



# Commonwealth of Massachusetts

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## Housing Choice in Massachusetts

*June 2019*



# Housing is a core challenge

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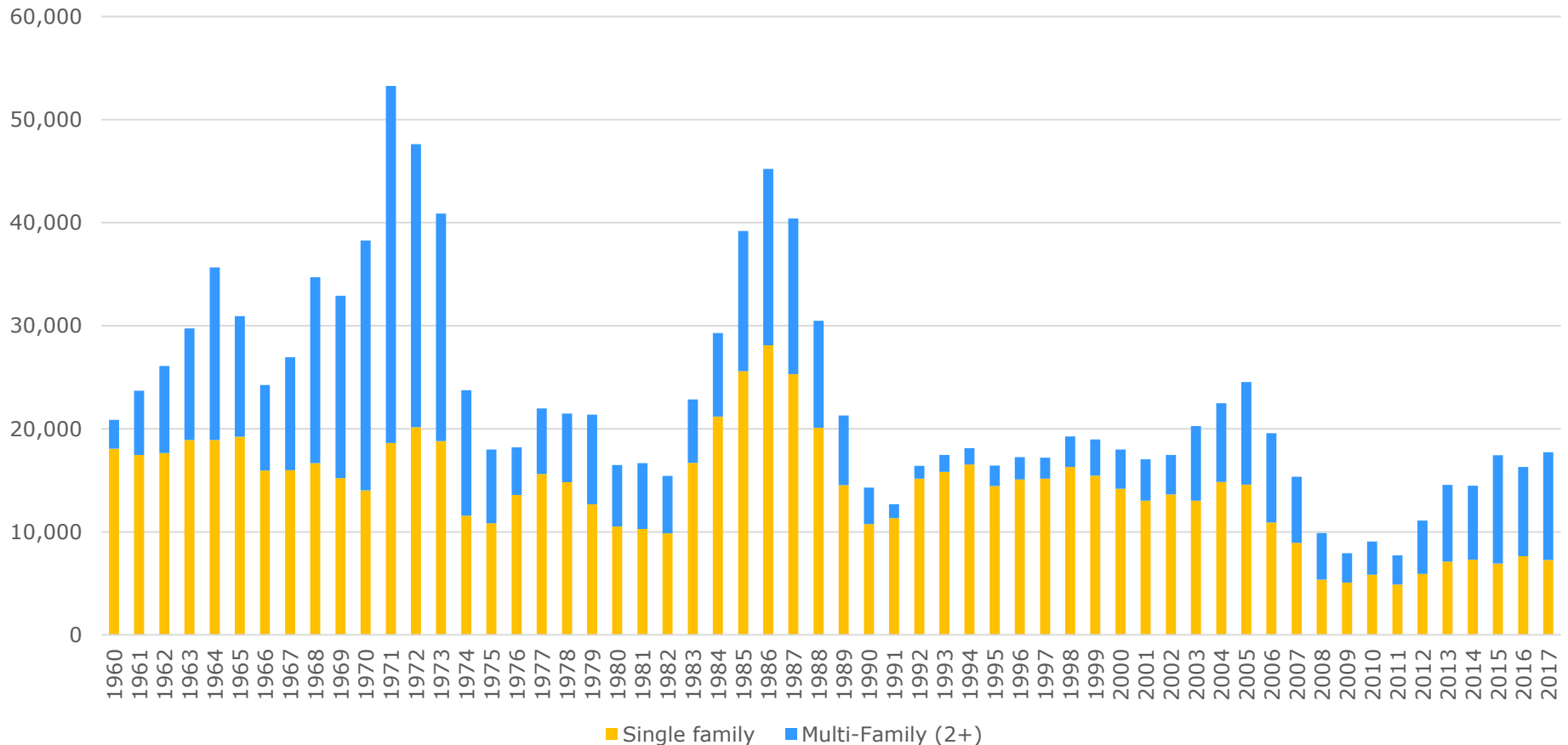
- Massachusetts faces a **core challenge to create adequate housing to support our economy and families.**
- Massachusetts **home prices have increased the fastest, and our rents are among the highest** in the nation.
- Rising costs have **dramatically increased financial pressures on low- and middle-income families**, forcing them to **sacrifice other priorities** in order to pay housing costs.
- These **high costs are a disadvantage as we compete** against peers in the innovation economy.
- **The housing need is most acute in metro Boston, and the region needs to pay attention to multi-family housing** as young families, workers, and an aging population seek housing choices.
- Municipalities are drivers for whether or not housing is built because of their role in zoning and permitting. **Cities and towns are necessary partners if the Commonwealth is to confront these housing challenges.**



# Limited housing production

In recent years Massachusetts cities and towns have permitted less new housing than at almost any point since the 1950s. Between 1960 and 1990, Massachusetts communities permitted almost 900,000 housing units. Since 1990, communities have permitted only 434,685 new units.

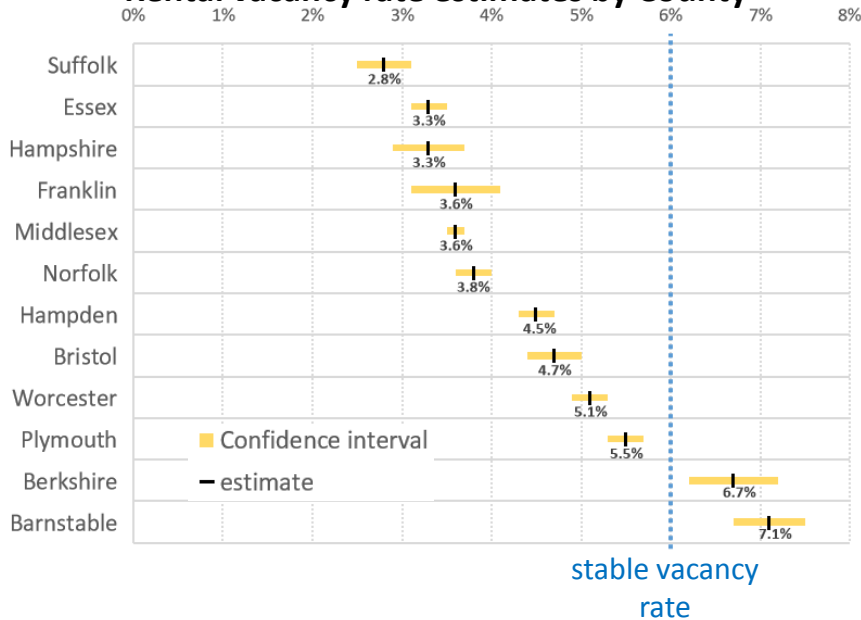
Building Permits Issued



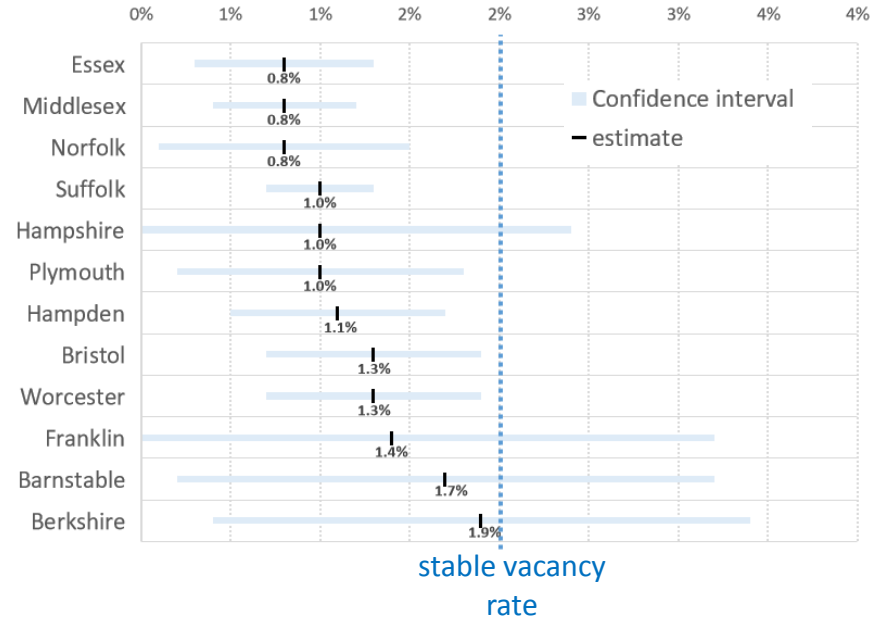


# Low vacancy rates across the state

### Rental vacancy rate estimates by County



### Ownership vacancy rate estimates by County



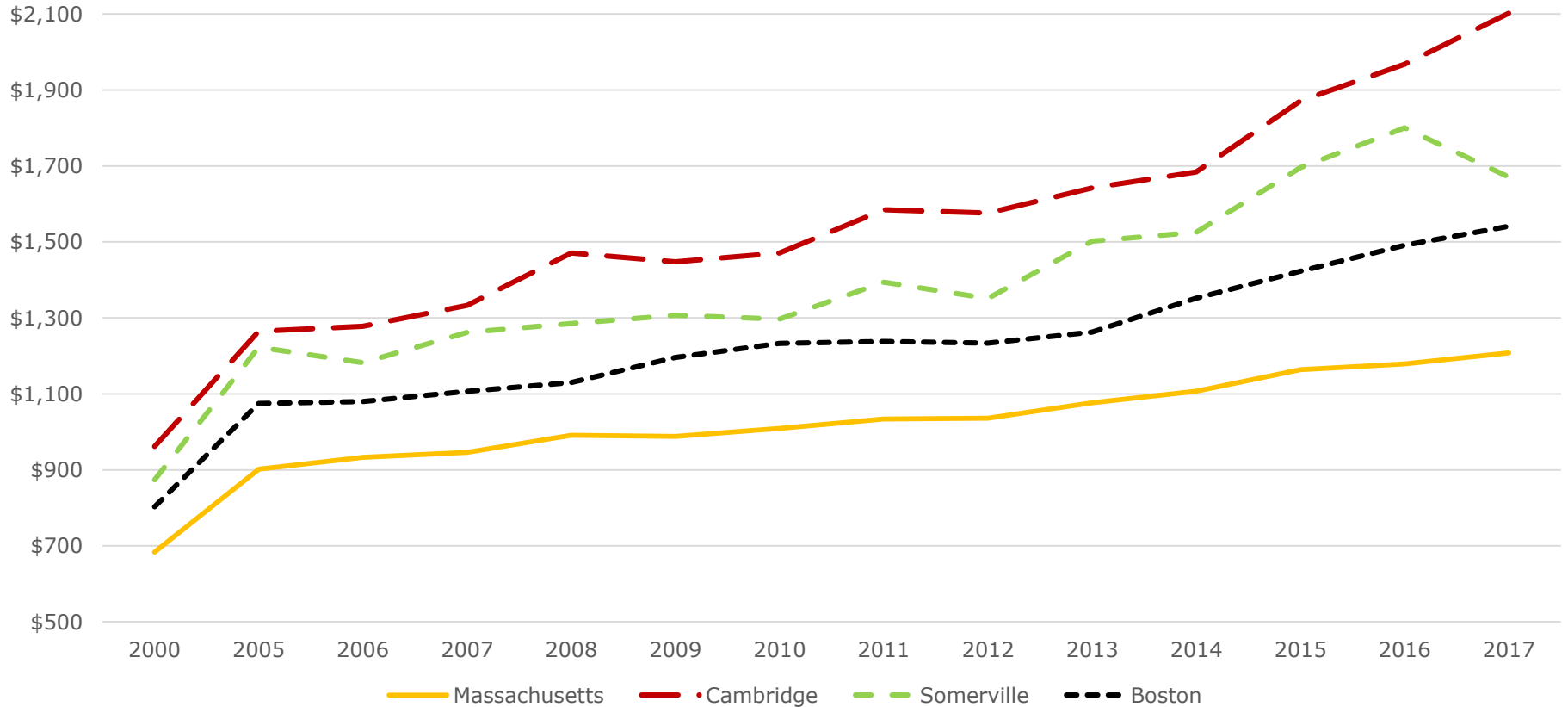
- In general, markets are considered healthy when vacancy rates for rental units are around 6%, and ownership vacancy is around 2%.
- In **nearly every county**, both rental and ownership vacancy rates are far below healthy rates.
- This drives up rents and home values, and increases costs for families.



# High rent prices

Rents have risen dramatically across the state, and in the inner core. Statewide, rents have increased by 75% since 2000, while inner core communities have seen rents almost – or more than – double over the same period.

### Median Gross Rent

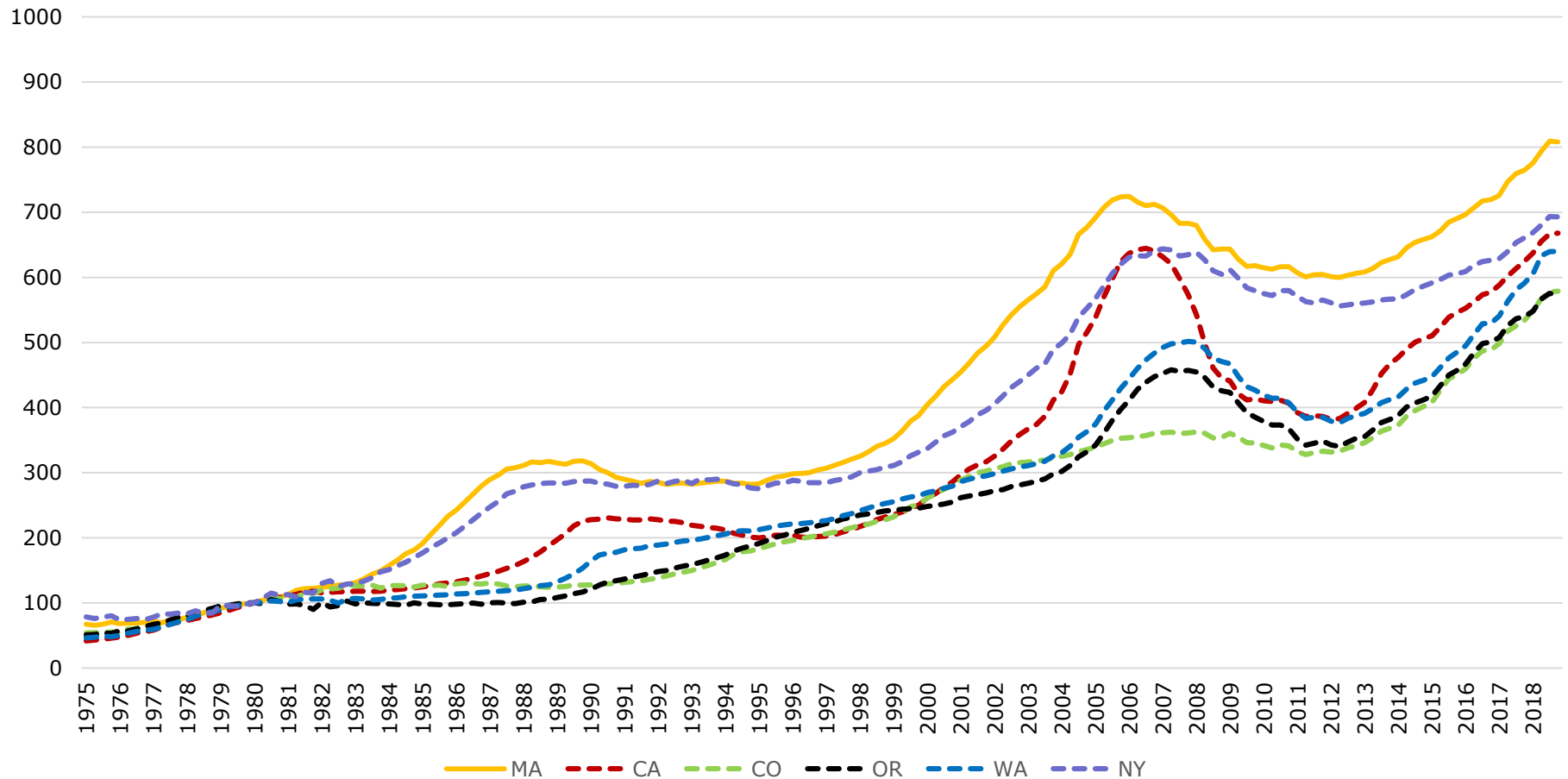




# High home prices

Massachusetts single-family home prices were at the national average in 1980 and since then have increased more than any other state.

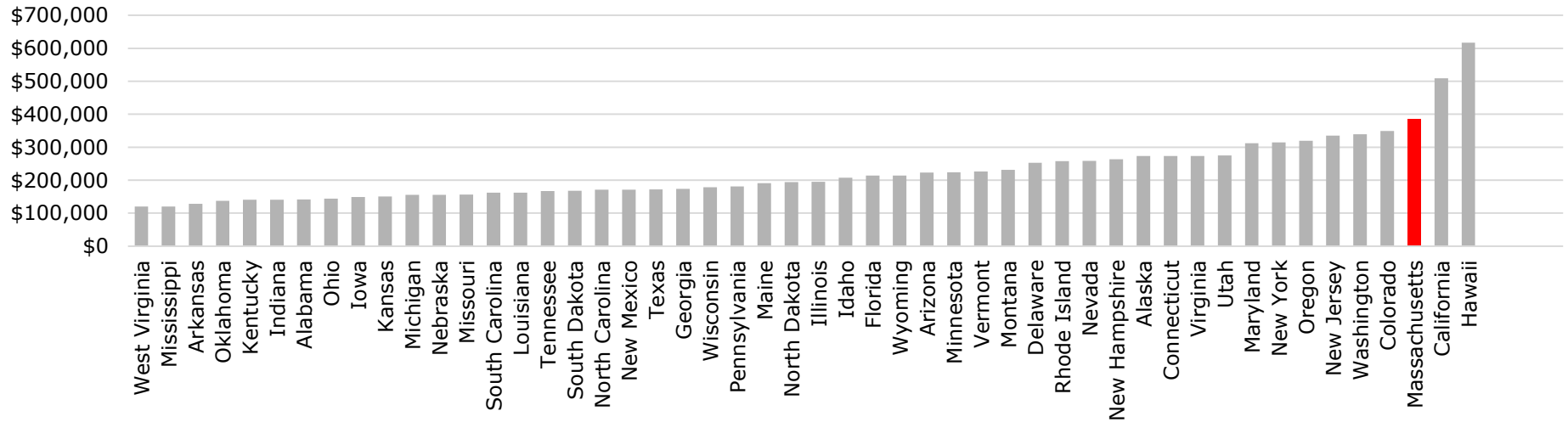
Indexed Home Price



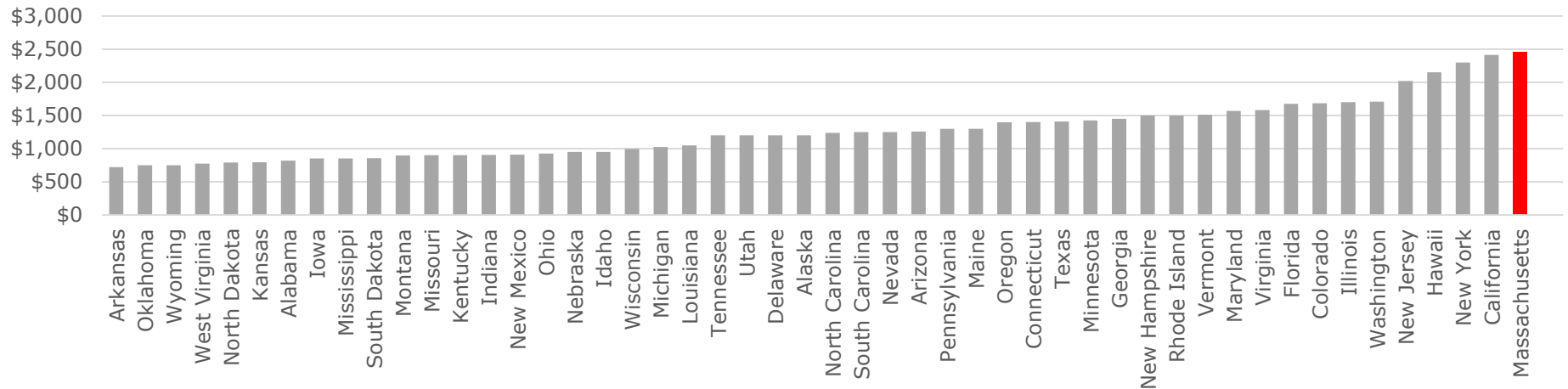


# Housing costs among the highest in the nation

## Median Home Value (2017)

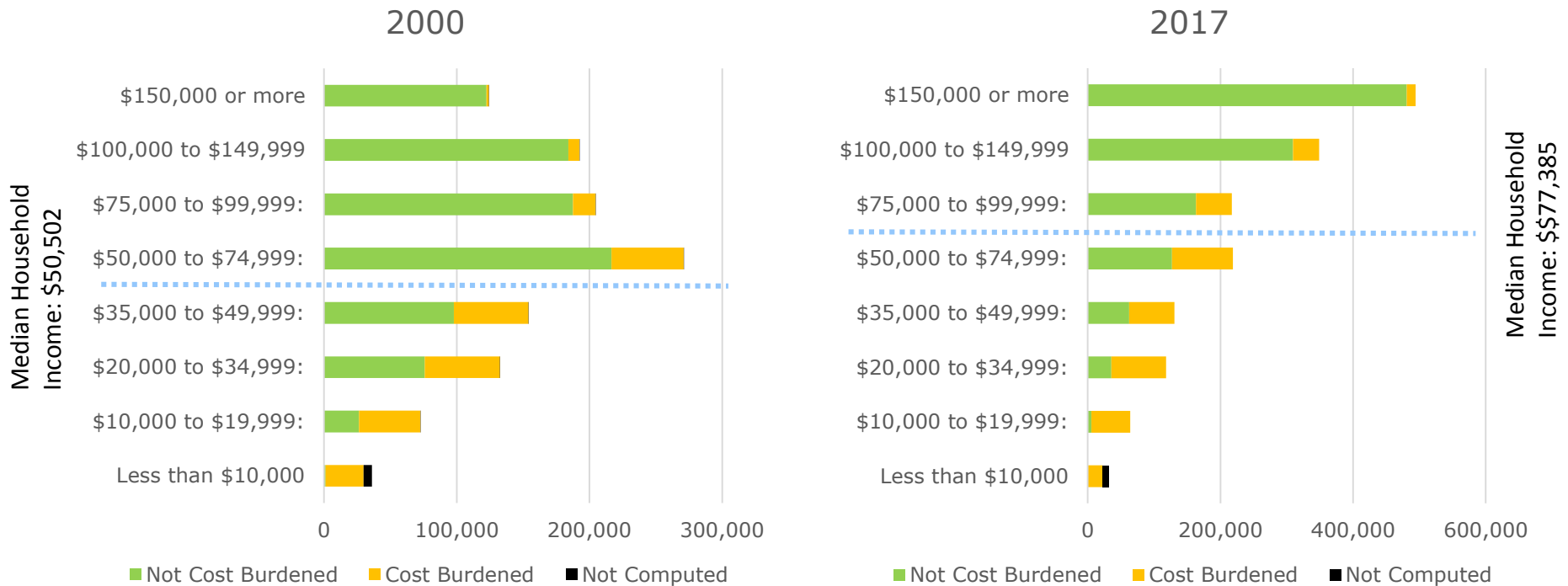


## Median 2 Bedroom Rent (Feb. 2019)





# Homeowners struggle with affordability and cost pressure



- A household is considered “cost burdened” if it spends more than 30% of its income on housing costs.
- As a result of increasing housing costs, the number of homeowners who are cost burdened has increased dramatically.
- Between 2000 and 2017, the total number of households who are cost burdened increased by nearly 161,000, bringing the total number of cost burdened homeowner households to 430,274.
- In 2000, less than 30% of households making less than \$100,000 were cost burdened. In 2017, nearly 50% were.



# Renter households struggle with affordability and cost pressure



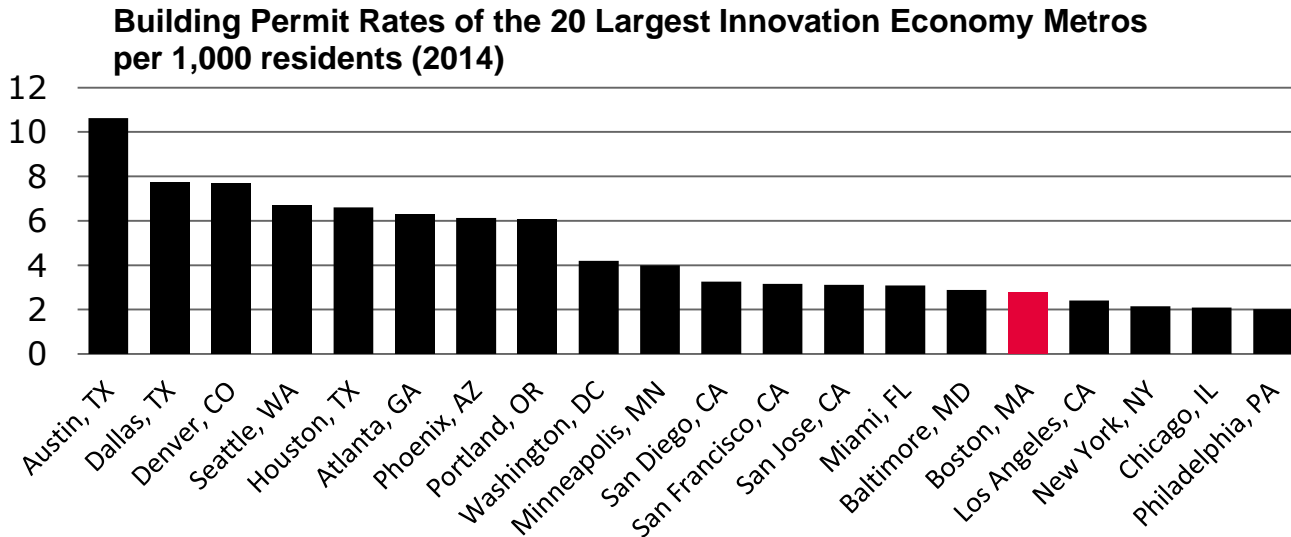
- Increased rents statewide have dramatically increased pressure on renter households.
- In 2017 nearly 1 in 2 renter households were cost burdened, and more than 70% of households making less than \$35,000 per year were cost burdened.
- Between 2000 and 2017, an additional 118,000 households became cost burdened, bringing the total number of cost burdened renter households to 456,670. Of these, 450,172 made less than \$100,000 per year.
- In 2000, 38% of households making less than \$100,000 per year were cost burdened. In 2017, more than 56% were cost burdened.



# High Housing Costs are a Competitive Disadvantage

- Most of the metro areas with large innovation economies are permitting a lot more housing than we are.
- As a result, we are losing population to competitor regions that offer better housing choices.
- While Boston permitted just over 2 units per 1,000 residents in 2014, competitors like Portland, Seattle, and Austin permitted more than 6 units per 1,000 residents.
- Those cities that permitted at least 6 units all saw population gains from domestic migration. In contrast, Boston saw a net loss of population from domestic migration.

**Massachusetts' core competitive advantage is its highly skilled workforce. High housing costs may encourage these talented people to move elsewhere. This weakens our economy and our employers, and hurts our long-term growth and prosperity.**





# Baker-Polito Track Record on Housing

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**The Administration has built a strong record in support of its housing agenda. Our track record demonstrates increased investment and innovative actions to deliver more housing.**

- Increased affordable housing funding by 19% to \$1.1 billion over 5 years. This is the largest capital commitment to housing in the history of the Commonwealth.
- DHCD has supported the creation and preservation of more than 17,000 new housing units, including 15,000 affordable units, through state and federal LIHTC, and state bond-funded housing programs.
- More than \$80M in annual MassWorks funding supported more than 11,000 units of housing.
- MassHousing has committed \$100 million toward workforce housing, creating more than 3,000 new units, including more than 800 workforce housing units.
- Housing Development Incentive Program reforms have led to more than 1,000 new units in Gateway Cities, and 40R has been expanded to include starter homes, expanding opportunities for new homeowners and families looking to build wealth.
- DHCD is experimenting with public-private partnerships to rehab public housing support market-rate housing production, creating more than 700 units in Somerville and Chelsea.
- Governor Baker's Open for Business program is making properties available to development, including over 2,000 new housing units under agreement within I-495.

**This funding supports important work in the Commonwealth, but it is not enough to fully address our housing crisis**



# An Act to Promote Housing Choices: H.3507

H. 3507 changes MGL c. 40A to **reduce the threshold of votes needed to adopt certain zoning changes** that promote housing production **from 2/3 to simple majority**.

1. Reducing residential dimensional requirements.
2. Reducing required residential parking ratios.
3. Creating mixed-use zoning in town centers, and creating multi-family and starter home zoning in town centers, near transit, and in other smart growth locations.
4. Adopting “Natural Resource Protection Zoning” and “Open Space Residential Development” by right.
5. Adopting provisions for Transfer of Development Rights (TDR).
6. Adopting 40R “Smart Growth” or “Starter Home” zoning.
7. Allowing accessory dwelling units or “in-law” units by right.
8. Allowing for increased density through a Special Permit process promoting more flexible development.

## In Practice

A city wants to adopt a 40R district allowing multi-family residential units in its downtown near a commuter rail station. This 40R district would be a new Zoning Overlay, and would require a housing density of 20 units per acre. Instead of needing 8 of 11 votes from the city council under the current law, only 6 of 11 votes would be required.





# An Act to Promote Housing Choices: H.3507 (cont.)

H. 3507 also makes **three additional changes** to increase housing development. The **Special Permit and Reporting changes (#9 and #10) were added by the Joint Committee on Housing** during the 2017-2018 legislative session, and were **retained when the Governor filed H. 3507**.

9. Where communities already allow transit oriented multi-family and mixed-used projects by Special Permit, the bill reduces the 2/3 vote for special permit approval to a simple majority for projects with at least 10% affordable units.
10. Requires DHCD to report on progress towards 135,000 new units and Housing Choice designations and grants.
11. Allows municipalities to enter into revenue sharing agreements for sites affecting more than one local government.

## In Practice

A Town allows for multifamily projects to be approved by Special Permit in its Downtown District which has a commuter rail station, and the town's zoning requires that 15% of multifamily projects be affordable.

A developer submits a project located in the downtown for a 100 unit building with 15 affordable units 0.3 miles from the commuter rail station for review by the Planning Board.

Instead of requiring 4 out of 5 votes from the Planning Board, the project only needs 3 of 5 votes.





# Why adopt the Housing Choices bill

- The Baker-Polito Administration understands that **not all cities and towns are the same**, and that **each community should be able to control its own destiny**.
- Where there is **majority consensus in communities around increasing housing production**, a minority of voters should not be able to control zoning.
- While the Administration recognizes that **this bill will not fully solve the Commonwealth's housing crisis, it is an important step**.
- It is **important to pass the Housing Choice bill quickly** to unlock housing production at upcoming town meetings.

## Recent Town Meetings:

**Arlington** (April 22, 2019) voted no action on proposal to reduce lot area and increase heights in certain residential districts. Several of these articles could qualify for the simple majority threshold.

**Lenox** (May 2019) Proposal to rezone property to multi-family for a 50 unit project on 19 acres with affordable/workforce units failed with 54% in support (304 yes, 261 No).



# Endorsements

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- “We can’t confront our housing and climate crises without local zoning changes, so we hope to see the Legislature fast-track Housing Choice in 2019.” – **Massachusetts Smart Growth Alliance**
- “This important legislation will provide communities with vital tools and authority to address our housing production needs. We applaud the Baker-Polito Administration for recognizing that true progress in making housing more affordable can only be achieved when the state and cities and towns work together as partners.” – Geoff Beckwith, Executive Director of the **Massachusetts Municipal Association**
- “Housing Choice needs to pass, preferably over the next few months, before town meetings start in the spring... The legislation was thoroughly vetted in the last session, so MAPC hopes it can pass quickly this time around.” – Marc Draisen, Executive Director of the **Metropolitan Area Planning Council**
- “Passage of the Housing Choices Bill is our top priority. Making it easier for communities to adopt zoning for housing will benefit young couples seeking to buy their first home, growing families looking to trade up, and downsizing baby boomers wishing to live near their children and grandchildren.” – Hunter Marosits, President of the **Home Builders and Remodelers Association of Massachusetts**
- “The rising cost of living in Greater Boston is a critical issue impacting our regional and economic competitiveness... We are eager to see this bill advance, and quickly.” – James E. Rooney, President and CEO of the **Greater Boston Chamber of Commerce**
- “The state’s housing crunch is not just a Boston problem, but also a suburban problem. The legislation will help communities allow the type of housing in the right area that helps promote community stability and economic growth. It is as much an economic development bill as it is a housing bill.” – Peter Forman, President & CEO of the **South Shore Chamber of Commerce**.
- “With the Housing Choice bill, Governor Baker is again taking steps to help Massachusetts residents age in place. This bill allows for the development of new housing models, promotes accessory dwellings, and encourages construction in areas and neighborhoods that have accessible resources.” – Mike Festa, State Director of **AARP Massachusetts**.