



Entry Form 2017 Annual Awards for Program Excellence

Entry Deadline: Thursday, June 15, 2017, Midnight ET

Each entry must include a completed entry form. Please complete a form for each entry your HFA is submitting. The completed entry form will become the first page of your entry.

This form is a fillable PDF. Type your information into the entry form and save it as a PDF. Please do not write on or scan the entry form. **Questions: Call 202-624-7710 or email awards@ncsha.org.**

Entry Title: Enter your entry's title exactly as you wish it to be published on the NCSHA website and in the awards program.

Category:

Subcategory:

Entry Summary: A 15-word (max) summary of the program, project, or practice you are entering.

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Are you mailing to NCSHA 10 copies of any visual aids that cannot be included in your entry PDF? Yes No

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MassHousing
MassHousing's Workforce Housing Program
Rental Housing – Encouraging New Production

Overview – MassHousing's Workforce Housing Program addresses one of the most significant challenges housing finance agencies face – producing housing that is affordable to both renters and homebuyers at a range of incomes. Virtually every day a new story is written in the press about the housing challenges facing working families – families who earn too much to qualify for assisted rents – and yet don't earn enough to afford the market rents in their communities. MassHousing's Workforce Housing Program confronts this challenge – with a significant contribution from the Agency's own resources to a program that is carefully crafted to provide assistance across a range of development concepts. It is a program that delivers on the promise of quality mixed-income housing; a program that protects working families from economic displacement over the long term.

Generally, affordable housing finance produces rental units at levels dictated by federal subsidies, topping out at 60% of the so-called area median income. This represents less than \$60,000 a year for a family of four in Greater Boston. Unfortunately, the Commonwealth's affordable housing system delivers virtually no housing for incomes above this level. The reality is that many middle-income families simply cannot afford market rents and this has become worse as rents have increased faster than incomes. One in three families in metro Boston falls in the workforce housing range targeted by this program. These families know all too well that paying their rent means they cannot pay for other things their families need.

Launched in April of 2016, MassHousing's Workforce Housing Program is designed to stimulate the creation of new units of "workforce housing" to serve middle income households. MassHousing has committed **\$100 million** for its new workforce housing program. These funds represent **net new resources** from MassHousing which do not diminish the existing pool of resources that is in place for housing that serves very low and low-income households in Massachusetts.

Background - The Need – Households in Massachusetts earning more than 60% up to 120% of area median income (AMI) are the group that is most unable to afford market rents and home prices. Stagnant wages and rapidly increasing rents have led to many families being rent burdened or priced out of many high opportunity neighborhoods.

Working families have found themselves being pushed further and further outside of Greater Boston in order to find housing options they can afford. Census data from 2008 shows that a third of Boston metro area households fall in the income range of 60-120% AMI, yet while there has been an increase in the number of lower and upper-income households in Greater Boston, there has been a reduction in the number of households earning between \$25,000 and \$99,000 in Greater Boston. Moreover, the Brookings Institution now ranks Boston number one in income inequality among large U.S. cities. In the case of teachers, nurses and police officers who must live close to their jobs, families are forced to spend more than the recommended 30% of their monthly income on housing.

Addressing the high cost of housing and the shortage of affordable housing is critical to maintaining a robust economy and workforce in Massachusetts, as it is in many other states. Here, a combination of high land and construction costs, together with restrictive zoning have led to a significant gap between what households can afford to pay and the cost of building housing. A recent study by the Urban Land Institute projects that nearly 21,000 new middle income units are needed by 2030 to provide housing for the new workers needed to maintain Metro Boston's economy.

Funding Terms – MassHousing has developed its workforce housing program in collaboration with our sister agency, the Department of Housing and Community Development, and Governor Charlie Baker. Consistent with state housing priorities, MassHousing's priorities for the workforce housing fund are geared towards transformative projects that: are leveraging locally- or state-owned land; are creating income diversity in communities of opportunity; are part of a larger economic development initiative; are creating transit oriented developments; are an important component of a locally-approved affordable housing plan; or are part of a multiphase project with an affordable homeownership component.

Eligible developments must be ready-to-proceed as evidenced by zoning approvals; meet a market need and create new affordability for middle income households. A strong priority is placed on new construction and adaptive reuse, but program funds may be used in support of a refinancing and/or rehabilitation of an existing development where previously unrestricted units of workforce housing are restricted as workforce housing units or preservation of affordability is at risk.

MassHousing's investment in its workforce housing program:

- provides up to \$100,000 of subsidy per workforce housing unit with a per project cap of \$5,000,000;
- leverages state-owned land, if available;
- is targeted to individuals and families with incomes greater than 60% up to 120% of AMI (perhaps higher in certain high cost areas) – more specifically, workforce rents must be above the LIHTC rents and below market rents where the property is located;
- is part of development financing that remains consistent with MassHousing's enabling statute, ensuring that, at least 20% of the units in a financed development must be affordable to households at or below 80% of AMI;
- ensures that these workforce housing units are deed restricted as affordable to households with incomes greater than 60% up to 120% of AMI for at least 30 years;
- allows the long-term affordability restrictions to be 10% higher than the AMI rent and income limit established based on the market conditions at the time of underwriting. This is to create flexibility to respond to changing markets;
- requires, after initial income certification, that those households living in the workforce housing units recertify their incomes every other year.

Program Impact and Leverage – Through its workforce housing program, MassHousing set a goal to create approximately 1,000 new workforce units and 3,000 total units of housing that serve low, moderate and middle-income residents in Massachusetts. As a statewide program, the program aims to address the market needs of different communities. For some communities, such as the Greater Boston area, the program seeks to lock in long-term affordability in markets with high or rapidly increasing rents. In other communities, especially Massachusetts's Gateway Cities, the program seeks to attract and retain working, middle-income residents to help build and strengthen local economies.

In addition to the subordinate debt, MassHousing provides first mortgage financing either directly, through its HFA Risk Share, MAP and other products, or through a partnership with a commercial lender. In each case, workforce housing funds leverage substantial additional debt and equity funding.

Early results of the program to date have been tremendous. In just 15 months, MassHousing's Board has approved 14 transactions with 363 workforce housing units and 1,285 total units. The developments are in 10 communities and serve a variety of income levels—affordability restrictions range from up to 60% of AMI, 70% -120% of AMI (workforce housing units) and unrestricted market rate units. The majority of developments include all three levels of housing affordability helping to meet housing needs across the income spectrum. Some examples include:

Gateway Residences in Lynn – This is the first workforce housing development approved by MassHousing and is currently under construction. The development will have 53 units affordable to households earning up to 60% of AMI, 10 workforce housing units and 8 unrestricted market units. MassHousing worked with a new borrower on this transaction to provide provided subordinate, construction, and permanent financing, which was leveraged with 9% Low-Income Housing Tax Credits and other state and local soft debt. The workforce housing program is helping to increase income diversity in this Gateway city, directly responding to local interests.

112 Rantoul Street in Beverly – This is a 67-unit development adjacent a Massachusetts Bay Transit Authority (MBTA) station, and is being developed by a new WBE development entity on an excess parcel that the MBTA put out for bid. As a result of MassHousing's workforce housing funds, the development will have 16 workforce housing units, nine more than would have otherwise been required under local zoning. Of the 16 workforce housing units 14 units restricted at 80% of AMI and 2 units will be restricted at 110% of AMI. To help better meet the financing needs of borrowers looking for taxable executions, MassHousing is partnering with a commercial lender on the first mortgage.

The Residences at Fairmont – This is another transit-oriented workforce housing development located in the Hyde Park neighborhood of Boston where MassHousing is partnering with a new developer. The proposed 27-unit development, approved by MassHousing's Board, is located across from a transit station and will provide units affordable to households at 30%, 60% and 80% of AMI. The development is responsive to community residents who advocated for development that will stimulate this section of the neighborhood and provide housing options at a variety of income levels, including the three workforce housing units that MassHousing's debt is supporting. MassHousing will provide the permanent first mortgage and the subordinate workforce housing debt; the development will also utilize 9% credits and other sources of soft debt.

Conclusion – MassHousing has developed a state-wide program for producing workforce housing that is proving to be a great success. The program is carefully structured to achieve its goals – but at the same time – it is flexible, enabling the Agency to respond to the needs of individual communities and different markets on a deal by deal basis. Most importantly, it is creating opportunities for MassHousing to interface with new borrowers, and leverage other key programs.

The model of mixed-income housing is at the core of what MassHousing is all about. It is at the heart of the statute that first created the Agency in 1966 and with this new workforce housing program, MassHousing invests anew in the advancement of this vision. This program is creating true-mixed income developments that will form the bedrock of strong communities across the state.

Workforce Housing

Workforce Housing Initiative Celebrates Its Anniversary As Developments Break Ground

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By [Susan Gittelman](#) | Special To Banker & Tradesman | Jun 4, 2017

All of us need housing which is affordable. That means having real housing choices at the right price for individuals and families.

There will always be ample options for high-income families. And the housing supply is growing, albeit very slowly, for people of low and moderate income too.

Where there has been very little focus until recently is the missing middle – those who need what is referred to as workforce housing – which is getting shut out.

People with middle incomes – young professionals, teachers, health care workers and researchers – are workers who earn about \$85,000 to \$100,000 a year in this region for a family of three. And between 1990 and 2014, according to the Urban Land Institute, middle-incomers are the only group whose population actually dropped in Greater Boston.

This trend is certainly not unique to our area; retaining middle-income households has become a major concern in communities around the country. Among other things, middle-income families have traditionally served as the backbone of civic life, supporting local business and using and safeguarding public institutions such as schools and libraries and parks for all to enjoy.

“There’s a need,” said Tim Sullivan, executive director at MassHousing, an independent, quasi-public agency that provides financing for affordable housing. “A whole lot of people have incomes that aren’t enough to meet where the market is.” And as a result many middle income residents are leaving their communities in our state and our region, relocating to more affordable places.

Two Problems, One Program

Clearly, this need is not going away, and there is not a simple solution. However, the state of Massachusetts has taken a bold step in attempting to address this situation which could become a model for other states.

The Workforce Housing Initiative, launched by MassHousing, is celebrating its first anniversary this year. Funding for this special initiative was the largest component of a broader \$160 million Opportunity Fund established by the Baker Administration. The initiative seeks to confront particular housing challenges facing the commonwealth, with about two-thirds, or \$100 million, targeting the need for workforce housing.

So far it has committed \$33.5 million to 14 housing developments in 10 communities, including in Greater Boston and as far as Worcester, Lawrence, Beverly, Franklin and Bourne, for low-interest loans tied to the developers' commitment to moderating rents.

The commitments to date create 363 limited-rent workforce units out of the total of 1,285 units in those 14 projects. And the list of applicants is growing. Gateway Residences on Washington, a 71-unit complex in Lynn currently under construction, was the first to break ground in January.

Bart Mitchell, president of The Community Builders, which is creating the AO Flats in Boston's Forest Hills with Workforce Housing assistance, said there are two main reasons for the middle-income housing need.

One is that a nurse or pharmacy technician can't afford the rents in a desirable urban neighborhood with high housing costs like Jamaica Plain. The second is that it's hard to build housing in a Gateway City like Lawrence, where construction costs are virtually as high as in Boston but the rents are considerably lower.

"Those are problems that are quite different from each other, but the MassHousing program is helping to solve both," Mitchell said.

The Workforce Housing program supports units for those earning between 60 and 120 percent of the area median income, making possible rents that are at least 10 percent below market. The program provides \$100,000 per workforce unit created, with a \$5 million limit for each development.

The Workforce Housing program promises to be successful, and it serves as a complement to the state's efforts to create housing to serve those with the lowest incomes – including the homeless. The state's Opportunity Fund, which seeded the program, also includes funding that targets low income housing.

In Beverly, Barnat Development is about to break ground and build 67 apartments over retail space next to the MBTA Commuter Rail Station, and 16 of those units will be workforce housing – one of the early success stories of the program. Fourteen of these units will be rented at 80 percent of area median income, and two at 110 percent.

"The Workforce Housing Program was gap financing that made sure this project happened," said Barnat Development President Sarah Barnat.

Our state has a variety of creative programs to help people secure housing that is affordable. This administration has come up with another one, and the strong early demand seems to indicate it is a cost-effective way of helping to solve a persistent social problem.

Susan Gittelman is the executive director of B'nai B'rith Housing, a nonprofit, affordable housing developer currently working in Boston, Sudbury and Swampscott.