

Homes for Everyone
Accelerate the production of diverse housing types, particularly deed-restricted affordable housing, throughout the region. Focus on transit-oriented, climate resilient and other smart growth locations.



Recommendation:

Accelerate the production of diverse housing types throughout the region, particularly deed-restricted Affordable Housing, with a focus on transit-oriented, climate resilient and other smart growth locations.

Strategy 1

Expand Housing Choice to empower localities to zone for housing diversity.

Greater Boston is home to a great diversity of people and households. Households may be large or small, comprise family members or unrelated people, and include seniors, young children, or both. The region's households also have many different needs: proximity to public transit; a stair-free, accessible unit; multiple bedrooms to accommodate an elderly family member or an expected child; or a price that fits a certain budget. However, diversity of housing form and pricing are limited in the Commonwealth for several reasons, including high development costs and restrictive local zoning.

The Commonwealth's 2021 Housing Choice legislation¹ represents a meaningful first step in addressing the severe housing shortage by lowering the super majority voting approval threshold for select residential zoning and permitting, thereby facilitating housing production (see Action 1.4 below). Furthermore, through its focus on multifamily development and compact development in smart growth locations, the legislation will result in a greater diversity of housing types available in many localities. In the coming years, the state should continue to facilitate more inclusive and diverse local housing production, specifically by encouraging affordable units and units that meet a variety of physical and household needs.

► **Action 1.1: Require that “missing middle” housing types be permitted by right in single-family districts in municipalities above certain thresholds.**

States and municipalities across the nation have been considering “missing middle” housing, or small homes and moderate-scale multifamily housing, to increase housing diversity in context with the local built environment. In today's market, new housing development often comprises either expensive single-family homes or large-scale multifamily buildings, with little in between. “Missing middle” typologies fill that gap. Historically

¹ [Housing Choice at a Glance – MAPC; FINAL Housing Choice and 40R language.](#)

some of these housing types – such as accessory dwelling units (ADUs) or triple-deckers – were common throughout the region. However, many were banned in a wave of exclusionary zoning practices in the mid-20th century, often with the goal of racial and economic segregation. For the many households, duplexes, “tiny houses”, ADUs, modern triple-deckers (including both owner occupied and rental units), or modest single family “starter” homes are more in line with their needs and financial capacity.

Municipalities above a certain threshold (see below) should be required to permit moderate-scale housing types, such as duplexes, triplexes, or cottage clusters, in districts currently zoned exclusively for single-family housing. Such a policy should also allow existing single-family homes to be converted to duplexes or triplexes. These housing types should be allowed by right and should be subject to reduced off-street parking requirements. Localities subject to this policy could set reasonable siting and design requirements provided that those requirements do not, individually or cumulatively, discourage the development of permitted missing middle housing types through unreasonable cost or delay. This policy would not prohibit the construction of large single-family housing on large lots, but rather would ensure that it is not the only option available.

In some municipalities not subject to such thresholds, state law should require municipalities to allow ADUs by right in districts zoned for single-family use. Most localities in the Commonwealth either do not allow ADUs or only allow them under limited circumstances. Allowing ADUs in these locations would incrementally create alternatives to single-family housing while generating rental income for homeowners. Appropriate limitations, such as allowing communities to limit ADUs to an overall percentage of units or allowing a permit for ADUs that increase the footprint of the building, would maintain an appropriate level of local control while allowing a much-needed increase in housing supply for families of varied means.

To implement this recommendation, the state should study and identify specific benchmarks for categorizing municipalities that would be subject to these requirements. One possible threshold could be those used in the Housing Choice legislation: In that case, Massachusetts Bay Transportation Authority (MBTA) communities would be required to allow ADUs by right, and all areas within a half mile of transit stations would be required to allow additional missing middle housing types by right. Alternatively, benchmarks may be based on the housing submarkets identified in this plan, neighborhood characteristics, potential for smart growth, or another metric. The metrics should also define whether some communities, such as sparsely populated rural towns, should be exempt from this policy altogether.

For such a policy to be successful, municipalities must have the resources needed to thoughtfully implement new zoning ordinances or bylaws. Concurrently with the policies outlined above, Massachusetts should appropriate technical assistance funds for municipalities to zone for missing middle housing and to plan for any needed infrastructure improvements, such as water, sewer, storm drainage, and transportation services (see Policy Action 2.1 below). Regional planning agencies (RPAs), private consultants, or state agencies could provide municipalities with needed support.

Best/emerging practice: In the past few years, upzoning legislation has been introduced or passed in Oregon, Washington, California, Nebraska, Virginia, and Maryland, as well as at the municipal level in cities across the country. Many of these states' proposed or adopted bills are tiered to account for communities of different sizes or needs. For example, Oregon's law, the first in the country that addresses single-family zoning at the state level, requires that municipalities with populations greater than 25,000 allow duplexes, three- and four-plexes, and cottage clusters in single-family districts. Municipalities over 10,000 people must allow duplexes in all areas zoned for single-family use. Importantly, the state provides technical assistance in the form of model bylaws and a \$3.4 million fund for municipalities to plan for the local regulatory changes and address gaps in infrastructure.

► **Action 1.2: Monitor implementation of the 2021 law requiring multifamily zoning in MBTA communities to ensure efficacy and expand the definition of housing types required by right near transit.** Larger multifamily and mixed-use development most efficiently uses land and creates the kinds of economies of scale that can provide significant community benefits, such as the inclusion of deed-restricted Affordable Housing. There are areas in nearly every community where this kind of housing works, but there are significant barriers to this development, including limited by-right local zoning, complicated local special permit processes, and multiple political approvals needed for individual developments to proceed.

In 2021 Massachusetts took a critical first step toward ensuring that housing options for those who do not need or cannot afford a single-family house are available in all communities benefiting from MBTA service. The Housing Choice legislation includes a requirement that communities served by the MBTA have at least one zoning district of reasonable size in which multifamily housing is allowed by right. Communities not in compliance risk losing eligibility for select state funds, including the Housing Choice Initiative, the Local Capital Projects Fund, and the MassWorks infrastructure program.

The Department of Housing and Community Development (DHCD), in consultation with the MBTA and the Massachusetts Department of Transportation, must issue guidance to determine whether an MBTA community complies with the new requirements. Although this guidance

has not yet been released, it will be essential to the legislation's success. It should provide specific direction on what constitutes a reasonably-sized zoning district; whether existing zoning meets the requirement even if opportunities to increase production within the district are limited; whether mixed-use development meets the requirements, and under what circumstances; what constitutes housing suitable for families with children; whether districts are in a location appropriate for family housing; whether communities with more than one major transit stop must adopt a multifamily district for each stop; whether requirements differ for rail and bus stations; and safeguards against the use of dimensional standards, parking requirements, or infrastructure constraints to avoid the requirement. DHCD is currently drafting this guidance, which may be issued prior to the publication of these policy recommendations.

This list is not exhaustive, and there will doubtless be unforeseen loopholes or complications that arise as the policy is implemented. DHCD should closely monitor implementation and, after a five-year period, assess whether the intent of the legislation is being met and whether access to the identified funding sources is sufficient motivation for municipalities to comply. If not, the state should consider other incentives, such as providing additional funding to compliant communities. It might also consider a process that would enable developers of properties near transit to override local zoning in non-compliant municipalities, similar to the existing MGL Chapter 40B process.

After the regulations are successfully rolled out, the state should consider possibilities for expansion. This might include enlarging the district size in appropriate circumstances, so that an increasing percentage - or even all - of the area within a half mile of a transit station would allow multifamily housing by right. The state should also consider whether a half mile radius is the appropriate metric and whether there are other areas where denser development may be appropriate, such as bus corridors, retail nodes, former industrial or commercial sites, or other amenity-rich locations. Increasing housing options in high-opportunity areas is of particular importance given the continuing legacy of mid-20th century zoning policies that intentionally sought to exclude persons of color and low-income households, as well as exclusionary practices that continue – formally or informally – today.

Notably, the 2021 legislation does not include an affordability component. For many low-income households without access to a private vehicle, public transit is a necessity, and rising housing costs and displacement risk around transit stations motivate opposition to new development. The legislation would be strengthened by provisions to ensure that households with a range of incomes can live in these high-opportunity areas. This may take the form of an embedded inclusionary zoning requirement or specific, tangible incentives for municipalities to incorporate increased affordability. As with the previous policy action, technical assistance funding should be made available to localities seeking to implement these zoning changes (see Policy Action 2.1 below).

Best/emerging practice: Though currently stalled, California has pursued legislation that would allow multifamily housing in high-opportunity areas, including those with transit access, through incremental density increases over time. California’s proposal includes several equity-focused components, such as an extended grace period for communities with high displacement risk, an exemption for naturally affordable housing that is home to long-term tenants, and substantive inclusionary provisions (20 percent of units affordable to households earning 60 percent of AMI, or all units affordable to moderate-income households earning 100 percent of AMI). It also covers additional high-opportunity areas beyond those with transit access, such as those with high-quality schools or a high concentration of jobs. Incorporating affordability and tenant protections into transit-oriented development is a model that Massachusetts should follow. Los Angeles’ Transit Oriented Communities, a transit-oriented density-based incentive program with deeper affordability levels, is another example.

► **Action 1.3: Monitor the abutter appeals process. In early 2021 the Commonwealth took a critical step toward reforming the abutter appeals process.** Previously, neighbors of a proposed project could challenge it for almost any reason, even if it had already received community support and all approvals. The residents most likely to participate in public processes tend to be older, male, or longtime homeowners who often oppose new housing construction.² Often, a small minority of residents can halt or delay projects that may offer broad community benefits, raising significant equity concerns. Even if the project obtains all local approvals, this same minority can challenge the project in court, costing the proponents years of further delay and large sums of money, while further preventing the benefits of additional housing.

The 2021 legislation, passed as part of the Housing Choice law, seeks to address this issue by allowing abutter appeals with merit to be heard while discouraging meritless appeals intended to stop or delay a development. The new law gives courts the discretion to require the person appealing the decision -including approval of a special permit, variance, or site plan - to post a bond that may be used to cover legal fees and holding costs if the appeal is denied. This new legislation has the potential to reduce a powerful barrier to new housing while allowing well-founded appeals to proceed.

After a five-year period, the state should study the impact of the new law on the frequency and type of abutter appeals and make amendments, as needed. The state may need to provide guidance as to what constitutes reasonable and meritorious grounds for appeal, such as direct displacement without a right to return, and what constitutes a frivolous appeal, such as those grounded in development impacts (e.g. school, sewer, environmental), despite rigorous study and mitigation; impacts on light, air, and shadow; or

² Einstein, Palmer, and Glick. “Who Participates in Local government? Evidence from Meeting Minutes.” August 25, 2017. Accessed at <http://sites.bu.edu/kleinsteinst/files/2017/09/Einstein-PalmerGlick_ZoningPartic.pdf>

“community character.” See the “**Make government more participatory and inclusive**” recommendation for more actions on developing meaningful and engaging public participation processes.

- ▶ **Action 1.4: Expand the Housing Choice law, which requires a simple majority rather than a super majority, to include additional zoning changes that encourage diverse housing types.** Governor Baker’s Housing Choice legislation, adopted in early 2021, lowered the required vote for select smart growth residential zoning changes from super majority to simple majority, removing one barrier to greater housing supply and diversity. The simple majority threshold now applies to accessory dwelling units, multifamily or mixed-use zoning in 40R-eligible locations, open space residential development, 40R Smart Growth Overlay Districts, and modifications to parking and dimensional requirements to allow for more housing.

However, many zoning changes that expand housing choice still require a two-thirds supermajority voting approval threshold that is often challenging to meet. Most notably, this includes inclusionary zoning, which requires that a certain percentage of new units in residential developments above a certain scale be set aside for low-income residents. The very high super majority threshold makes it difficult to implement this type of zoning, and, consequently, many of these proposals fail or are pulled because local planning authorities know they will not receive support of two-thirds of Town Meeting or City Council.

The state should expand the new law to include additional zoning decisions that promote housing diversity and affordability. Additional zoning decisions that the state should consider incorporating into Housing Choice may include inclusionary zoning; parking requirements for by-right multifamily development; disposal of property for the purposes of housing; adaptive reuse; or other potentially inclusive zoning changes that become apparent over time. Expanding the new law to include inclusionary zoning is especially important and should be adopted as soon as possible, since it is one of the few zoning decisions that directly encourages the development of Affordable Housing.

Strategy 2

Strengthen state funding programs to promote housing production of all types and Affordable Housing in particular.

The Commonwealth has multiple funding sources to encourage housing production. Given the limited nature of these and all Affordable Housing funds, it is critical they be utilized to maximum effect. Toward that end, there are changes to existing funding tools that can be made and new funding streams that will maximize the results of local efforts to expand the housing supply.

► **Action 2.1: Create a new funding stream for deed-restricted Affordable Housing production.** While regulatory changes are critical to addressing the regional housing shortage, substantial public funding is needed to truly meet the region’s housing needs, particularly those of the state’s lowest-income and most vulnerable residents. The private market alone simply will not produce enough housing or housing at deep enough affordability levels. However, it is essential that any new revenue source minimize impacts on low-income households. Taxes that are levied universally, such as a sales tax or a gas tax, can disproportionately impact low-income households because the tax constitutes a greater share of their income. New revenue-generating measures should be designed such that the tax burden is distributed equitably across income brackets.

To provide this dedicated funding source, the Commonwealth should pursue an increase in the deeds excise fee, as proposed by [S.1853/ H.2890](#): An Act relative to providing for climate change adaptation infrastructure and affordable housing investments in the Commonwealth, filed by Senator Jamie Eldridge and Representative Nika Elugardo. This bill, also known as the housing and environmental revenue opportunity or HERO bill, would double the deeds excise tax and divide the new revenue equally between affordable housing and climate mitigation. Alternative sources of revenue should also be considered. New funds generated through the deeds excise fee increase or other source would supplement the housing funds made available through the 2018 housing bond bill without diverting resources from existing bond appropriations. Further information on this bill is available in the “[Expand and improve the way we finance local and regional government recommendation](#)”.

A portion of the revenue generated should be used to provide technical assistance to municipalities that are undertaking processes to meet other housing-related policy actions, such as capacity building for local affordable housing trusts. However, most funds should support the production and preservation of permanently Affordable Housing, such as through technical assistance with disposal of municipally-owned land or predevelopment planning.

An increase in the deeds excise tax would result in greater housing resources at the state level. To create a funding stream at the local level, the state should enable a local real estate transfer tax as described in Action 1.4 in “[Ensure adequate protections against displacement for communities and residents of color, low-income communities, and renters](#)”.

Best/emerging practice: In 2018, the greater metropolitan region of Portland, Oregon passed a regional Affordable Housing bond measure. The \$652.8 million Affordable Housing general obligation bond measure covers three counties and eight implementing jurisdictions that include cities, housing authorities, and the regional governing agency that oversees regional land use. Each implementing agency creates its own local implementation strategy, which allows for local flexibility within the framework of the bond’s overarching principles of racial equity, assistance for the neediest residents, creation of region-wide opportunity, and good governance. The bond is intended to create 3,900 Affordable Housing units through a roughly even mix of new housing production and acquisition of existing naturally occurring affordable housing. It includes specific production targets for family-sized units and deeply affordable homes (those affordable to households earning less than 30 percent of AMI) and limits the number of units at the higher end of the affordability scale (60-80 percent of AMI).³ The structure of a regional bond in Greater Boston would necessitate different considerations due to differences in state requirements, but the Legislature could overcome this implementation challenge by granting localities, groups of localities, counties, RPAs, or other entities the ability to raise revenue for specific purposes and then bond against those revenues. Such a tool should still be considered as a model for regionally targeting housing action in a state with wide geographic differences in housing need.

► **Action 2.2: Increase the efficacy of the Community Preservation Act by increasing the state match, encouraging utilization across all required categories, and proactively collecting program data.** In many municipalities, particularly in smaller towns or cash-strapped cities, the Community Preservation Act (CPA) is one of the few available resources to fund local housing, open space, and preservation programs. CPA funds are generated through a surcharge on the local property tax and are supplemented by a match from the state.

Municipalities are required to spend at least 10 percent of CPA funds in each of three categories: Affordable Housing, open space and recreation, and historic preservation. Municipalities may spend the remaining 70 percent in any of these three categories. In many cities and towns, however, the required portion of funds in at least one category goes unspent due to lack of capacity, lack of political will, or lack of viable projects. To incentivize compliance across all three categories and encourage municipalities to exceed this requirement, the additional portion of the state match, described in Action 1.1 in “**Ensure land preservation, conservation, and access to recreational spaces**”, should be made available to towns that have spent 15 percent of their CPA funds across each of the three categories. An exception should be available for municipalities that are reserving funds for planned future projects – for example, a town that is holding its recreation funds in anticipation of a planned new park – and for municipalities that

³ [Affirmative action program utilization and availability analysis \(oregonmetro.gov\)](https://www.oregonmetro.gov/affirmative-action-program-utilization-and-availability-analysis)

have demonstrated a clear need to spend more heavily in one category – for example, a town that has identified an affordable housing project as a high priority and plans to spend 80% of its CPA funds on housing. These exceptions could be demonstrated through a 5-year CPA strategic plan or other planning document. Municipalities that have not met the bonus criteria would continue to receive the base state match that is currently available.

In some smaller communities, the barrier to spending CPA funds is a lack of capacity, particularly in the housing category. In many of these towns, housing initiatives are often spearheaded by the municipal Affordable Housing Trust or Community Preservation Committee (CPC). These groups comprise volunteers who are often passionate about housing but do not necessarily have technical housing expertise. The Massachusetts Housing Partnership (MHP) and other state agencies currently provide some support, but these local committees would benefit from additional capacity building. The state should provide technical assistance funding for these municipalities to develop implementable strategic plans that ensure effective utilization of their CPA housing funds, as well as technical assistance to support implementation.

To monitor progress and gain a greater understanding of program expenditures, the state should more actively collect data on CPA expenditures. First, the data currently collected through local reporting to the Department of Revenue (DOR) should be made publicly available in an easily accessible format. While the Community Preservation Coalition already maintains a database of CPA projects, additional information collected by DOR should also be publicly accessible. DOR already has the statutory authority to spend money from the CPA Trust Fund to administer the program, which includes these data collection and reporting functions, so the state should determine whether any additional resources are needed to address barriers to carrying out these functions. The state should allocate resources to the DOR to support this task. Additionally, the state should issue guidance on reporting requirements for local Affordable Housing Trusts that have received CPA funds. Housing trusts are better equipped to nimbly distribute funds but are not subject to the same reporting requirements as a CPC, which makes it difficult to understand how these funds are used. The state should require that housing trusts in receipt of CPA funds are required to report to DOR in the same manner as a CPC, enabling it to better understand local expenditures and plan for the program in the future.

For additional recommendations related to CPA, please see Action 1.1 in [“Ensure land preservation, conservation, and access to recreational spaces”](#).

► **Action 2.3: Expand the 40S program to mitigate the impacts of new development on school enrollment.** Community opposition to new housing often centers around the perceived negative impacts on schools, traffic, infrastructure, and community character, although complaints about impacts on character often conceal opposition based on race or class. Municipalities can require developers to study and mitigate a project’s impact on traffic and sewer systems, and towns can implement design guidelines to ensure new development is in keeping with the character of the built environment. However, municipalities lack the ability to require mitigation for any impacts on school enrollment.

To address this barrier to housing and Affordable Housing production, Massachusetts passed Chapter 40S, which compensates municipalities for school costs incurred as a result of new housing in 40R Smart Growth Overlay Districts. Compensation is based on the net fiscal impact to the municipality, or whether the additional school costs exceed tax revenue generated from the project. To date, most 40R developments became the home for fewer school-aged children than opponents claimed during the planning process. These developments often do not trigger 40S payments in large part because up to 80 percent of the units in 40R developments can be market rate and the units typically have relatively few bedrooms (primarily one- and two-bedroom units, with a few three-bedroom units). However, even if the 40S payments are ultimately not allocated, this tool serves to allay concerns about school impacts during the planning and development process.

To ease the path for new multifamily housing - not just within 40R districts, the state should expand eligibility for 40S payments to include all multifamily housing with at least 15 percent of units affordable to households earning 80 percent of AMI. Projects with fewer units at deeper affordability levels (e.g., 10 percent of units affordable to 60 percent AMI) should also be considered for 40S eligibility. Along with expanding project eligibility, the state should commit to guaranteed, dedicated funding to ensure consistent access to this resource.

As part of the program expansion, the state should collect robust data about new construction projects, number of bedrooms, and school impacts. This data would not only help the state understand potential program costs, but also could be used to help localities to understand and address concerns regarding school impacts of specific development projects. More recommendations for 40S are available in the recommendation: “**Reduce vehicle miles traveled and the need for single-occupant vehicle travel and increase development in transit-oriented development and walkable centers**”.

► **Action 2.4: Expand resources for public housing authorities to undertake renovation of existing properties and to acquire and build new units.** Due to decades of inadequate funding at the federal level, most local public housing authorities do not have sufficient operating funds to renovate properties or, in some cases, to even perform basic maintenance. The result is that many public housing buildings, some more than 50 years old, are facing years of deferred maintenance and potential obsolescence. Yet, most housing authorities lack the resources to perform the long-overdue systems upgrades and improvements that would keep their buildings functioning and safe.

Housing authorities do, however, own land, much of which is underutilized. The Commonwealth has recently sought to leverage this resource through its Partnership to Expand Housing Opportunities program, which supports public-private partnerships to renovate and expand housing authority properties. The 2016 pilot awarded predevelopment grants to the Chelsea and Somerville Housing Authorities to redevelop the Innes and Clarendon Hill Apartments, respectively, with subsequent support from other state sources including the MassWorks Infrastructure Program. The mixed-income redevelopments currently underway include modernization or one-to-one replacement of existing housing authority units coupled with new workforce and market rate units. A second round of funding was released in 2020. The state should continue to support and scale this program.

Increased access to capital may even position high-capacity authorities to acquire new properties on the open market, as housing authorities in [Austin](#) and [Seattle](#) have done. This strategy has enabled both housing authorities to expand into higher-opportunity areas of their jurisdictions, providing more locational choice for lower-income residents and breaking generational patterns of segregation. The approach also addresses the issue of housing voucher discrimination: while many private landlords decline to rent their units to voucher holders, the housing authorities readily accept voucher holders as tenants.

However, creating the tools for housing authorities to pursue capital improvements and expansion may not be sufficient. While Massachusetts has many high-capacity housing authorities, it is also home to many small authorities that likely lack the expertise and bandwidth to seek potential new resources, inclusively plan for improvements, oversee intensive renovations, or structure the complex financing and partnerships that would be part of any expansion or acquisition. The state should equip the DHCD to provide robust technical assistance to small authorities, perhaps in conjunction with the capacity building program recommended in Policy Action 2.2, to pursue and implement needed improvements, as well as the construction of new units.

In any housing authority redevelopment project, it is essential that there be at least a one-for-one replacement of low-income units, that those units be available at the same level of affordability, and that the authority institute a relocation plan to ensure current residents' housing needs are met during the transition. The renovated developments should be managed

as welcoming places for low-income households and households of color, which has not always been the case in mixed-income public housing redevelopments.

Fully unlocking the potential of housing authorities would require action on the federal level, including a major increase in federal operations and maintenance funding and a repeal of current federal limits on housing authority expansion. To the greatest extent possible, the state should advocate for changes at the federal level in addition to pursuing state-level action.

Strategy 3

Dedicate resources to better equip the private market to build diverse housing.

It is the responsibility of local and state government to ensure that favorable regulatory conditions exist to build more diverse and affordable housing, but it is typically the private market that ultimately develops this housing in the United States today. This means that, in an expensive region like Greater Boston, where the cost of building and operating deed-restricted Affordable Housing and naturally occurring affordable housing almost always exceeds revenue generated from those units, the Commonwealth must ensure private and nonprofit developers have the subsidy needed to produce housing at a range of price points.

- ▶ **Action 3.1: Develop a state program to finance the construction of ADUs and other missing middle housing types.** In addition to regulatory constraints, which are addressed in Policy Action 1.1 above, the ability to secure financing is often a significant barrier to building an ADU. Costs to build an ADU can be as high as \$150,000 to \$200,000 for a single unit.⁴ While this cost is low compared to the per-unit costs of developing new multifamily housing, it is far more than most homeowners can access through traditional means, such as a home equity loan or refinancing. Unlike developers of larger projects, individual homeowners do not typically have access to large amounts of equity, and most banks and lending agencies do not offer loans for ADUs.

The Commonwealth should establish a revolving, low-interest loan fund that enables homeowners to borrow funds based on anticipated rental income from future ADUs. To encourage even deeper affordability, the program should include incentives – such lower interest rates, deferred payments until sale of property, or loan forgiveness – to homeowners who agree to rent their ADU to low-income residents or rental assistance voucher holders.

⁴ Costs based on interviews with municipal officials and self-reported costs from “Building an ADU,” <http://www.buildinganadu.com/cost-of-building-an-adu/>.

Best/emerging practice: There are several examples of similar programs nationwide, including in Portland, Oregon, and several municipalities in California. The Silicon Valley Housing Trust offers a construction loan specifically tailored to ADUs that functions as a second mortgage. The financing involves interest-only payments the first year, and then anticipates refinance after the third year once the ADU is stabilized and conventional funding sources are more readily available. The program requires that residents of the new ADU be low- or middle-income for at least two years. The Backyard Homes Project in Los Angeles is designed as a one-stop shop for ADUs, including design, construction, and financing options. Financing through one of two program partners, the Genesis Community Investment Fund or the Self-Help Federal Credit Union, offers a first mortgage refinance. The program requires that the ADU be rented to a Section 8 voucher holder for at least five years. While these programs operate on the county or municipal level, either could serve as a model for a statewide program in Massachusetts.

Action 3.2: Amend the requirements of Chapter 40R to increase the income diversity of homes within Smart Growth Overlay Districts. The 40R Smart Growth Overlay District program currently requires that at least 20 percent of units within the district be affordable to households earning 80 percent of AMI. However, some municipalities may be interested in offering affordability to a broader range of incomes to meet their local affordability goals and needs. In addition to the changes to 40R recommended in the Inclusive Growth & Mobility section of this plan, the state should consider offering an alternative path to meet affordability requirements that incorporates affordability for households earning 30 to 60 percent of AMI. To offset the cost of this deeper affordability, an alternative compliance path may need to balance the more deeply affordable units with moderate-income units (e.g., 10 percent of units affordable to 50 percent of AMI and 10 percent of units affordable to 100 percent of AMI). An affordability tier at 100 percent of AMI or greater should only be considered if it enables a tier of deeper affordability at 30 to 60 percent of AMI. As a first step, options under consideration should be analyzed to confirm they are financially feasible without public subsidy. Because one of the advantages of a 40R district is nimble, by-right development, any requirement that necessitates seeking Low-Income Housing Tax Credits or other scarce Affordable Housing production resources – which often take years to access – could be counterproductive to 40R program goals. Further changes to 40R are recommended in: “**Reduce vehicle miles traveled and the need for single-occupant vehicle travel and increase development in transit-oriented development and walkable centers**”.

Action 3.3: Utilize 40R, 40S, and other existing state programs as incentives to produce housing suited to first-time and first-generation homeowners.

Although the state's 40R program has been successfully implemented in many municipalities, its lower-density counterpart, the 40R Starter Home District, has never been adopted by a municipality. This may be due in part to the requirement that 50 percent of units in a Starter Home district be three-bedrooms, which may raise concerns about increased school enrollment in some municipalities. MAPC supports the program's goal of encouraging Affordable Housing for families and does not recommend reducing this requirement; rather, the state should consider more robust funding for 40S and should allocate resources for promoting the benefits of 40S (see Policy Action 2.3).

Another barrier to Starter Home implementation may be Greater Boston's extremely high land costs, which make it difficult for deed-restricted Affordable Housing to be financially feasible at the lower densities targeted in the Starter Home program. Even if sufficient density could be achieved, most lower-density developments are envisioned as homeownership projects, in which the 20 percent affordability requirement is more difficult to achieve than in rental projects. To make these projects more viable, the state should proactively align the Starter Home program with existing state homeownership resources. The state should make resources available for MassHousing and Massachusetts Housing Partnership (MHP) to actively connect municipalities considering Starter Home districts with state homeownership programs and experienced affordable homeownership developers. This would increase understanding of available resources to support the Starter Home program, and could be undertaken in concert with the recommendations to expand low-income homeownership opportunities in the **"Ensure that people of all races and income levels have equal access to affordable housing through homeownership and rental opportunities in every community"** recommendation.

Finally, any state efforts to enhance first-time and first-generation homeownership should seek to equitably balance individual wealth building with the need for scarce public resources to support long-term affordability, discussed more thoroughly in **"Enable wealth creation and intergenerational wealth transfer."**