Lead Organizations
MassHousing

Location
Massachusetts

Tenure
Rental

Project Stage
Proceeding to Construction

THE WORKFORCE HOUSING FUND

MassHousing is an independent, self-sustaining quasi-public agency established in 1966 to address housing challenges across Massachusetts. It provides financing to support affordable homeownership and rental housing development for low- to moderate-income households, with a mission to strengthen communities and expand economic opportunity.

CASE FILE 03: THE WORKFORCE HOUSING FUND

THE CHALLENGE

In 2013, Boston experienced a surge in luxury rental development, with 9,800 new luxury apartments and condominiums expected to be built between 2014 and 2017. This growth was largely driven by strong demand across the metropolitan area after years of limited new housing supply. However, these units remained out of reach for many residents, with one-bedroom rents ranging from roughly $2,700 to $4,135. At the same time, average rents for two-bedroom units in the Boston area were around $2,602, highlighting a significant mismatch between new supply and local income levels. As a result, many middle-income earners remained priced out of both new and existing housing. Competition for limited “naturally occurring” affordable housing intensified, while homeownership became increasingly inaccessible as condominium prices rose to levels comparable with single-family homes. These trends raised concerns that Boston—long viewed as a magnet for workers and young families across income levels—could lose its affordability advantage and, with it, its economic competitiveness.

SUCCESS FROM THE FIELD

1,566+
workforce units created between 2017 and 2023

73+
Projects delivered including workforce housing units

27
cities/towns have benefited from workforce housing development

THE RESPONSE

In the face of the increasing strain felt by moderate-to-middle income households, MassHousing, a state financing agency in Massachusetts, created a new financing tool that would incentivize and encourage developers to contribute new workforce housing units. The Workforce Housing Fund was a 100-million-dollar initiative that offered low-cost subordinate loans, typically at 0 to 3 per cent interest, to help developers bridge the gap between project costs and workforce-affordable rents.

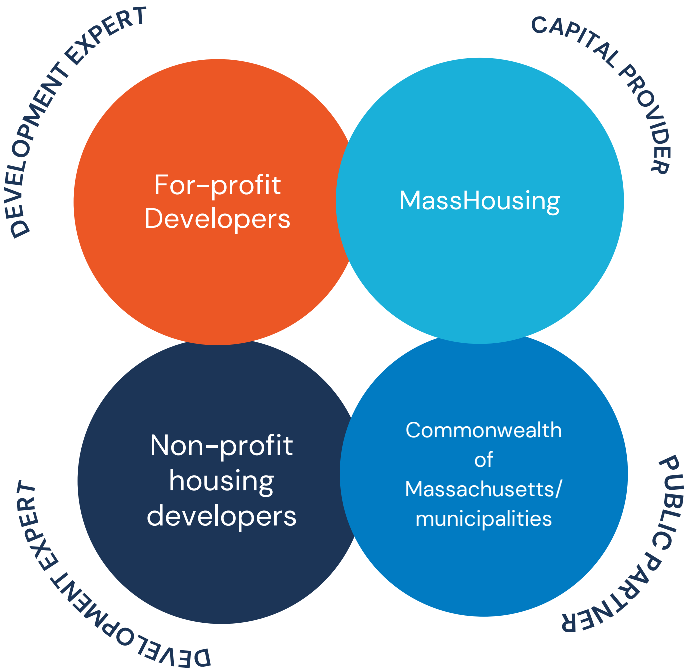
Funding is provided on a per-unit basis of $100,000 per workforce unit, allowing projects to add a small number of workforce units or scale up to larger mixed-income developments, subject to the per-project cap of $3 million. In exchange, developers agree to long-term affordability requirements, income limits, rent restrictions, and compliance monitoring.

The tool supports new construction, adaptive reuse, and preservation, and can be layered with other MassHousing financing, to deepen affordability and encourage more mixed income development. The fund can be accessed by for-profit or non-for-profit developers.

AFFORDABILITY MODEL

- Serves households earning approximately 61 to 120 per cent of Area Median Income (AMI)
- Uses deed restrictions, ensuring affordability for 15 to 40 years
- Requires compliance monitoring and income certification every two years
- Uses a “next available unit” rule, which maintains the total number of affordable units without immediately displacing households if earnings exceed eligibility threshold

PARTNERS IN THE FIELD



WATCH POINT

The GTHA is experiencing conditions similar to Greater Boston ahead of MassHousing's workforce housing program: developers are struggling to finance new projects amid a wave of new supply that is misaligned with consumer demand. At the same time, there is growing interest in repositioning projects, given the major stall in development due to financing conditions.

This marks a particularly important moment for a financing tool that can act as an enabler for developers to deliver below market units as a part of broader projects. The watchpoint for the GTHA is whether federal and provincial housing finance programs can be structured to achieve a similar scale of impact while responding to today's more challenging development economics.

MINIMUM VIABLE PARTNERSHIP CONFIGURATION

Capital Provider and mission steward: MassHousing

Provides financing, enforces affordability rules, monitors compliance, and maintains long-term affordability.

Development experts: Private and non-profit developers

Identify sites, structure deals, manage approvals, deliver housing, and accept affordability requirements in exchange for financing support.

Public partners: Commonwealth of Massachusetts and Municipalities

Set the policy framework, provide approvals, and in some cases contribute state-owned land, zoning flexibility, or financial support.

INTEL FOR COMMAND CENTRAL

The GTHA needs tools that make the math work for workforce housing. The Massachusetts experience shows that well-designed incentives can shift the product developers deliver and create more housing that middle-income earners can afford.

- A well-designed financing tool—anchored by relatively modest public investment—could unlock stalled or marginal projects and expand mixed-income development across a broad geographic area.
- Workforce housing does not need to be delivered as standalone projects; affordability can be embedded within a range of mixed-income developments.
- The creation of a formalized program for middle-income earners and standardized deal terms increased certainty for developers, municipalities, and capital providers, reducing perceived risk by clarifying expectations and prioritizing workforce housing in policy.

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> *"These working middle-income families are the foundation of our economy and talented workforce, and the creation of this $100 million fund by MassHousing will advance opportunities for them to thrive and prosper."*
>
> – *Former* Governor of Massachusetts Charlie Baker