

MOVE MASSACHUSETTS
28 JANUARY 2005 MEMBERSHIP MEETING
Notes Recorded for the
ASSOCIATION FOR PUBLIC TRANSPORTATION, INC.
By Barry M. Steinberg

Items in *italics* were in graphics provided by the speaker.

***Building on our Heritage: A Housing Strategy for
Smart Growth and Economic Development
Chapter 40R***

The Commonwealth Housing Task Force and the Resulting Legislation.

***Barry Bluestone, Director, The Center for Urban and Regional Policy
Northeastern University***

This center at NU cannot be like other academic centers. It is not just an organization to write papers. It can be considered a 'think and do tank'. What we have to do in the urban field is like what NU does with the co-op program—It develops new tools and census materials that people can use.

When we started, Charles Eichner joined me at the Center. He teamed with the Greater Boston Chamber of Commerce's Paul Guzzi to work on housing.

A report was issued:

1. It laid out the nature of the problem and the barriers to supply. We have just heard that housing supplies continue to get more expensive.
2. The real impact on the economy.
3. An analysis of how much additional housing is needed.

The Current Situation

- *Corporations, educational institutions, medical centers and non-profits have increasing difficulty attracting workers to Massachusetts.*
- *Many of the state's best young minds are leaving for areas with more affordable housing.*
 - *In 2004, Massachusetts was only state in the U.S. to lose population.*
 - *Between 1990 and 2000, the number of 20-34 year olds in the Commonwealth declined by 16 percent.*
- *Future economic growth depends on housing at reasonable prices.*
- *The unique quality of life in New England is threatened by accelerating sprawl.*

The report caused quite a stir. Since then, our center has put out an annual report on housing. We were staggered by the 2002 data. Despite higher prices, the production fell. For someone from Detroit like me, this is not understandable. If you increased production, you could make a killing. This made no sense.

There are real barriers here.

About this time a new organization formed--

The Commonwealth Housing Task Force.

- ❑ *Members of the Commonwealth Housing Task Force include business leaders, private and public housing developers, labor leaders, housing advocates, foundations, the academic community, the environmental movement and the leaders of many of the state's cities and towns.*
- ❑ *Represents an historic coalition of diverse interests dedicated to a coordinated advocacy for new ways to increase production for housing across all income levels.*
- ❑ *Retained the Center for Urban and Regional Policy at Northeastern University, Barry Bluestone, Director, to build upon the ideas presented by Ted Carman for smart growth zoning. CURP retained Ted Carman, President of Concord Square Development, Inc. and Eleanor White, President of Housing Partners, Inc. to develop and refine these ideas.*
- ❑ *The Task Force Report was released on October 30, 2003. The Massachusetts Senate President released outside sections of the FY2005 Budget (that would become Ch. 40R) on May 11, 2004. Ch. 40R was passed by the Legislature and signed by the Governor in June of 2004.*

According to Northeastern University and also Massachusetts General Hospital, it is difficult to attract people to work here because of housing prices.

The Commonwealth Housing Task Force put together a proposal that could make [a difference].

There was a group of economists calling for ZPC, Zero Population Growth, but also ZEG, Zero Economic Growth, as well. There is promiscuous consumption. There are tens of millions of people in this country who don't have enough.

In zero growth, inequality explodes. During the glory days of the American economy, it was one of the few times inequality actually declined. The problem: How to square the need for economic growth with a better cultural place to live.

We are putting together principles for growth with less congestion, but denser growth.

The analysis: The most important barrier is not the lack of land, but land zoned appropriately for people of lower income.

Reasons:

1. We are a state with allegedly local controls.
2. When we passed Proposition 2½, it turned out that it became more expensive for towns and cities to bring people in who need services. It became reasonable to have higher zoned minima of square feet. We needed McMansions, Home Depots and elderly housing, but not children.

The CHTF report proposed methods to provide incentives to put up higher density housing near town centers or transit. To reduce use of automobiles. A minimum of 20% of such housing would be set aside as HUD affordable.

The Problem and its Resolution

- *The shortfall in housing production results from insufficient land zoned for the development of apartments and single family homes on smaller lots.*
- *Enough land needs to be zoned so that the private sector can efficiently increase production to meet the demand for new housing – when and where it is needed.*
- *The zoned land should conform to Smart Growth principles. It should encourage the provision of more open space and enhance historic preservation efforts.*
- *More housing affordability is essential. Massachusetts has been named the least affordable state for housing in the U.S. (CHAPA Press Release 9/8/03)*

The Program Proposed by the Commonwealth Housing Task Force October, 2003

- *Provides incentives to local communities that will yield sufficient land, zoned as-of-right, to accommodate increased production.*
- *Requires that developments with over 12 units have 20% of the units affordable to those at 80% of median income.*
- *Increases state funding commitments to pay for affordability in the districts, and to increase the production of affordable units outside the districts.*
- *Relies on the sale of surplus state land as a source of funds for housing production.*
- *All of these fundamental concepts are included in Chapter 40R, enacted by the legislature in June, 2004.*

Previous legislation required 10% of housing stock to be affordable, but did not make friends between the Commonwealth and local communities. The [new arrangement] would get the kind of housing that could be produced with the community still controlling the design parameters. It is absolutely voluntary.

Smart Growth Locations

- *Smart Growth (overlay) Zoning Districts in three locations will be eligible for incentives:*
 - *Transit nodes/ Commuter Rail Stations.*
 - *Town centers and other areas of concentrated development.*
 - *Underutilized industrial, commercial and institutional properties.*

Smart Growth Zoning Districts

- *Such overlay zoning districts are currently allowed under state law. Every community in the State may, but will not be required, to participate. A participating community must have (or pass) a comprehensive housing plan.*

No city or town has to make a transit oriented overlay community. They are encouraged to make affordable housing, but without marble foyers.

- *Design standards set and enforced locally.*
- *Smart Growth Zoning Districts must have no age or other restrictions on occupancy, and, at a minimum, provide for:*
 - *Mixed Use.*
 - *Single family development at 8 units per acre, and / or apartments at 20 units per acre, with flexibility for communities under 10,000 population.*
 - *Infill on non-conforming lots and accessory apartments in large homes.*
 - *20% of the units to be affordable at 80% median income.*
- *Approval of Overlay Districts and monitoring by DHCD. (A district may not exceed 15% total land area of town; districts in the aggregate may not exceed 25%.)*

There will still be State overview of this to assure that the communities are within the spirit of the law.

Within record time, the law passed unanimously the Senate. A few changes were made by the House.

Chapter 40R State Incentives

- *A new Smart Growth Housing Trust Fund is established by the new Ch. 40R; from it the State will pay a one-time “zoning incentive payment” within 10 days of DHCD confirmation of approval of a Smart Growth Zoning District:*

<i>up to 20 units--</i>	<i>\$ 10,000</i>	<i>201-500 units --</i>	<i>\$350,000</i>
<i>21-100 units --</i>	<i>\$ 75,000</i>	<i>over 500 units --</i>	<i>\$600,000</i>
<i>101-200 --</i>	<i>\$200,000</i>		
- *One-time “Density Bonus Payment” of \$3,000 for each new or rehabbed housing unit within 10 days of issuance of building permit.*

Chapter 40R State Incentives

- *Special priority for State discretionary funds from Executive Offices of Environmental Affairs, Transportation, DHCD and A&F (schools, transportation, water, sewer, etc.).*
- *CHTF has proposed that the State hold communities harmless from additional school costs attributable to children in new units in the Districts. Such a plan has been devised by CURP Staff led by Ted Carman and will be introduced as new legislation this year.*

There are two financial incentives:

1. A density payment. Once this overlay district is formed, the State writes a check to that community for up to \$600,000, for example for the South Weymouth Naval Air Station. The idea was to get as many communities as possible to zone more land than we even need.

2. A bonus \$3000 for every housing permit in these areas.

Also, the Governor wants to rejigger State funds to invest in these dense areas.

Most importantly, for at least some of these communities there is a penalty if the community has lots of children who use local schools. It turns out there are twelve communities that are ‘foundation communities’ with lots of kids and get subsidies.

We have done a careful analysis of what it costs when there is no extra cost for children and schools. The surprise is that it is not very expensive--\$30 million a year per school year for ten years for now. We now spend \$3.1 billion on current Chapter 70 formulas.

Link to 40B Reform

- *Construction of housing within the new Smart Growth Zoning Districts will count in the normal way toward the Ch. 40B 10 percent goal.*
- *Ch. 40R represents a way for communities to channel and direct new development where they want to see it and with local design requirements. Adequate production within the districts may forestall consideration of Ch. 40B outside the districts.*

Implementation Assistance

- *Through MassHousing, \$3 million has been made available for technical assistance to cities and towns interested in smart-growth development, and is available for the work required to plan and zone for Smart-Growth Zoning Districts.*
- *DHCD will administer these funds, is currently accepting applications, and is ready to make awards.*

So that is generally the plan. The idea is to pass this new law (which happened last July). Regulations were released, and will be reviewed. Thirty days later the regulations go into effect, then the communities can come in with their proposals. Communities will be able to get help to hire consultants or hire their own staff.

We not only talk about building more housing in overlay districts, but also lower income housing, which would require a subsidy. This is HUD ‘affordable’ housing.

Funding Strategy Components for Affordability included in the CHTF Report

- *Maintain or increase the allocation for housing under the Private Activity Bond Cap at the current level.*
- *Gradually increase the housing portion of the State Annual Bond Cap from its current level of 9.1% to 15%.*
- *Gradually increase annual state outlays for housing by \$120 million. In the next decade this would add nearly \$675 million for housing affordability. The FY05 budget directed an additional \$2 million into the Affordable Housing Trust Fund.*
- *Sell surplus State property and use a portion of the funds for increasing State assistance for housing affordability. The FY05 budget requires that after the first \$25 million in proceeds from surplus land*

sales, the next \$25 million will be deposited into the Smart Growth Housing Trust Fund to fund Ch. 40R incentives to communities.

Summary of New Units

		Total Units in Districts	minus	Estimated Future Production Transferred to Districts	equals	Net New Production	and includes	Affordable Units Within Districts	Affordable Units Outside Districts @ \$50,000 / unit
2004	1	0		0		0		0	200
2005	2	0		0		0		0	270
2006	3	1,600		700		900		320	440
2007	4	2,700		1,200		1,500		540	720
2008	5	4,200		1,800		2,400		840	970
2009	6	4,400		1,900		2,500		880	1,150
2010	7	4,600		2,000		2,600		930	1,320
2011	8	4,900		2,100		2,800		970	1,500
2012	9	5,100		2,200		2,900		1,020	1,680
2013	10	5,400		2,300		3,100		1,070	1,850
		32,900		14,200		18,700		6,570	10,100

Total New Housing Produced **28,800** (Net new units, including affordable outside districts)

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Summary of New Units: Estimated Program Costs

Smart Growth Zoning Districts

- *Incentive and Density Bonus Payments for Smart Growth Zoning Districts allowing 50,000 housing units are projected to cost approximately \$15 million per year over ten years.*
- *After 10 years in operation, the cumulative new state school costs for 33,000 new housing units in Smart Growth Zoning Districts at a “hold harmless” level would be approximately \$35 million per year.*
- *The current Chapter 70 school reimbursement budget is \$3.0 billion. The cumulative costs after ten years would equal only 0.7% of the projected Chapter 70 budget. It will be significantly less in earlier years.*

Altogether, we would see a total production of 32,900 units over the next ten years. Of course, many of these would be built anyway, but they would be moved within the smart growth districts. This would bring rents more into line.

Program Costs Before Revenue Offsets

(000's)

F.Y.		Incentive and Density Bonus Payments	Increased State Education Payments	Imple- menation Funds	Funding for Affordability Within Districts	Funding for Affordability Outside Districts	Total Estimated Program Costs
2005	1	0	0	5,000	0	10,000	15,000
2006	2	5,300	0	5,000	0	13,600	23,900
2007	3	10,200	2,000	5,000	8,200	21,800	47,200
2008	4	16,000	6,000	4,000	14,200	35,800	76,000
2009	5	18,000	11,000	4,000	22,700	47,300	103,000
2010	6	18,800	16,300	4,000	24,400	55,600	119,100
2011	7	19,800	22,100	4,000	26,300	63,700	135,900
2012	8	20,800	28,200	4,000	28,300	71,700	153,000
2013	9	21,800	34,900	4,000	30,400	79,600	170,700
2014	10	22,400	42,000	4,000	32,700	87,300	188,400
		\$153,100	\$162,500	\$43,000	\$187,200	\$486,400	\$1,032,200

Education and Affordability Costs have been inflated at: 2.5%
 Total program costs are before revenues and offsets

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Program Costs Before Revenue Offsets: Proposed Revenue Sources

- Increased state revenues from income and sales taxes on construction related wages and the purchase of materials from 56% of the new units built are estimated to average \$32 million per year after the fifth year.
- Increased state revenues from economic expansion due to increased housing availability are estimated to grow to \$34 million by the tenth year.
- Revenue from the sale of state land.
- New state appropriations.

The cost? The [whole project] costs \$1 billion. This includes incentive and density bonuses and education. It also includes \$50 million a year in housing subsidies. But more taxes would come in. There would get people to come in who wouldn't otherwise be there.

Revenues and Revenue Offsets
Net Program Costs

Revenues and Revenue Offsets

Net Program Costs

(000's)

F.Y.		Revenues from Construction	Revenues from Economic Growth	Revenues from From Sale of Land	Total Estimated Revenues	Total Estimated Program Costs	Net Program Costs	As % of State Budget
2005	1	-	-	15,000	15,000	15,000	0	0.00%
2006	2	-	-	23,400	23,400	23,900	500	0.00%
2007	3	9,700	1,400	35,000	46,100	47,200	1,100	0.00%
2008	4	18,000	4,000	40,000	62,000	76,000	14,000	0.06%
2009	5	26,000	8,000	42,000	76,000	103,000	27,000	0.11%
2010	6	28,300	12,300	44,100	84,700	119,100	34,400	0.14%
2011	7	30,700	17,000	46,300	94,000	135,900	41,900	0.17%
2012	8	33,400	22,200	48,600	104,200	153,000	48,800	0.20%
2013	9	36,300	27,700	51,100	115,100	170,700	55,600	0.23%
2014	10	39,500	33,800	53,600	126,900	188,400	61,500	0.26%
		<u>221,900</u>	<u>126,400</u>	<u>399,100</u>	<u>747,400</u>	<u>\$1,032,200</u>	\$ 284,800	

Net Cost - First 4 Years of Program (2004 - 2007) **\$15.6 million**
 Annual State Budget, 2003, estimated: \$24 Billion. **\$24.0 billion**
 Revenues from const. and economic growth inflated at: **3.5%**

Anticipated Results

- *Substantial amounts of land zoned, as-of-right, for single family and apartment development, in Smart Growth locations*
- *33,000 new housing units in Smart Growth Zoning Districts*
- *Additional State funds for affordability*

will significantly improve basic housing conditions and moderate housing price increases in the Commonwealth.

The cost would be a quarter of a billion dollars, or 26 one-hundredths of 1% of the State budget. We think we can get the 30,000 units we need in, in town centers and near transit AND we'll also increase affordability across the board. That's where 40R is today.

There is substantial support for this across the State. We will finally have in place a 21st Century regulation that has smart growth philosophy in a way that doesn't destroy our standards.

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QUESTIONS AND ANSWERS.

Q (Dan Wilson) What is defined as 'near' transit?

A. Within a half mile of commuter rail or a regular bus route.

Q. What the latter is for dense development anywhere, wouldn't that be enough for smart growth?

A. No, it has to be near transit.

Q (Dan Wilson) Are there calculations for what this benefit would be for the MBTA budget?

A. No, but when we see this work, we'll see this drive transit as the next barrier.

Q (Ann Hershfang, Walk Boston) Should this [indeed] be at most a half mile [from public transportation]?

A. Yes.

It is interesting: "No community can zone more than 15% of the land in a district", BUT there is no limit to the number of districts.

Q. Would this apply to the City of Boston? Would this apply to State land?

A. Yes.

Q. Re the link to transportation. You cannot develop land independent of transportation. Some of the best examples of smart growth is in streetcar suburbs. But Brookline says 'We already have our share of development'. We are already too dense.

A. That is a problem. An example is Coolidge Corner in Brookline. The argument is that we have to work hard with the communities, for example near Forest Hills. It is a chicken and egg problem. You drive a transit line out. It used to be done by private interests, but no one does that today. The answer is that with linear development of housing around transit routes will make it palatable to make other investments liking transit and development.

Q. [What are your planned standards for automobile parking?]

A. I don't know about parking, but we want one space per car.

We don't want people out of their cars 24 hours a day, 7 days a week. But ZipCar would work. [I am not doctrinaire about eliminating automobiles, but yet we can lower the extent of their use: There could be] one car rather than two, or two cars, but used less. Transit is efficient from that point of view.

Q (Frank Dimasi) Why does that thing (Wellesley) get stuck in there, about accessory apartments?

A. I don't know. We realized we had to give power to the state legislature so they could point to what they achieved.

There are all kinds of things in the regulations that would be problematical, but we have to fight these battles.

Q. Regarding surplus State property, if it is remote, it would be leading to sprawl. It cannot be open land. It shouldn't be developed.

A. The State has a lot of land in areas appropriate to smart growth. There is no need to put it in places where it shouldn't go.

- Q. (1) In terms of affordability, are there other State subsidy programs to reduce the cost?
(2) Is condominium housing available, or only rental?

A. We're convinced if we want to bring the cost of housing down, we can't do it with cross subsidization. For extremely low income population, there is a new program called 'Home Finders': Companies get together. Foundations have agreed to take their endowment and use it for 1% loans. The first project [of this type] is an urban edge project.

Condos? Yes.

Q. You referred to developers who develop their own transit route. Would that be possible?

A. Yes. E.g. the South Weymouth NAS. It is in three towns. The Navy no longer uses it. You are talking about 2800 units of housing, using less than 15% of the available land. They have to figure out how to get people to the commuter rail. They made an involved plan.

In the old days, there were deep pockets enough to build transit lines to take advantage of land.

Q. I work near Wellington Square. The issue is that walking conditions to the station are difficult.

A. Sometimes what is needed is a sidewalk or a bike path. We are thinking about multiple transit modes.

Q (Dan Wilson) Is there anything in the regulations to encourage such?

A. Not that I know. Communities would have to provide this. But the communities could use their bonus to provide these facilities.

Q. How would the trust fund be financed?

A. Building it up, but it will take two or three years before this money will have to be spent. Chapter 70 would come through normal appropriations.

Q. A shuttle service is only effective in an area of dense population. If it doesn't get used, it would go away. It is a long term problem.

A. A well-endowed developer could absorb the cost of such a shuttle service for a dense project. The State cannot be relied upon to support all these things.

Q. Where do we get copies of the regulations?

A. The DHCD, on their web site.

Q. Forest Hills has the T using half of the site and the rest would be divided among everything else.

A. Somerville is the next community.

My dream is of building a graduate student village, including all the convenience stores and cafés. Graduate students don't riot. Think of these things in one place.

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