

LET'S ELECT LOCAL OFFICIALS WITH VIABLE HOUSING STRATEGIES

By: Judy Jacobson and Jason Korb

Several Newton elected officials and candidates for local office take the position that housing in Newton should *only* be developed by nonprofit developers. Nonprofits are important housing providers and in theory that sounds great. But this platform is not a viable solution to Newton's housing affordability crisis. Here's why:

- **Both nonprofits and for-profits develop housing that is 100% affordable using public funding. There are limited funds available for such housing, nowhere near the amount needed.**

Nonprofit and for-profit developers alike build housing, all or most of which will be affordable to individuals and families with incomes below 80% of the area median income (AMI) and typically lower. The cost of building and operating housing affordable to such lower income individuals and families – especially when factoring in the high cost of land in Newton - means that substantial public funds are needed to subsidize the cost of such housing. The state's housing department, the MA Department of Housing and Community Development or "DHCD," funded approximately 1,450 new construction units of such housing statewide in 2021. If Newton was to receive a pro rata share of such funds based on population, only about 18 units would be created in Newton annually. Even if Newton receives four times its share due to its proximity to services, transportation and jobs, it would only result in 72 affordable housing units annually.

Those promoting the nonprofit-only model seem to think that only nonprofit developers create deeply affordable, publicly-subsidized housing. In fact, DHCD funds both nonprofit and for-profit developers of affordable housing and without significant cost differentials. For-profit developers generally have much greater financial capacity, which is required by the lenders and investors that fund affordable developments. In 2021, of the approximately 1,450 new affordable housing units funded by DHCD statewide, 1,039 (almost 72%) were sponsored or co-sponsored by for-profit developers.

Given the high cost of land in Newton, it's not surprising that the only new publicly-subsidized affordable projects to move ahead in recent years' involved free land: the Newton Housing Authority's Haywood House and the expansion of the Golda Meir House by non-profit 2Life Communities. This type of housing is sorely needed, especially to address the housing needs of extremely low-income households (incomes below 30% of AMI), for which substantial public subsidies are needed. The West Newton Armory and other City-owned sites present opportunities to create this deeply affordable housing.

According to the US Census Bureau (2019 ACS 1-Year Estimates), approximately 2,700 Newton renters and approximately 2,300 Newton homeowners whose income is less than \$75,000 are considered rent or housing cost burdened because they spend 30% or more of their income on

rent/housing costs. Relying exclusively on housing subsidized with public funds to produce the thousands of units of affordable housing needed will not meet the need in our community.

- **Proponents of the nonprofit-only strategy are confusing *publicly-subsidized* development with development that has an *internal subsidy*. Mixed-income developments have provided most of the affordable housing in Newton with internal subsidies and without the need for substantial public funding.**

The elected officials and candidates promoting the nonprofit-only model also malign for-profit developers, ignoring the fact that for-profit mixed-income developments are providing the lion's share of the housing affordable to individuals and families with incomes below 80% of the area median income in our community. Yes, these developers are making money on the unrestricted market-rate units in their development. That's a good thing because that is what makes the affordable units possible. The profit from the market units subsidizes the affordable units. This is an *internal subsidy*, needed to supplement the limited public subsidies that are available to support affordable housing. Both state law (Chapter 40B) and Newton's inclusionary zoning ordinance harness this internal subsidy to create affordable housing without the need for public subsidies. Chapter 40B also mandates a developer profit limitation so that a developer does not unduly profit from developing mixed-income housing. Moreover, these internally subsidized units are subject to long-term affordability restrictions just like publicly-subsidized affordable housing.

Without the internal subsidy from the market units, the 140 affordable units at the Northland project on Needham Street would require approximately \$60 Million in public funding. Similarly, the 111 affordable units at Riverside would require approximately \$50 Million in public funding.

While the elected officials and candidates promoting the non-profit-only strategy like to harken back to a smaller non-profit proposal for the Austin Street site, that smaller project would have required millions of dollars in public subsidies through a multi-year funding process. The current development provides substantial affordability made possible largely by an internal subsidy. Frequently overlooked is the fact that the affordable units at developments like Austin Street are an important resource for very low-income (50% of AMI) and extremely low-income (30% of AMI) households with Section 8 rental assistance who otherwise would not be able to find an apartment in Newton. Currently 43% of the affordable units at Austin Street are occupied by lower-income households with rental assistance. Similarly, 34% of the affordable units at Trio in Newtonville are occupied by such lower-income households.

While federal stimulus funding may soon provide historic increases in public funding for affordable housing, the need is so great that we must have a comprehensive strategy. Trying to subsidize our way out of the housing crisis is not realistic. Let's elect local officials who will pursue viable strategies to create the housing that lower-income individuals and families desperately need.

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