RESOURCE DEVELOPMENT

2030 GOALS:

- Increase the amount of City-controlled resources available for affordable housing by $20 million from $31 million per year to $51 million per year

- Work to maintain funding levels from existing programs, including CDBG, HOME and LIHTC

- Evaluate the resources needed to achieve the production goals of the Housing Plan on an ongoing basis, recognizing that costs and revenues will change over time
PERFORMANCE TO DATE

AFFORDABLE HOUSING RESOURCES

Significant progress has been made toward achieving the City’s goal of increasing affordable housing resources by $20 million over the course of the plan. The amount of City-controlled resources for affordable housing has risen by more than $10 million, from $31 million in FY14 to $41.6 million in FY16.

Key sources of the additional revenues are:

• A new $1.75 million line item in the City budget for senior housing
• Rising Inclusionary Development Program (IDP) collections from a growing housing sector
• Rising Linkage collections from commercial and institutional growth that support the Neighborhood Housing Trust (NHT)

In total, City-generated resources for affordable housing (IDP, Linkage, City Budget) have risen 57%, from $20.6 million in FY14 to $32.3 million in FY16.

78% of all affordable housing funding managed by the City of Boston now comes from City-generated sources, up from 68% in FY14.

\[1\] City Budget and Federal Resources are FY14-FY16 budgeted amounts. Inclusionary and Linkage revenues are the scheduled collections from developers in each fiscal year.
2015 HIGHLIGHTS

INCLUSIONARY CASH-IN-LIEU CHANGES

In December 2015, Mayor Walsh signed a new Executive Order updating the City’s Inclusionary Development Policy. Key policy changes from this order include a substantial increase in the amount of the cash-in-lieu option to fund units off-site.

In recognition of the fact that the value to developer of cashing out varies widely depending on the market values of the units being cashed out, the new IDP created three market sectors with differing contribution requirements. New requirements include increasing the unit requirement from 15% to 18% of the project units, and increasing the minimum payment per unit from $200,000 to $300,000 in mid-market areas and to $380,000 in higher market areas.

This increase in Cash-In-Lieu requirement will enable the City to create more units, often with greater affordability, in off-site locations than would have been produced on-site.

SENIOR HOUSING

In its FY16 Budget, the City created a new Senior Housing line item and provided $1.75 million from its operating budget This was a key first step toward rebuilding a senior housing development pipeline, after Washington cut the capital funding for the HUD 202 Program.

In a companion effort to generate matching funds at the State level, the City’s legislation was favorably reported out of Committee.

EXPANDED USE OF 4% TAX CREDITS

One of the strategies that the City sought to implement to increase production was making greater use of 4% Low Income Housing Tax credits. While these tax credits yield less equity than the 9% Tax Credits, they were an underutilized State resource that could fund projects immediately, rather than waiting in a multi-year queue for the 9% Tax Credits. In 2015, the City approved eight projects with 588 affordable units for 4% Tax Credits.

JEWISH COMMUNITY HOUSING FOR THE ELDERLY
NEW INFORMATION TO CONSIDER

INCLUSIONARY DEVELOPMENT FUND

The impact of the resurgent housing market is now being seen in contributions to the Inclusionary Development Policy (IDP) Fund. Average annual income rose from $8.7 million in FY12-14 to $14.1 million in FY15-FY16.

The impact of the change in the policy itself on the IDP fund is more difficult to forecast. While the increased per-unit contribution minimum has increased in most neighborhoods and central Boston condominium developers can choose the IDP contribution over providing units on-site, the increased contribution minimum may also encourage more developers to meet their IDP commitment on-site.

LINKAGE

As with the resurgent housing sector, a growing commercial sector is resulting in rising Linkage revenues to the Neighborhood Housing Trust. Average annual income rose from $7.2 million in FY12-14 to $12.2 million in FY15-FY16. This second figure is likely to rise as there will be new payments triggered in the second half of FY16 that are not yet included in the estimates.

FEDERAL FUNDING

Federal grants to the City of Boston for housing and community development have remained relatively stable at about $20 million per year. 100% of HOME funds are allotted to affordable housing, while 25% of CDBG funds are used for affordable housing as well as human services, fair housing, neighborhood economic development, open space, small business and other program delivery services. CDBG is a particularly important resource because of its flexibility. Unlike HOME, Inclusionary, and Linkage funds that are tied to housing production and preservation, CDBG can fund housing stabilization services like home repairs that are critical to the City’s strategy for helping seniors age-in-place. With a projected 52% increase in seniors by 2030, stagnant CDBG funding will become increasingly problematic.
CHALLENGES & OPPORTUNITIES

To ensure that Boston’s housing plan remains current and relevant, the City, along with the Housing Task Force, will review new policies annually with an eye toward making course corrections and improvements. Below are some challenges and opportunities that could impact the City’s ability to raise the resources it needs to deliver on its housing agenda.

Inclusionary Development Policy Changes
The recent updates to the Inclusionary Development Policy (IDP) offer the potential for increased resources; however, it will be a few years before the true impact of this policy change will be experienced. Any project that had applied for zoning relief or had filed certain paperwork with the BRA before Jan 1, 2016 will still be governed under the previous policy. New projects that fall under the new requirements are likely to be at least a year or more until they get through the BRA’s Article 80 review process, begin construction, and make their first payments to the IDP fund.

Linkage Update
The Linkage program began in 1983 with a $5.00 per square foot fee. More than 30 years later, the fee has increased to $8.34 per square foot – a 67% increase. By comparison, the cost of housing in Boston (measured by CPI/Shelter from the Bureau of Labor Statistics) has increased by 193% over the same period. The City is permitted to inflation-adjust in the fall of 2016, but that adjustment is limited by State regulation and would be only a partial fix. Any further updating of the Linkage Program would require State legislative action.

Community Preservation Act
The Community Preservation Act (CPA) is still being considered as a potential new revenue source. 160 communities across the state have passed CPA votes since the program was created in 2000.

The model currently being evaluated includes the minimum 1% surcharge, exempting the first $100,000 of value and providing exemptions for low-income and elderly homeowners. It would result in approximately $14 million for housing, open space and historic preservation. An additional $4 million annually in State funding could be generated if the State continues to match at the current 29.7% rate.