



# AFFORDABLE FAMILY RENTAL HOUSING: SUCCESSFUL PRACTICES IN MASSACHUSETTS COMMUNITIES

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## *Abstract*

According to the National Low Income Housing Coalition, Massachusetts is the least affordable state in which to live. The burden of these high housing costs is disproportionately felt by low- and moderate-income residents. As the prospect of owning a home becomes less of a reality for many Massachusetts families and as market-rate rents have soared, the need for affordable rental housing becomes more pressing. This paper explores what the best processes are for developing affordable housing for low- and moderate-income families in Massachusetts. The identification of replicable practices demonstrates that creative options exist for cities and towns facing the dilemma of rising housing costs coupled with increased budgetary restrictions.

*Introduction*

As the prospect of owning a home becomes less of a reality for many Massachusetts families and as market-rate rents soar, the need for affordable rental housing becomes more pressing. Because it is primarily local governments that bear the burden of housing their residents, the identification of creative ways for cities and towns to develop affordable rental housing is vital. This paper explores some best processes for developing affordable housing for low- and moderate-income families in Massachusetts. Identification of replicable practices will demonstrate that creative options exist for other cities and towns facing the dilemma of rising housing costs coupled with increased budgetary restrictions. The implementation of these practices will increase affordable housing options, thereby enhancing the quality of life of many Massachusetts families.

Three case studies of affordable family rental housing developments in diverse Massachusetts communities demonstrate that developing affordable housing of any kind is a complex matter. The large-unit rental housing that is necessary for low-income families is particularly difficult, as this type of affordable housing typically encounters strong challenges from neighbors and/or community associations. Nevertheless, these case studies show that effective leadership from city residents and employees, coupled with knowledgeable professionals can create a successful development process. Ultimately, this paper establishes that any city or town can develop affordable family rental housing. It also finds, however, that adequate financing, town planning, successful community participation, strong city leadership, appropriate design and the cooperation of a knowledgeable developer are all vital to that success.

The affordable housing crisis is a national phenomenon. According to the 2003 Joint Center on Housing Studies, affordability remains America's most widespread housing challenge. Safe and affordable housing is a need that is unmet for millions of American households. Numerous studies show that there simply is not enough supply to meet demand for affordable housing, and

Absent stronger income gains among the nation's poor, subsidies are the only way to provide decent housing for lowest income households because developers simply cannot build and operate

units at rents they can afford (Joint Center for Housing Studies 2003).

According to the 2002 Millennial Housing Report, 13.4 million renter and 14.5 million owner households have housing affordability problems. These issues negatively impact family well-being, child development, stress, economic achievement, and self-sufficiency (Bipartisan Millennial Housing Commission 2002).

The combination of three factors is exacerbating an already severe and widespread housing affordability crisis in this country. First, the federal government has not focused on the production of affordable housing in recent decades; second, the Federal Department of Housing and Urban Development's (HUD) budget authority has steadily declined relative to other social service and health programs; and finally, the private market has not provided nearly enough housing that is affordable to low-income Americans (Dolbeare and Crowley 2002). Consequently, this crisis negatively impacts the economic and social well being of millions of households – particularly the elderly, young families, single women, and minorities. Continuing the current trend of declining federal support will exacerbate the gap between the highest and lowest wage-earners as well as the gap between white and non-white households.

While federal support for all housing programs has declined in recent decades, the emphasis of what policies remain is placed heavily on homeownership. Helping individuals and families finance their first home is something that resonates with policymakers and voters alike as being singularly American in scope. In contrast, rental housing is often equated with public housing, specifically, the enormous, cookie-cutter housing projects of the 1950s and 1960s. The negative connotations commonly ascribed to public housing are similar to those attributed to welfare and other federally sponsored programs to aid the poor.

For these reasons, programs to support rental-housing development have typically been less politically viable than those fostering homeownership. However, homeownership is not a viable option or a desirable one for many American individuals and families. Renting provides the flexibility necessary for growing households, or those whose careers require mobility. Furthermore, many Americans do not have the long-term stable income stream homeownership requires. For these populations, affordable rental housing is a necessity. By focusing on successful practices in the

development of affordable rental housing, this study seeks to demonstrate that even this considerably less popular type of affordable housing can be developed well, and by and size and scale of municipality.

### *The Massachusetts Context*

While housing affordability is a problem in every part of the country, Massachusetts is the least affordable state in which to live (Bluestone 2003). The burden of high housing costs is disproportionately felt by low- and moderate-income residents. The cost of housing in Massachusetts is among the highest in the country – between 1980 and 2003, the nation's largest overall percentage increase in housing prices took place in Massachusetts (Heudorfer 2002). Over the past ten years, the situation has worsened to the point that the lack of affordable housing “now affects all but the most affluent housing consumers and threatens to undermine the state's economic competitiveness” (Goodman and Palma 2004). The state's housing crisis has been caused by a number of factors, including the lack of vacant land in urban areas, restrictive land use practices in suburban areas and a lack of housing production at all levels of affordability (Goodman and Palma 2004).

An examination of the state's affordable housing inventory reveals that some Massachusetts cities and towns have been much more successful at developing affordable housing than others (Department of Housing and Community Development 2002). Chapter 40B of Massachusetts law mandates that each of the state's 351 cities and towns share the burden of producing and preserving affordable housing, by having 10% of each town's housing stock be subsidized and affordable to low and moderate income (LMI) households.

Chapter 40B allows developers to apply for a Comprehensive Permit, which streamlines the permitting process at the local level. Within the application for this permit, a developer may request a waiver of zoning or other requirements that would otherwise bar the development from being constructed. If denied, and the city or town's subsidized housing makes up less than 10% of its housing stock, the developer has the right to appeal the decision to the state Housing Appeals Committee (HAC). In order to do so, the development in question must contain at least 20% affordable units. The HAC then weighs the regional need for affordable housing against the community's economic or environmental impact arguments. If

the regional housing need is found to be greater than the community need, the appeal is granted and the development can be built.

The law has been unquestionably successful in its goal of producing LMI units. Nearly 20,000 units of housing for low- and moderate-income families in more than 200 communities have been built using its guidelines. Though these developments are often controversial at the outset, the end products usually involve collaboration between communities and developers and are successfully integrated into the surrounding neighborhoods (Heudorfer 2002). Despite these successes, the demand for affordable housing is still not met in the state. In the 1990s, the number of households increased by nearly 130,000, yet fewer than 92,000 new housing units were built (Bluestone 2003).

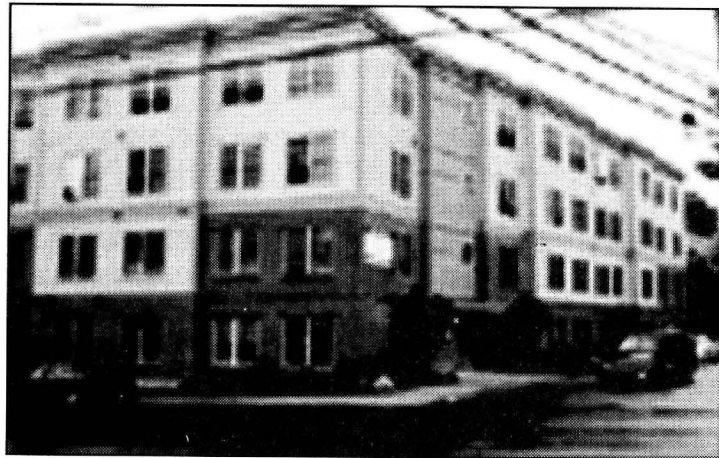
### *Case Studies*

The following three case studies analyze affordable family rental housing initiatives in suburban and rural towns in Massachusetts. The cases indicate that the most successful developments occur when the city leadership, citizens, and developer understand and appreciate each other's goals, and that those goals do not significantly conflict. By outlining the obstacles encountered by municipalities in the development of units, and identifying how those obstacles were overcome, the cases demonstrate that it is in the power of Massachusetts cities and towns to successfully integrate affordable family rental housing into their communities. Doing so, however, requires that affordable housing be made a priority by both the local government and its citizens.

The projects outlined below were selected because numerous experts in the field of affordable housing in Massachusetts suggested them as high quality affordable family housing developments that meet specific needs of their respective communities. Furthermore, the municipalities chosen are dissimilar in terms of population, income, and region. The city of Haverhill is a former mill town located on the New Hampshire border that has historically been a working class community. Recent increases in housing costs threaten many long-time residents. Falmouth is a waterfront community on Cape Cod that must address the needs of full-time residents while maintaining desirability to the tourists and summer residents that provide substantial revenue to the town coffers. Newton is a wealthy first-ring suburb of Boston with excellent city services and public schools

that is combating rapidly rising land and housing costs. Despite the vast differences among these towns, the affordable housing developments that have been built in them share many similarities. This indicates that their common experiences are not limited to any one type of community, but may be applicable in a variety of municipalities.

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*Case #1: Auburn Apartments, Haverhill*  
*Sponsor: GreatBridge Properties*  
*Developer: GreatBridge Properties*  
*Number of units: 30*  
*Number of 2+ BR units: 23 (11 2-bedroom units) (12 3-bedroom units)*  
*Percentage of units that are affordable: 100%*  
*Income Range Targeted: 3 units: 40% of AMI; 3 units: 50% of AMI; 24 units: 60% of AMI*  
*Year completed: 2003*  
*Total Development Cost: \$4.5 Million*



*Community Name: Haverhill*  
*Reached 10% according to DHCD: No*  
*Political Structure: City – Mayor; City Council*  
*City Housing Components: Town Community Development Office; Affordable Housing Task Force; Haverhill Housing Authority*

*Area: Lawrence MSA*  
*AMI: \$74,300*  
*Median rent: \$575*  
*Renter-Occupied: 38.5%*

The City of Haverhill is located in northeastern Massachusetts in Essex County about a half hour's commute to Boston. Like many of its neighbors, Haverhill evolved into a major industrial center during the 17th and 18th centuries, and suffered a serious decline beginning in the 1930s. Thanks to emerging computer technology and research industries, the city is experiencing an economic upswing and a newly rehabilitated central business district (Boston Globe 2002a). The downtown area known as "The Acre" is adjacent to the business and government center of the city, yet has not participated in the revitalization that has touched the rest of the downtown. This section of the city is a mixture of residential and commercial uses, much of which is vacant and in need of considerable repair.

Before 2000, few developers had expressed interest in Haverhill as a spot for revitalization or affordable housing. The development of Auburn Apartments was the result of considerable work on the part of city leadership, community activism, and an experienced and patient developer. Auburn Apartments sits on the edge of The Acre, and acts as a buffer between the commercial district and the residential areas beyond. At first glance, the building does not distinguish itself from its environs. The four-story structure with its combination of brick and vinyl siding blends in with the mixture of commercial and residential buildings of similar scale and design surrounding it. Only after looking closely does it become clear that the building is brand new – the perfectly pointed bricks and gleaming playground reveal its true age. The newly constructed edifice substantially improved the aesthetics of the neighborhood, as it replaced a dilapidated and underused structure that contained only a liquor store on the ground floor, with vacant office space above.

When the developer of Auburn Apartments - Bill Caselden of GreatBridge Properties – approached the town, the groundwork had largely been laid for the development of affordable housing in the downtown area. Haverhill has long had a reputation of affordability, but in many ways, the city's reputation worsened its housing crisis. People flocked from other areas over the past two decades to take advantage of the lower

rents to be found there (Goldstein 2003). Compounding the problem is that in recent years Haverhill experienced significant losses to its once prodigious affordable rental housing stock. Much of this loss was a result of condominium conversions coupled with increased rents.

By 1990, Haverhill had one of the biggest shortages of affordable housing in Northeastern Massachusetts, and since 1995, this shortage has worsened, with home values appreciating by more than 31%. These increased prices placed low and moderate-income families out of the market. Population growth has also contributed to the housing shortage. Since 1990, the population increased 14.7% - from 51,000 to nearly 59,000 residents - this is a rate of growth higher than any other city in the region. Many of these new families are minorities and immigrants; Latino students in Haverhill's school system increased by 60% from 1990 to 2000 (US Census 2000). These new residents are having an increasingly difficult time finding affordable housing. Consequently, according to a former city employee, "the development of housing, particularly in targeted low income neighborhoods was a priority in our Consolidated Plan." In order to further facilitate affordable housing production, the city also approved an Inclusionary Zoning Bylaw, which requires that 10% of all new rental housing be affordable.

Once the severity of the city's affordable housing shortage was identified, the town designated a number of vacant and underused parcels as development priority sites. Many of these were in The Acre. According to developer Bill Caselden, in areas like this, "owners aren't going to do anything more than their neighbors. Sometimes, there needs to be a spark, a visible investment, to spark improvements and encourage other people to make investments without feeling they are the only ones taking huge risks."

Auburn Apartments is home to thirty households, many of whom have been on the Haverhill Housing Authority waiting list for years. The apartments come with sizeable bedrooms, kitchens and living rooms, and the developer donated funds to build a small playground behind the building. The project is accessible to public transportation as well as pharmacies, supermarkets, and city offices and schools. This project, in combination with a number of other efforts, has provided a needed spark to Haverhill's downtown revitalization. Since groundbreaking at Auburn Apartments, there has been a significant increase in interest in developing other properties in the neighborhood. Furthermore, "more and more people

are taking pride in their properties," said one long-time Haverhill resident. "There are new buildings and people are cleaning up their homes. It's all improving" (Goldstein 2003).

The Mayor's personal commitment to the Affordable Housing Task Force demonstrated that housing was a top priority of the city. He chaired each meeting of the task force himself, seldom leaving that role to aides as often occurs in other towns. Due in large part to the Mayor's leadership, the town was ripe for the development of affordable family rental housing by the time GreatBridge expressed interest in 2001.

GreatBridge selected the site at 62 Portland Street because of its prime location, size, and an accommodating owner, who was extremely cooperative in extending the developer's option throughout the lengthy funding-approval process. The project had to go through two rounds of applications to receive the necessary Low Income Housing Tax Credits (LIHTC). This type of delay is not unusual, as competition for LIHTC is strong, and the credits are only distributed once per year. However, these delays can often present great challenges for developers and cities that are not working with understanding owners, or in areas where market pressures make it very difficult for owners to accommodate any kind of delay.

The development was designated for family housing for two reasons. The first was that the 1999 task force study had identified family units as the most needed. The second is that new production of family rental units presents the most funding possibilities. Sources such as the Affordable Housing Trust Fund and the Home Funders programs at the state level give preference to developments with a significant portion of family-sized units. This means that there are considerably more sources of funding to fill in the gaps for family developments than for other types of housing such as those aimed at the elderly or buildings with primarily studio and one-bedroom units.

Auburn Apartments utilized many of these sources of funding. Besides the LIHTC, which provided the greatest single source to the project, the development secured a mortgage from the quasi-public Massachusetts Housing Partnership. The project received gap funding from both state and local HOME funds, with the remaining money provided by the developer. In total, Auburn Apartments utilized seven sources of funds. Only the LIHTC posed any problems for the developer, as the project had to wait for a second round of funding. While the owner was willing to wait out

the delay, the project had to absorb significant legal fees for both the owner and developer until funding was secured and the property could change hands.

The project met with great success despite this financial delay because of strong top-down leadership. Although the mayor had already written numerous letters of support, he personally attended the final tax credit meeting in Boston to demonstrate the city's desire to see this project move forward. The mayor's support, and his history of pushing for affordable housing made a huge difference to the success of this project, which had many potential liabilities: It was sponsored by a for-profit developer from out-of-state, met with significant delays in obtaining LIHTC funding, and it was to be the highest-density development in the neighborhood. Often, just one of these issues is enough to cause concern among neighbors and community groups. In Haverhill, however, the leadership in the town had consistently sought out the opinion of community members and ensured that the public was knowledgeable about the process and the problems that the project was addressing. Political support often means community support. According to Paula Newcomb, political leadership, "without a doubt" has an impact on the level of community and neighborhood support for affordable housing.

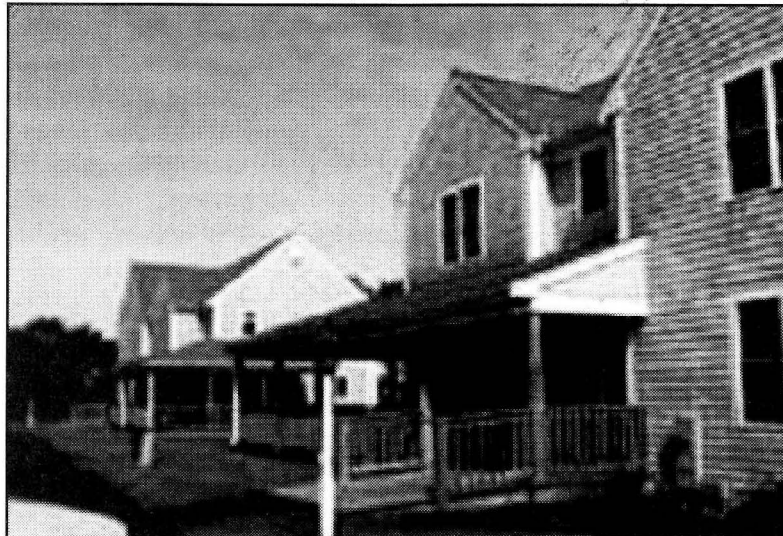
Caselden says that he'd much rather come to an agreement with the town than use the tools afforded to developers under Chapter 40B. However, in his experience, even in situations where a comprehensive permit is not necessary (or is approved by the town without an appeal to the state board) the statute has a dramatic effect on the willingness of many towns to cooperate with developers. Municipalities would rather work with a developer to ensure that some of their goals are met than risk a 40B appeal that could lead to a development that is completely outside the objectives of the city.

Another reason for the strong community support was the scale of the project. With only 30 units at 4 stories, the development was, "large enough to have an impact, without being so big as to be daunting." With a number of additional projects currently being planned, it is believed that numerous small developments can collectively make the same impact as a very large development without the level of opposition often encountered when proposing large, dense projects. Using affordable housing as downtown infill at under-used sites can often produce much-needed housing with fewer costs. This becomes especially attractive in areas where the city is

putting other funds into revitalization efforts, or when existing structures create negative perceptions among residents. Conversely, larger sites in less-developed areas or on the outskirts of town often require developers to pay the price to bring necessary infrastructure such as water and sewer to the development. The town also pays the price in a loss of open-space. Infill projects solve both of these problems as well as improve the appearance of a neighborhood.

The Auburn Apartments development process is an example of how a municipality, community leaders, and a private developer can work together to address affordable housing needs in an efficient manner. Instead of simply reacting to a proposed development, the city had a plan in place, identified priority sites for development, and was willing to work with a developer in order to increase their supply of affordable rental housing. For these reasons the city was able to control many of the variables in the pre-development process. However, it took a very strong-willed leader in order to facilitate these advances and a developer willing to cooperate, to create a successful example of affordable family rental housing.

Case #2: Gifford Street, Falmouth  
 Project Name: Gifford Street Phase II  
 Number of units: 14  
 Number of 2+ BR units: 0  
 Percentage of units that are affordable: 100%  
 Income Ranges Targeted: 3 units: 50% of AMI; 11 units: 80% of AMI  
 Year completed: 2002  
 Total Development Cost: \$1.6 million



Community Name: Falmouth  
 Reached 10% according to DHCD: No  
 Town Political Structure: Town government w/ Selectmen & town meeting  
 Town Housing Components: Housing Authority; Planner  
 Area: Cape Cod – Barnstable County  
 AMI: \$58,700  
 Median rent (county): \$637  
 Renter-Occupied % - 14.3%

Like most towns on Cape Cod, Falmouth has a history as a fishing, farming and whaling community. The growth of Falmouth accelerated after 1910 with the proliferation of automobiles, which made the Cape much more accessible. The increasing size and worldwide renown of the scientific institutions at Woods Hole have contributed to the growth and importance of the town. Its location and extensive coastline as well as its expanding amenities has made Falmouth very desirable for retirees, summer residents and even those who commute the 75 miles to Boston for work. This growth, along with increasing environmental restrictions and open space preservation has severely limited the amount of land available for development, and thus has put enormous pressure on the Falmouth housing market.

Despite the numerous constraints facing housing development, Falmouth has constructed an array of affordable housing with remarkable success. The town has 130 units of affordable housing built or in construction over the past two years, but still falls well short of the 10% threshold at just under 5%. One major reason for this recent success is the director of the Falmouth Housing Corporation, Robert Murray. Bob has been described as “the housing wizard of Cape Cod,” and as head of the nonprofit Falmouth Housing Corporation (FHC), he is personally responsible for the development of many affordable housing units in the town. The FHC was established in 1996 to address the housing needs of low-income households on the Upper Cape. The organization began acquiring property in mid-1998 and currently owns 63 units of housing, all of which are affordable to low and moderate-income households. There are plans for 90 more units to begin construction in 2004. In total, the FHC owns over 23 acres of land in the town of Falmouth.

The FHC’s latest development is Gifford Street, Phase II, which accommodates 14 families earning less than 80% of AMI, although many of the residents are Section 8 voucher holders who earn less than 30% of AMI. While there are a few units that are designated as project-based Section 8, many residents reside in Gifford Street with their existing, transferable Section 8 vouchers. This is because there are so few units available to Section 8 holders on Cape Cod. Many have to travel twenty to fifty miles away in order to find units that will accept their vouchers. The Gifford Street development provides housing on the Cape for these individuals and families and allows them to reside much closer to their families or places of work.

Gifford Street is a two-lane road running north from the central business district of Falmouth. It was developed with a variety of commercial and industrial uses including the recently completed Gifford Street Homes Phase I. This project was developed simultaneously with facilities for a number of community agencies including a food pantry, recycling center and community farm, and contains 28 units of housing, many for Department of Mental Health (DMH) patients. Phase II consists of four new structures: six one-bedroom units and six two-bedroom units in three buildings, plus a three-bedroom unit in the fourth structure. The fourteenth unit is in a pre-existing two-bedroom house. Local shopping, town services, beaches and other amenities are within two or three miles of the project site, and Falmouth High School is located less than one-quarter mile from the project.

Like other affordable housing developments in Massachusetts, Gifford Street Phase II required a number of funding sources in order to cover the cost of development. In addition to FHC cash and equity contributions, the project received a construction loan from the Cape Cod Housing Consortium and permanent funding from the MassHousing Partnership Fund, a MHP Perm Plus loan, and gap funding from the Affordable Housing Trust Fund. In total, the project utilized eight sources of funding. Acquisition costs were significant for this project, at 15% of the total development cost. This is typical of projects on Cape Cod and in other areas that have very high land costs, making it more difficult to build housing at a level affordable to families that need it most in these communities.

Gifford Street Phase II received a 40B Comprehensive Permit that allowed the project to be built without conforming to the existing zoning measures. While some Comprehensive Permit applications stimulate considerable opposition from the community, or from the town's Zoning Board of Appeals (ZBA), the permit for Gifford Street met with little resistance from either. According to Murray, Falmouth "provides a good example of what happens when a town is really behind a project." The town's leadership has been solidly behind the majority of FHC's developments. The ZBA even worked overtime to approve a previous development in time for Murray to apply for the LIHTC necessary to make the financing work. According to Murray, this type of support is rare on and off Cape Cod, and has a significant impact on the quality and quantity of housing that gets produced. He believes that the Cape is a difficult place

to develop affordable housing, not because of "environmental constraints or a lack of developable land. It's a lack of leadership. That lack has cost the Cape much when it comes to housing."

The level of local governmental support for housing in Falmouth is what drew Murray to the town. As an affordable housing advocate in a variety of roles in neighboring Harwich, Murray was increasingly frustrated by the lack of progress in that town. "In Harwich, it has taken five years for three lousy houses," Murray said. "It just isn't worth the time and the effort. I just decided I'm going to spend my time where I'm going to make things happen." Proactive leadership on the issue of affordable housing is essential according to Murray. "There are great myths surrounding affordable housing. When a town's leadership does not dispel these myths, or worse perpetuates them, it can be devastating to a project."

It is these myths that often cause surges of community opposition to proposed affordable housing. Whether it is a concern for increased crime, traffic, school costs, or environmental impact, it is the responsibility of elected officials to address the concerns in a practical manner. Murray adds that a "practical manner" means Selectmen, councilors, aldermen, and mayors need to act in the best interest of all residents, not a few neighbors. By supporting developments that augment the affordable housing stock while maintaining the integrity and character of the existing community, many of the myths surrounding affordable housing can be dispelled. In many cases, using the Comprehensive Permit Process under Chapter 40B makes it easier on towns. "As an instrument for the municipality, 40B works quite well," according to Heather Harper, Assistant Town Administrator. The Gifford Street Developments are an example of a 40B success – making it possible for a private nonprofit to work with the town to build 40 units of 100% affordable housing.

Despite, or possibly because of, 40B's achievements in Falmouth, the town has pursued initiatives to strengthen local control over growth and housing. Recently, an Affordable Housing Action Plan was approved via town meeting and certified by DHCD, which will allow the town greater control over development, and will limit overrides of local zoning. By pursuing projects that are within the local housing plan's guidelines, the projects should receive greater support from the city, and fewer instances of community opposition.

Gifford Street, Phase II did not encounter much community opposition



for two reasons. First, the site is in a relatively unpopulated area with few abutters. While the ideal is to build new affordable units in accessible areas close to infrastructure and transportation, the options for development are not always great – especially on Cape Cod. However, when housing needs to get built, it is sometimes necessary to make some concessions. Second, the earlier Phase I had been very well received by the community, and the combination of community group offices, DMH housing, elderly, and family units making up Phase II was seen as providing a needed service to the town. Furthermore, once the units were built, the design was praised as well – the FHC gets numerous requests from market rate renters and buyers about the units.

According to Murray, the FHC sought to conform to existing neighborhood design. This attention to detail made Phase II extremely easy to develop, both in getting support from the town and financing from state agencies. A record of success goes a long way in being able to finance affordable housing. “Agencies want to work with people who have the track record to get units in the ground,” says Murray. Echoing this sentiment was MassHousing loan officer Andrew Winter, who added, “The financing approval and closing process is a complex one, with a fairly steep learning curve. An experienced developer typically will navigate this process more quickly.”

Falmouth has been fortunate to be able to work with a developer who takes the community’s needs seriously, and also puts much emphasis on the design of a project. According to town planner Brian Currie, “The Falmouth Housing Corporation works closely with the town and shares the same goals.” The FHC used local architects who worked pro-bono on the Gifford Street projects, and refused to trim costs if it meant sacrificing design. “The price is insignificant when amortized over the project life, and it makes a real difference to the neighbors, the residents, and the town,” says Murray. While this can sometimes have an impact on the affordability of the units, Murray believes it is worthwhile because, “If you build a really nice looking project, the next one is a lot easier. Good design gets you brownie points.”

*Case # 3: Kayla’s House, Newton*

*Project Name: The Kayla A. Rosenberg House*

*Number of units: 5 rental; 4 homeownership*

*Number of 2+ BR units: 5*

*Percentage of units that are affordable: 100% of rental units*

*Income Range Targeted: 5 units: 30% of AMI*

*Year completed: 2003*

*Total Development Cost: \$1.6 million*

*Town Name: Newton*

*Reached 10% according to DHCD: No*

*Town Political Structure: City – Mayor; City Council*

*Housing Proponents: CAN-DO; City Planning Office*



*Area: Middlesex County*

*AMI: \$80,800*

*Median rent: \$1000*

*Renter-Occupied: 29.6%*

Newton, Massachusetts is one of the more affluent cities in the Commonwealth, with a median income of over \$84,000. Located six miles from Boston, Newton is a first-ring suburb that has benefited greatly from the economic boom experienced throughout the metro-area. The city has been touted as,

A vibrant community that is desirable as a place to live and work due to its proximity to Boston, nearness to various highway and public transportation systems, attractive neighborhoods and high property values, well-run municipal government, and a strong, nationally-recognized school system. (Boston Globe 2002b, 1)

The vast majority of Newton's housing stock has always been priced at the upper end of the Boston suburban market. However, due to a 63% rise in property values in the past decade, even many long-time Newton residents are unable to afford housing. The city currently has the ninth highest property values in the state – beating out other high-cost towns such as Concord, Lexington, and every town on Cape Cod. To combat this trend, Newton has been proactive in the creation of both rental and homeownership units for many different segments of the community including families, the elderly, disabled, city workers, and the homeless.

Newton was the first community in the state to adopt the practice of inclusionary zoning during the 1960s. It began as informal policy, and in 1977, was made an ordinance requiring that 15% of all new multifamily units be reserved for LMI residents. This bylaw has provided about 225 units of affordable housing over its 30-year lifetime (Engler 2002). The city also passed an accessory apartment ordinance, which encourages in-law and garage apartments to be constructed in single-family neighborhoods. The establishment of these ordinances and bylaws demonstrates Newton's commitment to affordable housing development. The combination of strong city support and a broad range of housing advocates throughout the city has resulted in the successful development of a number of affordable housing projects.

One of these recent successes is located at 90 Christina Street. The project consists of three buildings – The Kayla A. Rosenberg House, which contains five rental units, and two duplexes that house four homeownership units. All of the buildings were designed (with the help of a pro-bono architect) to complement the existing neighborhood, and the lot stands

as a buffer between the residential area and an industrial park. Citizens for Affordable Housing in Newton Development Organization, Inc (CAN-DO) served as developer and manager of the project, forging a unique partnership with a local social service provider, Newton Community Service Center (NCSC). The two agencies worked for four years to develop the rental housing for young, at risk mothers and their children. The four homeownership units were proposed to defray development costs for the rental structure. Three of these units were reserved for income-eligible city employees, and the other for a first-time homebuyer who made less than 60% of AMI.

The partnership between CAN-DO and NCSC was established in 1999 when NCSC was having difficulty locating a site to house women who were participating in the agency's Parents Program. The program provides counseling and other services to new parents, many of whom are in their teens and early twenties. The agency had received a HUD grant through the McKinney/Vento program that would partially defray the cost of purchasing a property to house participants who were at risk of homelessness or abuse. After months of searching for a property in their price range, and a number of rejections by the city development board, the agency was "completely demoralized." When Josephine McNeil – executive director of CAN-DO – heard that NCSC was considering returning the money to HUD, she convinced her board of directors to step in to partner with NCSC. CAN-DO had been wanting to purchase the property at 90 Christina Street for two years, but was unable to obtain the necessary funding. It seemed like the perfect site for the project, and with the additional McKinney funding from NCSC, CAN-DO moved forward with the acquisition.

The project received a comprehensive permit from the Newton zoning board in 2000, and received significant support from numerous community groups as well as the Mayor and a number of aldermen. Despite growing neighborhood opposition to the proposed density of the development, CAN-DO was prepared to move forward when an abutter appealed the permit granted by the zoning board. According to McNeil, CAN-DO, "naively thought that there would be little opposition due to the location." The property serves as a buffer between the residential neighborhood and an industrial area, and therefore, was a fairly marginal site to begin with. Because of this, the project sponsors did not hold any community meetings until after the Comprehensive Permit had been received. By that point,

says McNeil, "it was very difficult to get those who were opposed to enter the planning process."

McNeil and CAN-DO had to wait nearly three years to break ground at Christina Street due to the lengthy appeal. In many cases, this type of delay can bring the delicate web of financing crashing down as costs soar. In this case, the city was willing to put some of their HOME and CDBG funds toward keeping the project afloat until the appeal was denied. Without this assistance, the project would likely have gone under. When asked if an earlier outreach attempt would have mitigated the level of opposition, McNeil was skeptical. "People just didn't want it there," she said. However, she adds that community outreach is always a good idea, but it is not always possible in a tight housing market like Newton. "Sometimes, an opportunity presents itself and you have to immediately act. [Owners] won't necessarily wait through community meetings so you can buy the property."

Developing affordable housing in a city with such high land costs presents both density and affordability issues. With prices so high, increased density is almost always the only way to achieve affordability. Projects like Christina Street work because they involve increased density, yet are small enough to blend into the surroundings, and do not have a significant impact on the town infrastructure. Furthermore, high land prices drastically increase development costs, and it is a struggle to develop housing at a level affordable to those who really need it. This becomes more of an issue when funding from state agencies is required. Most state agencies place a ceiling on per-unit development costs for affordable housing financing. According to Andrew Winter, loan officer at MassHousing, "There is a challenge in using state funds in communities with high acquisition costs because at some point it appears extravagant. It may not be perceived as the best use of the state's money because you can spend less money in a different town to do the same project." While it makes sense to leverage federal and state funds in order to achieve the maximum number of units and levels of affordability, it poses a challenge to those aiming to develop affordable housing in communities with such high land costs. However, these issues can often be overcome by the city or town stepping in and contributing to acquisition costs, as Newton did for Kayla's House.

Because the project exceeded the development cost caps for most state agencies, CAN-DO turned to a local bank to provide the permanent

funding and filled in the gaps with more than fifteen other sources. In addition to the City of Newton HOME and CDBG funding, the Christina Street project received grants from a number of private foundations. The project also took advantage of a number of city funding sources for rehabilitation, including lead paint and asbestos remediation grants. Finally, the project received considerable in-kind donations, ranging from legal and architectural services to the granite sidewalks required under city regulations. In total, excluding in-kind donations, the project required seventeen sources of funds, ranging from an \$800 asbestos remediation grant to the permanent loan of over \$300,000.

CAN-DO was lucky to have a supportive community bank to provide the permanent loan for the project as well as city financial support. If this had not been the case, the team would have had to lower costs considerably in order to qualify for state funding. This may have affected the aesthetic quality of the project, decreased affordability, forced CAN-DO to increase the project density, or scrapped the development altogether. The possibility of having to compromise quality for affordability would have had a drastic impact on how the project was ultimately received by the town. CAN-DO makes an effort to build attractive projects and maintain them well. As McNeil said, "if you don't, you leave yourself open to being looked at as a negative example." If affordable housing is attractive and well maintained, it makes it much easier to develop future projects.

The high level of political support in Newton has also had a drastic effect on public opinion regarding affordable housing. According to McNeil, there has "been a sea change" in the city with respect to public opinion about affordable housing. "People are beginning to understand the affordability crisis," she says. Much of the reason for this seems to be that alderman, councilor, and mayoral campaigns have singled out affordable housing as an important issue in recent years. The lack of affordability is so widespread that it has been forced on the citywide political agenda. This has fostered increased understanding of the issues among Newton residents.

The Christina Street project is now completed and fully occupied. Neighbors consider the house to have a positive impact on the neighborhood, and the residents are able to live in close proximity to family, work, and school. The success of this project demonstrates the importance of patience, perseverance, and partnerships in affordable housing development. Without these attributes, CAN-DO could never have acquired the property, much

less developed five units of affordable rental housing. The development also received considerable support from pro-bono goods and services, which significantly lowered development costs while increasing the aesthetic quality of the development. Despite regulatory barriers, the City of Newton provided political and financial support that enabled the project to continue through a lengthy and costly appeal. Each of the obstacles Kayla's House faced was overcome with a little help, but any one of them could have rendered this project unworkable. The Christina Street story demonstrates that a competent developer, political will, and partnerships with willing agencies and service providers go a long way toward ensuring a project's long-term viability.

### *Conclusions and Recommendations*

Each of the projects studied faced significant organizational, financial, and political challenges. The degree to which each of them overcame those challenges speaks to the abilities of those involved in the process. Each of the three cases can be considered a "successful" development to some degree. These cases demonstrate that the steps taken by the developers, planners, elected officials, and community members to facilitate various aspects of these projects also had a significant impact on their success. A number of repeated themes can be identified in these cases, and many of the measures instituted to overcome various obstacles may well be replicable in other situations where these challenges are present. While no two projects are alike, there are steps that can be taken to increase the chances of a smooth development process.

Many of the themes that emerged run counter to traditionally held presumptions about affordable housing development. Often, it is assumed that financing is the biggest barrier to the development of affordable housing. Contrary to what is often supposed, the cases indicate that Massachusetts has provided a variety of funding mechanisms that adequately support many projects in a relatively efficient manner. The seventeen sources required to fund the Newton project demonstrate how much more complex the process is when state funds are not available. However, even this development did get funded – and it was other impediments that threatened the success of that project.

Another surprising conclusion is the lack of regulatory barriers encountered. Building code regulations, septic requirements, and water

resource guidelines are often cited as obstacles to the development of affordable housing or faulted for decreasing affordability in communities. Contrary to this assumption, none of the people interviewed cited regulatory barriers as a hindrance to development. This may have been because the developments all received comprehensive permits under Chapter 40B, which streamline the town regulatory process. However, it demonstrates that in these cases, regulatory hurdles were not a significant factor impeding development.

Despite these findings, the cases also demonstrate that affordable housing is difficult to develop, and the process is extraordinarily sensitive to even the smallest obstacle. Strong leadership, patience, and a cooperative developer aids considerably in creating a successful process. The most successful developments seem to occur when there is significant understanding and shared goals between the developer and the city or sponsor. This process becomes much easier when the city's elected officials choose to back a project publicly, and with vigor. Experienced developers understand the regulatory, planning, and financing mechanisms that can present obstacles to development, and when these developers work with the community to design quality affordable housing, it is likelier that the leadership will back future projects. The cases reviewed here indicate that adequate financing, successful town planning, community participation, strong city leadership, appropriate design and the cooperation of a knowledgeable developer each have a powerful influence on the success of affordable housing development. When all of these pieces are in place, financial pitfalls, community opposition, and regulatory obstacles can be overcome in the shared goal of developing quality affordable housing.

### *Financing*

Support from the city, or a developer's deep pockets often must be employed in order to succeed. If developers and sponsors have the patience and expertise to seek out creative funding mechanisms, many financing issues can be overcome. The Christina Street project would have never happened without the McKinney grant supplied by NCSC or funding from the City of Newton that was provided while the development was under appeal. Furthermore, high land costs adversely impacted this project's ability to obtain state funding. Not all developers are able to obtain private bank funding at rates or regulations that are comparable to the state lending agencies. Each of these situations demonstrates that an affordable

housing development process seldom occurs within the confines of the original schedule. Financing obstacles, appeals, and regulatory issues can significantly delay a project and consequently significantly increase development costs.

While piecing together financing is often a long and frustrating process, there are enough programs and sources of funding that the availability of such funding is seldom an impediment to a development's success on its own. However, any obstacle to financing, even if it is only a delay in receiving financing, can pose serious logistical problems for developers. Therefore, it is necessary to foresee the possibility of these potential pitfalls before development begins and have contingency plans in place to deal with them. While CAN-DO was able to receive a loan from the city to maintain site control through the appeal process, not every city has the financial means or political will to provide similar support. Simply securing a line of credit with a local bank may create the financial flexibility necessary for a development to overcome financial delays or challenges.

#### *Planning*

All of the municipalities studied have instituted Housing Action Plans, and Falmouth's plan has been approved by the state, giving that community greater control over the Comprehensive Permit process. This reduces the opportunity for developers to override local zoning via the state appeals process, and ensures that multifamily housing can be developed in areas zoned for this use. Part of the process of creating a Housing Action Plan is the assessment of each community's individual housing needs, be it single and two-family homes in the relatively rural community of Falmouth, or the dense, urban infill project seen in Haverhill. Once a needs assessment has been produced, municipalities can facilitate affordable housing development while ensuring that new construction is appropriate for each town's particular needs and character. By planning for growth in areas that are environmentally sound and that have the infrastructure to support new development, cities and towns can make certain that developments for low and moderate income families address the affordability requirements of those households while maintaining the unique character of the community.

#### *Leadership*

As Bob Murray said, "[Building affordable housing] isn't rocket science. It's not hard to do, but you need leadership and commitment." The degree to which the leadership in a municipality dictates the tone of the community toward affordable housing can be problematic or extremely helpful. In Newton, the city planning office was extremely supportive of the development when financial resources were needed, while Haverhill's strong mayoral support ensured that the development team would not encounter any regulatory or political barriers. Having this type of top-down support may serve to streamline the permitting process, and make the navigation of city bureaucracy simpler for the development team.

Getting affordable housing on the municipal agenda can often foster political and community support, and there are a number of practical steps that can be taken to do so. Government is by no means a single, unified force. Often, the process of building affordable housing frustrates housing advocates, developers, and city planners equally. By identifying parties that are sympathetic to the housing needs of the community, the groups can work together to lobby the municipal political leadership to place greater emphasis on affordable housing. An effort that combines planners, advocates, and citizens has a much greater impact when working together than do each of these forces separately, especially if it presents a unified front with a unified agenda.

The second piece of effective lobbying is use of the media. Effective media coverage can be achieved by pursuing human-interest stories that involve the lack of housing, or that highlight good affordable developments. Other methods may be to organize a tour of existing projects that feature real people telling their success stories. Another effective method may be to call in to radio talk shows or write letters to the editor of local papers. Any time there is media coverage, forward clippings to local politicians to keep their focus on affordable housing. If these measures are in place in a community before a development is proposed, it is less likely that political or community opposition will develop into a time consuming or costly barrier to development.

#### *Community Participation*

Each of the projects analyzed pursued community outreach mechanisms to varying degrees, and with varying success. Clearly, the intense, top-down community outreach demonstrated by the city of Haverhill had a

positive impact on neighborhood acceptance of the project. Additionally, in each of the three cases, the faith community was utilized as an early step toward engaging residents. In all three towns, these efforts were rewarded by strong, continuous support from the clergy, congregations, and other religious community groups. However, the three project teams approached their respective communities in different ways, and at different points in the process.

Forming strategic alliances can also go a long way toward achieving successful housing development, be it with government agencies, or local non-profits. CAN-DO's partnership with NCSC ensured that both agencies' goals (affordable housing development; housing for young mothers) could be met. As previously discussed, community outreach can mitigate opposition to developments, especially if it is initiated at an early stage, and utilizes established community organizations such as churches, school groups, and local charitable agencies. However, in other cases, early outreach methods can simply provide the opposition more time to organize against a development. It is important to initiate community outreach in ways that will create a positive, non-combative environment. This is especially important when a developer is from out of town, or out of state, and might be perceived as an intruder trying to make a buck at the expense of the town.

#### *Design*

Each of the developers interviewed claimed that good design aided their ability to produce future projects with demonstrably less community and political opposition. This seems to be confirmed by the reaction that each of these projects has received since the end of construction. The extent to which affordable housing projects are in keeping with traditional neighborhood aesthetics or with stricter town design guidelines seems to have a noticeable impact after completion, as any opposition to these projects virtually disappeared once they were completed. The extent to which these projects each strove to fit in with the existing neighborhood demonstrates how far affordable housing has come from the cinderblock projects of the 1950s.

Despite the strides taken toward improved affordable housing design, there is little evidence to suggest that good design ensures an effortless process, as projects may still encounter NIMBY issues. However, while design does not necessarily aid in overcoming all community opposition,

good design does impact the broader reputation of the developer. As developers become known for incorporating neighborhood aesthetics into their projects, it may become easier for them to secure political support – if not community support. Each “good” development that gets built goes far to counter the stereotype of “cookie cutter” housing projects that may come with adverse impacts. While these efforts do not always pay off immediately, in the long run, building attractive affordable housing often makes it easier to build future developments.

Incorporating good design into affordable housing is not easy, nor is it inexpensive. Both the Falmouth and Newton projects were able to secure pro-bono architecture services from local firms. Working with an experienced architect enables the developer or sponsor to incorporate good design at a relatively low cost. While material costs may still be comparatively more expensive, the addition of good design principles may pay off with regard to community acceptance of the project when finished.

#### *Developer*

The reputation of the developer clearly has an impact on the ease with which a project is completed. Each participant interviewed agreed that once a developer has built one or two “good” projects, and has demonstrated an ability to navigate the financial and political maze that constitutes the affordable housing development process, it becomes easier to secure the trust and support of the town as well as state lenders. As Bob Murray said, “after a town or nonprofit sponsor has successfully developed a property, it makes it much easier to get the next one in the ground. Lenders are enthusiastic to work with people who have a good track record.” Steve Gartrell added that experienced developers have an enormous impact on a smooth process, because the municipal planners, appeals board, or elected officials trust that their numbers will add up, that the design will be acceptable to the town, and that they will be able to secure the funding promised. The presence of an experienced developer can mitigate some of these issues, as well as ensure greater community support by employing outreach efforts early and continuously throughout the project.

The more proactive cities and towns are in developing affordable housing on their own or in partnership with nonprofit or private developers, the more they can ensure that the needs of the entire community are met. Failure by cities and towns to address municipal housing needs can result

in developments that are not in line with what city leadership or residents may envision for their community. Massachusetts cities and towns have been delegated the responsibility to provide adequate affordable housing for their citizens. The methods employed by developers are not always in line with what a community has deemed in its best interest. However, by no means are cities and towns powerless. Municipalities should authorize housing plans and initiate other measures discussed previously to build quality affordable housing. By working with developers to produce housing that fits with the character of each community, locating and providing creative financing methods, and planning for smart growth, cities and towns have a great deal of control over where, how, and for whom affordable housing is developed. In doing so, municipalities provide a needed service for residents while maintaining and augmenting the individual character of each community.

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