



Massachusetts Affordable Housing Emerging Developer Report

*Data, Challenges and Opportunities Identified through Statewide
Facilitated in Person Listening Sessions & Self Identified Surveys*



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About MassHousing



- MassHousing is an independent, quasi-public agency created in 1966 and charged with providing financing for affordable housing in Massachusetts.
- The Agency raises capital by selling bonds and lends the proceeds to low- and moderate-income homebuyers and homeowners and to developers who build or preserve affordable and/or mixed-income rental housing.
- MassHousing does not use taxpayer dollars to support its operations, although it administers some publicly funded programs on behalf of the Commonwealth.



\$7.2 Billion

in total **affordable housing financing** in the last 5 years



12,500

households assisted in purchasing a home in the last 5 years



23,400

affordable rental homes created or preserved in the last 5 years



~\$27 Billion

in **financing** provided over the Agency's history

Executive Summary



MassHousing's Equitable Business Development Division was created to advance and foster equitable business growth across the Agency.

Our goals are to:



- Leverage the affordable housing ecosystem to create wealth-building and upward mobility for Black, Indigenous and People of Color (BIPOC) in Massachusetts.



- Increase the number of BIPOC homeowners and multifamily projects/portfolio balances to minority owned or senior principal borrowers by promoting lending products and subsidy programs that significantly impact socially disadvantaged communities.



- Provide advancement opportunities for diverse businesses and BIPOC workforce with a primary focus on: MBEs in Goods & Services; Construction/Property Management; and Talent & Workforce-Recruitment, Retention and Growth.

MassHousing has set ambitious Diversity and Inclusion goals for FY 2022-2026 that affirm and advance the Agency's longstanding commitment to diversity and inclusion. These goals include reaching 10% multifamily projects and 5% portfolio balances to minority-owned or senior principal borrowers.

Following MassHousing's strategic planning process and as the Agency has shifted to operationalize these goals, identifying the availability of minority-owned and/or senior principal borrowers is imperative to fostering new business relationships and in turn reaching its five-year goals.

In addition to identifying minority-owned and/or senior principal borrowers, MassHousing's Equitable Business Development Division planned and led a series of statewide listening sessions for Emerging Developers.

This process was critical to the Division's work as it allowed us to engage BIPOC developers directly and solicit real-world feedback relative to the challenges and opportunities in the marketplace.

Although there are some data points that seem to highlight disparities among BIPOC developers, there is a decided lack of market data specific to the unique needs of the different regions in Massachusetts. The listening sessions were hosted in collaboration with the Mel King Institute and the Builders of Color of Coalition. The Director of The Mel King Institute for Community Building served as the moderator for all five listening sessions. The Executive Director of Builders of Color Coalition, was our outreach partner and helped gathered contacts to build out the statewide invite list.

Methodology



MassHousing recently concluded a statewide Emerging Developer Listening Tour designed to identify opportunities, disparities, and solutions to increase Black, Indigenous and People of Color (BIPOC) developer participation in the affordable housing ecosystem.

Goal: The Emerging Developer Listening Tour sought to build and engage a network of diverse real estate professionals across the Commonwealth and to apply an equity-minded lens to programs that support the production and preservation of affordable housing.

Our working definition of an Emerging Developer is a real estate professional:

- with a minimum of 3-5 years experience
- who has completed, or is in the process of completing, up to 20 units of housing
- who has participated in or is a participating member of a joint venture partnership
- who has a professional background in construction management, project management, property management or commercial lending.

The listening sessions were hosted in five regional centers across Massachusetts:

Greater Boston (Boston)	Artist for Humanity
Central Massachusetts (Worcester)	Worcester Idea Lab
Western Massachusetts (Springfield)	Reevx Lab
North Shore (Lawrence)	Duck Mill Apartments
South Coast (New Bedford)	SouthCoast Community Foundation

Methods of engagement

- We engaged with a large number of contacts from our statewide invite list by sending out a series of e-mail blasts through Constant Contact, an online platform used by MassHousing's communications/marketing department. Additionally, we engaged with our invite list via follow-up phone calls throughout the week leading up to each session.

Number of people we engaged statewide

- We connected with over 300 contacts to build our statewide emerging BIPOC developer contact database. There was a wide range of information shared from those we connected with on the listening tours throughout the regions we targeted. We consolidated the names of developers shared by their own networks, into our larger database.

Importance of Database

- The statewide database list of diverse developers was organized by name, company, Email and phone number. We used asset mapping which included diverse real estate professionals and businesses, neighborhood stabilization partners, CDCs, CDFIs, and for-profit developers. In order to gather a more robust list of partners within the Commonwealth, we built an extensive database that included all five regions. The asset mapping tool helped frame the importance of bringing together diverse housing partners.
- We intend to share the master list with our borrowers, institutional developers, and other housing partners within the affordable housing industry.

Type of stakeholders identified and engaged

- The sub-industry breakdown of people with whom we engaged includes various practitioners from the industries below: (GC, legal, brokers, etc.) In addition, we engaged with other housing stakeholders including MassDevelopment and the Massachusetts Housing Partnership (MHP). We also engaged with elected municipal officials in each region including representatives from the municipalities, housing and planning and economic development)

Below, attendees self identified their primary business focus before we conducted the listening sessions (this information can also be found in the survey results)

- Mixed-income unit development
- Construction management
- Commercial real estate development
- Redevelopment/Preservation
- Rehabilitation/Flipping homes (Primary 1-4 units)
- CRE Consulting
- Multifamily Asset Management
- Community development (CDFIs, CDCs)
- Smaller unit developments (pre-fab home construction)
- Real Estate Board (municipal, etc.)
- Brokerages (leasing, sales, etc.)
- General contractor
- State and municipal housing leaders (Housing & Neighborhood Development, Housing Board/Commissions, etc.)
- Municipal Planning Agency

Data

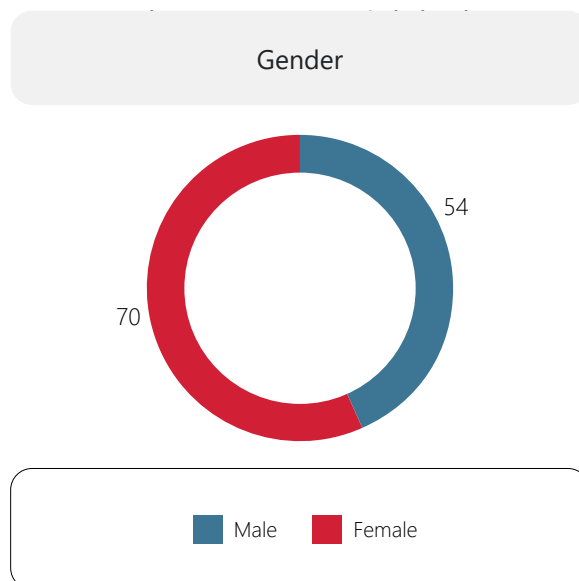
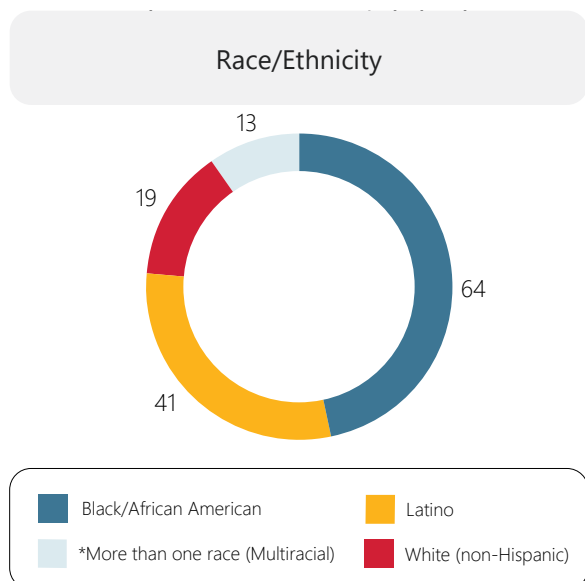
- A **Pre-Facilitation Survey** measuring basic demographics was sent to all invitees who confirmed and registered their attendance. The questions were used to help create our group questions. Of the 300+ individuals who were contacted and invited, 124 people were surveyed.



- The **In-Person Statewide Listening Sessions** were a combination of large group and small group discussions with high level topics. The Mel King Institute assisted by posing questions regarding the state of affordable housing generally and asking about the developers' specific experiences engaging with the state's housing agencies. This engaged a large group discussion about the successes and challenges developers experienced, especially if they had developed housing in more than one region to give comparisons. Smaller group discussions followed for conversations about process, financing, technical assistance, and difficulties they have experienced.

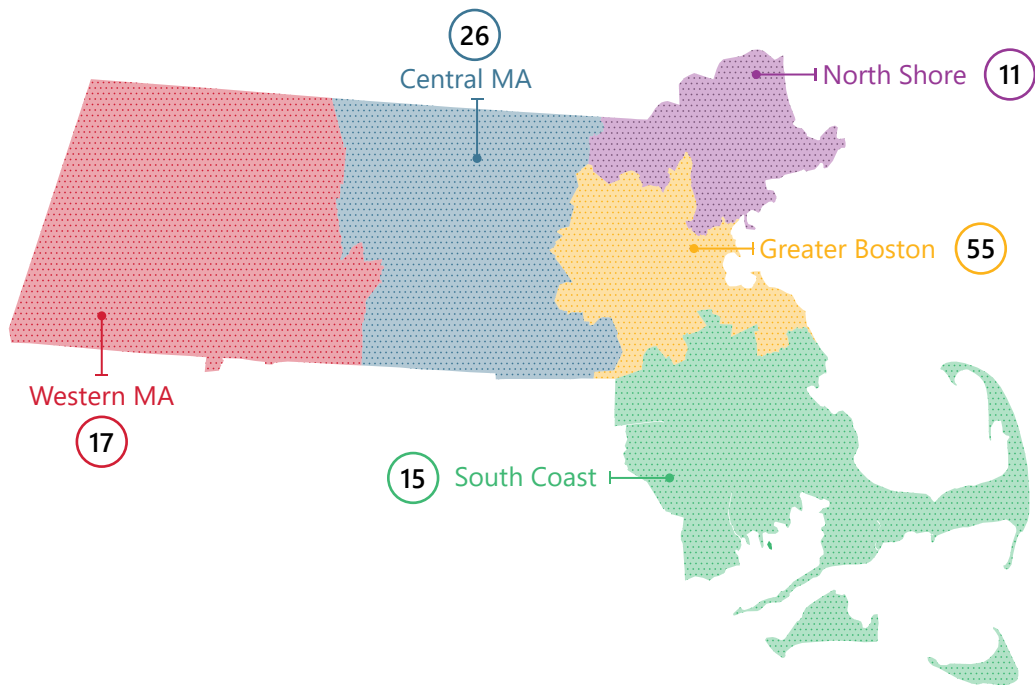
Survey Results

Results are self-reported through Pre-Facilitation Survey

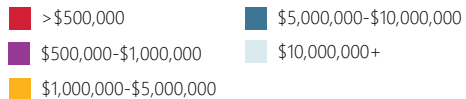
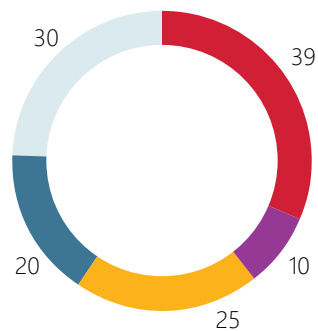


*Double counted and also includes: Native American, Pacific Islander

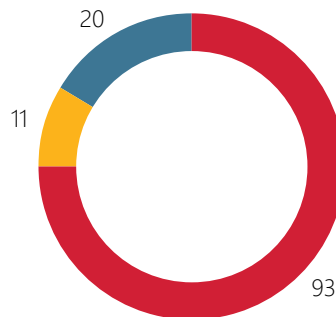
Respondents by Region



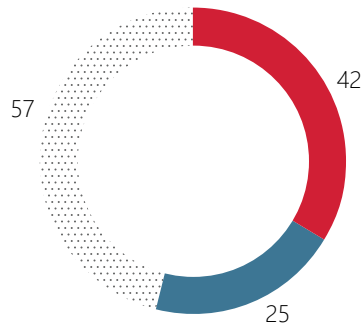
What is the total value of all your assets in your current portfolio?



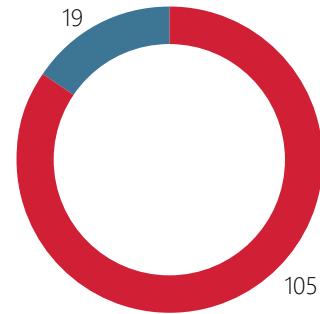
How many contractors do you work with on your projects?



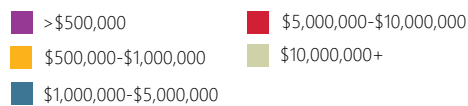
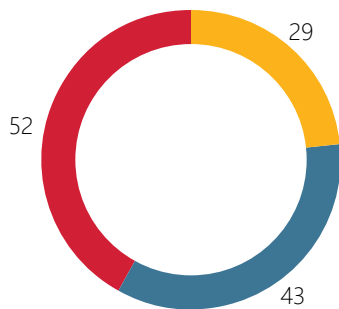
What was your past year's declared taxable income for your company?



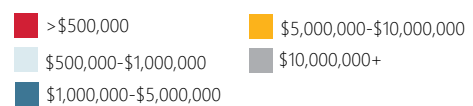
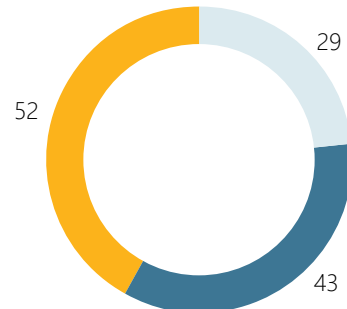
Number of staff on your company's payroll?



What is the total value of all your assets in your pipeline**?



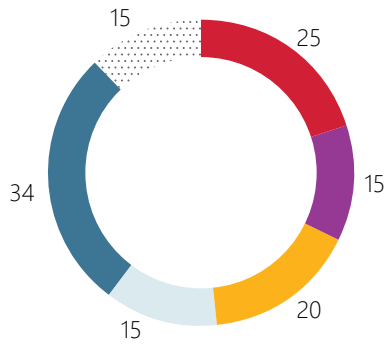
What is the total unit size of all your assets in your pipeline**?



*No respondents selected "\$500,000-\$1,000,000"

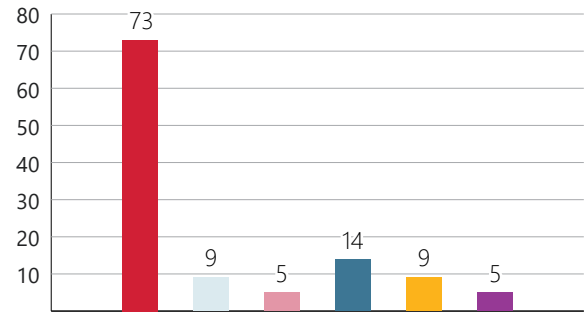
**Pipeline was not clearly defined and may include in the process of public/private land disposition (through RFP or purchasing agreement) and may include prospective deals

How many units of housing are currently in your asset portfolio?



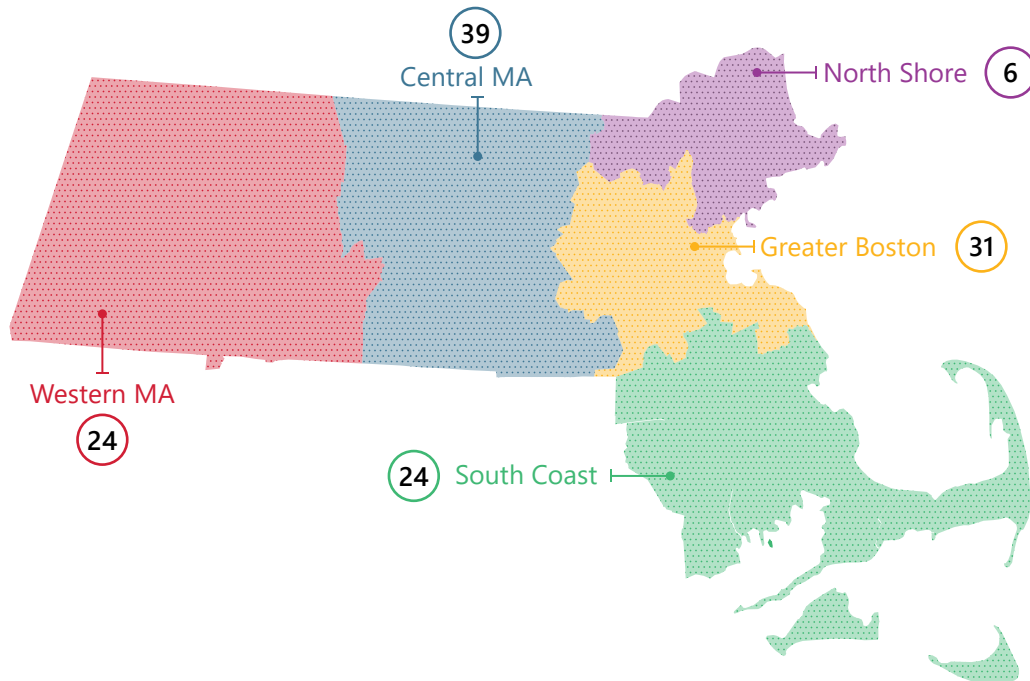
0 1-4 5-20 20-50 50+ Left blank

Industry Type
(feel free to select more than one)



Development Landlord Construction Real Estate Counsel (Consultants, etc.) Property Management Investment

Regions of Development (select more than one)



Top Themes Statewide

Identified through Pre-Facilitation Survey

① Pre-development capital

② RFP opportunities

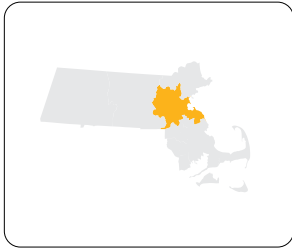
③ Knowledge of affordable housing programs and opportunities

**Full list of themes identified through the pre-survey
(listed in order of significance/rank):**

- 01.** Pre-development capital
- 02.** RFP opportunities
- 03.** Knowledge of affordable housing programs and opportunities
- 04.** Joint venture connections
- 05.** Marketing and sales post-construction
- 06.** RFP opportunities
- 07.** Zoning/Town Meeting process
- 08.** Labor shortage/competitiveness
- 09.** Construction financing

Top Three Themes Per Region

Identified through In-Person Statewide Listening Sessions



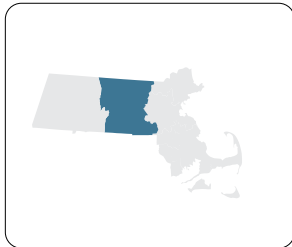
Greater Boston

Pre-development capital

Joint Venture Connections

RFP Opportunities

01. Funding challenges were a significant topic of discussion. Participants report that the forms are confusing, time consuming and don't necessarily guarantee funding on a predictable timeline. Financing institutions often reward a 40-year veteran company over an emerging developer. There is a lot of money "burned" waiting for updates in the process.
02. Planning/zoning/municipal processes are often hostile and more so for a developer of color. The process is long and unpredictable and there is a lot of effort required to manage local politics in certain communities.
03. Networking within the city and town halls is difficult. Most long-time veterans of the industry have access to the people of these municipal buildings already and it gives them an advantage over an emerging developer.



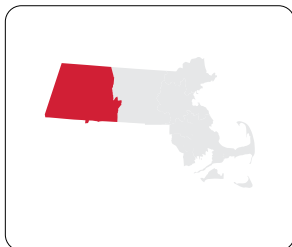
Central Mass

RFP Opportunities

Joint Venture Connections

Zoning/Town Meeting Process

01. Access to capital. Lots of conversation on struggles to find investors who are willing to invest money in more than "turn-key" projects. Applying for affordable housing financing is also confusing and difficult if you are "the new kid"
02. Permit application process is slow, confusing and not transparent. There are often surprise code requirements that cost more in construction money.
03. There is a lot of resistance to new housing in the suburbs which places a lot of pressure to build only affordable housing in a city like Worcester. Zoning Boards and neighborhood civic association meetings are often a huge obstacle for bringing a project to the finish line.



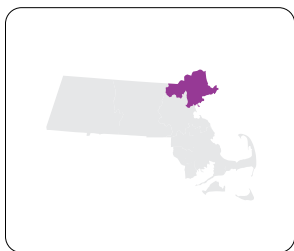
Western Mass

Pre-development capital

RFP Opportunities

Marketing/Selling Post-Construction

01. There is a lot of gatekeeping to funding opportunities. Being new undermines one's credibility making it harder to build relationships with funding institutions.
02. There are very few network resources, unlike Boston. This requires a lot more manual "cold-calling" and research to learn who is a reputable contractor. There is a desire for a database that offers a W/MBE list for emerging developers.
03. Lack of transparency and accountability from the towns and municipalities. There is a huge gap between what the cities want and what the civic organizations and other community organizations want, creating a hostile environment to build a project.



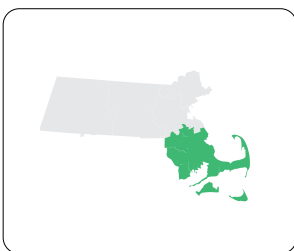
North Shore

Pre-development capital

Knowledge of affordable housing programs and opportunities

RFP Opportunities

01. The process to get involved in building projects is confusing. It requires that you have built-in relationships to even get started.
02. Acquiring capital is complicated, especially for affordable housing deals. The applications are long and time-consuming not entirely clear.
03. It would be helpful to have a database with information about the agencies who finance affordable housing and the process for applying for tax credits. More information is needed in order to understand how projects qualify for funds.



South Coast

Joint Venture Connections Marketing/Selling Post-Construction

Knowledge of affordable housing programs and opportunities

01. Creating affordable housing is risky without a partner. This discourages the production of homeownership units because of the margins of error being small in comparison to rentals. Affordable housing as a process is viewed as “tricky” from beginning to end. Only successes mentioned were on deals with a non-profit partner.
02. It would be helpful if there was some coordination between financing options and grants. The process of introducing one’s self to a new institution is often intimidating and it was noted that you find yourself meeting with people who are not enthusiastic about developers who are new to the process.
03. Construction timing is a stressor. Attendees report that they can build things faster than municipalities can approve projects and delays increase costs. “Float money” for construction delays is very stressful.

Top Four Themes Statewide

Identified through In-Person Statewide Listening Sessions

① Access to Capital

Access to Pre-Development Patient Capital

- Having relationships with institutions to apply for affordable housing financing is an intimidating process. Being new to the process often means that applications can be confusing and unhelpful in understanding what financing sources are available for their type of projects
- Investors only want to finance projects that have certainty on returns which encourages developers to only seek projects that are often rehabs or flips. This means that any hope to do affordable housing, especially homeownership, is financially discouraged and often impossible to build the needed housing

② Understanding the Affordable Housing Development Process

Public Land Disposition Process; Request for Proposals (RFP's)

- Some of the challenges noted by developers who attended the listening sessions involved preparing and submitting a successful Request for Proposal (RFP) for funding and land opportunities from a municipality and the state. Developers and organizations that have prior experience applying for funding and land dispositions have a natural advantage for a successful RFP bid.
- Emerging developers are often not notified when RFP proposals become available and may be unfamiliar with stakeholders in both municipal and state government who can provide guidance with the RFP. Additionally, the guidelines and terms for funding and land RFPs have an implicit bias towards developers and organizations that have an established background in affordable housing development and within the community itself.

③ Navigating Local Process

Zoning, Permitting and Planning

- The community and civic process is harsher if you're new to the development world. There is also a harsher expectation if you're a developer of color to do "better projects for the community or the neighborhood"
- There are so many different agencies, sign-offs, and people you need to meet with that it's impossible to track. The meetings are endless, unpredictable and there always seems to be "one more thing" and it often costs more money

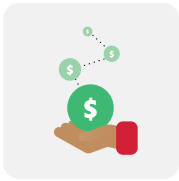
④ Building Development Networks

Joint Ventures with Favorable Terms (equity, etc.)

- Majority of joint ventures don't have equitable terms for projects. They often take advantage of using the community experience of an up-and-coming local developer to build relationships and don't pay us out with fairness for the labor
- Finding where a more experienced developer who would be interested in favorable terms is difficult. Trying to find opportunities to be in the same rooms trying to make a deal isn't easy. It's also not easy for reputable larger developers to find us when they want the talent for a specific kind of project.

Recommendations

Results from Pre-Facilitation Survey and In-Person Statewide Listening Sessions



Access to Capital

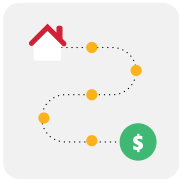
Pre-Development patient capital

Establish a Pre-Development Developers' Fund

- Increase opportunities for BIPOC developers to access predevelopment and patient capital to support the production of affordable rental and for-sale housing by BIPOC developers.

Additional Opportunities:

- Provide better access to receive funding
- Resolve the obstacle of pre-development costs often being non-bankable
- Increase competitiveness especially in this environment with rising construction costs and systemic barriers



Understanding the Affordable Housing Development Process

Land Disposition Process; Request for Proposals (RFPs)

Develop an Affordable Housing Resources Guide

- The Guide will be a comprehensive resource for developers looking to access funding opportunities through the state and most municipalities. The Resource Guide will include- but not limited to: Funding application deadlines; Program guidelines for state and locally administered funding program, i.e Affordable Housing Trust Fund (AHTF), Workforce Housing, Commonwealth Builder; One-Stop application example; Frequently Asked Questions (FAQ).
- RFP and land disposition preference for emerging developers and joint venture partnerships with an emerging developing associate. This preference will allow developers to gain points equitably during the RFP review.

Additional Opportunities:

- RFP process and technical assistance
- Efficiency issues and unpredictable timelines
- Regulatory process isn't transparent



Navigating Local and State Process

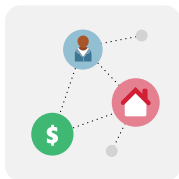
Zoning, Permitting and Planning

Increase technical assistance workshops

- Provide regional technical assistance workshops for emerging developers to learn how zoning, permitting, and planning processes work within municipalities, focusing on target communities, particularly Gateway Cities. The workshops could be facilitated by skilled practitioners and involve municipal government stakeholders, and organizations. These workshops could also provide an opportunity for emerging developers to network and build a rapport with stakeholders.

Additional Opportunities:

- Have more clear planning trainings so that developers know what to expect
- Making sure there is more clarity on how many departments a developer is expected to report to



Building Development Networks

Joint Ventures with favorable terms (equity, etc.)

Incentivize joint venture partnerships in affordable housing

- Develop new and/or reform existing lending products that will incentivize JV partnerships with emerging developers. These incentives could come in the form of preferred pricing or interest rate reductions.

Additional Opportunities:

- Municipal and state relationships take time and are difficult for an emerging developer
- Partnerships are helpful, but only if you can find them
- Credibility building is difficult and keeps your capacity capped.

Stay up to date with the Equitable Business Development Team

visit us at masshousing.com/EBD

Questions?

Please contact us at equitablebusinessdev@masshousing.com

Thank you to our partners!



Mel King Institute
For Community Building
A program of MACDC

**BUILDERS
OF COLOR
COALITION**

