

HOUSING

Section 1 – Goal for Enhancing Rural Housing Conditions

The Commonwealth should formulate policies and programs to help rural communities overcome barriers to creating decent, affordable housing for its residents.

Section 2 – Key Rural Housing Issues

1. Investment in new and existing housing is a critical need in rural towns, where a mismatch exists between current housing stock and current needs. A lack of housing production, an old housing stock, changing demographics (smaller households and an aging population), and competition with short-term rentals and second homes in some areas, has led to a shortage of decent, affordable housing that meets the needs of residents.
2. Low property values in economically distressed rural areas make it difficult to rehabilitate a property without triggering requirements to bring the structure fully up to code (which would further increase costs); but the investment needed to do this cannot be justified under current rent and sale prices, leading to a downward trend in housing conditions and feeding into the loss of population in rural areas. Community Development Block Grants (CDBG) are one of the only sources of funding for housing rehabilitation in rural areas, but is inadequate to resolve all of the issues with older housing.
3. Wages have not kept up with the cost of housing and transportation, placing a significant burden on rural residents in many areas. For example, a moderate income family in Heath spends an average of 68% of household income on housing and transportation, compared to a moderate income family in Waltham that spends an average of 54% of household income on housing and transportation.¹
4. On the Cape and Islands, there is a large affordability gap between the median home value and what a median income family can afford. A seasonal rental market makes it very difficult for residents to find affordable year-round housing, a phenomenon known as the “Island Shuffle.” Similarly, housing in parts of Berkshire County is unaffordable for many year-round residents, as demand for high-end second homes has increased home prices and reduced availability of moderately priced housing.

¹ Center for Neighborhood Technology Housing and Transportation Index: <https://htaindex.cnt.org/map/>.

5. High development costs and lack of infrastructure make rural affordable and workforce housing development projects noncompetitive for limited State and Federal funding because of their small scale, and lack of municipal and developer capacity and experience with affordable housing. The majority of State affordable housing funds go to supporting larger-scale Low Income Housing Tax Credit (LIHTC) projects (20+ units).

Section 3 – Relevant Existing Housing Policies and Programs in Massachusetts

- **Community Preservation Act (CPA)** – Signed into law in 2000, CPA allows communities to create a local Community Preservation Fund for open space protection, historic preservation, affordable housing and outdoor recreation through a local property tax surcharge of up to 3%. To date, 65 of the 170 rural towns in Massachusetts have adopted CPA (38%). A State match includes a distribution round that favors smaller, poorer towns that have adopted CPA at the 3% surcharge. Despite this favorable weighting, CPA can be a hard sell in small towns already burdened with high property taxes relying largely on a residential tax base. CPA cannot be used for housing rehabilitation.
- **Community Scale Housing Initiative (CSHI)** – Established in 2017, this DHCD program funds small-scale affordable rental projects between 5 to 20 units in municipalities with a population of no more than 200,000. A subsidy of up to \$200,000 per unit is available, and the total development cost per unit may not exceed \$350,000. This program fills a critical gap in affordable housing funding for small projects that cannot access low income housing tax credits (LIHTC); however, the economics often still don't work in rural towns unless a community can contribute a significant local subsidy.
- **Housing Choice Initiative (HCI)** – This State initiative began in 2018 and includes the Housing Choice Designation and Grant program, and the Small Town Grant program, exclusively for towns with a population under 7,000. Designated municipalities have access to the Housing Choice Capital Grants, and receive priority on State funding programs such as MassWorks, Complete Streets, MassDOT capital projects, and LAND and PARC grants. Many rural towns with stagnant or declining population do not meet the minimum housing production criteria to be designated.
- **Community Development Block Grants (CDBG)** – This federally-funded program is the State's major resource to address a broad range of community development needs in small cities and towns. Applications can be submitted by individual communities or

regionally. Massachusetts CDBG funds have fallen by 37 percent since 2000;² nothing has filled this reduction in funding in rural areas.

- **Federal Home Loan Bank; MHP ONE Mortgage** – Habitat for Humanity and other rural affordable housing developers utilize the Affordable Housing Program from the Federal Home Loan Bank in Boston to help close gaps on affordable housing development. The bank recently launched the Equity Builder Program, a \$3.6 million program providing grants to member financial institutions to assist households at or below 80 percent of AMI with down-payment and closing cost assistance. MHP’s ONE mortgage program helps low-moderate income residents purchase homes across the State, with low down payment requirements and elimination of PMI payments.

Section 4 – Best Practices

- **Regional collaborations to support housing.** The Franklin County Regional Housing and Redevelopment Authority administers a CDBG program for multiple towns in Franklin County, including a housing rehabilitation program. On Martha’s Vineyard, a rental assistance program is administered by the Dukes County Regional Housing Authority with CPA funding from the six island towns.

The towns of Harwich and Chatham hired Community Development Partnership using CPA funds to provide housing coordinator services for each town, including staffing the local housing committee / housing trust, and assisting each town with implementing their Housing Production Plan.

The Cape Housing Institute offers training to local officials and fosters discussion of addressing housing needs at a regional level. As a follow up to the annual training, a peer group meets quarterly to continue working together.

- **Promoting affordability in existing housing.** In towns with limited or no public water and sewer, developing affordable housing can be challenging. Leverett’s Housing Committee determined that the best use of CPA funds was to offer income-eligible homebuyers a grant to “buy down” the purchase price of a market rate home in Leverett. In return, a restriction is placed on the home, ensuring that it will be sold in the future at an affordable price to another income eligible purchaser. The Town of Pelham uses CPA funds to provide down payment assistance to income-eligible homebuyers.

² *Building Communities of Promise and Possibility: State and Local Blueprints for Neighborhood Stabilization.* MassINC and MACDC, January 2019.

Section 5 – Policy, Program or Investment Recommendations to Enhance Rural Conditions

1. **Support rehabilitation of underutilized, vacant, distressed, or deteriorated properties in rural areas.** While new housing production is called for to meet the State’s housing shortage, many rural areas have underutilized housing and building stock that, with some investment, could help meet the State’s housing needs while improving the vibrancy and health of rural towns.
 - a. Supplement CDBG funding with State funds – use the existing program to more fully meet the rehabilitation needs of small towns
 - b. Clarify CPA language to allow funds to be used for rehabilitation of existing housing when a new affordable unit is created, e.g. conversion of a single-family home to a two-family home, creation of an accessory apartment, conversion of a seasonal home to a year-round home, etc.
 - c. Continue to fund the Get the Lead Out Program for lead abatement
 - d. Address the 30% assessed value threshold that requires a structure be brought fully up to code during rehabilitation
 - e. Create regional, multi-town approaches with added technical assistance for existing and proposed programs to help make them more applicable to rural areas – AGOs Abandoned Housing Initiative, Neighborhood Stabilization Initiative, etc.
2. **Revise the Community Scale Housing Initiative (CSHI) so that it is more useable in small towns.** Allocate a portion of the CSHI funds to rural towns. Remove the per project cap and allow a flat \$200,000 per unit subsidy. Reduce the “soft costs” for small developments – create a rolling application period and a simplified lottery process. Provide targeted funds for septic and well to make small projects feasible in rural towns with no water and sewer.
3. **Facilitate and reward regional solutions to local challenges.** The State should support existing regional collaborations and facilitate the creation of new regional solutions, including: embracing the creation of regional housing authorities and incentivizing efforts such as multi-town use of CPA or short-term rental tax income to fund housing development through a regional approach. Allow a percent of units developed in another town be counted towards a supporting community’s Subsidized Housing Inventory (SHI) when formal agreements or a regional housing plan is in place.
4. **Build capacity in rural areas to develop and manage housing.** Provide seed funding to build capacity in existing organizations, or through new collaborations among towns, to create housing coordinator services in rural areas to move community housing efforts

forward and to assist developers with creating affordable housing. Replicate the Cape Housing Institute in other rural regions of the State.

- 5. Support year-round homeownership in rural towns.** Make homeownership more accessible to first generation and first-time homebuyers through the promotion of down payment/closing cost assistance and subsidized mortgage products (which in turn require year-round residence in the home). Provide targeted funding to non-CPA communities for development of small-scale affordable homeownership opportunities.
- 6. Create flexibility in State programs to meet the needs of rural communities.** Rebrand the 40R Starter Home Zoning to reflect the needs of new homeowners and seniors looking to downsize; simplify 40R to make it easier for towns with no planning staff to implement, and to be more adaptable to a town's existing zoning. Amend the Housing Choice Initiative designation criteria to recognize regional best practices and allow for multi-town designation applications.

For Appendix

Stakeholders consulted: Many people, agencies and organizations were consulted in the drafting of this Plan. Recommendations contained in this document are not necessarily supported or endorsed by all parties listed below.

Massachusetts Executive Office of Housing and Economic Development (EOHED)

Massachusetts Housing Partnership (MHP)

Massachusetts Association of Community Development Corporations (MACDC)

Department of Housing and Community Development (DHCD)

Cape Cod Community Development Partnership

Hilltown CDC

Berkshire Housing Development Corporation / Berkshire Housing Services, Inc.

Franklin County Regional Housing and Redevelopment Authority / Rural Development, Inc.

Pioneer Valley Habitat for Humanity

Town of Brewster

Regional Planning Agencies:

Berkshire Regional Planning Agency (BRPC)

Franklin Regional Council of Governments (FRCOG)

Pioneer Valley Planning Commission (PVPC)

Southeastern Regional Planning and Economic Development District (SRPEDD)

Old Colony Planning Council (OCPC)

Cape Cod Commission (CCC)
Martha's Vineyard Commission (MVC)

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