

Report of the Governor's Housing Working Group

Executive Order No. 605: Establishing a Working Group to Envision the Creation of a Housing Secretariat

Lieutenant Governor Kimberley Driscoll, Chair
Secretary of Housing & Economic Development, Yvonne Hao, Vice Chair
February 19, 2023

Executive Summary

On January 20, 2023, Governor Maura Healey issued Executive Order No. 605: *Establishing a Working Group to Envision the Creation of a Housing Secretariat*. The Housing Working Group was charged with studying and advising the Governor on the potential advantages of the creation of a standalone Housing Secretariat to address the Commonwealth's long-term goals of expanding safe, accessible, and affordable housing for its residents.

Led by Lieutenant Governor Kimberley Driscoll as Chair, and the Secretary of Housing and Economic Development Yvonne Hao as Vice Chair, the Housing Working Group included a diverse membership of housing stakeholders, appointed by the Governor, that included representatives of municipal leadership, housing advocacy groups, affordable and market rate housing developers, housing finance organizations, and labor, along with the Executive Director of MassHousing, and a designee of the Secretary of Administration & Finance.

As prescribed by the Governor's Executive Order, the following report provides an overview of the Housing Working Group's findings and highlights recommendations for the creation of a successful Housing Secretariat.

Findings & Recommendations

Throughout multiple convenings, the Governor's Housing Working Group examined housing challenges and opportunities in Massachusetts, considered alternative federal and state responses to housing production, and explored programs and strategies that a new Housing Secretary could pursue to streamline, incentivize, and enhance the production of affordable, equitable, and sustainable housing across the Commonwealth.

Challenges & Opportunities¹

- **Identifying Housing Production Barriers**
 - Restrictive zoning and local opposition to the development of housing
 - Misconceptions of "affordable" housing
 - Maintaining and increasing funding for housing programs
 - Inadequate sense of urgency and uneven collaboration among key stakeholders
 - Capacity shortages among construction workers, inspectors, planners, and utilities
 - Insufficient infrastructure investments in parts of the region to support new development
 - Cumbersome processes for state and local permitting, and legislative action

¹ Data cited in report provided by the Executive Office of Housing & Economic Development (EOHED)

- **Supply & Production Shortage**
 - **Data:** Between 1960 and 1990, Massachusetts communities permitted almost 900,000 housing units. Since 1990, communities have permitted fewer than 470,000 new units. On average, the Commonwealth is producing about 17,000 new housing units per year.
 - **Opportunity:** Housing experts, advocacy agencies and state leaders have aligned in agreement that Massachusetts has an estimated shortage of about 200,000 housing units.
- **Municipal Engagement**
 - **Data:** Between 2010 and 2020, the City of Boston permitted over 30,000 multifamily units, while more than 50 communities in the Greater Boston region permitted less than 50 units each during the same time period. Only 10 other communities permitted over 1,000 multifamily units during that time period (Cambridge, Medford, Watertown, Weymouth, Everett, Chelsea, Somerville, Shrewsbury, Quincy, and Canton).
 - **Opportunity:** 171 of 175 MBTA communities (98%) submitted action plans. Soon, with technical assistance from the state, these communities will begin zoning by-right multifamily districts, creating opportunities across the Commonwealth for multifamily housing developments.
- **Low Vacancy Rate in Rental Market (<3%)**
 - **Data:** 50% of Housing Choice Voucher holders are not securing leases within 6 months, while family shelter exits remain at historic lows.
 - **Opportunity:** There may be an opportunity to increase the number of project-based vouchers in new developments for extremely low-income households.
- **High Rents**
 - **Data:** Average of 3,400 applications submitted per week for Residential Assistance for Families in Transition (RAFT) emergency rental assistance; \$2,635 is the 2023 HUD Fair Market Rent (FMR) for a two-bedroom apartment in the Boston metro area.
 - **Opportunity:** Strategies to expand production and make communities with more affordable rents further outside metro Boston more accessible should be pursued. Gateway cities are already experiencing population growth.
- **Demand for Affordable Rental Housing**
 - **Data:** Funding for affordable housing rental rounds is oversubscribed by almost three-times; 150,000 applicants are currently on the public housing waitlist (CHAMP, Common Housing Application for Massachusetts Programs).
 - **Opportunity:** Increased state and local resources, coupled with federal funding from the American Rescue Plan Act (ARPA), are being deployed for more rental housing production; Housing Navigator search tool shows renters how to find affordable rental housing vacancies in a more efficient manner.
- **Demand for Homeownership Opportunities**
 - **Data:** MassHousing's ARPA-funded down payment program, MassDREAMS, was fully expended in a few months, while the median sale price for a single-family home in Massachusetts was \$510,000 in December 2022; \$445,500 was the median price for a condo.
 - **Opportunity:** OneMortgage, MassHousing Mortgages, the Saving Toward Affordable Sustainable Homeownership (STASH), and other down payment assistance programs are available to assist prospective homeowners and help close homeownership equity gaps. Efforts to expand these successful programs should be explored.

- **Demand for Family Shelter**
 - **Data:** Caseload for the Emergency Assistance family shelter system has increased drastically over the last year due to slower exits from the shelter coupled with higher entries – both from newer arrivals to the state and long-term residents.
 - **Opportunity:** Create more opportunities for families to move on from shelter. Increase production of affordable units to improve uptake of HomeBASE (a \$20,000 over 2-years benefit for anyone who qualifies for shelter, intended to keep families from the front door of shelter or assist them during their exit). Work with federal officials to improve pathways to work authorization and give new arrivals to the Commonwealth more financial independence and stability.
- **Existing Housing Investments & Programs**
 - **Data:** Pursuant to state law, Massachusetts is the only “right to shelter” state in the nation granting certain emergency housing benefits to unhoused families. In addition, Massachusetts maintains a significant portfolio of investments to support housing in the Commonwealth:
 - Housing Choice & Multi-Family zoning requirements for MBTA communities
 - Inclusionary Zoning
 - Chapter 40B
 - RAFT (Residential Assistance for Families in Transition)
 - HomeBASE
 - MassDREAMS (Delivering Real Equity and Mortgage Stability)
 - Housing Investments: MassWorks, State and Federal Low Income Housing Tax Credits (LIHTC) and housing bond bill programs
 - MRVP (Massachusetts Rental Voucher Program)
 - Affordable Housing through the Community Preservation Act (CPA)
 - Public housing managed by local housing authorities
 - Historic Tax Credits
 - Energy and Weatherization Programs
 - **Opportunity:** A new Housing Secretariat should assess what is working and look to strengthen those programs, while also developing new investment strategies and partnerships to better serve key housing needs.

Housing Strategies Outside of Massachusetts

- **Nationwide Data**
 - Home price appreciation nationwide was 20.6% in March 2022 up from the previous high of 20.0% in August 2021—the largest jump in three decades of recordkeeping.
 - 67 of the top 100 housing markets experienced record-high appreciation rates at some point over the past year. In the other 33 major markets, home prices increased by at least 9%.
 - Rents for apartments in professionally managed properties were up 12% nationally in the first quarter of 2022 year-over-year, with increases in several metro areas exceeding 20%.
 - These data points are indicators of a systemic market failure—housing supply has not kept pace with housing demand nationwide.
 - **Local Data Point:** Massachusetts has the fourth highest average home value (after Hawaii, California, and Washington) and the fourth highest average two-bedroom rent (after Hawaii, California, and New Jersey) in the country.

- **Federal Strategy**
 - In May 2022, the Biden Administration released a Housing Supply Action Plan to boost housing supply nationwide:
 - Rewards jurisdictions that have reformed zoning and land-use policies.
 - Deploys new financing mechanisms to build and preserve more housing where financing gaps currently exist.
 - Expands and improves existing forms of federal financing.
 - Ensures that more government-owned supply of homes and other housing goes to owners who will live in them.
 - Works with the private sector to address supply chain challenges and improve building techniques.
- **State Strategies**
 - States have generally implemented three strategies in responding to the nationwide housing crisis:
 - **(1) Reorganization:** strategic planning and reorganization to identify and implement the most effective policy responses.
 - **(2) Zoning and land use reform:** to remove regulatory obstacles to new housing production.
 - **(3) Funding:** Increased funding for housing production and local infrastructure needed to accommodate housing growth.

Recommendations for the New Housing Secretariat

- Identify strategies to streamline and expand housing production and align budgets to successfully implement those strategies
- Build strong relationships with municipalities on shared housing goals
- Maintain regular convenings with housing advocates, housing authorities, homebuilders, and municipal and state legislative leaders
- Implement a dynamic housing campaign that tells the story of what is at stake and how a successful housing strategy can transform the Commonwealth
- Develop goals specific to affordable, workforce, and market-rate housing, including goals for new production, preservation, and tenure (rental and homeownership)
- Empower already successful quasi-state housing agencies
- Identify and strengthen existing, successful initiatives and programs
- Act intentionally in ensuring equity in production across all levels of need including affordable, deeply affordable and market-rate housing
- Act sustainably in meeting housing goals, while ensuring eco-friendly, climate resilient and energy efficient design and construction
- Work with the Executive Office of Administration & Finance in identifying underutilized state-owned land for housing development
- Work with existing state agencies to expedite permitting and break down other barriers to housing

Article 87 Framework

- Legislation should split the Executive Office of Housing & Economic Development (EOHED) into two separate secretariats:
 - **Executive Office of Economic Development:** retains nearly all programs, functions, and authorities of current Executive Office of Housing & Economic Development (EOHED) except for current Department of Housing & Community Development (DHCD) portfolio.
 - **Executive Office of Housing & Livable Communities:** elevates the Department of Housing & Community Development (DHCD) to a Secretariat and retains virtually all current programs, functions, and authorities.

Conclusion

To adequately address the housing crisis, the new Housing Secretary must work with Governor Healey and Lt. Governor Driscoll to establish bold goals and set concrete plans to rapidly increase housing production and preservation efforts. Housing impacts all critical sectors of the Commonwealth, from economic development and transportation, to our climate and the health and wellbeing of our residents. Intentionality in addressing housing affordability, equity, and sustainability, will serve as the foundation of the Commonwealth's future success. Members of the Housing Working Group look forward to working with the new Housing Secretary to advance and expand upon the recommendations provided in this report.

Housing Working Group Members

- Lieutenant Governor Kimberley Driscoll, Chair
- Secretary Yvonne Hao, Executive Office of Housing & Economic Development, Vice Chair
Secretary Matthew Gorzkowicz, Executive Office of Administration & Finance
- Executive Director Chrystal Kornegay, MassHousing
- Eric Batista, City Manager of Worcester
- Joseph Byrne, North Atlantic States Regional Council of Carpenters
- Symone Crawford, Massachusetts Affordable Housing Alliance
- Stephen Davis, The Davis Companies
- Keith Fairey, Way Finders
- Ruthanne Fuller, Mayor of Newton
- Brad Gordon, Berkshire County Regional Housing Authority
- Rachel Heller, Citizens' Housing and Planning Association
- Dara Kovel, Beacon Communities
- Alisa Magnotta, Housing Assistance Corporation
- Mary McGuire, South Middlesex Opportunity Council
- Alex Morse, Town Manager of Provincetown
- Thomas O'Brien, HYM Investment Group