

Small Properties State Acquisition Fund

Reclaiming housing for long term affordable use

The Small Properties State Acquisition Funding Pilot, established in 2022 with a \$1m earmark, will provide soft loans to help mission-driven organizations acquire housing from the private market and make that housing available at affordable rates to renters and homeowners. The passage of this pilot program demonstrates support for public investment in housing affordability and neighborhood stabilization.

Co-sponsor House Budget Amendment 1235 - Small Properties State Acquisition Fund

Program Basics

At the time of acquisition, non-profit organizations will apply for funding to supplement a capital stack that includes traditional loans, philanthropy and other public subsidies, when available. These state funds will help **close the gap** between the market purchase price and the anticipated revenue upon affordable resale or long-term management of the units as affordable rentals.

Program guidelines:

- Forgivable acquisition loans, minimum of 30 year of affordability to forgive loan
- Requires city/town match, on a rolling basis
- 1-8 unit properties

Why we need this and other housing preservation tools

- Speculative real estate sales are on the rise in **MA** (MAPC 2023), and as a result, we are losing once-affordable market housing to investment and commodification
- With a high amount of cash sales in both **Gateway Cities** and in **Boston/Somerville/ Cambridge** (50% and 33%, respectively, in 2019-2020), those with ready access to capital can buy quickly to win out over competition (TOPA Coalition research brief)
- Low cost rentals have declined in **every state** from 2011-2021 (Harvard JCHS)
- The high cost of housing is the most common driver of people's displacement from their homes and communities (Housingworks)
- More than 50% of renters are cost burdened (>30% of income spent on rent and utilities) in several of the **Gateway Cities** including **Lawrence** (56 percent), **Lynn** (54 percent), **Brockton** (51 percent) and **Lowell** (50 percent) (The Boston Foundation 2021)
- 23% of **MA** renter HH are severely cost burdened (>50% of income spent on rent and utilities), with Black and Hispanic at higher share. Essex and Plymouth Co have a larger share of cost burden among low income renters than does Boston (The Boston Foundation 2021)
- The number of cost burdened renter households in **Greater Boston** grew substantially in the last two years, leading to a record high (The Boston Foundation 2023)
- The majority of **Greater Boston** renter households making less than \$75,000 are cost burdened. More than half of renters and a quarter of homeowners in Greater Boston are cost burdened. (The Boston Foundation 2023)

Small Property Acquisition Impact and Potential

To illustrate the potential impact of the fund, we highlight **community land trust (CLTs)** acquisitions in Greater Boston. **These organizations are committed to creating and preserving as deep affordability as possible** in communities experiencing the pressures of increasing housing and land values, that are also primarily low income communities of color. Since 2013, but mostly within the last 4 years, community land trusts in Greater Boston have acquired and preserved 46 units of housing. (Please note that many community land trusts also do new construction, so the total housing portfolio across the 7 member CLTs of the Greater Boston CLT Network is approaching 300 units). A sample of affordability levels attained by some groups follows:

- Boston Neighborhood CLT: 75% of HH at or below 50% AMI, some up to 80% (Mattapan, Dorchester, Roxbury)
- Chinatown CLT: HH 40-80% AMI, majority of HH under 60% AMI (Chinatown)
- Somerville CLT: HH 65-110% AMI (80% of units below 100% AMI) (Somerville)

Organizations Focusing on Small Properties Acquisition and Preservation

Crucially, there are roughly 35 organizations across the state that do acquisition and preservation of housing or land for long term affordability. Numerous CLTs and CDCs across the state have acquired small properties (8 units or under) for preservation of affordable housing, such as Chinatown CLT: 7 units (2019), 4 units (2023), Boston Neighborhood CLT: 15 units (2013-2018), 15 units (2019-2022), Somerville CLT: 5 condo units (2022), Amherst CLT (6 units); Bread And Roses Housing in Lawrence (27 units); East Boston CDC (including 2022 acquisition of 36 buildings with under 8 units each); Somerville Community Corporation (over 150 units) and Southwest Boston CDC.

Housing Acquisition and Rehab: Rough Costs and Sources

Housing acquisition costs, while high, are still lower than new construction costs. CLTs and CDCs typically need 45-60% in subsidy to close an acquisition and meet the goal of long term affordability for the homeowner or renter. This money comes from the Acquisition Opportunity Program (AOP) (in Boston only), traditional mortgage lending, lines of credit, private individual donations and philanthropic giving, CPA and HOME funds and traditional mortgages in their acquisition deals. The Small Properties State Fund is based on the success of Boston's AOP Program and would work statewide.

What about existing programs?

Neighborhood Stabilization Program, administered by MassHousing, allows for both homeownership and rental (15 units max) but caps homeownership projects at 4, whereas SPSAF would support 1-8 homeownership and rental projects. NSP focuses on buildings that fail to meet basic safety standards, whereas SPSAF would support buildings in any condition. NSP is not a rolling program, whereas SPSAF would allow for funding requests as needed, to meet market demands.

Housing Stabilization Fund. HSP, administered by EOHLC, requires a minimum project size of 5 units. It is not available on a rolling basis.