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HOUSING MATTERS

Expanding HDIP Funding Offers Many Worthwhile Benefits

Growing Program Can Enhance Affordability Goals

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SPECIAL TO BANKER & TRADESMAN



There is consensus that we need more housing. And most people agree that we need both affordable and market-rate housing in order to provide a variety of housing options and to expand housing supply to moderate prices overall.

Where opinions diverge is when government resources, including tax benefits that are designed to stimulate housing production, are used for new market rate housing rather than income-restricted affordable housing. Support for expansion of the Housing Development Incentive Program, or HDIP, is a case in point.

Last summer, as the legislative session came to a close, leaders of many of the commonwealth's 26 Gateway Cities – midsize, lower-income cities many of which include older urban cores – enthusiastically supported a major increase to HDIP.

The HDIP program, which was first a pilot program in 2010, provides state tax credits combined with local-option real estate tax exemptions to developers building or substantially renovating market-rate housing in these

cities. An increase to the program was not approved last year, but just recently a significant expansion of the program has emerged in proposed tax legislation on Beacon Hill.

The state Senate approved a bill that increases HDIP funding from \$10 million to \$30 million. The goal of the program is to provide gap-filling financing vehicles to developers working in cities like Lowell, Brockton, Fall River and Springfield to build market rate housing that would otherwise not be feasible.

Gives City Economies a Boost

The commonwealth has traditionally funded housing programs that supported affordable units.

“This is a different issue,” said Andre Leroux of the MassINC Gateway City Innovation Institute. “This was to increase housing choices, support economic development for neighborhood stability purposes and to diversify some of these areas with concentrated poverty.”

HDIP supporters argue that most Gateway Cities have few housing options for a professional workforce, which is a barrier to attracting jobs and employers.

Recently the Boston Globe editorialized that “the state needs to think not just in terms of lifting individuals but lifting communities and restoring balance to the market.” The

policy can help downtowns be busier and healthier, assist cities with revenue and reduce the concentration of poverty by increasing the overall supply of housing in these communities.

And the demand for this resource is significant. A MassINC finding last year was that there is a six-year backlog of about 40 projects that would create 2,300 housing units, with a total investment in needy communities of more than \$700 million.

“HDIP has proven to be the state’s most popular and effective program for creating housing in our small city downtowns and transit areas,” a group of Gateway City leaders wrote in a letter to Senate President Karen Spilka and House Speaker Ron Mariano last year.

The HDIP resource cap for each project is \$2 million, which is arguably a modest amount given the cost of construction and the amount of private capital being leveraged. Since it went into effect in 2014, about 2,700 units of housing have been created or are near completion.

Affordable and Market Housing Needed

Gov. Maura Healey and Lt. Gov. Kim Driscoll, the former mayor of Salem who is a leading advocate for new housing, favored the

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increase with a budget that proposes \$50 million for HDIP for next year and then \$30 million annually after that. Advocates hope to get the state House of Representatives to embrace the program when legislation is reconciled in conference committee.

But this program is not without controversy. Earlier this year the Massachusetts Law Reform Institute, a nonprofit poverty law and policy center, issued a report arguing that too many HDIP funds go to some of the strongest markets among the Gateway Cities – places where these investments are less impactful and with rents are largely unaffordable to families those most in need.

We need investment in both affordable

housing and market solutions, and as the HDIP program expands there will be an opportunity to enhance affordability in these projects, where appropriate in communities

An expanded HDIP program can and should evolve.

with strengthening real estate markets. Right now, the program can fund developments where up to 20 percent of the units are set aside at affordable rents. And there's recent legislation filed to consider additional adjust-

ments to the program. An expanded HDIP program can and should evolve in such a way to further incentivize and secure affordability in projects.

Reinvesting in Gateway Cities, and creating and diversifying housing opportunities where needed, are critical goals for all of us. It is time for the legislature to expand the program, to enable achievability goals while expanding the housing supply that the commonwealth so desperately needs. ◀

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