



Chapter 40B

The State's Affordable Housing Law

Chapter 40B, also known as the Comprehensive Permit Law, was enacted in 1969 to help expand the number of communities and neighborhoods where households with low and moderate incomes could afford a safe and affordable home. The law helps to reduce barriers to production created by local approval processes, local zoning, and other restrictions. **In 2010, 58% of voters in Massachusetts overwhelmingly supported keeping Chapter 40B as a tool for providing affordable homes for seniors and working families.**

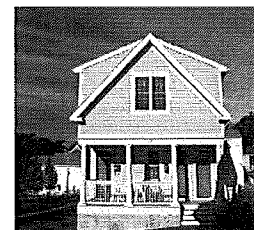
Chapter 40B enables local Zoning Boards of Appeals (ZBAs) to approve housing developments under flexible rules if at least 20-25% of the proposed units have long-term affordability restrictions.

- ⇒ The developer (a public agency, non-profit organization, or limited-dividend company) has the right to appeal an adverse local decision to the State in communities with little affordable housing (less than 10% of its year-round housing or 1.5% of its land area).
- ⇒ Communities that have not yet met one of these thresholds can receive one- or two-year exemptions from State appeals by adopting a housing production plan and meeting short-term housing production goals.)

Chapter 40B – Serving Working Families and the Elderly

In most cases, Chapter 40B developments are communities with a mix of market rate and affordable homes, apartments, or condominiums. The market rate units often serve middle-income singles, seniors, and families who make between 100% and 150% of the area median income.

- ◆ Affordable units are reserved for seniors or families who make less than 80% of the area median household income. Most of the residents in the affordable apartments and homes earn less than \$50,000 per year.
- ◆ Nurses, teachers, retirees, carpenters, plumbers, electricians, office management staff, and other occupations critical to our state's workforce reside in these homes.



Counting Units toward the 10% Affordable Housing Goal:

1. Units must be part of a "subsidized" development built or operated by a public agency, non-profit, or limited dividend organization;
2. At least 25% of the units in the development must be restricted to families with incomes of less than 80% of the median and have rents or sale prices restricted to affordable levels. These restrictions must run at least 30 years;
3. The development must be subject to a regulatory agreement and monitored by a public agency or non-profit organization; and
4. Owners must meet affirmative marketing requirements.

Accomplishments – A Long History of Results

- ◆ Produced more affordable housing than any other housing program in the Commonwealth.
- ◆ Over 60,000 affordable units produced in almost 1,200 developments, including over 42,000 rental units and 18,000 ownership units.
- ◆ 44 communities meet the 10% affordable housing goal, 4 meet the 1.5% land area standard, and six towns have received two-year exemptions for making progress toward their housing production goals, as of November 2013.
- ◆ 78% of all new affordable housing units were produced in rural and suburban communities (excluding group home beds and homeowner rehab loans), between 1997 and 2010.
- ◆ 44 communities have met the 10% threshold, up from 39 in 2011; 40 communities are at 8% or 9% – up from 17 in 2001; and 57 communities are at 6% or 7% – up from 52 in 2001.
- ◆ 62 communities have approved housing production plans and 6 have two-year exemptions from Chapter 40B appeals as a result of meeting their housing production goals.

The Comprehensive Permit Process – Providing Flexibility for Affordable Housing

- ⇒ To qualify for Chapter 40B, a development proposal must receive a letter of project eligibility under a state or federal housing program. To be eligible, at least 25% of the units must be affordable to low income households who earn no more than 80% of the area median income. Alternatively, for rental housing, the project can provide 20% of the units to households below 50% of median income. Developers must also restrict their profit to a maximum of 20% in for-sale developments and 10% per year for rental developments (unless indicated otherwise in the subsidy program or the comprehensive permit).
- ⇒ Once the project is determined to be eligible, the developer can submit an application for a comprehensive permit to the local ZBA. Within thirty days of the receipt of the application, the ZBA begins a public hearing, which lasts up to six months. The ZBA may apply more flexible standards than the local zoning requirements. The developer, however, must still obtain all permits required by state statutes, such as wetlands protection, state highway access permits, and a local building permit. The ZBA may also include conditions on any aspect of the project such as restrictions on height and density, requiring a longer term affordability of the project, or utility improvements.
- ⇒ After ending the public hearing, the ZBA must issue a decision within forty days. The ZBA may take one of three actions: (1) it may approve the application as submitted; (2) it can approve the project with conditions or changes; or (3) it can deny the application altogether.
- ⇒ If the board denies the application or imposes “uneconomic” conditions, the developer may appeal the decision to the Housing Appeals Committee (HAC) if the project is in a community that has less than the required affordable housing thresholds or if the community has not received an exemption from DHCD.

Regulatory Changes to Chapter 40B

Although the language of Chapter 40B statute has not changed since 1969, regulatory changes have allowed it to remain a dynamic law that continues to meet the affordable housing needs of the Commonwealth.

Highlights include:

Local Control. Recently adopted regulations make it easier for communities to become temporarily appealproof by lowering the number of subsidized housing units they must create each year to demonstrate that they are making progress toward the 10% goal. Regulations also allow communities to reject a 40B application if a developer submitted an application for the same site for a non-40B development within the previous 12 months.

Unit Counts. Municipalities can now count group homes, accessory apartments, locally assisted units, and units funded under the Community Preservation Act toward their 10% goal. Changes also allow towns to count units as soon as a comprehensive permit is issued rather than waiting until a building or occupancy permit is issued.

Project Size Limits. Towns may limit project size to 150-300 units, depending on the size of the community, unless the ZBA chooses to allow a larger project. Communities may also delay hearing applications if they are already hearing three or more applications for projects involving a large number of units.

Audits and Cost Certification. DHCD now requires compliance with extensive audit and cost-certification guidelines regarding the profit limitations imposed on 40B developments.

Project Review. Guidelines require subsidizing agencies to more extensively review project designs including how they fit into the neighborhood and town planning efforts. DHCD agencies issued a 40B Design Handbook in early 2011 to facilitate the design review process.

Transparency. Any developer submitting a project eligibility application to a subsidizing agency must also send a copy to the local chief elected official and a written notice to DHCD. The subsidizing agency must also notify communities as soon as it receives a project eligibility application and must consider local comments and conduct a site visit during the 30-day review period.

Fact Sheet on Chapter 40B

The State's Affordable Housing Zoning Law

Prepared by Citizens' Housing and Planning Association
Updated, March 2003

What is Chapter 40B?

Chapter 40B is a state statute, which enables local Zoning Boards of Appeals (ZBAs) to approve affordable housing developments under flexible rules if at least 20-25% of the units have long-term affordability restrictions. Also known as the Comprehensive Permit Law, Chapter 40B was enacted in 1969 to help address the shortage of affordable housing statewide by reducing unnecessary barriers created by local approval processes, local zoning, and other restrictions. Its goal is to encourage the production of affordable housing in all communities throughout the Commonwealth.

In most 40B developments, the production of the market rate units subsidizes the reduced prices of the affordable units. Chapter 40B encourages the production of affordable housing units at little or no cost to the state or federal government.

What has Chapter 40B Accomplished?

Many communities have used Chapter 40B to successfully negotiate the approval of quality affordable housing developments. The program is controversial, however, because the developer (nonprofit organizations or limited-dividend companies) has a right of appeal if the local zoning board rejects the project.

Since its inception, Chapter 40B has been responsible for the production of affordable housing developments that otherwise may not have been built under traditional zoning approaches. Developments built through Chapter 40B include church-sponsored housing for the elderly, single-family subdivisions which include affordable units for town residents, multifamily rental housing developments, and mixed-income condominium projects.

Since 1970, more than 485 developments have been built in more than 200 communities representing approximately 30,000 units of housing (18,000 of these units are reserved for households below 80% of median income). In recent years, much of this housing was produced with very little local, state or federal monies.

Also, Chapter 40B has encouraged many cities and towns to form affordable housing committees to plan and implement a local strategy to build affordable housing in their community.

Who is Served by Chapter 40B Housing Developments?

In most cases today, Chapter 40B developments are communities with market rate and affordable homes, apartments or condominiums. The market rate units often serve middle-income singles, seniors and families who make between 100% and 150% of the area median income.

The affordable apartments/condominium and homes are reserved for seniors or families who make less than 80% of median household income for the area. Most of the residents in the affordable apartments and homes earn less than \$50,000 per year. Below are the guidelines for the greater Boston area.

Income Eligibility for Affordable Units in Boston Metropolitan Statistical Area

2003 Median Income for a Family of 4 - \$80,800

Income Guidelines for the affordable units at 80% of median income:

1 PERSON	2 PERSON	3 PERSON	4 PERSON
\$43,850	\$50,100	\$56,400	\$62,650

How Does a Development Qualify Under Chapter 40B?

To qualify for Chapter 40B, a development proposal must first be approved under a state or federal housing program, such as MassHousing, MassDevelopment, the Department of Housing and Community Development, or the U.S. Department of Housing and Urban Development. At least 25% of the units must be affordable to lower income households who earn no more than 80% of the area median income (Alternatively, the project can provide 20% of the units to households below 50% of median income.) Towns are allowed to establish a local preference for residents. Developers (whether for-profit or nonprofit) must also agree to restrict their profit to a maximum of 20%.

After a project has been determined to be eligible, the developer can submit an application for a comprehensive permit to the local Zoning Board of Appeals (ZBA). The ZBA is empowered to grant all local approvals necessary for the project after consulting with other relevant boards, such as the Planning Board, and the Board of Health. This results in a more streamlined review process at the zoning board, although it typically involves a number of hearing sessions. State regulations, such as the Wetlands Protection Act, Title 5, and all building codes, remain fully in effect under the comprehensive permit. Therefore, the local Conservation Commission will review the project regarding compliance with the state's Wetlands Protection Act.

In addition to the streamlined process, the Zoning Board of Appeals is authorized to apply more flexible standards instead of the strict local zoning by-law requirements. For example, a local zoning code may require two acres of land for each house or prohibit multifamily housing entirely. Under Chapter 40B, the Zoning Board of Appeals can approve a project with greater density, thereby making it financially feasible to develop affordable housing. ZBAs can also require projects to have a greater number of affordable units.

How Does the Local Review Process Work?

A developer acting under Chapter 40B submits a single application to the Zoning Board of Appeals. The zoning board notifies the applicable local boards and requests their recommendations. Within thirty days of the receipt of the application, the zoning board begins a public hearing, which typically continues for several months while concerns are explored and addressed. The zoning board must issue a decision within forty days after ending the public hearing. The zoning board may approve the application as submitted, it can approve the project with conditions or changes, or it can deny the application altogether. If the board denies the application or imposes unreasonable conditions, the developer may appeal the decision to the Housing Appeals Committee.

The developer must still obtain various permits required by state statutes, such as wetlands protection, state highway access permits, and a local building permit.

Do Communities Have Control Over the Proposed Development?

Zoning boards and other town officials often work with developers to modify the project. Furthermore, the zoning board may include conditions and requirements on any aspect of the project such as height, density, site plan, utility improvements, or long-term affordability--provided these conditions do not make the development economically unfeasible.

Over the past two years, the Massachusetts Housing Partnership has provided extensive technical assistance and support to more than 75 local ZBAs to help them with project review and negotiations with developers.

How Does the Appeals Process Work?

If the ZBA rejects the affordable housing development, the developer may be able to appeal the decision to the State Housing Appeals Committee (HAC), which can overrule the local decision unless the proposed development presents serious health or safety concerns that cannot be mitigated. This right of appeal is only available in communities where less than 10% of the year-round housing meets the statute's definition of low and moderate income housing or where low and moderate income housing exists on sites comprising less than 1.5% of the municipality's total land area zoned for residential, commercial, or industrial use.

The combination of flexible rules and a right of appeal has meant that the vast majority of Chapter 40B proposals are negotiated at the local level and approved by the local board of appeals. Issues such as density, buffer zones, conservation areas, and infrastructure improvements are typical items for negotiation. For those proposals that go to the State Housing Appeals Committee, the record has generally been in favor of allowing reasonable projects to move forward.

From 1970-2002, 415 cases have been appealed to the State Housing Appeals Committee. Below is breakdown of the disposition of these cases:

45% of the cases were withdrawn, dismissed, or settled
24% of the cases were negotiated between the town and the developer
31% of the cases were decided by the HAC. Of these, 84% ruled in favor the developer and 16% ruled in favor of the town.

How Do Units Count Toward the State's 10% Affordable Housing Goal?

The units count if they meet the following criteria:

- 1) They must be part of a "subsidized" development built or operated by a public agency, non-profit, or limited dividend organization.
- 2) At least 20-25% of the units in the development must be income restricted to families with incomes of less than 80% of median and have rents or sale prices restricted to affordable levels. These restrictions must run at least 30 years for new construction.

- 3) The development must be subject to a regulatory agreement and monitored by a public agency or non-profit organization.
- 4) Owners must meet affirmative marketing requirements.

What Regulatory Changes Have Been Made to Chapter 40B in the Past Two Years?

Since March, 2001, DHCD has made 16 regulatory changes to Chapter 40B, including:

- Imposing a project size limit of 150-300 units, depending on the size of the community.
- Enabling a municipality to reject a 40B application if a developer submitted an application for the same site for a non-40B development within the previous 12 months.
- Allowing group homes, accessory apartments, locally assisted units, and units funded under the Community Preservation Act to count toward a community's 10% goal.
- Enabling a community to deny a comprehensive permit if that community has made recent progress on affordable housing. This is defined as either: a 2% increase in affordable housing over the previous 12 months or .75% increase plus an approved housing plan over the previous 12 months.
- Allowing units to count on the subsidized inventory as soon as a comprehensive permit is issued rather than having to wait until a building or occupancy permit is issued.
- Requiring DHCD and the local chief elected official to be notified when a developer applies to the ZBA.
- Requiring a 30-day comment period for communities from the time a 40B application is filed. The subsidizing agency must consider the community's comments when issuing a site letter.
- Mandating that site approval letters contain more extensive, standardized information.
- Requiring developers who want to access financing from the New England Fund to obtain a site approval letter from a state agency. The state agency will then monitor and oversee the project.
- Updating of the subsidized housing inventory every two years (communities can submit changes to DHCD at anytime).

What Progress Has Been Made?

- Approximately 30,000 units have been created under 40B statewide since the early 1970s, including approximately 18,000 affordable units for households below 80% of median income. This is more than any other state housing production tool the Commonwealth has had.
- There are 3,564 units in 30 developments that have recently been approved under Chapter 40B and are under construction or nearing construction. This will provide homes to approximately 6,000 people in communities where jobs are located.

- There are 33 communities that have exceeded the 10% goal, up from 23 in 1997. Over the past two years, 9 new communities exceeded the 10% goal, including: Georgetown, Hadley, Burlington, Westborough, Raynham, Framingham, Tyngsborough, and Revere.
- There are 18 communities that are at 8% or 9% and are likely to reach the 10% goal in the near future, including: Peabody, Somerville, Lincoln, Newburyport, Andover, Abington, Haverhill, Quincy, Clinton, and Webster. There are another 15 communities at 6% or 7%.
- The following communities have made significant progress in the past few years. Below are units added to the subsidized housing inventory as a direct result of 40B:

	<u>Last 4 Years</u>	<u>Previous 30 Yrs</u>
Marlborough	588 units	488 units
Danvers	443 units	253 units
Peabody	476 units	711 units
Wilmington	331 units	119 units
Abington	330 units	72 units
Raynham	275 units	193 units
Tyngsborough	266 units	116 units
Westborough	263 units	209 units
Georgetown	210 units	140 units
Lexington	167 units	629 units
Hadley	160 units	37 units
Newburyport	157 units	509 units
Methuen	142 units	922 units
Barnstable	140 units	813 units
Plainville	88 units	40 units
Hull	83 units	68 units
Holliston	75 units	78 units
Weston	50 units	76 units
Plympton	40 units	0
Sherborn	34 units	0

- There are 55 communities that need to produce or preserve 200 units or less to reach the 10% goal (both affordable and market rate rental units count toward the 10% goal).
- Excluding the cities over 10% (Boston, Cambridge, Springfield, Worcester, etc), 40B units accounted for **34%** of all new affordable housing built in these communities since 1972.
 - 85 communities required 40B for at least 50% of their affordable housing production
 - 22 communities required 40B for 100% of their affordable housing units
- Excluding the cities over 10%, over the past five years, **82%** of all new production of affordable housing units was the direct result of 40B.
- There are nearly 15,000 units in 165 developments in over 120 communities that are in the 40B hearing process at the local level. No other production program comes close to matching this output.

For additional information contact: Citizens' Housing and Planning Association (617) 742-0820.