



**Testimony in Support of An Act Relative to Neighborhood Stabilization and Economic Development (H.177)**

**Joseph Kriesberg**

**Massachusetts Association of Community Development Corporations**

**to the**

**Joint Committee on Community Development and Small Businesses**

**October 24, 2019**

Chairwoman DiZoglio, Chairman Coppinger and distinguished members of the Committee, on behalf of MACDC and our member organizations, I am testifying in support of H.177, An Act Relative to Neighborhood Stabilization and Economic Development, Rep. Antonio Cabral's proposal to strengthen and revitalize blighted and distressed properties in neighborhoods and communities across the Commonwealth.

MACDC is the policy and capacity building arm of the community development movement in Massachusetts and we represent all 63 state-certified CDCs as well as more than 20 other non-profit organizations serving lower income communities and families. Our members build and preserve more than 1,500 homes each year and currently own more than 18,000 affordable rental homes across the state. We have a deep commitment to ensuring that everyone has a safe home that they can afford in a community where they can thrive.

MACDC is working hard with state and local government and many partners to address the housing crisis caused by the red-hot housing market in Greater Boston. We are pushing for the creation of new market rate and affordable housing and for the resources to ensure that everyone can afford a place to live.

While much of Eastern Massachusetts struggles with a strong real estate market, many lower income neighborhoods in Massachusetts in our Gateway Cities and rural towns struggle with the challenge of a weak real estate market, where low rents and declining values make it difficult to maintain an aging housing stock. MACDC has been pleased to join with members of the Gateway Cities Legislative Caucus and MassINC., mayors, local officials, and others to advance a set of ideas to promote a comprehensive neighborhood stabilization initiative that will put vacant housing back on the market, restore poor quality housing to good condition, and improve the quality of life in struggling neighborhoods and communities across the Commonwealth.

Located near historic downtowns, colleges, medical centers, and transit and other valuable public infrastructure, these neighborhoods hold a significant percentage of the state's

housing stock. Preserving their health is key to cultivating more efficient and environmentally sustainable building patterns. Moreover, improving the quality of this housing will reduce health disparities for people of color and lower income families. Unfortunately, through our work with MassINC., we have encountered some disturbing trends<sup>1</sup>:

- Since 2000, the number of Massachusetts residents living in neighborhoods where poverty rates surpass 40 percent has more than doubled to nearly 165,000. Two-thirds of neighborhoods with this level of concentrated poverty are in just nine Gateway Cities.
- With rising interest rates and other signs indicating that the housing-market recovery is slowing, home values in most Gateway Cities remain below 2006 levels. In Fall River, Fitchburg, New Bedford, and Worcester, home values are still under their pre-foreclosure crisis peak by 10 percent or more.
- Vacancy rates are elevated and steadily rising in many Gateway Cities. More than one in ten housing units in Fall River, Fitchburg, Holyoke, and Pittsfield are vacant. Several other Gateway Cities are approaching this alarmingly high level of vacancy.
- Compared to 1980, Gateway Cities have lost more than \$100 million annually in federal CDBG grants for neighborhood improvement.

To meet these shared values, MACDC is supporting H.177, which has several key components designed to counter these trends and patterns that lead to decline and obsolescence:

- Double the annual cap of the Housing Development Incentive Plan (HDIP) from \$10 million to \$20 million;
- Refine M.G.L. Chapter 121A to make the law a more effective tool for addressing individual and scattered problem properties – a so-called “spot blight rehabilitation program”;
- Establish a commission on bringing older buildings up to code cost-effectively in weak real estate markets;
- Require the Executive Office of Housing and Economic Development (EOHED) to create a capacity building program to assist cities and towns initiating new neighborhood stabilization programs and practices.

We were pleased that the Legislature approved, and Governor Baker signed, the FY2020 Budget to include \$750,000 to launch a capacity-building effort to help cities and towns lead neighborhood revitalization efforts. We are now working closely with the Administration, Mass Housing and Mass Development to design and implement this program which will be called the Neighborhood Stabilization Hub. We thank the members of this committee for

---

<sup>1</sup> These data can be found in a report issued by Mass Inc and MACDC in January 2019 called Building Communities of Promise and Possibility.

supporting this program in the FY 2020 budget and hope that you will sustain it in the years to come.

Since this legislation was filed in January, we have been meeting with numerous stakeholders inside and outside of government to refine the Spot Blight Rehabilitation Program language. There is broad agreement that the current 121A framework was designed for large-scale public projects and does not work well in the context of small properties, which need renovation but do not entail a change in use or a change in the neighborhood fabric. We recently engaged the help of the law firm Anderson & Kreiger LLP on a pro bono basis to help us with improving the language in this bill and we look forward to sharing a redraft with you very shortly. Our goal is to create a streamlined process for using eminent domain to acquire small residential properties so they can be renovated and put back to productive use while ensuring proper protection for private property rights.

This legislation also would create a commission to address another challenge we have heard consistently from Gateway City and rural leaders – the fact that our building code can often unintentionally discourage investment and repairs. In neighborhoods where many buildings have low property values, even relatively modest improvements needed to meet health and safety standards; changes to prevent older buildings from deteriorating often trigger a threshold unique to Massachusetts: if the improvement cost is more than 30 percent of the pre-existing property value, the entire building must be brought up to full compliance with current code.

This value-based threshold creates a catch-22 situation in weak real estate markets: owners cannot justify (or receive financing for) improvements if they will not add enough market value to the property to appraise and recoup the investment at sale. If property owners cannot improve their real estate, values in the neighborhood will not rise to levels that make code upgrades economically feasible. Moreover, if an owner is forced to invest large sums in a property over and above what is needed to address health and safety concerns, she may have to raise rents to levels beyond what her tenants can afford.

Housing leaders working to strengthen the Commonwealth's most vulnerable neighborhoods want to make the properties in their communities safe, healthy, and accessible, a goal that is undermined by the current rules. The commission we propose would bring together advocates, developers, local officials, disability advocates and building experts to find models and recommend legislative, regulatory, and procedural changes to address the catch-22 situation in ways that will lead to steady, incremental improvement in the quality of the housing stock in struggling lower-income neighborhoods.

The Commonwealth faces complex and deep housing market challenges and those challenges vary across the state based on market and demographic differences. We need a comprehensive approach to address these challenges and H.177 is critical to that agenda. We look forward to working with the Committee and others to address any outstanding questions and to move this promising legislation forward.

