



March 24, 2016

His Excellency Charlie Baker
Governor of the Commonwealth
Massachusetts State House
Boston, MA 02133

RE: Capital Budget Requests for Affordable Housing Programs

Dear Governor Baker:

On behalf of the Massachusetts Association of Community Development Corporations (MACDC), I am writing to share our recommendations with respect to the FY2017 capital budget as it relates to affordable housing, homelessness prevention, and community development programs.

MACDC was established in 1982 and serves as the capacity building and advocacy arm of the community economic development movement in Massachusetts. We are an association of 89 mission-driven community development organizations dedicated to creating places of opportunity where all people can live with dignity while participating in and benefiting from our Commonwealth's economy.

MACDC is a member of the Building Blocks Coalition, a group of organizations hosted by CHAPA, that has come together to advocate for resources that will help every family find a safe, decent, and affordable place to call home. As such, we support the Capital Budget priorities articulated by CHAPA in its March 8, 2016 letter to you. This letter is intended to highlight the programs of greatest concern to MACDC and its Members for the FY2017 Capital Budget; the programs that support affordable housing production and preservation, improve the quality of life in our neighborhoods, and create jobs.

Affordable Housing Trust Fund (AHTF): **We request \$45 million in FY17, up from \$35 million in FY16.** The Affordable Housing Trust Fund (AHTF) is a flexible tool to create and preserve affordable housing for low- and moderate-income families up to 110% of the area median income (AMI). Administered by MassHousing, AHTF has been used to build permanent and transitional housing for the homeless and to rehabilitate and repair public housing. In 2015, MassHousing supported 2,618 units of affordable and mixed-income rental housing in 27 communities.

AHTF also supports the ONE Mortgage program, administered by the Massachusetts Housing Partnership (MHP). The ONE Mortgage program requires \$4 million from the AHTF, which would support 950 low- and moderate-income first time homebuyer purchases statewide. Along with its predecessor, the SoftSecond Loan Program, the program has helped more than 19,000 low- and moderate-income families buy their first home. By reaching homebuyers with an average household income of \$56,700, ONE Mortgage makes it possible for thousands of working families to put down

deeper roots in the Commonwealth. Thirty-five Massachusetts lenders offer the program to credit-worthy home buyers at below-market rates and terms.

ONE Mortgage has been successful in achieving stable homeownership opportunities by providing affordable and safe financing. It serves borrowers with lower incomes than other programs (the median household served by ONE Mortgage earns only 55% AMI), but the program delinquency rate remains low, comparable to the rate of prime mortgages in Massachusetts. Half of all ONE Mortgage borrowers are households of color and most loans have been made in urban neighborhoods that were historically underserved by conventional credit. The program is also extremely cost efficient; the average public investment of \$4,600 leverages \$194,000 in private mortgage financing for each homebuyer. This makes it a valuable tool for promoting wealth building and housing security through homeownership and stabilizing communities.

Housing Stabilization Fund (HSF): We request \$25 million in FY17, up from \$21.175 million in FY16.

The Housing Stabilization Fund (HSF) is another flexible funding tool for the acquisition, preservation, and rehabilitation of affordable rental housing and homeownership opportunities. HSF has financed family rental and elderly housing, single room occupancies (SROs), and special needs housing. It has also helped to acquire and rehabilitate foreclosed and abandoned properties, which strengthens communities by reducing blight and returning these vacant homes to responsible homeowners and tenants.

In addition to supporting the existing work of AHTF and HSF, increases for these programs in FY2017 will help create a new community-scale housing program that DHCD plans to roll out this fall. These community-scale developments will consist of 20 units or less and will allow cities and towns the flexibility to create affordable multifamily housing that fits the local character. This may include projects in rural areas where larger developments are not feasible; suburban areas where residents and local officials seek new housing that fits their community context; and urban areas where smaller developments are often the best fit for infill sites and where small existing rental properties can be rehabilitated into high quality housing. The Department of Housing and Community Development (DHCD), under the leadership of Undersecretary Kornegay, is already working to establish this program and there is an existing pipeline of high quality proposals that are ready to proceed.

Capital Improvement and Preservation Fund (CIPF): We request \$7.5 million in FY17- no funding was provided in FY16.

The Capital Improvement and Preservation Fund (CIPF) assists in the preservation and improvement of existing affordable rental developments at risk of losing their affordability restrictions. Unfortunately, CIPF was not included in the FY2016 capital budget. We respectfully request that you restore and expand funding for CIPF to meet the growing demand for resources to preserve our existing affordable housing.

Restoring and expanding CIPF can be used to immediately help preserve an estimated 4,000 affordable units built under the 13A program. Enacted in the 1970s, the 13A program provided financing for the creation of 8,600 affordable homes. Massachusetts is currently at risk of losing thousands of these affordable homes as owners of properties built under the program either pre-pay their mortgages or see their subsidies expire between 2017 and 2020. The low-income residents who live in these homes face an imminent risk of displacement if no action is taken. CIPF will also help

leverage other resources, such as the Massachusetts Low-Income Housing Tax Credit, to preserve additional affordable housing.

Commercial Area Transit Node Program (CATNHP): We request \$4 million in FY17, up from \$2 million in FY16.

The Commercial Area Transit Node Housing Program (CATNHP) supports the creation of smart growth housing developments in commercial areas served by public transportation. These mixed-use developments create new economic opportunities for working families and spur economic development in communities across the Commonwealth. \$4 million will help meet the increased demand for CATNHP. It will also help meet your Administration's economic development goals to promote reasonable density in cities and town centers, support affordability, and meet the market's demand for smart growth.

Housing Innovations Fund (HIF): We request \$15 million in FY17, up from \$12.4 million in FY16.

The Housing Innovations Fund (HIF) supports the production of innovative and alternative forms of rental housing, including single person occupancy (SPO) units, transitional and permanent housing for the homeless, battered women's shelters, supportive housing for seniors and veterans, and housing for substance abuse recovery. HIF projects almost always feature affordable housing units combined with extensive support services for extremely low-income households. Increasing funding will help meet the strong demand for the program and will continue the work of the Interagency Supportive Service Housing Initiative, which led the State's commitment to developing supportive housing.

Small Business Lending Program: We request \$5 million in FY 17 in new capital funding for the Massachusetts Growth Capital Corporation to support a CDFI Investment Program.

Massachusetts is fortunate to have several highly effective federally certified Community Development Financial Institutions that provide loans to micro and small businesses that are not yet bankable. These organizations include SEED Corporation in Taunton, Common Capital in Holyoke, Dorchester Bay in Boston and Mill Cities Community Investments in Lowell and many others. These organizations are highly effective at leveraging private and federal dollars to help small businesses across the state. This funding will enable MGCC to provide matching grants to CDFIs so they can leverage more federal and private funding. For example, the national CDFI program requires 1-1 dollar match and the SBA Micro Loan Program requires a 15% local match. These matching requirements can be difficult for many organizations to secure and the lack of matching funds reduces how much federal money CDFIs can obtain. A new CDFI Matching Grant program will leverage federal money and help hundreds of small businesses across the state.

We see the modest increases proposed for these programs to be a reasonable investment in the Commonwealth's citizens and communities. We also see strengthening these programs as consistent with the other efforts of the Baker-Polito Administration, especially your proposed capital spending authorizations contained in your economic development bill, which includes MassWorks, the Transformative Development Initiative, the Brownfields Redevelopment Fund, and the Smart Growth Trust Fund.

We appreciate the support you have demonstrated for housing, community development, and homelessness prevention. If you need additional information about our request, please contact me. I can be reached at 617-379-5922 or at joek@macdc.org. Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joe Kriesberg", is enclosed within a thin black rectangular border.

Joe Kriesberg, President and CEO

Cc: Lieutenant Governor Karyn Polito
Secretary Kristen Lepore, Executive Office of Administration & Finance
Secretary Jay Ash, Executive Office of Housing & Economic Development
Undersecretary Chrystal Kornegay, Department of Housing & Community Development
Rep. Kevin Honan, Chair, Joint Committee on Housing
Sen. Linda Dorcena Forry, Chair, Joint Committee on Housing