

MEMORANDUM

Date: March 12, 2018

To: Mayor Marty Walsh

BY HAND

From: Ad Hoc Coalition for City Funded Low Income Rental Assistance Program

In March 2017, a delegation of 16 housing, development and faith-based organizations met with you to urge inclusion of a \$5 million pilot program for a Low Income Rental Assistance Program, as proposed by nine City Councilors in 2016 and 2017. The meeting discussed with you the first three of five sustainable funding sources, outlined in the attached memorandum from January 2017.

We request a meeting to discuss adoption of a \$5 million pilot program for a Low Income Rental Assistance Program in the 2018-2019 City budget request, as a first installment in a more robust future program. This memo addresses additional concerns raised by city representatives in our meetings to date.

As before, we propose a flexible rental assistance program, modeled on the successful Local Rent Supplement Program in Washington, DC. The DC program dedicates \$37 million from the regular city budget annually to fund 3,248 low income families and individuals (less than 30% of AMI) through a mix of project-based and tenant-based rental assistance, similar to the federal Section 8 program.

As in DC, we propose that the Boston Housing Authority administer the program locally; the BHA currently administers approximately 11,000 mobile Section 8 certificates and 2,500 "Project Based Vouchers". As in DC, we propose that priority be given to currently homeless or near homeless Bostonians, to provide the "Housing First" called for in the Mayor's Plan to End Chronic Homelessness.

Prioritize Project-Based Rental Assistance (PBRA). While there is a need for both mobile and project-based rental subsidies, we believe that project-based rental assistance should be prioritized. Even if city vouchers paid 130% of the area Fair Market Rent, as in the DC program or in Cambridge (BHA currently pays 110%) many people would not be able to find an apartment in Boston, and it would cost substantially more per unit than project-based assistance (in DC, project-based subsidies averaged \$10,400 per unit vs. \$15,000 in tenant-based units, in 2013).

Project-Based Rental Subsidies tied to Low Income Housing Tax Credit (LIHTC) buildings, cost closer to \$10,400/year per unit in Boston. In a LIHTC building, a family of four needs to make about \$50-60,000 a year to afford many of the units. Project-based rental assistance would provide a "deep subsidy" to make these units affordable to households making less than \$30,000 per year as well.

The Mayor's Housing Plan calls for 6,500 new Tax Credit units for families, with 1,700 units for low income renters, funded by shifting mobile Section 8 Vouchers from the BHA to Project-based Vouchers. A city-funded Rent Subsidy Program could easily augment this commitment, and increase the number and percent of low income units in these new mixed income developments, consistent with your recent pledge to increase the Plan's goals for households making less than \$25,000 per year. ***A \$5 million annual commitment, would yield close to 500 new low income rental units.***

Additionally, a city-funded PBRA program could help:

- subsidize the new low income units in BHA developments slated for conversion to mixed income housing in HUD's Rental Assistance Demonstration or at Bunker Hill

- meet and increase goals for low income housing in PLAN: JP/Rox, and similar neighborhood plans in Dorchester and Roxbury,
- increase the amount of low income housing in new mixed income inclusionary zoning developments
- prevent displacement of 600 lower income tenants in the City's at-risk 13A housing, such as Mercantile Wharf (North End), Newcastle Saranac (South End), or Forbes Building (JP)

Rental Subsidies Are Needed to Address Boston's Housing Crisis. City officials have argued that \$5 million annually would create more affordable units if smaller amounts of per-unit subsidies were applied as grants to lower costs for first-time homebuyers or otherwise subsidize "workforce housing." While it is true that more families could receive assistance, making it marginally easier for middle class homebuyers or renters in the 70 to 120% of AMI range, this would not address the City's housing crisis.

Boston's median household income in 2015 was \$54,485; the city's median wage is \$35,000. Most Boston residents fall well below the 70 to 120% AMI range. The Mayor's Housing Report (Housing in a Changing City) identifies 28,400 very low income, non-elderly households today that are paying more than 50% of their income on rent (or 35% for families with children). By 2030, 38,200 low-income, non-elderly households will need affordable housing, and 21,100 of these are "extremely low income" (ELI) households (less than 30% of AMI) earning below \$25,000 per year. Clearly, this is the portion of Boston's population, largely people of color, who are being forced out of their homes, or out of the city entirely, by private market displacement, as documented by the Metropolitan Area Planning Council and others.

The Mayor's Plan correctly identifies the need for more low income rental subsidies, since capital subsidies (such as LIHTC) alone are insufficient to meet these housing needs. Without rental assistance, ELI households are unable to pay even the minimal operating costs per unit, absence debt service, in new housing subsidized by LIHTC and other capital grant sources. Besides federal Section 8 and state MRVP, however, the Plan calls only for transferring 1,700 BHA Vouchers to Project Based Vouchers for new LIHTC housing for families--no net increase in subsidies to meet this identified need.

Accordingly, to address Boston's severe rental housing crisis, new subsidies must be found to enable extremely and very low income renters to remain in the city. A City-funded low income rent subsidy is one answer, to supplement MRVP and potentially declining federal Section 8 rent subsidies.

Long Term Funding Commitments Are Sustainable. We share your concern about the "sustainability" of a City-funded rental assistance program for low income renters. Once committed, it would be difficult to impose "time limits" on families and individuals receiving assistance, who could face homelessness and displacement a second time. But a city-funded program is sustainable, if there is the political will to support it.

Both the federal Section 8 program, and state MRVP, are funded on an annual, not multiple year basis; they are "subject to annual appropriation" by Congress or the state legislature. For example, while HUD may enter into a 20 year Project Based Section 8 contract with an owner, the contract is "subject to annual appropriation." The owner is required to maintain Section 8 housing, but only if Congress votes the funds each year. City subsidy contracts with housing owners (or the BHA) could model current long-term Section 8 contracts, "subject to annual appropriation." If, for some unexpected reason, a future City budget experienced a major fiscal crisis, the City could elect to phase out city rent subsidies.

Federal Section 8 subsidies serve families for 3-5 years, on average, as households improve their incomes and rental situation, move, or pass away. Although we expect Boston to maintain a robust city budget for the foreseeable future, able to sustain a long term rental assistance program, in the event of a major crisis the city could minimize displacement by phasing out support through attrition.

Our Specific Funding Proposals Are Sustainable. In 2017, we proposed three sources of funding for a City Low Income Rental Assistance Program, ***none of which require city or state legislation (apart from inclusion in the City's budget).*** They are:

Community Preservation Act. As you know, our organizations worked very hard to pass the CPA. We anticipate as much as \$15 million annually to be committed for the "housing" purpose of the CPA, for the indefinite, sustainable future.

As recommended by nine Councilors in 2017, we recommend that the CPA would be an ideal source for the \$5 million pilot program for Housing First low income rent subsidies. It is not unreasonable to ask that a minimal portion--at least 1/3--of CPA housing funds, be committed to a flexible program to aid the majority of Boston's residents--low income renters--who are bearing the brunt of the city's housing emergency. Prioritizing homeless or near homeless people in the pilot program would also help provide the "Housing First" called for in the Mayor's Plan to End Homelessness among Veterans and Chronically Homeless families and individuals.

Regular City Budget. The City of Boston currently has a \$3 billion annual budget. If 1% of these funds were committed to address the city's housing crisis, Boston could subsidize 3,000 low income renters, indefinitely. The City of Washington, DC, in 2015 committed \$37 million from its core city budget, to house 3,248 low income renters, increased to \$46 million in 2016. Additionally, Seattle commits \$6 million a year from its Housing Levy to support on-going operating funds for 510 affordable households below 30% of AMI. If they can do it, why can't we?

Some have expressed concern about what would happen in the event of a crash in real estate values or sudden fiscal crisis. We believe that this risk is remote--it would certainly come as a surprise to the bond-rating agencies which have given Boston an Aaa rating in recent years. But in the event of a market crash, it would take several years for Boston to reappraise its property tax base and phase down tax payments--giving time for gradual wind down of subsidy commitments through attrition, to avoid displacement.

Dedicate Future Property Taxes from Million Dollar Condos for Low Income Renters. Last year, we proposed a variant on the regular city budget proposal: setting aside new property tax revenues from new \$1 million+ luxury condos being built across the city.

Boston is currently undergoing a boom in new luxury condo development. More than 2,200 luxury condos reportedly are built or in the pipeline, likely to sell in excess of \$1 million each. Millennium Towers, for example, has sold 442 condos averaging \$2.4 million each, including one for \$37 million. According to Commonwealth Magazine, ***Millennium Towers will net \$10.9 million to the City in new property tax revenue in 2018-- enough to fund more than 1,000 low income rent subsidies, on a permanent, sustainable basis, from this one building alone.***

Each year, a \$1 million condo generates \$10,800 in new property tax revenue for Boston--more for units sold for more than that amount. This is greater than the \$10,400 annual cost to subsidize a low income rental unit in a LIHTC building. ***If the City would dedicate the future property tax revenues***

from the 2,200 \$1 million+ plus condos at Millennium, Dalton and current “pipeline” developments, as many as 5,000 low income families could receive assistance, on a sustainable basis.

Luxury condo development at these price levels act as “price leaders” in a tight real estate market, and have spurred inflated rents and housing costs across the City, as existing landlords and owners have raised their prices correspondingly. Moreover, these buildings are not primarily serving Boston residents; only 23% of the Millennium units have applied for a residential exemption, indicating that foreign speculators and absentee billionaires are the targeted market. Since this is one of the main causes of displacement of lower income renters, it would be an appropriate City policy to tie the revenue from new luxury condos to aid the victims of the resulting market inflation.

Thank you for your consideration of this request. We will follow up to schedule a meeting with representatives of the undersigned organizations and the constituencies they represent.

cc: Joyce Linehan
Sheila Dillon, DND
Bryan Golden, BPDA
Bill McGonagle, BHA
Christine Poff, CPA
Boston City Councilors

Mel King, “Love Is the Question and the Answer”
Michael Kane, Clifton Sims, Mass Alliance of HUD Tenants
Joe Kriesberg, Mass Association of Community Development Corporations
Kelly Turley, Mass Coalition for the Homeless
Ronda Jackson, Save Our Section 8/City Policy Committee
Lew Finfer, Mass Community Action Network
Cherai Mills, Boston Homeless Solidarity Committee
June Cooper, City Mission
Jim Shearer, Homeless Empowerment Project
Cassie Hurd, Material Aid and Advocacy Program
Chuck Turner, Boston Jobs Coalition
Keep it 100 for Real Affordable Housing and Racial Justice
Molly Hannon, Mass Budget for All Coalition
Cole Harrison, Mass Peace Action
Richard Thal, Jamaica Plain Neighborhood Development Corporation
Donna Brown, South Boston Neighborhood Development Corporation
Erica Schwarz, Southwest Boston Community Development Corporation
David Price, Nuestra Comunidad Development Corporation
John LaBella, Richard Giordano, Fenway Community Development Corporation
David Nollman, Forbes Building Tenants Association (Jamaica Plain)
Sandi Padellaro, Mercantile Wharf Tenants Association (North End)
Rahel Berhe, Newcastle Saranac Tenants Association (Lower Roxbury)
Yuri Fershter, Babcock Towers Tenants Association (Brighton)
Horace Small, Union of Minority Neighborhoods
Fran Froehlich, Poor Peoples United Fund
Janet Frazier, Diana Kelly, Maloney Properties
<partial list>