

Commonwealth of Massachusetts
*Department of Housing and Community
Development*



Housing Supply: Where do we go from here?

BOSTON CREW – January 21, 2016



Jobs, Jobs, Jobs

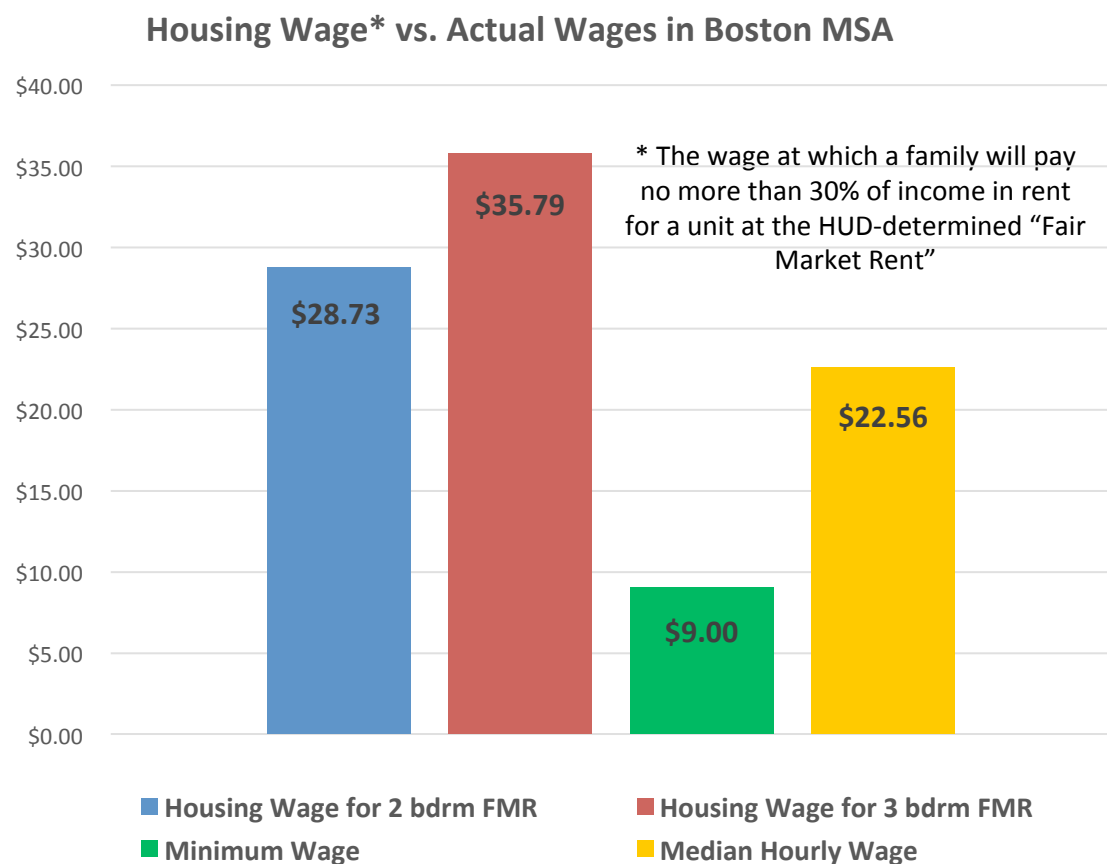
- **The tech boom powers the Massachusetts economy.**
 - Profession, business service, scientific led job gains over 2015.

- **For every tech job created, multiplier effect is 4.**
 - Local goods and service across all incomes from dentists to schoolteachers to cooks to retail clerks.

- **The majority of statewide job growth by 2022 is projected to be in low and moderate wage jobs.**
 - MA Mean annual salary
 - Dentists = \$175,280
 - Cook = \$25,220
 - Schoolteachers = \$62,980
 - Retail Clerk = \$26,240



The Housing-Wage Gap



More people are renting than ever as housing costs rise across the nation.

- 43 million Americans rent – 37% of the nation and the highest share since the mid-1960's.
- 40% of Boston area residents are renters.
- In the Boston area, 38% of households making \$45-75,000/year spend over 30% of income on rent.

Sources: National Low-Income Housing Coalition, "Out of Reach 2015"; Tim Logan, *Boston Globe*, December 9, 2015; The Boston Foundation, *Greater Boston Housing Report Card 2015*



Greater Boston's Building Boom in Context



- Following the national trend toward urban living, Greater Boston was on a pace to permit over 8,000 new units in 5+ unit buildings in 2015 – 54% more than 2014, and 383% *more than 2011*.
- Approximately half of these permits are in the City of Boston, which has not added housing units at a comparable pace since the 1950's.
- Majority of this new development is high-end: The average City of Boston rent is now \$2,009 a month – *only NYC, San Francisco, Silicon Valley are more expensive*.



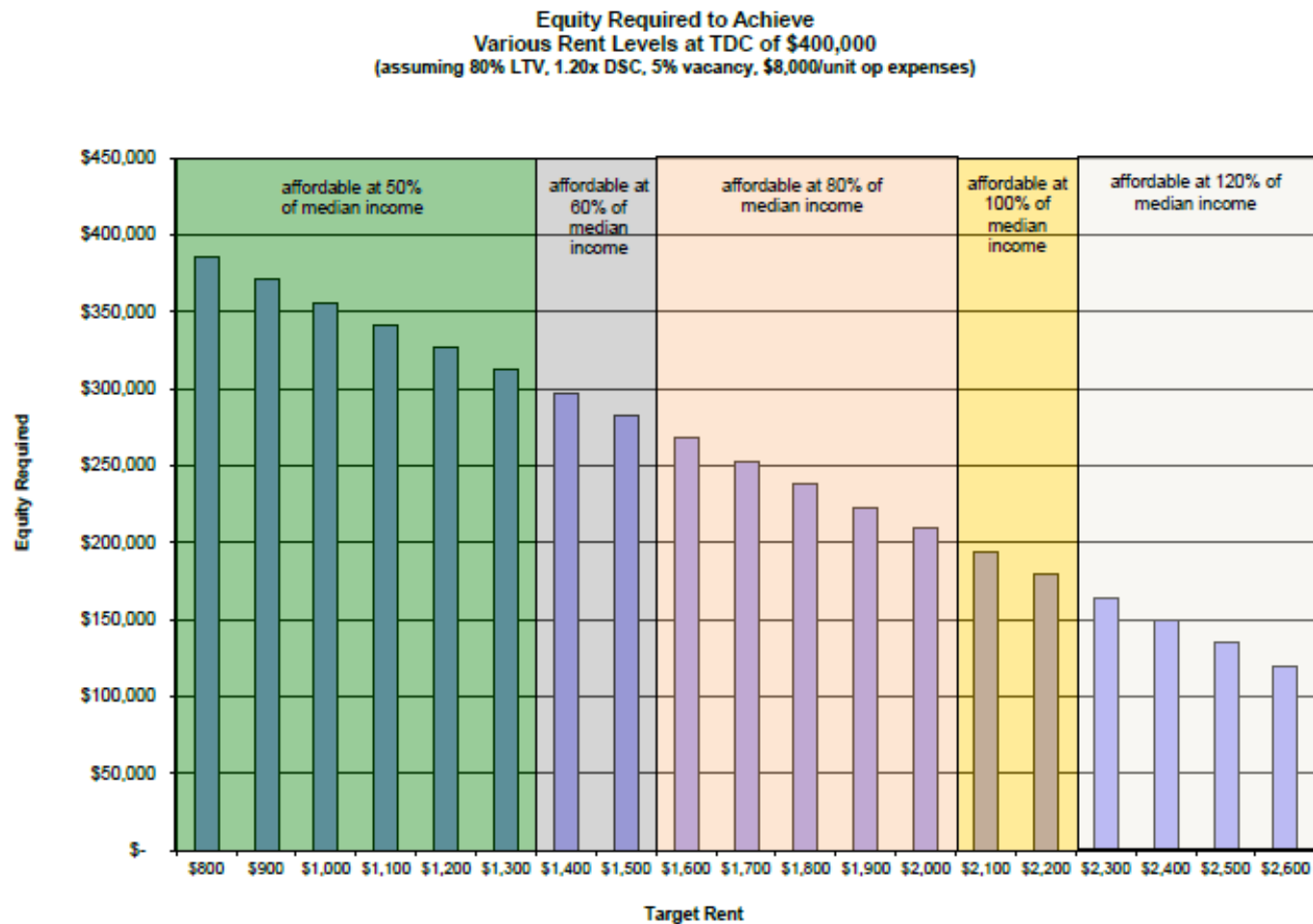
Where is the middle-income housing?

- **Our core issue: The market does not produce housing affordable to the average family.**
 - In MA urban areas, an owner would need to charge a rent of \$3,215 to cover construction and operating costs of the average 1,600 sf rental unit.
 - Average household in Greater Boston would need to spend 52% of income.
 - Downsizing to a 1,200 sf unit, rent becomes \$2,544 – *still 41% of income* for this household.
- **Two options to get to the needed rent level:**
 1. ***Market to higher-income tenants*** – This explains the high-end development we are seeing.
 2. ***Provide a subsidy*** – Either from public funds (such as Low-Income Housing Tax Credits) or the developer (inclusionary development).



Why is it so expensive? Just math....

- The lower the target rent level, the more equity per unit is required.



Source: MA Housing Partnership Data



Emerging Implementation Framework

- **Help communities develop housing that meets their needs**
 - Pursue additional resources for key policy goals:
 - Middle-income housing development
 - Community-scale development
 - Leverage external resources for greater impact – the state can't do it alone.
- **Incentivize rental and ownership housing in smart growth locations**
 - As market conditions continue improving, respond to municipalities' increasing interest in developing downtown, transit-oriented housing through Chapter 40R.
 - Incentivize development of affordable "starter homes"
- **Unlock the value of public land**
 - Urban Agenda grant program
 - Mixed-income public housing communities – addition of middle-income units
- **Develop market-rate housing in Gateway Cities**
 - Affordable for young professionals/families, who can invest in thriving downtowns
 - Make Housing Development Incentive Program (HDIP) a more flexible tool