



Testimony in Support of An Act Providing for Climate Change Adaptation Infrastructure and Affordable Housing Investments in The Commonwealth (H.2890 and S.1853)

**Joseph Kriesberg
Massachusetts Association of Community Development Corporations
to the
Joint Committee on Revenue
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Chairman Cusack, Chairman Hinds, and distinguished members of the Committee, on behalf of our member organizations, I am testifying in support of H.2890 and S.1853), An Act Providing for Climate Change Adaptation Infrastructure and Affordable Housing Investments in The Commonwealth, also known as the HERO bill. We are grateful to Sen. Eldridge, Rep. Elugardo and the 53 other co-sponsors for introducing this legislation in partnership with the Housing and Environment Revenue Opportunities (HERO) Coalition, of which we are a proud member.

MACDC is the policy and capacity building arm of the community development field in Massachusetts, and we represent 96 community based nonprofit organizations, including all 63 state-certified Community Development Corporations. Our members serve cities, towns, and neighborhoods across the state from Cape Cod to the Berkshires by building affordable housing, helping first time homebuyers, providing loans and technical assistance to small businesses, and offering an array of services and programs to their tenants and the larger community. We seek to build and sustain communities where everyone is welcome, and everyone can thrive.

For more than 50 years, CDCs have worked to expand housing opportunities for low- and moderate-income families and seniors. In recent years, we have also become deeply invested in addressing the climate crisis and the devastating impacts it is having and will have on the families and communities we serve. Indeed, as we will discuss in more detail later in this testimony, we believe the housing and climate challenges are increasingly intertwined and must be addressed simultaneously. The HERO bill offers an exciting opportunity to do just that! The HERO bill puts us on the path to a future where housing is safe, clean, resilient, and affordable.

The HERO Legislation is needed to address challenges that are both urgent and long-term

It is widely recognized that Massachusetts, along with the rest of the country and the world, needs a long-term, comprehensive strategy for addressing both our housing and climate challenges. Indeed, these challenges require both a sense of urgency and a long-term vision because they cannot be solved quickly or easily.

A few statistics quickly underscore the scale of the housing crisis. Rents are unaffordable to most low- and moderate-income households, as the Fair Market Rent for a 2-bedroom apartment is \$1,885 per month, and a renter with the average renter wage of under \$23 per hour can afford a monthly rent of

only \$1,173.ⁱ Furthermore, 60% of extremely low-income renter households pay more than half of their income for rent.ⁱⁱ

Home prices, already exceeding what too many households can afford prior to the pandemic, escalated at an increasing rate over the past two years. August's median home price for a single-family house was \$535,000, up more than 27% from \$420,000 just two years prior.ⁱⁱⁱ In Eastern Mass, the Globe just reported that the median home price is now \$750,000. At the same time, while some households build wealth through home equity, others are left further and further behind – especially communities of color. Massachusetts has one of the largest racial homeownership gaps in the nation: 69.3% for white households, yet only 35.4% for households of color.^{iv}

In April 2019 – before the pandemic - The Federal Reserve Bank of Boston's New England Policy Center issued a report, "The Growing Shortage of Affordable Housing for the Extremely Low Income in Massachusetts," which indicates that the housing supply for the poor in Massachusetts is inadequate – only 48.6 housing units for every 100 extremely low-income households – and shrinking. This represents approximately two units fewer than we had at the start of the decade. By 2035, the report concluded, Massachusetts will need between \$843 million and \$1.03 billion annually to preserve existing subsidized housing, while adequately growing the State's subsidized inventory.^v

At the same time, it is not an exaggeration to say the climate crisis poses an existential threat. The most recent Intergovernmental Panel on Climate Change (IPCC) Report states that human activities have caused warming at a rate unprecedented in the last 2000 years. Small increases in global temperatures above pre-industrial levels have big consequences for the planet and for humans. Most climate action goals aim to keep global temperatures under 1.5 degrees Celsius above pre-industrial levels, but one-fifth of the global population already live in regions with warming greater than 1.5 degrees Celsius in at least one season ([NASA](#)). At 1.5 degrees Celsius warming, extreme heatwaves will become widespread, with about 14% of the global population facing heatwaves at least once every five years. At 2 degrees warming, the impacts would be much more severe, as 37% of the population will face severe heatwaves at the same rate. Eastern North America, particularly cities, are expected to face the warmest extreme temperatures and more severe droughts at 2 degrees of warming worldwide.

Curbing greenhouse gas (GHG) emissions is essential to reducing the impacts of climate change. The Commonwealth has outlined emission reduction goals in its Massachusetts Climate Roadmap Law, which aims for net zero emissions by 2050. The law also outlines interim goals comparing reduction benchmarks to 1990 state emission levels, calling for 50% lower emissions by 2030 and 75% lower emissions by 2040.

On-site combustion of fossil fuels in the residential and commercial buildings sectors – primarily for space and water heating – is currently responsible for about 27% of statewide GHG emissions, according to the Massachusetts 2050 Decarbonization Roadmap.

Residential buildings are designated as one of the high priority areas by the Climate Roadmap Law, *making decarbonizing housing across Massachusetts an important piece of the Commonwealth's climate and housing agenda.*

Given the reality that housing is already too expensive and the need for dramatic investments to transform our housing stock for a decarbonized and resilient future, we need a long-term, sustainable source of funding to achieve our goals over the next 30 years.

Climate and housing are pressing, interrelated issues our Commonwealth is facing today. We have the technical solutions to build more resilient, affordable, and healthy housing; we just need the resources to scale up these efforts. CDCs and other affordable housing providers are leading the way.

The HERO Legislation provides a sustainable and equitable source of revenue

Like most states, Massachusetts collects a Deeds Excise Tax whenever real estate is sold. The current tax collects \$4.56 per \$1,000. Since Massachusetts’ current deeds excise fee is *less than half* the fee in neighboring states (see table below) and, in some cases, only one-third, we believe that now is the time to double the fee so we can address the Commonwealth’s climate crisis and alleviate our statewide housing crisis. By collecting \$9.12 per \$1,000 and dedicating half of the revenue to each of these goals, the legislation would likely generate about \$350 million per year in new revenue. This amount would obviously vary from year to year depending on real estate sales and would increase over time as real estate values increase. Our current estimate is based on data provided by Governor Baker when he proposed a 50% increase in the Deeds Excise Tax two years ago.

Deeds Excise Taxes in Northeast United States	
State	Rate per \$1,000
New Hampshire	\$15
New York	\$12.50
Vermont	\$12.50
Connecticut	\$10.52
Massachusetts Proposed	\$9.12
Massachusetts Current	\$4.56
Rhode Island	\$4.60
Maine	\$4.40
The Deeds Excise tax is collected when a property is sold, with the tax paid by the seller	

We believe that the Deeds Excise Tax is both an *appropriate and equitable source of revenue* to support housing and climate investments. First, the investments funded by this legislation are needed to protect real estate values and the entire real estate industry from the ravages of unmitigated climate change. And to the degree that rising property values make it harder for working families and seniors to secure housing, this mechanism provides an opportunity to mitigate that harm by creating more affordable housing. The tax is also relatively equitable since only landowners pay the tax (tenants don’t), sellers of higher-priced homes pay more of the fee, and most families only pay it once or twice in a lifetime when they sell their family home. Much of the revenue would come from investors, in particular those who buy and sell properties frequently and quickly.

The legislation proposes to allocate 50% of the new funding to climate investments by depositing half the new revenue into the Global Warming Solutions Trust Fund. This would allow the Executive Office of Energy and Environmental Affairs (EEA) to allocate dollars across a wide range of climate related investments from those addressing resiliency and adaptation, to those seeking to reduce carbon emissions through energy efficiency and clean energy. We believe that the legislation provides appropriate flexibility to respond to changing needs over the next 30 years. EEA could choose to transfer some of this money to the Massachusetts Clean Energy Center or other intermediaries responsible for implementing clean energy programs or initiatives. In spending these funds, EEA should adhere to the state's Climate Action Plan and align investments with other funding streams such as utility funded energy efficiency programs.

The legislation further proposes to allocate 50% of new revenue to fund affordable housing programs, and we respectfully recommend that 60 percent of the new housing dollars go towards the Affordable Housing Trust Fund, and 40 percent toward the Housing Preservation and Stabilization Trust Fund, to augment the funding needs of the Massachusetts Rental Voucher Program and to undergird our support for Massachusetts' extremely low-income households.

The current discussion and legislation related to the state's ARPA (American Recovery Plan Act) funding underscores the need to dramatically increase our investments in both climate and housing. ARPA provides an extraordinary opportunity to jump start the work that we know needs to be done. However, we cannot finish this work in just a few years – that's why we have a climate action plan that extends out to 2050. The HERO bill gives us the ability to sustain these investments for years to come and to build a long-term strategy and pipeline to achieve our goals.

The HERO legislation could fund a wide array of impactful programs

The HERO Legislation is written to provide flexibility over time so the state can invest in the most impactful and important programs consistent with our climate and housing policy goals. MACDC and members of the HERO Coalition believe such investments should be designed to advance racial and geographic equity by focusing on people and places most significantly impacted by the housing crisis and the dangers of climate change. Some of the ways that HERO funding could be used, include:

- Implementing resiliency plans as part of the state's [Municipal Vulnerability Preparedness Program](#).
- Accelerating adoption of clean energy technologies, especially in lower income communities and environmental justice communities.
- Electrifying and decarbonizing privately owned residential housing.
- Decarbonizing the state's affordable housing inventory to ensure long-term affordability, comfort, and safety for tenants.
- Building new, climate-smart, affordable housing for both renters and first-time homebuyers – potentially adding 18,000 new homes by 2030.
- Providing rental assistance through the Massachusetts Rental Voucher Program to help working families and seniors make ends meet.

- Supporting innovative community projects that build resiliency, ranging from neighborhood-specific strategies such as increasing tree canopies in areas subject to intense heat, to linking to municipal initiatives, such as [Climate Ready Boston](#).
- Launching workforce and small business development programs that help communities of color and other underserved populations access the economic opportunities associated with these investments and the transformation of our economy.

HERO funding could support efforts to address two particularly thorny challenges:

- Achieving net zero emissions by 2050 will prove more challenging in triple-deckers, one of the most predominant residential building typologies in MA. We need to find a way to scale this work by standardizing the improvements and building a cadre of contractors and other professionals with the requisite skills. One innovative example is the MA Clean Energy Center's [Triple-Decker Design Challenge](#), launched in late 2020, which recognized design submissions that "harnessed building energy retrofit technical expertise and design excellence to help identify scalable renovation and electrification strategies that will ultimately transform Massachusetts' built environment." HERO can provide the funding so this design expertise can be applied to the energy retrofits of these triple-deckers.
- As we plan and implement emissions reductions for residential buildings, we must ensure that the transition is equitable, centering the voices of our most vulnerable communities. Low-income populations face higher energy burdens than their higher-income neighbors because their homes tend to have poorer insulation and older appliances ([Energy.gov](#)). We must ensure that the transition to renewable energy does not place additional cost burdens on those who can least afford them. HERO funding can ensure that the electrification that is so critical to meeting our climate goals does that add to the burdens faced by vulnerable communities.

Community Developers are ready and eager to scale their efforts to address both the climate and housing challenges.

CDCs are well known for their work in affordable housing over more than 50 years. Our members currently own and manage more than 19,000 apartments across the Commonwealth. Over the past ten years, our members have embraced the need to directly address the climate crisis as well – both in the context of their affordable housing work and beyond. Indeed, the community development sector has ample examples of climate mitigation that reduce GHG, and climate adaptation that protects vulnerable populations from the worst impacts of climate change. Some of these examples are described below. While they differ in the particulars, they are all proven success stories- and they all need additional resources if they are to be scaled up.

- **Homeowners Rehab's** Finch Cambridge Project, a 98-unit newly constructed affordable apartment building, was constructed with full Passive House certification. With remote monitoring of heating and cooling, air-tight features, solar PV systems, flood resilience measures, proper exterior insulation, and even more energy-efficient measures, Finch was the first Passive House certified affordable, multifamily housing development in the Commonwealth. *The final project cost just 1.4% above the original estimate for the design baseline with \$495,120 in incremental costs for both hard and soft costs.* Homeowner's Rehab

received \$147,000 in incentive funding from Mass Clean Energy Center's Passive House Design Challenge Program to fund their project. For Finch Cambridge, the incremental costs for this project were covered by the MA Clean Energy Center's pilot program and Mass Save. In 2021, seven others CDC projects receiving DHCD rental round awards plan to build to Passive House standards. An ongoing source of revenue can incent and scale up Passive House projects which offer significant savings in energy usage and GHG emissions

- In late 2020, **NeighborWorks Housing Solutions** was awarded funding for the new construction of Holbrook Center Senior Housing, which will offer 72 new units for seniors near the town center, along with supportive services. The project, currently in construction, is designed to meet Passive House standards. HERO funds dedicated to building up the Affordable Housing Trust Fund can support similar projects across the Commonwealth.
- **CDC of South Berkshire** recently completed construction on Bentley Apartments, offering 45 units in downtown Great Barrington. Once an 8-acre brownfields site, the housing borders a 2-acre public Riverfront Park on the Housatonic. Originally a textile mill, going back to the 19th century, public funds played a critical role in both the environmental cleanup and the redevelopment of the site.
- **Allston Brighton CDC** invested in substantial energy efficiency upgrades of the Brighton Allston Apartments, a 60-unit apartment in two mid-rise buildings, the lowest energy performer in their portfolio. After replacing the steam boiler with new, high efficiency condensing hot water boilers, installing a solar thermal system, and air sealing the building with better insulation, the building reduced 46% of its gas consumption and saved the owner \$25,357 in annual utility expenses. While in this case the CDC patched together the \$540,000 needed for the energy retrofit, this underscores the need for a consistent revenue stream for these investments, which offer benefits to residents and to the climate beyond their operating cost savings.
- **Madison Park Development Corporation**, a CDC in Roxbury, demonstrates the benefits of scaling up rooftop solar, another avenue to reduce emissions and advance towards the Commonwealth's carbon neutrality targets. They installed 17 rooftop solar projects across their entire housing portfolio, providing 580 kW of energy to 430 households in Roxbury. The panels will reduce greenhouse gas emissions by 11,470 metric tons; they will also provide utility cost savings to buildings housing older adults and lower-income families. While Massachusetts offers solar incentives, the upfront costs of solar can be a barrier to access, especially for affordable housing developers. According to EnergySage, an online comparison-shopping marketplace for solar, the average solar panel cost in MA is \$3.09/W, so a typical solar panel system size of 5 kilowatts (kW) ranges from \$13,132 to \$17,768.
- Inspired by Madison Park's portfolio-wide approach to installing rooftop solar, **MACDC partnered with LISC Boston and Resonant Energy** to launch the Solar Technical Assistance Retrofit (STAR) Program, with the goal of supporting the installation of 3 MW of solar over the next 18 months in affordable housing statewide. Already, five CDCs have elected to move forward with solar installation based on the analysis they received. They are installing solar arrays on 45 projects with a collective capacity of more than 1 MW. Their investments will

generate operating cost savings and preserve the equivalent of 1,100 acres of forest. Providing energy retrofits to multifamily housing, and adding rooftop solar have demonstrated success, provided the requisite upfront funding can be secured.

- **NewVue Communities**, through its Liabilities to Assets Program in the North Quabbin region, is acquiring uninhabitable, vacant one- and two-family homes, rehabilitating them, and selling them to first-time homebuyers. Partnering with the MA Clean Energy Center, which is providing up to \$30,000 per home, NewVue is developing a replicable model for creating all-electric, well-insulated homes consistent with the State’s climate goals. HERO funding is essential for replicating this model statewide.
- Through its Green Streets and Greening the Gateway Cities Programs, **Groundwork Lawrence** works to increase the urban tree canopy in Lawrence by providing free trees to city residents and businesses, with the goal of planting 400 trees per season. The breadth of neighborhood benefits ranges from improved air quality and a reduction to asthma rates, to reducing ambient temperature and encouraging outdoor activity, to reducing heating and cooling costs. Trees play an important role in climate adaptation (providing cooling to reduce heat island effects) and in climate mitigation, by capturing and storing carbon dioxide through the process of photosynthesis ([US Forest Service](#)). They also provide opportunities to engage youth in environmental actions.
- **Neighborhood of Affordable Housing (NOAH)** has built an East Boston Resilience Network, focused on social and environmental justice. To facilitate this, NOAH convened stakeholders and community representatives in an Adaptation Planning Working Group to coordinate actionable climate resilience plans that center the needs of the community.

These examples offer a glimpse into what is possible if we apply the funds from HERO to scale up our efforts to reduce GHG and better meet the affordable housing needs of the Commonwealth’s residents.

Thank you for the opportunity to testify. We look forward to working with this committee and your colleagues in the Legislature to enact the HERO bill this year so we can immediately begin scaling these efforts. Time is of the essence.

Respectfully submitted,

Joseph Kriesberg

ⁱ National Low Income Housing Coalition (NHLIC), [Out of Reach: The High Cost of Housing 2021](#), page 122

ⁱⁱ NHLIC, [The Gap: A Shortage of Affordable Homes March 2021](#), page 28

ⁱⁱⁱ Warren Group [Press Release](#) “Massachusetts Single-Family Median Price Climbs 11.5 Percent, But Sales Volume Declines in August” September 21, 2021

^{iv} Prosperity Now, [2021 Local Scorecard](#), Data by Location

^v Federal Reserve Bank of Boston, New England Policy Center, [The Growing Shortage of Affordable Housing for the Extremely Low Income in Massachusetts](#), Policy Report 19-1, April 2019, page 3