Section Overview
Affordable Housing — Real Problem / Unreal Solution

Affordable housing is a tremendously important issue and a highly desirable goal. And being highly desirable, it provides enticing bait for private developers who are trying to hook municipalities on their proposals to build expensive housing. The system we are talking about is *mandatory inclusionary zoning*, where a small percent of affordable units are provided in return for permission to build a large percent of expensive ones.

In the 1970s, Newton created the first such zoning regulations in the Commonwealth. It began with a 10% affordable requirement, in order to be consistent with the 40B SHI requirement. At this point the requirement is 15%, and there's talk of raising it above that.

We (NBN) strongly endorse affordable housing, and this includes housing for ALL income levels, including 30% - 50% of AMI. We do <u>not</u> consider Mr. Korff's proposal a net gain for affordable housing.

Mr. Korff proposes to build 24 affordable apartments (for 50% - 80% of AMI) and 16% for 80%-120% AMI. These would indeed provide lower cost housing for tenants lucky enough to win lotteries for them. <u>However</u>:

- *The development will destroy existing affordable housing.* At the Orr Block, 20 existing 'naturally affordable' apartments will be destroyed. We are told that these apartments are in bad repair. We know from our own visits to some of these units that they need attention, but the argument is misleading. The question is how much it would cost to refurbish a run-down apartment compared to building a new one. Fixing the old is more cost-effective, allowing for lower rents afterward. In addition, fixing up old structures is, as a rule, more environmentally friendly than building new structures.

  One speaker before the LUC asked: Has anyone kept track of the people forced out of their housing by developers in Newton? Where did they go? The fact that we have no answer to this question is a telling indication of how little we take into account the impact of destroying the existing stock of affordable housing.

  If a building were created *de novo*, on a piece of vacant land, then no affordable units would be torn down. Any new affordable units would indeed be an addition to the city's affordable stock. The Korff proposal, on the other hand, will remove almost as many affordable units as it creates; the city makes little gain in affordable units.

To be equitable in terms of affordable housing, Washington Place should create 20 units to replace those that would be destroyed, in addition to creating 15% new affordable units.[1]

- *The development will drive up surrounding rents and house prices.* The net effect of creating an MU4 development is going to be negative, not positive, on overall affordability in Newtonville. The denser the development (MU4 allows more density), the more the Orr Block's land will be worth. That will drive up surrounding land values and with it, taxes, rents, and house prices.[2]

- *Seekers of affordable housing will see little benefit.* Mr. Korff has marshaled many speakers to plead that they want to live in Newton but can't afford to. This is a diversionary tactic. It pulls at the heartstrings. But consider. Many of these people earn too much to qualify for the 'affordable housing' that Mr. Korff plans to build. Even those who qualify would be unlikely to live here: they would have to win a lottery, and for those who live outside of Newton, the relevant lottery would be only for 30% of the 24 affordable units. In other words, their chances of living in Mr. Korff's units would be miniscule.

  We have a great deal of sympathy with the need for people who work in and for the city to be able to live here. Likewise for those who grew up in Newton or have lived here for a long time but can't afford to stay. But Washington Place will not help people such as these. Just the reverse, by destroying existing low-rent units and driving up land values generally, Washington Place will make it even harder for them to afford to live here.

- *The housing assumptions are not data-based.* The city's own consultants, RKG, have produced data suggesting that the Washington Place proposal is ignoring low income people (30% - 50% AMI) for whom Newton housing is lacking, and is aiming at people (80% to 120% AMI) for whom housing is relatively plentiful. RKG's data needs to be considered in assessing whether the proposal fits Newton's (and Newtonville's) needs. In addition, the housing strategy provides no data on Newton workforce housing preferences.

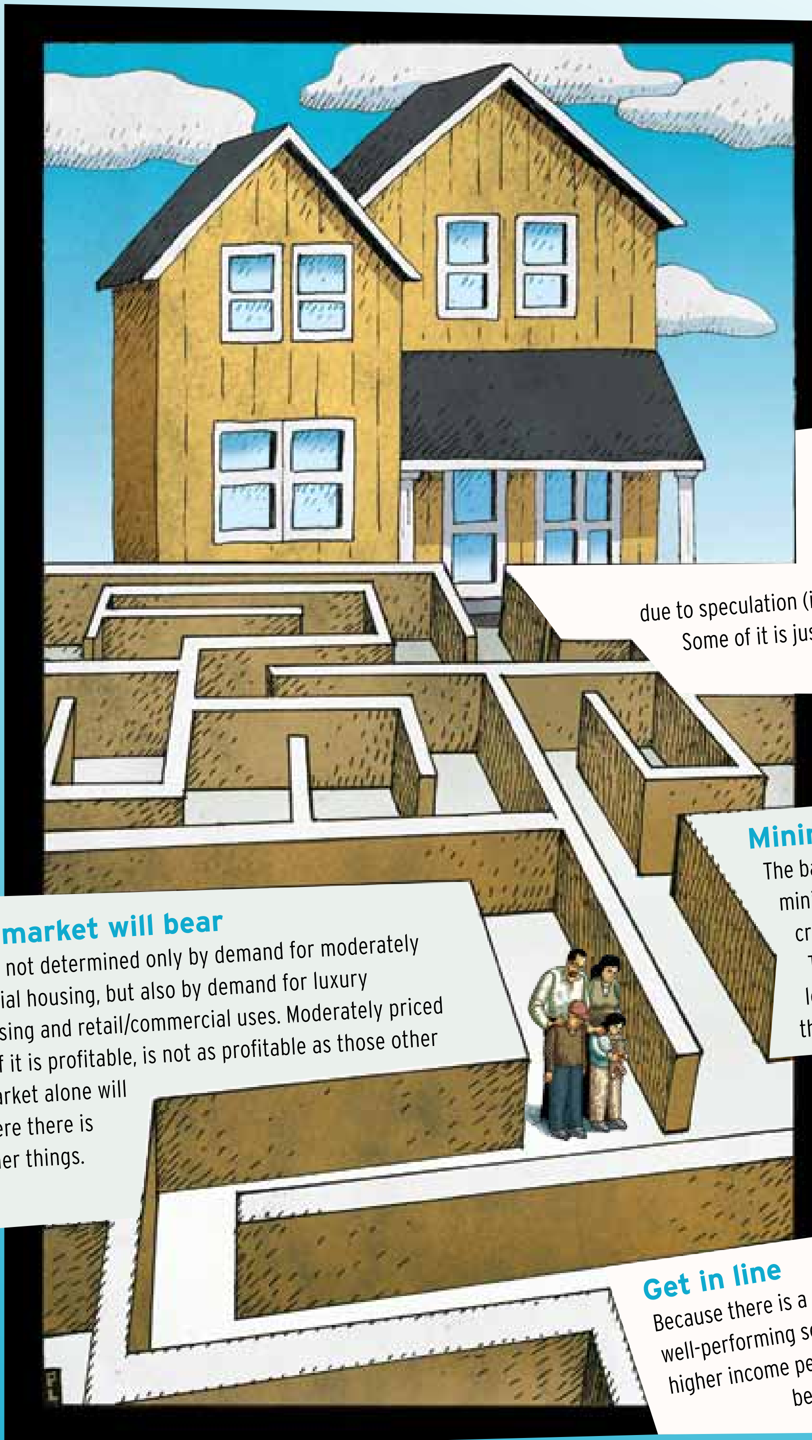
[1] In this section: *Alternatives for Creating Affordable Housing*.
[2] In this section: *The Answer: Why doesn't the market produce enough affordable housing where people want it?* and *Consequences of High-Density Development.*

Articles in This Section
Affordable Housing — Real Problem / Unreal Solution

Page numbers start afresh for each article.

The Answer

SHELTERFORCE



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Q: Why doesn't the market produce enough affordable housing where people want it?

Location, location, location...

The value of housing is tied to location. In desirable locations there is a limit to how much housing can be created. Some of this is due to regulation. Some of it is due to speculation (i.e. people holding units off the market hoping for windfalls). Some of it is just the limits of physical space.

Minimum costs/Low wages

The basic costs of construction (labor and materials) and the minimum safety and quality standards we have established create a lower limit on how little a housing unit can cost. Thanks to stagnation in the minimum wage, people at the lowest end of the income spectrum cannot afford even these minimum costs.*

What the market will bear

Land prices are not determined only by demand for moderately priced residential housing, but also by demand for luxury residential housing and retail/commercial uses. Moderately priced housing, even if it is profitable, is not as profitable as those other uses, so the market alone will not build it where there is demand for other things.

Get in line

Because there is a limited supply of locations providing access to jobs, well-performing schools, and high quality of life, there are easily enough higher income people and speculators to bid up prices in those areas beyond what the low- and even moderate-income people working there can afford.

Thanks to Eric Belsky, Dean Baker, and Jeff Lubell for helping us craft this Answer. **The final result is only *Shelterforce's*.**

***For examples of the price/wage mismatch visit this Center for Housing Policy database: www.nhi.org/go/costsvwages.**

Is the Orr Development Affordable?

I applaud the patience of councilors on this issue. It has taken many months for the developer to make very modest concessions on the proposal. What is really shocking to Newtonville residents is that the developer does not budge at all on density. We still have a massive 5-story architecturally poor project, the fifth largest development in Newton and the second new rental complex in Newtonville.

An additional question is the issue of **affordability**. As you know, many speakers who FAVOR THIS PROPOSAL DO SO BECAUSE THEY THINK IT WILL BE AFFORDABLE. The question is: How affordable is it? And exactly who can afford it? The price of the rents: Studio c1800, 1 BR c 2500, 2 BR 3400 to 3700.

The project demolishes 22 existing affordable units. Originally it simply replaced those units with 26 affordables, netting us **only 4 units at much-needed low-income levels**. Later, Mr. Korrf did make what sounded like an important addition. He suggested 17 additional units of workforce housing, netting us 21 affordables. At first, this sounded appealing . Newton workers should be able to live in Newton. But, as it turns out, we already have reasonably priced units affordable for Newton workers**. You know all those 2 and 3-family buildings we have in Newton. In fact, the supply is greater than the demand.** According to RKG Associates (and I am presenting to you their data chart on the next page), we have a surplus of units at 50 to 120 % AMI. People are living in them now, without a lottery ticket! The city paid for RKG to analyze Newton's housing needs. Let's not pretend these units don't exist. It's right there in black and white. **What we need is affordable housing for people below 50% AMI.**

And, by the way, the RKG data DOES show that there is a severe shortage of OWNERSHIP HOUSING FOR NEWTON WORKERS…If this were a condo project for ownership housing…that would be a **positive** for Newton workers. But it's a rental.

So let's agree right now to NOT vote for this rental proposal as somehow meeting Newton's needs for affordable rental housing. And there is no hard data on what Newton workers or seniors prefer for housing. Do they prefer to rent or buy? RKG provides no hard data.

If you do care about affordable housing, here is what would work**: Maximum of 103 units, as allowed under BU zoning. 34 units (one-third) affordable housing for low AMI residents. You will still get an elevator building for constituents who can afford it. It will look better, it will feel better, it is less intrusive on the neighborhood, and it will go a long way toward treating all residents fairly.**

Please vote NO on the current proposal. We can and must do better!

Sample rents: (per developer estimate)

3.10 per sq ft.	Studio	550 sq ft.	$1705.	Studio	585 sq ft.	$1813.50
3.40 per sq ft.	Studio	550	$1870	Studio	585	$1989.00
3.10	1 BR	750	$2325	1 BR	800	$2480.00
3.40	1 BR	750	$2550	1 BR	800	$2720.00
3.40	1 BR	800	$2720	1 BR	865	$2941.00
3.10	2 BR	1100	$3410	2 BR	1175	$3642.50
3.40	2 BR	1100	$3740	3 BR	1330	$4522.00

Facts from the Newton Housing Study 2016

Source: *Housing Needs Analysis and Strategic Recommendations, City of Newton*, June 2016

Do we have affordable low-income and workforce rental housing in Newton?

Rental Affordability Thresholds Based on 2-Person HUD Income Limits

Newton, Massachusetts

	Rental Units - Housing Supply				Housing Demand				Gap Analysis	
Threshold	Minimum Rent	Maximum Rent	Units	% of Units	Threshold Minimum	Threshold Maximum	Households Within Threshold	%Households Within Threshold	Surplus/Shortag	Supply as % of Demand
Below 30%	$0	$565	994	13.9%	$0	$22,600	1,992	21.0%	(998)	49.9%
30% to 50%	$566	$941	349	4.9%	$22,601	$37,650	1,096	11.5%	(747)	31.8%
50% to 80%	$942	$1,355	1,167	16.3%	$37,651	$54,200	899	9.5%	268	129.8%
80% to 100%	$1,356	$1,883	2,326	32.5%	$54,201	$75,300	991	10.4%	1,335	234.7%
100% to 120%	$1,884	$2,259	781	10.9%	$75,301	$90,360	745	7.8%	36	104.8%
Over 120%	$2,260		1,535	21.5%	$90,361		3,784	39.8%	(2,249)	40.6%
Total			7,152	100.0%			9,507	100.0%	(2,355)	75.2%

Source: RKG Associates, Inc., 2015

Major finding:

p. 33 **"Rental housing provides the greatest range of housing prices in the City, but there are not enough units to meet current demand for households with low, very low, and extremely low incomes. In short, households earning less than $61,000 have very few choices in Newton." Yet there is a surplus of units for the 50% to 120% AMI levels (workforce rental housing).**

"Within Newton, the Submarkets with the largest concentration of renter-occupied units are those north of the Massachusetts Turnpike (Submarkets 2R [Nonantum] and 3R [Newtonville]." p. 42

Who Can Afford to Buy a House in Newton?

Table 3.2
Ownership Housing Supply Thresholds [1]
Newton, Massachusetts

CONVENTIONAL LENDING	Traditional Unit		Condominium	
	Min Value	Max Value	Min Value	Max Val
Extremely Low Income and Below	$0	$132,264	$0	$83,658
Extremely Low Income to Very Low Income	$132,265	$220,522	$83,659	$171,916
Very Low Income to Low Income	$220,523	$312,013	$171,917	$263,407
Low Income to 100% 3-Person AMI	$312,014 $	441,045	$263,408	$392,439
3-Person AMI to 120% of 3-Person AMI	$441,046	$529,254	$392,440	$480,648
120% of 3-Person AMI and Above	$529,255		$480,649	

FHA LENDING				
Extremely Low Income and Below	$0	$112,458	$0	$72,477
Extremely Low Income to Very Low Income	$112,459	$187,501	$72,478	$147,520
Very Low Income to Low Income	$187,502	$265,291	$147,521	$225,310
Low Income to 100% 3-Person AMI	$265,292	$375,001	$225,311	$335,020
3-Person AMI to 120% of 3-Person AMI	$375,002	$450,002	$335,021	$410,021
120% of 3-Person AMI and Above	$450,003		$410,022	

Source: RKG Associates, Inc., 2015
[1] Based on 3-Person HUD Income Limits

Can Newton workers afford to buy homes in Newton?

Table 3.2 on p. 35 (above) suggests that Newton workers would have to purchase homes or condos at prices below $529,255 (Conventional) and $450,000 (FHA) unless they make more than 120% AMI, about $90,000 per year or $101,641 for a 3-person household.

Do Newton Workers prefer to Rent or Buy?

The Housing Strategy provides no data on Newton workforce short- or long-term housing preferences.

How many Newton seniors would like to live in a "one-floor" rental?

Again, no hard data. See p. 47: "While a growing portion of the senior population in Newton have high incomes, a number of long-term resident seniors are finding it difficult to afford to continue to live in Newton on a fixed income." There is no chart and no data on senior income and housing preferences or intentions.

Please use data to inform your decision on this issue. You may know someone who would not mind paying $40,000 per year in rent. But Newton residents trust you, our representatives, to make your decision for the Common Good.

Very truly yours,

Pamela Shufro
20 Blithedale Street
Newtonville, MA 02460

More Housing Means Lower Prices? — Not in Newton

Compiled by Neighbors for a Better Newtonville

This is a compilation of arguments and data provide that provide important context for how affordable housing should be approached in Newton.

We've also included, at the end, a few short statements that aren't specifically connected to the main argument here, but worth noting.

We include a link to the best study we have seen, and this study agrees with general observation that in affluent areas, where there are plenty of well-off people competing to get housing, prices will be high and get higher, forcing out low-income people — until the pool of well-off people runs out.

What could happen to halt or reverse this dynamic? One possibility: the local economy turns so sour that there are no longer enough well-off people to drive up prices, so prices fall and the less affluent can move in. Second, assuming the economy stays good, one can build dedicated affordable housing, for which better-off citizens are not allowed to compete.

There's a strong argument to be made that private-developer mixed use projects do not help. Housing for people at the bottom of the income ladder is best created by non-profit entities.

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From Newton resident Lynne LeBlanc

Housing cost is a more complicated issue than simply supply and demand. Harvard University's Joint Center on Housing Studies notes that "Newly constructed units ask higher rents and are found in larger structures." On the other hand, "Conversions of existing units to the rental stock have boosted supply, especially at moderate ...rent levels."

The *Wall Street Journal* notes that "New Luxury Rental Projects Add to Rent Squeeze" and acknowledges that new buildings are rarely constructed for middle income buyers or renters.

What others have noticed as well is that naturally affordable housing is less expensive than even the new subsidized housing. Why? Because often existing housing has depreciated and is thus now affordable to a greater diversity of buyers or renters. Newton is depleting its stock of naturally affordable housing in favor of building luxury or market rate housing that depends on subsidies to make housing "affordable" – but even then, only at the new, higher market rates.

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From Joel Kotkin: *The Human City*, 2016, B2 Books, Agate Publishing

p 14: Suburbanites...often are particularly galled that "smart growth" policies are actually "a stalking horse for developers who want to attract government subsidies" as well as sanctioned seizures of small property owners stuck in the way of a particular definition of "progress."

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Evidence: Anecdotal and Quantitative

The following comments and reanalysis are in response to "Employment, Construction, and the cost of San Francisco Apartments" by Eric Fischer.

https://experimental-geography.blogspot.com/2016/05/employment-construction-and-cost-of-san.html

Mr. Fischer created a magnificent data base of rents in San Francisco going back many decades. His work, and the analysis below by Matt Tyler, are highly relevant to the Boston region because, like San Francisco, we have an explosion of high-paying jobs and so high-income people looking for housing.

While his data base was exceptional, Fisher's use of the data was faulty. Many readers commented on it, including Philip Milenbah, an urban planner, about the San Francisco market and other California markets:

> [Expensive rents are due to] high wage earners moving to San Francisco and not due to overall housing demand. The fact that more market rate housing is built is not going to impact the demand at the lower income levels.
>
> All that housing will be taken up by people who can afford it higher (remember too that the high-wage industries are forcing out businesses that pay middle and lower income rates-so these people move and the new high-wage earners move in — and they are able to meet the bid of almost any price. Something a teacher could not do.)
>
> <u>While high construction costs make it more expensive to build, most affordable housing is built by non-profits or government entities that subsidize the price... but if</u>

the market rate developers can't meet our city need in that respect then maybe we should wait for the non-profit affordable housing developers to catch up and build the lower end.

As I mention above, one can look at Housing Elements from almost any city in the state. Each revised element contains data from the preceding 7 years. In every city I have been involved with the market rate segments are being met but the middle-, low-, and very-low income segments are not being met.

Middle and low income housing needs are being met only when non-profits, redevelopment agencies, etc step in and help finance them. That need is never met by market rate overflow.

Instead of the building more market rate housing mantra the city needs to 1) stop evictions, and, 2) build more affordable housing. At least half of all new housing should be affordable. The high wage earner job growth has caused the loss of middle and low income jobs. High wage earners then move into their old units at new and much higher prices. There is nowhere for the former renters to move to because of the lack of affordable housing alternatives. So, the lower income groups are pushed lower.

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Mr. Fischer's original (flawed) study was reanalyzed by Matt Tyler; Fisher endorsed the reanalysis. (See Tyler's study at http://moreuseful.blogspot.com/2016/05/another-look-at-factors-driving-rents.html. The study is impressive and dispassionate. It is well written, though technical. Here is Matt's conclusion, which agrees with Philip Milenbah's comments, just above.

Using a well established methodology, I reach the conclusion that housing inventory is not a significant predictor of median rents in this San Francisco data set.

We reproduced Mr. Fischer's model fitting results using different software, and we have re-analyzed the data using standard procedures published by recognized statisticians.

Using those methods and Mr. Fischer's data, we find that median rents in San Francisco are best predicted by average per capita annual income and total employment. We further find that there is NOT sufficient evidence that total housing unit inventory has a significant effect on the median rent in San Francisco.

> …the magnitude of impacts on median rent of rapidly increasing employment and rapidly increasing per capita income are much larger than the impact of building more housing units.
>
> …the lack of a significant impact of housing inventory on median rents suggest that affordable housing advocates should concentrate their efforts on creating dedicated affordable housing rather than trying to build more total housing units.

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An argument against our position? Not when you look closely!

First, the argument against our position: a Boston Globe Article by Scott Van Voorhis Boston.com Correspondent, October 25, 2016 9:46 am

> A surge in new apartment construction appears to be slowing rent growth in a number of key Boston neighborhoods, city stats show. Downtown Boston, Charlestown, the South End, and the Fenway all either saw negligible rent growth or declines in the first six months of the year, the Department of Neighborhood Development finds.
>
> DND reports that Boston as a whole added 10,242 new apartments over the past five years, expanding the city's rental market by 6.6 percent. Downtown Boston saw its rental market expand by 25 percent from 2011 to 2016, adding more than 3,000 new units, most of them luxury. The South End's rental market grew by 9.5 percent, or 875 units. The Fenway added 687 new apartments for 6 percent growth. And Charlestown increased by 327 units, expanding its rental market by 7 percent.
>
> Citywide, rents grew 5.4 percent during the first six months of the year, according to DND.
>
> However, amidst all of the growth, a handful of neighborhoods that saw the lion's share of new apartment construction also saw the biggest benefits in terms of falling or stabilizing rents. Downtown and Fenway saw rent drops of 1.1 percent and 0.4 percent, respectively, during the first six months of 2016 compared to the same period in 2015. Charlestown rents fell by 6 percent, while the South End was flat at 0.3 percent.
>
> "Increased growth is leading to rent stabilization in several areas," wrote Gina Physic, a spokeswoman for the Boston Planning and Development Agency, in an email.

South Boston, though, has proven to be somewhat of an anomaly. The neighborhood added 2,547 new apartments since 2011, expanding its rental base by more than 26 percent. Yet rents still rose 6 percent during the first half of 2016, according to DND.

"There has been so much economic growth in South Boston that housing is still catching up," Lisa Pollack, spokeswoman for the Department of Neighborhood Development, wrote in an email.

South Boston saw 8,193 new jobs take shape from 2011-2015, many in the neighborhood's Seaport waterfront. That's more than double the city's overall growth rate, DND stats show. More than 3.7 million square feet of new office and commercial space has opened for business since 2014 in South Boston, Pollack said.

The Rebuttal from Peter Bruce

While Van Voorhis argues Boston's rents are stabilizing due to new housing construction, his own number actually show that where most new construction has happened (and its almost all luxury apartments - i.e. priced to be affordable to the top 20% of the income distribution, using the *Wall Street Journal*'s definition), that rents have gone up a lot, in contrast to the other areas where there has been less development.

First, Van Voorhis sequesters South Boston as if it's almost another country. On the one hand he mentions "Boston" adding more than 3000 new units, most of them luxury, from 2011 to 2016 and with 875 units in the South End, 687 in Fenway, and 327 in Charlestown. But later he mentions that South Boston added 2547 apartments in the same period. So obviously they are not included in the "Boston" total. And while he points out that rents went down or stabilized in the "Boston" neighborhoods (and of course there are ten others he did not mention) he treats South Boston, which added three or four times as large a proportion of new apartments as Fenway, Charlestown, and downtown Boston, as an anomaly, since its rents went up 6 percent in the first half of 2016. Actually, it's not an anomaly, but a critical case, that shows that where luxury apartment building is highly concentrated rents explode. It's a critical case since it expanded its rental base by 26%, again that's three or four times that of the aforementioned areas.

That "Downtown" apartment prices have not gone up faster is quite likely due to the huge Related Beal development in the West End, with its large proportions of workforce and affordable units.

It's also worth noting that for *all* of Boston, the rental rate has gone up 5.4% in the last 6 mos. or almost 11% annually, according to the article. Some stabilization!