



Testimony in Support of An Act Financing the Production and Preservation of Housing for  
Low- and Moderate-income Residents (H.3925)

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to the  
House Committee on Bonding, Capital Expenditures and State Assets

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Chairman Cabral, and Members of the Committee, on behalf of MACDC and our members, I am testifying in support of An Act Financing the Production and Preservation of Housing for Low- and Moderate-income Residents (H.3925), legislation advanced by the Joint Committee on Housing that provides new housing-related capital authorization to help the Commonwealth meet its housing needs and provide more affordable housing.

MACDC represents all 60 state-certified CDCs in Massachusetts as well as 30 other non-profit organizations that share our mission of expanding economic opportunity across the Commonwealth. Our members have long been engaged in addressing the need for affordable housing. Many CDCs have been able to expand their housing production and community economic development efforts because of the Legislature's adoption of the Community Investment Tax Credit (CITC) program in 2012. The CITC has generated nearly \$24 million in private philanthropic investment over the past three years, with a total of nearly 4,500 separate donations to 54 high performing community development organizations. CITC entitles a donor to receive a 50% refundable state tax credit if it donates \$1,000 or more to a participating community development corporation or one of the two DHCD-designated community support organizations.

CITC has been a gamechanger for these organizations, enabling them to deepen their community engagement, to expand their programming and to increase their impact. Over the past two years, CITC organizations have engaged nearly 2,000 community leaders, created or preserved 1,948 housing units through development of housing or mixed-use projects, and generated over \$1.2 billion in economic activity. The program is also helping CDCs expand their housing development pipeline: last year CITC groups added 33 projects, with a total of 2,133 units, to the pipeline on top of the 4,203 units that were already in the pipeline.

At the same time, CDC housing efforts go beyond real estate development to include the support for and delivery of a broad range of housing related services and rehabilitation programs; everything from rectifying outstanding code violations to making accessibility improvements and septic repairs; facilitating loans for lead paint abatement; counseling for homeownership education and foreclosure prevention, and assisting families in accessing and maintaining rental housing.

MACDC is supporting An Act to Promote High-Impact Community Investment, to extend and expand CITC, as a model tax credit program that is working as intended to expand opportunities for places and people across the Commonwealth. We believe this legislation is a useful complement to the Housing Bond Bill and are grateful that the Joint Committee included the CITC legislation as an amendment to the Housing Bond Bill that it reported out of Committee. Adding CITC makes sense given that H.3925 also extends and expands the state low income housing tax credit, and further extends the sunset for both LIHTC and the Housing Development Incentive Program tax credit.

While CITC provides critical operating funds to CDCs, the Housing Bond Bill provides the critical capital dollars we, and others, need to build and preserve affordable housing. MACDC supports passage of an affordable housing bond bill to ensure the continued smooth operation of the state's housing programs – both those that support our public housing inventory as well as those that support the production and preservation of privately owned and managed subsidized housing. State housing programs are essential for the production and preservation of affordable housing because they enable us to leverage additional federal funds and private investment. Legislation is needed now because many of these vital state programs will run out of funding within the next year without passage of a new housing bond bill.

Indeed, virtually every project completed by our members in recent years has relied on state bond funds, programs authorized through the 2013 housing bond bill, including the Affordable Housing Trust Fund, the Housing Stabilization & Investment Trust Fund, the Housing Innovations Trust Fund, the Commercial Area Transit Node Program, the Capital Improvement and Preservation Fund and the Community Based Housing program. Our members also make frequent use of the State Low Income Housing Tax Credit. Failure to reauthorize these programs would devastate the state's affordable housing system.

These programs are essential for two basic reasons – (1) they provide shelter to households that cannot afford the high and growing rents and home prices in the Commonwealth and (2) they help create better neighborhoods and communities throughout the Commonwealth. It is important to always remember both impacts because when affordable housing projects are done well they can improve the lives of both the tenants and their neighbors, while ensuring greater racial and economic equity for everyone in our Commonwealth.

Over the years, the Legislature has wisely structured that state's housing bond programs so they can be applied to a broad range of housing approaches, to meet the needs of diverse communities. For example, these programs provide gap funding to ensure the financial viability of projects that are largely financed through federal Low-Income Housing Tax Credits. At the same time, it is important to ensure that the state's affordable housing system does more than build LIHTC-financed projects targeted to households at 50-60% of AMI. An effective affordable housing system needs to serve a broader range of incomes; by also building smaller, community scale projects that cannot use the LIHTC, and creating affordable homeownership units. In short, our distinct communities and neighborhoods need a diverse array of affordable housing products.

In recent years, however, a growing percentage of state funds have been used to fill financing gaps in LIHTC projects. Over the past three DHCD rental rounds from 2014-2016 (other than rounds focused on supportive housing), more than 94% of the subsidy funds administered by the State have been used to fill gaps in LIHTC projects. Rising development and operating costs, combined with a robust pipeline, have squeezed out other projects. That is why we are so pleased that the Baker Administration has set aside state bond funds, combined with MassHousing dollars, to launch the Community Scale Housing Initiative this year. This program will fund mixed income projects of 20 units or less and will be particularly useful in lower density rural and suburban areas and in Gateway Cities. We strongly encourage the Legislature to work with the Administration to adopt and fund a sustained program that sets a goal for at least 1,000 units by 2022. To be effective, this program needs to set reasonable subsidy limits that are realistic for both weak and strong markets.

State bond funds can also be used for affordable homeownership. The Commonwealth needs a comprehensive and ambitious homeownership strategy, since Massachusetts has the third highest racial homeownership gap in America and some of the highest home prices in the country. We already have some of the pieces in place with high quality mortgage products offered by the MHP and MassHousing, and established homebuyer education programs targeted to the needs of first-time homebuyers. Unfortunately, we don't have enough homes that are priced at a level that moderate-income families can afford, and we have not dedicated resources to the production of new affordable homeownership opportunities. We urge the Legislature to work with the Administration to resume homeownership funding rounds with these newly authorized bond funds.

I want to note the importance of funding to address the physical needs of our aging housing stock. This bill authorizes funding for the Home Modification Loan Program, an essential program that funds modifications to homes so that people with disabilities can stay in their homes. We should also think about additional resources to address code violations and physical deterioration of the housing stock more broadly, as owner-occupied rehabilitation programs are historically reliant on federal CDBG and HOME funding and have suffered from significant federal funding cutbacks. Additionally, the Commonwealth's successful Get the Lead Out Program, administered jointly by DHCD and MassHousing, will likely need an infusion of new funding within a year so it can continue to address the lead hazards that are so damaging to the health of the state's children.

I would also like to take this opportunity to talk about the importance of Fair Housing. We believe that DHCD has done a good job over the years balancing the importance of building and preserving affordable housing in every type of community – urban, suburban, rural, weak market and strong market. This is not to say that we have built enough housing – we have nowhere near enough money to build what we need. But given those limited resources, it makes sense to balance our investments across our many communities.

MACDC and others have previously testified on the importance of smart growth zoning and land use policies that encourage housing development, in the right locations, in every municipality in the Commonwealth. Our members embrace the goal of expanding affordable housing options in every city and town, so MACDC is creating a Suburban Housing Caucus within our membership with the goal of supporting CDC efforts to develop affordable housing in communities, which for too long have been resistant to such housing, through policy changes, education, capacity building, and development of best practices. Simultaneously, we support CDC efforts to develop affordable housing in urban areas, in both strong and weak markets, as well as rural areas.

The efficacy of housing development across the urban/suburban/rural spectrum was reinforced by a November 2016 national study by researchers at Stanford University. The study (*"Who Wants Affordable Housing in their Backyard? An Equilibrium Analysis of Low Income Property Development"*, Rebecca Diamond and Tim McQuade, Stanford GSB, November 2016) analyzed the costs and benefits of affordable housing construction, funded by the Low-Income Housing Tax Credit, to surrounding neighborhood residents and how they vary across demographically different neighborhoods. It found that LIHTC projects in poor neighborhoods increased overall property values and led to lower crime<sup>1</sup>. The Stanford study further concluded that "reduced segregation, a stated goal of many affordable housing programs, may be achieved by locating subsidized, rent-controlled properties in high minority share areas, due to the resulting neighborhood and demographic change." This research validates what community-based developers have long maintained; the Commonwealth benefits from its support of affordable housing in both low-income and high-income neighborhoods.

I would like to close my testimony by underscoring the urgency with which we must act. The lack of affordable housing is hurting families and neighborhoods, and contributing to homelessness. According to the MA Coalition for the Homeless, 229,600 Massachusetts renters pay more than 50% of their monthly income for housing. In fact, according to the National Low-Income Housing Coalition, a family in MA needs an income of \$27.39 per hour to afford an average 2-bedroom unit costing \$1,424 per month, but the average renter wage is \$19.70 per hour. Given this stark math, it is not surprising that the U.S. Department of Housing and Urban Development reported that 19,608 people in MA experienced homelessness in 2016.

As bad as the situation is today for so many households, it could get worse. Thousands of affordable apartments are at serious risk of conversion to market rents – especially state supported 13A units. And the stock of private-market, unsubsidized apartments that are reasonably priced is dwindling by the day.

These statistics – which we have all heard before and have been hearing for years – represent children, seniors, veterans and families that need help now.

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<sup>1</sup> The study found that in neighborhoods with median incomes below \$26,000, local property values within 0.1 miles of the site increased by 6.5%.

MACDC members appreciate the leadership of Representative Honan, Senator Forry and Governor Baker for putting forward the underlying housing bond proposals. We urge this Committee – and the General Court - to advance this legislation quickly. MACDC and its members stand ready to do our part in supporting these efforts and in effectively implementing these programs.

Respectfully submitted,

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