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The Greater Boston Housing Report Card for 2009

November 12, 2009 - Appraisal & Consulting

The Greater Boston Housing Report Card for 2009, released in October, reported that on one measure housing affordability in Greater Boston has improved. The ratio of median selling price to median household income had dropped from 6.52 in 2005 to 5.42 in 2008. Based on this measure, on average, households will spend a smaller percentage of household income on housing than they did in 2005. However, housing is still very, very expensive, and this report card, prepared by the Dukakis Center at Northeastern University for The Boston Foundation and CHAPA, has a lot of bad news as well. The good news on affordable housing is almost exclusively related to federal stimulus programs which have jumpstarted the Low Income Housing Tax Credit (LIHTC) program and augmented the New Markets Tax Credit program. Both programs will fund numerous shovel ready projects in Mass., a well established center for affordable housing and more recently the New Markets program for low income communities. Both programs are rather extraordinary examples of the public private partnership at work.

The tax credit markets which depend mostly on corporate profitability for viability collapsed during the recession. Because Citibank along with Fannie Mae and Freddie Mac traditionally supported 40% of the LIHTC equity market, their withdrawal caused a turmoil that stalled equity sales and reduced affordable housing production. Under the American Recovery and Reinvestment Act (ARRA) signed by President Obama February 17th, the U.S. Treasury is authorized to exchange cash for unsold credits (Section 1602), known as the credit exchange program, and U. S. Department of Housing and Urban Development is authorized to provide cash under the Tax Credit Assistance Program, known as TCAP. Together, these funding initiatives will flow capital to affordable housing.

The National Housing and Rehabilitation Association (NHRA), at its Boston meeting November 2-3, brought together HUD senior staff, several state housing tax credit agencies, developers, investors, Fannie, Freddie and all the lawyers and accountants and market analysts for all sides to update the public private partnership on how the flow is progressing. These federal initiatives for affordable, or regulated, housing are complex. A public private partnership of sorts crafted, legislated, funded, distributed and is monitoring Section 1602 and TCAP funding. And it is working.

From our recent analysis of a dozen local multifamily markets, we can corroborate recovery trends in rents and occupancy in most submarkets. We can also confirm the efficacy of the delivery system under the LIHTC program which originated in 1986. However, each submarket has its idiosyncrasies in supply and demand factors and in tenure balance and economic outlook. The auto industry and banking industry will create its version of the public private partnership and hopefully its working relationship will be as engaging, creative and productive as this short chapter in affordable housing.

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