



MAKING A GREATER BOSTON REGION

## Balancing Housing Production and Resource Conservation *Draft Implementation Recommendations*

MetroFuture impels municipalities, private non-profit, and for-profit housing providers to fill the projected need to create 349,000 housing units in the Greater Boston region by 2030. Although the current housing market is weakened, the long-term history of housing in Metro Boston has shown us that high prices and constrained supply remains consistent. We therefore continue to believe that, over the long term of the MetroFuture plan, a growing population, shrinking household size, and robust economy will maintain the need to fulfill our housing production goals.

MetroFuture also calls for housing to be produced in *certain places and in certain ways*: smaller homes on smaller lots, more homes in the Inner Core and Regional Urban Centers, more homes near transit and infrastructure, with greater affordability and variety. The result will better meet the needs of all demographic groups, including the growing senior population, low and moderate-income households, families of all sizes, renters, first-time homebuyers, and people with disabilities. Simultaneously, we must not allow the ramp-up in housing production to damage the region's water supplies or to cause the loss of valuable open spaces and habitats.

To achieve an adequate stock, balance, and the appropriate location of housing, local housing policies and outcomes must address the regional need for housing. MetroFuture sets forth innovative ideas and implementation processes, including coordinated planning efforts and the broad application of the best available tools and resources. However, only changes in policy within state and local government, along with the concerted efforts of municipalities, local housing authorities, non-profits, and for-profit developers, can achieve the MetroFuture goals.

The following *selected recommendations* relative to housing are needed in order to achieve MetroFuture. However, key questions remain:

1. How do we ensure that affordable housing is being developed in all communities, while also ensuring that land is conserved?
2. Should municipalities be allowed to zone out a 40B development in a Large Lot zoning district, Transfer of Development Rights Sending Zone, mandatory cluster zone, or similar zone, if the community deems the development not to be in concert with the purposes of that district but has designated a growth district in which it is encouraged?

### **3.A Develop Coordinated Regional and Local Plans for Diverse Housing Production**

#### **3.A.1\* Prepare and maintain a regional housing needs assessment.**

A Regional Housing Needs Assessment (RHNA) would:

- Determine the need for and location of additional housing types, focusing predominantly on housing needs, but will also take into account critical environmental, economic, transportation, and infrastructure challenges that relate to housing production. Data will be gathered from the Statewide Housing Market Needs Study, local and regional Consolidated Plans, the Greater Boston Housing Report Card, and other sources;
- Set regional housing goals, taking into account the need to both preserve existing housing and construct new homes;
- Assess progress toward meeting regional goals, using local housing production plans as a measurement; and
- Help ensure regional equity in the distribution of affordable housing.

**1.a Regional Planning Agencies should prepare and update RHNAs every five years.**

**1.b The Department of Housing and Community Development (DHCD) should set guidelines and common criteria for assessments and provide funding.**

#### **3.A.2 Prepare Housing Production Plans**

In Metro Boston, municipalities could draw upon the vision and goals of MetroFuture, and the needs from a RHNA, to create local Housing Production Plans as described in 760 CMR 56.03(4). These local plans would enable communities to create and implement a balanced housing strategy tailored to include deed-restricted units affordable to low- and moderate-income households that meet both local and regional needs, consistent with M.G.L. Chapter 40B and local comprehensive master plans.

As of April 2008, 25 MAPC communities had approved plans under the state regulations, but only 5 had been certified. 87 MAPC communities completed an Executive Order 418 Community Development Plan; the Housing Elements in these plans can be adapted to meet the goals of a Production Plan, thereby making this recommendation readily achievable for those communities.

##### **2.a Develop Local Housing Production Plans**

Every municipality in the MAPC region, and especially those with less than 10% affordable housing, should have a certified Housing Production Plan that they are working to implement. Municipalities needing further assistance should receive funding from DHCD and technical support from MAPC to assist with developing these plans.

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\* Recommendations are numbered in reference to the larger outline of Implementation Strategies. They can be cross-referenced as follows: (Strategy number).(Sub-Strategy letter).(Recommendation number). For example, this recommendation is from Strategy 12, “Expand Access to Housing,” Sub-Strategy A, “Develop Coordinated Regional and Local Plans for Diverse Housing Production,” and is the first recommendation in the Strategy.

## **2.b Revise Housing Production Plan requirements and formulae**

Consideration should be given to revising the annual housing production goal formula currently used under M.G.L. Chapter 40B, perhaps based on MAPC community type categories or other relevant factors.

Currently communities must produce at least 0.5% of their total year-round housing stock as affordable housing to achieve the M.G.L. Chapter 40B 10% requirement. Smaller or slower-growing communities may struggle to achieve this. In many of these towns, a single development can exceed 0.5% in one year, but the community may lag in other years. A lower percentage point or a more flexible approach would encourage slow-growth communities to create and implement Housing Production Plans.

## **2.d Establish a DHCD or MAPC Circuit Rider Program**

DHCD should fund circuit riders, perhaps through the RPAs, to assist with planning (e.g., identifying infill opportunities), implementing plans, educating community opinion leaders about the plan, and monitoring annual growth benchmarks associated with production plan.

As evidenced by the low number of certified plans, Housing Production Plans can be challenging to implement because there is often limited local professional capacity to implement or oversee housing production activities. This can cause delays, mistakes, and prevent implementation. A side benefit would be the ability of circuit riders to encourage neighboring municipalities to work together to meet common housing goals.

### **3.A.3 Establish a regional advisory committee**

A regional advisory committee comprising MAPC, a quasi-state housing agency, and housing practitioners throughout the region could advance regional housing goals and related activities, review progress on housing goals, and address implementation issues.

Successful examples of regional housing task forces and committees can be drawn from throughout the U.S.

## **3.B Increase Affordable Housing Production in Appropriate Locations**

Achieving production of 349,000 (11,600 units/year) new housing units in the region by 2030 is a necessity given the projected needs of the region's population. The most recent production estimate for the period from 2006-2007 is 15,945 housing units produced in the region.<sup>1</sup> However, the average number of housing units produced between 1998 and 2005 was 11,586. With ongoing shifts in market conditions, a more realistic and planned approach is needed to produce a steady supply of housing.

### **3.B.5 Encourage adoption of Smart Growth Zoning Overlay Districts**

Eight MAPC communities have an approved 40R District<sup>2</sup>: Belmont, Boston Chelsea Lynnfield, North Reading, Natick, Norwood, and Reading. These districts are zoned to produce up to 1,690 units, 402 would be affordable to households at or below 80% of the area median income.

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<sup>1</sup> Greater Boston Housing Report Card 2006-2007, Northeastern Center for Urban and Regional Policy.

<sup>2</sup> This data provided by DHCD as of April 2008. Randolph is an MAPC community considering a 40R District and will vote on the district at Town meeting on May 27, 2008.

**5.a Technical assistance programs that would help municipalities realize the merits of creating a M.G.L. Chapter 40R District should be expanded and fully funded.**

Municipalities with 40R districts that have been approved have spent between \$20,000 and \$60,000 in fees to consultants to assist in writing zoning, drafting production plans, and creating design standards.

**A. Create partnerships among local design colleges and universities, nonprofit and for-profit housing developers.**

**3.B.7 Design colleges and universities, nonprofit and for-profit housing developers should seek funding and create partnerships to facilitate and align support for new growth, particularly dense growth.**

The Center for Neighborhoods' collaborative Corridor Housing Initiative in Minneapolis is one model that uses a consensus approach to neighborhood redevelopment and infill.<sup>3</sup>

**3.B.8 Encourage scattered site public housing**

The current Housing Bond Bill supports scattered site public housing efforts and renewed State funding support will be critical for these endeavors.

Increasingly, local housing authorities recognize the need to increase their housing stock and are seeking opportunities to partner with other nonprofit organizations or create a separate 501 (c)(3) organization to pursue their own development.

**3.B.9 Recognize and Support the Non-profit sector**

Nonprofits play a critical role in developing affordable housing, creating and preserving housing in communities where there are limited affordable housing opportunities for lower-income households. Community Development Corporations (CDCs) and local and regional nonprofit housing developers produce hundreds of housing units which provide first-time homebuyer and affordable rental opportunities, permanent housing options for transitional and at-risk populations. These organizations also participate in other activities to stimulate housing production for those most in need.

While a critical player in the housing arena, nonprofits compete for the often meager operational and project funding. Current organizational capacity, equity and programmatic funding are scarce for nonprofit housing developers. CDCs have had trouble hiring and retaining the best people and searching for new projects since the loss of State funding that supported organizational capacity<sup>4</sup>. Nonprofits facilitate challenging real estate deals, work in weak markets, produce high amounts of affordable housing and provide jobs for low-income people. In return they receive low fees and support for their work making it a significant challenge to meet their mission.

Nonprofits are particularly burdened by the complex funding system which often entails multiple layers of financing making it increasingly difficult for nonprofit housing developers to earn sufficient revenue from their development activity to sustain their ability to build and maintain high quality affordable housing. These financial challenges

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<sup>3</sup> The interactive block exercise is be a hands-on opportunity for community members to explore different development options. The process helps people understand the financial issues and tradeoffs a developer will be working with on a specific site. For further information, visit: [www.housinginitiative.org/](http://www.housinginitiative.org/)

<sup>4</sup> Known as the Community Enterprise Economic Development Program

also weaken the sector's ability to engage in pro-active planning, community engagement and community building that can support housing development and other neighborhood goals.

**9.a Sustain and expand the state's Housing Production Support Program.**

The Massachusetts Housing Partnership's Housing Production Support Program, a new program, needs greater and additional funding to provide sufficient funding to nonprofits statewide. Currently, the fund offers \$1 million annually. This amount should be increased to \$2 million annually. Additionally, the program should expand to help nonprofits leverage their housing production work to expand civic engagement in the development process and create developments that support community building and social capital.

**3.C Diversify Overall Housing Supply and Affordability**

**3.C.10 Encourage adoption of inclusionary housing requirements**

Inclusionary zoning (IZ) is an affordable housing tool that links the production of affordable housing to the production of market-rate housing. IZ policies either require or encourage new residential developments to make a certain percentage of the housing units affordable to low- or moderate-income residents. In exchange, many IZ programs provide cost offsets to developers, such as density bonuses that allow the developer to build more units than conventional zoning would allow, or fast-track permitting that allows developers to build more quickly. As of 2004, 99 of the 187 cities and towns in Greater Boston have Inclusionary Zoning bylaws or ordinances.<sup>5</sup>

**10.a Municipalities should consider adopting Inclusionary Zoning bylaws**

The IZ bylaws should include up to 20% of units in developments of ten or more units affordable to households whose incomes do not exceed 80% of the area median income. On-site production of affordable units should be required for rental and ownership units in multi-family developments. Off-site affordable housing unit production would be optional for developers of detached, single-family housing developments. Payment-in-lieu of housing would also be an option for the latter unit type only. Payments could be collected in either a local Municipal Affordable Housing Trust Fund or to the Regional Affordable Housing Trust Fund.

**3.C.11 Increase production of accessory apartments**

Amending zoning ordinances in residential districts to allow accessory dwelling units is growing in popularity throughout Massachusetts and the U.S. Accessory units create opportunities for mixed-income housing in suburban and urban neighborhoods at little to no public expense. These opportunities can offset displacement of low- and moderate-income households, including elders, post-secondary school students, and entry-level workers, when property values and rent prices rise in recently redeveloped areas that lack affordable housing.

**11.a Municipalities should adopt Accessory Dwelling Unit bylaws**

The Town of Barnstable's Accessory Apartment Ordinance and program is an excellent model for municipalities with available Community Development Block

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<sup>5</sup> The Effects of Inclusionary Zoning on Local Housing Markets: Lessons from the San Francisco, Washington, D.C., and Suburban Boston Areas" New York University Furman Center for Real Estate and Urban Policy and the Center for Housing Policy, 2008.

Grant funding. This program is available to owners of single family and multi-family properties where owners are income-eligible and agree to a deed restriction.<sup>6</sup> The Town subsidy is used to ensure that the unit meets current State and local health and building codes. The owners of the primary unit agree to provide and affirmatively market the unit to low- or moderate-income households. Amnesty is given to owners of illegal units who participate in the program.

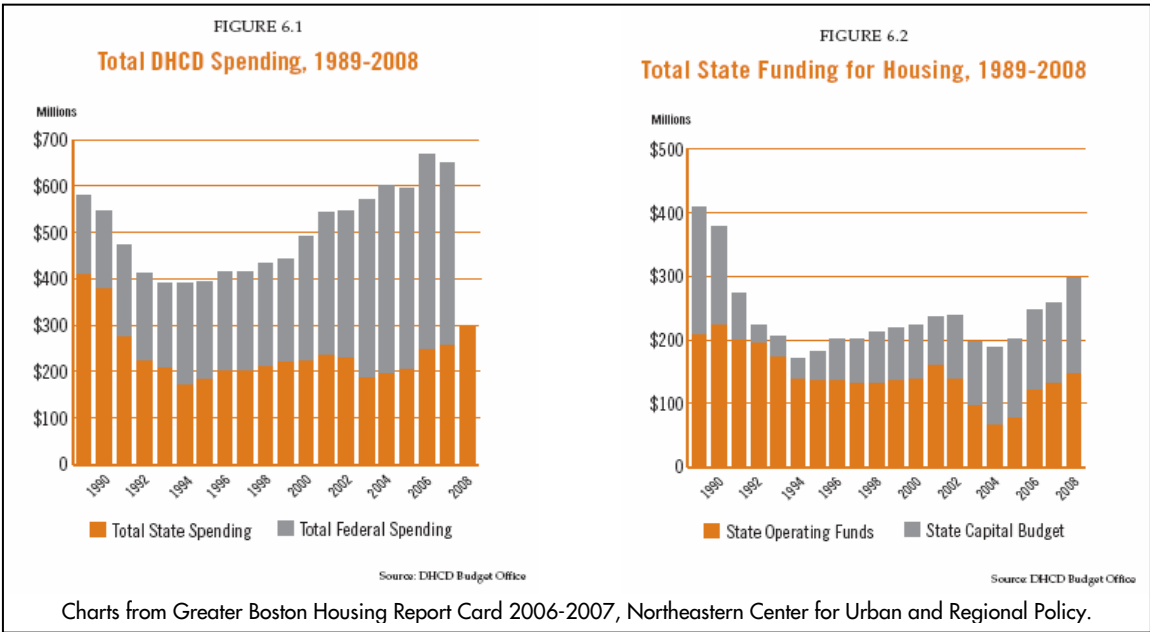
Communities such as Boxford seek alternative funding sources for these programs through local Community Preservation Act funds, local Affordable Housing Trust Funds, or other local housing support programs that allow the community to create accessory units.

**3.C.13 Provide density bonuses for affordable units**

Density bonuses for affordable housing units should be provided when consistent with local master plan and regional plan.

**3.G Provide adequate funding streams to support housing production**

Historically, the federal government has been a key player in providing affordable housing. Declining federal funding for housing in Massachusetts has been a long-documented problem. Federal support for affordable housing fell by seven percent or nearly \$29 million from 2006 to 2007. Similarly State funding for affordable housing has not kept pace with housing production costs. Paradoxically, since 2004, the State has increased funding for housing programs in the Department of Housing and Community Development. In 2008, the budget for DHCD programs will be \$199 million, which represents the highest level of State support since 1991. Because State funding remained low, the current spending level is 23 percent less than it was in 1991 and only half the \$410 million committed in 1989.<sup>7</sup>



<sup>6</sup> [http://www.town.barnstable.ma.us/GrowthManagement/CommunityDevelopment/AssessoryHousing/AAAP-BROCHURE\\_rev041206.pdf](http://www.town.barnstable.ma.us/GrowthManagement/CommunityDevelopment/AssessoryHousing/AAAP-BROCHURE_rev041206.pdf)

<sup>7</sup> Greater Boston Housing Report Card 2006-2007, Northeastern Center for Urban and Regional Policy.

### **3.G.28 Increase and target State funding for affordable housing development.**

#### **28.a Reform the affordable housing finance system**

To ensure long-term production capacity, the complex system for funding affordable housing needs reform. Unrealistic cost limits and burdensome regulations and oversight plague developers who want to develop quality affordable housing. This problem is particularly acute for nonprofit developers.

#### **28.b Revise the state's scoring criteria under the Qualified Allocation Plan**

The QAP should explicitly revise the scoring to provide extra points to projects sponsored by nonprofits that both produce new affordable housing and leverage broad community building and civic engagement outcomes. Nonprofit housing developers often strive to achieve these outcomes through their planning, development, and management process.

Nonprofits often undertake "high mission" projects that provide housing, but also meet other critical public objectives such as: serving homeless households and other severely disadvantaged individuals; eliminating blight; preserving historic buildings; revitalizing neighborhoods; and completing smaller, less profitable developments that meet critical local needs.

Nonprofits are also committed to longer terms of affordability, which reduces the risk of affordable housing restrictions expiring and units turning becoming market rate. Additionally, developer fees from nonprofits are automatically reinvested into neighborhoods in the form of new project developments, or community services or both, which leverages great community impact from limited state subsidy.

## **9.B Implement Updated Zoning Tools**

### **9.B.6 Allow municipalities with appropriate designated residential growth districts and resource protection districts to deny 40B permits in the designated resource protection districts.**

If a municipality establishes in its Master Plan both resource protection district(s) and residential growth district(s) of sufficient size to address its affordable housing needs, and subsequently approves consistent zoning and other policies to implement these districts, then the community should be able to deny 40B permit applications in the resource protection districts.

Appropriate residential growth districts would need to be large enough (assuming both development of vacant land and redevelopment of underutilized lands) to accommodate a sufficient number of housing units which, if counted on the Subsidized Housing Inventory, would bring that community to the 10% affordable housing goal. The municipality would need to have zoning and other local land use regulations and permit procedures in place that would cause permit decision-making to occur within six months of a permit application within a designated residential growth district.

Appropriate resource protection districts would comprise any Large Lot zoning district, Transfer of Development Rights Sending Zone, mandatory cluster zone, farmland protection zone or similar zone, if the community finds that the development is not in concert with the purposes of that district. The community's decision to deny a proposed 40B development in a resource protection area should not be able to be overturned by the Housing Appeals Committee or by the Courts.

The current Comprehensive Permit process would continue to apply to 40B developments outside of the designated residential growth districts or outside of the resource protection districts (i.e., areas subject to conventional zoning).

**6. a The Legislature should amend M.G.L. Chapter 40B Sections 20-23 to support this proposal.**

**9.B.5 Broaden use of 40R**

Communities should adopt Chapter 40R to provide zoning density bonuses within designated growth areas for developments that meet specified community and regional goals such as higher density housing, including affordable housing, while also providing for establishment of additional public open space, etc.

**5.a Provide State Technical Assistance for 40R**

The state should provide the same level of state agency support for by-right or by-special-permit 40R districts as the Chapter 43D Priority Development Sites receive. Amended 40R District support should also include DHCD and MassDevelopment support via infrastructure grants, marketing, and planning grants.

Priority Development Sites established under Chapter 43D receive potential planning grants up to \$100,000, marketing support from Massachusetts Office of Business Development and Mass Alliance for Economic Development, technical assistance from the RPAs and MassDevelopment, including priority status for infrastructure grants.

**5.b Allow 40R by special permit**

Approval by special permit would dramatically increase the number of communities likely to participate in the 40R program. In these “special permit” communities, the state could change the incentives to provide less up-front payments and increase payments per building permit, to provide incentive for communities to actually approve developments. The goal would be to make this special-permit 40R program revenue neutral to by-right 40R, perhaps by allocating 50 - 75% of the Zoning Incentive Payment as an addition to the Density Bonus Payment on a pro-rata basis for the first 50% of units estimated on the buildout, with the remaining units to be at the standard Density Bonus Payment per-unit basis. 40S should also apply to these “special permit” 40R communities. An example of how such an amendment of the bonus incentive might work for a 40R district with an estimated buildout of approximately 210 units.

<b>Comparison of funding incentives for By Right versus Special Permit 40R Districts</b>			
Assume size of District is such that it will generate 210 new units at buildout			
<b>By-Right District</b>			
Zoning Incentive	Bonus Incentive (@\$ 3,000/unit		Total potential incentives
\$ 350,000	\$ 630,000		\$ 980,000
<b>By Special Permit District</b>			
Zoning Incentive	Bonus Incentive	Bonus Incentive	Total potential incentives
	1st 105 @ 5,500/unit	2nd 105 @ \$3,000/unit	
\$ 87,500	\$ 577,500	\$ 315,000	\$ 980,000