A Real Massachusetts Miracle:
Local Affordable Housing Partnerships

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The 1980s witnessed the federal government's near total withdrawal of its housing responsibilities and commitments. States and municipalities across the country have had to step in to fill that gap. Massachusetts and its communities have responded in a remarkable effort centered largely around the creation of local housing partnerships. Local housing partnerships-coalitions of local officials, business leaders, nonprofits, and housing advocates-focus local action to promote affordable housing in suburban and rural communities, as well as in cities across Massachusetts.

Throughout much of the 1988 Presidential campaign, the "Massachusetts Miracle" was touted as a shining example for other regions. Even though the election loss by the Democrats and the recent economic downturn have removed the lustre of the commonwealth's economy, there are indeed miracles occurring in the state--a small miracle occurs every time a low- or moderate-income first-time home buyer closes on the purchase of a house.

Home prices in Massachusetts skyrocketed during the 1980s in response to regional as well as national economic trends. Housing prices far outstripped the rise in incomes. The median sales price for a home in the greater Boston area now exceeds $180,000, requiring an income upwards of $75,000, which is nearly twice the Boston area median income. During the eighties, average rents rose 68 percent.

Public awareness about affordable housing problems has soared along with prices. Concern about housing problems historically has been focused on inner-city and low-income populations; affluent communities generally rejected the notions that they had responsibility for a fair share of the housing. The eighties brought housing problems to the doorstep of many middle-income homes in the affluent suburbs. Once-secure suburban families were awakened to the realization that their employees, their firemen and police, and even their own kids now had very little chance to buy a home in their home towns. Every town and city in the commonwealth--not just the inner cities--now had their own housing problems.

The 1980s also witnessed the federal government's near total abandonment of its housing responsibilities and commitments. Most programs were stripped in favor of the military buildup; what little remained of federal housing funds was targeted more directly to the very low income. Massachusetts and its communities responded with a truly impressive housing effort centered mostly around local housing partnerships--cooperative efforts of the public, private, and nonprofit sectors to produce housing. Nearly 200 of the 351 cities and towns in the commonwealth have designated local committees or agencies to act on behalf of the town in trying to develop affordable housing. Collectively, these entities have been instrumental in the development of thousands of housing units affordable to low- and moderate-income families.

A Little History

While the push toward local partnerships was driven by state funding, its broad success can be traced to the appeal of local initiative and local control, long-established tenants of New England towns. The participatory town meeting is still the primary political mechanism for decisions in most communities in the commonwealth. Participation in local housing committees seems to be a logical extension into the 1980s of these historical antecedents.

The Great Society housing programs of the 1960s tended to emphasize government design and control. Partnerships emphasized the relationship between government and the poor. True public-private partnerships for community revitalization evolved in the 1970s. Most of the early partnerships consisted of public-private teaming for individual projects in urban renewal and community development areas. One of the first national efforts at creating and sustaining partnerships was the Neighborhood Housing Services (NHS) model. NHS had a targeted neighborhood focus, usually emphasizing rehabilitation and homeowner-

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ship of existing single-family homes. The model has been expanded to urban neighborhoods across the nation.

Today in Massachusetts, the scope of partnerships has been expanded. It is no longer just project-based; it is no longer just neighborhood-based; it is no longer just inner-city-based. The local housing partnership is an ongoing entity which focuses on the affordable housing problems of the community as a whole, in rural and suburban communities as well as in cities. The partnership can encompass all community housing needs.

The Boston Housing Partnership

The start of the modern era of housing partnerships in Massachusetts can be traced to Boston and the summer of 1982. A consortium of civic and business leaders began meeting under the “Goals For Boston” program to develop model partnerships in education, job training, and housing. The group’s housing subcommittee recommended a partnership of business, government, neighborhoods, academia, and foundations to alleviate the shortage of affordable housing. Early in 1983, the Boston Housing Partnership (BHP) was incorporated under the leadership of the chair of one of Boston’s largest banks. Its ambitious goals were to produce and preserve low-income rental housing, to ensure lasting affordability, and to avoid dependence on federal funding.

Funded initially with grants from the city of Boston and the Boston Foundation, the BHP’s first housing initiative (which came to be known as BHP I) was to produce affordable rental housing through neighborhood-based nonprofit community development corporations (CDCs). The target: 500 units. The results: 700 units of housing in 69 buildings, packaged by the BHP and ten nonprofits with $38 million from twenty funding sources, including syndication.

The last of the BHP I units were completed in June 1987. While most of the 700 units were acquisitions of occupied “at risk” rental properties, 250 units became available for occupancy by low-income families. Over 5,000 families applied.

The BHP’s second major initiative (BHP II) was to negotiate with HUD to secure ownership of 938 units in 49 buildings, part of the so-called “Granite Properties,” a large portfolio of privately owned subsidized housing which had been foreclosed by HUD in 1982. Working in cooperation with the city of Boston and seven neighborhood nonprofits, BHP packaged $75 million for acquisition and rehabilitation. Funding included $16 million in equity investments by twelve local private companies, $55 million in tax-exempt bonds, and long-term Section 8 assistance. Completion of rehabilitation is expected next year.

The accomplishments of BHP to date are tremendous: BHP has helped in the transfer to community ownership of 1,800 rental units in 164 buildings, representing approximately $100 million in real estate.

According to William Edgerly, State Street Bank and Trust Chairman and BHP’s first Chairman, BHP serves to “illustrate the vital role of an intermediary in these complex developments. The intermediary is able to aggregate individual projects into a large program. This creates opportunities for financing which would otherwise be beyond the reach of a single neighborhood developer.”

Since resources will always be limited in the face of the great need for affordable housing, they must be focused where they will accomplish the most. Boston is fortunate to have a large number of capable Community Development Corporations (CDCs). BHP concentrates on the CDCs, because the CDCs are more likely to structure projects for long-term affordability, are more responsive to neighborhood needs, and have access to foundation and other resources. While they may not be able to build as fast as private developers, their product is longer-lasting in terms of affordability.

The Massachusetts Housing Partnership

The Massachusetts Housing Partnership (MHP) was created in 1985. Picking up on the positive experience of Boston’s Partnership, Governor Michael S. Dukakis announced it in the annual State of the State address, and the legislature responded with a $35 million MHP Fund using a state excise tax on bank withdrawals from deposit insurance funds.

MHP is very different from BHP. It is state-government funded and staffed rather than an independent nonprofit. Driven by the available state funding programs, it is intended to promote state housing goals. It is oriented to new production and home ownership, and welcomes, even solicits, private development.

MHP is operated by a full-time director who works closely with the Secretary of the Massachusetts Executive Office of Communities and Development (EOCD) to coordinate program funding. MHP has a central office staff, plus a network of seven regional MHP offices providing technical assistance and oversight.

The MHP Fund is managed by seven directors appointed by the governor. MHP program activities are coordinated by a thirty-member board which meets quarterly, and includes local officials, private developers, bank presidents, business and labor leaders, and others with a direct interest in addressing the commonwealth’s housing needs. The board has six standing committees.

Local Partnerships

The frontline of the Massachusetts partnership system, however, is the local housing partnership. The partnerships are coalitions of local officials, business leaders, nonprofits, and housing advocates who have come together
to create affordable housing. The growth of these local partnerships has been phenomenal:

- August, 1987 ______ 100 local partnerships
- January, 1988 ______ 150 local partnerships
- November, 1988 ______ 175 local partnerships

In less than three years, over half of the 351 cities and towns in Massachusetts designated local partnerships.

The purpose of the local partnership is to focus local action to promote affordable housing: to bring together groups, analyze needs, make policy recommendations, evaluate local resources, assess housing/program options, educate the community, review affordable housing proposals, and in some cases undertake direct acquisition and development.

The local partnership's authority comes from the local governing body (e.g., the mayor, board of selectmen, city/town manager). They range in structure from informal committees to incorporated nonprofits and land trusts.

For a local partnership to receive MHP recognition, it must meet certain threshold requirements:

- It must have balanced community representation.
- It must make a commitment to address the full range of local housing needs.
- It must conduct an assessment of community housing needs and resources.
- It must develop viable strategies to address the needs.

**Encouraging Local Participation**

MHP uses a variety of state resources to assist local housing partnerships in providing a broad range of affordable housing opportunities for both renters and first-time buyers. Resources are assembled from several state agencies, particularly the EOCD and the Massachusetts Housing Finance Agency (MHFA), to create a network of financing and technical support for the LHPs. Most state housing programs now give priority for funding to projects which have the support of the local government and housing partnership.

MHP also conducts reviews of municipal housing performance. The state yields tremendous influence on local decisions through two state policies:

- **Massachusetts Anti-Snob Zoning Act (Chapter 774).** The Act authorizes comprehensive permits covering all local permits and approvals, which can be granted by local Zoning Boards of Appeals for housing projects using certain federal or state subsidies or both. In the past, it has been used primarily by local housing authorities to obtain approvals for construction of state or federal public housing. Now, it is being used more aggressively by the state to encourage communities to grant permits to all developers of subsidized housing.

  Under Chapter 774, a private developer may apply for a comprehensive permit and must be granted a hearing if the developer has site approval from a state agency and a commitment for subsidies (or has applied for such subsidies). If a community turns down a comprehensive permit application, and if less than ten percent of its housing stock qualifies as affordable housing, then the developer may appeal the decision to a state Housing Appeals Committee.

- **Executive Order 215.** This gubernatorial order instructs state agencies to deny state funds (e.g., infrastructure improvements grants) to communities which are not making reasonable efforts to provide affordable housing.

  These mechanisms were little used until the commonwealth was able to make a major commitment from increasing state revenues for affordable housing.
MHP Program Initiatives

As MHP was being created, a consensus had developed among housing experts that the state's economic growth had resulted in a housing supply shortage. Accordingly, the new MHP emphasized programs that created new housing. More recently, however, MHP has recognized the importance of assisting communities in the preservation of existing subsidized housing.

In 1986, MHP and MHFA created the Homeownership Opportunity Program (HOP), which provides for the development of new home ownership projects that designate 5 percent of its units for the local housing authority and at least 25 percent of units affordable to moderate income people. Price limits for the moderate-income units are $85,000 for condos and $95,000 for single-family developments, half the average price of homes in the commonwealth. MHFA loans are offered to moderate-income residents (generally earning less than $35,000) at the usual tax-exempt rate of 8.5 to 9.5 percent, and MHP provides an interest write down for mortgage payments to equal a 5.5 percent loan rate (and graduated to the full MHFA rate over ten years).

Other MHP programs include Challenge Grants of up to $50,000 to local communities to support innovative ap-

Local Housing Partnerships in Three Massachusetts Communities

Somerville, Massachusetts

Somerville is an inner suburb north of Boston. It is home to Tufts University, and convenient to Boston and Cambridge. It consists largely of one- to three-family homes, most of which are more than 30 years old and are priced in the $150,000 to $300,000 range.

The mayor convened a partnership committee to assist the city in developing a home ownership program for moderate income residents. The partnership included key local bankers and realtors. With the help of the Partnership Committee, the city designed a program which combines low realtor fees and special underwriting criteria from local lenders to make ownership of two- and three-family structures affordable to families earning between $30,000 and $40,000.

The Lincoln-Perkins Townhouses, shown on the right, are newly constructed, three-bedroom units with full basements, front and back yards, and off-street parking. All units were sold to first-time homebuyers.

Fall River, Massachusetts

Fall River, in southeastern Massachusetts about 45 miles from Boston, is an aging city largely occupied by Portuguese immigrants who worked in fishing industries and mills. It has not experienced the high-tech growth of most of eastern Massachusetts, and still has many affordable rental units in the city's triple deckers (40 percent of the housing stock).

The Partnership conducted a study of the local market and determined that the most important strategies would be to help residents buy homes as they became available, and help ensure that the affordable rental units in triple deckers remain available after sale.

Acton, Massachusetts

To the west of Boston, adjacent to Concord and other very expensive suburbs of Boston, Acton is a uniquely affordable suburban community. Where else will you find twelve business people meeting at 7 A.M. each Monday morning to discuss affordable housing?

The Acton Community Housing Corporation (CHC) is a nonprofit partnership authorized by the town to address affordable housing problems and to review the affordable housing aspects of all housing proposals. The CHC has become one of the most active local partnerships, and has already supported approval of three large developments which will offer 16 public housing units and 67 moderate-income ownership units. It is also developing a business plan which will help the CHC become self-sufficient.
proaches to local housing needs, Municipal Advance Program (MAP) grants of up to $30,000 for pre-development costs, and front-end loans and technical assistance to non-profits through a state revolving loan fund administered by the Community Economic Development Assistance Corporation (CEDAC).

MHP also has become involved in negotiating expiring use restrictions with owners of federally subsidized housing to preserve permanent housing opportunities for low- and moderate-income tenants, and has started an Urban Initiatives Program to promote housing preservation strategies in built-up communities. These efforts reflect an awareness that the housing market has slowed somewhat, and provide some opportunities to acquire and preserve existing units.

**MHP's Success**

MHP has enjoyed enormous success. The HOP program alone has provided funding for over 6,700 new homes. The average price of the affordable units has been under $80,000, and the average income of the moderate-income buyers has been $26,000.

Successes, however, are not measured solely by unit counts. MHP has also fostered a large number of coalition-building local partnerships, broadening participation in housing to many communities and members of the community who have never before been included. It is a new way of doing business.

Like any public program, MHP is not without critics, some of whom believe that MHP, and the HOP program in particular, dictates the agenda to local partnerships, who become too busy responding to private developer proposals instead of developing their own agenda. Local partnerships also have found it difficult to retain control over resident selection in projects it approves.

Some local officials suggest that the current policies may foster conflicts between local developers and the local partnership. Developers assume they can bypass localities and get permits through Chapter 774 appeal to the state. This is more a criticism of the anti-snob zoning powers than the MHP programs. For its part, MHP has tried to stand behind local partnerships when a developer has not negotiated in good faith. Legislative efforts are currently underway to revise Chapter 774.

Some local partnerships have focused on moderate-income homeownership rather than needs of low-income and special needs populations.

Finally, the tremendous growth of the program has left MHP unable to provide enough technical assistance to all the new local partnerships. Some of the newer partnerships were created "because the state said we needed to create one," and are lacking direction.

Future growth of MHP and its programs may depend on initiatives in involving large employers and institutions in local partnerships, developing programs to respond to the softening real estate market, and responding to needs in older communities.

**Lessons from the Partnership Experience**

There is a simple elegance to the local housing partnership model. It helps to elevate the housing agenda from the low-income focus of the government to a community-wide level. The partnership allows for recognition of the spectrum of housing needs: low- and moderate-income, family and elderly, rental and ownership, and special needs. It promotes innovation and local problem-solving. It offers a way for successful real estate people and businesses to give something back to their community. Participation in the affordable housing partnership becomes acceptable—almost the "United Way" of housing.

Because partnerships rely on local goals and a mix of resources, they may not be as vulnerable to changes in federal funding. By coordinating among many local actors, the partnership can assist with the packaging and approval of complicated projects that might be beyond the capacity of a single developer.

The partnership's efforts can complement the activities of the local housing authority. The authority's mission is more focused on low-income needs and access to federal and state public housing and rental assistance resources. The partnership can fill in to meet other needs not eligible for such assistance, and has access to some resources not typically available to authorities. But the authority must be a part of the partnership and coordinate its activities with the partnership.

Above all, local housing partnerships bring community focus to one of our most important problems: the need for affordable housing. In this context, miracles can be achieved.

Granted, the miracles may be small. Even 7,000 units is a relatively small number compared to the hundreds of thousands of Massachusetts residents who cannot afford to buy a home. Nevertheless, the efforts continue among local people who believe that it is better to light one candle than to curse the darkness.