

# Local Tools for Affordable Housing

*It is not uncommon for an affordable housing project, whether new construction or preservation, to rely on private market financing from Fannie Mae and public support from a state or local jurisdiction, and in many cases, federal programs. When a project leverages each of these resources, the project becomes more complicated. Fannie Mae's Multifamily affordable program was designed with that complexity in mind and with flexible features such as Special Public Purpose that are able to support each community's specific priorities. "Local Tools for Affordable Housing" presents a handful of examples of how States and Localities are addressing affordable housing issues and incorporating economic diversity and workforce housing into those programs.*

## Case Study

### Massachusetts: MassHousing's \$100 Million Workforce Housing Initiative<sup>1</sup>

In 2016, Massachusetts Governor Charlie Baker announced the creation of a \$100 million fund for the creation and preservation of workforce housing. Targeting individuals and families with incomes between 60% and 120% AMI, the Workforce Housing Initiative



*Glen Meadow Apartments in Franklin, MA provides affordable and workforce units*

provides up to \$100,000 of soft debt per workforce housing unit and requires a deed restriction to keep the units affordable to workforce renters for at least 30 years. The result is mixed-income properties providing housing options for middle income renters. In addition to creating new workforce housing units, the initiative also supports projects involving an acquisition or rehabilitation of an existing development where previously unrestricted market rate units are converted to units with a deed restriction that requires a portion of the units to remain affordable or projects where the existing affordability requirements are at risk of expiring. Of the total \$100 million fund, \$25 million has been set-aside for "transformative projects" that meet one of the following criteria,<sup>2</sup> some of which fit directly into Fannie Mae's objective of supporting workforce housing developments in areas the Duty to Serve program has designated as Residential Economic Diversity (RED)<sup>3,4</sup>:

- Leverage locally- or state-owned land.
- Are part of a larger economic development initiative.
- Create transit-oriented developments.
- Are an important component of a locally-approved affordable housing plan.

<sup>1</sup> MassHousing is self-sustaining and supports this program with its own resources, not taxpayer dollars.

<sup>2</sup> Massachusetts Housing Finance Agency Opportunity Fund – Workforce Housing Program; Program Guidelines.

[https://www.masshousing.com/portal/server.pt/document/14054/masshousing\\_workforce\\_housing\\_program\\_guidelines](https://www.masshousing.com/portal/server.pt/document/14054/masshousing_workforce_housing_program_guidelines)

<sup>3</sup>For the purposes of Duty to Serve, Residential Economic Diversity means an eligible Enterprise activity that supports financing of mortgages on: (1) affordable housing in a high opportunity area; or (2) mixed-income housing in an area of concentrated poverty. FHFA has further defined areas of high opportunity to include areas designated by Housing and Urban Development (HUD) as a "Difficult Development Area" (DDA), as well as areas designated by a state local Qualified Allocation Plan as a high opportunity area, whose poverty rate is lower than the rate established by FHFA. An area of concentrated poverty is defined by FHFA as including a census tract designated by HUD as a Qualified Census Tract, or as a Racially or Ethnically-Concentrated Area of Poverty, during any year covered by an Underserved Markets Plan or in the year prior to a Plan's effective date.

<sup>4</sup>Research shows that improving neighborhood environments can bring about positive outcomes for low-income children including higher college attendance, health benefits, larger earning gains as adults, and other indicators of economic mobility compared to children who remain in high-poverty communities. Similarly, investing in areas of concentrated poverty can catalyze significant and meaningful economic revitalization that benefits the residents who live there. Recognizing both the importance and challenge of investing in housing options in both types of communities, FHFA's Duty to Serve Rule prioritizes both of these efforts by incentivizing Fannie Mae to invest in areas of Residential Economic Diversity (RED). A key priority of the Duty to Serve rule, RED refers to 1) affordable housing in high opportunity areas, and 2) mixed income housing in areas of concentrated poverty



- Are increasing economic diversity and social equity by creating family housing in areas of opportunity.
- Or, are part of a multiphase project with an affordable homeownership component.

Between May 2016 and July 2018, 26 developments totaling 2,374 units closed with funds from the Workforce Housing Initiative. One of these properties financed by a DUS<sup>®</sup> lender with Fannie Mae is Glen Meadow in Franklin, MA which includes 288 preservation units, 43 of them workforce. Glen Meadow was a property whose affordability restrictions, and related subsidy, had expired in 2013, and the property had agreed to a gradual phase out of affordability. Due to funding from MassHousing and additional soft debt from the Department of Housing and Community Development, the current owners were able to purchase the property and maintain 25% of the units as affordable: 15% of the units are affordable at 80% of AMI and an additional 10% of units are affordable at 60% of AMI.