

MAYOR MARTIN J. WALSH

HOUSING A CHANGING CITY

BOSTON 2030



Q2 REPORT

2017



Boston 2030 Goal:

- Create 53,000 additional units of housing by 2030, in order to accommodate population growth of nearly 100,000 new people.

Q2 2017 PERFORMANCE: ALL HOUSING UNITS		
PERMIT TARGET Q2 2017	PERMITTED Q2 2017	% TARGET
663	1,684	254%
CUMULATIVE PERFORMANCE: ALL HOUSING UNITS		
PERMIT TARGET	PERMITTED ACTUAL	% TARGET
17,212	21,963	128%

Observations Q2 2017:

Completions

Two and a half years into the implementation of Mayor Martin J. Walsh’s *Housing Boston 2030* plan, the number of new units completed, permitted, or approved has continued to rise.

13,551 new units have been completed by the Q2 2017 reporting date of June 30th; this number represents enough housing to accommodate 25,000 residents. The demographics underlying *Housing Boston 2030* projected a population growth of approximately 30,800 people by this same time period, so while significant progress has been made, completions have not yet caught up with housing demand.

That said, the 8,412 units currently in construction will house another 14,600 people when completed, which should continue to ease pressure on the residential real estate market.

Of the 13,551 completed units, 40 percent are affordable to low and middle income households.

Record-Setting Permitting

With 1,684 new units permitted in Q2 2017, the City set a new 20-year record for the number of units permitted in a single quarter. Q2 2017 performance was triple the target at 254%.

HOUSING BOSTON 2030: Accommodating Growth

Q2 2017 SUMMARY

Observations Q2 2017, continued:

A Robust Pipeline

There are currently 25,344 new units in the City's development pipeline; 8,268 of those units in the City's pipeline have already filed for permits at the Inspectional Services Department (ISD).

Rising Development Interest in Outer Neighborhoods

69 percent of new permit applications are for developments located outside of the downtown core. Many of these units are expected to be more moderately priced. By comparison, 56 percent of all new development completed to date has been in downtown locations.

Construction Employment

The 21,963 units that have been completed or are currently in construction have created 22,800 jobs in the construction sector.

Notable Projects Q2 2017:



RESIDENCES AT FAIRMOUNT: This mixed income, transit-oriented development on the commuter line in Hyde Park pulled permits to begin construction. All 27 rental units will be deed-restricted, with 3 units reserved for those making 61-80% of AMI, 13 for those earning 60%, 5 for those earning 50%, and 3 each reserved for those earning less than 30% or who have been homeless.



1235 VFW PARKWAY: This 80 unit new building on the site of the former IHOP will bring some needed family sized apartments to West Roxbury rental market with a 43 two-bedroom and 21 three-bedroom units. Ten units will be restricted to those earning less than 70% of AMI.



UPPER WASHINGTON: This building in the Four Corners neighborhood of Dorchester used eight City-owned and one private parcel is creating 35 rentals and streetfront commercial space. All 35 units are deed-restricted; 4 are one-bedroom, 19 two-bedroom, and 12 three-bedroom units; 26 units are reserved for those earning less than 60% of AMI. Nine are reserved for the formerly homeless.

HOUSING BOSTON 2030: Low-Income/Non-Elderly Housing Q2 2017 SUMMARY

Boston 2030 Goals:

- Increase the pace of low-income housing production by 50% -- from 234 annually from 2011-2014 to 347 units annually.
- Create 6,500 new low-income units by 2030.

Q2 2017 PERFORMANCE: LOW INCOME HOUSING UNITS		
PERMIT TARGET Q2 2017	PERMITTED Q2 2017	% TARGET
87	120	138%
CUMULATIVE PERFORMANCE: LOW INCOME HOUSING UNITS		
PERMIT TARGET	PERMITTED ACTUAL	% TARGET
1,803	1,691	94%

Observations Q2 2017:

With 120 new low-income units permitted this quarter, Q2 2017 was the best quarter for low-income production in more than two years.

Completions

A total of 1,286 new low-income non-elderly units have been completed to date. These units have housed an estimated 2,250 lower-income residents.

Housing for the Homeless

Of the 1,691 new low-income units permitted to date, 369 have been set aside for homeless individuals and families.

Low Income Pipeline

The City currently has a pipeline of 1,128 new non-elderly low income units. 595 of those units have been awarded funding from the City and are now in the State funding queue that could necessitate putting off construction by a year or two

We anticipate that the State will announce a new round of funding awards in July of 2017, allowing many of these important projects to move into construction.

More Family Sized Housing Coming On Line

The creation of low-income family sized housing -- units with two or more bedrooms -- is increasing. In 2014, 38 percent of units permitted had two or more bedrooms; in 2017 to date, that share has risen to 59 percent.

HOUSING BOSTON 2030: Low-Income/Non-Elderly Housing Q2 2017 SUMMARY

Stabilizing Low-Income Housing Through Acquisitions

428 new low-income units have been created through the acquisition of market housing and converting it to affordable housing. In addition to stabilizing tenancies and creating new affordable housing that is protected from market forces, this is also a sound economic strategy for creation of new, income-restricted housing.

In 2016 the City expanded this model with the *Acquisition Opportunity Program*, a \$7 million fund that has created new low income units requiring an average subsidy of \$75,000 per unit.

Resources: Harnessing The Building Boom For Affordable Housing

In order to increase production of low and middle income units, the City allocated additional funding increasing by \$20m to \$50.1m in FY16 and \$54.9m in FY17. This funding was made possible through increased collections from private, market-rate development, including:

- **Linkage:** Collection of affordable housing obligations from commercial developments have increased from \$7.7m per year to an average of \$10.3m annually.
- **Inclusionary Development:** Average annual collections of affordable housing commitments from new residential developments have risen from \$8.5m before 2015 to \$17.6m.
- **Community Preservation Act:** In FY18, this voter-approved 1% levy is expected to generate about \$16m annually, with a to-be-determined amount committed to affordable housing.

Notable Projects Q2 2017:



THE HARMON APARTMENTS: 36 units of ADA compliant accessible housing for people with progressive neurological disease, including services and technological adaptations. 20 units will be set aside for those earning less than 60% of AMI. Another six will be set aside for those earning less than 30%, and an additional four are reserved for the formerly homeless.



COPPERSMITH VILLAGE RENTAL: 41 of 56 units in this mixed use, mixed income development will be restricted, 33 units will be reserved for those earning less than 60% of AMI, with two reserved for those earning less than 30%, and an additional six reserved for the formerly homeless.

HOUSING BOSTON 2030: Middle Income Housing Q2 2017 SUMMARY

Boston 2030 Goal:

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

Q2 2017 PERFORMANCE: MIDDLE INCOME HOUSING PERMITS

TARGET	DEED-RESTRICTED	MARKET RATE MIDDLE	TOTAL	% TARGET
250	80	372*	452*	181%

CUMULATIVE PERFORMANCE: MIDDLE INCOME HOUSING PERMITS

TARGET	DEED-RESTRICTED	MARKET RATE MIDDLE	TOTAL	% TARGET
6,495	2,087	4,839*	6,926*	107%

*Affordability was calculated based on the average rent in the neighborhood where the permit was filed. Numbers may change as rents are validated.

Observations Q2 2017:

With 452 new middle-income units permitted this quarter, 2017 is on track to be a strong year for production of housing affordable to the middle class. 1,168 units have already been permitted in first two quarters of 2017, compared to 980 in all of 2016.

Completions

A total of 1,092 deed-restricted and 3,056 market-rate units affordable to middle income households have been completed to date, for a total 4,148 new units. *Housing Boston 2030* demographic projections indicated the City needed to create 3,393 new middle-income units by this date.

With this key production goal beginning to be fulfilled, the hope is that a stabilization of rents affordable to those earning middle income wages will continue. In 2016, rents in existing housing stock (built prior to 2011) outside the downtown core decreased by 5 percent from 2015. The City is closely monitoring this key metric.

Increasing the Pace of Middle Income Production

The average pace of production of housing affordable to the middle class has risen substantially – from 821 units annually from 2011-2014 to 1,446 units from 2015 until now.

This increase is driven primarily by the increasing share of new production in middle-income neighborhoods. From 2011-2014, only 34% of new starts were in middle-income affordable areas outside the downtown core; by contrast, from 2015 until the date of this report, 55% have been.

HOUSING BOSTON 2030: Middle Income Housing Q2 2017 SUMMARY

Observations Q2 2017, *continued*:

A Robust Middle Income Pipeline

Based on estimated affordability and pricing of new construction in the local market, the City estimates that there is currently a pipeline of 8,015 middle income units. Of these, 3,660 have already filed for permits with ISD. These units will be formally counted once they are completed and the City has verified sales and rental prices.

Creating New Homeownership

745 of the 6,926 middle income units permitted to date (11%) are ownership units. By comparison, the homeownership rate for the middle class is 43% in Boston and 69% in Greater Boston. This shortage in production of new homeownership units will keep the homeownership market competitive for condominiums for the foreseeable future.

The Mayor's Housing Innovation Lab and the Department of Neighborhood Development are examining this issue to create new strategies to increase homeownership opportunities affordable to those earning middle income.

The Boston Home Center continues to educate potential homebuyers about the financial realities of homeownership and how best to prepare for it.

Q2 2017 PERFORMANCE: FIRST TIME HOMEBUYERS ASSISTED

PURCHASED CITY CREATED HOUSING	PURCHASED OPEN MARKET HOUSING	TOTAL FIRST TIME HOMEBUYERS ASSISTED
24	17	41

CUMULATIVE PERFORMANCE: FIRST TIME HOMEBUYERS ASSISTED

PURCHASED CITY CREATED HOUSING	PURCHASED OPEN MARKET HOUSING	TOTAL FIRST TIME HOMEBUYERS ASSISTED
365	303	668

CUMULATIVE PERFORMANCE: POTENTIAL HOMEBUYERS EDUCATED

Q2 2017 GRADUATES	PREVIOUS GRADUATES*	TOTAL GRADUATES*
866	23,307	24,173

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

HOUSING BOSTON 2030: Q2 2017 SUMMARY

Middle Income Housing

Observations Q2 2017, *continued*:

Helping Residents Stay in Their Homes

Stabilizing Boston's neighborhoods is a key component of the housing plan. One of the ways in which the City is aiding this effort is by ensuring that homeowners are retaining and maintaining their properties -- assisting homeowners at risk for foreclosure, for example. The City also offers assistance to homeowners in need of help repairing their homes. Although there are no formal goals for this work in the housing plan, the City tracks its efforts in this area.

Note: As ownership retention is a key component of the strategy for housing Boston's elders, senior ownership retention is reported in the Seniors section of this report.

Q2 2017 PERFORMANCE: OWNER RETENTION		
NON-SENIOR HOME RENOVATIONS	NON-SENIOR FORECLOSURES PREVENTED	TOTAL NON-SENIOR OWNER RETENTION
20	24	44
CUMULATIVE PERFORMANCE: OWNER RETENTION		
NON-SENIOR HOME RENOVATIONS	NON-SENIOR FORECLOSURES PREVENTED	TOTAL NON-SENIOR OWNER RETENTION
488	545	1,033

Notable Projects Q2 2017:



GLENWAY ROXTON NEIGHBORHOOD HOMES: Three empty parcels of land in Roxbury are being turned into three two-family homes, or six units of housing. Homes will be sold to income-certified first-time homebuyers earning middle income wages, and are deed-restricted.



CLIPPERSHIP WHARF: This mixed use development in East Boston will create 478 units, and fund 52 units at 125 SUMNER STREET including 22 family sized rental units restricted to very low-income BHA tenants whose units are being replaced. 30 condos will also be created; 14 will be deed-restricted for those earning between 80-120% of AMI, and the other sixteen will be market rate.

HOUSING BOSTON 2030: Seniors

Q2 2017 SUMMARY

Boston 2030 Goal:

- Maintain Boston's historic 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 units by 2030.

Q2 2017 PERFORMANCE: SENIOR HOUSING UNITS		
PERMIT TARGET	PERMITTED ACTUAL	% TARGET
19	0	0
CUMULATIVE PERFORMANCE: OWNER RETENTION		
PERMIT TARGET	PERMITTED ACTUAL	% TARGET
487	284	58%

Observations Q2 2017

The production of affordable senior housing is not keeping pace with stated production goals. However, the City has identified 192 units of senior housing that are either in the pipeline or about to begin construction. Many of senior projects are currently waiting for State funding.

Completions

All 293 elderly units permitted to date have been completed, of which 284 are low-income units. These units should house 391 seniors.

New City Line Item

In FY16, the City created a new \$1.75m line item in its budget to support Senior housing production. This helps to offset the average annual loss of \$9.75m in Federal Section 202 funding.

Helping Seniors Retain Their Homes

Low-income senior homeowners can experience financial stress, as the cost of maintaining a home can be prohibitively expensive on a fixed income. Deferred maintenance and mortgage delinquencies, however, put the senior in unsafe living conditions, and at risk for foreclosure. To address these issues, the City offers interest-free home improvement loans that zero payments until the house is sold or transferred.

The City also offers foreclosure prevention services and general counseling to senior homeowners.

HOUSING BOSTON 2030: Q2 2017 SUMMARY

Seniors

Q2 2017 PERFORMANCE: SENIOR HOMEOWNER RETENTION		
HOMES RENOVATED	FORECLOSURES PREVENTED	TOTAL SENIOR HOMEOWNERS RETAINED
14	10	24
CUMULATIVE PERFORMANCE: SENIOR HOMEOWNER RETENTION		
HOMES RENOVATED	FORECLOSURES PREVENTED	TOTAL SENIOR HOMEOWNERS RETAINED
326	154	480

Notable Projects Q2 2017



150 RIVER STREET: Community process and discussion about the siting of affordable, senior rental housing in Mattapan on a 42,000 square foot parcel. Two proposals were received after the requests for proposal were made, and both developers have presented to the community, which has requested time to craft comment.

HOUSING BOSTON 2030: Q2 2017 SUMMARY

Students

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 2017 PERFORMANCE: DORMITORY BEDS		
PERMIT TARGET	PERMITTED ACTUAL	% TARGET
235	812	346%
CUMULATIVE PERFORMANCE: DORMITORY BEDS		
PERMIT TARGET	PERMITTED ACTUAL	% TARGET
3,294	5,664	172%

Observations Q2 2017

Q2 2017 dorm production was more than triple the target pace; Northeastern's Columbus Ave dormitory will add 812 new beds. This one project put the City ahead of schedule in production targets.

Completions

Of the 5,664 dorm beds permitted, 3,072 are complete. With these completions removing students from the housing market, approximately 800-900 units will be restored to workforce housing.

Off Campus Count

The number of off-campus undergraduates in Boston has decreased from 24,492 in the 2013-14 academic year to 23,348 in the 2016-17 academic year.

Dorm Pipeline

The dormitory pipeline now stands at 1,577 net beds. The City will continue to work with Boston's colleges and universities to encourage additional dormitory development.

Notable Projects Q2 2017



COLUMBUS AVENUE DORMITORY: Northeastern University's new dorm was permitted in Q2 2017, and will add an additional 812 dorm beds to its downtown Boston campus.

HOUSING BOSTON 2030: Q2 2017 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 2017 PERFORMANCE: AFFORDABLE RENTAL PRESERVATION		
TARGET Q2 2017	PRESERVED Q2 2017	% TARGET
325	52	16%
CUMULATIVE PERFORMANCE: AFFORDABLE RENTAL PRESERVATION		
TARGET	PERMITTED ACTUAL	% TARGET
12,045	10,674	89%

Q2 2017 PERFORMANCE: LOSS MITIGATION			
LOSS CEILING Q2 2017	NON 13A LOSSES	13A LOSSES	TOTAL UNITS LOST
13	0	0	0
CUMULATIVE PERFORMANCE: LOSS MITIGATION			
LOSS CEILING Q2 2017	NON 13A LOSSES	13A LOSSES	TOTAL UNITS LOST
188	61	0	61

Observations Q2 2017:

Boston's commitment to affordably house its lower-income residents dates to the Boston Housing Authority's first public housing developments in the 1930s. Since then, the City has accrued a 50,000-unit portfolio of affordable housing, making it the nation's leader, with 20% of its housing stock set aside or restricted. 30,477 of those units are privately-owned rental units, many created under affordability agreements set to expire, giving the owner the option to convert to market rate. Preserving affordability in 97% of these units is a high bar, but the City is showing some progress toward achieving this goal.

In Q2 2017, preservation was below target, although cumulative efforts are performing near target. More importantly, losses are well below the cap needed to maintain 97%, with only 61 units lost out of a potential 188. In addition, none of the 1,043 13A units that were developed with State funding, and are ineligible for federal assistance funds, were lost.

Preservation Pipeline

The City currently has an active pipeline of preservation with 1,233 units in 12 projects.