



Commonwealth of Massachusetts
Executive Office of Housing and
Economic Development

H. 3922, An Act Relative to Immediate COVID Recovery Needs



Executive Office of Housing & Economic Development
July 27, 2021



Partnerships for Recovery

- The American Rescue Plan Act (ARPA) provided \$5.3 billion in discretionary funding to the Commonwealth of Massachusetts. As outlined in the law and subsequent Treasury guidance, these funds may be used for a range of purposes and is intended to support urgent COVID-19 response efforts, replace lost revenue, support immediate economic stabilization for households and businesses, and address unequal public health and economic challenges.
- This bill proposes to immediately put to use \$2.915 billion in ARPA direct aid to support key priorities including housing and homeownership, economic development and local downtowns, job training and workforce development, health care, and infrastructure.
- Of that \$2.915 billion, approximately \$1.8 billion is dedicated to targeted, recovery-oriented initiatives related to housing and economic development.



H. 3922—HED Overview



\$1B for homeownership and housing production



\$350M for downtown development and revitalization



\$240M for workforce development and job training programs



\$100M for tourism and cultural facilities



\$100M for increased broadband access

Homeownership Strategy to Confront Inequities

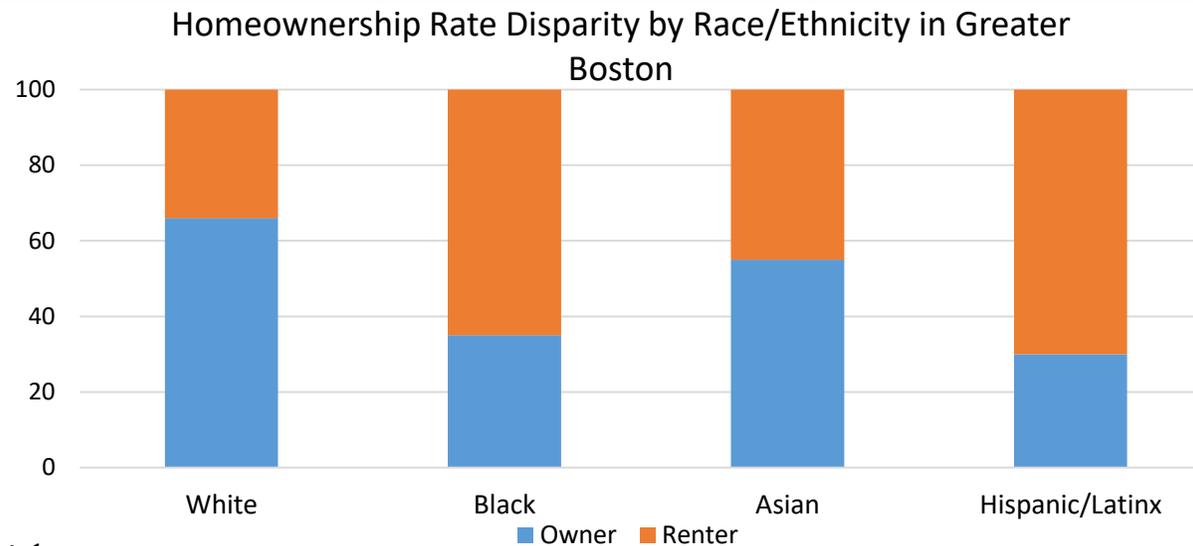


Strategy	Resources (Millions)	Summary	Goal
First-time Homebuyer Assistance	\$300	Support expanded homeownership opportunities focused on first-time homebuyers with down payment assistance, mortgage interest rate subsidies, and mortgage insurance assistance	Reduce barriers to homeownership with homebuyer products to improve outcomes and access, such as MassHousing’s Down Payment Assistance Program
CommonWealth Builder Program	\$200	Support housing production to help communities of color build wealth by promoting homeownership among residents of disproportionately impacted municipalities	Fund the production of for-sale homes (i.e. single family homes, condos, etc.) and create homeownership opportunities in communities of color
Total	\$500 Million		



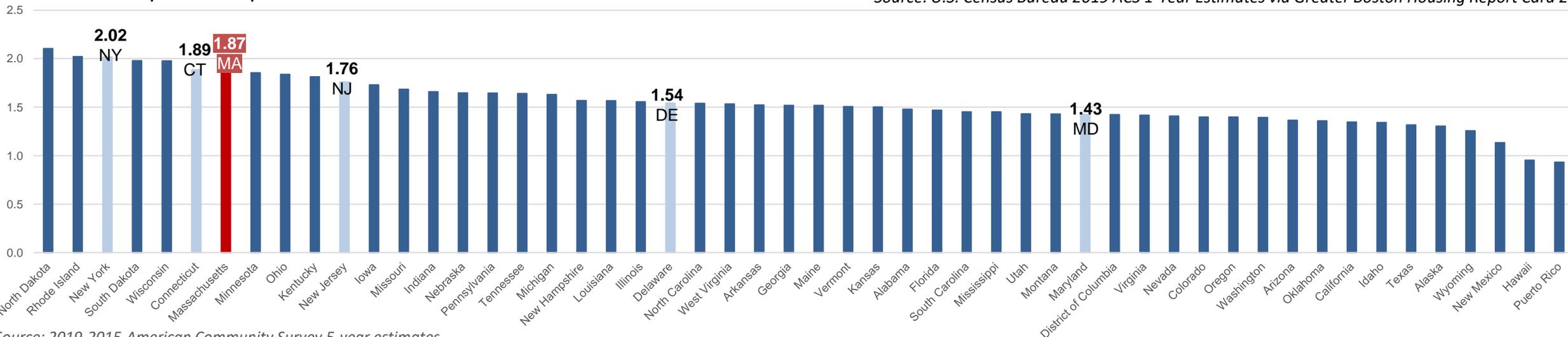
Racial Homeownership Gap in Massachusetts

- Massachusetts has one of the largest racial homeownership gaps in the country.
- In Massachusetts, a white household is almost twice as likely to own a home than a non-white household.
 - Nearly 70% of white households own a home
 - Only 37.4% of non-white households own a home



Source: U.S. Census Bureau 2019 ACS 1-Year Estimates via Greater Boston Housing Report Card 2021

Homeownership Rate Gap between White households and non-White households¹

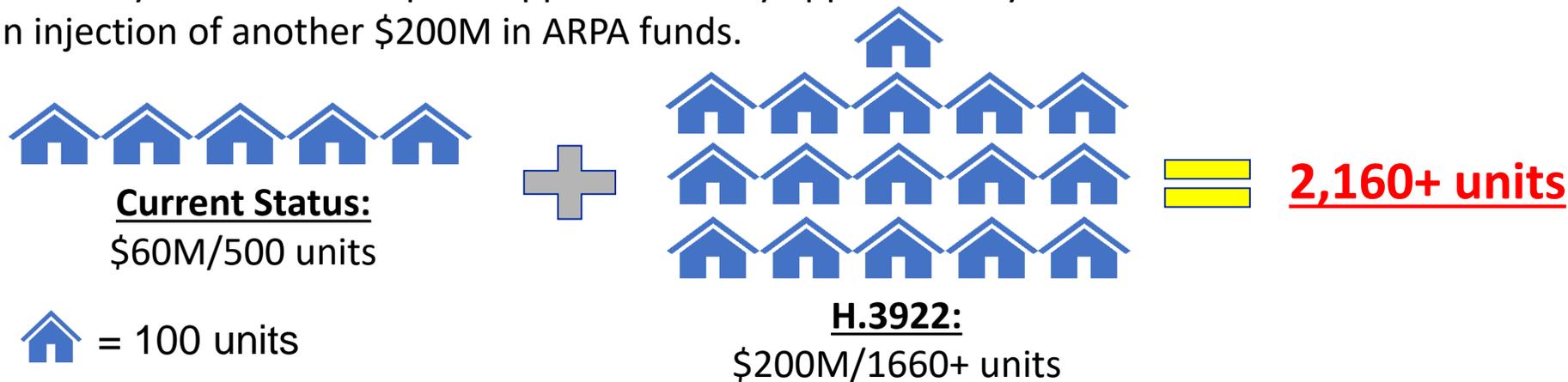


¹Source: 2019-2015 American Community Survey 5-year estimates
White excludes Hispanic/Latino ethnicity; non-White includes Hispanic/Latino ethnicity



The Commonwealth Builder Program (CWB)

Background: Currently supported by \$60M in state funds, this program has the ability to scale and expand opportunities by approximately 333% with an injection of another \$200M in ARPA funds.



How it works: The program offers for-sale homeownership units middle income residents (i.e. 70-120% AMI) through the following guiding principles:

1. Build in key communities

- The City of Boston
- Gateway Cities
- Qualified census tracts (QCT)

2. Help create much-needed supply

- Up to \$150K potential subsidy per unit for a max total of \$5M
- New construction or adaptive reuse

3. Increase minority homeownership opportunities

- Current homeownership rate for non-white is about half that of white residents
- Boston and Gateways are home to 50 percent of the state's population but 75 percent of all residents of color

Example Projects:



Mount Washington Homes, Haverhill
7 units, all CWB units



2147 Washington Street, Roxbury
14 homeownership units, 8 CWB units
+ 62 affordable rental units

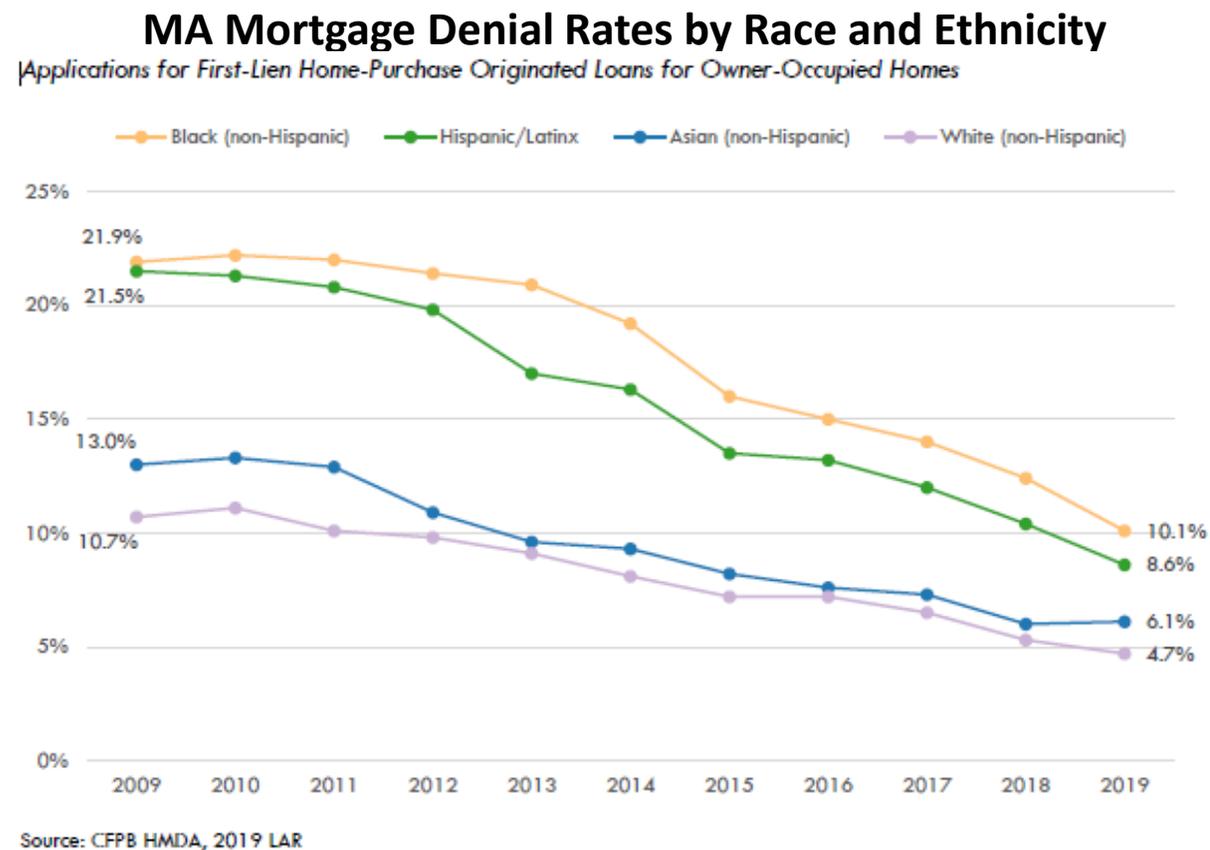


Acre Crossing, Lowell
32 condo units, all CWB units



Barriers to Homeownership

- The robust demand for homes and constrained supply is putting homeownership out of reach for so many Massachusetts residents.
- This is compounded for non-white households by **longstanding wealth inequities** and **discriminatory housing policies** that have excluded households of color from owning a home.
- Homeownership is the primary way American households have built wealth in the 20th and 21st Century. The Federal Government, through its tax code, has subsidized homeownership for middle and upper class households for decades.
- Social and economic disparities have created barriers to homeownership for Black and Hispanic households. This is evident in mortgage lending activity:
 - For Black and Hispanic/Latino households debt-to-income ratio, collateral, and credit history are the most frequent reasons for loan denial.
- In 2019, there were 130 municipalities out of the state's 351 cities and towns in which not a single home-purchase loan was issued to a Black homebuyer.



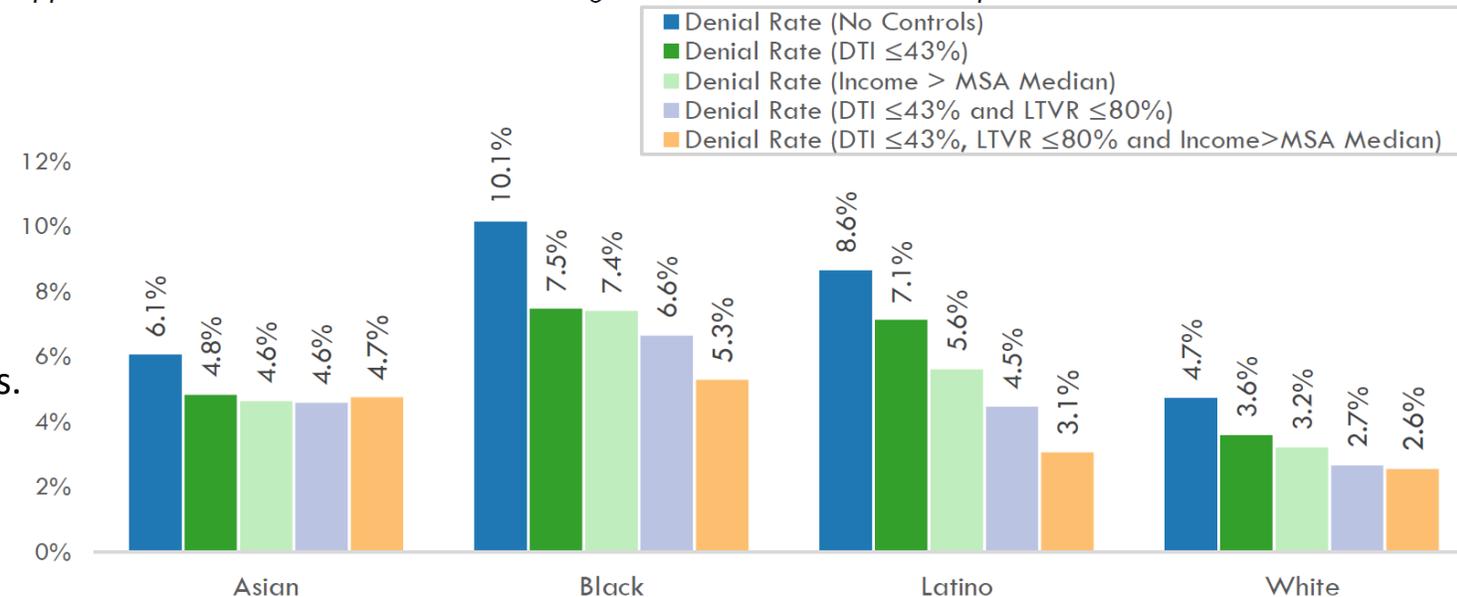


Barriers to Homeownership, cont.

- According to a 2020 Zillow survey, less than half of first time buyers said they saved the majority of their down payments themselves, meaning the rest relied on alternative means, such as gifts and loans from family and friends, or by drawing on retirement accounts/investments for down payments.
- Black and Latinx home buyers were more likely to say they saved at least some portion of their down payments themselves compared to white home buyers.
- While Federal Housing Administration (FHA) loans make home buying more feasible for low and moderate income households, we know that these loans are more costly for homeowners. FHA loans remain prevalent for borrowers of color in Massachusetts.
- Through MassHousing and Mass Housing Partnership (MHP), Massachusetts can offer products that are more affordable and beneficial to borrowers than FHA loans.

Figure 16. Denial Rates by Race and Ethnicity, Controlled for Debt-to-Income Ratio (DTI), Income, and Loan-to-Value Ratio (LTVR), Massachusetts 2019

Applications for First-Lien Home-Purchase Originated Loans for Owner-Occupied Homes



Source: CFPB HMDA, 2019 LAR

The UMass Donahue Institute created a mechanism to allow comparisons among like applicants on the basis of income, debt-to-income ratio, and loan-to-value ratio. This chart helps illustrate the real rates of denial across these race and ethnicity.

- The graph shows that Black borrowers still experience higher rates of denial (5.3%) than similar White borrowers (2.6%) when controlling for variables.



First-time Homebuyer Assistance

Tools in the Toolbox:

➤ **Down Payment Assistance Program:**

- The program is designed to empower first time homebuyers whose incomes can support a mortgage, but lack sufficient savings, or access to resources, to access the traditional mortgage market with a sizeable down payment.
- MassHousing and Mass Housing Partnership have additional resources, including **mortgage insurance programs** and **mortgage interest subsidy programs**, that can help lower the costs of homeownership.

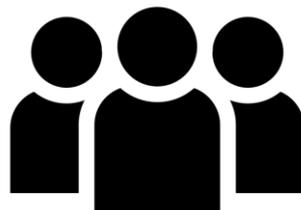
Since 2018, MassHousing’s Down Payment Assistance Program has helped more than 4,000 moderate-income borrowers:



Total DPA Amount
\$40,327,940



Average DPA
\$9,977



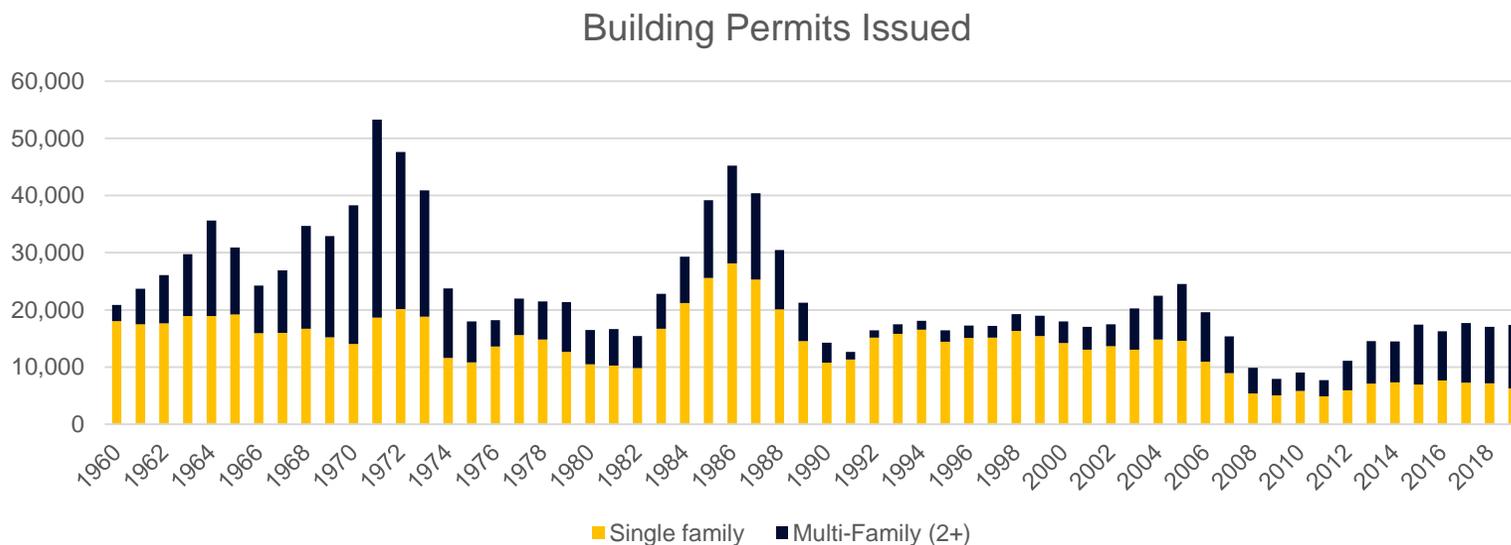
35% Minority Borrowers

“...homebuyer education classes familiarized Massachusetts buyers with ONE Mortgage and MassHousing’s affordable mortgage programs, which are more affordable alternatives for low and moderate income borrowers even compared to attainable FHA loans. Down payment assistance also further empowers low and moderate income borrowers to choose these products over FHA.”
--Excerpt from the *FY21 Report on Mortgage Lending Trends in Massachusetts* by the *Massachusetts Community Banking Council (MACBC)*



Housing Production

- Massachusetts faces a core challenge to create adequate housing to support our economy and families.
- Between 1960 and 1990, Massachusetts communities permitted almost 900,000 housing units. Since 1990, communities have permitted less than 470,000 new units.
 - In 1971, 53,272 housing units were permitted in Massachusetts. From 2017-2019, the total combined amount of permitted units is just 52,137.



- With increased demand and constrained supply, home prices, rents, and occupancy rates in Massachusetts are among the highest in the country.
- As a result of increasing housing costs, the number of homeowners and renters who are cost burdened remains elevated:
 - In 2019, 1 in 4 renters paid more than 50% of their income towards rent.

Support Production of More Affordable Housing



Strategy	Resources (Millions)	Summary	Goal
Rental Housing Units	\$200	Fund rental housing production and provide increasing housing options to workers and residents of disproportionately impacted municipalities	Support the creation of an additional 2,400 units of affordable rental housing via the Rental Round process
Senior & Veteran Supportive Housing	\$300	Support statewide production of senior and veteran housing, including supportive services	Fund the creation of an additional 3,600 units for seniors and veterans
Total	\$500 Million		

- **DHCD produces or preserves approximately 2,200 – 2,500 units of affordable housing per year.**
- **There are approximately 175 projects in the rental pipeline whose sponsors are expected to apply for funds during the next three months to two years.**
- **Building off existing resources, these funds can support an increase of up to 50% more units through the Affordable Housing Rental Round process over the next five years.**



More Projects Like These:

➤ 608 Broadway in Lawrence:

- Historic adaptive re-use project in an old mill district
- 87 new units of housing, with 66 units restricted for households earning less than 60% of the Area Median Income (AMI), including 17 units further reserved for households with extremely low-incomes or making the transition from homelessness



The Rental Round Award Announcement event in Lawrence on July 15, 2021

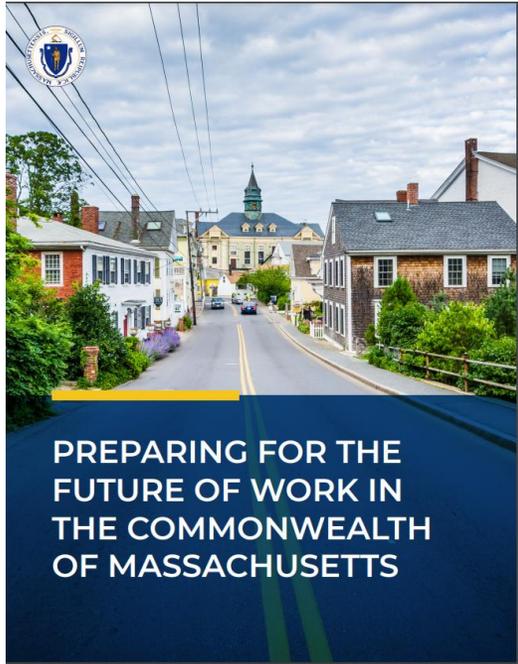


Hebrew Senior Life: Simon C. Fireman Community

➤ Simon C. Fireman Expansion in Randolph:

- To be built on land adjacent to an existing Hebrew Senior Life senior project
- Will offer 45 total new units that will be affordable to seniors earning less than 60% of AMI, with nine units further restricted for seniors earning less than 30% of AMI, including seniors transitioning from homelessness
- Hebrew Senior Life will offer extensive on-site services, including health-related services, to residents of the new project and of the larger campus.

Workforce Training



- On July 13, the Baker-Polito Administration released the *Future of Work* report which stressed the urgent and unprecedented need for reskilling, as accelerated automation and digitization and demand for talent from growing sectors reshape workforce needs.
- Approximately 300,000 to 400,000 individuals in the Commonwealth will need to transition to different occupations or occupational categories over the next decade.
- Consequently, the pace, scale, and breadth of reskilling needed for job transitions must be much greater than before the pandemic.

Massachusetts must:

- 1. Prioritize workers dislocated from the workforce during the COVID-19 pandemic through layoffs, interruptions to educational opportunities, or other economic disruptions**
- 2. Focus on reskilling for in-demand industries and prepare the workforce for the future**



Workforce Development Proposal

With the enhanced unemployment benefits scheduled to end in early September, the state must invest in workforce training to help the unemployed get back to work. It is also critical that the state meet the workforce needs of in-demand industries:

Strategy	Resources (Millions)	Summary	Goal(s)
Workforce Training	\$240	Fund a suite of job training programs and address skills gaps, to better position residents who want to be hired into jobs that businesses need filled, including: <ul style="list-style-type: none">• \$150M for workforce credentials for entry and mid level wages• \$35M to fund English for Speakers of Other Languages programs and Adult Basic Education• \$25M for work readiness and essential skills programs	<ul style="list-style-type: none">• Deploy \$200M+ immediately through existing models to provide retraining pathways for 52K unemployed individuals in occupations with current and projected hiring shortages in healthcare, manufacturing, trades, finance and regional growth areas• Invest \$30M immediately in the capacity of systems to “dial up” the number of adults for retraining that can be handled by existing systems and models

\$240 Million