

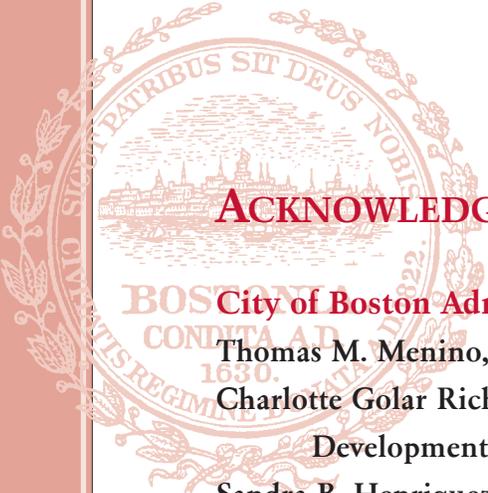
Leading the Way

Boston's Housing Strategy FY 2001-2003

- Completion Report -

October 2003

Thomas M. Menino
Mayor

The seal of the City of Boston is located in the upper left corner of the page. It features a circular design with a central image of a cityscape, surrounded by a laurel wreath. The Latin motto "SIGILLUM CIVITATIS BOSTONIENSIS PATRIBUS SIT DEUS NOBIS" is inscribed around the perimeter. Below the wreath, the text "BOSTONIA CONDITA A.D. 1630. REGIMINE ANGLICANO" is visible.

ACKNOWLEDGEMENTS

City of Boston Administration

Thomas M. Menino, Mayor

Charlotte Golar Richie, Chief of Housing, Director, Dept. of Neighborhood
Development

Sandra B. Henriquez, Administrator/CEO, Boston Housing Authority

Mark Maloney, Chief Economic Development Officer and Director,
Boston Redevelopment Authority

Kevin J. Joyce, Commissioner, Inspectional Services Department

Edward Collins, Chief Financial Officer

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Robert Kuehn, President, Keen Development Corporation

Sister Margaret Leonard, Executive Director, Project HOPE

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ENDNOTES

1. Four dorm beds are the equivalent of one apartment occupied by four students.
2. This policy requires all developments of 10 units or more that require relief from the Boston Zoning Code to set aside 10% of the units as affordable housing.
3. Projects that had applied for zoning relief prior to the February 2000 adoption of the Inclusionary Development Policy were not bound by the policy.
4. 98% of the people on the current waiting list for Section 8 vouchers have incomes below 50% of area median.
5. A small number of additional vacant units were identified subsequent to the initial inventory in 2000. Total vacant units count is 1,155.
6. Households earning less than 30% of Area Median Income.
7. Full-time employment for one person for one year. For example, a project with 100 job-years of employment that is built over two years would provide 50 employees two years of full-time employment
8. With construction periods ranging from six months to two years, depending on the size of the project, it is expected that the construction industry jobs will be spread out through the period July 1, 2000 to June 30, 2005.
9. This project, Audubon Apartments, although no longer part of the SHARP inventory, is being preserved through a non-profit buyout facilitated by the city and Fannie Mae, and is reported as part of the Preservation Alliances pipeline.
10. This survey can be seen at the City of Boston website at www.cityofboston.gov/dnd

October, 2003



Dear Friends:

In July 2000, I announced *Leading the Way*, a comprehensive three-year housing strategy for increasing the production and preservation of housing in the City of Boston, with a particular focus on maintaining affordability. We established two goals for housing production and preservation: to build 7,500 new units and to preserve 10,000 units of affordable housing.

After three years of hard work, I am pleased to announce that we have achieved our goals. As of this report, 7,913 units have been permitted. This nearly \$2 billion investment is expected to result in 2,217 affordable units. 1,079 of the 1,100 public housing units have been renovated. Although the *Leading the Way* strategy is technically at an end, I am pleased to report that the remaining units are scheduled to be renovated during the current fiscal year. The goal of preserving 10,000 units of housing has proven to be as difficult as we expected it to be. Nonetheless, we struck deals wherever possible and achieved a solid 9,576 preserved. Over the course of the past three years, we did not lose one of the 3,142 at-risk federally subsidized units slated to end its contracted affordability. We've fought hard to retain the units that we have; I do not foresee us changing our focus.

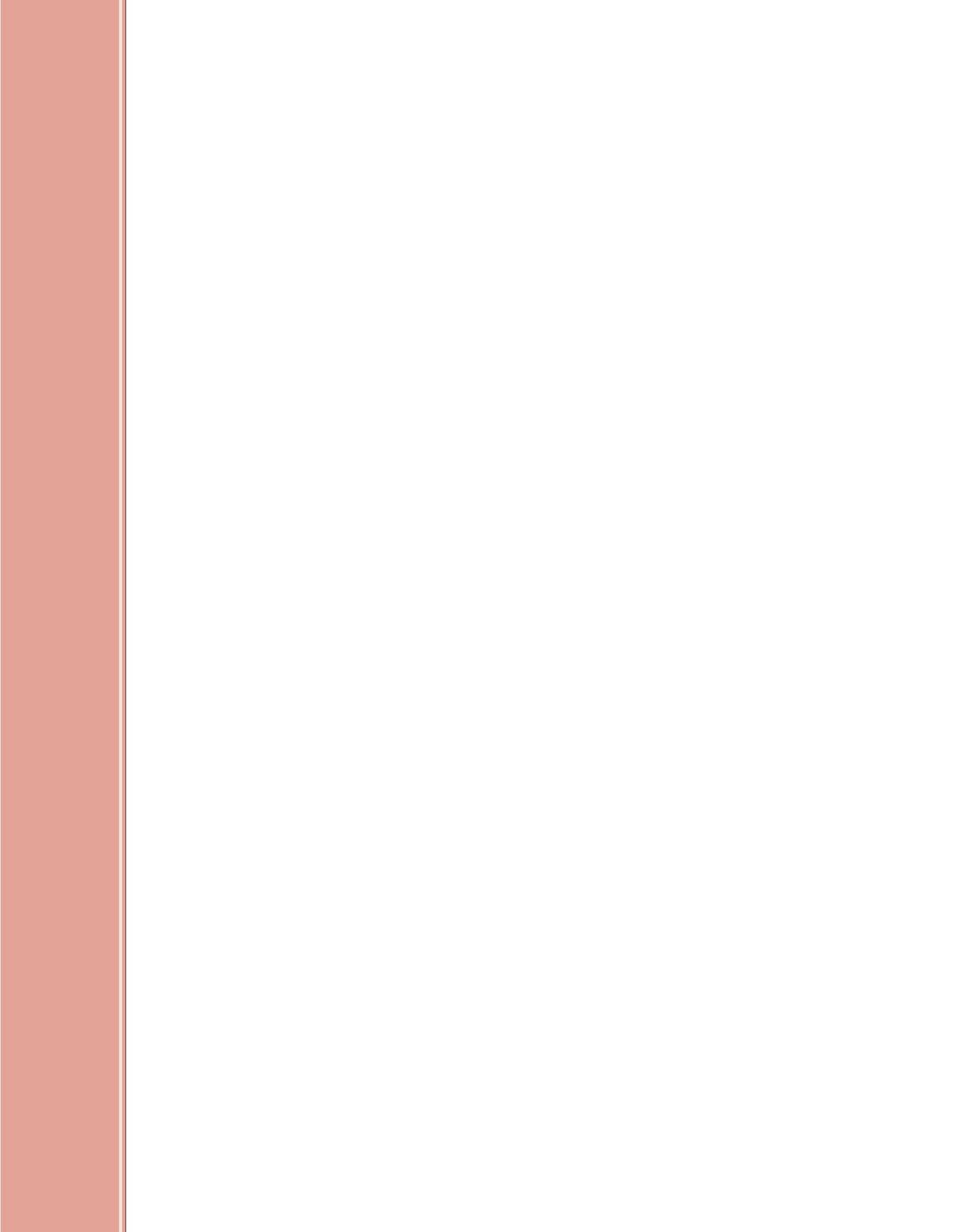
None of this achievement would have been possible without the support of our public and private partners in this process. I must also thank the members of my Advisory Committee for helping us create this strategy, which is so critical to the residents of our city. In addition, I must laud the hard work put into this effort by my staff: Charlotte Golar Richie, the Chief of Housing and Director of the Department of Neighborhood Development; Mark Maloney, Chief Economic Development Officer and the Director of the Boston Redevelopment Authority; and Sandra Henriquez, the Chief Executive Officer of the Boston Housing Authority. Their efforts, and those of their dedicated staff members, were absolutely critical to our success. Lastly, I cannot forget to thank Commissioner Kevin Joyce of the Inspectional Services Department and his staff for all they did.

I will close with this pledge: the official end of the *Leading the Way* strategy does not spell an end to my commitment to provide more housing opportunities for Boston's residents. No one strategy can solve our housing problems, but we have laid a strong foundation here. I fully intend to build upon it.

Sincerely,

A handwritten signature in black ink that reads "Thomas M. Menino". The signature is written in a cursive, flowing style.

Thomas M. Menino
Mayor, City of Boston



Leading the Way Boston's Housing Strategy Completion Report

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EXECUTIVE SUMMARY

In October 2000, Mayor Thomas M. Menino launched a three-year housing campaign to expand and preserve the supply of housing in Boston. Central to this campaign were a number of performance targets that the city intended to achieve. Now, three years later, most of those targets have been achieved. Major accomplishments include:

- 7,913 new units of housing permitted; 106% of the 7,500-unit target. This represents almost \$2 billion in public and private housing investment.
- This housing investment resulted in more than 5,200 construction industry jobs.
- 2,217 affordable units permitted: 106% of the 2,100-unit target. More than half of these units are affordable to people earning under 60% of the area median income.
- Publicly sponsored housing developments raised \$218 million in local, state, and federal funding and leveraged \$531 million in private investment.
- 1,079 units of vacant public housing renovated; 98% of the 1,100-unit target. The remaining 74 units are on track for FY04 renovation.
- 3,142 at-risk federally subsidized units preserved; 101% of the 3,100-unit target. No federally funded units were lost during the past three years.
- More than 1,000 units of housing made available to the homeless.
- 392 parcels of city-owned land made available for affordable development and another 517 parcels on track to be offered through 2006.
- The number of abandoned houses in Boston has been cut by 35%.

INTRODUCTION

In 1999, affordable housing became, and continues to be, one of the most critical issues facing the City of Boston. The number of homeless set a new record and continues to grow. Only one in four Bostonians could afford an average-priced home at the time. Asking rents had gone up 47% in just four years. More than 50,000 Bostonians were spending more than half of their income on housing, and there were 15,000 people on the waiting list for public housing.

Recognizing the growing crisis that was developing, Mayor Thomas M. Menino made housing one of the City of Boston's top priorities in his 1999 State of the City address. He made a commitment to more than double housing production that year, from 888 units in 1998 to a target of 2000 units in 1999. Following on the success of that initiative, Mayor Menino convened a panel of experts on housing to expand upon this effort and develop a comprehensive three-year housing strategy. This strategy, called *Leading The Way*, was announced in October 2000.

The *Leading The Way* plan called on all levels of government and the private and non-profit sectors to work together to achieve a number of major housing objectives during the three-year period from FY2001 through FY2003. These objectives included:

- **Housing Production:** to create 7,500 new units of housing, of which 2,100 would be affordable units.
- **Public Housing:** to reclaim all 1,100 remaining vacant public housing units.
- **Housing Preservation:** to preserve over 5,300 units of at-risk affordable rental housing.
- **Homeownership:** to help 2,000 renters achieve the housing security that comes only with homeownership.
- **Existing Homeowners:** to help 3,000 existing homeowners, particularly the elderly, maintain their homes in habitable condition.

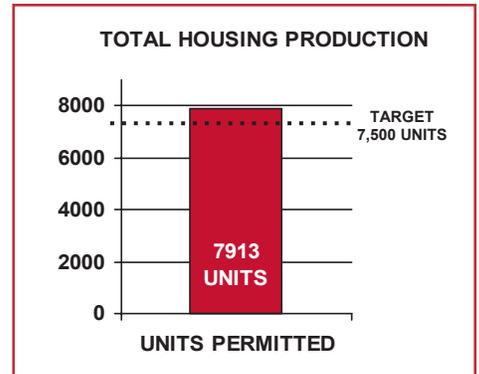
To support this effort, the City of Boston made a special appropriation of \$33 million in new revenue and committed to make over \$15 million of city-owned real estate available for affordable housing development. Mayor Menino also worked with state leaders to expand the resources available for housing and helped them secure the passage of a \$508 million Housing Bond Bill. As president of the U.S. Conference of Mayors, Mayor Menino has also brought the affordable housing issue and the need for resources to the national level.

This report documents the progress that the city, and all of its partners, has made toward achieving the *Leading The Way* goals.

HOUSING PRODUCTION

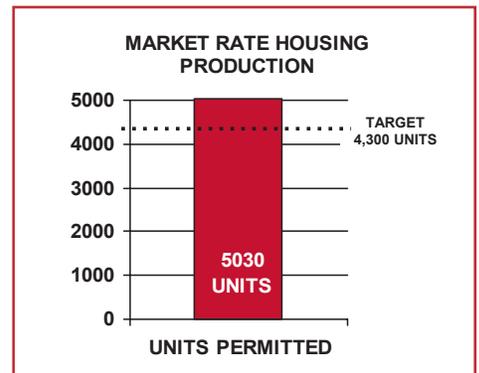
Overall Housing Production

As of June 30, 2003, a total of 7,913 units of new housing were permitted. This includes 4,590 units of privately developed housing, 666 units of long-term vacant public housing, and 2,657 units in city-sponsored developments. This represents 106% of the 7,500-unit target. Over the course of the three years, changing market conditions had a significant impact on housing production rates. After a strong start in FY01, with 2,807 units permitted, FY02 brought an economic slowdown with housing production falling to 2,268 units. In FY03, there was a rebound in the development of housing (2,838 units) as it became clear that housing remained one of the key strengths of the local and national economy.



Market Rate Housing

The *Leading The Way* plan established a target of permitting 4,300 units of market rate housing. As of June 30, 2003, 5,030 units have been permitted. The largest source of market rate housing was in the larger (generally 10+ units) privately financed developments.



Another very significant source of housing production came from hundreds of small-scale housing developments. These small developments included additions to existing structures, reclaiming abandoned buildings, conversions of non-residential buildings, individuals building their own home, and small new construction subdivisions.

Dormitory production also represented a major source of housing production during this period. Colleges and universities built 3,107 dorm beds and 220 on-campus apartments. This is the equivalent of 997 units of new housing¹. These projects will contribute significantly to the city's ongoing efforts to free up off-campus apartments for non-student households, especially in the

Fenway, Lower Roxbury, and Allston-Brighton neighborhoods, where most of these dorm projects are located.

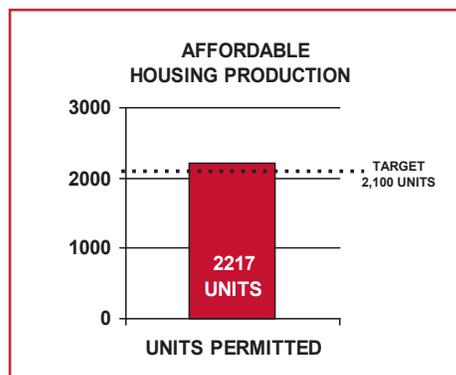
Table 1
SOURCES OF MARKET RATE HOUSING PRODUCTION
Units Permitted July 1, 2000 to June 30, 2003

Production Source	Units Permitted
Private Development (10+ unit developments)	1945
Dormitories	997
Market Rate Units within City-Sponsored Developments	626
Small Scale Private Development	1462
TOTAL	5030

Affordable Housing Production

The production of 2,100 new units of affordable housing was an important goal for the *Leading The Way* initiative. As of June 30, 2003, a total of 2,217 affordable units were permitted - 106% of the target for the initiative.

To support this effort, the city undertook a number of initiatives, including making a significant amount of publicly owned land available and appropriating \$33 million in new revenue to finance this housing. Additionally, the city's Inclusionary Development Policy³ has resulted in a new source of affordable housing produced by the private market.



About half of the affordable housing produced (1,066 units) was the result of traditional DND-financed multi-family development programs that generally use city-owned property and public funding. Joint BRA/DND development projects were the second largest source of affordable housing. These were typically mixed-income developments utilizing BRA-owned real estate as well as city, state, and federal housing funds.

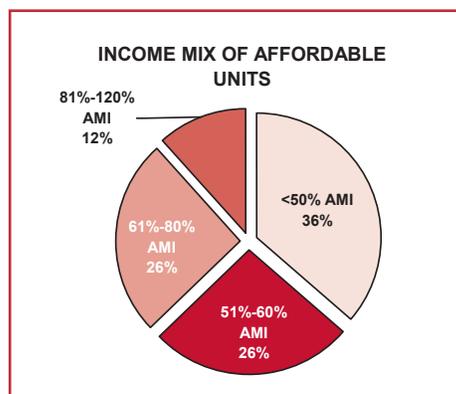
Table 2
SOURCES OF AFFORDABLE HOUSING PRODUCTION
Units Permitted July 1, 2000 to June 30, 2003

Production Program	Units Permitted
BRA/DND Development	844
Inclusionary Development Units	186
DND Development	1066
DND & BRA Unsubsidized Property Disposition	46
DND Senior Vacant Unit Initiative	37
DND Abandoned Building Programs	38
TOTAL	2217

The city's Inclusionary Development Policy also represents a substantial number of units. Although many of the projects permitted in the first year of *Leading The Way* predated the city's Inclusionary Development Policy³, the BRA negotiated on-site affordability in several of these developments.

The city established a target affordability mix of 80% low and moderate income (half of which would be low income, half would be moderate income) and 20% for middle income. The city exceeded its overall affordability target, with 88% of the affordable units available to low- and moderate-income households.

It is worth noting that these income categories represent the maximum income levels permitted. Actual occupancy is expected to be much more heavily weighted toward the lowest income categories as low-income Section 8 voucher holders⁴ are able to move into units that would otherwise be affordable to more moderate-income households.

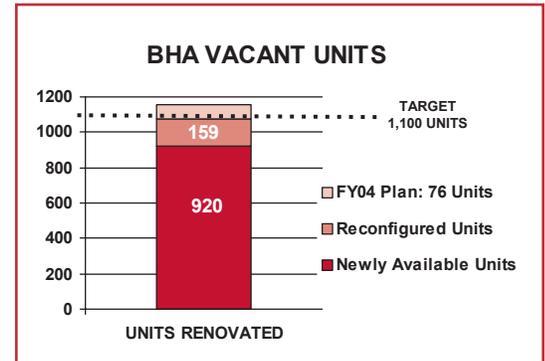


Vacant Public Housing

One of the most ambitious goals of *Leading The Way* was a commitment to bring all of the remaining 1,100 vacant public housing units back into productive use. As of June 30, 2003, the BHA had reached 94% of this target, with only 76 units remaining to be renovated in FY04⁵.

It is important to note that the net number of units brought back to the market will be slightly less than the number of original vacant units. This is because through the renovation process, units are sometimes reconfigured into larger, more appropriately sized apartments as well as reconfigured to meet ADA standards. The 1,079 units currently complete or in construction will ultimately result in 920 net new units.

In addition, of those 920 units, only 666 of them were vacant for a sufficiently long period of time to qualify as "new housing production" for the purposes of counting toward the 7,500-unit total housing production goal.



Housing For The Homeless

The *Leading The Way* plan recognized the importance of making affordable housing available to the neediest people and established a performance target to address this need. A target of housing 900 homeless households was established. As of June 30, 2003, a total of 1,078 units for the homeless, or those at greatest risk of homelessness⁶, were permitted or complete. This is due in large part to the priority the BHA places on housing this most needy category - over 84% of the BHA's priority list tenants fit this category.

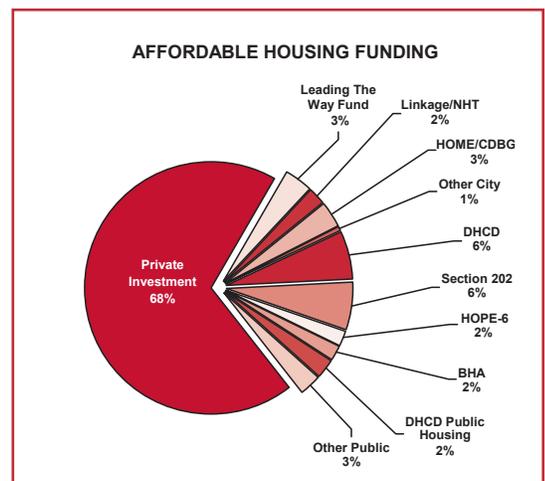
**Table 3
HOMELESS HOUSING
Units Permitted July 1, 2000 - June 30, 2003**

Production Category	Homeless Units*
City-Assisted Development	312
Vacant Public Housing	766
Private Development	-
TOTAL	1,078

* Units for households earning under 30% AMI

Resources

To develop this affordable housing and renovate these public housing units required the city to raise almost \$220 million in public funding. That investment was then leveraged more than 2:1 with private housing investment. In total, the 2,657 city-sponsored units and the 920 net vacant public housing units required a combined investment of \$749 million.



As is shown in Table 4, there was no single dominant source of funding for affordable housing. The largest source of funding, the federal Section 202 elderly housing program, represented 20%

Table 4
Funding For City/BHA-Sponsored Housing

SOURCE OF FUNDING	AMOUNT
Leading The Way Fund	\$ 24,940,965
Linkage/NHT	\$ 15,640,749
HOME/CDBG	\$ 24,405,363
Other City	\$ 4,148,712
DHCD	\$ 41,643,404
Section 202	\$ 43,952,099
HOPE-6	\$ 12,900,000
BHA	\$ 13,119,690
DHCD Public Housing Modernization	\$ 17,590,975
Other Public Funds (Bonds, etc)	\$ 19,550,000
TOTAL PUBLIC INVESTMENT	\$ 217,891,957
PRIVATE INVESTMENT	\$ 530,634,750
TOTAL INVESTMENT	\$ 748,526,707

of the public resources. The Section 202 program is the last of the federal funding programs that provides almost 100% of the funding needed to develop and operate affordable housing. The Massachusetts Department of Housing and Community Development has also been a critical partner in *Leading The Way*, providing almost \$60 million toward the city's efforts.

Almost \$25 million of the \$33 million in Leading the Way funds was invested in housing production. Approximately \$5 million of the remaining \$8 million in this fund has been invested in homebuyer and housing preservation programs (for example, the Three Decker Plus initiative). The final \$3 million is appropriated in the FY04 City budget and will be used to fund additional housing production and preservation efforts.

Construction Status

As shown in Table 5, 76% of the units permitted to date are either complete or in construction. The remaining 24% are currently at the pre-construction stage, during which developers are finalizing financing and getting construction bids.

Table 5
CONSTRUCTION STATUS
New Units Permitted July 1, 2000 - June 30, 2003

Production Category	Complete	In Construction	Pre-Construction
City Sponsored Development	854	1100	703
BHA Vacant Units	288	334	44
Private Development	1740	1688	1162
TOTAL	2882	3122	1909
% TOTAL	36.4%	39.5%	24.1%

Construction Jobs

Although job creation was not a specific goal of Leading The Way, the current economic environment elevates the importance of this benefit. In total, the housing built through this initiative represents \$2 billion in housing investment. As shown in Table 6 below, this is expected to add 5,251 job-years⁷ of construction industry employment over the five-year build-out period⁸.

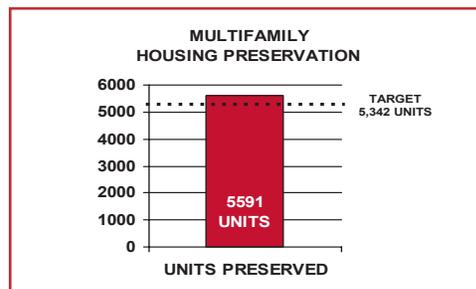
Table 6
HOUSING INVESTMENT & JOBS
New Units Permitted July 1, 2000 - June 30, 2003

Production Category	Units	Total Development Costs	Estimated Construction Job-Years
City Sponsored Development	2,657	\$675,771,078	1,792
BHA Vacant Units	666	\$72,316,975	192
Private Development	4,590	\$1,231,813,569	3,267
TOTAL	7,913	\$ 1,979,901,622	5,251

HOUSING PRESERVATION

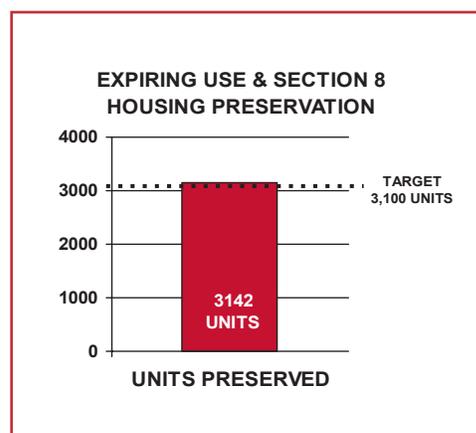
Multifamily Rental Housing Preservation

The *Leading The Way* plan set a goal of 5,342 units of multifamily rental housing to be preserved over the three years. This was to be comprised of 3,100 units of at-risk federally financed housing, 1,242 affordable SHARP units, and 1,000 other private rental housing units. A total of 5,591 units, or 105% of the three-year goal, has been preserved.



EXPIRING USE AND SECTION 8 PRESERVATION

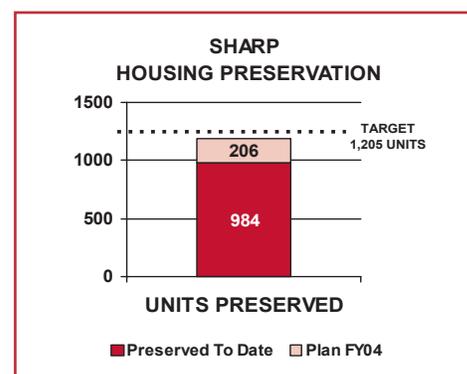
Leading The Way established a target of preserving at least 75% of the 4,156 units of at-risk federally financed housing. The city is very pleased to report that during the three-year period, no federally funded units have been lost. Of the original 4,156 units at risk through 2003, 3,142 (75.6%) have been preserved for a minimum of five years. The remaining 1,014 units continue to be affordable, but with Section 8 contracts that must be renewed annually. The city will continue to work toward a long-term affordability solution for these developments.



In addition, the city has assisted in the long-term preservation of another 796 federally assisted units. While non-profit ownership means that these units were not at risk of conversion to market rate housing, they did require recapitalization to ensure the long-term financial and physical stability of these properties.

SHARP HOUSING PRESERVATION

The original SHARP preservation target was to hold as many of the 1,242 affordable units that existed in 2000. One 37-unit development was foreclosed on by Fannie Mae, reducing the number of available SHARP units for preservation to 1,205 units⁹. To date, 984 SHARP affordable units have been preserved, and only 12 units lost.

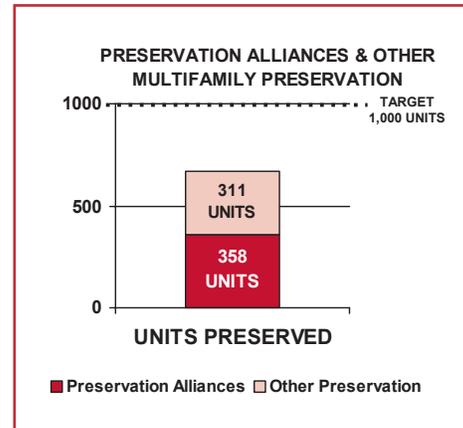


The rapid rise in market rents during the past three years has resulted in financial solvency for 599 units without restructuring and without the need to significantly reduce the number of affordable units. Another 388 units have

been preserved through financial restructuring. There remain 206 units that have yet to be restructured, and the city remains confident that these developments will be successfully restructured in FY04 and FY05 with minimal loss of affordable units.

HOUSING PRESERVATION ALLIANCES AND OTHER MULTI-FAMILY PRESERVATION

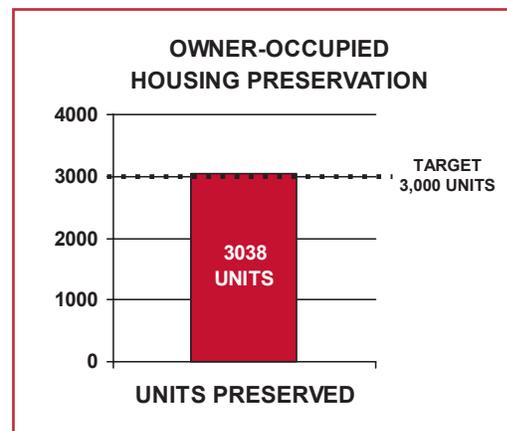
With the end of rent protections in 1995, there were a large number of properties that housed lower-income families that had neither protections from city regulations nor federal/state funding to support the long-term affordability in these buildings. One of the goals of *Leading The Way* was to bring more of these properties into the protected housing inventory by facilitating tenant or non-profit buyouts. Additionally, through its Hidden Assets program, the city would provide rehab funding for 6 to 10 unit properties in exchange for 20-year affordability agreements. In addition, other multi-family preservation projects such as the HUD Demo-Disposition program and rehab of non-profit-owned housing is shown here.



The city has been less successful in achieving this objective than originally planned, preserving only 669 of its 1,000-unit target. To enhance the city's ability to create these projects, in FY04 DND will be expanding its Tenants At Risk program to support tenant organizing efforts in buildings that are not currently federally assisted. It is hoped that this will create more viable Preservation Alliance projects in the coming years.

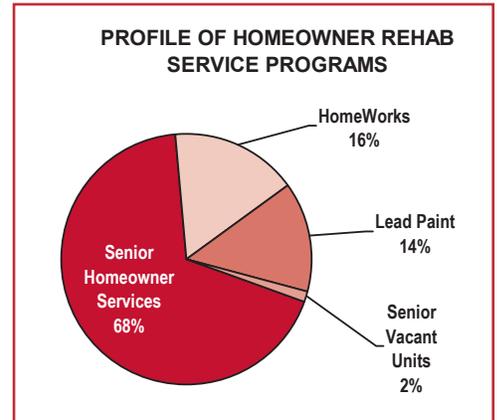
Preservation of Owner-Occupied Housing

The *Leading The Way* plan set a goal of assisting 3,000 income-eligible homeowners by preserving their housing through rehabilitation assistance. Despite new federal Title X Lead Paint regulations that significantly increased the cost and complexity of most federally funded rehabilitation programs, the city was able to meet its target. The primary mechanism used to achieve this target was the Senior Homeowner Services program, representing over two-thirds of all home rehabilitation projects. This program offers a range of services from minor and emergency repairs to major rehabilitation assistance. In addition, the Senior Vacant Unit initiative not only brought 37 vacant apartments back on line, but it also rehabilitated 46 owner- and renter-occupied units. The Lead Paint Abatement Program represents 14% of the homeowner rehabilitated units. Boston has been recognized nationally as one of the leaders in lead paint abatement, with the number of lead paint poisoned children dropping 86.9% since 1992.



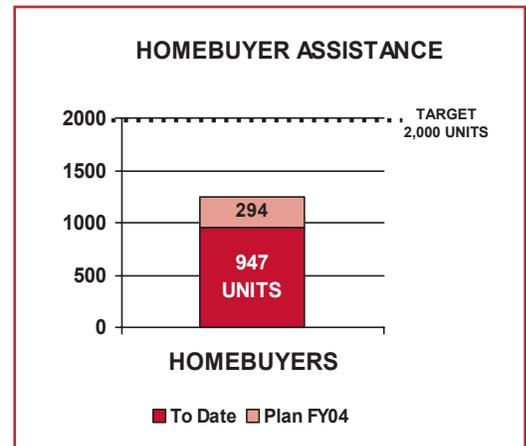
Long-term Affordability Through Homeownership

In addition to preserving affordable low-income rental housing, the city's strategy for assisting moderate- and middle-income tenants to obtain long-term affordable housing is to help them become first-time homeowners. The city set a target of assisting 2,000 renters this way. To date, 947 tenants have been assisted. This is 47% of the 2,000-unit target. The key factor limiting the success of this effort is the lack of available stock that is priced at a level that can be purchased by income-eligible households. Addressing the issue of high prices is needed.



To that end, in FY03, the city launched a new initiative that has not only the traditional down-payment and closing cost assistance, but also provides a \$20,000 price write down subsidy. This program, Three Decker Plus, offers this additional assistance in exchange for a 20-year rent restriction on one of the two rental units.

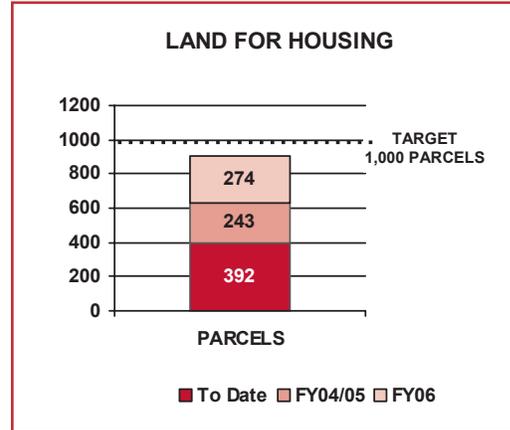
In addition, the city is working with Freddie Mac to develop a new homebuying financing product that is expected to substantially reduce the amount of money that a homebuyer will need to borrow in order to buy a home. The result will be that prices that are currently out of reach for an income-eligible buyer may soon be within reach.



ABANDONED BUILDINGS AND VACANT LAND

Land For Housing

The Land For Housing Initiative seeks to make 1,000 city-owned parcels available for development. A total of 909 parcels have been identified for affordable housing development. Of those, 392 parcels have been made available to date and another 243 parcels are currently active in the disposition process to be developed in FY04 and FY05. An additional 274 parcels have been slated for affordable housing, but resource limitations require that they be deferred until FY06, when sufficient funding will be available to put these parcels into development.

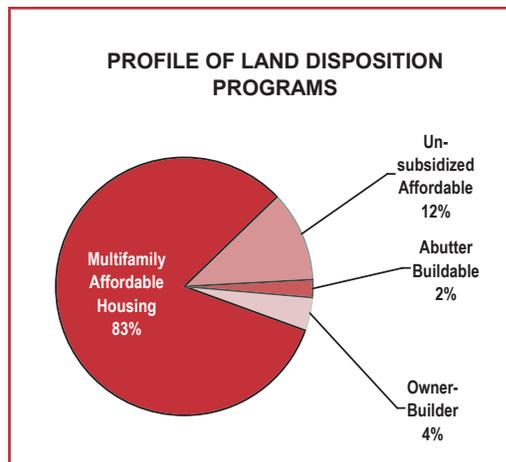


While it was originally anticipated that more than 392 parcels would be needed to reach the 2,100-unit affordable housing target, many developers were able to acquire property in the private market for their development projects. This means that there is still a good supply of city-owned property for future affordable housing production.

Of the 909 parcels currently on track for housing development, 747 (82%) are in the traditional multi-family subsidized housing development programs such as the Home Again homeownership program and the Rental Development program.

Another 104 parcels have been identified as suitable for unsubsidized development for affordable housing. Typically, these properties will be offered to small contractor-builders at below-market prices to build affordably priced new homeownership opportunities.

Nineteen parcels have been identified as suitable for housing development only when adjoined to an abutting privately owned parcel of land. An additional 39 parcels have been identified as suitable for owner-builders to construct a house. Depending on the success of the pilot round of this owner-builder initiative in FY04, the city plans to make additional parcels available for this activity in FY05 and FY06.

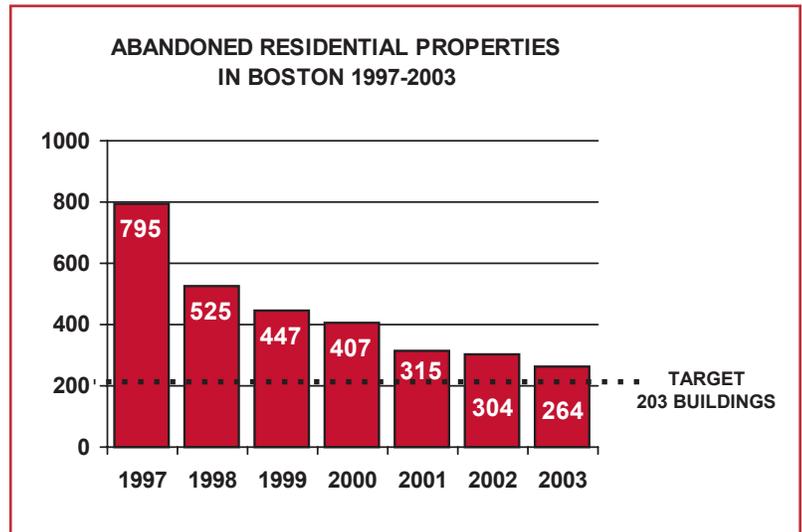


In addition to these 909 parcels, there are another 353 parcels in the city's inventory representing almost 2 million square feet of land that could potentially be developed for housing. The city is currently evaluating the development capacity of these parcels for future housing.

Abandoned Housing

The *Leading The Way* plan set a goal of reducing the number of abandoned buildings by 50% over three years - from 376 to 188 properties. A more detailed survey in 2002 determined that there were, in fact, 407 vacant residential buildings in 2000. This resulted in a revised target of 203 buildings by 2003.

As of September 2003, there were 264 vacant residential buildings remaining. This is a 35% reduction from the level in 2000, and a 67% reduction since the annual survey began in 1997. In the most recent abandonment survey¹⁰ it was noted that while the rate of newly abandoned properties has declined from previous years, so has the rate of newly reclaimed properties. This indicates that while more owners



are keeping their properties from becoming abandoned, those that are abandoned are increasingly the 'hard core' properties that are the most difficult to reclaim. 70% of these remaining buildings are current on their taxes, indicating that most property owners still have an active interest in their property, and could still be planning to renovate or sell their property.

FUTURE PLANS

Mayor Menino and the City of Boston will continue to move forward to address the city's housing needs. In the short term, completion and occupancy of the currently permitted units will be a priority. In addition, there are more than 6,000 units in the development pipeline, including over 1,000 affordable units.

Starting in the summer of 2003, the city will begin the process of developing a successor to *Leading The Way*. As was done in 2000, an advisory panel will work with the city to assess the current housing environment and help develop a strategy that is appropriate for the current economic and fiscal times.

There are several housing issues that will be important to address in the coming years. Some of them include:

- Preventing the disinvestment that often comes with job losses in a soft economy. In particular, the potential issues of increased foreclosure rates, rising abandonment, and deteriorating physical conditions need to be anticipated and addressed.
- Promoting smart-growth housing initiatives such as transit-oriented development and housing in neighborhood commercial districts.
- Redeveloping the Maverick public housing development.
- Addressing the needs of homeless families living in hotels and motels.
- Capitalizing on downtown housing opportunities, including those resulting from the new incentive zoning.
- Addressing the housing needs of Boston's workforce, especially homebuyers that have been priced out of the market in recent years.
- Expanding the federal commitment to housing, especially the new homeownership tax credit proposal that has bipartisan support.
- Preserving the state's commitment to housing, especially fully funding the Housing Bond Bill.
- Working with tenant organizations to help them retain their housing at reasonable prices.

Completion of the *Leading The Way* plan represents one successful phase in Mayor Menino's ongoing commitment to housing. The future will certainly bring new and different initiatives to meet whatever new housing challenges the city may face.