

MAYOR MARTIN J. WALSH

HOUSING A CHANGING CITY

BOSTON 2030



Q2 REPORT

2018



Boston 2030 Goal:

- Create 53,000 additional units of housing by 2030.¹

Q2 2018 PERFORMANCE: ALL HOUSING UNITS		
PERMIT TARGET Q2 2018	PERMITTED Q2 2018	% TARGET
663	1,396	211%
CUMULATIVE PERFORMANCE: ALL HOUSING UNITS		
PERMIT TARGET	PERMITTED ACTUAL	% TARGET
19,860	27,513	139%

Observations Q2 2018:

New Production Continues at Near-Record Pace

Q2 2018 was one of the best quarters on record for new housing starts. For the sixth quarter in a row, new production substantially outpaced the City’s target of 663 units per quarter. There are currently more than 27,000 new units of housing completed or in construction, more than half of the original 53,000 unit goal of this plan. This development represents \$15.7 billion invested in Boston’s economy.

Construction Employment

The 1,396 new units permitted in Q2 2018 generated \$615 million dollars in new investment, and created more than 1,200 new construction jobs.

At the end of Q2 2018, there were almost 10,000 new residential units in construction in Boston, generating more than 12,000 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 Q2 2018, 543 new units were completed, enough housing to accommodate almost 1,200 residents which meets the targeted quarterly pace. This brisk pace of completions will need to continue to begin to ease the housing shortage that the City faces.

The Metropolitan Area Planning Council’s (MAPC) population growth forecast specified a need to accommodate 35,000 new residents through the end of Q2 2018. Although completions to date have met this goal, the housing supply is still very tight, likely due to actual population growth outpacing MAPC’s 2014 projections. By the end of 2016, Boston’s population had grown by 13,000 more people than had been projected for that date. The City, working with MAPC, is currently reviewing new population and housing targets for 2030 that account for this higher-than-anticipated population surge, which is critical information for the Mayor’s Housing Task Force as it works on the *Housing 2030 Plan Update*.

¹ 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: Q2 2018 SUMMARY

Accommodating Growth

Observations Q2 2018, continued:

Completions: Expanding Boston's Tax Base

The 543 new units completed in Q2 2018 are projected to add \$393 million on net² in taxable real estate to the FY19 tax rolls, which will in turn generate \$3.6 million annually in new tax revenue.

The Shift Away from Downtown Continues

Permit applications for 1,800 new units were filed with ISD in Q2 2018, up 83% from Q2 2017. Developers continue to prefer neighborhood locations over downtown; 14 percent of new permit applications this quarter were for downtown, 84% were in neighborhood locations.

A Large and Growing Pipeline

By the end of Q2 2018 there were almost 26,000 units in the housing development pipeline. Along with the 27,513 units already permitted or complete, Boston has 53,000 units built, in construction, and/or in the development approval process.

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

Notable Projects Q2 2018:



GARDEN GARAGE: Located near North Station, the Garden Garage Development is the largest building permitted this quarter, with 469 new rentals, including 17 on-site affordable units, 17 offsite affordable units at 1-10 Emerson Place, and \$8 million Cash-In-Lieu to the Inclusionary Development Fund.



ST. GABRIEL'S RENTAL BUILDINGS 2 & 3: Located on the site of the former St Gabriel's Monastery in Brighton, this project has 63 of its 396 units designated as on-site affordable units. It is creating more affordable housing than any other project permitted in Q2 2018.

HOUSING BOSTON 2030: Low-Income/Non-Elderly Housing Q2 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.

Q2 2018 PERFORMANCE: LOW INCOME HOUSING UNITS

PERMIT TARGET Q2 2018	PERMITTED Q2 2018	% TARGET
82	51	62%

CUMULATIVE PERFORMANCE: LOW INCOME HOUSING UNITS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
2,150	2,085	97%

Observations Q2 2018:

Even with an off-pace 51 new low income units permitted in Q2 2018, the City is still maintaining 97% of its target pace.

Housing for the Homeless

In Q2 2018, 28 of the 51 new units permitted were set aside for the homeless, including 4 units at The Clarion, and 24 units at Hope House II.

Low Income Pipeline

The City currently has a pipeline of almost 1,000 new non-elderly low-income units. Of that number, 503 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 Q2 2018, the City committed \$2.3 million in low-income developments. Cumulatively, the City has spent \$142 million on low-income housing production, 80% of all City funds spent on affordable housing production.

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 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 Q2 2018:

HOUSING BOSTON 2030: Low-Income/Non-Elderly Housing Q2 2018 SUMMARY

Resources, continued:

- **Inclusionary Development Funds (IDP):** 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. FY19 projections are for \$15 million.
- **Linkage:** Linkage funding is expected to decline from \$11.8 million collected in FY17 to a projected \$9.6 million in FY19. The eight percent inflation adjustment from \$8.34 to \$9.04 per square foot approved by the BPDA Board may offset this to some degree in the future.
- **Community Preservation Act:** In FY18, the City collected \$18,180,000 in CPA revenues. Projected revenues in FY19 are \$21,959,000 (including two years of State match for FY18 and FY19). The first funding round resulted in three affordable housing projects receiving \$500,000 apiece. Awards were made to: **Talbot Commons, Call-Carolina Homes, and Arx Urban Development.** The State had announced that matching funds this year will be 11.5% of the FY18 collections, but that percentage may rise with the addition of surplus funds, if any, from the FY18 budget. Disbursements are expected to occur in November.
- **State Housing Bond Bill:** Governor Baker signed into law a \$1.8 billion housing bond bill that not only ensures that State will continue to be a reliable partner with the City, but also includes a small carve-out for Senior Housing for the next five years.
- **Federal Funds:** On July 1st, the first day of Q3 2018, the funding increases from last winter's budget take effect: CDBG is up by \$1.6 million, HOME is up by \$1.7 million, and the critically important Low Income Housing Tax Program (administered through the State) was increased by 12.5%.

Notable Project Q2 2018:



THE CLARION: With 27 of its 39 rental units targeted to low-income households, this project permitted the highest amount of low-income housing in Q2 2018.

HOUSING BOSTON 2030: Q2 2018 SUMMARY

Middle Income Housing

Boston 2030 Goal:

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

Q2 2018 PERFORMANCE: MIDDLE INCOME PRODUCTION			
SOURCE	TARGET Q2 2018	PERMITTED Q2 2018	% TARGET
DEED-RESTRICTED	50	130	260%
MARKET RATE MIDDLE	200	384	192%
TOTAL	250	514	206%

CUMULATIVE PERFORMANCE: MIDDLE INCOME PRODUCTION			
SOURCE	TARGET	PERMITTED ACTUAL	% TARGET
DEED-RESTRICTED	1,500	2,761	184%
MARKET RATE MIDDLE	6,000	5,731	96%
TOTAL	7,500	8,492	113%

Observations Q2 2018:

With 514 new middle-income units permitted this quarter, middle-income production is running well above target. This is the sixth quarter in a row where the pace of production has exceeded target. It should be noted, however, that 384 or 75% 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 Q2 2018, it was 130 units.

Homeownership Production

New market-rate production of private market housing that middle income homebuyers can afford is very limited. Of the 5,301 market rate condo units that have been permitted since *Housing Boston 2030* began, only a small percentage came in at prices that those earning middle income wages could afford. This is an area of focus in discussions of the plan update.

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: Q2 2018 SUMMARY

Middle Income Housing

Q2 2018 PERFORMANCE: FIRST TIME HOMEBUYERS ASSISTED

PURCHASED CITY ASSISTED HOUSING	PURCHASED OPEN MARKET HOUSING	TOTAL FIRST TIME HOMEBUYERS ASSISTED
68	14	82

CUMULATIVE PERFORMANCE: FIRST TIME HOMEBUYERS*

PURCHASED CITY ASSISTED HOUSING	PURCHASED OPEN MARKET HOUSING	TOTAL FIRST TIME HOMEBUYERS ASSISTED**
565	377	942

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

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.

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.

Q2 2018 PERFORMANCE: HOME OWNER PRESERVATION*

PROPERTIES RENOVATED	PROPERTIES DE-LEADED	FORECLOSURES PREVENTED	TOTAL HOMES PRESERVED	TOTAL UNITS PRESERVED
34	2	22	58	97

CUMULATIVE PERFORMANCE: HOME OWNER PRESERVATION*

PROPERTIES RENOVATED	PROPERTIES DE-LEADED	FORECLOSURES PREVENTED	TOTAL HOMES PRESERVED	TOTAL UNITS PRESERVED
457	111	533	1,101	1,971

* Senior retention is reported in the next section. Only work done since 2014 to date was counted.

HOUSING BOSTON 2030: Q2 2018 SUMMARY

Middle Income Housing

Notable Projects Q2 2018:



3521-3529 WASHINGTON STREET: With 12 of its 82 condo units set aside for middle-income buyers, this project was the largest affordable ownership project to be permitted in Q2 2018.



OLMSTED GREEN CONDOS: This Mattapan development is part of a multi-phased project of ownership and rental units. The Condos was completed in Q2 2018, with 22 of its 41 condos set aside for moderate/middle income buyers. The other units are moderately priced, but not income-restricted.

HOUSING BOSTON 2030: Seniors

Q2 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.

Q2 2018 PERFORMANCE: LOW-INCOME SENIOR HOUSING UNITS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
19	0	0%

CUMULATIVE PERFORMANCE: LOW-INCOME SENIOR HOUSING UNITS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
562	345	61%

Observations Q2 2018

Future Resources

While no new affordable senior units were permitted this quarter, it is noteworthy that the recent Federal FY18 budget compromise included funding for the 202 Program for the first time since 2011. The City will be watching this resource carefully. Closer to home, Q2 2018 saw the passage of a 1.8 billion State Housing Bond Bill that included a \$5 million carve-out for affordable senior housing.

New Market-Rate Production

No new market-rate senior units were permitted this quarter and cumulative performance is only 7% of target. Developers are likely catering to seniors, but are not age-restricting their buildings.

Q2 2018 PERFORMANCE: NEW MARKET-RATE SENIOR UNITS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
44	0	0%

CUMULATIVE PERFORMANCE: NEW MARKET-RATE SENIOR UNITS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
1,312	89	7%

HOUSING BOSTON 2030: Seniors

Q2 2018 SUMMARY

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.

In Q2 2018, 47 senior-owned homes were preserved. Since *Housing Boston 2030* began, 600 senior homeowners have been able to retain their housing through the City's home renovation and foreclosure prevention programs.

Q2 2018 PERFORMANCE: SENIOR HOME OWNER PRESERVATION

PROPERTIES RENOVATED	FORECLOSURES PREVENTED	TOTAL HOMES PRESERVED
32	15	47

CUMULATIVE PERFORMANCE*: SENIOR HOME OWNER PRESERVATION

PROPERTIES RENOVATED	FORECLOSURES PREVENTED	TOTAL HOMES PRESERVED
438	185	623

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

Senior Renter Retention

The City also provides services to help lower-income senior renters retain their apartments through its homelessness prevention services and through the preservation of at-risk affordable elderly housing.

In Q2 2018, 95 seniors retained their housing through the City's homelessness prevention programs. More seniors were assisted in Q2 2018 than in any other quarter since *Housing Boston 2030* began. Historically, an average of 38 seniors are assisted each quarter.

Q2 2018 PERFORMANCE: SENIOR RENTER RETENTION

HOMELESSNESS PREVENTION	SENIOR HOUSING PRESERVATION	TOTAL
95	0	95

CUMULATIVE PERFORMANCE*: SENIOR RENTER PRESERVATION

HOMELESSNESS PREVENTION	SENIOR HOUSING PRESERVATION	TOTAL
742	1,768	2,510

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

HOUSING BOSTON 2030: Students

Q2 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.

Q2 2018 PERFORMANCE: DORMITORY BEDS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
249	0	0%

CUMULATIVE PERFORMANCE*: DORMITORY BEDS

PERMIT TARGET	PERMITTED ACTUAL	% TARGET
6,042	5,898	98%

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

Observations Q2 2018

Dormitory Production

Although there were no new starts in Q2 2018, the City remains on-target for its production goals for new dormitory beds. It has now been more than a year since a new dorm has been permitted; the pipeline has 1,239 net new beds in process, but more are needed to meet the longterm goal of this plan.

Off Campus Count

The *Boston Student Housing Trends 2017-2018* report states that there are 23,971 undergraduates living off-campus in Boston, which represents a small decrease from the initial count. Given that undergraduate enrollment grew by about 1,800 (2% growth), the data suggest that the beds that came on line during the period mitigated the impact of the additional students on Boston's private housing stock.

With 2,679 new beds that have been in construction for a year or more, there could be a significant impact on the number of off-campus undergraduates if a substantial share of these beds are completed before the upcoming academic year.

HOUSING BOSTON 2030: Q2 2018 SUMMARY

Preserving Affordable Housing

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.

Q2 2018 PERFORMANCE: AFFORDABLE RENTAL PRESERVATION

TARGET Q2 2018	PRESERVED Q2 2018	% TARGET
330	180	55%

CUMULATIVE PERFORMANCE*: AFFORDABLE RENTAL PRESERVATION

TARGET	PRESERVED ACTUAL	% TARGET
13,006	12,440	96%

Q2 2018 PERFORMANCE: LOSS MITIGATION

LOSS CEILING Q2 2018	NON 13A LOSSES	13A LOSSES	TOTAL UNITS LOST
13	0	0	0

CUMULATIVE PERFORMANCE*: LOSS MITIGATION

LOSS CEILING Q2 2018	NON 13A LOSSES	13A LOSSES	TOTAL UNITS LOST
241	61	31	92

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

Observations Q2 2018: Private Housing Preservation

Cummins Tower in Roslindale extended affordability for 180 units until 2037. Preservation is running at 96% of target

There were no losses in Q2 2018, and cumulative losses are running well below the loss ceiling of 241 units that would keep overall losses to less than 3% of the portfolio.

No 13A developments were preserved or lost this quarter. Of the 980 13A units that existed when *Housing Boston 2030* began, 669 remain at risk. The City is working with all of the owners to preserve the affordability or protect the existing tenants if affordability cannot be preserved.

¹ 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.

HOUSING BOSTON 2030: Q2 2018 SUMMARY

Preserving Affordable Housing

Observations Q2 2018: Public Housing

The BHA has exceeded the target occupancy rate of 97% consistently since *Housing Boston 2030* began. The occupancy rate at the end of Q2 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. No BHA redevelopment projects were permitted this quarter.

One redevelopment project, Orient Heights Phase 1 (120 replacement units), was completed in Q2 2018.

Q2 2018 PERFORMANCE PUBLIC HOUSING: NEW & REDEVELOPED BHA UNITS		
REDEVELOPED BHA UNITS	NEWLY CREATED HOUSING UNITS	TOTAL UNITS
0	0	0
CUMULATIVE PERFORMANCE PUBLIC HOUSING*: NEW & REDEVELOPED BHA UNITS		
REDEVELOPED BHA UNITS	NEWLY CREATED HOUSING UNITS	TOTAL UNITS
365	58	423

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

Notable Projects Q2 2018:



BHA ORIENT HEIGHTS PHASE I: The first 120 of the 311 units in this redevelopment were completed in Q2 2018. The Orient Heights development's original buildings were demolished and replaced with a series of clustered townhouses and a four-story mid-rise building.