

# BOSTON'S MIDDLE CLASS

## 2030 GOALS:

- Double the pace of middle-income housing production, creating 20,000 new units of housing affordable to Boston's middle class workforce
- Expand and enhance the City's homebuyer programs to help 5,000 middle class homebuyers purchase their first home
- Work with non-profit organizations and lending partners to increase lending and ensure equal access to home mortgages

# PERFORMANCE TO DATE

## MIDDLE INCOME HOUSING PRODUCTION

With 4,044 units permitted, middle income production is currently running at 81% of the target of 5,000 units by this point in the plan. Deed-restricted middle income unit permits are running at 157% of target -- 1,573 units against a target of 1,000 units. Permits for units of market-rate housing affordable to the middle class are currently running at 62% of target.

To create 20,000 units by 2030, 1,000 units per year must be permitted annually. For the first time, production exceeded that amount in 2015, helping to close the production gap. The City's 2030 goal will be met if deed-restricted and market-rate middle income housing continues to be produced at the same pace as in 2015.

## CITY-ASSISTED HOMEBUYERS

While the number of City-assisted homebuyers is running below target, there was a 14% increase in participation from 2014 to 2015, the result of a 66% increase in purchases of City-assisted units. The Boston Home Center has expanded outreach efforts with community groups, non-profits, and new community partners. New marketing efforts include a targeted digital and stronger social media presence. In 2015, 3,760 people attended 155 Boston Home Center classes, workshops, and seminars.

## EQUAL ACCESS TO HOMEOWNERSHIP

The Boston Home Center's homebuyer assistance program continued to perform highly in promoting fair housing in the homeownership sector. The Massachusetts Community Banking Council reports that less than one-third of new home purchase mortgages in 2014 in the open market went to persons of color, below the 40% share of the market that would be anticipated. Two-thirds of City-assisted homebuyers were persons of color, double the participation rate experienced in the private market.

The Boston Home Center has also substantially increased its number of participating mortgage lenders.

## MIDDLE INCOME HOUSING: PIPELINE & PRODUCTION

|                          | Market Units | Deed Restricted | TOTAL |
|--------------------------|--------------|-----------------|-------|
| <b>Target</b>            | 4,000        | 1,000           | 5,000 |
| <b>Permitted</b>         | 2,471        | 1,573           | 4,044 |
| <b>% Target Achieved</b> | 62%          | 157%            | 81%   |

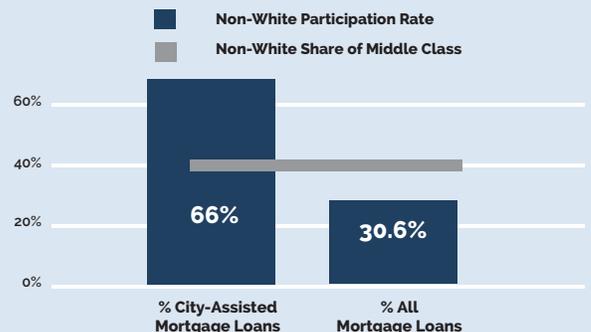
## CUMULATIVE ANNUAL PRODUCTION



## MIDDLE INCOME HOMEBUYERS



## MIDDLE INCOME MORTGAGE PARTICIPATION RATES



## 2015 HIGHLIGHTS

### NEW UNITS COMPLETED

622 new units of housing affordable to the middle class were completed in 2015, a 17% increase from 2014. Significant completions this year included:

- The Lancaster, Brighton: 55 new condominiums, 33% affordable to middle-income homebuyers
- The Viridian, Fenway: 350 new rental units including 38 income-restricted units affordable to middle income renters
- Olmsted Place, Mission Hill: 196 rentals, with 32 middle-income units



THE LANCASTER

### NEW UNITS PERMITTED

1,573 new units of housing affordable to the middle class were permitted in 2015, 63% more than the 964 units permitted in 2014. Notably, 658 of the 1,573 units permitted this year are long-term affordable deed-restricted units, more than in any other year in the past 20 years of record-keeping. Notable projects include:

- Seaport Square B&C, South Boston: 832 rental units, 96 middle-income affordable
- 97 Beverly, Downtown: 239 rental units, 191 middle-income, and 48 low-income units
- The Riverway, Mission Hill: 85 condominiums, 43 middle-income affordable



97 BEVERLY

### NEW IN 2015

The most significant new middle class initiative was the Neighborhood Homes Initiative (NHI), which provides packages of City-owned lots at below-market prices to smaller contractor-builders to build pre-designed 1- and 2-family homes affordable to the middle class. Funding from the City is available to increase the affordability of some homes. One third will be affordable to 80% AMI homebuyers, one third at 100% AMI, and the final third will be market rate.

To date, 297,000 square feet of City-owned land has been made available, with another 552,000 square feet in the pipeline.

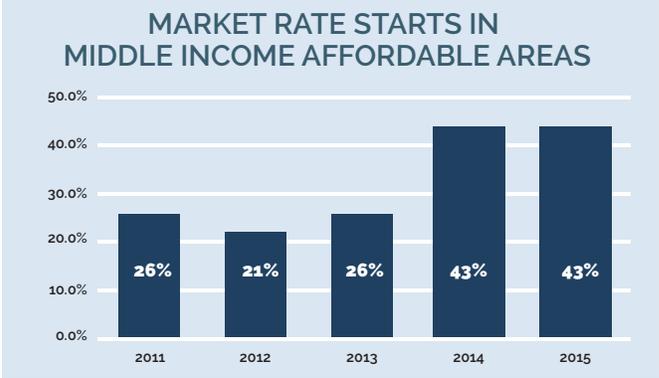


NHI 2-FAMILY HOME DESIGN

## NEW INFORMATION TO CONSIDER

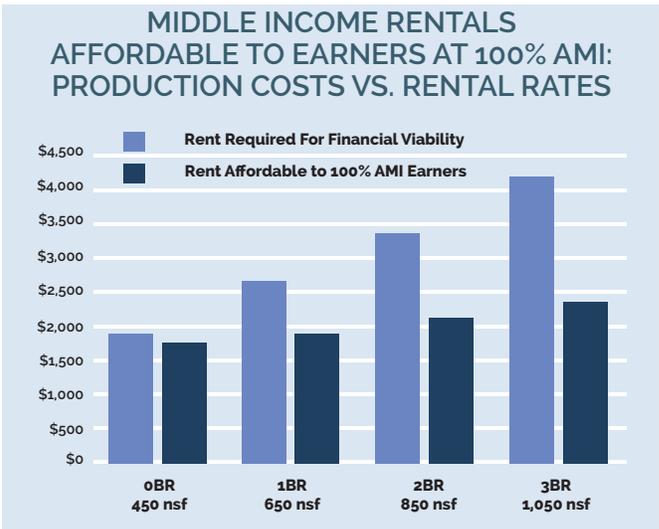
### DEVELOPMENT IN MARKET AREAS AFFORDABLE TO THE MIDDLE CLASS

A key element of the City’s plan for the middle class is the production of new housing in market areas that are more affordable to those earning a middle income. The share of new development outside downtown has almost doubled in recent years, resulting in middle-income affordable units in market-rate developments.



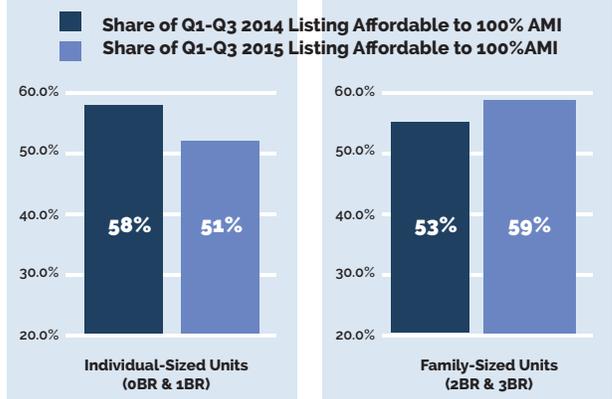
### COSTS OF PRODUCTION

To better understand the development financials behind its middle class strategy and Inclusionary policies, the City engaged a highly-respected development finance consultant to model the costs of developing housing in different market areas. That analysis showed that in mid-market areas of the city, production costs require a rent of \$4 per net square foot to be financially viable. Land costs, labor rates, and other development costs are all elements contributing to the \$4/sf rent requirement.



As shown here, the required rent of \$4/sf is affordable to a household earning 100% Area Median Income (\$69K - \$94K) only in the smallest unit sizes. Family-sized units are too expensive to produce at a price affordable to a middle class family.

### PERCENT OF RENTAL UNITS AFFORDABLE TO EARNERS AT 100% AMI: 2014-2015 COMPARISON



This reality shows that the City will need to redouble its efforts to reduce production costs. It is also increasingly clear that new production in the neighborhoods will primarily benefit the middle class indirectly, by relieving pressure on the existing older housing stock.

## 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 achieve its housing goals for the middle class.

### Making Middle-Income Development More Financially Feasible

The current cost of producing mid-market housing may impede the pace of production in lower-priced market areas. To successfully build in the lower-market areas, developers will need to have a lower cost profile. Savings could be realized through more efficient construction, lower land costs, or through offering a product where rents would be higher than the local market conditions. These higher rents could be driven by superior quality construction or more desirable location, for example, close to the waterfront or transit. To address these issues, several initiatives are underway:

- State legislation opening up more State lands for housing development (Hearing held Oct 27th ).
- State legislation allowing cities and towns to offer temporary property tax relief to developers of middle-class housing (Hearing held Dec 10th).
- The City has two million square feet of City-owned real estate in the disposition process that should create more than 1,000 new units of housing.

### Housing Innovation Lab

Looking for new ways to produce housing at lower costs and increase middle income housing production, The Housing Innovation Lab is exploring a Mid-Market Development Strategy, including:

- Density Bonus Policy to incent developers to build more affordable units in targeted locations
- Housing Innovation Competition to create more affordable neighborhood homes that utilizes creative design solutions for smaller living.
- An Accessory Dwelling Unit Policy Pilot to provide residents the ability to modify the current housing stock to meet future needs.

### Increasing Homebuyer Access

While the rise in pace of affordable homeownership production is helping, this strategy alone will not result in the volume of homebuyers that the City seeks. A companion strategy will be needed to increase access to the private market. The current strategy of enhancing access to credit and helping with down payments is no longer enough. The City is working with mortgage lenders to explore options.