UNDERSTANDING BOSTON

The Greater Boston Housing Report Card 2019

Supply, Demand and the Challenge of Local Control

The Boston Foundation tBf

Northeastern University
Dukakis Center for
Urban and Regional Policy

MHP
CENTER for
HOUSING DATA

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The Boston Foundation, Greater Boston's community foundation, brings people and resources together to solve Boston's big problems. Established in 1915, it is one of the largest community foundations in the nation—with net assets of more than $1.3 billion. In 2018, the Foundation and its donors paid $129 million in grants to nonprofit organizations. The Foundation works in close partnership with its donors, with more than 1,000 separate charitable funds established for the general benefit of the community or for special purposes. It also serves as a major civic leader, think tank and advocacy organization, commissioning research into the most critical issues of our time and helping to shape public policy designed to advance opportunity for everyone in Greater Boston. The Philanthropic Initiative (TPI), a distinct operating unit of the Foundation, designs and implements customized philanthropic strategies for families, foundations and corporations around the globe.

The Kitty and Michael Dukakis Center for Urban and Regional Policy, housed in the School of Public Policy and Urban Affairs at Northeastern University, is equally committed to producing state-of-the-art applied research and implementing effective policies and practices based on that research. The Center's collaborative research and problem-solving model uses powerful data analysis, multidisciplinary research and evaluation techniques, and a policy-driven perspective to address critical challenges facing urban areas. Our goal is to integrate thought and action to achieve social justice through collaborative data-driven analysis and practice. We prepare emerging practitioners and academicians to transcend the mysteries and frustrations of successful urban policy-making.

The MHP Center for Housing Data was created in 2017 to collect, analyze and share information to drive better conversations about housing in Massachusetts. The Center's staff identifies data gaps, acts as a data clearinghouse, and makes data easily accessible to non-housing professionals. It is part of the Massachusetts Housing Partnership, a public agency established in 1990 that has financed more than 47,000 affordable homes and apartments, provides community technical assistance, and helps shape state housing policy.

The University of Massachusetts Donahue Institute (UMDI) is the public service, outreach and economic development unit of the University of Massachusetts President's Office. Established in 1971, the Institute strives to connect the Commonwealth with the resources of the University through services that combine theory and innovation with public and private sector applications. UMDI's Economic & Public Policy Research (EPPR) group is a leading provider of applied research, helping clients make more informed decisions about strategic economic, demographic and public policy issues. EPPR produces unbiased and in-depth economic studies that help clients build credibility, gain visibility, educate constituents, plan economic development initiatives, develop public policy and prioritize investments. As the official State Data Center, EPPR has unparalleled economic and demographic data expertise in Massachusetts. EPPR leads *MassBenchmarks*, a journal that presents timely information concerning the performance and prospects for the Massachusetts economy.

UNDERSTANDING BOSTON is a series of forums, educational events and research sponsored by the Boston Foundation to provide information and insight into issues affecting Boston, its neighborhoods and the region. By working in collaboration with a wide range of partners, the Boston Foundation provides opportunities for people to convene to explore challenges facing our constantly changing community and to develop an informed civic agenda. Visit www.tbf.org to learn more about Understanding Boston and the Boston Foundation.

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U N D E R S T A N D I N G B O S T O N

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Preface

Dear Friends,

This is the 16th *Greater Boston Housing Report Card* published by the Boston Foundation. We thank everyone who collaborated on it, including the Kitty and Michael Dukakis Center for Urban and Regional Policy at Northeastern University, the Massachusetts Housing Partnership Center for Housing Data and the University of Massachusetts Donahue Institute.

These report cards always generate tremendous interest on the part of housing advocates, economists, policy makers—and the community in general—because they not only present and analyze an enormous amount of data, they also suggest new ways of considering the challenges we face—and they point us in the direction of solutions. This report is no exception.

The last report card, *Ideas from the Urban Core*, conveyed some good news about housing production in Boston, but concluded that not enough progress was being made outside the city. It encouraged other municipalities to think creatively about housing production—especially about the development of mixed-income and multifamily housing.

This year's report goes much further. It looks closely at the Commonwealth's practice of local control, otherwise known as "home rule," regarding land use regulation—and it raises concerns about the challenges that system poses. First and foremost among them is an apparent unwillingness on the part of many cities and towns to participate in developing the diversity of housing we need for our region's growing population. The vast majority of new housing production remains concentrated in a small number of cities and towns.

It also points out that people of color are still highly concentrated in a few places, often in poorer neighborhoods, even if residents themselves aren't poor. Generations of institutionalized racism have entrenched segregation and—even though the law prevents outright discrimination—established patterns and home rule have only maintained the status quo.

This report calls for a multipronged approach to these challenges—from legislation and public policy to education and technical support—to counter the inertia that can come with home rule and the legacy of generations of discriminatory practices. Cities and towns outside of Boston have the capacity to play a crucial role in solving our housing problem, but so far they are not delivering.

The data here will help as we move forward, but we also have to summon the political will to achieve real change in housing practices. I would submit that housing is, very simply, a human right. Most Americans believe this, but in order to provide that right to everyone, especially to low-income residents and people of color, all of the cities and towns circling in Boston's bright orbit—and benefiting from its growing reputation—need to step up and do their part.

Paul S. Grogan
President and CEO
The Boston Foundation

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Introduction

GREATER BOSTON HAS LONG RELIED ON ITS HUMAN CAPITAL AS THE PRIMARY SOURCE OF ITS ECONOMIC GROWTH. Drawing on a highly educated workforce, the region has developed a strong economic base in education, healthcare, professional services, and finance—key industries that have experienced strong growth as the national economy has shifted away from manufacturing and toward the knowledge and service sectors. Greater Boston's strength in these sectors helped bolster the region relative to the rest of the nation during the Great Recession and also attracted employers to locate or expand here during the recovery. By the end of 2018, the unemployment rate stood at 2.4 percent, a historic low, with more than 50,000 jobs added to the economy over the previous 12 months.

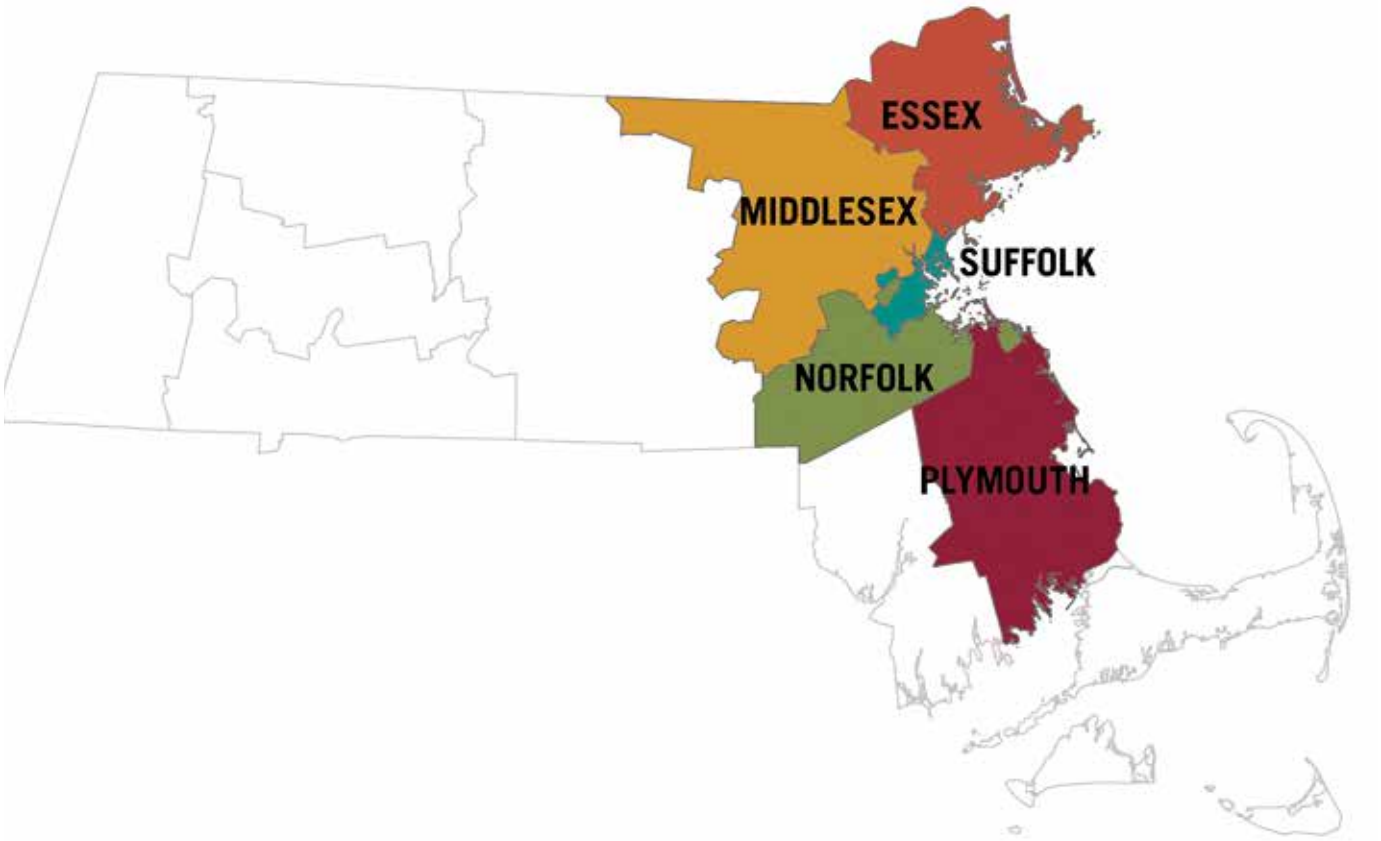
Yet to some extent Greater Boston has become—not for the first time—the victim of its own success. Having failed to produce an adequate supply of housing for decades, the region is not prepared to accommodate the population growth that is being propelled by the current economic boom. Strong job growth has attracted more people into the region and pulled more residents into the job market—both of which serve to increase the number of new households being formed and correspondingly, the demand for additional housing. For a region with a track record of sluggish housing production, this has predictably resulted in demand outstripping supply, sending both rents and home prices soaring. This is despite setting higher goals for building new units at both the city and state level. As in the past, as the economy strengthens in other parts of the U.S., Greater Boston is losing current and potential domestic residents, who are voting with their feet to live elsewhere for a variety of reasons, but immigrants entering the region from abroad are more than making up for that loss, and sustaining the region's labor force.

If you've lived here for more than a decade, then you've probably heard this scenario before. What's different this time? With each successive cycle of housing bust and boom, Greater Boston prices out an increasing share of its residents. Most of these residents are at the lower end of the income distribution but as housing costs continue to escalate, the burdens become greater on middle-class residents as well—many of whom are college-educated and can take advantage of labor market opportunities in less expensive parts of the country. Coupled with national trends including stagnant wage growth and the hollowing out of the middle of the labor market, rising housing costs also have the potential to make Greater Boston less attractive to in-migrants from other states who would normally come to take advantage of the region's booming economy.

Aside from the direct economic consequences, the lack of affordable housing also has important social consequences for the Greater Boston region. Lack of diversity in the housing stock means a lack of diversity in our communities—whether it be by income, race, ethnicity, family type, or generation. What do we want Greater Boston to look like? Who do we want as our neighbors? Have we considered that many lower income residents (e.g., surgical technicians, paralegals, drafters) do work that is complementary to that of higher income residents (e.g., surgeons, lawyers, engineers)? All residents deserve stable, safe, and affordable housing, regardless of income. But exclusionary housing practices, combined with a tight and expensive housing market and limited public resources, create significant roadblocks to realizing that ideal.

The Greater Boston Housing Report Card serves as an annual assessment of housing conditions in Greater Boston and what needs to be done to meet the region's goals for current and future housing production. For most of our analysis, we define Greater Boston as the communities that comprise the following five counties: Essex, Middlesex, Norfolk, Plymouth, and Suffolk—as shown in the map below.[1] In doing so, we take stock of which communities within the Greater Boston region have taken actions to increase the supply of affordable housing—including actual production of units as well as adopting best practices that will lead to future production. We also explore the consequences of failing to meet the region's housing demand in terms of increasing racial segregation and thereby limiting opportunities for traditionally underrepresented groups. The goal is for this report card to serve as both a key resource of housing information within the region as well as an annual "call to action" among the housing and community development sectors that includes an appeal for more and better data on housing production and zoning regulations. In addition to updating stakeholders on recent trends, we hope to foster productive debates around the solutions identified in the report that can lead to the development of policies and practices across sectors to address the region's housing challenges over the next decade.

The Five Counties of Greater Boston



Executive Summary

Housing Supply

- Greater Boston hasn't been permitting enough housing to meet its needs since the 1980s. That gap has significantly widened since the Great Recession as new housing has failed to keep up with rapid job growth and increasing population.
- Recent housing production is concentrated in a small number of cities and towns. In the last five years more than 43 percent of the multifamily housing permitted in the entire Commonwealth was in the city of Boston.
- Multifamily development is increasingly concentrated in cities and towns served by the MBTA subway system but not in communities served by MBTA commuter rail, where stations are typically surrounded by low density housing.
- If the region is able to sustain the peak post-recession permitting levels achieved in 2017, housing production will be sufficient to achieve the governor's 135,000 unit housing production goal but insufficient to support projected growth in new households.

Affordability

- Metropolitan Boston has become one of the most expensive places in the country to buy a home, now ranking the fourth most expensive of the 25 largest metropolitan areas in the U.S.
- Metro Boston has also become one of the most expensive rental markets in the country, with median rents higher than Metro New York and exceeded only by San Francisco and Los Angeles among the 25 largest metro areas.
- Cost burdens for renters have increased throughout Greater Boston since 2000. Nearly half of the renters in Essex, Plymouth, and Norfolk counties are now cost burdened by housing.

Displacement

- Foreclosures have dropped by two-thirds in Greater Boston since the recession, though they remain concentrated (as do tenant evictions) in a handful of Gateway Cities, including Lawrence, Lowell, Haverhill, and Brockton, and in several Boston neighborhoods including Dorchester, Roxbury, and Mattapan.
- Over the past decade, the number of homeless families in Greater Boston increased by 27 percent and the number of homeless individuals by 45 percent, with a spike in 2018 driven by an influx of displaced residents of Puerto Rico.

Best Practices and Local Regulation

- Land use regulation in Massachusetts is controlled by many small municipalities, so meeting our region's housing needs depends on local action. Many cities and towns in Greater Boston have revised their zoning codes in recent years to encourage modest increases in housing production, though these advances are uneven and in many cases new housing production remains stalled by other local obstacles.

Racial Segregation

- While the region is becoming more diverse, racial segregation remains a persistent challenge. More than 70 percent of the region's Latino households and 66 percent of black households resided in just 10 municipalities in 2017 and Boston remains one of the most segregated of the nation's 50 largest metropolitan areas.
- Communities that permitted more housing units appear to have experienced greater reductions in segregation between 2000 and 2017. That relationship appears to be stronger for multifamily housing than for housing production as a whole.

Conclusions and Policy Discussion

- Three persistent challenges have faced the region for decades: insufficient housing supply, lack of housing affordability, and inequity in access to housing. These interrelated issues call for a variety of policy solutions, offering several areas of opportunity for improving the region's housing market.
- To address supply, measures such as the governor's Housing Choices legislation would be a good first step—but not a silver bullet. A multipronged approach of state-level requirements and incentives to counter the inertia of local municipalities' "home rule" could help increase the production of higher-density housing, small multifamily buildings, and accessory dwelling units while discouraging frivolous objection to new development.
- To address the affordable housing shortage, devoting additional federal and state resources to housing development and low-income rental assistance is critical—as is making the best use of existing resources. Inclusionary zoning has worked in Boston and Cambridge and should be extended to other cities and towns where economically feasible.
- Among policies that might move the needle to improve equity in housing access is the development and expansion of state housing finance programs that promote upward mobility, (e.g., mortgage products targeting historically underserved borrowers) and construction of affordable housing in all types of communities. Another is strong enforcement of state and federal fair housing and antidiscrimination laws. We encourage the state attorney general to review and address potentially discriminatory rules or practices.
- Finally, more data are needed. We'd be better positioned to plan for housing at the regional and state level if we had annual tallies of current zoning ordinances and bylaws, current zoning maps, and detailed property-level data for old and new addresses.
- Local decisions about housing have a profound impact on the state economy. It is not unreasonable for state government, which provides more than a billion dollars in annual local aid to its cities and towns, to require in return that those communities share their data to improve our shared destiny and promote our shared prosperity.

Municipal Evaluations

- No "report card" can be complete without grades. Greater Boston is evaluated using a set of metrics relating to five key areas: local housing production, adoption of best practices, affordability, housing stock diversity, and racial composition. Laggards and achievers are identified in relation to the status quo.
- The results for each of the 147 cities and towns in Greater Boston's five-county area are visualized in a series of radar charts, displayed on pages 96–105.