

· Facilitate better coordination of support services to children who remain in hotels/motels.

· Raise matching funds to support this campaign. The City is setting aside $5 million of its own funds and will aggressively pursue public, private and philanthropic partners to raise an additional $5 million.

· Build a strengthened City-State collaboration on homelessness to better coordinate and deliver services.
Resources and Partners
Much of Boston's ability to achieve its housing goals to date can be attributed to the development of new resources and to the commitments made by its partners. This plan will continue and expand upon that tradition.

Develop New City Resources for Housing
The City currently expects to commit $56 million in ongoing housing resources such as Linkage, Community Development Block Grant, and HOME funds to support this housing effort. This is not enough to achieve all of the goals that this plan has set out. To fill this funding gap, the City is setting a fundraising target:

$25 million in new resources for affordable housing

These funds will come from a variety of planned sources:

• One Lincoln Street: $7.5 million has been received by the City from the sale of this property this year, all of which has been dedicated to support these new initiatives;

• Hayward Place: $10 million from the sale of Hayward Place will be set aside to fund the programs and initiatives in this plan. At least some of these future proceeds should be available during the period covered by this plan;

• Tax Foreclosed Property Sales: As the City begins to offer some of its foreclosed properties for market-rate development, it will seek to make available the net proceeds from those sales to the initiatives described in this plan through the end of fiscal year 2007;

• Hotel Loan Fund Income: The City's loan fund to support three new hotels in Boston will generate income and fees. Those revenues, currently estimated in the $1.5 million range, will become a dedicated revenue stream for affordable housing;

• Inclusionary Development Fees: The City will permit a developer to make a cash contribution rather than build on-site inclusionary units. Those revenues, projected to be between $1 million and $3 million annually, will become a new source of funding to support affordable housing production. This cash-out option will also be amended to reflect the increase in the on-site requirement under the Inclusionary Development demonstration program;

• Linkage Formula: The next date when the Linkage formula can be inflation-adjusted will occur in 2005. At that time, the City will reconvene the Linkage Committee to evaluate the feasibility of making the adjustment;

• Additional Sources: the City will continue to investigate all available options to raise the funds necessary to make its fundraising target throughout the life of this plan.
These new funds will primarily be made available to affordable housing developers in a regularly scheduled open and competitive process. The City is also setting a target of ensuring that 90% of the combined $81 million in resources dedicated to this plan will be used to benefit low-to-moderate income households earning less than 80% of the area median income.

- Advocacy: For many years, Mayor Menino has championed the issue of affordable housing at the local and national level. Keeping the issue in the public eye is critical to influencing policy-makers to make resources available for this issue. There is now renewed interest at the state level in affordable housing. At the federal level there are more mixed results: new funding for homeownership downpayments and a significant retrenchment in the Section 8 rental assistance program. The challenge in the coming years will be to maintain the forward momentum where it is happening, and reverse the negative federal trends with regard to rental housing. The City of Boston is committed to continuing its role as a local and national voice for preserving and expanding access to affordable housing.

In addition to the City-raised resources, we are looking for expanded roles from the other levels of government. Specifically, the City is looking for:

- Federal Homeownership Tax Credit: This is a new tax credit incentive similar to the one now in existence for rental housing that could provide $40,000 per unit in development assistance. It has bipartisan support in Congress;

- Section 8 Program: Due to federal cutbacks, the Section 8 program has been all but shut down with little prospect of resuming in the foreseeable future. In fact it may become necessary to revoke some existing tenant vouchers in order to make the program financially solvent. If that happens, shelter populations will likely rise as fewer households will have access to rent assistance. In addition, otherwise feasible low-income rental housing projects may have to be shelved if there are no project-based Section 8 vouchers available;

- Commonwealth Housing Task Force Recommendations: Increasing the share of the State's bonding authority used for housing from 9.1% to 15% could add as much as $60 million to the State's budget for housing every year, and would have no net budgetary impact. Close to $400 million could be raised from selling off surplus assets. The City proposes that the timetable for phasing in these two actions be fast-tracked to a much shorter timeframe than the currently proposed ten years;

- Massachusetts Housing Partnership (MHP). MHP has been an invaluable partner in both homeownership (Soft Second Program) and in affordable housing development (MHP Fund). Bank of America will soon be recapitalizing the MHP fund by over $400 million. Bank of America will also provide $18 million in grant funds to enhance the MHP's lending products. This will greatly enhance the ability of MHP to expand its role a critical lending partner for affordable housing in the coming years.
· MassHousing’s Priority Development Fund: Earlier this year, MassHousing announced that it would use $100 million of its surplus reserve funds to support 5,000 units of new housing production, at least 20% of which must be affordable. The City lauds MassHousing for its creative efforts to bring new resources to housing, and encourages the State to quickly make these resources available.

**EXPAND THE ROLE OF BOSTON’S PARTNERS**

Boston's Federal and State partners have contributed a combined two dollars for every one City dollar provided for Boston’s housing agenda over the last three years. Historically these partners have participated on a project-by-project basis. We want to expand that idea and encourage our partners to adopt issues and develop with the City a joint set of goals and actions to address those issues. Partnership opportunities include:

- **Lenders:** The Menino Administration believes that there are enormous opportunities for lenders to elevate their role beyond the project-by-project financing role. To that end, the following commitments have been secured:

  Bank of America has offered to make available up to $200 million in new financing over four years to support community development in Boston, a significant portion of which will be used to finance housing production and preservation. This financing will be at advantageous terms and includes the introduction of the Bank of America Community Impact Loan product to Boston. The Bank will also provide $3 million in grants over four years to support the City's neighborhood development efforts, including affordable housing.

  Citizens Bank will be providing $84 million in loans over four years to support LTW II. This includes earmarking $50 million from its new Citizens Housing Bank discounted loan program to support the new Rental Acquisition Pilot Program as well as new affordable housing production. Citizens Bank will also offer $2 million in loans of up to $5,000 at 1% interest to help homeowners make exterior home improvements. It will also provide $20 million in special financing to owner-builders in the Boston Build Home Program as well as $8 million in discounted financing to homeowners that bring vacant units back on line. $4 million in refinancing loans will be made available to victims of predatory lenders. Additionally, Citizens will provide $300,000 in grants including $200,000 for homeless housing programs and $100,000 for homebuyer and homeowner technical assistance workshops, training and outreach. Finally, Citizens bank is offering to provide its executive leadership to help lead the City's efforts to raise $5 million in new funds for the homeless.

  The Federal Home Loan Bank of Boston has also committed to continue to make its vitally important Affordable Housing Program and new Equity Builder Program available to support Boston's housing agenda.
Representatives from Boston Private Bank and Eastern Bank were also on the Mayor's Advisory Panel on Housing, and both have shown a strong interest in similarly making capital available for the initiatives included in this plan. Building from this, the City will continue to work with all of Boston's lenders to develop a better-coordinated flow of financing to affordable housing.

- **Fannie Mae** has made a commitment to double the number of minority first-time homebuyers it finances in Boston on an annual basis over the next ten years. The Boston Home Center will work closely with Fannie Mae to support achieving this goal on an accelerated basis;

- **Freddie Mac** will expand its role as a central partner in Boston's efforts to attack the problem of predatory lending and prevent homeowners from losing their homes to foreclosure. They will expand their support for *Don't Borrow Trouble* with seed funding for implementation of the Spanish language version of the awareness campaign and additional financial education efforts. Future enhancements are also planned to make additional resources available for flexible refinancing products that enable homeowners to avoid predatory lenders and prevent foreclosure by predatory lenders;

- **Keyspan Energy** has set a target of providing $1.7 million in grants over four years to support energy conservation in housing occupied by low-income people. They will provide $500,000 over four years in matching grants to replace outdated/broken heating systems for elderly and other low-income homeowners that are eligible for fuel assistance. Additionally, they will earmark $1.2 million in energy conservation funds to support the Boston Housing Authority's efforts to modernize its heating systems and undertake related energy conservation efforts;

- **Non-Profit Housing Developers**: Boston's community development corporations and non-profit developers have been a critical element in the drive to produce more affordable housing for many years. Over 66% of the new affordable units built over the last three years were created by these organizations. This plan will ask these organizations to further broaden their role in Boston's housing agenda;

- **Faith-based Organizations**: The Boston Archdiocese is on the cusp of a significant property sales effort. The City will pursue a partnership with the Archdiocese and other faith-based organizations to ensure that the sale of their properties is conducted in a way that is respectful of the needs of community residents including the need for affordable housing;

- **Foundations**: Boston's foundation community has long supported many important housing initiatives in Boston. The City wants to build from that tradition by developing joint housing initiatives especially with regard to the homeless;
- **Colleges, Universities and Medical Institutions**: The City is pursuing these organizations to broaden their role in housing by going beyond undergraduate dormitories to include graduate student housing and housing for faculty and staff;

- **Unions**: The building trades have been critical to the successful delivery of Boston's housing agenda. The City is also looking for new ways that the building trades may be able to participate in Boston's housing efforts such as through union-built panelized housing.