

# The Data-Backed Case for How Increasing Production Can Help Solve The Affordable Housing Crisis in Massachusetts



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Massachusetts residents are all too familiar with the state's high housing costs. At \$422,856, our state's median home price is the [3rd highest in the country](#), behind only California and Hawaii. These numbers climb much higher when you take the Metro Boston region on its own. As of April 2020, even in the midst of a pandemic, the median selling prices for single-family homes and condos in Metro Boston [increased to \\$738,000 and \\$675,000](#), respectively.

While high housing costs disproportionately burden lower-income families, they affect Massachusetts residents at all income levels. Addressing our state's housing needs and creating more options have become top priorities for residents and elected officials alike. In response, Massachusetts has enacted some thoughtful policies to increase the stock of affordable and workforce housing, such as inclusionary zoning, tax credits and subsidies, and incentives for transit-oriented development. While important, these policies have barely made a dent in the problem.

Demographic information from the past decade puts these shortfalls into perspective. According to US Census data, since 2010 Massachusetts' population [has increased by 344,718](#), twice as fast as in the 2000s. Yet, across the state, [only 142,815 new privately owned housing units were authorized](#) during this same time span. Further, the Boston metro area alone produced [275,000 new jobs, but only 108,000 new homes](#). This has led to an increasingly larger pool of people competing for a proportionately smaller amount of housing. Customers (renters or buyers) compete in the housing market through price and, because everyone needs a place to live and have few alternatives, this drives up costs across the board. While increasing the number of available affordable units is an important piece of the housing puzzle, [research shows](#) that the marginal effect of these policies on their own "may be fairly small compared to the market determinants of supply and demand." The bottom line? **We must build more, statewide for all income levels.**

# Addressing Affordability Concerns About Market-Rate Growth

Generally, there is widespread agreement that Massachusetts needs more housing; however, developers often face opposition when it comes to where new housing should be located and for whom it should be built. New market-rate housing proposals are often met with pushback based on skepticism that these new units will not contribute to meeting growing needs for affordable housing. While these concerns may be founded in the lived experience of many lower-income residents, research shows that new market-rate units have widespread positive effects on affordability across all housing submarkets.

Much of the skepticism of market-rate units is based on a belief that these units will not cause other housing to “filter down” to lower income households. However, a [report released by the Hudson Institute in 2017](#) found that 23.4% of rental units that were affordable to very low-income renters in 2013 had filtered down from higher rent categories, and 19% of them had been higher rent units as recently as 2005. Additionally, it is important to consider filtering from the opposite direction. In areas with increased demand, new market-rate housing protects against “upward filtering,” or the transition of a [“rental unit currently deemed affordable from becoming unaffordable, owner-occupied, or demolished.”](#) [A 2003 study](#) found that in metropolitan areas where it is more difficult for developers to build (i.e. where housing supply is less responsive to demand), “units affordable to those with incomes at or below 35% AMI are more likely to filter up” and become unaffordable.

Another important concern about new, market-rate buildings is the potential tradeoff between regional and localized effects. In other words, although a new building might help alleviate overall housing demand in a city or region, opponents fear price increases and displacement in the proposed building’s immediate surrounding community. However, existing research shows an opposite effect:

- A [2019 report by the Upjohn Institute](#) uncovered that, “contrary to common concerns, new buildings slow local rent increases rather than initiate or accelerate them.” More specifically, it found that “new buildings lower nearby rents by 5-7%,” thus creating opportunity for new households at somewhat lower incomes to move in.
- [In 2019, Xiaodi Li](#), a researcher at NYU, found evidence that the addition of a new market-rate high-rise in New York City decreased market-rate rents and sales prices within a 500 foot radius, and did not appear to have an effect on rents for lower cost units.
- [A California study released in 2016](#) found that the production of market rate housing was associated with a lower probability that low-income residents in the neighborhood would experience displacement. In fact, “displacement was more than twice as likely in low-income census tracts with little market-rate housing construction than in low-

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While these findings are encouraging, it is important to point out that the rent and home price decreases cited in these studies are measured [relative to existing trends](#). Developers typically do not seek to build market-rate units in neighborhoods that have not already been identified as “hot” markets. Much of the time, rising costs and displacement get attributed to new development; however, these studies suggest that new buildings are a response to already-existing demand and [“slow the pace of rent increases” in neighborhoods where “rents are most likely already rising rapidly.”](#) It is easier to understand the effect of a new market-rate building based on lived experience and absolute housing costs; however, when government leaders, advocates, and longtime residents block the construction of new units, they are only exacerbating the negative effects of an ongoing trend.

## Other Challenges Caused by Market Restrictions

Although stabilizing housing prices is the top priority in Massachusetts, it is worth noting that accelerated housing production will likely have positive spillover effects, addressing other challenges caused by market restrictions:

- **Economic Productivity:** Because housing prices and availability are directly related to job opportunities, constraints on the housing market have negative consequences on regional economies and local labor markets. [A 2008 study](#) published in the *Journal of Urban Economics* found that, compared to areas with less restrictive regulations, increases in demand for workers in cities with more restrictive land use regulations did not lead to increased supply, but instead to lower levels of long-run employment.
- **Environmental Concerns:** When supply cannot meet demand, people must travel further from city centers and employment opportunities to find housing that they can afford. This increases automobile dependence and, consequently, greenhouse gas emissions. Additionally, [research](#) has found that allowing for greater density also: requires less energy for heating and cooling; lowers per capita impacts on water quality; and lowers the rates of destruction of critical habitat and open space.

- **Income and Racial Segregation:** Research suggests an association between land use restrictions and income and racial segregation. A nation-wide study in 2015 found that more local pressure to regulate land use is linked to higher rates of income segregation. Closer to home, a 2015 Harvard University study looked at zoning borders in municipalities across Massachusetts and found that blocks zoned for multifamily housing have black and Hispanic population shares 3.4 and 5.8 percentage points higher, respectively, than the blocks directly across the border that are zoned for single family use. Although the increases are small, new production does facilitate new opportunities for households currently facing an increasingly difficult market to find housing in many of our communities.

## Conclusion

Overall, existing demographic trends and academic research show that significant additions to housing supply are a critical piece of the solution to Massachusetts' current housing crisis. While inclusionary zoning requirements and other tax credits and subsidies are necessary to meet the housing needs of the lowest income residents, additional units at all income levels and across cities, towns, and neighborhoods are equally necessary. To meet this urgent challenge, we must work to promote policies that streamline production, loosen unnecessary land use regulations, and increase certainty to allow housing development to more quickly respond to population increases and move closer to a supply and demand equilibrium.



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