

Governing Greater Boston

The Politics and Policy of Place

Charles C. Euchner, Editor

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5. *More than Shelter: Housing the People of Greater Boston*

Gretchen Weismann

IN THE SPRING OF 2001, Massachusetts legislators filed more than 30 bills to change one of the most powerful affordable housing laws on the books. The law, known as Chapter 40B, is designed to insure that every Massachusetts community offers at least 10 percent of its housing stock at rates affordable to poor and working class families. By allowing large-scale developers to bypass local zoning restrictions, 40B puts many communities on the defensive. The law has prompted bitter debates about the best strategies to insure that people of all income levels can afford a place to live without sacrificing the basic necessities of life.

The opposition to 40B came primarily from the suburbs—traditional older towns, beatific rural communities, fast-growing settlements along the region’s major high-technology corridors, and commuter-accessible coastal towns. Much of the opposition came in Greater Boston’s high-growth areas along Interstate 495 and Route 128. As population, jobs, retail, and other activities moved west, communities impacted by the growth struggled to keep development under control. Some activists opposed to 40B argued that they were not simply against affordable housing, but development of any kind. As zealous developers used 40B to build larger, denser developments, many cities and towns felt helpless in their efforts to control the character of their communities.

The law establishes a simple goal: 10 percent of all housing in cities and towns should be “affordable,” that is, priced at no more than 30 percent of household income for families earning less than 80 percent of the area median income. The law establishes a comprehensive permitting process that allows developers of multi-family housing to override local zoning requirements if their developments pose no threat to community health and safety. A State Housing Appeals Committee may override local zoning standards if 25 percent of the units in a proposed development are designated affordable

for 15 years. In more than 148 rulings, the State Housing Appeals Committee supported developers.

Supporters of Chapter 40B argue that the law provides badly needed affordable housing. Since its passage in 1969, 40B has spurred the development of more than 25,000 units of housing. Yet, as of 2001, only 23 of the state's 351 cities and towns have met the 10-percent criteria for which the law was designed.

Chapter 40B's critics say that because so few municipalities have met the law's requirement, the regulation has been ineffective and unrealistic. Planning boards and residents say that new housing and residents can strain municipal budgets and physical infrastructure, damage the community's character and quality of life, and threaten property values. Critics see 40B as an unfunded mandate and a poor planning tool. With 40B at their disposal, developers can force any development project past town meeting, no matter how dense the building or how out of character with the existing landscape. The state's tradition of local control drives the anti-40B movement.

Governor Jane M. Swift has approved several changes to Chapter 40B. Swift's reforms allow zoning boards of appeals to refuse comprehensive permits for large-scale projects when the size of the development is inappropriate to the community; let zoning boards of appeal deny comprehensive permits for one year when a community has demonstrated "good faith" toward creating affordable housing; and require developers to wait one year after using 40B to obtain other zoning approvals. These changes support 40B's goals while discouraging developers from taking advantage of their position in a particular community. Another revision, which counts private housing serving mentally ill or retarded residents as affordable, could ultimately reduce the number of affordable units needed in cities and towns. In addition, the Governor's Special Commission on Barriers to Housing has been developing strategies to address regulatory issues including zoning, permitting, building codes, and septic system codes.

Twenty-three cities and towns in Massachusetts have met the state's mandate for 10 percent affordable housing, including Amherst (10.42 percent), Beverly (10.33), Boston (19.63), Brockton (12.24), Cambridge (15.6), Chelsea (17.03), Fall River (10.56), Framingham (10.03), Gardner (15), Lawrence (14.96), Lowell (13.49), Lynn (12.73), Malden (12.20), Middlefield (14.85), New Bedford (11.33), Revere (10.07), Salem (12.5), Springfield (17.83), and Worcester (13.29). The communities with the lowest percentage of affordable housing units include Belmont (2.64), Concord (2.9), Carlisle (1.09), Dedham (3.89), Hopkinton (2.7), Needham (3.73), Norwell (2.99), and Walpole (1.68). Communities that are close to reaching the 10-percent

standard include Braintree (7.97), Everett (8.18), Haverhill (8.28), Lincoln (8.43), Newburyport (8.63), Quincy (8.59), and Somerville (8.58).¹

Many cities have embraced the housing challenge with specific goals of their own. Mayor Thomas M. Menino of Boston established a production goal of 2,500 units and promised the fast disposition of 1,000 city-owned lots to expedite the construction of new and rehabilitated housing opportunities. The City of Cambridge has amassed more than \$3 million for an affordable housing trust fund through a local linkage program the city hopes to expand. The cities of Malden, Medford, and Everett increased their production levels by more than 100 percent over the last year, in part because of housing prices in the area that increased by 63 percent in five years. On Cape Cod 15 cities have banded together to promote regional development, securing over \$6.5 million from the federal government for affordable housing. Westport, a small fishing town with quaint cottages and expensive summer homes, is directing growth downtown where greater density can reinforce the town's village atmosphere.

The Double Whammy of High Prices and Low Supply

Greater Boston's housing market is unusual in the United States for two reasons, both tied to the region's unusual economic and political environment.

First, the price of housing at all levels is considerably higher than in all but a few metropolitan regions. In 1996, some 340,000 renters in the state were considered "shelter poor," meaning that after paying for housing, they cannot afford to pay for the other necessities of life.² From 1998 to 2000, rents in the region rose more than 10 percent annually, compared with a rate of 4.3 percent nationally.³ The average price of a new home in Massachusetts in 2000, was \$236,000, 48 percent higher than the national average of \$159,000.⁴

The high prices stem from the region's growing but uneven affluence, as well as some idiosyncrasies of the region. As Denise diPasquale and her colleagues have shown, high housing prices in Greater Boston are supported by the rising incomes enjoyed by the better-off members of the region.⁵ Once prices reach new heights in one community, people of means move into new communities and bid up prices there. In effect, the growing prosperity of more affluent households puts housing prices out of reach for less affluent households. At the same time, the region's 250,000 college and university students push up prices in other sections of the city, since students are more willing to pack large numbers of tenants into existing units and pay rents that exceed working families' ability to pay.

Second, despite high and rising housing prices, the private market has not responded with sufficient production to meet demand. Edward

Moscovich, a real-estate expert, states simply: “Most other states have found a way to build new housing in response to demand, while Massachusetts and its neighbors have not.” A study by the real-estate firm *Lend Lease* found that Boston was the fourth most “restrained” of 25 markets, meaning that the production of new housing units was low relative to the overall needed supply of housing in the region. Massachusetts built 15 units per thousand residents, dramatically less than the 28 units per thousand in the rest of the nation.⁶

Experts disagree on the reasons for this lack of adequate new production. Some blame reduction in federal and state funding for affordable housing. Funding has been shifted toward vouchers for individuals and “preservation” of existing affordable housing rather than the subsidization of new construction. Others say the reason is costly and time-consuming regulations at the state and local levels that make building new housing difficult for all but the biggest and most well-heeled developers. According to some of these experts, unnecessary regulations add one-third or more to the total cost of building housing. Liberals and conservatives alike agree that NIMBYism (Not In My Back Yard) stalls the development of housing in cities and towns across the region.

The impact of the housing crisis is undeniable, and has taken on a greater urgency as business leaders have expressed fears about its impact on other industries. Even universities worry about the high cost of housing in the Greater Boston region. Massachusetts Institute of Technology President Charles Vest and other university and hospital leaders have ranked housing as their top barrier to recruitment. Recent surveys conducted by companies facing significant labor shortages indicate that these shortages are more pronounced when companies are located in areas with higher housing costs.

Dimensions of the Price Crisis

The exploding price of housing is the most dramatic indication that housing policy in Massachusetts and Greater Boston is not working. Under classic market assumptions, when housing prices increase, the supply of new or rehabilitated housing would increase as a response—and prices would moderate over time. But such moderation of prices has not occurred.

One way to understand housing affordability might be to look at the ratio of housing prices to household incomes. In 1980, this index stood at 1.99 for Massachusetts households, meaning that the typical home value was roughly twice as high as median income. This ratio more than doubled by 1990, to 4.41, before settling to a still-high level of 3.89 in 2000. By contrast the ratio in the United States was 2.22 in 1980, 2.63 in 1990, and 2.91 in

2000. Nationally, states with a low ratio included Kansas and Ohio (2.10), while the only states with even higher ratios than Massachusetts were California (4.65) and Hawaii (5.65).⁷

In the Boston Primary Metropolitan Statistical Area (PMSA), rents increased by 25.7 percent between 1995 and 2000. Neighborhoods throughout the city of Boston continue to witness dramatic increases in rent, even month to month. Median monthly rents for a two-bedroom apartment in Roxbury rose 41 percent during the third quarter of 1999, and by 38 percent between 1999 and 2000. The story is much the same for suburban cities and towns. Rents in the inner suburbs surrounding Boston increased an average of 28 percent between 1993 and 1997. Housing costs have become so unmanageable on Cape Cod that many summer workers have been forced to live in temporary campgrounds to work on the Cape.⁸

Dimensions of the Supply Crisis

Optimal vacancy rates—the point at which there is enough supply to meet demand—are estimated at 2 percent for owner-occupied housing and 6 percent for rental housing. One-third of the 101 cities and towns in the Metropolitan Area Planning Council's region had rental vacancy rates below 2 percent in 2000. The town of Boxborough's vacancy rental rate fell from 15.9 percent in 1990 to 4.6 percent in 2000. In 2000 only a handful of towns had vacancy rates greater than 1 percent for owner-occupied housing. The region simply does not have enough housing units to meet the demand for moderately priced apartments and homes.⁹

To make matters worse, across the region, subsidized and other affordable rental units are disappearing. Two- to four-unit buildings have been converted into condominiums that fetch prices comparable to single-family homes. Meanwhile, private owners of affordable housing units—in which owners accepted federal subsidies in exchange for an agreement to charge lower rents—have terminated their agreements with HUD. With 27,400 of these units at risk, Massachusetts has one of the largest “expiring use” portfolios in the country. As of 2000, more than 2,665 units in Greater Boston had been removed from the rolls of affordable housing as owners convert affordable units to market-rate housing. Another 10,000 units are considered at-risk through the year 2005.¹⁰

The loss of subsidized units has a devastating effect on low-income families displaced from their homes and communities. With waiting lists of up to ten years for nearly all the region's 200,000 subsidized units, these households often find themselves living with friends and relatives—or, in the worst-case scenario, living in shelters or on the street.

Part of the supply problem stems from the dramatic shift of home-building from multi-unit buildings to single-family homes. Between 1990 and 1997, single-family homes comprised nearly 87 percent of all new housing permits, with the majority of new construction occurring near the Interstate 495 corridor. Permits for multi-family housing in Greater Boston increased by only 2 percent in 1999, though, and multi-family construction was non-existent in all but 22 of 157 communities in the metropolitan statistical area. Communities that permit multifamily housing include Boston, Cambridge, Braintree, Arlington, Gloucester, Malden, and Newton. Affluent communities along Route 128 and newer bedroom communities further out—including Wellesley, Hopkinton, Framingham, Dedham, Concord, and Burlington—have restricted multi-family construction. The result is a dramatic fall in multi-family construction. Statewide, multi-family construction fell from 26 percent in the 1980s to 12 percent of all new construction today. Not surprisingly, the number of advertised apartments in Boston declined by 43 percent between 1998 and 1999.

One of the most difficult challenges facing housing policymakers and developers is the declining size of the household. Seventy-five percent of all households earning below 80 percent of the area median income consist of one- or two-person households. However, the region's booming economy has spurred developers to seek the high-profit larger homes rather than building smaller homes and apartment buildings. At a time when smaller homes would be smart public policy, the size of homes is actually increasing dramatically—increasing the per-person cost of units even more.¹¹ U.S. Census data show that the average size of a new single-family house sold in 1999 was almost ten percent larger than a decade earlier.¹² New multifamily units have increased in size from a median of 887 square feet in 1971 to 1,160 square feet in 2000. Some 37 percent of all new multifamily units in 1971 had one bedroom, but only 30 percent have a single bedroom in 2000. Eighteen percent now have 3 or more bedrooms in comparison to just 13 percent of the apartments built in 1971. Fifty-five percent of today's multi-family units also have two or more bathrooms; in 1980, just 30 percent had an extra bathroom.

Elements of Housing Policy

Housing is entwined with a wide range of other concerns. Housing is more than shelter; it is also a key component of people's life opportunities, from education to employment to recreation and community life. Michael Stone, a housing expert at the University of Massachusetts at Boston, notes that the controversies over housing can be attributed to

conflicts between multiple goals: government participation v. independent private enterprise; program goals v. budget goals; production goals v. consumer protection; production goals v. equal opportunity goals; production goals v. environmental quality goals; production goals v. stabilizing wages for construction labor; public and political acceptance v. efficiency and cost savings.¹³

Housing is, in short, not one issue, but rather a whole collection of issues.

Since the New Deal, the federal government has taken responsibility for providing subsidies for housing low-income households, while at the same time providing tax incentives for middle-class and affluent families to buy their own homes. The state government has implemented a wide variety of federal programs, acting as the pass-through entity for federal funds to the local agencies and private developers. The state government often supplements federal money with its own programs. Localities generally do not invest heavily in housing production, but major cities like Boston and Cambridge have adopted rent control statutes (repealed in a statewide referendum in 1994), provided homeless shelters, and established special housing funds.

Despite the importance of public investment in housing, the more important policies are regulatory. The federal government has adopted several statutes to enforce civil rights. State governments have adopted standards for building and also set the parameters of local zoning codes. Localities enforce state building codes and write and enforce zoning codes.

Land

Greater Boston is often called one of the densest regions in the nation, with few parcels of land available for housing and other kinds of development. In fact, the region holds literally thousands of parcels of land that might offer buildable space for housing. Developers state categorically that the region has plenty of land for housing development, without further gobbling precious farms, marshes, and other environmental spaces. One developer put the matter this way: “There is plenty of land. Land is not an issue. The Boston Society of Architects and others have been talking for years about building on top of retail. The bottom line is that if you want housing, you have to make getting land easy. It’s there, it’s just not easy to get.”¹⁴

The Commonwealth and its cities and towns have no comprehensive policy for the disposition of surplus properties. As a result, land disposition occurs on an ad-hoc basis. Disposing of properties of all kinds—vacant lots, agency- and authority-owner properties, brownfields, abandoned and condemned properties—occurs on a case-by-case basis.

Exacerbating the problem of supply and disposition is the tendency of localities to increase the minimum sizes of lots allowed for housing. Many cities and towns in the region have increased minimum lot sizes to 7,000 square feet per new single-family home. Suburban communities tend to require the largest lot sizes.

If land availability is not directly a problem, then the cost of land is prohibitive in many parts of the region. The cost of land comprises about one-third of the total development costs for housing. In a middle class neighborhood of Framingham, unimproved land can cost as little as \$4.75 a square foot, with residential land zoned at a minimum of 8,000 square feet per lot. In Concord, land is priced between \$10 and \$12.50 a square foot, with most lot sizes averaging nearly an acre. In Quincy, land costs average \$15 to \$20 a square foot, with minimum lot sizes of 7,650 square feet. In Boston's neighborhoods, historically less expensive areas now command high land prices; lots have sold for \$30 a square foot in Hyde Park, \$32 a square foot in Dorchester, and \$20 a square foot in Jamaica Plain.¹⁵

Booming housing prices fuel speculation in land, in which landowners hold out for ever-higher prices. Speculation removes some land from the marketplace, increasing the cost of the land and reducing the supply available for development. Even in less affluent communities, landholders do not develop their property in the hopes that they can sell it at high profits to a developer. Because landowners pay property taxes according to the present value of the land—rather than its potential value if developed—the cost of maintaining unused land is minimal for people of means.

Real-estate speculation is likely to occur whenever and wherever landowners are convinced that the value of their property is likely to increase over the next several years. In the last generation, Greater Boston has experienced two major real-estate booms, with a period of bust in between. A number of Greater Boston areas—from exclusive core urban neighborhoods and shoreline communities to traditionally less-desirable communities like South Boston, East Boston, Dorchester, and Revere, to name just a few—have experienced major periods of underdevelopment followed by major periods of development.

Speculation is also likely to occur when major public investments in infrastructure and other improvements are likely to improve the value of the land over time. The South Boston Waterfront has received billions of dollars in investment in the last decade and property has increased in value as a consequence—and yet development has often occurred at a snail's pace because property owners angle for a bigger payoff, waiting and setting high terms for development projects.

Assembling lots for housing development can require costly legal, social, and political negotiation. Harvard University evoked the ire of community groups in 1998 when it had announced that it had acquired 52 acres of land over the previous ten years by secretly buying properties through a dummy corporation. But Harvard officials reasoned that using a secretive process for acquiring land was essential because property owners, cognizant of the university's deep pockets, would have charged astronomical prices. Other developers face the same problem, even if they lack the high profile and resources of Harvard.

The effort of a coalition of 95 churches and synagogues in the Greater Boston area provides an illustration. The Greater Boston Interfaith Organization (GBIO) has raised \$5 million dollars from member churches and synagogues to construct three-story townhouses with homeownership and rental units. The GBIO, which plans to market its new housing to families earning \$30,000 to \$50,000, is negotiating with the state and several municipalities to identify land suitable for affordable housing. But the search for land has proved difficult. When the organization sought to gain control of some land at the site of the old Boston State Hospital in Boston's Mattapan neighborhood, it stepped into a long-running quagmire over how that property should be developed.

In urban areas, environmental contamination poses one of the major impediments to productive land use. So-called brownfield sites are expensive to clean, adding as much as \$25,000 to the per-unit cost of development. In the cities of Boston and Cambridge, infill lots are often the only sites available for housing development. These parcels are often ideal for multifamily homes, but the costs of land assembly can be prohibitive and a piecemeal approach to development cannot achieve the efficiencies of scale necessary to address the housing crisis.

Inputs

Housing requires the use of two "inputs" that are especially expensive in Greater Boston: building materials and labor. The price of the former fluctuates with national trends, while the latter is steadily high in Massachusetts.

Recent increases in the cost of building materials—lumber, wallboard, PVC pipe, plywood, and fiberglass wall insulation—have increased the total development costs of housing. In 1999, prices increased by 36 percent for wallboard, 25 percent for PVC pipe, 22 percent for plywood, 18 percent for fiberglass wall insulation, and 17 percent for lumber.¹⁶ The cost of lumber, which typically accounts for one-third of the cost of building materials, averaged \$300 to \$400 during the 1990s, an increase of as much as one-third over the previous decade.¹⁷

The last year has seen some good news. A construction industry index, which measures changes in materials and labor costs in 20 U.S. cities, shows a moderation of prices; while such costs increased by 38.5 percent in 1999, they increased by just 0.9 percent in 2000 and a modest 1.7 percent during the first three months of 2001.¹⁸

Labor also adds to construction costs. Average weekly construction earnings in Massachusetts are 20 percent higher than in Maryland, a state often used as comparison because of its similar high-technology economy and a comparably sized urban population. Labor accounts for 40 to 50 percent of home construction costs, excluding the cost of land; when land is included, labor accounts for a third of construction costs.¹⁹

The federal Davis-Bacon Wage Act requires companies to pay prevailing union wages for housing built with federal funding, which includes housing that has FHA insurance or subsidies. State-assisted housing—a total of approximately 170,000 units in 2001—also requires the payment of prevailing wages under Chapter 149 of the Massachusetts General Laws if a project has 11 or more units.

Eleven Massachusetts communities—ten cities and the town of Amherst—have adopted “responsible employer ordinances” that set minimum wage levels and work rules for construction and other labor. REO’s not only increase the wages paid to construction workers, but also establish inflexible work rules. The REO requires employers on public projects to pay the prevailing wage, provide health insurance for all employees, participate in apprenticeship programs, classify workers as employees (not independent contractors, who have few rights), provide workers compensation insurance, and require local residency to work on many projects. Developers complain that the REO ties the hands of the foreman by requiring that workers perform only specified tasks, increasing the number of overall workers on a site.

Funding and Financing

Government subsidies have been a major part of housing policy since the New Deal, but since the Reagan Administration funding has been cut back significantly at the federal level. States may provide funding for low-income housing development, but their commitment wavers over time according to budgetary and political constraints. Massachusetts has been one of the more active states in the nation promoting housing development, but in the last ten years has cut back on many housing development programs and focused more on providing vouchers and “demand-side” assistance and on preserving and revitalizing existing units of affordable housing.

The federal level: Since Ronald Reagan's election as president in 1980, the federal government's role in housing has shifted dramatically. Washington has ended its funding of new housing construction in the Section 8 and public housing programs, which in 1980 cost \$28 billion in 2001 dollars. At the same time, Washington has reduced its commitment to rental assistance from about \$8 billion to under \$1 billion, its contribution to elderly and handicapped housing from \$1.57 billion to under \$1 billion, and its contribution to states and localities via block grants from \$7.29 billion to \$4.33 billion.

The federal government has increased its role in other, smaller housing programs. The HOME program, which provides funds for a wide range of distressed families, did not exist in 1980, but in 2000 provided \$1.63 billion in grants to states and localities nationwide. Operating subsidies have increased from \$1.47 billion to \$3.21 billion, capital fund modernization programs increased from \$1.47 billion to \$2.95 billion. Programs for the homeless, which did not exist in 1980, in 2000 cost \$1.04 billion.

Overall, the federal government's role declined significantly, from almost \$70 billion (adjusted for inflation) in 1980 to \$24.8 billion in 2000. Rather than investing significant resources in urban housing, HUD has shifted toward a leveraging strategy. Programs like HOME and HOPE VI are intended to focus resources on projects that can help to transform neighborhoods rather than house the greatest number of families. Some housing advocates have criticized HOPE VI for reducing the overall number of people in public housing as a result of "de-densification" of developments.

In Massachusetts, Section 8 housing programs—which provide reduced rents to qualifying households—remain the biggest federal housing effort. Section 8 allocations increased from \$253 million to \$447.9 million in the last decade. Federal public housing expenditures have remained steady in recent years, ranging from around \$150 million to \$194,000.

Hidden in the statistics about federal outlays to the state is the success of the federal LIHTC program, which increased its outlays to Massachusetts from \$27 million to \$72.2 million in the last decade. LIHTC's growth reflects the increasing role of the private sector in providing services for the poor. One measure of the effectiveness of the program is the utilization rate of the program. For every dollar that is available in tax credits, there are applications for at least two to three dollars more. Recognizing LIHTC's success in attracting capital, the state legislature in 1999 created a similar program using state tax credits. The LIHTC comports with other affordable housing trends, such as mixed-income housing and deconcentration of low-income housing, by complementing public funding sources. The private sector supports LIHTC, too. In addition to profit from the housing partnership,

investors can realize a considerable gain on their investment, as they use the tax to shelter loss from other investments. With profits as high as 30 cents on the dollar, there is a strong incentive for investors to consider affordable housing projects. Because the credit is taken over a period of several years and requires no initial budget outlay, the costs of the LIHTC are largely hidden—and housing is not forced to compete with other domestic items in the appropriations bills, making the program politically popular.

The HOME program brought \$18.3 million to the state in 2001. Community Development Block Grant programs brought another \$13.5 million to the Bay State in 2001.

Table 1: Uncle Sam's Reduced Role in Housing
Program spending in millions of dollars (constant 2001 dollars)

| Year | 1980 | 1984 | 1988 | 1992 | 1996 | 2000 |
|-------------------------------|--------|-------|-------|-------|-------|-------|
| Section 8 Project-based | 20,870 | 3,730 | 2,720 | 0 | 0 | 0 |
| Rental assistance | 8,060 | 3,730 | 2,770 | 2,110 | 440 | 860 |
| Elderly and handicapped | 1,570 | 850 | 780 | 50 | 1,190 | 930 |
| CDBG | 7,290 | 5,320 | 3,930 | 4,060 | 5,020 | 4,330 |
| HOME | 0 | 0 | 0 | 1,780 | 1,530 | 1,630 |
| Public housing development | 7,130 | 1,370 | 780 | 730 | 0 | 0 |
| Capital Fund modernization | 1,950 | 2,480 | 2,310 | 3,070 | 2,730 | 2,950 |
| Operating subsidies | 1,470 | 2,640 | 2,070 | 2,700 | 3,060 | 3,210 |
| Homeless programs | 0 | 0 | 100 | 530 | 890 | 1,040 |

Source: Cushing Dolbeare, "Changing Priorities: The Federal Budget and Housing Assistance, 1976–2006," National Low Income Housing Coalition, May 2001, available at <http://www.nlihc.org/pubs/ChangingPriorities.htm>.

The state level: The state's investment in housing has shifted constantly over the 1990s, with sometimes abrupt increases and decreases in spending for housing programs.

The major shift since the Dukakis years is the decrease in funding for new construction, particularly for multi-unit housing. In 1990, the state spent \$62.6 million on new housing construction; the figure for 2001 was

Table 2: State Spending on Housing, 1990–2001
Program spending in thousands of dollars

| Program | 1990 | 1994 | 1998 | 2001 |
|--|----------------|------------------|------------------|------------------|
| <i>New Housing Production</i> | | | | |
| Development (capital fund) | \$82,603 | \$10,967 | \$6,732 | \$3,850 |
| Rental Development Action Loan | \$1,816 | \$2,675 | \$2,295 | \$2,220 |
| SHARP | \$23,407 | \$30,107 | \$30,099 | \$24,279 |
| <i>Financing</i> | | | | |
| MHP Fund | \$7,269 | – | – | – |
| <i>Affordable Housing ‘Preservation’</i> | | | | |
| MHFA – Chapter 13 | \$6,000 | \$8,231 | \$8,184 | \$8,166 |
| Housing Stabilization Fund | – | – | \$9,177 | \$15,200 |
| FCF (new capital program) | – | – | \$2,781 | \$2,500 |
| State LIHTC | – | – | – | \$10,000 |
| <i>Elderly, Handicapped, Homeless</i> | | | | |
| Alternative Housing Vouchers | – | – | \$2,327 | \$4,000 |
| Transitional housing for homeless | – | – | – | \$2,550 |
| Homeless prevention / HIP | \$6,102 | \$3,718 | \$4,742 | \$2,447 |
| Housing Innovations Fund | \$9,945 | \$2,031 | \$5,625 | \$6,500 |
| Individual Self Sufficiency Program | – | – | – | \$2,500 |
| <i>Home-buying Programs</i> | | | | |
| HOP / Soft Second Loan | \$427 | \$1,000 | \$2,999 | \$4,000 |
| <i>Vouchers</i> | | | | |
| Mass Rental Voucher Program | \$122,243 | \$61,606 | \$41,347 | \$38,525 |
| <i>Public Housing</i> | | | | |
| Public Housing Subsidies | \$26,503 | \$21,883 | \$27,683 | \$34,274 |
| Modernization and renovation | \$56,580 | \$19,302 | \$46,742 | \$35,250 |
| <i>Community Capacity</i> | | | | |
| Affordable Housing Trust Fund | – | – | – | 20,000 |
| CEED (local infrastructure) | \$1,558 | \$749 | \$1,675 | \$1,900 |
| TOTAL | 348,917 | \$162,271 | \$193,158 | \$220,162 |

Source: Massachusetts Department of Housing and Community Development

\$3.85 million. The prime reason for cutbacks in new construction is the state’s “expiring use” emergency. State resources have been used to pay for refinancing of affordable housing units so that private developers would not convert below-market-rate units to market rates.

But while the Weld, Cellucci, and Swift administrations have decreased grants for new construction, the last year of the Cellucci administration and first year of the Swift administration saw the creation of a \$20 million affordable housing trust fund. Housing advocates fought for the trust fund to not only increase the total amount of public money available for affordable housing, but also to reduce the number of financing and funding programs needed to build affordable housing.

Other development programs mostly held steady over the decade. Funding for SHARP—State Housing Assistance for Rental Housing—was \$23.4 million in 1990 and \$24.3 million in 2001, with some fluctuation in between. Funding for the Rental Development Action Loan was \$1.8 million in 1990 and \$2.2 million in 2001.

Financing—providing a variety of lending instruments—remained a central part of housing policy in Massachusetts. Massachusetts Housing Finance Agency, 13A, a subsidy to reduce the interest rate to 1 percent for rental housing (excluding new production), went from \$6 million to \$8.2 million from 1990 to 2001. The housing stabilization fund, designed to prevent conversion of affordable housing to market-rate housing, went from nothing to \$15.2 million. The state's Low Income Housing Tax Credit began with \$10 million in 2001. One home-buying incentive—the “soft second” program, which helps residents get their first mortgage by providing the money for a refinancing of mortgages—has increased from under \$1 million to \$4 million.

The state's premier financing agency is the quasi-public Massachusetts Housing Finance Agency, which saw major shifts in investment patterns. Financing for single-family dwellings stayed steady, with some rises and falls: \$128.9 million in 1990 and \$140 million in 2001. Financing of multi-family developments fell more abruptly in the early 1990s and only recently reached previous levels. Multi-family housing development financing fell from \$99.5 million in 1990 to \$13.5 million in 1997, with some dips and rises in between; financing levels were \$128.3 in 1998 and reached \$160 million in 2001. The Massachusetts Housing Partnership Fund, meanwhile, grew from just over \$1 million in 1992 to \$45 million in 2001.

The state's voucher programs, overall, declined steeply. The Massachusetts Rental Voucher Program, which had a budget of \$122.2 million in 1990 has steadily declined to \$38.5 in 2001. The New Alternative Voucher Program, designed to encourage non-elderly to move out of elderly housing, did not exist until 1997 and now expends \$4 million.

New funding for public housing developments across the state has been, mostly, a wash. Funds for modernization and renovation to preserve existing public units have declined from \$56.6 million to \$35.2 million from 1990 to

2001. Subsidies covering the operating expenses of public housing developments increased from \$26.5 million to \$34.3 million in the same period. Housing programs for vulnerable populations have gained, but their base level of funding was low to begin with. Programs for the homeless and disabled have increased from about \$16 million in 1990 to about \$20 million in 2001.

The necessity of complex financing: Financing poses one of the most complex of all factors of production, especially in the field of affordable housing. In a self-perpetuating cycle, limited funding requires developers to gain expertise in tax and other government programs; the need to hire finance experts to put together complex deals, in turn, drives up the overall cost of housing and therefore the need for subsidies. A study of federally subsidized housing showed that an average of 7.5 funding sources were needed to create units with long-term affordability. The complexity of financing lengthens the overall process. A study by Abt Associates found that the predevelopment time for housing built by community development corporations averaged 29.3 months.²⁰

Housing experts refer to these administrative expenses involved in housing deal-making as “soft costs,” so called because they appear more malleable than the “hard” expenses of land and materials. Standard industry guidelines budget soft costs at a rate ranging from 30 percent for new buildings to 35 percent for renovations.²¹

Adding significantly to the soft costs of affordable housing development are high maintenance costs. Even “permanently” affordable public housing units are not immune to the wear and tear of time. The state’s subsidized public housing portfolio needs an estimated \$1.5 billion over the next ten years to keep it habitable for the approximately 85,000 families who live there.²²

The state’s public housing stock requires substantial capital investments in affordable housing for roof repairs, site improvements, handicapped access, and major heating and electrical systems. According to the Department of Housing and Community Development, one-third of the estimated need is for the replacement of bathrooms and kitchens; other needs include electrical or fire safety work, plumbing, heating, and exterior repairs. Complaints of mold and other environmental contamination, inadequate space in individual rooms, broken locks, and damaged windows and doors are common in housing stock that is 40 years old or more. Depending on the type and size of the project, the per-unit cost of rehabilitation ranges from \$15,000 to \$150,000.

Regulatory Barriers to Housing

Regulations governing the design and location of buildings increase the cost and development time to build and rehabilitate housing. A report by the U.S. Department of Housing and Urban Development found that excessive regu-

lation accounts for as much as 20 to 35 percent of the housing prices in some communities.²³ The state's Policy Report on Housing Supply claims that regulations and regulatory processes, as well as community resistance, increase the cost of housing development by as much as 35 percent—and consequently limit the production of new housing. These regulations include restrictions on density, zoning codes that limit what can be built on a parcel, environmental regulations governing septic tanks, and building codes that limit rehabilitation of existing structures. The report states that the “key difference” between Greater Boston and other metropolitan areas is that too much regulation has “prevented the private market from supplying more units.”²⁴

State regulatory burdens: The state sets the basic standards for construction and rehabilitation of all residential and commercial buildings. The purpose of these building standards is to protect the health and safety of the buildings' users and neighbors. Local governments implement these regulations.

Massachusetts building codes are set and overseen by a range of agencies and boards. Unlike New Jersey, which consolidated its many code agencies in 1975, Massachusetts has allowed its many boards to operate separately under the rationale that each has unique expertise that might be compromised if it were brought into a single agency.

The Commonwealth's principal agency for the building code is the State Board of Building Regulations and Standards. The BBRS shares responsibilities for setting statewide building standards with a number of other agencies, such as the Architectural Access Board, the Massachusetts Fire Service Commission, the Board of State Examiners of Electricians, the Board of State Examiners of Plumbers and Gasfitters, the Department of Public Health, and other agencies. The lines of authority for these boards can be blurry, so officials from the different boards often feel that others are encroaching on their domain.

Local officials often lack the capacity to enforce building codes precisely and consistently. Many communities assign just one employee to coordinate inspections. Compensation for the job is low and assistance is often nonexistent. Local officials exceed their authority by adopting local standards that go beyond the state requirements. The state Attorney General has ordered local governments not to exceed the state mandates, but local enforcement tends to be out of view most of the time.

Local regulatory burdens: Local regulations were cited as the primary impediment to an increase in housing supply in a report of the Massachusetts Executive Office of Administration and Finance released in October 2000 and a followup report of a special “barriers” commission in December 2001. The

reports call for streamlining and easing of rules and regulatory processes at both the state and local levels. Developers across the region complain that local control of permitting and zoning—and sometimes, improperly, state code—allows communities to hold projects hostage at great cost to the developer.

Local zoning regulations have reduced allowable housing development by as much as one-half in the state. According to the Executive Office of Administration and Finance, zoning regulations in many cities and towns permit an average development density of 0.9 units per residentially zoned acre, compared to the average of 1.8 units per acre that now exists on land already developed.

Zoning changes usually occur on a piecemeal basis—usually in response to a particular development proposal. Rather than adopting city-wide zoning reform, cities and towns are choosing to designate specific areas for alternative types of development. “Cluster zoning” is one of the strategies that communities use to preserve open space while allowing for new development. In this type of residential development, developers are allowed to build housing more densely in return for setting aside open space for parks and other amenities.

In the last two decades, the City of Boston has undertaken a massive effort to update the whole zoning code. The Boston Redevelopment Authority has created special planning and zoning advisory committees to rezone the city, neighborhood by neighborhood. Hyde Park is the last major neighborhood that still has not been rezoned in the last two decades. In the rezoning process, planners catalogue every block and every property and explore how these pieces of the puzzle should evolve over the next generation. Most neighborhoods have worked to reduce the density of their communities, but some have built special zones for more diverse development.

Many communities find that mixed-use districts are hard to develop. Issues of parking, traffic, and density have discouraged housing development in commercial districts. Still, smaller towns throughout Massachusetts have been drawn to village center zoning—by bringing buildings closer to the street, encouraging a pedestrian scale where people can window shop and eat, and allowing residential uses with commercial—newer development evokes New England’s traditional elements of community. Arlington, Boston, Cambridge, and Quincy all allow mixed-use development in certain parts of the community.

Cities and towns have adopted a number of extraordinary measures across Greater Boston to either encourage or discourage housing development. More than 50 communities statewide have capped new building permits, and many more prohibit multi-family development. The towns of

Beverly, Bourne, and Truro all recently rejected growth-management bylaws that would have limited or placed a moratorium on all building permits. But Terry Szold, a local land use expert, believes such apparent openness to housing masks the real strategies to limit affordable housing. Towns often restrict housing development by adopting large minimum lot sizes, refuse to build new infrastructure, and use state funds for open-space acquisition and other quality-of-life purposes instead of housing.²⁵

In their efforts to achieve other planning and development goals, some planning boards have adopted regulations that unintentionally restrict affordable housing. Overlay districts allow municipalities to protect an area's natural resource or historical and cultural assets. The town of Brewster created a Corridor Overlay District to preserve the town's transportation corridors and its historic and cultural assets. Although bylaws like these may relax existing parking requirements, they may also increase the regulations over site design—and therefore, the costs of housing development.

The Political and Community Context

NIMBYism—the tendency of communities to say “Not In My Back Yard”—poses a powerful impediment to new housing. Even when local government agencies are eager to gain community support for development projects of any kind, a handful of anti-development activists can block or delay a development project at every turn.

NIMBYism, long associated with affluent communities attempting to exclude low-income populations, has emerged in low-income and mixed-income communities as well. In Roxbury, a minority neighborhood in Boston, many residents oppose the development of new low-income housing despite the community's obvious need. In Framingham, where 9.2 percent of the housing stock is affordable, a neighborhood group called FIMBY (“Framingham Is My Back Yard”) is fighting a 40B development by arguing that the town has not received proper recognition for an existing 633 residents that are using low-income housing vouchers.²⁶

Urban Edge, a community development corporation based in Boston, took 15 years to develop eight moderate-income homeownership units now called Hyde Park Condominiums. Though the project had the support of the mayor and City Council, the land was zoned for single-family housing and needed a zoning variance to proceed. One of the abutters filed appeals until finally the community was persuaded to support the development.

Opponents of new housing argue that cities and towns are growing too quickly and damaging the “liveability” of New England's landscape. Town meetings convene around property rights like no other issue, and density is the “bloody shirt” for community advocates. More than 100 Brookline town residents recently packed Town Hall to oppose a planned affordable 36-unit

condominium complex. Members of the Center Area Neighborhood Coalition oppose the development because of the height and density of the units—even though two ten-story buildings stand nearby—and because of concerns about traffic and congestion. In an irony typical of the politics of affordable housing, residents also oppose the development because they want longer-term affordability restrictions on the units.

Throughout the state, more than 50 communities have enacted local restrictions on development by limiting the number of permits they will issue for new housing. Traditional working-class towns like Lowell and New Bedford argue that the increase in property taxes from new housing—particularly housing for families, rental housing and affordable housing—cannot offset the burden on municipal budgets caused by an influx of families with school-aged children. More affluent towns, despite more robust budgets, also resist housing because of added schooling costs, limited infrastructure for water and sewer hookups, and a desire to preserve the traditional look and feel of the community.

Whatever the character of the neighborhood, residents worry about the increase in traffic congestion and the competition for limited parking spaces. Residents of inner city neighborhoods like Boston's Roxbury and Jamaica Plain can be heard at community meetings demanding to know where everyone will park if a new multi-family house is built on a vacant lot. City-dwellers and suburbanites alike are also protective of their green space, even if it is neglected and unused.

Developers say that it is not just the number of regulations that makes housing production difficult, but also the haphazard and unpredictable government processing of those regulations. In contrast with one-stop shopping found in the rest of the nation, communities in Greater Boston leave the approval process to a host of separate agencies and processes, which sometimes take months or even years. A developer can almost never know in advance whether a project will be approved, even if it meets the basic guidelines set out in local zoning bylaws. Development is as much a process of local political maneuvering as it is a matter of devising pro-formas, designing buildings, and marketing units.

Community process: In the backlash against urban renewal programs of the 1950s and 1960s, Boston and other local governments began using extensive community processes to guide their planning and development efforts. Protests in East Boston, the South End, Allston-Brighton, and other communities dramatically changed the character of planning in the city. The most famous example might be Tent City, a squatting movement in the South End in 1968 that forced the Boston Redevelopment Authority to develop vacant property as affordable housing. Since then, the City of Boston has engaged

community groups on virtually every major planning and development project, as well as the rezoning of every neighborhood. A BRA official stated simply: “In the end, the rezoning is not going anywhere without them [the community] signing off on it.”²⁷

University and other institutional burdens: Universities and medical institutions are two of the pillars of Greater Boston’s strong economy and cultural life. By bringing thousands of newcomers every fall, these institutions inject millions in outside dollars and attract some of the best and brightest from the rest of the nation. But these itinerant residents also cause strains on the local housing markets, particularly in neighborhoods in Boston and Cambridge that are close to campuses. A small fraction—about 29,000 of Boston universities’ 135,000 undergraduate and graduate students—reside in campus housing. The rest compete for limited units with other residents of the city. Shirley Kressel, the president of the Alliance of Boston Neighborhoods, states:

Students band in groups and, wielding their parents’ money, bid rents beyond the reach of working-class (and even middle-class) families. In a gradual process of displacement without gentrification, prices and quality of life progress inversely as the nature of neighborhood life changes. A once-diverse commercial spectrum narrows to a pizza-beer-futon mix; in summer, it’s a ghost town that threatens small businesses. The exodus of neighborhood residents, meanwhile, breaks up stable communities where families had lived together for generations.²⁸

Several universities have taken important steps to bring their students on campus in recent years. Over the past ten years, Boston University, the Massachusetts Institute of Technology, Simmons College, and Northeastern University have constructed 10,000 new dormitory units. The Boston Redevelopment Authority projects that 5,000 new dorm spaces will be created in the next five years, freeing 1,250 apartments for year-round residents. Perhaps the most innovative housing project is Davenport Commons, a housing complex developed jointly by Northeastern and the Madison Park Community Development Corporation, which provides housing for both students and Roxbury residents.

But university dormitories are a mixed blessing. Residents of neighborhoods with students praise the 24-hour-a-day vitality that students bring and are happy when commuting students are not competing for limited parking spaces. But at the same time, concentrations of college students bring complaints of noise, litter, double-parking, and disruptions of parties and other events. Students, meanwhile, complain about what they see as unfair restrictions on the

movement around the neighborhood. The classic town-versus-gown tension will continue no matter how much housing universities build.

In 1999 Harvard University provided \$20 million in loans and \$1 million in grants for affordable housing research and development. The loan fund, which will operate for 20 years and provide loans at 2 percent interest, is the first of its kind nationally. Three nonprofit organizations—Boston Community Capital, Cambridge Affordable Housing Trust, and the Local Initiatives Support Corporation—manage the pool, which is equally available to Boston and Cambridge. The nonprofits will use the funds to build elderly housing, provide home buying programs for low-income buyers, and a range of other projects.

Civic capacity: The limited planning capacity of many smaller cities and towns is another barrier to housing production. Even with new resources from the state, many communities do not have the political or administrative capacity to develop strong housing policies and initiatives. These cities and towns lack the network of community-based organizations that drive the process of housing production and rehabilitation in Boston's urban core. Because of a lack of capacity many towns end up re-inventing the wheel every time they decide to go forward with a project. Even when there is enthusiasm and political will, towns need assistance in working with housing authorities and developers, parsing regulations, and using their resources, including land, to set priorities and a housing agenda.

The Actors in Housing Policy

The housing expert Michael Stone has famously called housing policy in the United States “rococo”—meaning that its many agencies, programs, and incentives are structured in complex ways that are difficult for even experts to understand. Stone's label applies to Massachusetts.

In Massachusetts, housing policy involves well over a dozen agencies at the state level and hundreds more at the local level, as well as hundreds of nonprofit organizations and community organizations. The leading players in state government, led by the governor, are the Department of Housing and Community Development and the Massachusetts Housing Finance Administration. Regulatory boards and financing entities also affect what kind of housing can be built in the state. At the local level, mayors and city managers, redevelopment authorities, planning and zoning boards, and public housing authorities all play critical roles.

Clearly, in Massachusetts, all kinds of home building and rehabilitation face an obstacle course that only the most daring and experienced professionals attempt with any real success.

The Federal Government

Even in administrations with little involvement in housing policy, the president sets the tone for housing policy, with appointments, public statements on controversial issues, and annual budget proposals. State housing policies arise in direct response to the federal policy. Massachusetts Governor Michael S. Dukakis, for example, made affordable housing construction a priority in direct response to the Reagan Administration's massive housing cutbacks. In recent years, presidents George H. W. Bush and Bill Clinton have focused on "reinventing" assisted housing. It is still too early to see what direction George W. Bush will take, though his decision to make tax cuts a domestic policy priority suggests that he will not make housing a high priority.

The Department of Housing and Urban Development (HUD) is the federal government's primary agency for housing funding and regulation. Approximately 70 percent of the resources spent by Department of Housing and Community Development for housing programs comes from the federal government in the form of Section 8 vouchers, public housing rehabilitation grants, and more than 15 other programs. The federal government once played a powerful role in funding new affordable housing construction, but has played a more limited role since the Reagan Administration.

Since the 1930s, the federal government has encouraged housing investments by chartering and supporting secondary mortgage institutions. These institutions buy the loans of the lenders so that lenders have enough assets to make more loans. The institutions sell investors shares, which are considered as secure as U.S. agency securities. Secondary mortgage institutions also set standards for underwriting, including down-payment requirements, and purchase price limits, creating standardization across the industry. Chartered in 1938, Fannie Mae has become the nation's largest investor in single and multifamily residential mortgages. Congress created Freddie Mac in 1970 as a new secondary mortgage market within the Federal Home Loan Bank system. Ginnie Mae's main function is to guarantee mortgage-backed securities issued by other lenders, for example those backed by FHA mortgages.

The Federal Home Loan Bank is a national network of "wholesale" banks that provide funding and credit products to small banks in cities across the United States. The FHLB raises money by selling institutional investors consolidated obligations—essentially, packages of loans—so that it can provide more competitive lending rates to its member bankers. The FHLB also provides technical assistance to banks and developers and oversees model projects in cities and towns. The regional FHLB organization based in Boston is a cooperative of more than 460 community banks. FHLB

Boston has been active in promoting smart growth, ecologically sound development, affordable housing, redevelopment of struggling mill towns, and minority home ownership throughout New England. In its quarterly report of September 30, 2001, the FHLB Boston reported assets of more than \$40 billion and liabilities of almost \$38 billion.

Perhaps the federal government's most potent tools for community housing are the Home Mortgage Disclosure Act and the Community Reinvestment Act (CRA), enacted in 1976. The CRA requires banks to lend money to the communities where the bank's deposits originate. Community organizations use the CRA to negotiate with banks for lending commitments and other community benefits. In an age of bank mergers, the CRA has become a major process by which urban organizations secure funding for housing and community development. With the recent acquisitions of US Trust by Citizens Bank and BankBoston by Fleet Bank, most in the industry expect that there will be a flurry of CRA-related bank activity in housing lending. As a result of its merger with BankBoston in 1999, FleetFinancial was required to commit \$140 million in low-interest loans and \$12 million in grant funding to the MHP Fund—a quasi-public agency set up to provide additional funding for affordable housing and community development projects. Citizens Bank committed \$2.5 million in grants through a similar negotiation.

The most powerful of all housing programs is also the most invisible. Through the mortgage deduction on federal income taxes, which costs as much as \$80 billion a year in lost taxes to the federal government, the federal government has encouraged home ownership since the New Deal era. Homeowners can write off the interest from their loans—which accounts for most of their monthly payments in the early years of the loan—when filing their tax returns on April 15. That amounts to a subsidy of as much as one-third on monthly payments for shelter. Homeowners can also deduct their real-estate taxes from their federal taxes. According to a study by the Federal Reserve Bank, the mortgage tax deduction encourages the dispersal of housing development to suburban areas—lowering the density of metropolitan areas by 15 percent or more, increasing the overall costs of housing development.²⁹

The State Government

The character of housing policy is set by the governor. During the Democratic administrations of Michael Dukakis, from 1975 to 1979 and 1983 to 1991, the state committed hundreds of millions of dollars annually to new affordable housing production. Dukakis argued that public investment was necessary to provide quality homes to people with low incomes. The renovation of the troubled Columbia Point housing complex was the

crown jewel of the Dukakis approach. By investing major funds and working with police and community leaders, the state oversaw the complete redesign of the complex.

The Republican administration of William Weld, from 1991 to 1997, focused on cutting development costs. Faced with major budget shortfalls—and operating at a time when housing prices were falling and vacancy rates were rising—Weld shifted the focus toward providing funds for poor people to find their own housing. In 1996 Weld issued an executive order to identify unnecessary and costly rules that undermine housing development and other productive activities in the state. (A review of 1,595 rules recommended 19 percent for repeal and 44 percent for modification.) Fellow Republican Paul Cellucci continued Weld's push for regulatory relief, directing the Executive Office of Administration and Finance to identify specific housing regulations that impeded housing construction. But Cellucci and his successor, Jane M. Swift, also committed more money to housing development.

Statewide housing policy is coordinated and implemented by a handful of organizations. The Department of Housing and Community Development coordinates state and federal grants and more than 20 housing programs. DHCD provides programs for municipal housing development (through federal CDBG grants), neighborhood services, private housing development (through the federal HOME program as well as a housing stabilization fund and a housing innovations fund), public housing, and rental assistance.

DHCD oversees the operation of 254 local housing authorities (LHA) and their 84,000 public housing units, 40 percent of which are state-aided units and the remainder of which are federally assisted. These units serve some of the Commonwealth's poorest residents; average incomes are below \$15,000 a year. HUD provides funds for housing authorities to subsidize rents and administer public units. One hundred and thirty-three public housing authorities also administer the federal Section 8 rent subsidy and the state's rental voucher program.

The (MHFA) provides financing for affordable homeownership and rental production and preservation programs. The MHFA's primary vehicle is tax-exempt financing, which can be used for the acquisition, rehabilitation and or construction of multifamily rental housing. This line of credit, appropriated by the state legislature, is currently capped at \$100 million. The MHFA offers below-market financing and technical assistance.

Under the direction of Marvin Siflinger in the Dukakis years, the MHFA gained a reputation as an aggressive funder and builder of affordable housing. The agency's mixed-income developments, cut-rate mortgages to first-time buyers, and innovative purchase-rehabilitation packages helped to foster a boom in affordable housing in the 1980s. At the time of Siflinger's

dismissal in 1995, the agency managed a \$4.5 billion portfolio of 50,000 apartments and 15,000 home loans. MHFA coordinated a \$250-million overhaul of the 1,300-unit Columbia Point housing project (renaming it Harbor Point). Under Siflinger, the MHFA rehabilitated 1,900 dilapidated, HUD-foreclosed units in Boston.

The MHFA shifted its direction under Steven Pierce, appointed by Weld to replace Siflinger. Under Pierce's leadership, the MHFA focused on increasing homeownership rather than on rental housing and on the preservation of existing affordable units through refinancing programs. In the last five years, the MHFA processed more than \$578 million in mortgage restructurings. Pierce's administration coordinated the Demonstration Disposition Program ("demo dispo"), which involves management of \$200 million in rehabilitation activity. The agency's efforts to maintain low rents at "expiring use" properties—where developers paid off their mortgage and therefore did not have a continuing obligation to rent units at affordable rates—did not always proceed smoothly.

Developers can also access the resources of the Massachusetts Housing Investment Corporation (MHIC) and the Massachusetts Housing Partnership Fund (MHP Fund) for construction and permanent financing. Created by the Massachusetts legislature in 1985 and 1990, these organizations provide below-market financing to non-profit and for-profit developers, communities, and housing partnerships.

The Massachusetts Development Finance Agency (Mass Development), created in 1975 to help redevelop blighted areas, is currently managing former Governor Cellucci's initiative to allocate 1,000 acres of state surplus property to housing and commercial development.

Local Governments

A number of local officials have taken important leadership roles in promoting housing development across the state. Besides Boston's Mayor Thomas Menino, leaders include Cambridge City Manager Robert Healy, Newton Mayor David Cohen, Somerville Mayor Dorothy Kelly Gay, Northampton Mayor Claire Higgins, and Barnstable Town Manager John Klimm. Springfield, Worcester, New Bedford, Medford, and Malden also have strong records on housing development. Community development departments in Newton, Haverhill, Lowell, Springfield, Chelsea, and Lawrence have won high marks from housing professionals for their efforts.

Under the Zoning Act of 1975, cities and towns have wide discretion to enact local zoning regulations that will "encourage the most appropriate use of land" and promote "a balance of housing opportunities" with the authority to enforce these regulations through local planning boards. Planning boards, with the approval of local residents, have the authority to

specify where commercial, residential, and industrial buildings can be sited. Planning boards are required to prepare master plans, which contain a “housing element,” although the Zoning Act does not include mention of the plans. The boards are also responsible for interpreting building codes, establishing administrative reviews, conducting review processes, checking permits and approving final plans.

Zoning and building codes simply establish the framework for housing and other kinds of development. But municipal planning departments have the power to mobilize the resources and political authority to make development happen. In a sense, zoning and building codes provide the DNA of housing and other development, while planning provides the flesh and bones.

In Boston, individual zoning regulations apply to 21 neighborhood districts and several other special district areas, such as downtown or the Dorchester Avenue corridor. BRA staff members review development projects and make recommendations to the Boston Zoning Commission, which is responsible for revisions to the Boston Zoning Code. Article 80 of the Boston Zoning Code gives the BRA authority over the review of design, size, use, development impacts, and community input into projects that take place in Boston’s neighborhoods.³⁰

Many cities have their own planning departments, though they are often understaffed. Boston, Cambridge and Newton stand out both for their resources and accomplishments. They have larger planning staffs, their own resources, and their own programs and policies. Cambridge’s inclusionary housing program, for example, requires 15 percent of the units to be affordable in any project over 10,000 square feet within targeted areas of the city. Lexington’s zoning law states that providing affordable housing is a significant public benefit that will be weighed in considering “cluster” or “special residential development.” Other localities use more forceful language. Newton requires that all multi-family housing allowed through special permitting make 10 percent of its units affordable.³¹

Local governments sometimes provide funds for housing. A study by Phil Herr, an expert on local zoning and planning processes, identified at least 118 communities with local programs to encourage affordable housing.³² Mayor Menino of Boston has committed almost \$30 million from the sale of the city’s surplus property to create more affordable housing. Boston also plans to use \$13 million in proceeds from the sale of the former police headquarters to build new housing. Cambridge’s linkage program imposes a \$3.15 tax on commercial development to fund affordable housing projects.

The leading local development body in the state is the Boston Redevelopment Authority (BRA), which has directed planning and develop-

ment efforts across the city of Boston since 1959. Mark Maloney, a former affordable housing manager, directs the BRA. In the largest single plan in recent years, the BRA coordinated development of a plan for the South Boston Waterfront that will eventually include 4,000 to 10,000 units of housing. The BRA has also developed strategies to concentrate housing near transit nodes and near neighborhood business districts like Uphams Corner and Dudley Square.

The Department of Neighborhood Development (DND) works with the BRA on many projects and operates as facilitators of housing production through property disposition on a parcel-by-parcel basis. Charlotte Golar Richie, a former state representative, directs the DND.

Together, the BRA and DND have the capacity to develop and rehabilitate hundreds of units annually. State laws (MGL Chapter 121 and Chapter 652) allow the BRA to buy and sell property, acquire property through eminent domain, and grant tax concession to encourage commercial and residential development. Both DND and BRA own property that can be used for housing. Together, the BRA and DND aim to produce building permits for 2,000 units of housing in Boston in 2001. Boston permitted 2,655 new units of housing in 2000, a 29 percent increase over the previous year.

In 1996, Sandra Henriquez became the executive director of the Boston Housing Authority. Henriquez took over a system with substantial capital improvement needs and high vacancy rates—even as more than 14,000 residents crowded the waiting list. Henriquez has won praise for improving the BHA's financial standing and for reducing maintenance problems. Henriquez also managed HOPE VI grants for projects in Roxbury and Mission Hill and won another HOPE VI grant for the Maverick development in East Boston.

While large cities like Boston and Cambridge possess extraordinary staff resources and expertise on housing, many towns in Greater Boston are operated by town meeting and other forms of government that rely on citizen volunteers. Lacking professional staff to develop policy and evaluate development proposals, these towns often fall back on opposition to new housing proposals out of fear that any new development will be costly and disturb the community character. Planning boards can adopt regulations that affect the design and dimensions of streets, buildings, and other public spaces.

Advocates and Organizers

Housing advocacy takes place at many levels. Some neighborhoods have citizen groups that have worked for affordable housing for decades. In other communities, ad-hoc community groups form to respond to a particular

housing issue, such as the conversion of a school into an affordable elderly housing complex.

The Citizens' Housing and Planning Association holds housing seminars on conferences for housing professionals, practitioners and advocates, produces studies on salient housing topics, prepares housing briefs for local, state, and national legislation, lobbies for affordable housing, and functions as a clearinghouse for much of the region. CHAPA also hosts the Building Blocks Campaign—a coalition of low-income housing advocates including MAHA, MACDC, Mass Nonprofit Housing Association, GBIO, and MASS-CAP—which promoted several key housing initiatives including the campaign for a State Housing Trust Fund.

The real estate industry, which includes builders, developers and contractors, speaks with a strong voice. The most active voice belongs to the Greater Boston Real Estate Board, currently led by Edward Shanahan. The GBREB and its Rental Housing Association offers a free-market perspective on housing. The RHA's 1999 report recommended that Boston encourage development of moderate-income households by streamlining the local permitting process. The organization opposes "inclusionary zoning," which would require creating below-market units in every development, unless the state or city provides financial incentives. The Small Property Owners Association (SPOA), led by Skip and Lenore Schloeming of Cambridge, was instrumental in the 1994 statewide referendum that banned rent control in Boston, Brookline, and Cambridge. SPOA has lobbied for a rent escrow law, which would require tenants to pay rents to a special fund pending the settlement of eviction disputes. The local chapters of the National Association of Realtors and the National Association of Home Builders also speak out on issues of importance to their constituents and conduct research.

The Boston Chamber of Commerce has identified the crisis in housing affordability and supply as a major threat to emerging and longtime businesses in Greater Boston. The Chamber is developing an initiative to support local employers that participate in affordable housing development.

Public housing tenants organizations play an important role in neighborhood and housing issues. The Boston Tenant Coalition lobbies government leaders for additional funding to meet the needs of low-income tenants. The tenant rights movement has experienced numerous victories and setbacks in recent years. The Bromley Heath housing development, in Boston's Jamaica Plain, was the nation's first public housing project in the country to turn over management responsibilities to tenant leaders. But after reports of mismanagement and drug dealing, the Boston Housing Authority took over control of the development in 2000; a mediation process brokered by Doris

Bunte, a former state representative and BHA administrator, returned control to the tenants group.

Churches have always played a strong role in housing issues—supporting the development of low-income housing at Methunion Manor in Boston’s South End as early as the 1960s—and escalating housing costs have reenergized faith-based institutions. Cardinal Bernard Law of the Roman Catholic Archdiocese has called Boston’s regional housing crisis “a moral imperative” and challenged government, business, developers, non-profit institutions, and universities to build thousands more units of housing.

Beginning in 1999, the Greater Boston Interfaith Organization (GBIO), headed by Lew Finfer, instituted a Campaign of Conscience, collecting 10,000 petition signatures to persuade state legislative leaders to increase housing’s overall share of the state budget to 5 percent. At rallies attended by hundreds of activists, the GBIO directly challenged political leaders—including Mayor Menino of Boston, state Senate President Thomas Birmingham, and House Speaker Thomas Finneran—to commit more public funds for affordable housing.

Area colleges and universities participate in housing debate through affordable housing courses, working papers, seminars, design contests, and studies of local and regional housing issues. The Joint Center for Housing Studies at Harvard University publishes the annual *State of the Nation’s Housing* report. The Center for Real Estate at the Massachusetts Institute of Technology focuses on the public and private aspects of real estate development and housing markets. Karl E. Case of Wellesley College, Michael Stone of the University of Massachusetts at Boston, and Rachel Bratt of Tufts University have produced some of the most influential analysis of housing nationwide.

Development and Financing Entities

Community development corporations provide the backbone of affordable housing development in the region, producing approximately 17,000 units in Massachusetts over the last 30 years. CDC’s have nearly 2,000 additional housing units in the pipeline for the next two years. Of these, 900 are in Cambridge and Boston. Massachusetts has a network of 60 community development corporations, the majority of which are concentrated in Boston, Cambridge, and other inner-core communities. The Massachusetts Association of Community Development Corporations is one of the most articulate and energetic voices for affordable housing in the region. Boston officials estimate that over 85 percent of city housing funds have been allocated to non-profits over the last several years.

Boston's network of CDCs is among the strongest in the nation. While CDCs sometimes work together on a project, they more commonly stay on their own turf. CDC influence has been particularly significant in Boston's inner-city neighborhoods of Roxbury, Dorchester and Allston-Brighton. Nonprofit groups often focus on the development and rehabilitation of smaller properties. These difficult sites, with their lower economies of scale and low-income populations, often require complex financing. Leaders from CDCs such as Boston's Mossik Hacobian of Urban Edge, Evelyn Friedman of Nuestra Comunidad, and Jeanne DuBois of Dorchester Bay Community Development Corporation have achieved national prominence in the field.

Banks provide loans and grants for local affordable housing projects. Many of the subsidized housing units built during the 1960s and 1970s involved church-based development entities. More recently, faith-based funds have played a large role in the establishment of community development finance institutions (CDFIs) like Boston Community Capital. As one of the nation's leading investors of equity capital for multi-family housing, Boston Capital owns more than 110,000 apartment units, making it the fourth largest owner of real estate in the country.

Individual developers play an important role in housing debates. Some of the better-known companies include the Community Builders, Trinity Financial, Keen Development, and Avalon Bay. The Community Builders has a portfolio of 3,700 units in Massachusetts in 42 developments, 23 of which are for-profit ventures. Avalon Bay, a for-profit real estate investment trust, has recently received permits from local boards in four suburban towns for a total of 860 units in the past year, though one town imposed 28 restrictions before granting a permit for a new 204-unit development. Some companies, like Avalon Bay, concentrate primarily on Chapter 40B properties.

Policy Options for Housing in Greater Boston

Housing policy reflects many divergent views about the cause of regional housing problems. The state and region have adopted a "grab bag" approach to housing policy. Housing policy is really a collection of many different policies, including tax policy, building policy, welfare policy, and community development policy.

Limited resources foster disagreement about the most efficient way to house the region's most needy citizens. Should the state devote more money to housing production? If so, how much? How much of an impact would regulatory relief provide to developers? Should the state use "sticks" like Chapter 40B to encourage affordable housing production, or should it offer "deep" subsidies as well? Should the state use its limited resources to "preserve"

existing affordable units? What entities are best suited to build affordable housing?: the nonprofit community development corporations that are concentrated in the inner core of the region—or large developers that bring efficiencies of scale to the task?

Land

Because of lengthy processes for obtaining land and the high cost of property in thriving communities, land must be considered a central part of state and regional housing policy. Developers working in specific communities tend to know what sites might be available—and they say that the region has plenty of buildable sites for housing—but gaining access to these parcels requires considerable political skill and experience working with local officials.

State and local agencies have undertaken several efforts to inventory land that might be appropriate for housing development. Through a grant from the Executive Office of Environmental Affairs, the Metropolitan Area Planning Council has been conducting build-out analyses to identify areas where new housing units could be built, given existing zoning laws and infrastructure capacity for every city and town that requests assistance. Even older urban areas with very limited space have found resources, such as tiny Everett, which at five square miles has identified room for an additional 525 housing units. The City of Boston claims 2,500 vacant lots throughout its neighborhoods, 1,500 of which it estimates are buildable.

Governor Cellucci announced in 2000 that the state was releasing 1,000 vacant lots for housing development, as long as local officials approved the building plans. The lots include some large sites, including 30- and 86-acre properties in Westborough and a 32-acre plot at the Lexington-Waltham border. Officials said the state would continue to search for vacant lands and post listings of available properties on the Internet. The City of Boston estimates that it has 1,500 vacant buildable parcels of land in a city that covers 49 square miles. In many communities, many vacant sites have been neglected for years and require extensive environmental remediation to make them habitable. The supply of land in other localities is difficult to determine.

A study by the Citizens Housing and Planning Association concluded that disputes over tax title and a lack of local data and poor agency coordination was largely responsible for an abundance of underutilized property. The report, “Back on the Roll,” says that the lack of a comprehensive policy for land disposition, with clear agency responsibility, impedes the use of tax-delinquent properties for housing. Political “will and leadership” are essential for a comprehensive policy to be developed, the report said. The report also calls for developing creative ways to sell tax-delinquent properties, such

as buying tax liens from local governments, accepting deeds in lieu of foreclosure, and targeting some properties to community-based organizations.³³

Municipal officials carefully control the disposition of vacant lots and surplus property, negotiating with private and nonprofit developers for each piece of property to assure that development meets the approval of specific agencies and community groups. Such lot-by-lot disposition process can take years, increasing the costs of housing development. To speed the process of property disposition—and to involve more developers in housing production—Boston-area cities and towns might adopt simpler processes. No communities in Greater Boston have adopted an open process of releasing vacant lots to anyone who agrees to certain pre-specified terms, as Baltimore did with its \$1 property program of the 1980s.

Boston adopted a “Clean It or Lean It” strategy in 1996, which pushes delinquent property owners to fix their property or lose it to the city. Private owners of poorly maintained properties were put on notice that they could lose ownership if they did not clean the property. Under the program, if owners do not address the problems, the city will pay a contractor to do the work—and then bill the property owner. A lien is then put on the property, preventing the property from being sold, until the owner pays the city for the cleanup work. If the owner does not pay the city, the city may take ownership of the property. Hundreds of lots have been targeted in the program in its first several years of operation.

In Boston, the value of real estate owned by religious denominations has doubled over the last five years to \$816 million, roughly half of which is owned by the Catholic Church. Cardinal Bernard Law issued a new policy in 2001 requiring that all surplus archdiocesan property be considered for use as affordable housing. The Archdiocese has built 2,000 units of housing in Greater Boston since the founding of its Urban Planning Office in 1969 and plans another 4,000 units in the near future. About two-thirds of the new units would be offered at below-market rates, and the rest at market rates. About 80 percent of the units will be offered for sale, and the rest for rent. The Archdiocese has begun negotiations with communities in Arlington, Waltham, Brookline, and the Brighton section of Boston. Residents of Waltham have resisted a 240-unit development on a 25-acre lot near Our Lady the Comforter of the Afflicted Church, but the Archdiocese and city officials are discussing a land swap to make the project more palatable for residents.

Address speculation: Although speculation is a pervasive problem in dynamic housing markets like Greater Boston, there are probably few strategies to address the problem. Speculation arises out of the very dynamism of the

economy—in which potential developers are always sizing up the best time and kind of development to undertake—and is probably impossible and even undesirable to eliminate entirely. But a number of policies might address speculation’s most negative consequences.

Speculation involves landholders sitting on their property waiting for its value to increase. When land is in short supply, the temptation to speculate increases. Therefore, state and local governments could mitigate speculation by disposing of their unused properties more aggressively—thereby increasing the number of properties on the market and moderating the likely increases in land values.

State and local governments could also work to develop specific projects that engage local property holders. Government’s projects investments could provide the “value-added” that landholders seek, reducing the incentive to hold on to property for long. The more development that occurs around empty lots, the more potential the empty lots have to support profitable development. The City of Boston has undertaken a number of strategies to encourage development of struggling neighborhoods, including the Main Streets program, which revitalizes neighborhood business districts; construction of public facilities like government buildings; and the granting of special district authority, most notably the Dudley Street Neighborhood Initiative’s power of eminent domain.

Tax policy could also reduce speculation. Property taxes are assessed according to the current use of the property, rather than the relative value of the property. If a piece of land is vacant, it has no real use, so the tax rate is low. But if property is taxed at a rate similar to nearby properties that are fully developed, the land owner will have an incentive to develop his own land rather than sitting on it in anticipation of increasing land values. Such a radical shift in tax policy would create intense opposition, not only from the landholders themselves but also from community residents who fear unchecked development.

Assembly help: In some areas of Boston and Cambridge, infill lots offer the only sites for housing development. If these parcels were not so fragmented—with ownership scattered among different public agencies and private and nonprofit entities—housing development would be easier. Assembling land into buildable parcels can be expensive and time-consuming.

The government’s major tool to assemble land is eminent domain—the process of taking land from owners to promote a “public purpose”—but the use of this power is controversial and rarely used for housing development. The New England Legal Foundation has reported that government takes property seven times a month in Massachusetts, usually for public facilities

and strategic commercial projects. Eminent domain was used to acquire part of the 200-acre site for Telecom City in Everett, Medford, and Malden, where planners originally planned to build housing as well as an office park.³⁴ One study of eminent domain in a diverse sampling of Massachusetts cities and towns found that 85 percent of takings were for traditional purposes, such as public infrastructure road repair and conservation, and 11 percent were for urban renewal.³⁵ Local officials tend to shy away from eminent domain because of both political fallout and the danger of litigation.

Transfer of development rights (TDR) offers a limited but promising tool for assembling land needed for housing development. Under TDR, two separate property owners are allowed to treat their separate properties as a single property under the supervision of a government agent. Suppose, for example, local zoning restricts housing development to one unit per 600-square-foot lot. Two such lots lie near each other, one of them on an ecologically sensitive site. Rather than fight a difficult political or legal battle over that parcel, the owner of the property agrees to transfer his development rights to his neighboring landowner—so that one lot holds two units of housing and the other is left alone. The use of TDR could create ways to allow owners of contested properties to realize the value of their property—and to concentrate housing development where it can take advantage of existing infrastructure. The net result is more development of land with less use of land. As a guide for TDR in Cape Cod notes: “The TDR technique is one instrument in a large orchestra of ways that we can address the complexities of land conservation, development, and the protection of private property rights.”³⁶

Trusts and Swaps: Land trusts and land swaps have proved effective as means for local governments to provide affordable housing opportunities. Land trusts offer vehicles to gain control of property for non-speculative purposes, such as preserving open spaces or building housing. Most often used as a conservation tool, land trusts could also be used to bank land for community-oriented housing like cooperatives.

Land swaps could be a more powerful tool in a well-developed region like Greater Boston. Land swaps allow owners of different kinds of land parcels to coordinate their development activities. Burlington approved a complex land swap in 2001 that paved the way for 84 units of senior housing, 144 market-rate apartments, 325,000 square feet of office space and structured parking, and protection of 6.4 acres of open space. While some members of the Town Meeting expressed frustration at the developers’ pressure to approve the project—“In my view, he’s held a gun to our head,” said one—others expressed satisfaction that the agreement enabled the community to meet all of its needs.³⁷

Cleanup and reuse of existing land: In urban areas, environmental contamination poses one of the major impediments to productive land use. So-called brownfield sites are expensive to clean, adding as much as \$25,000 to the per-unit cost of development. The state's Brownfields Redevelopment Fund, which has earmarked \$10 million to turn some of the state's 6,000 contaminated parcels of land into new housing sites, provides an important resource for new housing.

Planners and developers have proposed two major strategies for making brownfields available for development: more money and regulatory and legal protection. Because cleanup can be expensive, only significant investment of public money can reclaim many sites. The state's \$10 million funding is not enough to clean more than a handful of sites for housing. A more promising approach might be to provide regulatory and legal relief for potential brownfield redevelopers. Many companies that might buy or redevelop contaminated sites hesitate because they assume legal liability. Developers are also wary of brownfield sites because of inflexible cleanup standards; at times, for example, it might make sense to cap a site rather than clean it up. It might make sense to relax brownfields liability and cleanup standards in ways that would not endanger public health. Even when such reforms would aid only manufacturing companies, it could create benefits for housing by freeing up other land for residential development.

Planners like Peter Calthorpe and other "new urbanists" have argued for years that cities need to think creatively about redeveloping abandoned properties. Communities from Somerville to Scituate have "greyfields" where strip malls and parking lots lay abandoned for newer shopping malls and trendy urban boutiques in other towns. Those malls—and other spaces, like military bases, hospitals, and government and business complexes—could provide the land needed for mixed-use development that includes housing. The redevelopment plan for the South Weymouth Naval Air Station, a former brownfields site, includes elderly housing and a homeless shelter as well as a mall and business office space. Planners and developers have eyed the Hingham Ship Yard to build housing and business space for years. Community activists have blocked several proposals, but negotiations were under way in 2001 to develop a plan.

Smaller lot sizes for housing: Ultimately, zoning reform is might be necessary to enable better use of vacant lots. By allowing housing to be built on smaller lots—to allow levels of density that lie somewhere between contemporary and traditional levels—cities and towns will also create a more fluid market in land. Such a policy would not only allow more housing development, but in the long run might also moderate land costs in neighborhoods.

Inputs

In its 1999 report “No Time to Lose,” the Rental Housing Association called on Boston Mayor Thomas M. Menino to negotiate a wage rate below standard market levels for the construction of multi-family housing until the crisis in housing abates. The proposal never prompted any action, however.

There is little that public policy could do to improve the price of building materials. Many communities have established cooperatives to reduce the cost of materials, but most economists say that market mechanisms are the best way to manage materials costs. The City of Boston operates a building co-op for residents making improvements on their properties, but the kinds of materials available on a given day are uncertain. The Boston co-op is targeted at households earning less than the median income.

Financing

Housing advocates all over the state argue that state funding is the most important building block for new housing construction. Pointing to the hundreds of millions allocated to affordable housing construction in the Dukakis years, the advocates say that only a similar commitment today can provide the resources necessary for housing construction on a broad scale.

A bigger share of the state budget: Given the high cost of developing housing in Greater Boston—upwards of \$200 a square foot—some kind of state investment might be necessary to create homes at prices that working families can afford. In recent years, state funding has been concentrated on “preservation” of existing affordable units. But to meet the demand for new units, the state might need to invest more money in development of new units. Experts disagree on how much the state might devote to housing. The Greater Boston Interfaith Organization has called for housing to get 5 percent of the total state budget of \$21 billion, which would amount to more than \$1 billion annually. In 2001, state outlays were just over \$220 million.

Trust fund approach: For years, affordable housing developers have argued for the creation of a state trust fund for housing. The purposes of such a fund are twofold: First, to provide more money for housing development. After years of cutbacks in housing development subsidies, the developers say the state needs to provide a new generation or resources to bridge the gap between what low-income households can pay and what it costs developers to create new units. Just as the federal highway system benefits from a “dedicated revenue stream” from gas taxes, so housing needs a regular source of new revenues. Second, a trust fund would create resources that can be used as the “last piece of the puzzle” for complex financing packages. Since most financing tools are restricted

to particular purposes, developers often find themselves looking for an all-purpose source of new funds.

The Cellucci and Swift administrations created a five-year \$100 million trust fund for housing. The Swift administration gives priority to low-income housing, but otherwise allows the funds to be used in a variety of ways. Activists have called for expansion of the trust fund to bring housing investment to 1990 levels, but such investment is unlikely during the current fiscal downturn.

More spending at the local level: The Community Preservation Act (CPA) offers the simplest tool for localities to raise new funds for housing. The state law, passed in 2000, allows cities and towns to assess a special surcharge on local property taxes—up to 3 percent of the assessed value of the property—to provide funds for housing, historic preservation, and open space acquisition. Communities that approve CPA levies must allocate at least 10 percent of the new revenues to each of the three policy areas; localities therefore may spend as much as 80 percent on any one policy area. Revenues raised under local CPA levies are matched by as much as 100 percent by the state. The law is intended to encourage communities to develop balanced programs with broad community support. Since its approval at the state level, the CPA has been approved by 35 communities; another 32 communities have rejected CPA proposals.

Aaron Gornstein, executive director of the Citizens Housing and Planning Association, says most communities dedicate the lion's share of new funds to open-space preservation instead of housing, but he remains hopeful that housing funding could increase significantly in some towns. The communities with significant housing components include Amherst, Bedford, Cambridge, and Newton. "It's definitely because of open space that some of these communities passed it," he said. "You'll definitely find that housing gets the least money. But every town is so different that you get surprised sometimes. But once they pass the CPA, some communities might focus on housing for the first time."³⁸

The other alternative for local funding of housing is selling assets to create a funding pool for housing. Boston's Mayor Thomas Menino has also committed funds from the sale of Boston public properties to housing. The sale of the old Boston Police Headquarters building is expected to produce \$25 million for affordable housing development and rehabilitation. But the total yield from the sale of physical assets is likely to be small in most communities.

Indirect subsidies of affordable housing: Linkage could play a greater role in local housing development. In cities and towns that continue to post significant economic growth, municipal linkage programs provide an important

source of housing funds. Boston's Neighborhood Housing Trust has more than \$10 million from linkage fees for affordable housing construction. Mayor Thomas M. Menino, through a home rule petition to the state legislature, in 2000 pushed for an increase in linkage fees from \$5.00 to \$7.18 for projects over 100,000 square feet. The Boston Redevelopment Authority estimated that linkage fees would generate \$12 million in the three-year period ending in 2002. Cambridge is now re-evaluating the terms of linkage, to adjust the amount that commercial developers pay per square foot of new non-housing development. With housing market pressures spilling over from their southern neighbors, Arlington and Belmont are now considering similar programs.

At a time when public funds for housing development are scarce, inclusionary zoning has emerged as a tool to piggyback low-income housing units onto large-scale development projects. From 1990 to 1997, about 1,000 of the 20,000 affordable units produced in Massachusetts resulted from inclusionary zoning laws, according to Phil Herr, an authority on the subject. Under inclusionary zoning, developers of large projects—say, ten or more residential units—must set aside some of their units for below-market renters. Often, inclusionary zoning is presented as a mutually beneficial bargain: In exchange for authority to proceed with a large project, developers create “public benefits” in the form of low-income housing. Inclusionary zoning is an important part of housing policies in California, New York and New Jersey, and Washington, D.C. Studies have identified 72 inclusionary housing programs across the U.S.³⁹

More than 118 municipalities throughout the state have adopted inclusionary zoning mechanisms, allowing developers a “density bonus” of additional market-rate units to offset the costs of providing subsidized units.⁴⁹ Under inclusionary zoning, market-rate units in effect subsidize below-market units. Inclusionary zoning rules, such as the City of Newton's, often kick in only when developments are of a large enough scale—in Newton's case, ten units—to support the subsidization of below-market rate units. Inclusionary zoning has drawn intense opposition from developers who believe that such “unfunded mandates” dampen the incentive to build new housing.

The inclusionary zoning strategy has taken root in working class Quincy in recent years as well. Since 1985, only 70 affordable units have been produced in Quincy, an attractive coastal city accessible to public transportation located less than 10 minutes from central Boston. The Quincy City Council is considering an inclusionary zoning proposal that would require developers to

make ten percent of a project's units affordable, build ten affordable units off-site, or contribute to an affordable housing trust fund. Given a shortage of buildable lots, and a desire to integrate lower-income and higher-income households, advocates stress that all housing should be built on the same site.

Proponents say inclusionary zoning fosters integrated communities, takes advantage of existing development, produces professionally built and managed housing, and concentrates development to combat sprawl. Opponents say that inclusionary zoning is nothing more than an additional tax on developers, which makes a community a less desirable place to build and passes along the costs to consumers. Many critics say inclusionary zoning constitutes an unconstitutional "taking" that should be compensated under the U.S. Constitution's Second Amendment. More generally, developers complain that inclusionary zoning, in effect, requires them to assume an unfair burden of confronting social inequality. "Developers ask why they should be singled out—why, for example, shouldn't restaurants be required to set aside 10 percent of their meals for the homeless," said Jerold Kayden of Harvard University.⁴⁰ One study found that inclusionary zoning works best when combined with incentives—carrots that accompany sticks—but still contributes little to affordable housing production.⁴¹

A review of the inclusionary zoning experience in Newton found that only 230 below-market units were built in the town in the last 25 years and that the affordability requirement of 50 of those units had expired; in essence, the town produced 7.2 long-term affordable units per year. Developers complain that the law's inflexibility on siting—the affordable units must be located as part of the larger development—undermines the effort to create the maximum number of units for households with modest incomes. "Right now, we are going to have to rent a million-dollar condo for \$1,000 a month," said Robert Fox, the developer of a 59-unit complex on Route 9. "It's 2,400 square feet and I'm not sure people are going to be able to afford the heat." If he were allowed to substitute off-site units for the affordable units in high-end apartments, he could produce five units for every one unit now provided. A provision in Newton's law allows developers to make payments into a housing fund instead of building affordable units; that fund has \$600,000.⁴²

If not enacted on a region-wide scale, towns with mandatory inclusionary zoning rules risk losing out on any type of development, as developers leapfrog the restrictions. This may be less true in Greater Boston than in other regions, because of developers' ability to use the Massachusetts Comprehensive Permit process to override local regulations under Chapter 40B.

Institutional master plans: Because universities and medical centers play such an important part in the city's economy and built environment, the Boston Redevelopment Authority requires institutions proposing major projects to adopt master plans to guide campus development. These institutional master plans, which supersede the zoning for the neighborhood, must gain the approval of the BRA and community groups and provide for a balanced approach to longterm development. No major project can gain approval unless it is "adequately" described in the plan.

Institutional master plans can be powerful tools for the creation of new university housing. Since master plans are designed to address the full range of challenges faced by an institution's host community, and housing is a primary need of universities, requiring construction of dormitories would be a reasonable public policy. Medical institutions might also be asked to build housing for their workers, since many come from out of town. MASCO, a coalition of medical institutions in Boston, has developed a number of programs to encourage workers to live near work. The medical institutions might also be encouraged to build their own housing near their campuses.

Improving the Regulatory System

Bruce E. Percelay, a real estate developer, describes the challenge of building and zoning regulations simply:

Zoning restrictions designed to reduce density have their price, and today that price is being borne by tenants in the form of higher rents. This is not to suggest that we abandon our values; rather, we must establish a new balance between the interests of those who already have apartments and those in need of housing. We need to revisit density restrictions and consider allowing larger buildings on sites currently deemed impractical for development because of zoning limitations. Parking requirements should be relaxed, especially on sites located near public transportation. Requirements that call for parking equal to the number of apartments, or even close to it, are a deterrent to the economic feasibility of development. Landlords who do not provide parking might, for example, be allowed to make a payment to the MBTA for infrastructure improvements or be required to provide T passes to tenants.⁴³

If Percelay is right, then overhauling the tangle of state and local regulations could be the most important single policy to increase housing development and rehabilitation. Such an overhaul would operate at both the state and local levels.

State code streamlining: Reformers have called for a major overhaul of the state's building and specialty codes. New Jersey consolidated its housing

codes into one system under one agency in the early 1970s and has become a model for a streamlined, understandable process for building construction and rehabilitation. Thomas M. Riley, the code development manager for the Massachusetts Board of Building Regulations and Standards, states: “New Jersey did it right. They were able to consolidate building construction and specialty construction—wiring, plumbing, gas, and building—under one roof. They are able to resolve conflicts internally. They also have a budget that we would bleed for.”⁴⁴ Getting the state’s many boards to become part of one super-agency would require strong leadership from the governor, as well as a long process of rewriting code language.

Experts disagree about how detailed building codes should be. New Jersey’s detailed code, hundreds of pages in length, provides clear requirements and options for every exigency. Massachusetts, by contrast, has an 18-page building code that offers developers and building inspectors the latitude to negotiate designs that meet the goals of health and safety. New Jersey officials boast that their approach sets clear standards for every issue that developers face, reducing the need to negotiate and seek special permission from state and local officials. Massachusetts officials, meanwhile, argue that their leaner code document is more realistic because it does not attempt to foresee every issue that arises in the construction process.

In January 2002, Governor Jane M. Swift signed a bill to reduce the regulatory and tax burdens on the conversion of old buildings to new housing. The bill allows municipalities to forgive up to 75 percent of outstanding tax debts owed by past owners of buildings when the buildings are sold and converted to housing. The bill also reduces the time required to get the necessary permits and approvals for housing development.

Local zoning reforms: Massachusetts communities like Boston, Cambridge, Somerville, and Worcester are famous for the prominence of “three-deckers,” the three-story buildings with housing units on each floor. The three-decker provided working class families with an opportunity to buy their own homes while at the same time earning rents and helping family and friends with affordable units. But in most Massachusetts cities, building three-deckers is all but illegal. A report by the Small Property Owners Association explores the issue:

With a vision of single-family suburbia in mind and a desire to halt immigrant mobility, the setback requirements imposed by municipal zoning laws on probably 75 percent or more of multi-family housing lots stopped triple-deckers and now make it impossible to reconstruct the same historic structures currently built on them. If a house burns down, if a house gets abandoned and bulldozed by the city, or if some-

one decides to tear a house down and rebuild, what was originally located on the lot cannot be rebuilt in the same size or style, no matter how beautiful or historic or efficient the original housing was.⁴⁵

The loss of the three-decker underscores a basic challenge for the urban housing crisis: Unless zoning laws are reformed to allow traditional styles of urban development, building new housing will remain prohibitively expensive for all but affluent families. Without the ability to build more than one unit on a parcel of land, housing developers will not be able to take advantage of efficiencies of scale or use land economically—and people earning less than \$50,000 a year will have difficulty affording their own place or helping their friends and family.

Zoning codes in cities and towns pose a number of barriers to housing development that deserve examination. Lot sizes, setbacks, parking requirements, floor-to-area ratios and height requirements, and single-use districts all increase the cost of building a unit of housing. In recent years, no city or town has undertaken a major effort to make housing construction more economical across the board. Some communities have set aside zones for new housing, but those zones are limited geographically and do not allow builders to recreate the styles of housing that have made old neighborhoods like Boston's North End, South End, Beacon Hill, and Back Bay so attractive.

The City of Boston has actually reduced the possibilities for building new housing under its rezoning efforts of the last two decades. Under the community process for rezoning neighborhoods, sentiment for the suburban style of development predominates. Responding mostly to concerns about traffic congestion, residents have “downzoned” their neighborhoods to allow less housing than before. To respond to legitimate concerns about congestion without suburbanizing its neighborhoods and exacerbating the housing crisis, cities like Boston might explore ways to reduce auto reliance while increasing housing. Transit villages and car sharing offer two possible approaches.

The BRA encountered political opposition in its most significant attempt to ease zoning rules to foster new housing. The BRA proposed increasing the maximum height of buildings from 155 to 350 feet in parts of the city, as long as the building dedicated at least half of the space for housing. But protests from City Council members and community activists put the proposal on hold in January 2002. Even opponents of the proposal said it would help to meet the city's goal of providing more housing, but they objected to the lack of analysis of the impact of the new units on local economic activity and public services.⁴⁶

In recent years, the most aggressive approaches to zoning reform have been confined to specific districts. In May 2000, the Brockton City Council approved an amendment of the Zoning Bylaw to allow increased density in the Pleasant/Prospect neighborhood. The bylaw reduces the minimum lot area to 6,000 for a single-family home and 7,500 for a two-family home and also requires a minimum lot frontage for a single-family home of 50 feet and 75 for a two-family home. This overlay zone supports new housing development on what had been undersized lots, which would have required a special zoning variance for redevelopment.

Public housing improvements: Since the early 1980s, when the federal government withdrew from low-cost housing production, housing advocates have called for a return to major federal subsidies for affordable housing. Experts like Rachel Bratt of Tufts University and Michael Stone of the University of Massachusetts argue that public housing has been a major domestic policy success, and building low-income units of all kinds should become a national priority.⁴⁷ If the housing crisis in Boston or anywhere else is a matter of supply, then the answer is simple: Build more publicly owned and operated units.

Another prominent approach is to redesign public housing through low-density, townhouse and garden-apartment style construction with mixed-income populations. The federal HOPE VI program has done just that by demolishing almost 70,000 units in 90 cities across the U.S. and using public-private partnerships to build the new homes. Residents at the mixed-income developments receive education, job training and other support. Detractors complain that the overall supply of units is being drastically reduced for poor people at a time when affordability is becoming a more acute problem. The Maverick Gardens housing project in East Boston, for example, which is now home to 398 families, will house only 286 in the new development.

The conservative housing analyst Howard Husock counters that the Commonwealth has little need for new public housing, but instead must manage its existing stock of public units better. Husock and his colleague David J. Bobb found that 9 percent of Boston's 35,000 public housing units were unoccupied, while another 9 percent of the units house fewer tenants than their size warrants. By managing the existing housing stock better, Husock and Bobb argue, localities can make thousands more units available to needy people. Noting that tenancy in public units averages 84 months compared to a national average of 72 months, Husock and Bobb also call for term limits on public housing. By creating greater turnover, public housing would encourage tenants to play a more active role in seeking housing and

make more spaces available to truly needy families. The authors assert: “A draconian imposed time limit would probably not be necessary. Simply offering prospective tenants the chance to jump the waiting list by agreeing to five-year time limit would likely spark high enrollment—and in the process, make public housing a transitional program, not a dead end.”⁴⁸

Special cases: The pressure for regulatory reform often comes from particular demographic groups in a community—such as elderly people or families with children. Overall, the demand for smaller units might increase over the years as the region’s population ages and household size decreases. A glimpse of this new demand can be found in Westwood, which has a significant elderly population. As a town of large-lot zoning and half-million dollar houses, Westwood provides few options for empty nesters, retired spouses, and elderly singles. The town’s accessory dwelling bylaw requires special permits. In response to local housing needs, the town created a “Special Residence District” that allows a maximum density of 16 units per acre for elderly housing. The planning board is coordinating a community process to focus on the housing needs of seniors and empty nesters.

Some towns have responded to changing demographics by allowing the addition of accessory apartments. With a separate entryway, a bathroom and kitchen area, accessory apartments can be easily created by carving additional space out of an existing home. More than 30 cities and towns in the state allow accessory apartments by right, some by special permit, and others in designated zoning districts. In the City of Newton, accessory apartments are allowed by right if they meet certain lot area and building area requirements; otherwise they are allowed by special permit. But as of June 2001, the town permitted only one accessory apartment.

Better mandates: The state’s most aggressive law for affordable housing is Chapter 40B, which mandates that every city and town in the Commonwealth provide 10 percent of its housing stock for affordable or below-market units. Chapter 40B has created 25,000 units of affordable housing in Massachusetts in the past 30 years—an average of about 830 a year. Still, only 23 of the state’s cities and towns have met the 10 percent goal. In communities that do not reach the 10 percent goal, developers may get special permission to override local zoning ordinances to provide affordable housing. A state Housing Appeals Committee oversees implementation of the law when developers seek exemptions from local zoning. In return for permission to build, 25 percent of the units in a development must be affordable to households earning below area median income.

The issue of Chapter 40B has become so prevalent in the housing debate that one organizing event in a local community invited residents to

“Dine and Dance and 40B.” The battle over 40B focuses on four key questions: how much power developers should have over localities, what units should be counted as “affordable,” and what should be done about “bullying” by developers.

The central question is how much leverage the state government and private developers should have over the supply of affordable housing in cities and towns. Cities with large inventories of affordable housing—like Boston, Cambridge, Everett, and Somerville—argue that housing is a regional problem requiring new development in suburbs as well as cities. Boston Mayor Thomas Menino has argued forcefully for greater production of affordable housing in suburban communities. But suburbanites counter that the region should allow a diverse range of community types and that dispersing low-income populations throughout the state will unsettle stable communities. Many residents feel that “their” land cannot support much more growth and local governments cannot provide services to new residents.

Suburban communities have also questioned how “affordable” housing units should be counted. Traditionally, affordable housing means units that provide subsidies for low-income residents. But many suburban officials and activists say the tally of affordable units should include mobile homes, halfway houses, accessory apartments, and other units that rent at a rate that is affordable to low-income households. One legislator even suggested that prison beds be included in affordable housing tallies.

Finally, 40B raises the specter of developer bullying. Town officials throughout Greater Boston complain that developers have used the specter of 40B to push for non-housing development, such as big-box retail and office developments. By threatening to construct large housing developments if they do not get approval for the retail and office buildings, developers run roughshod over local authorities. Housing advocates and developers respond that such claims are false, noting that developers of commercial and residential projects are different and do not coordinate their activities.

Landlord-tenant relations: Regulatory reform goes beyond removing or simplifying legal requirements on housing builders or providers. The Greater Boston Real Estate Board and the Small Property Owners Association have campaigned for an “escrow” bill to improve landlords’ leverage in disputes with tenants. Under current law, tenants may withhold their rent to protest virtually any problem with an apartment. Landlords are seeking a requirement that withheld payments be deposited in a special banking account while the dispute is being resolved. Escrow accounts could reduce the financial risk of being a landlord and encourage more people to enter the business.

Improving the Community Context

The cities and towns in Greater Boston possess widely varying political and planning capacities. Many town planning boards are staffed by volunteers, with neither the time nor the expertise to carefully develop or evaluate housing development plans. By providing technical expertise, as well as models for appropriate housing development, the state can bridge the capacity gap.

Planning resources: Before leaving office in 2001, Governor A. Paul Cellucci also issued Executive Order 418, which authorizes the Department of Housing and Community Development to allocate \$30,000 in planning money for every city and town in Massachusetts. Because these grants have not been widely used, DHCD has undertaken intensive outreach efforts.

Part of the outreach involves working with communities that have experienced difficulty in getting “certified” for state housing money. As part of Executive Order 418, cities and towns applying for state grants must become “housing certified” by demonstrating a commitment toward meeting affordable housing needs. In the first year of the program all of the 201 towns that applied received the housing certification. A change in the program, which requires certification for federal block grant money, encouraged more applications in 2001. For the handful of towns that did not receive certification in this round, the state offers application guidance, and allows them to apply again. DHCD analysts believe that the tool has been effective in motivating communities to think about and plan for housing.

Regional planning efforts also may improve the political environment for new housing. Efforts by the Cape Cod Commission, the I-495 initiative of the Metropolitan Area Planning Council, and Telecom City help to improve local capacity for new housing and other development. The North Suburban Consortium, which encompasses seven communities, pools HOME block grant funding. This consortium also functions as an incubator for new programs; under that program, the Malden Redevelopment Authority developed a first-time homebuyer program that has been copied by other members. In 2001, members of the Franklin County Regional Council of Governments filed a joint regional application to DHCD in order to get the housing certification necessary for several state housing awards including CDBG funding.

Institutional housing construction: Universities and other major employers have a special need for housing that is affordable at all income levels, as well as a unique capacity to coordinate the development of new housing. Under their institutional master plans, they are required to address the impact of their campus development on the surrounding communities. These institutions can encourage new housing development by providing credit programs and offering planning and design services.

The Greater Boston Chamber of Commerce has recently contracted for a study of employer-assisted housing programs. In successful local models, employers offer employees matching funds for down payments as part of a benefits package. Many employee-assisted housing programs focus on workers whose incomes cannot support a mortgage in the place where their jobs are located. Loans or grants can increase the rate of homeownership and provide a stable workforce for the future. Despite the inherent appeal of employer-assisted housing, neither the Chamber of Commerce nor Fannie Mae, which sponsored the study, could identify any such programs in the region.

Education: Community organizers say education is the solution to community opposition to housing. Educational campaigns to debunk myths about affordable housing—for example, the ideas that all apartment buildings undermine a town’s revenues or that subsidized housing attracts crime and lowers property values—can be persuasive. Technical assistance can also bridge the gap between community priorities, government obligations, and developer profitability. A number of national organizations provide resources for local planning, architectural design, and management expertise. Since its inception in 1999, the MHP Fund has provided \$357,000 in grants to 50 projects. The Town of Hudson used the program to hire a consultant to help with the management of a 40B proposal for a large apartment complex. The consultant brought much-needed expertise to the complicated process of housing development. The effort will contribute housing that is appropriate to community needs and will save both the town and developer money.

The Challenges of Housing Greater Boston

Housing has long been recognized as a commodity more complex than four walls and a roof. Housing lies at the center of people’s opportunity to seek education, employment, recreation, friendships, and community engagement. Housing is the lynchpin of local government finance. Housing is also a major industry, comprising about 7 percent of the national economy.

But while housing is a complex issue, some of the answers to the housing crisis in Greater Boston might be simple. Streamlining the state’s outmoded and tangled system of codes might be an important step. Loosening local zoning regulations to allow for greater multi-family development would spur more communities to provide new housing. Increasing funding for certain kinds of new construction, such as manufactured or modular housing, might reduce overall development costs. Requiring universities to house a greater proportion of their students, as part of every university master-planning effort, could relieve the pressure that students bring to the region. Improving the financial tools available to builders and homebuyers makes sense as well. And

providing planning tools and expertise to cities and towns could reduce local resistance and create a new constituency for housing of all types.

The tendency in complex policy challenges is to produce complex solutions. Getting a man on the moon required a complex operation. Solving the curse of poverty or the curse of AIDS also require multi-pronged approaches. But although housing is more than four walls and a roof, it is those four walls and a roof that enable other things to happen. If building can be made simple again—safe, attractive, but simple—then the host of other problems associated with housing might be easier to address as well.