

MAYOR MARTIN J. WALSH

# HOUSING A CHANGING CITY

## BOSTON 2030



Q3 REPORT

2017



**Boston 2030 Goal:**

- Create 53,000 additional units of housing by 2030, in order to accommodate population growth of nearly 100,000 new people.<sup>1</sup>

Q3 2017 PERFORMANCE: ALL HOUSING UNITS		
PERMIT TARGET Q3 2017	PERMITTED Q3 2017	% TARGET
663	1,610	242%
CUMULATIVE PERFORMANCE: ALL HOUSING UNITS		
PERMIT TARGET	PERMITTED ACTUAL	% TARGET
17,880	23,468	131%

**Observations Q3 2017:**

**Completions**

Almost three years into the implementation of Mayor Martin J. Walsh's *Housing A Changing City: Boston 2030* plan, the number of new units completed, permitted, or approved has continued to rise. By the September 30th reporting date, 14,336 new units have been completed: this number represents enough housing to accommodate almost 29,000 new residents. However, the demographics underlying the housing plan projected a population growth of approximately 31,000 people by that same date, so while significant progress has been made, completions are still not quite what is needed to keep up with Boston's projected population growth.

That said, the 9,132 units currently in construction will house another 17,000 people when completed, which should continue to ease pressure on the housing market.

Of the 14,336 completed units, 19 percent (2,735 units) are deed-restricted units affordable to low- and middle-income households; another 21 percent (3,051 units) are market-rate units available at prices affordable to the middle class.<sup>2</sup>

**Record-Setting Permitting**

The 1,610 new units permitted in Q3 2017 represent the 2nd largest quarter for housing starts in the last 20 years; Q2 2017 is still the biggest quarter on record in this regard. All told, 4,270 new units have been permitted so far in 2017.

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.

2 Market-rate middle units are designated to be affordable to the middle-class when households earning less than \$125,000 would spend no more than 33% of their income on rent.

# HOUSING BOSTON 2030: Accommodating Growth

## Q3 2017 SUMMARY

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### Observations Q3 2017, continued:

#### A Robust Pipeline

There are currently 26,391 new units in the City's development review pipeline; 8,863 units have filed for permits at Inspectional Services. In Q3 2017, new applications for 1,365 units were filed.

#### Rising Development Interest in Outer Neighborhoods

63 percent of new permit applications in Q3 2017 were for developments located outside of the downtown core in areas where market prices are often more affordable to the middle class. By comparison, in 2014, only 53 percent of all new development applications were outside downtown.

#### Construction Employment

The 23,468 units completed or in construction have created 23,000+ new construction jobs.

#### An Expanding Tax Base

The 14,336 units completed to date have added \$7.7 billion to the City's tax base, generating almost \$79 million in new annual tax revenue. When complete, the 9,132 units in construction are projected to add another \$4.4 billion to the tax base, and \$43.5 million in new annual tax revenue.

### Notable Projects Q3 2017:



**PARIS VILLAGE:** This affordable development in East Boston will create 32 new affordable units for families earning less than \$58,000 per year. Four units are set aside for homeless families with incomes under \$29,000 per year.



**31 NORTH BEACON ST MIXED USE:** This development in Brighton will create 20 new rental units for a range of household types – eight studio and 1 BR units and twelve 2 BR units. Three units will be affordable to households with incomes ranging between \$50,000 and \$61,000. The ground floor contains 2,170 square feet of retail.



**GODDARD HOUSE:** This development on South Huntington Ave will repurpose the former Goddard House Home for Aged Women on Mission Hill into 149 new rental units. Nineteen units will be affordable apartments to households earning \$50,000 and \$61,000.

# HOUSING BOSTON 2030: Low-Income/Non-Elderly Housing Q3 2017 SUMMARY

## Boston 2030 Goals:

- Increase the pace of low-income housing production by 50% -- from 234 annually from 2011-2014 to 347 units annually.
- Create 6,500 new low-income units by 2030.

### Q3 2017 PERFORMANCE: LOW INCOME HOUSING UNITS

PERMIT TARGET Q3 2017	PERMITTED Q3 2017	% TARGET
87	57	66%

### CUMULATIVE PERFORMANCE: LOW INCOME HOUSING UNITS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
1,890	1,753	93%

## Observations Q3 2017:

After a near-record quarter of 125 units in Q2 2017, the pace of production dropped in Q3 to 57 new units. Nonetheless, low-income production rate of 1,753 units is very close to target, and the pipeline is soon to receive an influx of permits from projects that recently received necessary funding from the state.

### Completions

A total of 1,301 new low-income, non-elderly units have been completed in 60 projects to date. These units have housed an estimated 2,455 low-income residents. Notable completion this quarter is Waverly Abby in Brighton that will create nine new units for homeless youth and preserve another 19 units for the homeless in perpetuity.

### Housing for the Homeless

Of the 1,753 new low-income units permitted to date, 385 have been set aside for homeless individuals and families.

### Low Income Pipeline

The City currently has a pipeline of 1,327 new non-elderly low-income units. 418 of those units, of which 316 are affordable, were awarded State funding in August. As the last major financial hurdle for most of these projects, construction for these projects will commence by Q2 2018.

# HOUSING BOSTON 2030: Low-Income/Non-Elderly Housing Q3 2017 SUMMARY

## Expanding Low-Income Housing Production Through Acquisitions

To date, 434 new low-income units have been created through 34 acquisitions of market housing and converting it to affordable housing. This represents 25% of the City's low-income production to date. This strategy has enabled the City to achieve its target of increasing the pace of production by 50% by offering a much more efficient way to create low-income housing. On average, acquisitions cost about half as much per affordable unit in City, State and Federal funds compared to the amount required to create an affordable unit in low-income developments.

## Resources: Harnessing The Building Boom For Affordable Housing

Higher production rates in both commercial and residential development are generating substantially higher revenues to be used in creating affordable housing:

- **Linkage:** Collection of affordable housing obligations from commercial developments have risen from \$4.3 million in FY14 to \$11.8 million in FY17.
- **Inclusionary Development:** Inclusionary Development Cash-In-Lieu collections have risen from \$11.2 million in FY14 to \$23.0 million in FY17.
- **Community Preservation Act:** In November 2016, voters approved a Community Preservation Act 1% add-on to real estate taxes. It is expected to generate about \$16 million annually from the levy itself; State match funds will add another \$2.75 million. The split between affordable housing, open space and historic preservation is currently under review. In Q3 2017, a Director for the Community Preservation Program was hired to get the program up and running in FY18.

## Notable Projects Q3 2017:



**GENERAL HEATH SQUARE:** This project secured state funding in Q3 2017 that will allow this entirely deed-restricted 47 unit project in Jamaica Plain to move forward. The project has 1-, 2- and 3-bed apartments and will include a community room and commercial space. Five units are reserved for the formerly homeless, 11 for those earning below 30% AMI, 24 for those earning less than 60%, and the remaining 7 are reserved for those earning between 61-80% of AMI.



**ELIZABETH STONE HOUSE:** This mixed-use community project in Roxbury also secured state funding in Q3 2017. Stone House will house 19,700 sf of public meeting space, classrooms, offices, and a childcare facility, as well as 34 rental units reserved for those earning less than 50% of AMI. Three of those units are reserved for the formerly homeless; twelve for those earning less than 30% of AMI.

# HOUSING BOSTON 2030: Q3 2017 SUMMARY

## Middle Income Housing

### Boston 2030 Goal:

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

#### Q3 2017 PERFORMANCE: MIDDLE INCOME HOUSING PERMITS

TARGET	DEED-RESTRICTED	MARKET RATE MIDDLE	TOTAL	% TARGET
250	196	353*	549*	220%

#### CUMULATIVE PERFORMANCE: MIDDLE INCOME HOUSING PERMITS

TARGET	DEED-RESTRICTED	MARKET RATE MIDDLE	TOTAL	% TARGET
6,747	2,305	5,159*	7,464*	111%

\* Middle income units are defined as affordable to households with incomes between \$50,000 and \$125,000. Affordability calculations for permits are based on deed restrictions, homeownership sales and rental data, and market-rate prices in the defined local market area.

### Observations Q3 2017:

With 549 new middle-income units permitted this quarter, 2017 is on track to be a strong year for middle-income housing production. In 2017, 1,647 new middle-income units have been permitted, compared to 1,165 in all of 2016. The rising pace of middle-income production is more focused on neighborhoods outside Boston's downtown core, where demand for such new housing is strong.

#### Completions

A total of 1,189 deed-restricted and 3,051 middle-income priced market-rate units have been completed to date, for a total 4,240 new units. Housing Boston 2030 demographic projections indicate a demand for 5,452 new middle-income units by this point in the plan. So while the City has increased the pace of production -- there are 3,224 more middle-income units currently in construction -- strong demand for these units has not yet been fulfilled.

#### A Robust Middle Income Pipeline

Based on projected affordability, where pipeline units are assumed to be offered at prices comparable to already-completed new construction in local market areas, the City estimates that there are another 9,150 middle-income units that are active in its development pipeline. Of those, 3,598 units have already filed for permits with ISD and should move into construction in the next year or so.

#### Creating New Homeownership

The homeownership rate for Boston's middle class is 43% compared to 69% in the metro area. Compounding this issue is the fact that most new homeownership units are not priced at levels that the middle class can afford. Of the 5,159 middle-class market units permitted to date, only 554 (11%) were ownership units. The other 89% were rental.

# HOUSING BOSTON 2030: Q3 2017 SUMMARY

## Middle Income Housing

### Observations Q3 2017, *continued*:

Stimulating more production of moderately-priced homeownership is critical. To that end, the Mayor's Housing Innovation Lab, the Department of Neighborhood Development (DND) and the Boston Planning and Development Agency (BPDA) are all piloting new strategies to promote middle-income homeownership production. The new South Boston/Dot Ave Strategic Planning Area zoning provides density bonuses to developers that create more middle-income units. The Innovation Lab has a Compact Living Demonstration condominium project about to start construction in Roxbury. The *Neighborhood Homes Initiative* has 31 middle-income affordable new homes in construction or complete, and another 101 homes in its pipeline. Evaluating and taking these successful pilot ideas to scale across the city for a meaningful impact on homeownership production numbers is the next critical phase for these strategies.

### Expanding Access to Homeownership

In addition to its new production strategies, the City, through the Boston Home Center, has worked to educate and financially assist first time home buyers. To date, 727 first-time homebuyers have purchased \$195 million in residential real estate with an average income of just \$57,000.

#### Q3 2017 PERFORMANCE: FIRST TIME HOMEBUYERS ASSISTED

PURCHASED CITY ASSISTED HOUSING	PURCHASED OPEN MARKET HOUSING	TOTAL FIRST TIME HOMEBUYERS ASSISTED
30	22	52

#### CUMULATIVE PERFORMANCE: FIRST TIME HOMEBUYERS\*

PURCHASED CITY ASSISTED HOUSING	PURCHASED OPEN MARKET HOUSING	TOTAL FIRST TIME HOMEBUYERS ASSISTED**
400	327	727

\* 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.

### Retaining Existing Homeowners

The third strategy to promote middle-income homeownership is to preserve the homeowners that we already have. There are two components to this strategy:

- Help existing homeowners maintain and de-lead their homes, and
- Prevent unnecessary foreclosures. Since *Housing A Changing City: Boston 2030* started in 2014, over 1,000 homeowners have been aided, retaining a total of 1,863 housing units.

Note: 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.

# HOUSING BOSTON 2030: Middle Income Housing

## Q3 2017 SUMMARY

### Q3 2017 PERFORMANCE: HOME OWNER PRESERVATION

HOMES RENOVATED	HOMES DE-LEADED	FORECLOSURES PREVENTED	TOTAL HOMES PRESERVED	TOTAL UNITS PRESERVED
27	2	29	58	93

### CUMULATIVE PERFORMANCE: HOME OWNER PRESERVATION\*

HOMES RENOVATED	HOMES DE-LEADED	FORECLOSURES PREVENTED	TOTAL HOMES PRESERVED	TOTAL UNITS PRESERVED
375	96	574	1,022	1,863

\* 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 Q3 2017:



**THETFORD DYER NEIGHBORHOOD HOMES:** One of the first NHI projects to be completed, this project will create 16 new units, of which 10 will be deed-restricted middle-income affordable units. Three of the 6 market rate units are also expected to come in at prices affordable to the middle class.



**399 CONGRESS STREET:** One of the largest developments to be permitted this quarter, this project will have 56 onsite middle-income rental units affordable to households with incomes between \$50,000 and \$65,000.

# HOUSING BOSTON 2030: Q3 2017 SUMMARY

## Seniors

### Boston 2030 Goal:

- Maintain Boston's historic 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 units by 2030.

#### Q3 2017 PERFORMANCE: SENIOR HOUSING UNITS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
19	0	0

#### CUMULATIVE PERFORMANCE: OWNER RETENTION

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
506	296	58%

### Observations Q3 2017

The production of affordable senior housing is not keeping pace with stated production goals. However, the City has identified 171 units of senior housing that are either in the pipeline or about to begin construction. Many senior projects have applied for and are awaiting State funding.

#### Completions

All 385 elderly units permitted to date have been completed, of which 293 are low-income units. 92 are in construction. The completed units will house 424 seniors.

#### Helping Seniors Retain Their Homes

In addition to the production of new units for seniors, the City also has several programs to help seniors retain their housing. The homeownership retention programs include home renovation and heating system replacement services, de-leading assistance, and foreclosure prevention. Since 2014 these programs have helped almost 500 seniors retain their homes.

#### Q3 2017 PERFORMANCE: SENIOR HOME OWNER PRESERVATION

HOMES RENOVATED	HOMES DE-LEADED	FORECLOSURES PREVENTED	TOTAL HOMES PRESERVED
22	0	16	38

#### CUMULATIVE PERFORMANCE: SENIOR HOME OWNER PRESERVATION\*

HOMES RENOVATED	HOMES DE-LEADED	FORECLOSURES PREVENTED	TOTAL HOMES PRESERVED
35	96	574	1,022

\* Only work down during *Housing Boston 2030* plan period counted.

# HOUSING BOSTON 2030: Q3 2017 SUMMARY

## Seniors

### Helping Seniors Retain Their Homes, cont.

The City also provides services to help lower-income senior renters retain their apartments through its homelessness prevention initiatives.

#### Q3 2017 PERFORMANCE: ELDER HOMELESSNESS PREVENTION

AT-RISK ELDERLY RENTERS RETAINING THEIR APARTMENTS	27
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#### CUMULATIVE PERFORMANCE: ELDER HOMELESSNESS PREVENTION

AT-RISK ELDERLY RENTERS RETAINING THEIR APARTMENTS	548
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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 extension of affordability agreement past 2030. While no elderly units were preserved this quarter, since 2014, 664 affordable elderly apartments in five developments have been preserved.

#### Q3 2017 PERFORMANCE: AFFORDABLE ELDERLY PRESERVATION

UNITS OF ELDERLY HOUSING PRESERVED TO 2030 & BEYOND	0
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#### CUMULATIVE PERFORMANCE: AFFORDABLE ELDERLY PRESERVATION

UNITS OF ELDERLY HOUSING PRESERVED TO 2030 & BEYOND	664
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\* Only work done during *Housing Boston 2030* plan period was counted.

## Notable Projects Q3 2017



**132 CHESTNUT HILL AVENUE:** Permits were ready to be issued for this 61-unit low-income elderly development built by Jewish Community Housing on land provided by BPDA.

# HOUSING BOSTON 2030: Students

## Q3 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.

#### Q3 2017 PERFORMANCE: DORMITORY BEDS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
249	0	0%

#### CUMULATIVE PERFORMANCE: DORMITORY BEDS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
5,297	5,885	111%

## Observations Q3 2017

### Starts

After a near record-setting pace in Q2 2017, dorm production in Q3 2017 dropped to zero. However, dorm starts for 2017 to date (1,106 beds) already exceeds the 2017 target of 1,000 beds.

### Completions

The completion of the 730-bed Myles Standish renovation at Boston University will enable the University to relocate 347 students from a temporary dorm at 1047 Commonwealth Ave.

### 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: Q3 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.

#### Q3 2017 PERFORMANCE: AFFORDABLE RENTAL PRESERVATION

TARGET Q3 2017	PRESERVED Q3 2017	% TARGET
330	270	82%

#### CUMULATIVE PERFORMANCE\*: AFFORDABLE RENTAL PRESERVATION

TARGET	PERMITTED ACTUAL	% TARGET
12,007	11,165	93%

#### Q3 2017 PERFORMANCE: LOSS MITIGATION

LOSS CEILING Q3 2017	NON 13A LOSSES	13A LOSSES	TOTAL UNITS LOST
13	18	0	18

#### CUMULATIVE PERFORMANCE\*: LOSS MITIGATION

LOSS CEILING Q3 2017	NON 13A LOSSES	13A LOSSES	TOTAL UNITS LOST
201	79	0	79

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

### Observations Q3 2017:

Boston's commitment to affordably house its lower-income residents dates to the Boston Housing Authority's first public housing developments in the 1930s. Since then, the City has accrued a 50,000-unit portfolio of affordable housing, making it the nation's leader, with nearly 20% of its housing stock set aside as income-restricted housing. 30,477 of those units are privately-owned rental units, many created under affordability agreements that have expired, or will expire soon. Owners now have, or will soon have, the option to convert to market rate. Retaining 97% of these units as affordable housing is a high bar indeed, in light of today's housing market conditions that make conversion to market-rate ever more attractive.

#### Solid Progress & Minimal Losses

In Q3 2017, 270 units were preserved at the Franklin Highlands Development in Roxbury. It is now undergoing \$20 million in renovations and will be preserved until 2032. In total, 11,165 of the 2030 target of 29,522 units have been preserved to 2030 or later. The City is running at 92% of its target for preservation.

## Observations Q3 2017, *continued*:

### Loss Mitigation

Although not technically Expiring Use units (no Federal funding) 18 affordable units at 195-197 Ashmont St in Dorchester were lost when the City's affordability covenant expired earlier this year. No other units were lost. The Loss Ceiling (maximum number of units that can be lost and keep losses to under 3%) to date is 201 units, but only 79 have been lost, putting the City well ahead of target on loss mitigation.

## Notable Projects Q3 2017:



**184 SEAVER ST., ROXBURY:** One of seventeen buildings in the Franklin Highlands Development that is being preserved past 2030 and will receive \$20 million funding for repairs and upgrades.