

Affordable Housing Funding Committee

**Final Report to
the
Concord Select Board**

April 30, 2019

The Affordable Housing Funding Committee (AHFC) is grateful to the Select Board for convening our Committee and providing us the support to review, analyze, and recommend ways for our Town to reach the important goal of encouraging more affordable homes in Concord, as presented in the 2018 long-range plan, [Envision Concord Bridge to 2030](#).

We would also like to thank the residents of Concord for their support at Town Meeting and throughout this process. Concord is a special community comprised of people who care for each other and for the future of our Town.

This update to the AHFC's [Preliminary Report](#) on October 29, 2018 outlines two important points to consider in maintaining the momentum set in motion by residents when they voted to approve the four warrant articles supporting affordable homes at the 2019 Town Meeting:

- the timeline and next steps for implementing these strategies
- a potential funding gap in reaching the Town's goals

Timeline and Next Steps

It is expected that it could take two years for the building permit and transfer fee surcharges to be approved by the State Legislature, a second Town Meeting and then a Concord Town-wide election before the projected funding is available. It is crucial that the Town work as quickly as possible to move this process along.

Some considerations for the Town and the Select Board to expedite this process:

May to September 2019

1. **Affordable Housing Trust Fund:** Develop the bylaws quickly so that if Concord needs a special Town Meeting for some other purpose this year, these can be approved at the same time.
2. **Transfer fee surcharge:** Pursue the Concord proposal independently of pending Senate and House bills on transfer fee surcharges (see section below on Transfer Fees). Concord can show support for the statewide proposals, yet ensure that Concord could implement a transfer fee should the statewide initiatives not pass.
3. **Transfer fee surcharge:** Coordinate with Concord's state legislative representatives on developing a coalition of communities that already have similar legislation filed, are thinking of pursuing similar legislation, or that have pursued it at the state level in the past. (Boston, Cambridge, Somerville, Lynn, Watertown, and Martha's Vineyard.) Ask Concord's representatives to invite their colleagues who co-sponsored the proposed statewide transfer fee surcharge to co-sponsor Concord's petition.
4. **Building permit fee surcharge:** Gather public input, as promised at Town Meeting, about the appropriate level of the fee surcharge, keeping in mind how much revenue this will contribute to the total revenue goal for affordable homes. Having a warrant article ready for the 2020 Town Meeting can accelerate implementation of this funding source if the State Legislature approves the proposal quickly.

October 2019 (in anticipation of the 2020 Town Meeting)

1. **Planning Board housing initiatives:** Support the Planning Board as they evaluate changes in zoning to permit accessory apartments, multi-family dwellings, alternative housing types, multi-use homes and other measures that could help Concord reach its affordable homes goals at a lower cost per unit.

Ongoing

1. **Payment in Lieu of Taxes (PILOT):** Reassess the fairness of continuing to have the six wealthiest exempt organizations in Town that own the most land in Concord pay no property tax. Join the expanding list of communities that are successful in implementing similar programs.

Potential Funding Gap

While there are many ways affordable homes are funded – through federal or state programs or partnerships with developers or nonprofit organizations – the right opportunities and circumstances must be present for the cost of an affordable home to be below the estimate of \$400,000 to \$500,000. Even the construction cost of a small two-bedroom, 1,200 square foot home on the Gerow property, with the land provided by the Town, is projected to be at least \$228,000. And, this estimate does not include many necessary “soft” development costs like attorney and architect fees. (See *Gerow Property Assessment & Feasibility Report*, page 20.)

The projected revenues of \$2.76 million per year from Articles 25 and 26 represent approximately 55% - 69% of the amount Concord may need to reach its affordable homes goals.

Source	Potential Revenue
Article 25: Local Real Estate Transfer Fee Surcharge with \$600,000 exemption	\$1,300,000
Article 26: Building Permit Fee Surcharge	\$1,460,000
Total	\$2,760,000

This amount does not include the \$500,000 in Free Cash voted at the 2019 Town Meeting. This is a one-year allocation of Free Cash. It is expected that the Town will continue to provide \$500,000 per year until Articles 25 and 26 are implemented and generating revenue. Future allocations of this \$500,000 need to be approved at each Town Meeting.

The \$2.76 million could potentially fund six to seven affordable homes per year. If Concord has concerns about having less than 10% of its housing stock affordable or, if residents choose to reach this goal only through single family affordable homes, additional funding sources will likely be needed.

The \$1.46 million in building permit fee surcharge revenue assumes a surcharge of \$15 per \$1,000 in construction value, and is based on 2017 building permit values. If the surcharge is lower than this, revenues could be significantly less. For example, the hypothetical example of a flat \$5 surcharge discussed at Town Meeting would result in decreased revenue from this strategy of 66% or \$974,000. This decrease is approximately the cost of two affordable homes.

Transfer Fee Surcharge Update

Since the Committee's *Preliminary Report*, state legislation supporting the transfer fee surcharge was filed (Senate Bill S.773 and House Bill H.1769). This legislation allows any of the 100 current municipalities with an Affordable Housing Trust Fund or similar fund to impose a fee or range of fees between 0.5% and 2% on the purchase price of real property. This transfer fee surcharge has strong support; 45 legislators co-sponsored these bills, including Concord's State Senator Mike Barrett and Concord's State Representative Tami Gouveia.

Somerville filed a home rule petition (House Bill H.2423) to establish a transfer fee surcharge to fund affordable homes. Boston is currently holding hearings on a potential transfer fee surcharge for affordable housing. Lynn and Watertown are said to be considering a surcharge.

It is clear that state legislators and communities that are concerned about providing affordable homes are committed to increasing the real estate transfer fee. Concord should also remain committed to this path.

Summary

In the recommendations for predictable, sustainable funding sources for affordable homes in Concord, the Committee, which conducted research and review from September 2017 through April 2019, evaluated 10 options. The group consulted with more than a dozen Concord Town departments and organizations, numerous Concord residents, local business people, state agencies, state legislative staff, and representatives from towns across the Commonwealth.

Throughout this time, four key principles guided our work:

1. Recapturing our Town's housing diversity requires change.
2. Identifying predictable, sustainable revenue sources is essential for good fiscal planning and cost-effective development of affordable homes.
3. Taking action now gives residents more control to achieve the Town's housing goals and sustain Town character.
4. Maintaining a fair and broad perspective does not rely on a single group for revenue.

The AHFC is proud to have contributed to this important step in keeping Concord the special place we all know it to be.