



**Testimony**

**By**

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**Before the**

**House Committee on Bonding**

**June 3, 2013**

**In support of**

**An Act Financing the Production and Preservation of Housing for Low and Moderate  
Income Residents (H. 3464)**

Thank you for the opportunity to provide testimony today to support the passage of H. 3464, sponsored by Representative Kevin Honan and Senator Jamie Eldridge which will help to provide critical authorizations for the Commonwealth's affordable housing and community development programs and strengthen communities across Massachusetts.

The Massachusetts Association of Community Development Corporations (MACDC) is an association of mission-driven community development organizations dedicated to working together and with others to create places of opportunity where people of diverse incomes and backgrounds access housing that is affordable, benefit from economic opportunities and fully participate in the civic life of their community. We achieve this by building and sustaining a high performing and adaptive community development sector that is supported by private and public investment and sound public policies. Founded in 1982, our membership includes over 60 community development corporations and 27 other nonprofit organizations who are working to build and sustain strong communities through housing, economic and community development activities. In the past 5 years, CDCs in Massachusetts have created or preserved more than 6,500 homes.

## **Massachusetts families and seniors are struggling to find housing that they can afford**

The lack of affordable housing in Massachusetts is seriously impacting our economic recovery and the well-being of children and seniors throughout the Commonwealth. A few telling statistics help to tell the story:

- More than 16,000 people are homeless.
- A family needs an hourly wage of \$24.05 to afford the fair market rent for a two bedroom apartment, but the average renter wage is just over \$17 per hour.
- 7,400 homeowners lost their homes to foreclosure last year and while the rate of foreclosures has slowed, thousands of families remain at risk of losing their homes and thousands more have mortgages that are under water
- As homeowners lose their homes to foreclosure, there is more and more pressure on the rental market. Today, the estimated shortage of units for low income renters exceeds 150,000 units.
- Employers looking to locate or expand in Massachusetts are finding it hard to attract and maintain the workforce they need because of high housing costs.

## **Massachusetts needs to reauthorize our housing and community development programs**

For many years, the Massachusetts Legislature and the Governor have dedicated substantial bond funding to support the production and preservation of affordable housing across the Commonwealth. These programs have helped serve thousands of families and have contributed to significant neighborhood stabilization and improvement initiatives that enhance the quality of life for all of our residents. These programs are designed to serve a wide array of needs and populations, including both rental and homeownership housing, production and preservation projects, seniors, families, and special needs populations, and projects that fit the scale and context of urban, rural and suburban communities. The flexibility and diversity of funding programs is critical to meet the diverse needs of our 6 million residents and 351 cities and towns.

MACDC supports the entire bill and all of the programs included in the proposal. In the interests of time, however, I would like to testify specifically about three key aspects of the legislation before the committee.

1. **New Financing Tools are needed to support Mixed Use Development:** Mixed use developments that mix low and moderate-income housing with retail or other commercial uses bring much needed housing choice, increase access to goods and services, create jobs, improve public safety and enhance the quality of life for families across all incomes. In communities across the Commonwealth, these mixed-use projects are a key catalyst in driving community reinvestment and strengthening traditional neighborhood centers.

There is widespread consensus that public investment in these mixed-use affordable housing projects should be a high priority for the State. However, the reality is that these mixed-use buildings are often the most difficult to develop, and the available funding sources are insufficient and in some cases not appropriate to the modest scale development most appropriate to many of the Commonwealth's neighborhoods.

The legislature recognized the value of such projects several years ago when it created the Commercial Area Transit Node Housing Program (CATNHP.) However, the language in the current statute makes it more difficult than necessary for the state to finance and underwrite these transactions. H. 1127 fixes this problem by allowing DHCD to use some of the funding to support the commercial portion of the building in addition to the housing units. The new language limits the amount of funding to 25% of the cost of the commercial areas and enables DHCD to specifically and carefully underwrite each transaction to ensure that the public subsidy is truly needed to make the deal work.

We believe this small change to the statute will more effectively advance the original and on-going objective of promoting smart, mixed used developments in town centers and commercial districts across the state.

2. **The State Low Income Housing Tax Credit Needs to be Extended for Two Years:** Two years ago, the legislature responded to the substantial demand for state housing credits by increasing the annual cap on housing credits from \$10 million to \$20 million per year for a two year period. This increase enabled the state to fund critical housing developments across the state and continued the program's long history of success. Since its inception in 1999, the state LIHTC has created a total of 8,213 homes across the Commonwealth, of which 6,372 are affordable to households at or below 60% of the area median income (AMI). In addition, in combination with other programs, the LIHTC has

created 10,549 jobs. The LIHTC also meets some of the key recommendation of the tax expenditure commission with strict underwriting, an annual cap, and transparent reporting about the results achieved with the funding. Notwithstanding these resources, Massachusetts continues to have a long list of high quality housing projects waiting for state funding before they can proceed. These projects are ready to go and they can create the jobs and homes our state needs. But without additional resources, they will continue to wait in line. Therefore, we strongly support the legislation's proposal to keep the state housing credit at \$20 million for two more years.

- 3. Massachusetts needs flexible funding to support the diverse needs of our communities:** One of the most important elements of the legislation before the committee is that it gives DHCD the flexibility to finance a diverse range of projects that can meet the diverse needs of urban, rural and suburban communities across the state. For example, most federal resources are restricted to rental housing developments, but the state bond funds can be used to support homeownership too. DHCD is currently considering how it can thoughtfully begin to support homeownership projects in the future in light of the recent foreclosure crisis and the changes in mortgage financing. While state supported homeownership units experience very few foreclosures, the new market realities create challenges that need to be addressed. Our experienced housing developers, however, are up to the challenge. MACDC believes that homeownership development must be part of the state affordable housing tool box. Many neighborhoods and communities in Massachusetts need new homeownership development in order to stabilize their real estate markets and to create the proper income and housing stock balance that neighborhoods need to thrive. We are pleased that DHCD is moving in this direction and that the legislation before the committee would give them the resources to do this properly. The bond bill will also provide vital funding to support the recently revamped Soft Second Program – now called One Mortgage – the most affordable home mortgage product available in Massachusetts for moderate income families.

We also like the fact that the programs to be authorized in this legislation allow DHCD to fund a diverse array of rental housing projects. Much of the funding will certainly be used to leverage federal low income housing tax credits, but state resources can also support smaller rental housing developments that fit nicely into the existing fabric of a

neighborhood. These smaller rental projects are often simpler, faster and cheaper to build and enjoy strong neighborhood support. We applaud the legislature for providing the resources needed to undertake these projects.

**Conclusion: MACDC Supports the Bond Bill Authorizing \$1.4 Billion Over 5 Years**

MACDC supports the approach taken by Chairmen Eldridge and Honan in authorizing \$1.4 billion over 5 years for these programs. By providing sufficient funding for five years, rather than the four proposed by the Patrick Administration, this legislation allows for more effective long-term planning – a key element to developing a thoughtful and effective housing strategy. We also think that any technical changes to programmatic language should be applied to all of the authorized funds – not just the new funds authorized in this legislation. This is essential – otherwise DHCD would be required to operate two versions of the same program: one with the old language and one with the new.

MACDC remains committed to working with the Legislature, the Patrick Administration, and our allies in the affordable housing and community development work on passage of a robust, forward-looking Housing Bond Bill, that will continue the Commonwealth's tradition of support for projects that provide affordable housing, spur revitalization of communities, and offer hope for its most vulnerable citizens.

Thank you for the opportunity to offer testimony.