

PROPOSED AMHERST AFFORDABLE HOUSING PRIORITIES POLICY

Draft 6-12-19

Introduction

The Amherst community has long experienced a reputation for its high quality of life. As a community, we value our schools and educational opportunities, active downtown and local economy, public services, healthy environment and engaged, diverse citizens that, together, create exceptional opportunities and benefits for its residents.

And yet, our quality of life as a community is facing a serious challenge. The high cost of housing is threatening our long held values of equality, sustainability and opportunity. This challenge is not only serious for those whose incomes place them on the outside, looking in, but for all residents who are invested in a sustainable, diverse, well-functioning and progressive community.

We can't just wait patiently for developers to come forward with ideas that fit our vision for the Town. We have to articulate that vision and then act proactively to see it implemented. That is the purpose of this policy.

We recommend that this housing priorities policy be adopted by the Amherst Municipal Affordable Housing Trust, the Town Council, the Community Preservation Act Committee and the Planning Board, to represent our joint commitment to foster the development of affordable housing in Amherst. We will also seek the support of other Town boards, committees, and organizations.

I. Funding Priorities

Amherst has seen the development of at least three major planning documents: the Town Master Plan (2010), the Housing Production Plan (2013) and the Comprehensive Housing Market Study (2015). Each report was formally adopted by the Select Board and, therefore, constitutes Town housing policy. The Master Plan focused on the types of housing the community needed. The Housing Production Plan included the most information on estimated unmet needs and specifically called for 250 new units of affordable housing over a five-year period. The Comprehensive Housing Market study had the most to say about actions Amherst could take to reach these goals. While each report had its unique features, they had a great deal in common. This short statement of housing policy priorities draws upon and is consistent with all three of these documents.

The following are the Town of Amherst's funding priorities for preserving existing and developing new affordable housing units with permanent affordability restrictions:

- Creation of rental housing for families, particularly those earning below 50% of Area Median Income (AMI) and the growing number of smaller households that are increasingly single parents with children.
- Creation of rental housing for individuals who require smaller affordable housing units (*e.g.*, studio apartments), including housing for at risk and special needs populations that often require special services and handicapped accessibility, particularly persons whose incomes are below 30% AMI.
- Preservation of existing affordable rental housing, including subsidized units and those in the private housing market, which are typically more cost effective to rehabilitate than to build new.
- Affordable homeownership for low and moderate income families and individuals.

Because it produces the largest number of units most efficiently, rental housing for individuals and families should represent over 85 percent of all expenditures for new affordable housing with less than 15 percent for other housing initiatives, including affordable homeownership. Where preservation of existing affordable housing is proposed, that should take precedence over new development.

II. Defining Affordable Housing and Unit Goals

For purposes of setting priorities for affordable housing, this document takes two complementary approaches.

- First, it defines “levels of affordability” in a manner that is consistent with the U.S. Department of Housing and Urban Development (HUD) definitions and with the State’s Subsidized Housing Inventory (SHI)). This allows setting specific, five-year goals for expanding affordable housing in Amherst, consistent with the established need discussed above.
- Second, it provides a broader definition of affordability that may lack the formal characteristics of government definitions, but fits with a common sense approach to identifying and encouraging affordability.

1. Production and Preservation Goals and Affordability Level: Percentage of Area Median Income (AMI) that individuals and families earn, and projected number of units to be developed.

- 250 Units for households earning less than 80% AMI: The first priority is the development of new residential units that will qualify for the State’s Subsidized Housing Inventory. This means that they must all be below 80% AMI. However, within that there must be a range of affordability. For projects with ten or more affordable units, the average AMI must be no greater than 50% and at least ten percent of units must be no greater than 30% AMI. Smaller projects should be reasonably consistent with these priorities proportion of units at various income levels. The total number of

units to be developed for this level of affordability is 250 over the next five to ten years, consistent with goals set in the Housing Production Plan.

- 100 Units at 80-100% AMI: Additional units should be developed that are above 80% AMI. There is a need to serve both individuals and families with an income that qualifies them at this level as well as persons below 80% AMI.
- Above 100% AMI: There no specific goals defined for these populations. However, we recognize the need for new residential development to meet the needs of families with children, individual adults, and seniors who can afford market-rate housing, as well as providing opportunities for economically and socially mixed housing and additional tax revenue for the Town.

2. Informal Affordability

This policy encourages the production of many forms of affordable housing, including housing that is not necessarily eligible for the SHI, but is nevertheless designed to accommodate individuals and families within the targeted income ranges. Accessory apartments, infill housing, and conversions of single-family homes to two and three-family homes can be important sources of lower-cost housing. These units are unlikely to meet criteria for the SHI and may not be subsidized, but can be encouraged through zoning. With the assistance of the Planning Department, The Trust will develop an annual estimate of all such housing created, based on building permits issued in the previous year, to determine a rough measure of the affordability of such housing to be included in an annual report of the Trust.

III. Tracking the Number of Affordable Units

As noted above, implementation of this policy must include the publication of a regular annual report, measuring changes in affordability, that is presented to the Town Council, Town Manager, Planning Board, Housing Trust and CPA Committee. When production has failed to meet annual targets, the Trust must make recommendations to these stakeholders for accelerating production.

In collaboration with the Planning Department, the Trust will survey local housing authorities and subsidy administrators (including Wayfinders, a regional housing agency) to obtain the number of vouchers used in Amherst in the previous year.

Any increased use of tenant-based housing vouchers in Amherst will also increase affordability but do not count on the subsidized housing inventory.

IV. Projected Local Subsidy Costs

The largest share of Town tax dollars contributing to the development of affordable housing have come from CPA funds. These have been supplemented by Community Development Block Grant (CDBG) funds, which are not Town tax dollars. Two other Town forms of subsidy are now available, Tax Incentive Financing and Town surplus property. In addition, a zoning change adopted by Town Meeting in 2017 allows developers to pay into the Housing Trust *in lieu of* establishing affordable units in developments that trigger the inclusionary housing provision of the Zoning Bylaw. The cost of affordable units will vary with the project, but will certainly affect the need to use CPA and CDBG funding.

All of these sources are limited. And they will all have a critical role to play if we are to be successful in developing 250 new affordable units. For example, if Town contributed an average subsidy of \$50,000 per affordable unit, that would require a total of \$12,500,000. (Note that total development costs per unit will be much greater than the Town contribution.) Given the five sources that the Town has available, this is probably within reach without requiring contributions from the Town's operating budget, although it will probably take longer than five years to get there.

V. Project Evaluation Criteria

The following are the factors to be used in evaluating affordable housing projects by the Housing Trust, the Planning Board, the Zoning Board, the Community Preservation Act Committee, and the Town Council:

- Consistency with funding priorities as detailed in Section I
- Amount of subsidy requested per unit

One key goal for the Town is to use available, local housing funds in a way that maximizes the number of affordable units developed. CPA funds have been provided to many different projects, ranging from a low of about \$30,000 per unit for the largest project (Rolling Green, 2014) to a high of \$160,000 per unit for one of the smallest projects (Hawthorne Farm, 2014).

We expect that the Town's employment of local subsidy should generally be between \$40-50,000 per affordable unit for populations at a maximum of 80% Area Median Income (AMI), but allow a range to extend to no more than \$100,000 per unit in cases of "*critical need*" as follows:

- Population above 50% AMI or below
- Population at 30-50% AMI or below

POLICY JUSTIFICATION

Background

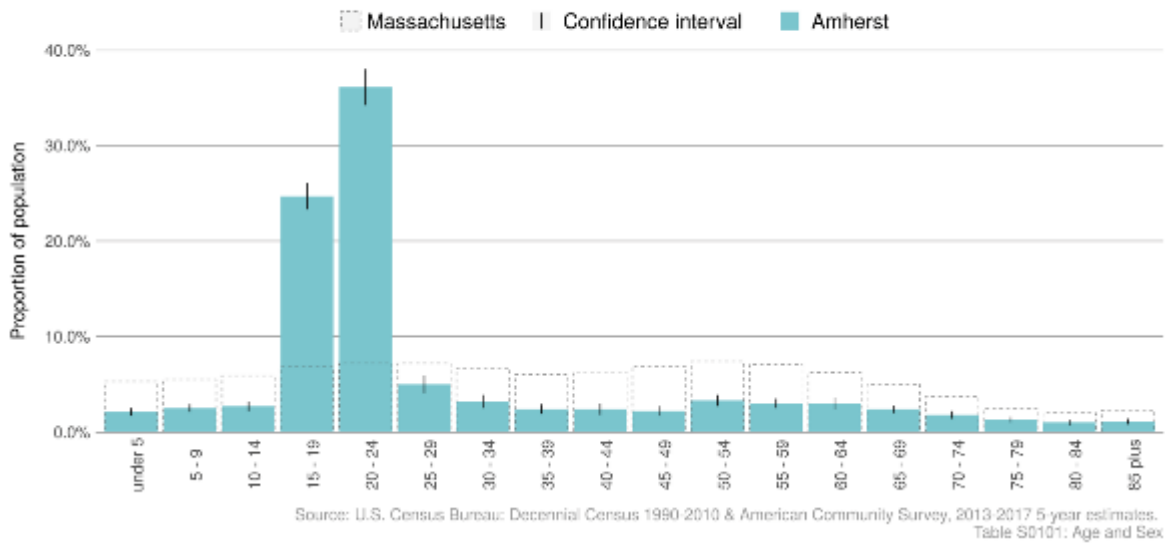
We have seen limited forward movement in developing new affordable housing. Forty-one units were preserved at Rolling Green; new affordable units were completed at Olympia Oaks (all under 60% AMI), and a duplex for first-time homebuyers was built at Hawthorne Farm. The new North Square development in North Amherst will provide an additional 28 affordable units, as well as another homeownership duplex at the North Amherst Community Farm. However, we have not been able to reach the HPP goal of 250 new affordable units set in 2013.

We do not need a new study. It is time to set specific goals, common goals that are adopted by the Town Council, the Planning Board, the Housing Trust, and the Community Preservation Act Committee. In jointly adopting this housing policy, it is recognized that this is something that they are collectively committed to implement; and that they are working collaboratively on implementation. We have tools in place to support the development of affordable housing, a two-year old Tax Incentive Financing provision, a pending policy for disposition of Town surplus property, and Community Preservation Act (CPA) funds. The Planning Board also continues to look for new strategies to allow development.

Amherst is a unique community within the Commonwealth. While other towns and cities have large academic institutions, the presence of the University, as well as Amherst and Hampshire Colleges, significantly skews the population. As shown in Figure 1, Age Distribution of Amherst Residents, below, more than half of the Town's population is between 15-24 years of age. Simply put, students dominate the Town.

Figure 1. Age Distribution of Amherst Residents

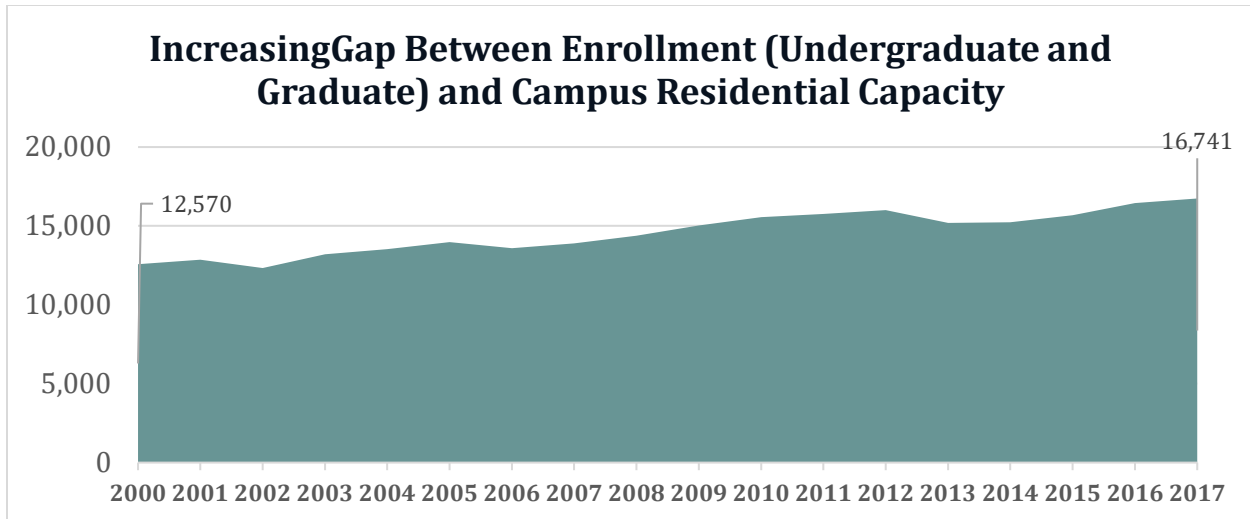
**Age distribution of population
Amherst v. State
2013-2017 ACS**



With total University enrollments exceeding 30,000 in 2017, there are a very large number of students competing for housing in Amherst and the surrounding communities. This is offset somewhat by the presence of residential units on the campus. However, the gap between enrollments and residential units has been growing and is likely to continue in that direction. In 2000 the gap was 12,570; by 2017 it had grown to 16,741, an increase of over 4,000 students. (See **Figure 2**. UMass Enrollment vs. Campus Residential Capacity).

Figure 2. UMass Enrollment vs. Campus Residential Capacity

YEAR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Residence Hall Occupancy	11000	11000	11000	11100	11114	11114	12010	11978	11970	11982	12017	12322	12237	13331	13396	13590	13594	13599
Total Enrollments (Undergraduate and Graduate)	23,570	23,866	23,332	24,312	24,646	25,093	25,593	25,873	26,359	27,016	27,569	28,084	28,236	28,518	28,635	29,269	30,037	30,340



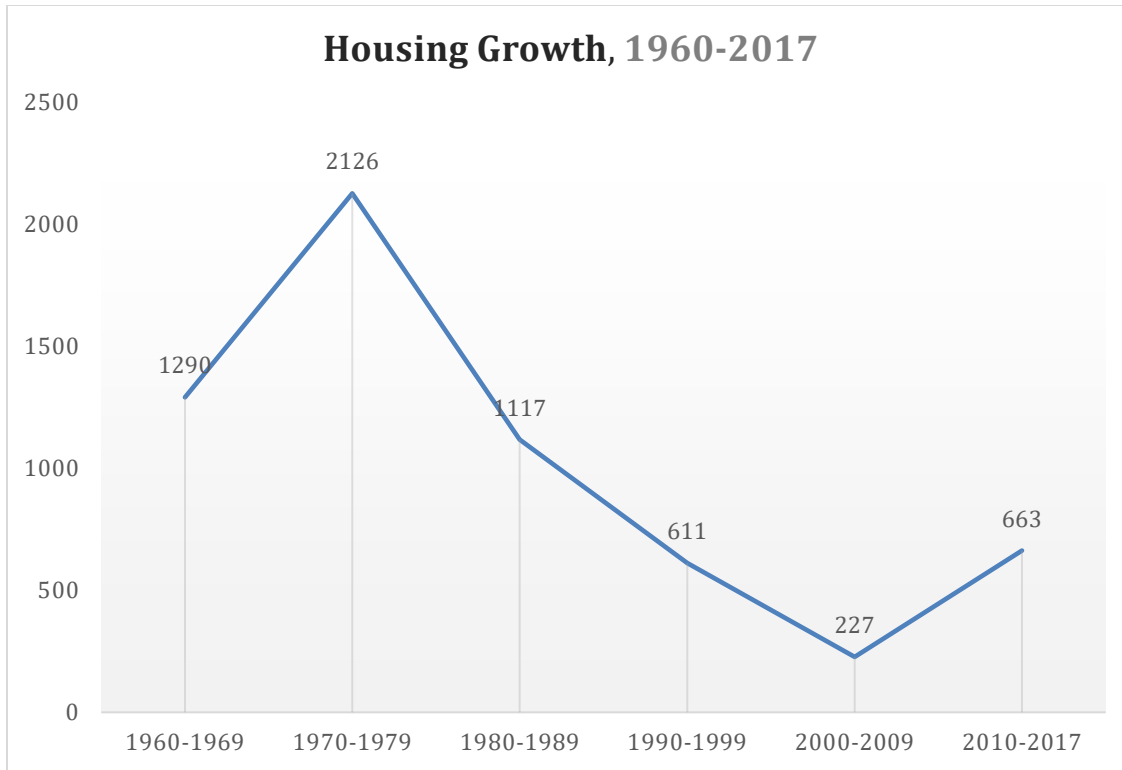
As described in the 2015 Housing Market Study,

“UMass accounts for most of the [student rental] demand. Enrollment changes since 2010 (approximately 1,500 more students for the 2013-2014 school year) and University projections (an additional 1,500 students by 2020) will add the demand for 3,000 new bed spaces in Amherst. The University delivered the Commonwealth Honors College dorm (1,500 bed spaces) and removed 500 non-housing bed spaces (i.e. converted common rooms), for a net increase of 1,000 bed spaces. Administration representatives confirmed there are no plans to add any more on-campus housing by 2020, indicating the demand from student renters in Amherst will increase by approximately 2,000 beds during the decade. This is important because the imbalance of appropriate housing for student renters and the demand for that housing will adversely impact the Town’s other two markets: non- student renters and non-student homeowners.

“RKG’s analysis indicates that the bulk of the non-student rental market cannot compete with the ability of student households to pay. As a result, the non-student market segment will remain challenged to find suitable, desirable rental opportunities in Amherst.” (Housing Market Study, 2015)

At the same time, there has been a lack of new housing production in Amherst. (See **Figure 3** below. Lack of Housing Production.) Compared to prior decades, the fewest new housing units were produced between 2000-2009. While more units have been produced in the current decade, they do not make up for the growth in population. As noted above, there are over 4,000 more students seeking housing in and around Amherst since the year 2000. If we think of the game of *musical chairs*, we have had a significantly increasing number of players for roughly the same number of chairs. As a result, there is continuing increased pressure on the costs of housing as the demand has outstripped the supply.

Figure 3. Lack of Housing Production



Just as Amherst appears as two towns in the Age Distribution figure (recall Figure 1 above), two different towns are apparent in Figure 4 below. There are the renter households with a wide range of annual incomes, stretching from less than \$5000 to \$75-100,000, with no category dominating. By contrast, the incomes of owner households are mostly greater than \$100,000.

Figure 4. Comparison of the Distributions of Annual Incomes between Renter and Owner Households in Amherst

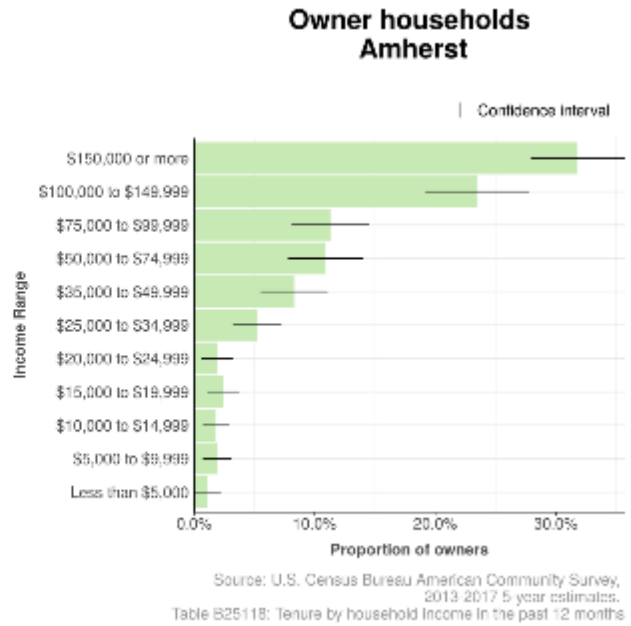
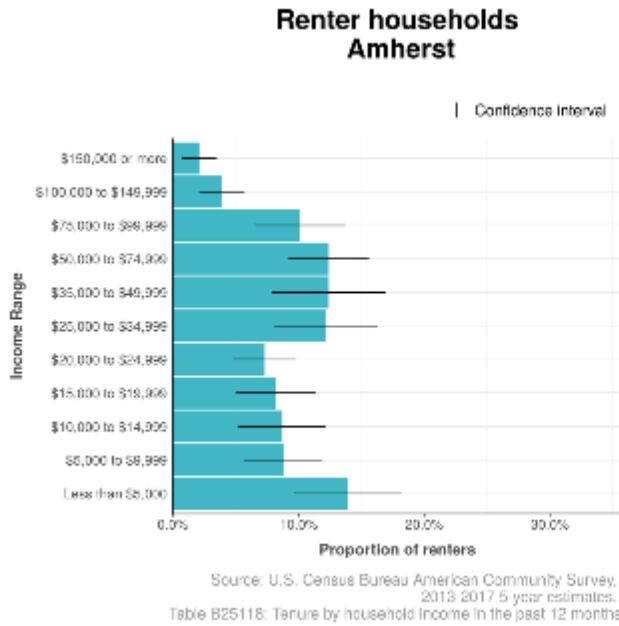
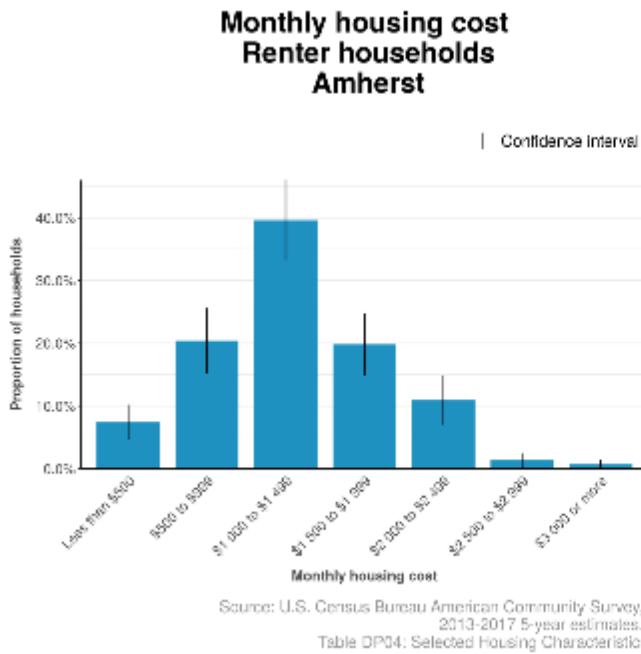


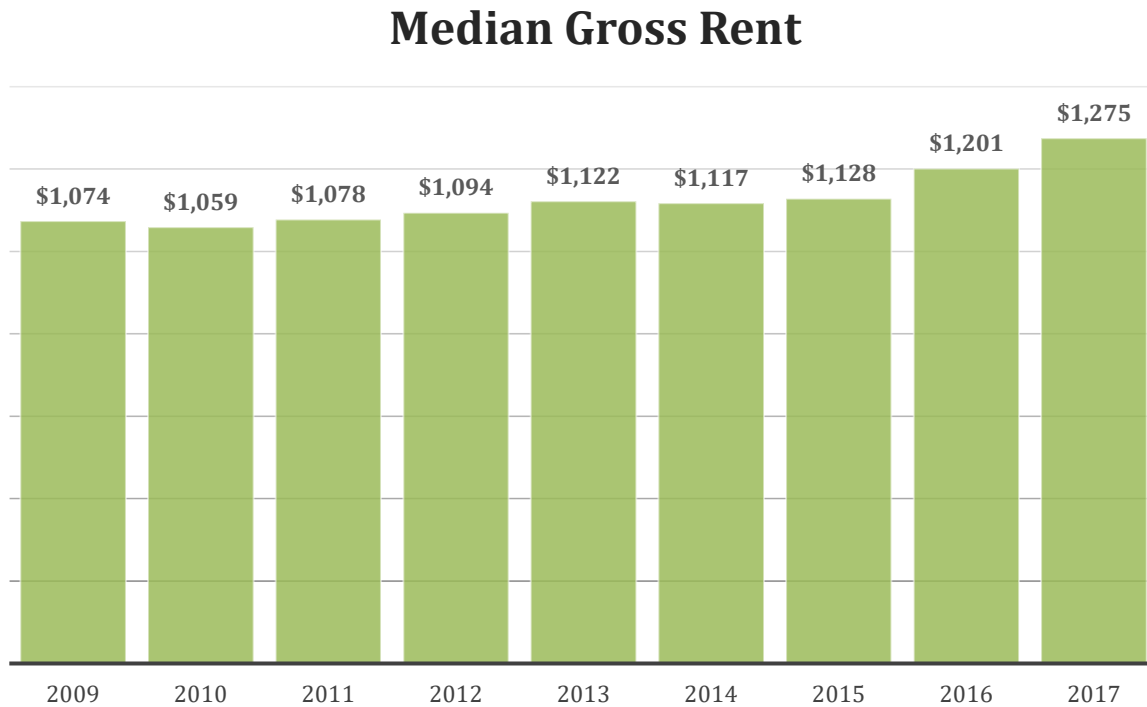
Figure 5 shows the annual housing costs for renter and owner households. Note that \$1,000-1,499 is the most common costs for renter households. By contrast, the vast majority of owner households have over \$1500 per month. This is consistent with the income differences.

Figure 5. Housing Affordability by Monthly Costs for Renter and Owner Households



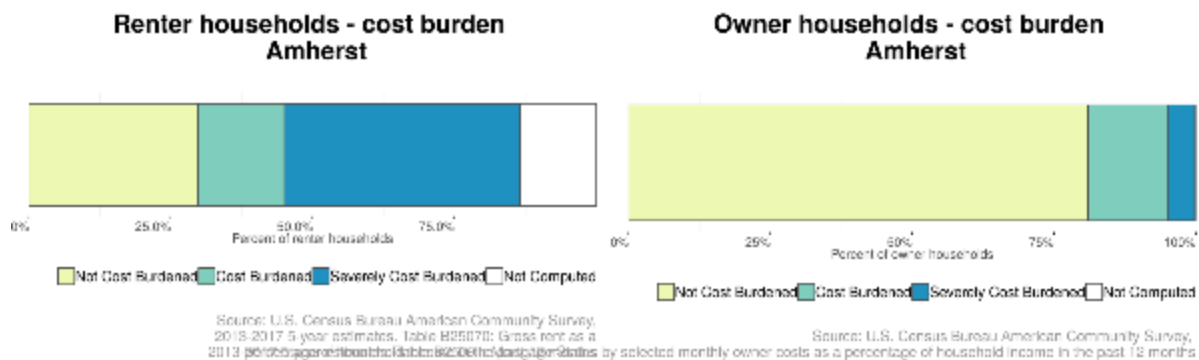
The costs for households that are renting have been steadily rising with the most rapid increases in the most recent years. (See **Figure 6.**) While this is not unique to Amherst, the effect is to “price out” renter households who find themselves no longer able to “pay the rent”.

Figure 6. Housing Affordability: Increase in Rates of Renting



This is all summed up in estimates of “cost burden” developed by the US Census Bureau. As shown in **Figure 7**, the percentage of renter households that are “cost burdened” or “severely cost burdened”, is 57%. By contrast, the same figure for owner households is less than 20%.

Figure 7. Housing Affordability: Cost Burden



Homelessness. Not surprisingly, the seasonal, homeless shelter in Amherst continues to

serve significant numbers of persons who are homeless each year. Craig’s Doors typically serves about 200 individuals per season (November 1-May 1).

Beyond “Affordable” Housing

When we speak of “affordability” we are generally referring the individuals or households with an income that is less than 80% of the area’s median income. For Amherst specifically, **Table 1** shows the current values by household size and level of income. Many jobs in Amherst are paid at less than 80% of the area’s median income. (See **Figure 4** above with the annual income of renter households.) And even at 100% or 120% of area median income, people will find it increasingly difficult to find housing at reasonable cost. These are the people who are being “priced out” of Amherst every month and every year. They include people who work for the Town, the University, and local businesses.

Table 1. 2018 HUD Income Limits for Rental Assistance in the Town of Amherst

Income	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
30% of Median	\$16,950	\$19,400	\$21,800	\$25,100	\$29,420	\$33,740
50% of Median	\$28,250	\$32,300	\$36,350	\$40,350	\$43,600	\$46,850
80% of Median	\$45,200	\$51,650	\$58,100	\$64,550	\$69,750	\$74,900

What are the consequences of these circumstances for the community? As shown in **Figure 8**, the numbers of families with school age children has steadily declined since the Year 2000. Part of that can be explained by older people remaining in the community after their children have moved on. But the steadily increasing prices for rents or homeownership means that new families are not moving in.

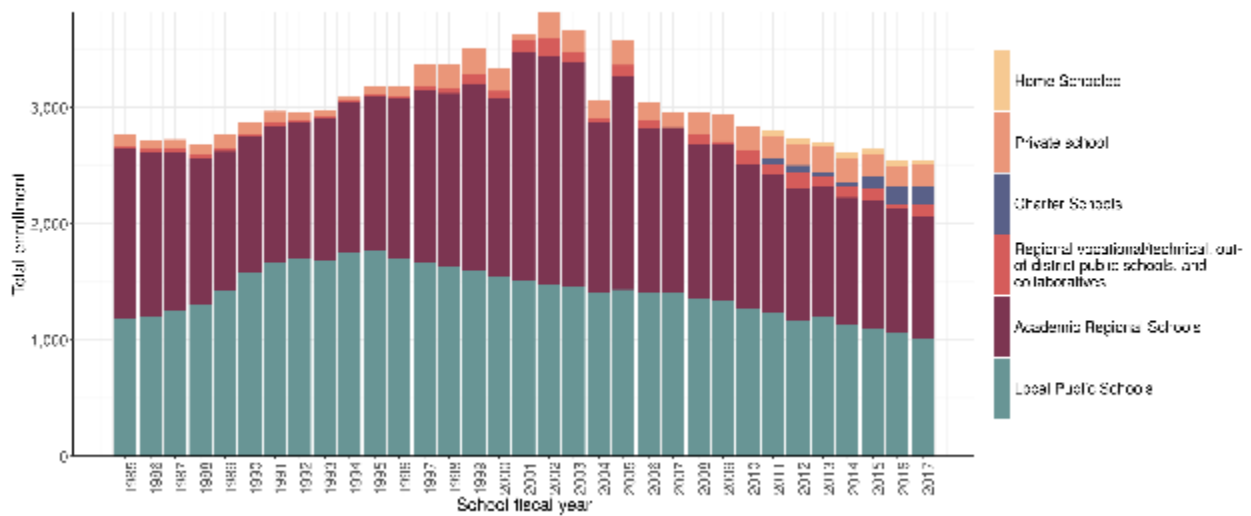
Figure 8. Changes in Population of Families with School Age Children

Year	2000	2006-2010	2010	2011-2015
Families with Children	2476	2084	2141	1809
Data Source*	DC	ACS	DC	ACS

Not surprisingly the number of school age children residing in Amherst has also fallen since the Year 2000, as has the number of enrollments in the local school system. (See **Figure 9**.) Many attribute the decrease in school enrollments to the expansion of other school options, particularly charter schools. But the largest single factor affecting school enrollments is population decreases. There are also population decreases elsewhere in the Commonwealth, including Hampshire County. But Amherst has had a much larger decline than the surrounding communities.

Figure 9. Changes in Population of School Age Children by Type of School Enrollment

School aged children by enrollment type Amherst



Source: Massachusetts Department of Elementary and Secondary Education

The days when Halloween was marked by children’s paintings on storefront windows downtown appear to be gone. Amherst has become increasingly less diverse with respect to age. We are rapidly becoming a community of students and empty nesters. While students will always be the major population group, we have to find a way make Amherst housing prices more accessible to young families in order to reverse the decline of school aged children.

Amherst’s affordable housing problems are not unique. A recent report from the Boston Federal Reserve found that there is a growing shortage of affordable housing for persons with extremely low income statewide. The authors estimated that the state has 274,842 extremely low-income households, and there are just 133,551 apartments available at rents they can afford.

The need for additional affordable housing in Amherst is clearly justified by the analysis above. There is also a need for housing for individuals and families whose income is just above the 80% AMI level. It is now up to the Town, including the Housing Trust, the Community Preservation Act Committee, the Planning Board, and the Town Council to formally adopt a policy that will assure that these needs are addressed.