

More than Compliance: Multifamily Districts That Work in Your Community

Including Affordability in Your MBTA Districts

November 30, 2022



What We'll Cover

- » Affordability Background
- » Affordable Housing Need
- » 3A Requirements vs. Objectives
- » Creating Mixed-Income Neighborhoods
- » Panelist Discussion

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Affordability Background

What is “Affordable Housing?”

- » Most people think of housing as being affordable when it meets their family’s budget
- » In this context, we are talking about capital “Affordable Housing,” which is deed-restricted to be Affordable to low-income residents and is rented or sold at 30% of household income
- » Restrictions ensure long-term protection against skyrocketing costs, helping low-income households stay in their communities by preventing displacement
- » Affordable Housing Units are eligible for inclusion on the Subsidized Housing Inventory (SHI)

What households qualify?

- » HUD sets annual income limits for each metro region at 30%, 50%, and 80% of Area Median Income (AMI)

Household Size	30% AMI	50% AMI	80% AMI
1-Person	\$29,450	\$49,100	\$78,300
2-People	\$33,650	\$56,100	\$89,500
3-People	\$37,850	\$63,100	\$100,700
4-People	\$42,050	\$70,100	\$111,850

Source: HUD Boston-Cambridge-Quincy, MA-NH HUD Metro FMR Area

- » Some communities choose to set income levels up to 120% AMI for workforce housing units

Benefits of Affordable Housing



- » Allows residents to stay in their communities long-term
- » Supports the local and regional economy
- » Contributes to family and community stability and helps mitigate gentrification
- » Improves social determinants of health
- » Promotes diversity and neighborhood vitality



Affordable Housing Need

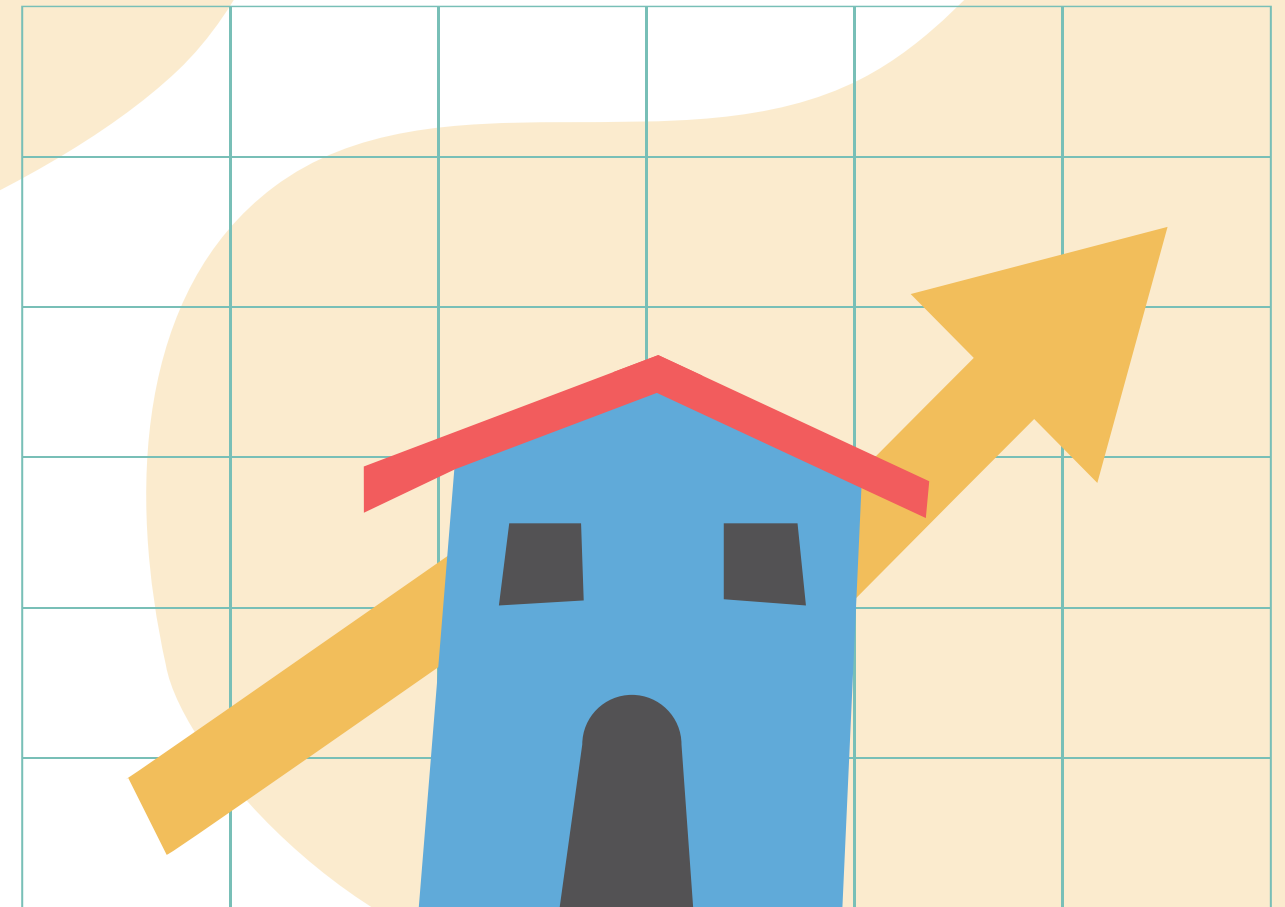
HOUSING CRISIS

Affordable

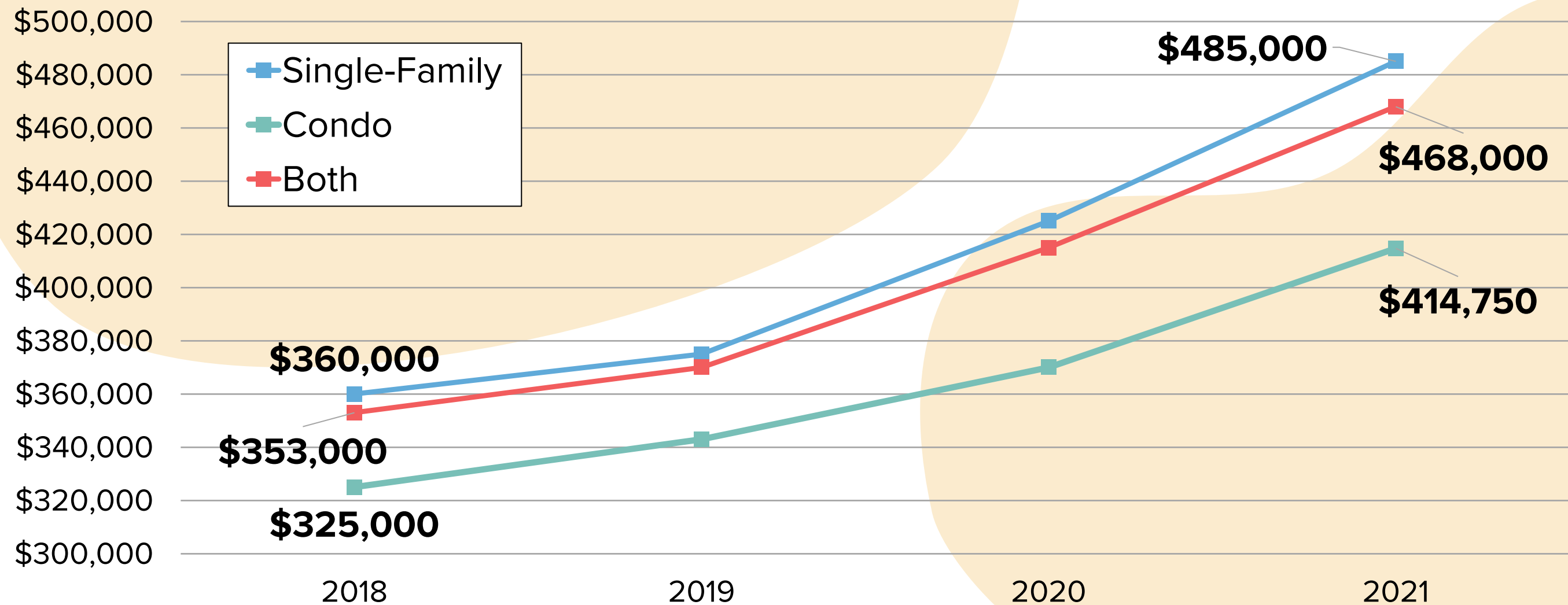
Housing Need

The Affordable Housing Crisis

- » There is a housing affordability crisis in Massachusetts resulting from high demand and a housing shortage
- » This supply and demand imbalance leads to increased rental and sales costs

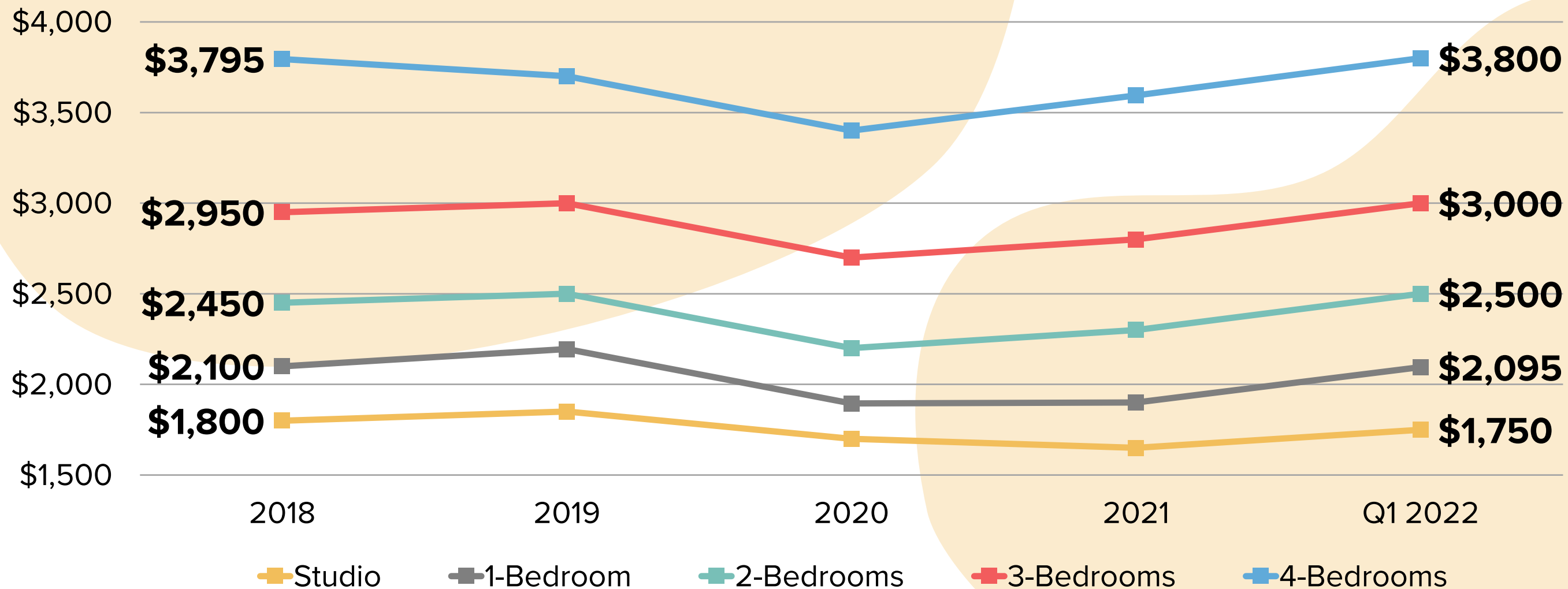


Median Home Sales Prices, MA



Source: Warren Group

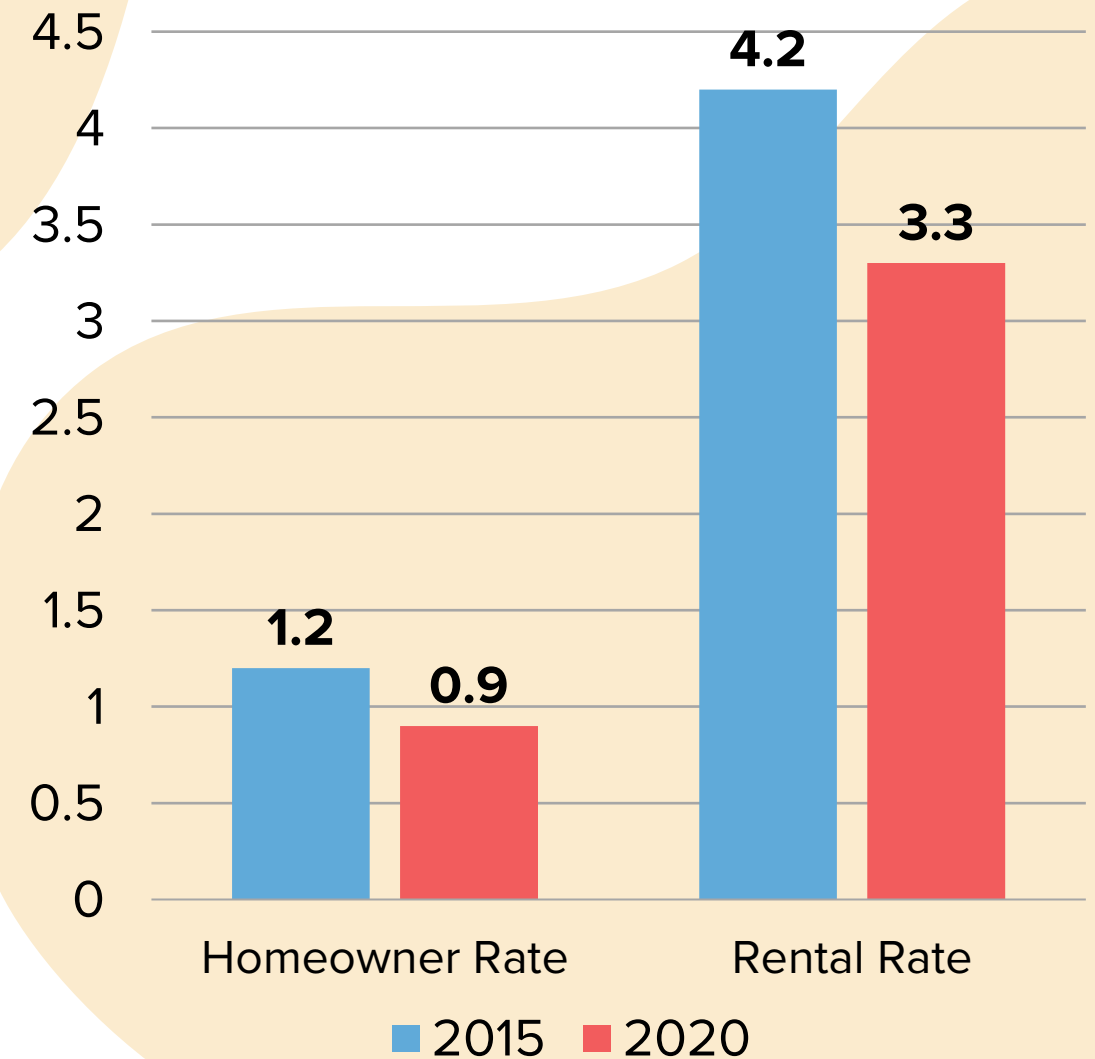
Median Rents, Greater Boston



Source: MAPC Rental Listings Database

Vacancy Rates, MA

- » Vacancy rates are well below “healthy” rates and continue to decrease
- » This means there are few homes available to rent or buy, leading to more competition over limited inventory
- » Perspective renters and homeowners with lower incomes are likely to be most negatively impacted by even slight cost increases due to low vacancies



Source: 2015 & 2020 ACS 5-Year Estimates

Key Findings - Housing Report Card

- » Housing costs have increased faster than incomes for the poorest third of families, exacerbating local inequality
- » Almost half of Greater Boston renters are housing cost-burdened
- » While cost burdens tend to be lower for homeowners, still more than one third of Black and Latino homeowners are housing cost-burdened
- » Pandemic dynamics drove the largest single-year increase in renter cost burden since 2006
- » Over the past 15 years, renter cost burdens have increased steadily for lower-income households
- » Renter cost burden is up across all community types

Source: 2022 Greater Boston Housing Report Card

Affordable Housing Gap

» There is one unit on the Subsidized Housing Inventory for every 4.2 low-income households in Massachusetts

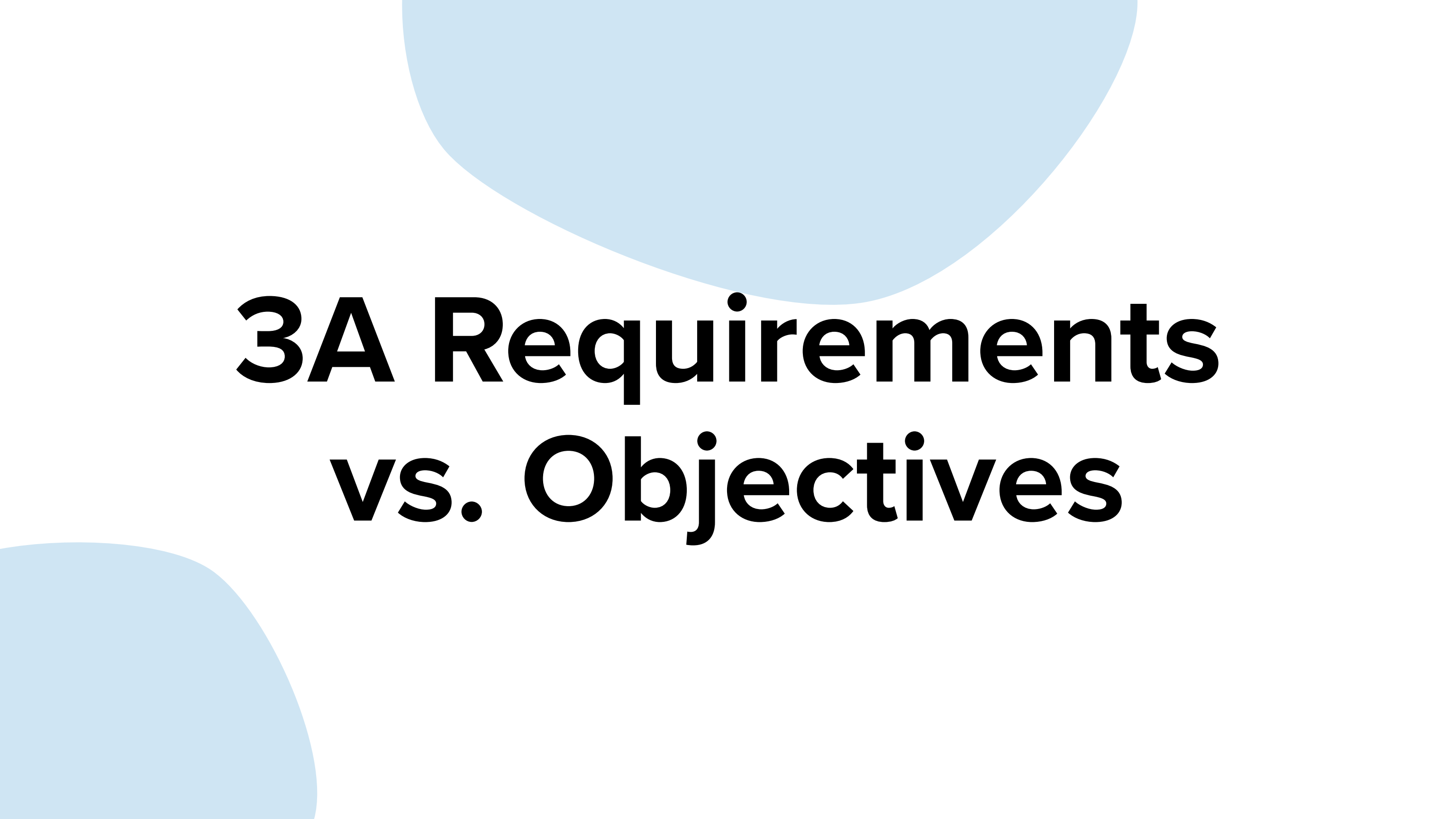


273,004 SHI units



1,143,305 low-income households

Source: SHI as of December 21, 2020; HUD CHAS 2015-2019



3A Requirements vs. Objectives

Section 3A Requirements

- » Revised guidelines regarding affordability in 3A districts (released October '21)
- » Section 3A does not require municipalities to include affordability requirements in 3A zoning districts (but we strongly encourage municipalities to consider it!)
- » Any 3A district can include a requirement that 10% of units be affordable to households earning 80% AMI
- » Affordable units do not have to be eligible for SHI, and thus can be priced above 80% AMI to allow for workforce housing units

Section 3A Requirements

- » Municipalities can require more than 10% (up to 20%) of units be affordable, or affordability at levels deeper than 80% AMI in their 3A district:
 - If the district is part of a DHCD program such as 40R Smart Growth or Housing Development Incentive Program (HDIP), DHCD will review the affordability requirements through that program
 - If the municipality can demonstrate that the affordability requirement does not adversely impact feasibility

Section 3A Objectives

- » There is an inherent connection between Section 3A and affordability
- » Transit-oriented development (TOD) provides crucial access to public transit that connects residents to resources across the region
- » Residents who choose to rely on public transportation have much lower transportation costs than those who travel by car
- » Residents with lower incomes have just as much need for transit and deserve to be able to access it

Equitable TOD

“Equitable transit oriented development (eTOD) refers to TOD efforts that are undertaken with an explicit commitment to achieve equity goals through dedicated strategies that ensure low-income residents and residents of color benefit from – and are not displaced by – the new development. With strategies in place to preserve and expand affordable housing, protect tenants from rising costs and displacement, connect residents to jobs and economic opportunities, stabilize and support small and local businesses, and more, eTOD can foster equitable development, creating healthy, opportunity-rich neighborhoods.”

Source: All-In Cities, an Initiative of PolicyLink

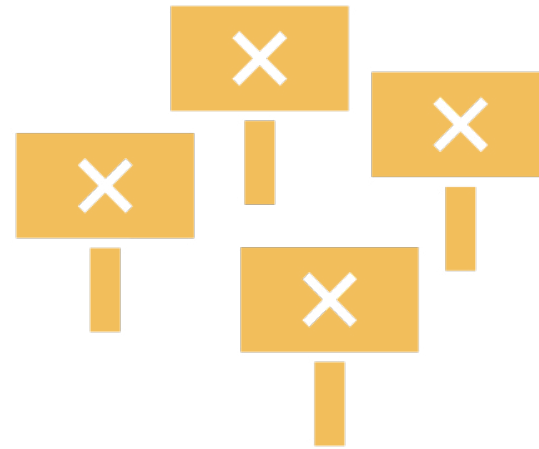
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Creating Mixed-Income Neighborhoods

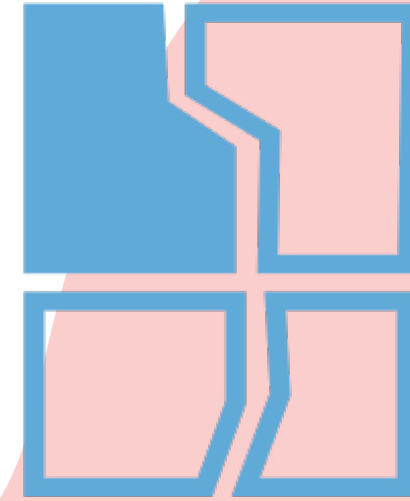
Barriers



**Development
Feasibility**



**Community
Opposition**



**Zoning
Restrictions**

- » Fortunately, there are policy tools and other best practices that municipalities can utilize to incentivize and subsidize the creation of Affordable Housing units

Inclusionary Zoning

- » Requires a percentage of units in new housing developments to be Affordable for income-eligible households
- » Relies on private developers to create Affordable Housing without a public subsidy
- » Must carefully balance elements of the policy to minimize costs, otherwise there is a risk of increasing market rents or dampening development
- » Widespread and understood tool that can lead to economically integrated communities

Inclusionary Zoning

- » Long-term strategy for cumulatively generating Affordable units
- » Less effective at serving the lowest income households (down to 30% AMI), but can reach 50% or 60% AMI with the right balance of policy elements
- » Requires municipal support to administer
- » Tradeoffs are needed to ensure development feasibility

Inclusionary Zoning

- » Number of Affordable units and income target are closely connected:
 - Increasing the number of Affordable units increases costs
 - Decreasing income targets increases costs
 - If costs increase too much, the project won't be built
 - Must balance components based on housing priorities
 - Cost offsets may be needed to ensure development feasibility
- » Understanding of financial feasibility should inform decisions around policy tradeoffs, maximizing affordability without dampening production
- » Consider local housing market data, look at state and national best practices, interview local real estate professionals, conduct engagement to identify community priorities

Chapter 40R Smart Growth District

- » Adopted in 2004, MGL Chapter 40R encourages the creation of dense residential and mixed-use zoning overlay districts that include Affordable Housing units (20% required) and are located close to public transit and other areas of concentrated development
- » 40R Districts must allow densities of eight units/acre for single family homes, 12 units/acre for townhouses, and 20 units/acre for condominiums and apartments
- » Projects must be developable as of right or through a limited review process like site plan review, must be reviewed in 120 days, and denials are allowed only for noncompliance with the bylaw or design standards

Chapter 40R Smart Growth District

- » Allows communities to set detailed design standards for projects built in the districts and to reject projects that don't meet the standards
- » Offers developers and lenders a more certain review process, increasing project feasibility
- » Upon state review and approval of a local overlay district, communities become eligible for Chapter 40R payments, as well as other financial incentives
- » Almost 40 communities in Massachusetts have adopted Chapter 40R Smart Growth Districts

Chapter 40R Smart Growth District



**The Postmark,
Reading**



**Village Hill,
Northampton**



**Westborough Village,
Westborough**

Other Best Practices

- » Partner with a non-profit/private developer to use public land for Affordable Housing
- » Support “friendly 40B” developments and other opportunities for partnering with developers through the Local Initiative Program (LIP)
- » Establish a housing and land acquisition program
- » Use property acquired through tax liens for Affordable Housing development
- » Waive fees/decrease regulatory requirements for Affordable Housing developments
- » Commit to an annual appropriation and/or a General Obligation bond for Affordable Housing development and preservation

Other Best Practices

- » Fund and facilitate the preservation of low-cost, unsubsidized housing
- » Establish an Affordable Housing Trust Fund that holds and facilitates efficient access to dedicated resources for Affordable Housing production
- » Utilize tax incentive programs such as HDIP and TIF (where applicable)
- » Pursue a municipal right to purchase properties with expiring deed restrictions on Affordable Housing
- » Adopt the Community Preservation Act (CPA) and program the housing portion of CPA funds

Panelist Discussion

Panelists

- » Steve Magoon, Assistant City Manager, Director of Community Development and Planning, City of Watertown
- » Larry Field, Senior Housing Planner, City of Watertown
- » Jean Delios, Assistant Town Manager, Town of Reading
- » Andrew MacNichol, Staff Planner, Town of Reading



Thank you!