

MAYOR MARTIN J. WALSH

# HOUSING A CHANGING CITY

## BOSTON 2030



Q1 REPORT

2018



# HOUSING BOSTON 2030: Accommodating Growth

## Q1 2018 SUMMARY

### Boston 2030 Goal:

- Create 53,000 additional units of housing by 2030.<sup>1</sup>

Q1 2018 PERFORMANCE: ALL HOUSING UNITS		
PERMIT TARGET Q1 2018	PERMITTED Q1 2018	% TARGET
663	877	132%
CUMULATIVE PERFORMANCE: ALL HOUSING UNITS		
PERMIT TARGET	PERMITTED ACTUAL	% TARGET
19,200	26,125	136%

### Observations Q1 2018:

#### New Production Continues at Near-Record Pace

Typically, the winter months of the first quarter have the lowest volume of construction starts and real estate activity during the year. However, the 877 housing units that were permitted in Q1 2018 make it the third highest Q1 in 23 years of the City's record-keeping. New production continues to outpace the City's target of 663 units per quarter needed to generate 53,000 new units by 2030. If this pace were to continue, the 53,000 unit goal could be met five years ahead of schedule.

#### Construction Employment

The 877 new units permitted in Q1 2018 generated almost a half-billion dollars in new investment, and will create more than 1,000 new construction jobs.

At the end of Q1 2018, there were 8,870 new residential units in construction in Boston, generating more than 11,000 construction jobs.

#### Completions: Catching Up on the Housing Supply Shortage

The population projections on which *Housing a Changing City: Boston 2030* were based stated a need to accommodate almost 5,000 new residents annually. In Q1 2018, 1,667 new units were completed, enough housing to accommodate more than 3,000 residents. This is more than double the targeted quarterly pace, but the actual population growth has outpaced the projections provided by the Massachusetts Area Planning Council (MAPC) during the planning process for that *Housing Boston 2030*.

By the end of 2016, Boston's population had grown by more than 40,000 people, 13,000 more than had been projected. This growth is keeping the housing market demand high, and elevating prices. A key task for the reconvened *Mayor's Housing Task Force* is to revisit this growth target, and determine which housing plan goals require adjustment.

<sup>1</sup> Please note: housing production goals are based on the Metropolitan Area Planning Council's projected population and housing demand changes from 2010-2030. All other goals are for the period 2014-2030.

# HOUSING BOSTON 2030: Q1 2018 SUMMARY

## Accommodating Growth

### Observations Q1 2018, continued:

#### Completions: Expanding Boston's Tax Base

The 1,369 new units completed in Q1 2018 are projected to add \$801 million on net<sup>2</sup> in taxable real estate to the FY19 tax rolls, which will in turn generate \$7.7 million annually in new tax revenue.

#### The Shift Away from Downtown Continues

Permit applications for 1,200 new units were filed with ISD in Q1 2018, up 26% from Q1 2017. Applications for new downtown development, however, are down significantly -- 73% from Q1 2017 to Q1 2018 as compared year over year. An astounding 95% of new permit applications in Q1 2018 were for non-downtown locations.

#### A Large and Growing Pipeline

By the end of Q1 2018 there were 25,800 units in the housing development pipeline. Along with the 26,125 units already permitted or complete, Boston now has almost 52,000 units built, in construction, and/or in the development approval process.

<sup>2</sup> Incremental growth in taxable value and new taxes after netting out the values/taxes that existed before development.

### Notable Projects Q1 2018:



**917 BENNINGTON STREET:** The largest project permitted in East Boston in Q1 2018 with 42 new rental units and 5 onsite affordable units.



**THE RESIDENCES AT FOREST HILLS:** is the second largest project permitted in Q1 2018 with 250 new units and 50 onsite affordable units, 20% of the project's total, and a substantial increase over the IDP minimum of 13%.

# HOUSING BOSTON 2030: Low-Income/Non-Elderly Housing Q1 2018 SUMMARY

## Boston 2030 Goals:

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

### Q1 2018 PERFORMANCE: LOW INCOME HOUSING UNITS

PERMIT TARGET Q1 2018	PERMITTED Q1 2018	% TARGET
82	78	95%

### CUMULATIVE PERFORMANCE: LOW INCOME HOUSING UNITS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
2,064	2,034	99%

## Observations Q1 2018:

With 78 new low income units permitted in Q1 2018, the City has maintained its target pace in what has traditionally been a slow quarter.

### Housing for the Homeless

In Q1 2018, 13 of the 78 new units permitted were set aside for the homeless.

### Low Income Pipeline

The City currently has a pipeline of 1,145 new non-elderly low-income units. Of that number, 553 are in projects that have already filed with the Inspectional Services Department (ISD), and could be permitted by the end of the calendar year.

### Resources

The single largest determinant in producing a unit of low-income housing is resources, particularly availability of public funds. In Q1 2018, the City committed \$7.8 million in low-income developments. This was 77% of all funds spent by the City on affordable housing production during the quarter. Those City investments were able to leverage \$59.7 million in other public resources to amass the \$296,000 per unit of public funding needed to create an affordable unit.

The City derives these resources from the federal government, linkage dollars generated by commercial real estate in Boston, Inclusionary Development cash-in-lieu payments made by residential developers, the newly established Community Preservation Fund which is funded by a tax levy, and a its own contribution from the operating budget. These critical resources are difficult to project with complete accuracy, but here is an assessment of the resource picture in Q1 2018:

# HOUSING BOSTON 2030: Low-Income/Non-Elderly Housing Q1 2018 SUMMARY

## Resources, continued:

- **Inclusionary Development Funds (IDF):** Revenues have declined as more developers have opted to build on-site, rather than cash out. In 2016, these cash out contributions totalled \$24 million; in 2017, they were \$16 million. 2018 projections are for \$13 million.
- **Linkage:** Funding remains stable, with \$9 million projected in 2018, as it was in 2017.
- **Community Preservation Act:** The first funding round was issued in Q1 2018, asking for 'shovel-ready' projects with awards not to exceed \$500,000. In this pilot round, no specific percentage of awards was set aside for affordable housing.
- **Federal Funds:** The recently finalized federal budget provides some good news in the form of a one-time revenue increase for CDBG by \$1.6 million, and HOME by \$1.7 million. A longer term impact will be the increase by 12.5% for each of the next four years to Low Income Housing Tax Credits (LIHTC), a critical resource for affordable housing development.

## Notable Projects Q1 2018:



**GENERAL HEATH SQUARE:** Permitted the most low-income units this quarter with 40 of its 47 units targeted to low-income households.



**THE BEVERLY:** Completed this quarter, this is the second largest low-income project in downtown Boston since Housing Boston 2030 began. Of the 239 mixed-income units in this downtown building, 48 of them are LIHTC funded for low-income households.

# HOUSING BOSTON 2030: Q1 2018 SUMMARY

## Middle Income Housing

### Boston 2030 Goal:

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

#### Q1 2018 PERFORMANCE: MIDDLE INCOME HOUSING PERMITS

TARGET	DEED-RESTRICTED	MARKET RATE MIDDLE	TOTAL	% TARGET
250	154	309*	463*	185%

#### CUMULATIVE PERFORMANCE: MIDDLE INCOME HOUSING PERMITS

TARGET	DEED-RESTRICTED	MARKET RATE MIDDLE	TOTAL	% TARGET
7,245	2,632	5,325*	7,957*	110%

\* Middle income units are defined as affordable to households with incomes between \$50,000 and \$125,000, who are paying no more than 33% of their income on rent or mortgage. Affordability calculations are based on actual sales prices/listing rents for completed units, and on market comparables for in construction units.

### Observations Q1 2018:

With 463 new middle-income units permitted this quarter, middle-income production is running well above target. This is the fifth quarter in a row where the pace of production has exceeded target. It should be noted, however, that 309 or 67% of these units are market-rate units that are not located in the downtown core. These units are expected to be affordable to middle income earners, but this cannot be certified until the units are completed and put on the market.

#### More On-Site Inclusionary Units

Many developers are opting for producing affordable units on-site to meet their Inclusionary obligations, and this is beginning to have a positive outcome on the number of middle-income units. In 2016, the average quarterly pace of on-site Inclusionary production was 63 middle income housing units. By 2017, the quarterly pace had picked up to 109 units; in Q1 2018, it was 107 units.

#### Homeownership Production

The homeownership rate for Boston residents is 35%, compared to 62% in the metro area. It is also true that Boston has a large number of younger single-person households for whom homeownership may not yet be a priority, but lack of supply must also be addressed. Of the 463 new middle income units permitted this quarter, only 35 were ownership units. The remaining 92% were rental.

#### Homebuyer Assistance

Recognizing that new housing production alone will not create enough middle income first-time homebuyers to meet the target of creating 5,000 new homeowners by 2030, the City has focused more effort into helping buyers. See the next page for more outcomes, specifically via:

- **Deed-Restricted Homeownership.** First-time buyer opportunities created through new production and through resales of older restricted properties.
- **Open Market Purchases.** Unrestricted units bought with financial and technical assistance from the City of Boston.

# HOUSING BOSTON 2030: Middle Income Housing Q1 2018 SUMMARY

## Homebuyer Assistance, *continued*:

### Q1 2018 PERFORMANCE: FIRST TIME HOMEBUYERS ASSISTED

PURCHASED CITY ASSISTED HOUSING	PURCHASED OPEN MARKET HOUSING	TOTAL FIRST TIME HOMEBUYERS ASSISTED
15	84	99

### CUMULATIVE PERFORMANCE: FIRST TIME HOMEBUYERS\*

PURCHASED CITY ASSISTED HOUSING	PURCHASED OPEN MARKET HOUSING	TOTAL FIRST TIME HOMEBUYERS ASSISTED**
552	364	916

\* Only buyers during *Housing Boston 2030* plan period counted.

## First Time Homebuyers: Some Good News

The volume of first-time homebuyers exceeded the quarterly target for the first time since *Housing Boston 2030* began in 2014. While overall performance is 73% of target, the pace of new homebuyers is up. In 2014, an average of 38 new homebuyers were created each quarter; in 2017, that number rose to 64. In Q1 2018, there were 99 homebuyers.

## Looking for Better Ways to Achieve Our Goals

The *Increasing Homeownership Opportunities in Boston Working Group* is focused on its goal of developing ten action steps to be taken or advocated for to achieve its purpose.

## Retaining Existing Middle Income Homeowners

The City also recognizes that retaining existing middle-income homeowners must be a key part of its middle-income homeownership strategy. To that end, the City offers two kinds of services:

- Home repair and lead paint abatement services to help owners struggling with the costs of keeping up their home
- Foreclosure prevention services to ensure that homeowners don't lose their homes to a risky loan product.

### Q1 2018 PERFORMANCE: HOME OWNER PRESERVATION\*

PROPERTIES RENOVATED	PROPERTIES DE-LEADED	FORECLOSURES PREVENTED	TOTAL HOMES PRESERVED	TOTAL UNITS PRESERVED
28	4	33	65	107

### CUMULATIVE PERFORMANCE: HOME OWNER PRESERVATION\*

PROPERTIES RENOVATED	PROPERTIES DE-LEADED	FORECLOSURES PREVENTED	TOTAL HOMES PRESERVED	TOTAL UNITS PRESERVED
465	64	633	1,162	2,049

\* Senior retention is reported in the next section. Only work done during *Housing Boston 2030* plan period was counted.

# HOUSING BOSTON 2030: Q1 2018 SUMMARY

## Middle Income Housing

### Homeownership Retention Observations

More than 1,100 homes have been retained through home renovation, de-leading and foreclosure prevention services since 2014. In addition, almost 900 tenancies have been preserved in these buildings.

### Notable Projects Q1 2018:



**360 & 370 HARRISON AVENUE:** is the largest development to be permitted in Q1 2018, with 273 new units. The project includes 55 affordable units – 20% of the project's total.



**88 HUDSON STREET CONDOMINIUMS:** With 51 affordable homeownership units, this project created more middle-income homeowner units than any other project completed in Q1 2018.



# HOUSING BOSTON 2030: Seniors

## Q1 2018 SUMMARY

### Boston 2030 Goal:

- Maintain Boston's pace of low-income elderly housing production, in the face of the elimination of the Federal Section 202 program, creating 75 units annually, and 1,500 new affordable units by 2030.

#### Q1 2018 PERFORMANCE: AFFORDABLE SENIOR HOUSING UNITS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
19	0	0%

#### CUMULATIVE PERFORMANCE: AFFORDABLE SENIOR HOUSING UNITS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
543	357	66%

## Observations Q1 2018

### Some New Production

While no new affordable senior units were permitted this quarter, it is noteworthy that the Federal FY18 budget compromise included funding for the 202 Program for the first time since 2011. The award is \$105 million nationwide and much of that is expected to be utilized for rental assistance. HUD has not yet specified how the funds will be allocated, and if the remainder will be available for much-needed development funding. Boston is monitoring this resource closely.

### Senior Homeowner Retention

To ensure that seniors who wish to age in place can do so, the City has several programs to help senior homeowners retain their housing, including home renovation and heating system replacement services, lead paint removal assistance, and foreclosure prevention services. Since 2014 these programs have helped nearly 600 seniors retain their homes. In Q1 2018, 68 senior-owned homes were preserved, a near doubling of the pace of activity compared to 2015.

#### Q1 2018 PERFORMANCE: SENIOR HOME OWNER PRESERVATION

PROPERTIES RENOVATED	PROPERTIES DE-LEADED	FORECLOSURES PREVENTED	TOTAL HOMES PRESERVED	TOTAL UNITS PRESERVED
44	2	22	68	110

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

PROPERTIES RENOVATED	PROPERTIES DE-LEADED	FORECLOSURES PREVENTED	TOTAL HOMES PRESERVED	TOTAL UNITS PRESERVED
434	10	213	657	1,052

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

# HOUSING BOSTON 2030: Q1 2018 SUMMARY

## Seniors

### Helping Seniors Retain Their Homes: Supporting Senior Renters

The City also provides services to help lower-income senior renters retain their apartments through its homelessness prevention initiatives. Since *Housing Boston 2030* began, more than 500 at-risk seniors have been able to retain their housing or find alternatives with City assistance.

#### Q1 2018 PERFORMANCE: ELDER HOMELESSNESS PREVENTION

AT-RISK ELDERLY RENTERS RETAINING THEIR APARTMENTS	65
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#### CUMULATIVE PERFORMANCE: ELDER HOMELESSNESS PREVENTION

AT-RISK ELDERLY RENTERS RETAINING THEIR APARTMENTS	647
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\* Only work done during *Housing Boston 2030* plan period was counted.

In addition to assisting individual renters, the City also seeks to prevent displacement of seniors from assisted housing by arranging extensions of affordability agreements past 2030. These negotiations are complex and lengthy, and there are currently a number in progress which will hopefully be accounted for positively in the next quarterly report.

#### Q1 2018 PERFORMANCE: AFFORDABLE ELDERLY PRESERVATION

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

UNITS OF ELDERLY HOUSING PRESERVED TO 2030 & BEYOND	1,768
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\* Only work done during *Housing Boston 2030* plan period was counted.

## Notable Projects Q1 2018



**WATERSTONE AT THE CIRCLE:** This development, with its 92 senior units (including 12 on-site affordable), was completed in Q1 2018. It is an age-restricted (62+) building with supportive services and is the only private market-rate senior development built in Boston since the beginning of *Housing Boston 2030* plan in 2014.

# HOUSING BOSTON 2030: Students

## Q1 2018 SUMMARY

### Boston 2030 Goal:

- Create 16,000 new undergrad dorm beds by 2030, reducing the number of undergraduates in private housing by 50% by 2030.

#### Q1 2018 PERFORMANCE: DORMITORY BEDS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
249	0	0%

#### CUMULATIVE PERFORMANCE\*: DORMITORY BEDS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
5,793	5,898	102%

\* Includes net new undergrad and graduate dorm beds completed during *Housing Boston 2030* plan period plus those currently in construction.

## Observations Q1 2018

### Dormitory Production

Although there were no new starts in Q1 2018, the City remains on-target for its production goals for new dormitory beds. To maintain this level, however, will take more than the current number of projects which have been submitted for development review at the BPDA.

### Off Campus Count

The *Boston Student Housing Trends 2017-2018* report states that there are 23,971 undergraduates living off-campus in Boston. This includes both the 3,393 students living at home with parents, and also the 20,578 students occupying units in Boston's private rental housing market.

During the past four years, undergraduate enrollment in Boston's colleges and universities has remained largely constant. With 3,548 dorm beds recently completed and another 2,245 beds approved to begin construction in the near future however, it is expected that the number of undergraduates living off campus in Boston's private rental housing market should begin to decline as these new dormitories become operational.

# HOUSING BOSTON 2030: Preserving Affordable Housing

## Q1 2018 SUMMARY

### Boston 2030 Goals:

- Retain at least 97% of at-risk affordable housing units (29,534 units) by 2030.
- Keep losses of affordable housing units below 3% (913 units) with a special effort to protect the expiring 1,043 "13A" units that were developed with State funding.

#### Q1 2018 PERFORMANCE: AFFORDABLE RENTAL PRESERVATION

TARGET Q1 2018	PRESERVED Q1 2018	% TARGET
330	0	0%

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

TARGET	PERMITTED ACTUAL	% TARGET
12,677	11,792	93%

#### Q1 2018 PERFORMANCE: LOSS MITIGATION

LOSS CEILING Q1 2018	NON 13A LOSSES	13A LOSSES	TOTAL UNITS LOST
13	0	31	31

#### CUMULATIVE PERFORMANCE\*: LOSS MITIGATION

LOSS CEILING Q1 2018	NON 13A LOSSES	13A LOSSES	TOTAL UNITS LOST
228	45	31	76

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

### Observations Q1 2018: Private Housing Preservation

Although no units were preserved in Q1 2018, the City is very close (93%) to its target for the preservation goal with 11,792 units preserved to 2030 or beyond.

The first 13A loss since the *Housing Boston 2030* plan period began happened this quarter, when Paul Revere Court lost its long-term affordability protections on its 31 units. Although the long term affordability has been lost, it should be noted that the owner has agreed to accommodate the existing tenants.

Of the 980<sup>1</sup> 13A units that existed at the beginning of the *Housing Boston 2030* plan period, 668 remain at high risk. The City is working with owners to preserve the affordability or protect the existing tenants if affordability cannot be preserved.

<sup>1</sup> Please note that the count of 13A units has been revised down from the originally reported 1,043. After receiving additional data, the count was adjusted to account for some units that had already become market-rate after the existing tenants vacated.

## Observations Q1 2018: Public Housing

The BHA has exceeded the target occupancy rate of 97% consistently since *Housing Boston 2030* began in 2014. The occupancy rate at the end of Q1 2018 was 97.8%.

To ensure the longevity of its significant public housing assets, the BHA has undertaken an ambitious redevelopment plan for its many properties. Q1 2018 was the best quarter for BHA redevelopment since the Housing Plan was launched in 2014. Two significant developments: Madison Melnea Cass Apts and Whittier Street Phase 1 both were permitted this quarter. See below for more details.

### Q1 2018 PERFORMANCE PUBLIC HOUSING: NEW & REDEVELOPED BHA UNITS

REDEVELOPED BHA UNITS	NEWLY CREATED BHA UNITS	TOTAL UNITS
76	92	168

### CUMULATIVE PERFORMANCE PUBLIC HOUSING\*: NEW & REDEVELOPED BHA UNITS

REDEVELOPED BHA UNITS	NEWLY CREATED BHA UNITS	TOTAL UNITS
365	92	457

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

## Notable Projects Q1 2018:



**WHITTIER ST. APARTMENTS:** This BHA redevelopment project of 92 newly built units will replace 43 old BHA units and add 49 new affordable units. It is the largest affordable housing development to be permitted this quarter.



**MADISON MELNEA CASS APARTMENTS:** This 76 unit BHA redevelopment, has 43 new and 33 replacement units, making it the second largest affordable housing development to be permitted this quarter.