

Municipal Lots Initiative

MassHousing

Rental Housing: Encouraging New Construction

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Overview

“Give us tools, and we will finish the job.” Winston Churchill

Exclusionary zoning practices, community opposition, and lack of capacity at the local level are some of the barriers to expanding housing opportunities in suburban communities in Massachusetts. The Municipal Lots Initiative is MassHousing’s newest pilot program designed to address these barriers and increase housing choice for low- and moderate-income individuals and families in the Commonwealth. Through this program, MassHousing supports municipalities that have vacant public land but need help in identifying a suitable development partner for affordable housing development. MassHousing supports our municipal partners each step of the way – from initial feasibility assessments to reviewing developer proposals and terms. In less than a year, the program’s two pilot communities have formalized agreements with developers, yielding an additional 150 affordable units in desirable suburban communities.

Housing Need

In Boston and its surrounding communities, housing remains in short supply. As of 2018, the median home price in Greater Boston was more than five times the median household income, making Boston the fourth least affordable of the 25 largest metropolitan areas. High housing costs are also felt in the rental market, with nearly 50% of renters reporting spending more than 30% of their income on housing. Rising prices in Greater Boston are exacerbated by the lack of building outside of the inner core. Since 2015, about 79% of all housing built in Massachusetts was in Greater Boston, compared with 50% in the early 2000s. While the unequal housing production is partly explained by the growth of economic opportunities in Greater Boston as compared with suburban areas, exclusionary zoning ordinances that prohibit dense development have also limited housing development in the suburbs.

Part of MassHousing’s mission is to work with agility and innovation to increase housing opportunities for the Commonwealth. As a Home Rule state, zoning in Massachusetts is controlled at the municipal level, allowing communities to choose what type of housing development can be built. Yet in many suburban communities, zoning has been used as a tool of exclusion, contributing to historical patterns of racial and income segregation in Massachusetts. Examples of exclusionary zoning practices include prohibiting certain housing types in the local zoning bylaws (e.g., townhouses or units above first-floor retail) or placing restrictions on lot sizes, floor area ratios (FAR), or parking that make building certain housing types (e.g., rental apartments, starter home condos) financially infeasible. One of the only tools available to curtail this exclusion is a section of the Massachusetts General Laws passed in 1970 and known as Chapter 40B, which allows developers to bypass local zoning ordinances in communities where less than 10% of housing is affordable if 20 to 25% of the units being built are affordable.

Housing development in suburban communities is also often derailed by community opposition to new housing production at public meetings. Research shows that public meeting participants are primarily white, older, homeowners who are unrepresentative of the larger community and are overwhelmingly likely to oppose new housing construction. Suburban municipalities are also more likely to lack the human and technical resources needed to enhance public participation methods and increase more representative turnout in public meetings.

Innovation

The goal of the Municipal Lots Initiative is to address housing need in Greater Boston by increasing housing opportunities in desirable suburban communities. MassHousing essentially acts as a matchmaker, partnering with these municipalities through the development process. This includes identifying the community's development goals, municipal resources available, and community supporters to move the project forward. MassHousing supports municipalities by filling in what are often knowledge and capacity gaps that prove as impediments to development in suburban municipalities. As a practical matter, this includes developing requests for qualifications and proposals, helping cities and towns to navigate the affordable housing development process, identifying and assessing housing developers and providing support for community meetings. The program targets municipalities that have underutilized municipal land in proximity to a commuter rail station and express buses to Boston's economic core (if possible), coupled with less than 10% affordable housing stock, and who have a demonstrated interest in increasing housing opportunities.

MassHousing's partnership with the town of Wareham, a suburban community 45 miles south of Boston, started in the fall of 2019. The town was interested in redeveloping Littleton Drive, a 13-acre parcel that had been approved for a 47-unit single-family residential subdivision development in 1971. Unfortunately, the project was never realized, and the property was foreclosed on in 1979 and transferred to the Town in 1981. With the support of MassHousing, the Town prioritized their development goals for the site, which included housing supporting a range of incomes, and support for elderly households who comprise about 30% of Wareham's population. The Town was also able to secure state funds and local Affordable Housing Trust funds to conduct a survey of the property. With the survey and development goals, MassHousing hired a consultant to lead the Request for Proposals (RFP) process, which included regular meetings with town officials and staff to define the RFPs evaluation criteria and guidelines.

The Town received three strong proposals and conducted their evaluation with support from MassHousing and its consultant. The agreed upon proposal includes 92 rental units, of which 38 are restricted for senior households – a 96% increase in units compared to the original subdivision plan. The development also includes 42 affordable units, eight workforce units that use MassHousing's Workforce Housing program, and four market-rate units. The proposal also includes an upfront lease payment of \$270,000, \$150,000 in off-site improvements, and preference for 70% of the units for Wareham residents. MassHousing continues to serve as a resource for the town and developer as the projects moves through the development process.

MassHousing's pilot project with the Town of Winchester also began in Fall of 2019. The town is located nine miles north of Boston and has access to two commuter rail stations. Town officials and staff were interested in redeveloping a 1.5-acre parcel located next to one of the commuter rail stations, which had been identified as a prime location for housing more than a decade ago. The Town was interested in a two-step process for redevelopment that included a Request for Qualifications (RFQ) and a Request for Proposals (RFP). This process would allow the Town to vet potential developers and then extend an exclusive RFP to them. MassHousing and its consultant worked with Town officials and staff to develop the RFQ, which received nine responses from developers. Following their evaluation, an RFP committee was created to support the drafting of the document. The RFP committee included members from local boards and commissions, as well as residents and town staff. Following a series of community presentations held virtually following COVID-19, the RFP was published July 1st. A developer is expected to be chosen by September, to develop approximately 50 affordable housing units.

In total, MassHousing has invested approximately \$90,000 of staff and consultant time in the pilot, or about \$600 per unit created. This investment does not account for additional revenue made possible by the use of MassHousing as a lender to finance the projects. Both pilot projects expect to use MassHousing's Workforce Rental Development Program to finance workforce housing units, as well as MassHousing's regular permanent debt financing. Having successfully completed two pilot projects, MassHousing intends to replicate the program in other suburban communities to create more affordable housing in the Commonwealth.

MassHousing has been working since 1966 to create rental housing opportunities for working families in Massachusetts – and to date that has translated in financing for 80,000 units. This is the macro-picture but MassHousing is also working at the micro-level to remove impediments to housing production on a city by city basis. The big picture can't happen without all the fine details in the drawing.