

MAYOR MARTIN J. WALSH

HOUSING A CHANGING CITY

BOSTON 2030



Q4 REPORT

2017



HOUSING BOSTON 2030: Accommodating Growth

Q4 2017 SUMMARY

Boston 2030 Goal:

- Create 53,000 additional units of housing by 2030.¹

Q4 2017 PERFORMANCE: ALL HOUSING UNITS

PERMIT TARGET Q4 2017	PERMITTED Q4 2017	% TARGET
663	1,141	172%

CUMULATIVE PERFORMANCE: ALL HOUSING UNITS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
18,547	24,576	133%

Observations Q4 2017:

A Record-Setting Year

With 1,141 net new units permitted, Q4 2017 is the fourth quarter in a row where housing starts have exceeded the City's target 663 new units per quarter. The result of this is a record-setting year in 2017: 5,379 new units were permitted. This is the best year in 22 years of record keeping, and beats the previous record, set in 2015, by almost 1,000 units. Put in context, these 5,379 new units represent more housing production in Boston in one year than in the entire decade of the 1990s when less than 4,000 new units were permitted from 1990-1999.

Construction Employment

The 1,141 new units permitted in Q4 2017 generated more than \$660 million dollars in new investment, and created more than 1,200 new construction jobs.

At the end of Q4 2017, there were 8,800 new units in construction in Boston, generating 11,200 job-years of construction employment.

Completions: Catching Up on the Housing Supply Shortage

In Q4 2017, 1,438 new units were completed, the best quarter for completions in more than a decade. Those new units will house more than 2,600 residents. In 2017, 3,752 new units were completed, supplying enough housing to accommodate more than 7,100 residents. This is the third year in a row that Boston has been able to accommodate more than 7,000 new residents.

The housing demand projections on which the housing plan is based showed a need to accommodate almost 5,000 new residents annually. So, while production in recent years is keeping up with growth, much of that extra production is catching up with the production shortfalls of 2011-2014. A key task for the Mayor's Housing Task Force when it reconvenes in 2018 will be to revisit this growth target, and determine whether our set growth targets are accurate.

¹ Please note: housing production goals are based on the Metropolitan Area Planning Council's projected population and housing demand changes from 2010-2030. All other goals are for the period 2014-2030.

HOUSING BOSTON 2030: Accommodating Growth

Q4 2017 SUMMARY

Observations Q4 2017, continued:

Completions: Expanding Boston's Tax Base

The 1,438 units completed this quarter will add \$776 million to the City's tax base, generating almost \$8 million in new property taxes. Plan-to-Date, completions have added \$8.5 billion to the tax base, generating \$86 million annually in new revenue.

A Large and Growing Pipeline

By the end of Q4 2017 there were 25,000 units in the housing development pipeline. Along with the 24,576 units already permitted or complete, Boston now has almost 50,000 units built, in construction, and/or in the development approval process. In 2017, developers filed permit applications with ISD for 6,600 new units, clearly indicating that the development community remains confident in the strength of Boston's housing sector.

Not Just Growth – Smart Growth

A key element of Boston's Climate Action Plan was to get more people out of their cars and onto mass transit and bicycles. In 2017, the majority (52%) of all new housing starts were in "highly transit accessible" locations (within a 5 minute walk of major transit) where automobile ownership and usage is at its lowest. State action to upgrade mass transit will be critical to maintaining this high rate of transit-oriented development.

The Shift Away from Downtown Continues

2017 was the second year in a row where production in the neighborhoods outpaced downtown development. 60% of all new starts were outside downtown compared to just 27% five years ago.

Notable Projects Q4 2017:



RESIDENCES AT BRIGHTON MARINE: With 102 affordable units (70 low-income, 32 middle-income) this is the largest affordable housing development permitted this quarter.



45 TEMPLE STREET: This conversion of the former Suffolk Law School on Beacon Hill is the largest condominium development to be permitted this quarter. It has 71 market rate units, and will support the creation of 19,000 square feet of housing elsewhere in Beacon Hill, resulting in up to 40 income-restricted units. In addition, the project will support affordable housing citywide through a \$4.2 million contribution to the IDP Fund.

HOUSING BOSTON 2030: Low-Income/Non-Elderly Housing Q4 2017 SUMMARY

Boston 2030 Goals:

- Increase the pace of low-income housing production by 50% to 347 units annually.
- Create 6,500 new low-income units by 2030.

Q4 2017 PERFORMANCE: LOW INCOME HOUSING UNITS

PERMIT TARGET Q4 2017	PERMITTED Q4 2017	% TARGET
87	204	234%

CUMULATIVE PERFORMANCE: LOW INCOME HOUSING UNITS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
1,978	1,980	100%

Observations Q4 2017:

With 204 new low income units permitted in Q4 2017, and a very strong Q2 with 125 units, 2017 was one of the best years on record for permitting of low-income units. All told, 412 new low-income non-elderly units were permitted, 119% of the City's annual target of 347 units.

Housing for the Homeless

In Q4 2017, 66 new units for the homeless were permitted. This is the second best quarter for homeless housing production in 22 years of record keeping. In addition to the 66 new units, another 29 homeless set-aside units were added to existing affordable developments applying to the City for redevelopment funding.

Low Income Pipeline

The City currently has a pipeline of 1,311 new non-elderly low-income units. 418 units, including 316 affordable to those earning a low income, were awarded State funding in August. Construction on these projects will commence in 2018, the majority before June 30, 2018.

Resources: A Mixed Picture

Of the \$150 million in public resources spent on affordable housing in 2017, \$140 million or 93% of these funds were expended on projects that were creating new low-income units. The City of Boston contributed \$38.9 million, \$31 million of which was spent on low-income housing production. On average, low-income developments derive 56% of their development budgets from public sources. Clearly, the availability of public funds is a determinative factor in the City's ability to sustain high production rates in the affordable housing arena.

HOUSING BOSTON 2030: Low-Income/Non-Elderly Housing Q4 2017 SUMMARY

Resources: A Mixed Picture, continued

The resource picture for low-income housing is mixed:

- Inclusionary Development:** The amount of newly triggered Inclusionary Development Funds dropped from \$16.3 million in 2016 to \$12.5 million in 2017. This is the result of two forces:
 - The December 2015 revisions to the IDP program substantially raised the Cash-In-Lieu requirements for downtown projects, and developers are doing more on-site and offsite units and
 - The shift of new production away from downtown toward neighborhood locations has resulted in more onsite units (and less cash-in-lieu) because the price differential between affordable and market prices is so much smaller.
- Linkage:** The amount of newly triggered Housing Linkage Funds rose from \$9.4 million in 2016 to \$11.8 million in 2017. Another \$18.3 million is likely to be triggered in 2018 from projects that have already filed for building permits, to be paid out over the course of the next seven years.
- Community Preservation Act:** It has now been more than a year since voters approved the CPA, and six months since the City began collecting CPA funds. The new Director of the CPA was hired in Q3 2017; the CPA Board is currently being finalized and appointed. The City is confident that the first round of CPA funding will be made available later in 2018. While CPA funds can be used for non low-income housing, and some will, to be sure, it is expected that the CPA will more than make up for the decline in IDP funding.

Notable Projects Q4 2017:



48 BOYLSTON REHABILITATION PHASE I: This project is bringing much-needed low-income housing to Chinatown. It has 46 low-income units, of which 26 are targeted to people with extremely low incomes (< 30% AMI) – more than any other project this quarter. of AMI.



BROOKVIEW HOUSE III: will create 12 units of homeless housing for families, along with a youth center for children ages 6 to 19, including classroom space. The developer, Brookview House Inc., will begin construction in Spring 2017.

HOUSING BOSTON 2030: Q4 2017 SUMMARY

Middle Income Housing

Boston 2030 Goal:

- Create 20,000 new units of housing affordable to the middle class by 2030.

Q4 2017 PERFORMANCE: MIDDLE INCOME HOUSING PERMITS

TARGET	DEED-RESTRICTED	MARKET RATE MIDDLE	TOTAL	% TARGET
250	148	253*	401*	160%

CUMULATIVE PERFORMANCE: MIDDLE INCOME HOUSING PERMITS

TARGET	DEED-RESTRICTED	MARKET RATE MIDDLE	TOTAL	% TARGET
7,000	2,448	5,385*	7,833*	112%

* Middle income units are defined as affordable to households with incomes between \$50,000 and \$125,000, who are paying no more than 33% of their income on rent or mortgage. Affordability calculations are based on permitted but not completed units, deed restrictions, homeownership sales and rental data, and market-rate prices of new construction units in the defined local market area.

Observations Q4 2017:

With 401 middle-income units permitted this quarter, Q4 2017 is the fourth quarter in a row where middle-income production substantially exceeded target. The result of this is that 2017 was the best year for middle-income production since the start of *Boston 2030* with 2,027 units in a category with an annual target of 1,000 units.

Shift away from Downtown is Driving up Middle Income Production

In 2017, there were 3,239 new units permitted outside downtown compared to only 1,780 in 2014. Non-downtown projects are, on average, affordable to the 44% of Bostonians who earn between \$50-\$125,000 and who would be able to purchase or rent the home and pay no more than 33% of their income. As more housing is developed outside downtown, more middle-income accessible housing options are the result.

Creating New Homeownership

The homeownership rate for Boston residents is 35%, compared to 62% in the metro area. However, most market-rate ownership production is financially out of reach for the middle income band, with just 12% of the units produced prior to this quarter selling at a price point affordable to that group. Progress is being made, however. In 2014, 7% of market rate units were sold at prices that a middle income household could afford. By Q4 2017, that affordability level has risen to 18%. Since 2014, 759 units of new homeownership housing priced at a level this middle income band can afford have been permitted.

Homebuyer Assistance

Recognizing that new housing production alone will not create enough middle income first-time homebuyers to meet the target of creating 5,000 new homeowners by 2030, the City has put additional effort into helping buyers access existing housing stock. Q4 2017 was better than past quarters – 80% of target compared to 67% of target over the past four years. See the next page for more detail.

HOUSING BOSTON 2030: Middle Income Housing Q4 2017 SUMMARY

Observations Q4 2017, *continued*:

Q4 2017 PERFORMANCE: FIRST TIME HOMEBUYERS ASSISTED

PURCHASED CITY ASSISTED HOUSING	PURCHASED OPEN MARKET HOUSING	TOTAL FIRST TIME HOMEBUYERS ASSISTED
21	21	42

CUMULATIVE PERFORMANCE: FIRST TIME HOMEBUYERS*

PURCHASED CITY ASSISTED HOUSING	PURCHASED OPEN MARKET HOUSING	TOTAL FIRST TIME HOMEBUYERS ASSISTED**
420	347	767

* Only buyers during *Housing Boston 2030* plan period counted.

** City-assisted homebuyers include: buyers of City-funded projects, including IDP and Neighborhood Homes Initiative units, and those who received financial assistance. First-time homebuyers educated at the Boston Home Center who received no financial assistance from the City are counted in the open market column.

Stimulating More Production Of Middle Income Affordable Housing

While recent production rates have been above target, the City remains committed to more production to increase middle income homeownership opportunities. Efforts underway include:

- **The South Boston/Dot Ave Strategic Planning Area** zoning provides density bonuses to developers that create more middle-income units.
- The Housing Innovation Lab has a **Compact Living** demonstration condominium project about to start construction in Roxbury.
- **The Neighborhood Homes Initiative** has 50 new homes affordable to moderate- and middle-income buyers in construction or complete, and another 127 homes in its pipeline.
- **The Increasing Homeownership in Boston Working Group** had its first meeting to identify/outline barriers to homeownership and possible solutions. The group will ultimately develop ten action steps that organizations can take or for which they can advocate.

Retaining Existing Middle Income Homeowners

The City also recognizes that retaining existing middle-income homeowners must be a key part of its middle-income homeownership strategy. To that end, the City offers two kinds of services:

- Home repair and lead paint abatement services to help owners struggling with the costs of keeping up their home
- Foreclosure prevention services to ensure that homeowners don't lose their homes to a risky loan product.

While these programs are directed at homeowners, tenancies are preserved when a homeowner doesn't sell because they can receive assistance to upkeep the home. Likewise, if a homeowner averts foreclosure, tenants will not be evicted. Since *Housing A Changing City: Boston 2030* started in 2014, more than 1,000 homeowners have been aided, and 864 renter households have been helped, and a total of almost 2,000 units of housing preserved. See more detail on the next page.

HOUSING BOSTON 2030: Q4 2017 SUMMARY

Middle Income Housing

Q4 2017 PERFORMANCE: HOME OWNER PRESERVATION*

UNITS RENOVATED	UNITS DE-LEADED	FORECLOSURES PREVENTED	TOTAL HOMES PRESERVED	TOTAL UNITS PRESERVED
54	13	41	63	108

CUMULATIVE PERFORMANCE: HOME OWNER PRESERVATION*

UNITS RENOVATED	UNITS DE-LEADED	FORECLOSURES PREVENTED	TOTAL HOMES PRESERVED	TOTAL UNITS PRESERVED
747	215	947	1,081	1,909

* As ownership retention is a key component of the strategy for housing Boston's elders, senior ownership retention is reported in the Seniors section of this report. Only work done during *Housing Boston 2030* plan period was counted.

Helping to Close The Wealth Gap Through Homeownership

Although an estimated 40% of Boston's middle class is non-white, only 20% of private home purchase mortgages are going to non-white borrowers. Home equity is a huge part of the wealth-accumulation process.

By comparison, 71% of the homebuyers assisted by the City are non-white and 82% of the foreclosures prevented were for non-white clients. To date, non-white clients have purchased or retained almost \$300 million in residential real estate as a result of City initiatives.

Notable Projects Q4 2017:



NEIGHBORHOOD HOMES INITIATIVE: Sixteen units of middle income affordable housing in ten single- and two-family newly built homes was completed in Q4 2017, including four units of housing in the Edson Peacevale Neighborhood Homes site, pictured at left.



AO FLATS AT FOREST HILLS: Permitted this quarter, this project has 38 new middle-income affordable rental units - more than any other project permitted this quarter. It received \$3 million from City sources that leveraged another \$27 million in Federal and private funds.

HOUSING BOSTON 2030: Seniors

Q4 2017 SUMMARY

Boston 2030 Goal:

- Maintain Boston's pace of low-income elderly housing production, in the face of the elimination of the Federal Section 202 program, creating 75 units annually, and 1,500 new affordable units by 2030.

Q4 2017 PERFORMANCE: AFFORDABLE SENIOR HOUSING UNITS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
19	61	321%

CUMULATIVE PERFORMANCE: AFFORDABLE SENIOR HOUSING UNITS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
525	357	68%

Observations Q4 2017

A New Beginning For Affordable Senior Housing

Production of affordable senior housing has been notably difficult over the past three years, likely due to the termination of 202 funding. With the Q4 2017 start of the Jewish Community Housing project of a 61-unit low-income elderly development in Brighton on land obtained from BPDA, some of that deficit has begun to be filled.

In total, 357 new affordable elderly units have been permitted to date, with 284 complete and 73 in construction. 97% are low-income affordable and 3% are middle-income affordable.

Helping Seniors Retain Their Homes

To ensure that seniors who wish to age in place can do so, the City has several programs to help senior homeowners retain their housing, including home renovation and heating system replacement services, lead paint removal assistance, and foreclosure prevention services. Since 2014 these programs have helped nearly 600 seniors retain their homes.

Q4 2017 PERFORMANCE: SENIOR HOME OWNER PRESERVATION

HOMES RENOVATED	HOMES DE-LEADED	FORECLOSURES PREVENTED	TOTAL HOMES PRESERVED
37	2	21	60

CUMULATIVE PERFORMANCE: SENIOR HOME OWNER PRESERVATION*

HOMES RENOVATED	HOMES DE-LEADED	FORECLOSURES PREVENTED	TOTAL HOMES PRESERVED
387	9	191	587

* Only work done during *Housing Boston 2030* plan period counted.

HOUSING BOSTON 2030: Seniors

Q4 2017 SUMMARY

Helping Seniors Retain Their Homes: Supporting Senior Renters

The City also provides services to help lower-income senior renters retain their apartments through its homelessness prevention initiatives. To date, more than 500 at-risk seniors have been able to retain their housing or find alternatives with City assistance.

Q4 2017 PERFORMANCE: ELDER HOMELESSNESS PREVENTION

AT-RISK ELDERLY RENTERS RETAINING THEIR APARTMENTS	35
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CUMULATIVE PERFORMANCE: ELDER HOMELESSNESS PREVENTION

AT-RISK ELDERLY RENTERS RETAINING THEIR APARTMENTS	582
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* Only work done during *Housing Boston 2030* plan period was counted.

In addition to assisting individual renters, the City also seek to prevent displacement of seniors from assisted housing by arranging extensions of affordability agreements past 2030. Q4 2017 was the best quarter since the housing plan for the long term preservation of elderly housing, with 404 units preserved well past 2030.

Q4 2017 PERFORMANCE: AFFORDABLE ELDERLY PRESERVATION

UNITS OF ELDERLY HOUSING PRESERVED TO 2030 & BEYOND	404
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CUMULATIVE PERFORMANCE: AFFORDABLE ELDERLY PRESERVATION

UNITS OF ELDERLY HOUSING PRESERVED TO 2030 & BEYOND	1,701
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* Only work done during *Housing Boston 2030* plan period was counted.

Notable Projects Q4 2017



SYMPHONY PLAZA EAST & WEST: With a total of 404 affordable units between the two buildings, this is the largest preservation of elderly housing since the housing plan began. In addition to the long-term preservation of affordability, the Schochet Companies are also investing \$10.6 million for building upgrades.

HOUSING BOSTON 2030: Students

Q4 2017 SUMMARY

Boston 2030 Goal:

- Create 16,000 new undergrad dorm beds by 2030, reducing the number of undergraduates in private housing by 50% by 2030.

Q4 2017 PERFORMANCE: DORMITORY BEDS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
250	0	0%

CUMULATIVE PERFORMANCE: DORMITORY BEDS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
5,548	5,885	107%

Observations Q4 2017

Starts

Although there were no new starts in Q4 2017, 2017 still ended with above-target dorm production: 1,106 new beds against an annual target of 1,000 beds. Cumulative to date, there has been 5,885 new beds completed or in construction, 107% of target pace.

Completions

No new completions this quarter. To date 3,219 new beds have been completed.

Off Campus Count

Boston's gross off-campus undergraduate count fell from 24,552 in 2013 to 24,478 in 2017, a drop of 72 students. Given that undergraduate enrollment grew by about 1,800 (2% growth), the data suggest that the beds that came online during the period mitigated the impact of the additional students on Boston's private housing stock.

Dorm Pipeline

There are 2,000 new beds in the development pipeline. Offsetting this, however, is the planned demolition of 790 beds by Boston College to make room for the new Shea Field Facility. There are currently no new dormitory beds submitted for review or approval as part of an Institutional Master Plan.

HOUSING BOSTON 2030: Q4 2017 SUMMARY

Preserving Affordable Housing

Boston 2030 Goals:

- Retain at least 97% of at-risk affordable housing units (29,534 units) by 2030.
- Keep losses of affordable housing units below 3% (913 units) with a special effort to protect the expiring 1,043 "13A" units that were developed with State funding.

Q4 2017 PERFORMANCE: AFFORDABLE RENTAL PRESERVATION

TARGET Q4 2017	PRESERVED Q4 2017	% TARGET
330	666	202%

CUMULATIVE PERFORMANCE*: AFFORDABLE RENTAL PRESERVATION

TARGET	PERMITTED ACTUAL	% TARGET
12,352	12,235	99%

Q4 2017 PERFORMANCE: LOSS MITIGATION

LOSS CEILING Q4 2017	NON 13A LOSSES	13A LOSSES	TOTAL UNITS LOST
13	0	0	0

CUMULATIVE PERFORMANCE*: LOSS MITIGATION

LOSS CEILING Q4 2017	NON 13A LOSSES	13A LOSSES	TOTAL UNITS LOST
214	61	0	61

* Only work done during *Housing Boston 2030* plan period was counted.

Observations Q4 2017:

In Q4 2017, 666 expiring use units were preserved in six developments -- more than double the quarterly target of 330 units. Among those six projects are two that were funded by the City: Burbank Gardens received \$1.5 million from the City and leveraged another \$15.1 million in State, Federal and Private funds. Wayne At Schuyler received \$800,000 from the City and leveraged another \$28.8 million in State, Federal and private funds. Both projects agreed to affordability in perpetuity as a condition of receiving City funds. Cumulatively, the City is running at 99% of target for Expiring Use preservation.

No affordable units were lost this quarter and cumulative losses are less than a third of the number that could be lost and still keep losses to under 3%.

HOUSING BOSTON 2030: Q4 2017 SUMMARY

Preserving Affordable Housing

Observations Q4 2017, *continued*:

In addition to protecting large numbers of renters living in subsidized housing, the City also protect individual renters in a number of different ways.

- **Eviction Intervention and Homelessness Prevention.** Renters at risk of losing their apartments are provided with technical and financial assistance to either hold on to their apartment or find a new one that they can afford
- **Homeowner Stabilization.** Homeowners that have multifamily properties are assisted with home upkeep and foreclosure prevention services thereby stabilizing existing tenancies.
- **Acquisitions.** Rental properties that come on the market are acquired by city-funded developers.

The City's renter protection programs have stabilized tenancies for almost 368 renters in Q4 2017 and almost 4,000 renters since the beginning of the housing plan.

Q4 2017 PERFORMANCE: RENTER STABILIZATION

EVICTON/ HOMELESSNESS PREVENTION	PRESERVATION OWNER- OCCUPIED MULTIFAMILIES ¹	FORECLOSURE PREVENTION OWNER- OCCUPIED MULTIFAMILIES ²	ACQUISITIONS	TOTAL
279	52	26	11	368

CUMULATIVE PERFORMANCE: RENTER STABILIZATION³

EVICTON/ HOMELESSNESS PREVENTION	PRESERVATION OWNER- OCCUPIED MULTIFAMILIES ¹	FORECLOSURE PREVENTION OWNER- OCCUPIED MULTIFAMILIES ²	ACQUISITIONS	TOTAL
2,591	791	455	44	3,881

¹ Tenant units in owner-occupied multifamily homes receiving home repair and lead abatement funding

² Tenancies preserved in multifamily owner-occupied properties by foreclosure prevention

³ Tenancies stabilized during *Housing Boston 2030* plan period

Notable Projects Q4 2017:



42-44 ST ANDREW ROAD: This 3-unit property was acquired by NOAH in East Boston with \$255,000 in assistance from the City's Acquisition Opportunity Program Fund. Two units are low-income (<60% AMI), the third unit is middle income (<100% AMI). All tenancies will be preserved.