

**TESTIMONY OF CLARK L. ZIEGLER, EXECUTIVE DIRECTOR
MASSACHUSETTS HOUSING PARTNERSHIP
BEFORE THE JOINT COMMITTEE ON HOUSING REGARDING HOUSING BOND LEGISLATION
H. 675 AND H. 3653**

July 25, 2017

Thank you for the opportunity to testify today on the housing bond legislation filed by Chairman Honan and Senator Forry (H. 675) and by Governor Baker (H. 3653). My name is Clark Ziegler, and I am Executive Director of the Massachusetts Housing Partnership.

As many of you know, MHP is a quasi-public state agency, established by the Legislature in 1985, which promotes strong communities and neighborhoods through the development and preservation of affordable housing. MHP is the only public agency in the United States that uses mandatory lines of credit from banks to provide long-term financing for affordable housing, which is a statutory requirement of state approval for certain bank acquisitions of Massachusetts. We have used these funds -- from banks including Bank of America, Santander, BNY/Mellon, TD Bank and Citizens -- to finance more than 23,000 rental housing units since 1992. We also established the ONE Mortgage program (formerly known as SoftSecond), which has enabled more than 20,000 low-income buyers to purchase their first homes since 1990.

Housing bond legislation is of particular importance to MHP because we play a major role in financing projects supported by the state capital budget. In the last five calendar years alone, MHP has financed the production and preservation of 3,400 units of affordable rental housing using state capital funding from the Department of Housing and Community Development (DHCD) authorized by previous housing bond bills. These 75 projects in 47 cities and towns represent nearly a billion dollars in private development activity across the Commonwealth. During the same period state capital funding through MHP has leveraged below-market mortgage financing through participating banks for 2,400 home purchases by first time buyers.

On behalf of MHP I would like to thank the committee co-chairs for bringing this legislation forward early in the legislative session and make several specific comments about the legislation before you.

First and foremost, the need for affordable housing in Massachusetts is as critical as ever. The combination of a strong state economy, high housing demand and low housing production has created one of the largest housing affordability gaps in the U.S. More than 180,000 extremely low income individuals and families in Massachusetts now pay more than half of their income on rent. Private housing production alone will not solve that problem. The programs authorized in the housing bond bill are one of the few ways – short of rising incomes and expanded employment -- we can close this gap by expanding the permanent supply of affordable rental housing.

Second, as the Commonwealth commits additional state funding for affordable housing it is absolutely essential that we continue streamlining the development process and maximizing the impact of limited state housing resources. Several years ago MHP teamed up with our sister state agencies in Massachusetts to create MassDocs, a nationally-recognized online loan documentation system that coordinates virtually all state housing resources under a single set of loan documents and a single closing attorney. That approach has expedited the development process and reduced costs, but it is not nearly enough. A recent pilot program undertaken by MHP along with DHCD, CEDAC, the City of Boston, Urban Edge and the Enterprise Foundation utilized “LEAN” design and construction techniques to reduce the cost of the new 49-unit Walker Park development in Roxbury. That effort is on track to reduce total costs by about 15 percent with no compromise in development quality. MHP continues to work closely with all the players in the housing delivery system – owners, architects, contractors and funders – to find other ways to achieve even greater efficiency without sacrificing quality. The stakes are high, because every dollar saved in the development process is a dollar that can be used to deliver additional housing.

Third, we strongly support proposed statutory changes in the governor’s bill that would facilitate “mixed finance” redevelopment of existing state-funded public housing. State public housing serves some of the state’s neediest populations and represents a significant asset that would be difficult or impossible to replace. MHP has been working closely with DHCD on its High Leverage Asset Preservation Program (HILAPP) and on many other initiatives to expand private investment in the revitalization of state public housing and the redevelopment of housing authority sites. To date, MHP has provided long-term mortgage financing for 45 affordable housing developments sponsored by local housing authorities, more than a dozen of which include public housing units or include a local housing authority as MHP’s borrower.

Fourth, we urge the committee to reauthorize the Housing Stabilization Fund and Affordable Housing Trust Fund at or above the levels recommended by the governor in order to continue the state’s success through the ONE Mortgage program in financing home ownership for lower income households. Every dollar of state capital funding invested in ONE Mortgage leverages at least 40 times as much private bank financing at below market interest rates. To date that low-cost private financing exceeds \$3.5 billion and has enabled families in 303 cities and towns to buy their first home.

Because the program has meaningful underwriting and down payment requirements, and has been used primarily in underserved urban neighborhoods, ONE Mortgage has also been a linchpin of neighborhood stabilization in Massachusetts. The foreclosure rate is well under one percent – significantly less than half the rate for prime mortgages in the Commonwealth.

Finally, I would like to express MHP's strong support for reauthorization and possible expansion of the state low income housing tax credit. Inclusion of tax credits in the bond bill would support what has been a very effective vehicle for increasing rental housing production in the Commonwealth.

Thank you again for your consideration of these comments and for your committee's strong leadership on affordable housing.