

Massachusetts House Outlines \$6.2 Billion Housing Plan

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House Democrats will seek a vote this week on a bill that combines \$6.2 billion in state borrowing and tax credits with policy reforms designed to unlock new housing production, including development of units on single-family lots.

With sky-high sale prices and rents suffocating residents, the House will try to shift the tide by pumping more money into existing housing programs and rolling out a few new strategies, but not the local-option transfer tax Gov. Maura Healey proposed.

The House Ways and Means Committee bulked up the five-year, \$4.1 billion bill Healey filed in October (H 4138), calling for \$2 billion to fix the state's aging public housing stock and \$1 billion to expand the Massachusetts Water Resources Authority's service area into more suburbs with the goal of spurring housing production.

Top Democrats sought to portray the proposal as a landmark – Housing Committee Co-chair Rep. James Arciero called it “the largest housing investment in state history” – and as merely one step toward untangling a thicket that for years has generated dire warnings.

Some estimates have suggested Massachusetts needs to generate 200,000 more units of housing to keep up with population growth and prevent workers from departing for other states.

“You don't have the capacity to build all those units all at once anyway, so it's ridiculous to think that you're going to solve this with one bond issue. I think it's the beginning of

a process," Mariano said Monday.

"We hear all the time about people not staying, college grads looking for more affordable housing, and I think that's something we have to be aware of and we have to begin the process right away," he added. "We can't wait."

The House plans to take up the redrafted bill (H 4707) on Wednesday.

Housing challenges were at the forefront of public concern at the outset of the 2023-2024 session, but lawmakers are only now about to embark on deliberations about concrete policy reforms, more than seven months after Healey filed her own proposal.

Healey has suggested her bill could lead to more than 40,000 new housing units, and House Democrats said Monday they're unable to put an estimate on the number of new units Massachusetts could expect from the major funding commitment.

Much of the bond authorization in the bill would recapitalize existing programs, typically at higher levels.

Close to half of the House bill's bottom line covers just two provisions. It would direct \$1 billion toward the MWRA expansion efforts, and make \$2 billion – \$500 million more than Healey proposed – available for repairs, rehabilitation and modernization to the roughly 43,000 public housing units in Massachusetts.

Many of those homes are in a state of disrepair, and WBUR and ProPublica reported last year that about 2,300 units were vacant.

"We were unaware of the number until we got hit in the head with it, and it's a real need," Mariano said Monday. "Cities and towns have put off putting people in units because they can't get them up into a livable standard."

One-quarter of the public housing funding in the House bill would be reserved for preserving housing for residents who earn less than 30 percent of the area median income.

Another \$800 million in the bill would flow to the Affordable Housing Trust Fund, which works to create or preserve homes for families who earn about the median area income or less.

One idea House Democrats added to the mix would make \$150 million available to help cities and towns convert commercial properties into multifamily residences or mixed-use options. Project sponsors could also qualify for tax credits worth up to 10 percent of development costs.

House Ways and Means Committee Chair Aaron Michlewitz said that proposal would “tackl[e] two different issues at the same time” by helping to create a path forward for vacant commercial properties, which have become more common since the COVID-19 pandemic rewired work patterns.

The bill also embraces Healey’s proposal to allow for accessory dwelling units, or ADUs, by right in single-family zones across the state. Supporters say those homes offer a viable option for larger families who want to keep adult children or aging parents close by, and the Healey administration previously estimated the reforms could lead to production of up to 10,000 ADUs in five years.

House Democrats did not, however, go along with one of the most controversial ideas in Healey’s bill: allowing cities and towns to impose new taxes on pricey real estate transactions and steer the revenue toward housing.

Several communities, including Boston and those on Martha’s Vineyard and Nantucket, for years have sought state permission to roll out transfer fees, arguing that the policy change could drum up much-needed money for affordable housing. Boston Mayor Michelle Wu told lawmakers last year that if a 2 percent tax on the portion of any real estate sale over \$2 million

were in place in Boston, it would have generated up to \$100 million from only 700 transactions out of more than 10,000 that took place.

Healey gave Wu and other supporters a jolt of optimism by backing a statewide local option in her housing bond bill. The measure drew opposition from real estate industry groups such as the Greater Boston Real Estate Board, who argued that it would increase prices.

Mariano hinted earlier this spring that he was at least open to the idea, telling business leaders that “we must explore all options that have the potential to make a real difference.” But he said Monday that he found the measure “was not as universally appealing as I thought it might be” among representatives.

“It’s so inequitable. You’d raise a ton of money in Nantucket and you’d raise next to nothing in Lawrence,” Mariano said. “It’s hard to have an effective housing policy that is going to spur development when there’s that much of a difference.”

A reporter asked what the harm would be in approving the measure as a local option, which would greenlight it only in communities that actively want to impose the higher fees.

“The harm is that you get a scattered policy that doesn’t help anyone. It only helps the folks with the money,” Mariano replied.

“Piecemealing it one by one by city and town is just not effective real housing policy, and it doesn’t solve the housing crisis that we’re in across the commonwealth,” Michlewitz added.

The Healey administration estimated that, if half of municipalities adopted the local option with a 1 percent tax and put revenue toward subsidizing housing at about \$350,000 per unit, it could add 3,210 affordable homes over five years.

Asked Monday if she felt the bill would be watered down without the transfer tax, Healey replied that she had not yet seen the House bill but was glad that it had been released.

Representatives rejected an earlier version of the idea in 2020. At the time, Cambridge Rep. Mike Connolly sought to add a local option real estate transfer fee to an economic development bill, but the House shot down the idea 29-130.

Virtually all of the major changes to Healey's bill – one of the most impactful proposals of the two-year term – occurred in the final stage of review, the step controlled by Mariano's top deputies.

The Housing Committee spent more than four months reviewing Healey's proposal before advancing it without altering a single word, and the Bonding Committee also left the original bill intact. The House Ways and Means Committee, which unlike the other two comprises only representatives and no senators, then substantially raised the bill's bottom line and spiked the transfer tax language.

Bond bills authorize capital spending but annual state borrowing amounts across a wide range of priority areas are limited by how much debt service the state can afford in its annual budget.

Michlewitz said he wants to take advantage of the April 2023 rating upgrade Standard & Poor's Global Ratings awarded to Massachusetts.

"We're trying to take advantage of our most recent bond rating increase. Now's the time to go higher on that, to take advantage of it, as high as we can," he said.

[Alison Kuznitz and Sam Drysdale contributed reporting.]