

MassHousing's Workforce Housing Program

NH&RA Fall Forum

Developing and Financing Mixed-Income Deals

November 2017

MassHousing's Workforce Housing Program

Investment of \$100 million to create rental housing affordable to households earning more than 60% of AMI and up to 120% of AMI.

Funding is provided to owners in the form of subordinate debt with an affordability restriction in place for a minimum of 30 years.



Affordability Rankings

Determining the most affordable states

“The top-five Best States for affordability are dominated by Great Lakes and Plains states...Hawaii ranks lowest in affordability, with **the highest cost of living and least affordable housing** in the nation...California ranks 49th, while coastal states New York, **Massachusetts...** and Alaska round out the **bottom five states for affordability.**”

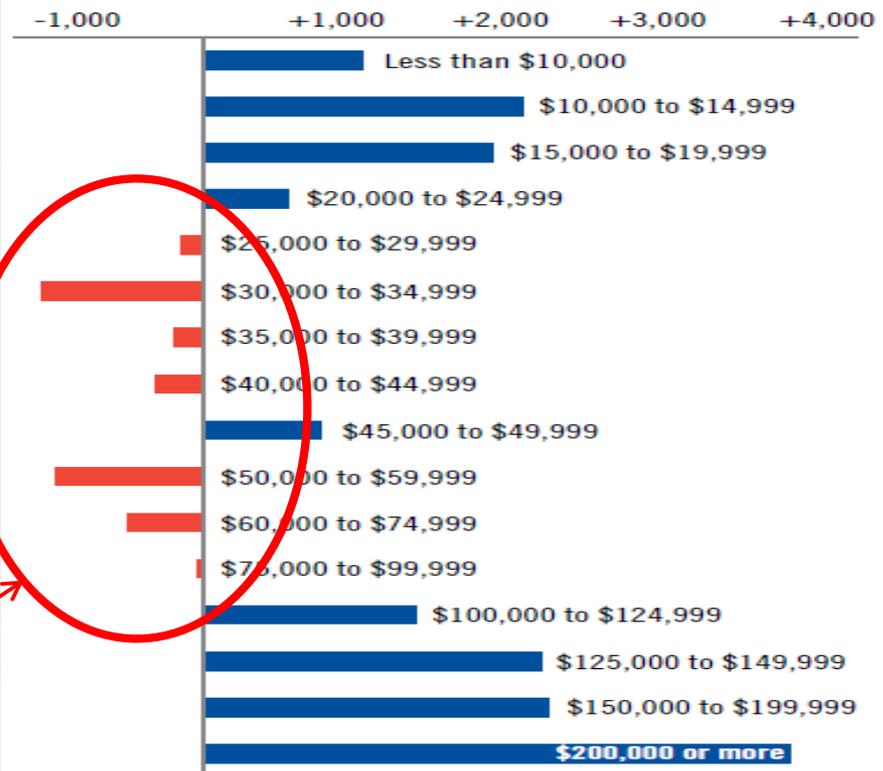
BROOKINGS

Report: Boston Ranks No. 1 For City Income Inequality

- In 2013 Boston's 95/20 ratio was 15.0, and it was then the third most unequal big U.S. city.
- From 2013 to 2014, Boston's poor got poorer, and its rich got richer.

There has been a reduction in middle-income Bostonians while lower-income and upper-income residents have grown dramatically

Change in Boston Households by Income 2008 – 2013



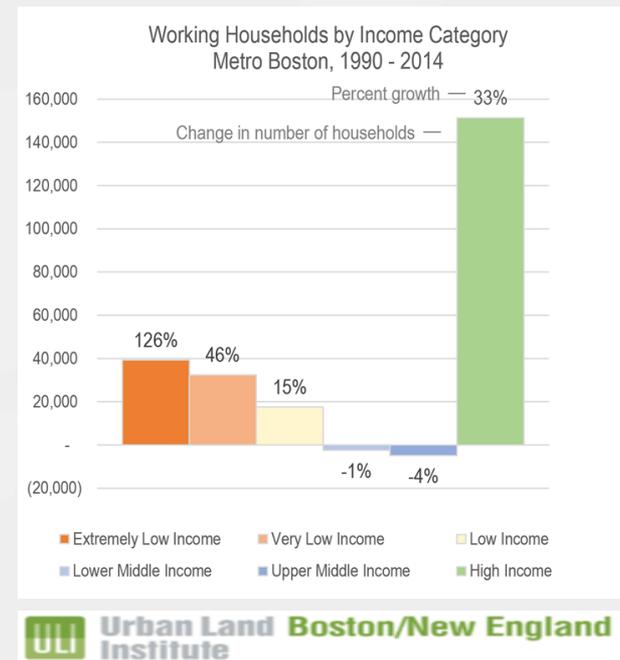
Source: American Community Survey 2008 & 2013 1 Year Estimates

“Greater Boston will need more housing if it is to attract and retain the workforce that its growing economy demands.”

-Building for the Middle: Housing Greater Boston’s Workforce
Urban Land Institute/Boston/New England

The report highlighted these challenges:

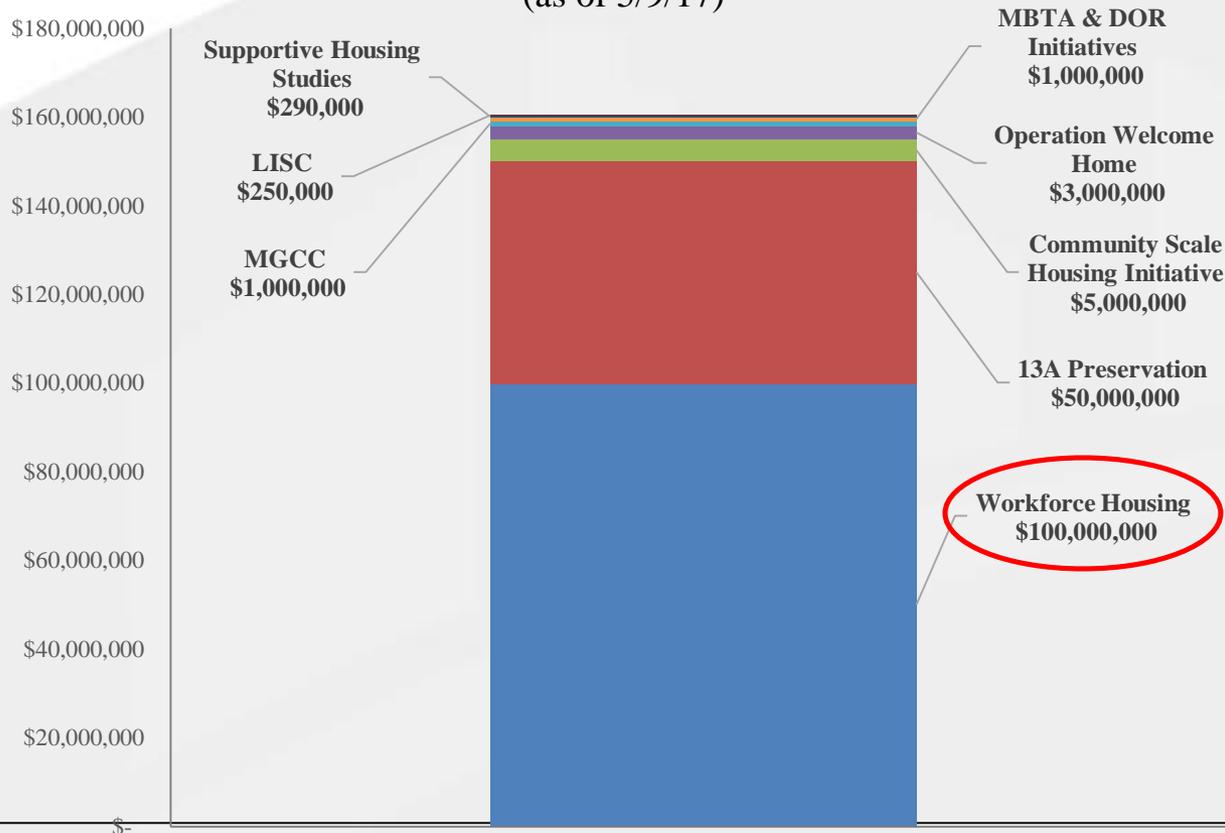
- Loss of middle income households in Greater Boston between 1990-2014.
- More middle-income households in Boston and the surrounding area are cost-burdened (paying more than 30% of their income on rent) than their counterparts living in the rest of the region.
- Metro Boston will require more than 800,000 new workers by 2030, which will require 200,000 additional units, including 21,000 for middle income households.



In March 2016, the MassHousing Board voted to approve and capitalize the Opportunity Fund with \$160 million, to support the Agency’s efforts to confront the housing challenges facing the Commonwealth.

Opportunity Fund Uses

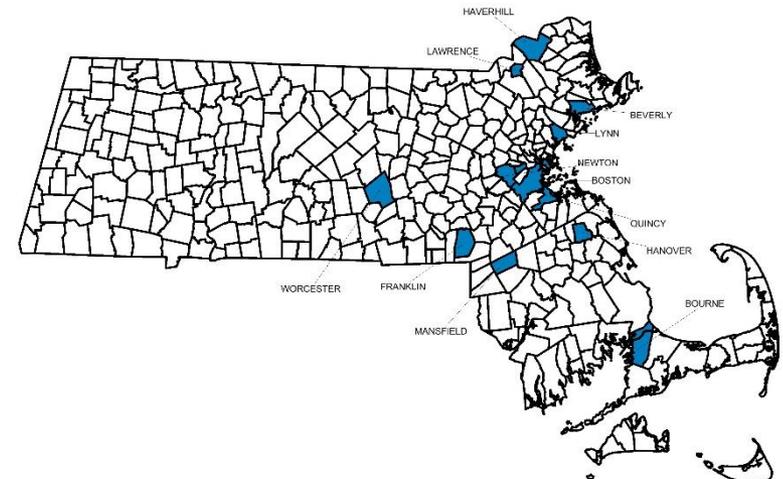
(as of 5/9/17)



- Restricted to those earning more than 60% of AMI and up to 120% of AMI, with rents 10% below market and higher than LIHTC
- New Production, consideration for existing projects at risk of conversion to market
- Soft debt in an amount up to \$100,000 per workforce housing unit; with \$5 million project limit, with consideration for increases including in communities with inclusionary zoning to incentivize the creation of units above the minimum requirement
- Restrictions are in place for the longer of 30 years or the outstanding term of the loan
- Income recertification every other year
- Set-aside \$25 million for transformative projects, i.e. leverages state-owned land, TOD, housing in neighborhoods of opportunity

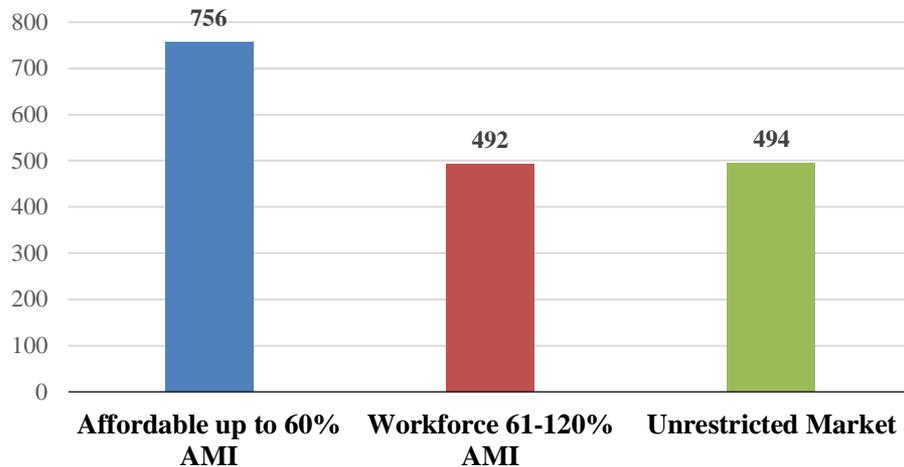
As of October 2017:

- \$46.3 million in commitments approved by MassHousing Board
- 21 total projects
- 1,742 total units (492 WFH units)
- New production developments range in size from 6 to 180 units (largest preservation deal is 287 units)
- Number of Workforce Housing units per project range from 3 to 86 units
- Projects are located in 12 cities and towns

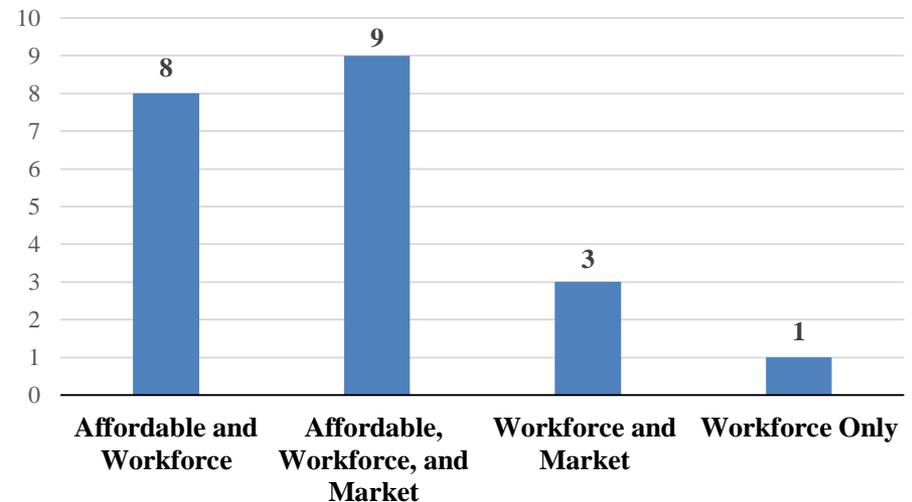


- Developments funded through the Workforce Housing program will help address the need for new housing at all income levels. Nearly all developments are mixed income:
 - Most have three tiers including affordable (up to 60% AMI), workforce, and market
 - Others have an affordable or market tier with a workforce tier; there is one workforce only development

Unit Type



Development Type



MassHousing provided a \$29 million tax-exempt First Mortgage and a \$7 million Subordinate Workforce Housing Loan. Project aligns well with MassHousing's Workforce Housing program and broader Agency goals:

- Creates 140 units of new housing in a Gateway City
 - Supports mixed income housing that will serve households with incomes up to 50% of AMI, 110% of AMI, as well as market rate tenants
 - Secures long-term affordability in a rapidly developing community with 86 Workforce Housing units—largest number of WFH units in one project
 - Leverages other State and City programs and first project to combine Workforce Housing program with the Housing Development Incentive Program (HDIP)
 - Represents an exception to Workforce Housing guidelines—above the per project limit of \$5 million, but below \$100,000 per unit subsidy.
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MassHousing provided a \$1.8 million First Mortgage and a \$300,000 Subordinate Workforce Housing. Aligns with MassHousing goals and the Workforce Housing program, and highlights the flexibility of the program to meet needs of different development types and structures:

- Creates 27 units of new housing in Boston
 - Allows MassHousing to partner with a new developer
 - Secures long-term affordability in a mixed-income transit-oriented development that will serve households with incomes ranging from 30-80% of AMI, includes project-based Section 8 vouchers
 - Leverages other State and City programs, as well as the 9% Low-Income Housing Tax Credits
 - Represents smallest number of Workforce Housing units in a project (3)
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