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A practical approach to middle-market housing

February 19, 2015 - Front Section

Mayor Walsh's housing policy highlights a priority for Boston that will ultimately determine who will be able to afford to live in this city. The complexity surrounding the shortage of rental housing rests in the fact that this is a public policy problem that can only be solved by the private sector. Having recently developed a major apartment community directed toward middle income renters in Allston, my company proved that the goal of developing large numbers of housing units for the middle class can be achieved, but not easily. We were able to build the project during the economic slowdown and replicating it today at the higher cost of land and construction would be challenging.

The mayor has wisely avoided the punitive approach to the housing problem by offering incentives rather than outmoded concepts like rent control, which may have been the largest single reason why Boston is so under-housed. The fact is that the only practical way to lower rents is to increase supply so significantly that the grip landlords have over tenants is broken, and there is equilibrium in the marketplace.

Coming from a developer, it sounds heretical to argue for increased supply when it will ultimately yield flat or even lower rents in Boston. But when a city only satisfies the needs of the very wealthy or the very poor, it is not in anyone's economic interest. This is simply a case of enlightened capitalism. The question is whether it is possible to achieve the mayor's lofty goals of creating a vast amount of housing that is neither luxury nor subsidized.

The challenge behind creating middle-market supply stems from the economic reality that the cost of a brick for a luxury downtown high-rise is exactly the same as for an entry-level apartment building in an outlying neighborhood where rents are lower. That explains why the vast majority of new projects are aimed at the luxury market. How then can the mayor meet his objectives?

First, the city should allow landlords to convert large three- and four-bedroom apartments into more but smaller units. This would add to the affordable housing stock almost immediately. They could create thousands of new apartments at rents far below new construction, and help solve the overcrowding problem plaguing many student neighborhoods.

Second, the city should provide a 10-year property tax exemption on middle-market apartment projects, as New York City offers through its 421-a program on new residential construction. This would have a meaningful impact on stimulating new construction beyond downtown Boston.

Third, based on a tragic basement fire years ago, there has been a virtual moratorium on the conversion of basement space into legal housing units. The city could create thousands of low-priced apartment units in older buildings if the basement conversion policy were changed.

Fourth, as the mayor has suggested, achieving higher density is essential in creating more housing. Density is a political third rail that has deterred past mayors concerned with facing the ire of the neighborhoods, but is a battle worth fighting for the greater good of the city.

Fifth, reduced parking requirements can significantly reduce project impact costs, especially if costly

underground parking is not required. While neighborhoods stridently oppose a lack of onsite parking due to the threat of creating additional competition for spaces, a concern which is valid, the notion of building one parking space for each bedroom in this "green" age is simply antiquated.

Sixth, some labor unions have already recognized that a reduced residential rate is appropriate on wood-framed projects outside of the downtown high-rise luxury market. The trade unions have invaluable expertise in building these types of structures, and if a residential labor rate was applied throughout all the trades for middle-market projects, it could significantly increase the production of workforce housing.

Seventh, while the city's affordable housing requirements on new developments serve a critical purpose, they make middle-market housing all the more difficult to build. For developments targeted toward the middle market, there should be a more flexible approach to satisfying affordable housing needs, including lump sum payments or offsite alternatives.

Eighth, the mayor's astute pledge to streamline the design review and permitting process will save developers a significant amount of money. From a developer's perspective, the permitting process has always taken too long, but more manpower will be required to speed up the approval of worthy projects.

Last, if developers want concessions to make their projects work, they must also exercise their own restraint in rental pricing. In our case in Allston, we deliberately chose to apply more moderate rents in exchange for achieving a faster lease-up, full occupancy, and fewer turnovers. But we believe in the karma of commerce and that respecting the economic circumstances of tenants comes back in the form of a higher level of respect toward the property and more stable long-term performance of an asset.

If Boston is to provide adequate housing for the backbone of its population, landlords, labor unions, and the city itself all need to make concessions to produce a result that will ultimately secure Boston's housing future.

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