2018 Community Lending Plan

Executive summary

The Federal Home Loan Bank of Boston is a cooperatively owned wholesale financial institution dedicated to serving its member financial institutions and supporting affordable housing and economic growth.

The Bank operates several housing and community investment programs that provide capital funding sources members and their development partners can use to invest in our New England communities, leverage other funding, and create longer-term economic and community benefits.

Since 1990, the *Affordable Housing Program*, including the *Equity Builder Program*, has provided direct grants and interest-rate subsidies to finance the acquisition, construction, and rehabilitation of affordable rental and homeownership housing. *Community Development advances* and *New England Fund* advances provide flexible capital to support a wide range of residential, commercial, and mixed-use initiatives. *Jobs for New England* offers members zero-percent advances for small businesses to create or preserve jobs and bring about economic activity. *Helping to House New England* offers the six New England housing finance agencies zero-percent advances to address each state's individual affordable housing needs.

The AHP's guiding principles ensure that the program remains a source of flexible, gap funding to serve a balanced mix of housing types, locations, and households/income levels; maintains transparency, simplicity, and accessibility for members and their business partners; and implements design and administration to meet changing community and housing marketplace needs.

The 2018 Community Lending Plan presents the Bank's research and priorities regarding New England housing and economic development credit needs and opportunities. It establishes specific strategies and initiatives to address these priorities and identifies targeted community lending performance goals. The plan was developed in consultation with the Advisory Council and is based on primary and secondary market research and the results of 2017 community investment programs and outreach activities.

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2018 Key Community Development Priorities

1. Affordable housing production and preservation.
    a. These are both essential to increase the supply of affordable housing and respond to the housing cost burdens facing households across the income spectrum.
    b. It is a New England-wide priority to support housing opportunities serving all household types including families, seniors, and millennials.
    c. Affordable housing investment remains a core component to support economic development by providing economic and housing stability for lower wage workers.

2. Community-based investment. A balanced approach to affordable housing investments is critical to support community revitalization and catalyze private investment, creating opportunities both in distressed/at-risk communities and higher income communities.

3. Partnerships exploring the linkages between housing, economic opportunity, healthcare, and education.
    a. Affordable housing investment combined with supportive services can yield tangible and cost-effective health benefits for a variety of initiatives, e.g. seniors, homeless, and families.
    b. Housing initiatives can both lead and support access to educational resources, civic and community services, public space, and economic opportunity.
    c. Explore strategies to address the reemerging challenges of gentrification and displacement affecting both urban and rural communities throughout New England.

4. Small business development and job creation.
    a. These efforts promote economic diversity and resilience in our changing economies and workforce.
    b. This is critical for rural and gateway communities.
    c. Future economic development initiatives need to focus on long term job growth needs and skills development.

5. Affordable homeownership development and mortgage financing opportunities. These remain central New England-wide priorities, in order to support first-time homebuyers and ensure access to housing markets for a wide range of households.

6. Affordable Housing Program Modernization. Efforts will continue in 2018, necessitating further partnerships and advocacy among the Federal Home Loan Bank of Boston, member financial institutions and policy makers across New England.

2018 Strategies, Initiatives, and Targeted Community Lending Goals

The Bank will administer its community investment programs, conduct community development outreach, build partnerships with stakeholders, and develop and enhance its programs to address its core community development priorities. Specifically, the Bank proposes the following:

Strategy 1. Effectively deliver the Bank's Housing and Community Investment programs

Initiatives:

1. Effectively administer AHP, CDA, EBP, HHNE, JNE, and NEF Programs.
2. Operate the AHP as a flexible funding source to ensure equal access and a balanced portfolio of housing initiatives responding to changing needs across New England and the communities our members serve.

Strategy 2. Conduct community development outreach and networking activities with members and other community partners

Initiatives:

1. Seek partnerships with New England regional stakeholders such as the state housing finance agencies, our Advisory Council, Federal Reserve Bank of Boston, the FDIC, OCC, and SBA.
2. Sponsor the 2018 Affordable Housing Development Competition.
3. Develop outreach events to build public-private partnerships and expand private capital to meet New England-wide community development goals.
4. Develop partnerships to respond to potential Affordable Housing Program regulation reform efforts.

Strategy 3. Pursue community development and solution-oriented research, including program enhancements

Initiatives:

1. Establish AHP scoring categories that respond to critical needs in the district.
2. Conduct research to streamline program effectiveness and expand access and usage, primarily for AHP, JNE, and HHNE.

Targeted Community Lending Goals:

A) Conduct targeted trainings and events primarily for AHP, EBP, CDA, and JNE

B) Conduct at least three outreach activities to respond to the 2018 plan's primary or other community development priorities based on funding availability. Topics may include:

- *i)* Affordable housing finance mechanisms, including Low Income Housing Tax Credits and other public and private funding streams in light of changing federal and state budget priorities and capacities;
- *ii)* Housing development cost effectiveness;
- *iii)* The linkages between housing and education, economic opportunity, and health care;
- *iv)* Rural affordable housing and economic development priorities;

   v) Concept of 'naturally occurring affordable housing'; and
   vi) Job creation and job training for construction trades.

C) Analyze JNE and HHNE to determine overall program effectiveness and impact.

Community Development Market Needs and Opportunities in New England

Primary research for the Plan focused on the state-level priorities identified in the state Qualified Allocation Plans for Low Income Housing Tax Credits (QAP) summarized in Attachment A. Results of the Bank's programs and its outreach are summarized in Attachment B. Six of these outreach events contributed directly to the development of the plan. The Bank cosponsored three 'listening luncheons' with NeighborWorks America-Northeast District in Providence, Rhode Island, Rutland, Vermont, and Springfield, Massachusetts. Member financial institutions, state funding agencies, and community developers discussed a range of affordable housing and economic development opportunities, challenges and goals in the communities they serve. The Bank partnered with the Housing Development Fund to host a "Housing and Health Care" forum in Old Greenwich, Connecticut. Together with the Citizens' Housing and Planning Association, the Bank facilitated the forum "Doing Business in Uncertain Times" addressing the changing political, policy, and economic context for affordable housing and economic development in New England. Lastly, the Bank also led the seventeenth annual Affordable Housing Development Competition.

Housing and Community Development

Supply and Demand

There is a structural imbalance between the supply of and demand for housing across New England and the nation. Nationally the rental vacancy rate has continued to decline reaching its lowest point, at 6.9 percent, in over thirty years. While construction activity is increasing, it remains below the increasing rental demand. Moreover, housing production and supply continue to favor the higher end. During the period from 2005 to 2015, the number of apartments renting for $2,000 or more per month increased by 1.5 million while the number of rental units available at less than $800 declined by 261,000. (Joint Center for Housing Studies, 2017)

The National Low Income Housing Coalition (NLIHC) reports in its annual housing affordability report *Out of Reach 2017* that the United States has a net shortfall of 7.4 million available rental homes affordable to extremely low-income households (ELI), due to low vacancy rates, rising land and property values, affordable units converting into market rate units, and higher income earners renting affordable units.[1] For the 11.4 million ELI households this translates into only 35 affordable rental units for every 100 ELI households. Additionally, there are only 55 affordable

[1] Extremely low-income households are defined as earning up to 30 percent of the area median income, adjusted for family size, as published by the United States Department of Housing and Urban Development (HUD).

units available for every 100 very low-income households and 93 units per 100 low-income households.[2] (NLIHC, 2017)

Table 1. New England Rental Vacancy Rates by State

State	Vacancy Rate Q1 2017 (%)
Connecticut	7.4
Maine	4.3
Massachusetts	5.8
New Hampshire	3.3
Rhode Island	2.6
Vermont	3.8

Source: U.S. Census Bureau: Quarterly Vacancy and Homeownership Rates by State and MSA, for the first Quarter of 2017

New England is struggling to bring supply up to meet demand. According to HUD's New England Regional Report, the vacancy rate in the first quarter of 2017 ranged from a low of 1.9 percent in Manchester, New Hampshire, to a high of 7.1 percent in Bridgeport, Connecticut. The Report also found that "every major metropolitan area in the region had an increase in the average rent compared with average rents during the first quarter of 2016". (HUD, 2017)

As noted in the Massachusetts 2017 Low Income Housing Tax Credit Qualified Allocation Plan, "in many locations, rents exceed pre-recession levels, and vacancy rates are at historic lows…furthermore, when new projects with affordable units are completed, the ratio of eligible applicants to units can exceed 15:1 to 25:1" (MA QAP, 2017).

The Federal Reserve Bank of Boston found that single-family and multifamily permit activity has been increasing during the five-year period from May 2012 to May 2017, with some notable exceptions. Multifamily permits appear to be declining in Connecticut, Maine, and New Hampshire. Massachusetts has seen significant growth as well as Vermont and Rhode Island. The need for housing varies among demographics and regions throughout New England; however, there is no state that has sufficient housing to meet demand.

Table 2. One-Year and Five-Year Changes in Single-Family and Multifamily Permits in New England and the U.S.

	May 2012 Single-Family Permits	May 2016 Single-Family Permits	May 2017 Single-Family Permits	% Change 2016-2017	% Change 2012-2017
Connecticut	185	159	239	50.3	29.2
Maine	179	296	258	-12.8	44.1
Massachusetts	441	606	607	0.2	37.6
New Hampshire	185	210	208	-1.0	12.4

[2] Very low-income households are defined as earning up to 50 percent of the HUD area median income; low-income households are defined as earning up to 80 percent of the HUA area median income.

	May 2012 Single-Family Permits	May 2016 Single-Family Permits	May 2017 Single-Family Permits	% Change 2016-2017	% Change 2012-2017
Rhode Island	52	74	85	14.9	63.5
Vermont	88	95	84	-11.6	-4.5
United States	42,000	61,000	65,000	6.6	54.8

	May 2012 Multifamily Permits	May 2016 Multifamily Permits	May 2017 Multi-Family Permits	% Change 2016-2017	% Change 2012-2017
Connecticut	154	144	89	-38.2	-42.2
Maine	30	36	16	-55.6	-46.7
Massachusetts	541	384	1285	234.6	137.5
New Hampshire	36	86	30	-65.1	-16.7
Rhode Island	6	22	11	-50.0	83.3
Vermont	24	98	53	-45.9	120.8
United States	25000	34000	32000	-5.9	28.0

Source: Federal Reserve Bank of Boston, New England Economic Indicators, 2012-2017

Housing Cost Burdens

In 2016, there were 18 million cost-burdened renter households and 21 million cost-burdened homeowner households.[3] This represents 10 percent of all homeowner households and 48 percent of renter households. Eighty-three percent of renter households with a household income of under $15,000 per year were cost-burdened. For those with an income between $15,001 and $29,999, that rate was still 77 percent. The cost burden varies by race as well; 47 percent of African American, 44 percent of Hispanic, 37 of Asian, and 28 percent of white households were cost-burdened in 2015. (Joint Center for Housing Studies, 2017)

When households are cost-burdened, they have less income to spend on other necessities, including food, healthcare, and transportation. The Joint Center for Housing Studies also reported that severely cost-burdened households spent on average $200 less on food and 75 percent less on healthcare than households that were not cost-burdened. (Joint Center for Housing Studies, 2017)

[3] Cost-burdened is defined as paying more than 30 percent of income towards housing costs. Severely cost-burdened is defined as paying more than 50 percent of income towards housing costs (NLIHC, 2017)

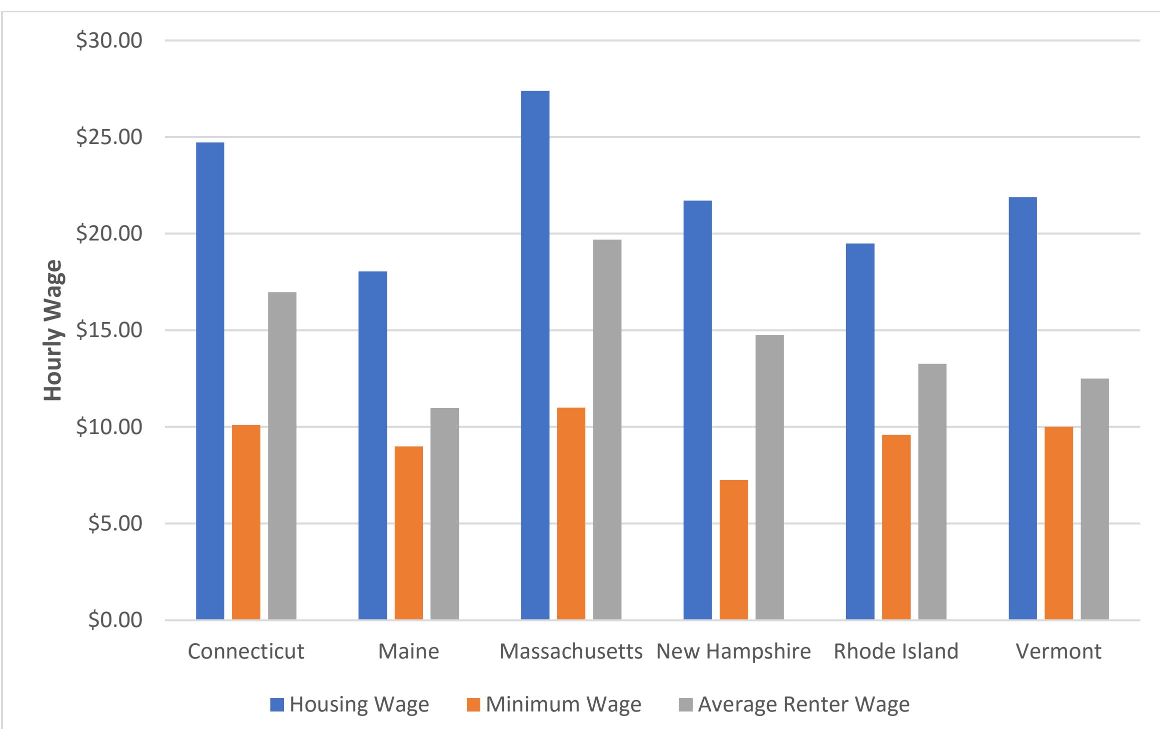
Housing Wages

It its annual *Out of Reach* report, NLIHC demonstrates the disparity between what the average renter earns, and what a renter needs to earn to afford rent for a typical unit at fair market rate (FMR). It compares the housing wage, which is the amount a household would need to make to afford a standard two-bedroom unit without spending more than 30 percent of its income.

The NLIHC data show significant housing wage gaps exceeding the national average throughout all six New England states, including both metropolitan and non-metropolitan areas. The New England states, except for Rhode Island, were among the top 10 states with the largest shortfall between average renter wages and two-bedroom housing wages. Stamford-Norwalk, Connecticut, had the fifth highest housing wage out of all U.S. metropolitan areas. Connecticut, New Hampshire, Massachusetts, and Vermont were among the top 10 highest housing wages for state nonmetropolitan areas. (NLIHC, 2017).

The figure and table below illustrate the gap between what the average renter and a minimum wage employee earn, and the housing wage needed. The chart shows the hourly difference at the state level between these three wages. In terms of annual earnings, the gap facing minimum wage earners was at least $18,000 in each New England state; in Connecticut, Massachusetts, and New Hampshire, the gap was greater than $30,000 per year. The average rental earner fell short by at least $12,000 annually in each state.[4]

Figure 1. Housing Wages Compared with Average Renter Income and Minimum Wage



Source: National Low-Income Housing Coalition (NLIHC): Out of Reach 2017

[4] Annual earnings gaps are projected based on working for 40 hours per week, 52 weeks per year.

The greatest wage gaps are occurring in metro areas such as Stamford-Norwalk (CT), Portland (ME), Portsmouth (NH), Westerly (RI) and Burlington (VT). In dollar terms the wage gap was higher in Springfield, Massachusetts ($9.48) than Boston ($8.76). Year over year, the housing wage gaps increased in Maine (5.8 percent) and Massachusetts (3.4 percent) while showing little change in Vermont (0.5 percent) and New Hampshire (-0.7 percent). Connecticut and Rhode Island experienced significant decreases in the wage gaps at -8.9 percent and -3.9 percent respectively.

Table 3. Housing Wage Gap for Renters in New England

Area	2016 Gap ($/hr)	2017 Housing Wage ($/hr)	2017 Renter Wage ($/hr)	2017 Gap	2017 Two-BR FMR ($)	Housing Wage Percent Change
Connecticut	**8.51**	**24.72**	**16.97**	**7.75**	**1,285**	**-8.9**
Nonmetropolitan	9.38	21.06	12.10	8.96	1,095	-4.5
Stamford-Norwalk	15.34	37.65	22.58	15.07	1,958	-1.8
New Haven-Meriden	11.06	25.48	13.97	11.51	1,325	4.1
Hartford	8.16	23.31	15.97	7.34	1,212	-10.0
Maine	**6.68**	**18.05**	**10.98**	**7.07**	**939**	**5.8**
Nonmetropolitan	4.85	15.13	9.63	5.50	787	13.4
Portland	9.44	25.02	12.75	12.27	1,301	30.0
Bangor	7.54	16.54	10.23	6.31	860	-16.3
Lewiston-Auburn	5.37	16.00	10.08	5.92	832	10.2
Massachusetts	**7.44**	**27.39**	**19.70**	**7.69**	**1,424**	**3.4**
Nonmetropolitan	11.14	19.32	13.03	6.29	1,000	-43.5
Boston	7.90	32.52	23.76	8.76	1,691	10.9
Worcester	8.09	20.38	13.03	7.35	1,060	-9.1
Springfield	8.88	20.33	10.85	9.48	1,057	6.8
New Hampshire	**7.01**	**21.71**	**14.75**	**6.96**	**1,129**	**-0.7**
Nonmetropolitan	6.07	19.38	13.43	5.95	1,008	-2.0
Manchester	6.46	22.63	16.32	6.31	1,177	-2.3
Hillsborough County	4.05	19.17	16.32	2.85	997	-29.6
Portsmouth	7.55	22.58	14.53	8.05	1,174	6.6
Rhode Island	**6.47**	**19.49**	**13.27**	**6.22**	**1,013**	**-3.9**
Nonmetropolitan	-	-	-	-	-	-
Newport-Portsmouth	11.71	23.63	12.15	11.48	1,229	-2.0
Providence-Fall River	5.96	19.12	13.45	5.67	994	-4.9
Westerly-Hopkinton	10.67	21.60	9.98	11.62	1,123	8.9

Vermont	**9.34**	**21.90**	**12.51**	**9.39**	**1,139**	**0.5**
Nonmetropolitan	6.94	19.03	12.03	7.00	989	0.9
Burlington	13.60	26.83	13.22	13.61	1,395	0.1
Windsor County	8.61	20.33	11.85	8.48	1,057	-1.5
Washington County	7.03	19.87	12.84	7.03	1,033	0.0
United States	**4.90**	**21.20**	**16.40**	**4.80**	**1,103**	**-2.1**

Source: National Low-Income Housing Coalition (NLIHC): Out of Reach 2017

Production and Preservation of Affordable Housing

The New England QAPs all recognize that there is a need for both new construction and preservation of existing housing. In general, New England has the oldest housing stock in the nation. The QAPs advocate a range of development investments including building new affordable housing in areas with community amenities and employment opportunities, preventing affordable housing from converting to market rate in higher income areas, rehabilitating existing affordable housing in all areas, and revitalizing housing and commercial centers in blighted and distressed neighborhoods. This is especially important as increasing numbers of LIHTC, Section 8, and other initiatives reach the end of their affordability periods, are in need of recapitalization, and at risk of being converted to market-rate housing.

Rhode Island recognizes that its existing affordable housing stock is at risk from expiring uses, deferred maintenance, and obsolescence. Therefore, Rhode Island places higher priority on preserving existing housing, including vacant and abandoned buildings, in order to achieve a one-to-one unit replacement. Historic properties in all states provide opportunities for adaptive reuse.

Massachusetts presents a highly articulated preservation matrix in its QAP. Preservation projects must first meet one of the four priority categories establishing the nature and degree of loss: “risk of loss to market conversion, risk of loss due to physical condition, risk of loss due to financial viability, and unique acquisition opportunity.” Second, Massachusetts then differentiates between the extent of displacement, the number of ELI units and maintaining Section 8 assistance. (MA QAP, 2017)

Connecticut’s QAP calls for redeveloping aging housing stock, adaptive reuse of historic properties, and preserving affordable housing that is at risk of being converted into market rate. Maine’s QAP promotes preserving existing affordable rental housing that is at risk of becoming market rate or being lost due to deterioration. These QAPs advocate both revitalization in distressed and blighted areas, as well as providing affordable housing in opportunity areas, including through new construction. New Hampshire’s QAP focuses on preserving and rehabilitating historic sites and buildings. Vermont’s QAP promotes preservation by rehabilitating existing rental housing. Rehabilitated properties, including historic ones, should meet accessibility requirements and be suitable for seniors and persons with disabilities.

In addition, Advisory Council members also identified a need for production and retrofits to ensure that housing is safe and accessible for seniors and the disabled, especially given our older housing stock and changing demographics.

Awareness is growing about the importance of safeguarding existing "naturally occurring affordable housing" (NOAH) stock. Research presented by the Urban Last Institute in 2016 highlights the opportunity to preserve these units and properties (Pyati, 2016). NOAH units are characterized as "affordable without being supported by public subsidies", generally as a result of the age of the stock (40-50 years +/-) and lack of amenities. Within New England especially, there appears to be a greater number of older housing stock in this category. Recapitalization and rehabilitation of these units presents an important opportunity to upgrade these homes without consuming scarce public capital and without losing these affordable housing units. Smaller developers must compete against larger companies, which often try to convert NOAH units into luxury units (Abello, 2017). Fannie Mae and Freddie Mac have been increasing their NOAH initiatives with local governments and smaller developers to help keep NOAH properties affordable (Abello, 2017). Often the challenge remains how to make these units affordable to ELI households and others with the greatest cost burdens. (Pyati, 2016)

Community-based Investment: Balancing Revitalization Efforts in Distressed Communities and Support for Economic Opportunity in Low Poverty Areas

Each of the six New England states recognize the importance of investing scarce resources to promote community revitalization through catalytic investment, while also prioritizing smart growth and other priorities to locate housing near employment opportunities and civic resources. Often these are regarded as trade-offs between place-based, geographic investment in either high-poverty or low-poverty areas, colloquially regarded as distressed versus higher-opportunity communities. Higher opportunity areas are regarded as higher income neighborhoods with access better education, transportation, healthcare, recreation, greenspace, and other amenities.

Massachusetts explains in its QAP that "the Department has consistently sought to affirmatively further fair housing by prioritizing development of housing in communities with excellent public schools and access to employment and public transportation, while maintaining a commitment to investment in low-income neighborhoods." (MA QAP, 2017) To achieve this, Massachusetts policymakers therefore focus on family housing production (i.e. a greater percentage of two- and three-bedroom units) in communities that provide access to opportunities. At the same time, Massachusetts policymakers balance this by making strategic housing investments in distressed/at-risk neighborhoods in order to spur private investment, improve housing quality, promote occupancy for a range of household incomes, and support a broader strategy of community revitalization. This includes the geographic focus on the Commonwealth's 24 gateway cities as well as IRS-designated qualified census tracts.

The other five QAPs strike a similar balance of priorities and values. Maine's QAP stipulates that new construction affordable housing should only be built in a distressed area if it is part of a broader community revitalization plan, with the long-term goal of creating a high-opportunity area. Connecticut, Vermont, and Rhode Island promote revitalizing regional centers in their QAPs to leverage existing infrastructure and co-locate housing near commercial districts and transportation.

While seeking to avoid an "either-or" trade-off in favor of a "both-and" emphasis to prioritize the need for more community development capital, the Bank's Advisory Council members recognize the long-term importance of housing capital funding to redress poverty and reverse long-standing disinvestment trends. Catalyzing private investment is a necessity for neighborhoods without access to jobs and amenities. Supporting mixed income development is one avenue; in a broader vein, it is critical to look for partners and resources outside of the housing sector to achieve comprehensive community development goals.

Gentrification and Displacement

Displacement resulting from gentrification is reemerging as a concern across New England. This was frequently cited by attendees at each of the three FHLB Boston—NeighborWorks America events. Starting in the early 2000's, many American cities have experienced a resurgence, with both people and employers moving back. While many formerly low-income neighborhoods have been converted into middle and upper-income areas, the lowest-income areas with the highest concentrated poverty continue to grow more isolated (Florida, 2016). Gentrification and displacement are occurring more frequently, partially, as a function of high land and development costs in metro areas like Providence as well as rural communities in Vermont. These trends disproportionately impact the lowest-income, homeless, and undocumented households. In addition, development planning often lacks community involvement.

The first-place winning student proposal in the 2017 Affordable Housing Development Competition, the Batson, responded to the gentrification pressures at work in the Roxbury neighborhood of Boston. The team observed that as the population grew from 50,000 to 57,000, rents increased 22 percent, and the existing demographics shifted as lower income, African-American households were priced out. In response, the student team envisioned building a highly energy- and resource-efficient, mixed-income development serving ELI and low-income households. The great majority of the units will be two- or three-bedroom family units. By focusing on deep affordability for families, while creating a safe and affordable property integrated into the neighborhood fabric, the proposed housing would provide a buffer against rising rents and further displacement.

There are rural communities that are also at risk of displacement from gentrification. Researchers at the University of Maine have identified gentrification as a threat to rural fishing communities. Wealthy households and individuals ("amenity migrants") are moving to the coast of Maine, attracting by the natural landscapes and secluded locations. While the new higher-income residents can bring in economic benefits, they may also build homes on what were once working waterfronts, and affect the fishing community's ability to earn a living (UMaine, 2017). Gentrification in coastal communities, especially rural ones, can also change the character of the area; waterfronts that were once productive become focused on recreation (MIT Sea Grant). When waterfronts become focused on providing amenities for tourists, they are often quiet during the off-season, leaving full-time residents without community centers and meeting spaces during significant parts of the year (MIT Sea Grant).

Linkages Between Housing and Health Care, Economic Opportunity, and Education

Safe and affordable housing is a prerequisite for individual and community gains in these areas. Without stable housing, it becomes increasingly difficult to access employment opportunities, education, and services, leading to stress and stress-related health issues, as well as a lack of access to healthcare and healthy food options. Dr. Megan Sandel, keynote speaker at the Health Care and Housing forum in Greenwich, Connecticut sponsored by the Housing Development Fund and FHLB Boston, identified multiple ways in which stable housing or the lack thereof can impact the health of a child and family. Unstable housing especially among the chronic homeless can be very costly in terms of health care dollars and outcomes. Recognizing this linkage also reveals potential partnerships in terms of funding and advocacy. This is also illustrated by Vermont's success with the Support and Services at Home statewide program as well as Massachusetts' experience with supportive and elderly housing.

The Advisory Council encourages the importance of building coalitions and partnerships to develop collaborative solutions. Housing organizations should also work with schools, healthcare providers, and other relevant stakeholders to address health and housing needs. Both funding and ideas can be drawn from other fields outside of housing.

Cost Drivers and Barriers to Development

Finding ways of building more units and more efficiently is critical. All six of the New England QAPs have requirements for cost control and cost reasonableness. Cost drivers include land acquisition, infrastructure, amenities, time-consuming and complex design review processes, construction and labor costs, a construction labor shortage with an aging workforce, developer fees, expensive and lengthy zoning and permitting processes, high cost of compliance, and a lack of experience in development. Methods of controlling costs include using existing infrastructure, adaptive reuse, and building in distressed areas that have lower land values.

Skyrocketing acquisition and construction costs were noted in the Rhode Island NeighborWorks America session. Participants acknowledged these rising costs but also the need to develop strategically. Too much income-restricted housing development could negatively impact surrounding values. Participants in the Springfield, Massachusetts NeighborWorks America session highlighted the lack of trade workers as a critical component of rising costs Vermonters noted similar cost trends, especially utility costs related to heating. Sometimes rehabilitation costs may exceed the market value of the housing development. Energy-efficiency improvements add costs but greatly improve the building's performance and operations over the long-term.

Importance of Development Capital and Operating Subsidy

The need for capital investment and lending to support affordable housing development remains high, especially in light of significant changes in federal and state policy and budget priorities. Policymakers, lenders and developers noted that changing federal budget priorities may significantly reduce or eliminate HOME, CDBG, the Housing Trust Fund and other community development funding programs. Potential federal tax reform may reduce corporate tax rates and reduce the value of federal Low Income Housing Tax Credits (LIHTC), a primary equity source for affordable housing development. There remains some uncertainty about LIHTC pricing and yields, creating uncertainty for future investment and some equity gaps in developments currently underway.[5]

Federal housing operating subsidies (e.g. Section 8) only meet approximately one-quarter of the demand and are critical to bridge the affordability gap for renters. Moreover, these subsidies are essential to ensure that rental housing developments serving the lowest income are able to cash flow and operate. The Joint Center for Housing Studies reported that the share of rental households receiving HUD rental assistance is declining from 25.7 percent to 24.9 percent from 2013 to 2015. Rental assistance is prioritized and triaged to serve primarily the lowest income households. (Joint Center for Housing Studies, 2017)

Local governments continue to look for ways to address the affordable housing needs, such as using public land, inclusionary zoning, or supporting mixed-use development. Localities can use zoning tools to encourage more density, smaller and more units, and/or lower parking requirements, for example. Unfortunately, local governments do not have sufficient capital on their own to finance all of the housing units that are needed. (Joint Center for Housing Studies, 2017; Capps, 2017)

Members, developers and community partners recognized the need to incentivize private investment through state tax credits such as the Massachusetts Community Investment Tax program. In small states like Rhode Island and Vermont state capital is even more constrained. Rutland, Vermont attendees noted that “everything is magnified in the rural context”. Without sufficient funds from LIHTC and HUD, other sources of capital, including the private sector and the Bank, will be critical to fill the gap.

Changing Population and Demographics

From 2010 to 2015, United States Census data show that New England’s overall population only grew 1.8 percent, roughly half of the national rate of 3.9 percent. As shows in Table 5, population gains were uneven across the states. While Massachusetts saw an increase of 3.5 percent and New Hampshire’s population grew by 1.1 percent, the other four states only grew by 0.3 percent or less. (U.S. Census Bureau, Annual Estimates, April 2010 to July 2015).

Immigration has a significant impact on the housing market. In 2016, immigrants accounted for 45 percent of population growth in the U.S. (Joint Center for Housing Studies, 2017). Without international migration, many American cities would have lost population due to domestic

[5] Doing Business in Uncertain Times forum, CHAPA and FHLBBOSTON, Boston, Massachusetts, May 21, 2017

outmigration (Joint Center for Housing Studies, 2017). New England's immigrant population tends to follow these national trends. In Connecticut, Massachusetts, and New Hampshire, the foreign-born population increased by over 40 percent. This population will have increasing demands for both homes and rental units (Joint Center for Housing Studies, 2017).

Table 4. New England Foreign-Born Population

	% Population Foreign Born	Foreign Born 2015 Population	U.S. Born 2015 Population	Foreign Born Population Change (%) 2010 to 2015	U.S. Born Population Change (%) 2010 to 2015
Connecticut	14.5	519,648	3,071,238	40.5	1.2
Maine	3.4	44,694	1,284,634	21.8	3.7
Massachusetts	16.1	1,095,953	5,698,469	41.8	2.2
New Hampshire	6	79,959	1,250,649	47.7	5.8
Rhode Island	13.5	142,324	913,974	19.3	-1.6
Vermont	4.5	28,247	597,795	21.5	2.1

Source: Migration Policy Institute, State Immigration Data Profiles: 2010 to 2015.

The *State of the Nation's Housing* report estimates that by 2035, one third of households will be headed by someone over the age of 65. Older individuals cannot always afford to modify their homes to remain in place, and will also increase demand for housing that allows them to live independently. It will be difficult and costly to deliver services, especially to aging households in rural communities. The report also observed that minorities will compose 90 percent of household growth between 2025 and 2035. Millennials are forming new households later in life, meaning their full effect on the housing market will not be felt until 2035, at which point the U.S. will be nearly a majority-minority country. It will be difficult to meet their demand, especially in urban areas. (Joint Center for Housing Studies, 2017)

While the New England states had lesser overall population growth, all of the states had a significant increase in their population over the age of 65. All six New England states had a decrease in the population under 18 years of age that was significantly greater than the national rate of -0.64 percent. In Maine, the only demographic that increased was the population over the age of 65. Advisory Council members also noted that younger New England residents are continuing to move out of rural areas.

Table 5. Change in New England State Populations by Age, 2010 to 2015

Age	CT 2010	CT 2015	Change (%)	ME 2010	ME 2015	Change (%)	MA 2010	MA 2015	Change (%)
Under 18	814,576	764,059	-6.2	273,365	256,380	-6.2	1,417,162	1,387,087	-2.1
18 to 24	331,335	352,215	6.3	116,031	110,754	-4.5	684,967	701,025	2.3
25 to 44	903,040	872,873	-3.3	314,773	307,297	-2.4	1,733,324	1,777,941	2.6
45 to 64	1,022,530	1,034,933	1.2	411,485	404,361	-1.7	1,823,205	1,883,147	3.3
65 and over	508,236	566,806	11.5	212,041	250,536	18.2	906,378	1,045,222	15.3
Total	3,579,717	3,590,886	0.3	1,327,695	1,329,328	0.1	6,565,036	6,794,422	3.5

Age	NH 2010	NH 2015	Change (%)	RI 2010	RI 2015	Change (%)	VT 2010	VT 2015	Change (%)
Under 18	285,866	263,998	-7.6	223,261	211,044	-5.5	128,794	119,923	-6.9
18 to 24	123,517	129,025	4.5	120,011	114,978	-4.2	65,246	67,928	4.1
25 to 44	322,565	311,207	-3.5	263,595	265,644	0.8	147,568	142,298	-3.6
45 to 64	405,316	407,436	0.5	293,921	294,656	0.3	192,770	186,000	-3.5
65 and over	179,444	218,942	22.0	152,431	169,976	11.5	91,606	109,893	20.0
Total	1,316,708	1,330,608	1.1	1,053,219	1,056,298	0.3	625,984	626,042	0.0

Source: U.S. Census Bureau. Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States, States, Counties, and Puerto Rico: April, 2010 to July 1, 2015.

Demographics of Rental Households

According to the Housing Vacancy Survey, the number of renter households has increased consecutively for 12 years, and has grown by 10 million households since 2005. The rate of increase may be abating. Renter households increased in 2015 and 2016 but at a significantly lower rate than the prior two years. There are 43.3 million renter households in the U.S., composed of 80 million adults and over 30 million children. This includes older adults, families with children and high income households. From 2005 to 2016, 44 percent of growth in renter households was due to renter households over the age of 55. The average renter household income was only $37,900 per year, well below the average homeowner household at $70,800. (Joint Center for Housing Studies, 2017)

Poverty

Nationally, poverty is increasing at a greater rate in the suburbs and rural areas, compared to urban areas. Concentrated poverty is also increasing. In 2000, 43 percent of low-income residents lived in a high-poverty neighborhood; this amount rose to 54 percent in 2015. Higher income residents continue to move into city areas that were once affordable to lower-income residents. (Joint Center for Housing Studies, 2017)

While all of the six New England states’ poverty rates were below the national average of 15.5 percent, poverty status varies by age and by race. The poverty rate for white residents in 2015 was below the state average in every New England state. In contrast, African-American rates were roughly double the state rate. The poverty rate for Asian residents in Connecticut was the only poverty rate below the state average for non-white residents in New England. African American residents in Maine and Native American residents in Rhode Island each has a high poverty rate of 45.5 percent.

The New England states followed the national trend in poverty by age. In all six states, the poverty rate for persons under the age of 18 and persons aged 18 to 34 was higher than the overall state average.

Table 6. Percent Population in Poverty by Race and by State, 2015

	Asian	Black or African American	Hispanic or Latino	Native American	White	Overall
Connecticut	7.8	21.1	25.7	21.3	7.8	10.5
Maine	14.6	45.5	25.9	33.2	13.2	13.9
Massachusetts	14.6	22	29.3	22.9	9	11.6
New Hampshire	10.1	18.4	20.5	17.9	8.5	8.9
Rhode Island	16.8	25.7	33.3	45.5	11.4	14.2
Vermont	15.2	23.9	15	25.6	11.1	11.5
United States	12.6	27	24.3	28.3	12.7	15.5

Source: American Community Survey 2011-2015 5-Year Estimates: Poverty Status in the Past 12 Months: 2015

Table 7. Percent Population in Poverty by Age and by State, 2015

	Under 18	18 to 34	35 to 64	65 and over	Overall
Connecticut	14.3	14.1	7.9	7.1	10.5
Maine	18.6	20.6	11.1	8.6	13.9
Massachusetts	15.2	15.1	8.7	9.2	11.6
New Hampshire	11.9	13.6	6.4	5.9	8.9
Rhode Island	20.4	18.7	10.4	9.7	14.2
Vermont	15.1	18.3	8.4	7.2	11.5
United States	21.7	19.5	11.6	9.4	15.5

Source: American Community Survey 2011-2015 5-Year Estimates: Poverty Status in the Past 12 Months: 2015

Homelessness

According to the Department of Housing and Urban Development's 2016 Annual Homeless Assessment Report to Congress, homelessness has declined by three percent nationally since 2015 and 15 percent since 2006. Between 2015 and 2016, chronic homelessness decreased by 7 percent; between 2007 and 2016, chronic homelessness fell by 35 percent. (HUD, 2016).

Overall, New England's share of the total 2016 homeless population in the U.S. is 5.4 percent, exceeding New England's share of the total U.S. population (4.6 percent). Massachusetts's share of the national homeless population is far higher than any of the other New England states at 3.6 percent. (HUD, 2016).

All New England states except Massachusetts experienced a significant decline in homelessness from 2006 to 2016. Overall, homelessness in Massachusetts has increased since 2010 but fortunately the rate of homelessness has slowed from 2015 to 2016. Rhode Island was the only New England state to experience an increase in homelessness from 2015 to 2016. Vermont has significantly reduced its homeless population over the last year. While veterans' homelessness and chronic homelessness are being successfully targeted, more assistance will be needed to homeless families with children. (HUD, 2016).

Table 8. Change in Homeless Population

	Number of homeless 2016	Percent change since 2015	Percent change since 2010
Connecticut	3,902	-3.6	-9.6
Maine	2,241	-5.5	-5.8
Massachusetts	19,608	-7.2	17.8
New Hampshire	1,366	-5.5	-13.2
Rhode Island	1,160	4.4	-9.5
Vermont	1,117	-26.7	-8.4
United States	549,928	-2.6	-15.4

Source: Department of Housing and Urban Development (HUD): 2016 and 2010 Annual Homeless Assessment Report to Congress

For Sale Home Price Trends

The recovery from the 2008 Recession has been uneven by race, income, and geography. Harvard's Joint Center for Housing Studies reports that there are fewer homes for sale, and for a shorter period of time. On average, homes are on the market for 3.6 months, marking the fourth year in a row in which homes were on the market for an average of less than 6 months.(Joint Center for Housing Studies, 2017)

Single-family home construction has remained low, keeping home values higher. Other cost drivers include a labor shortage in construction and limited land availability. While multifamily construction decreased nationally, it continued to increase in the Northeast.(Joint Center for Housing Studies, 2017)

Based on HUD's New England Regional Report for 2017, home prices and sales, as well as condo prices and sales, increased in all six New England states from 2016 to 2017. Massachusetts continued to have the highest median home and condo values, which also saw significant increases in the past year. (HUD, 2017).

Table 9. New England Single-Family Home and Condo Sales and Median Prices, 2016 – 2017

	Homes Sold			Median Price		
	2016	2017	% Change	2016	2017	% Change
Connecticut	29,600	31,050	5	$ 225,000	$ 227,000	1
Maine	16,100	17,550	9	$ 182,500	$ 191,000	5
Massachusetts	54,000	56,650	5	$ 329,500	$ 350,000	6
New Hampshire	16,200	17,300	7	$ 235,000	$ 244,900	4
Rhode Island	10,000	11,000	10	$ 225,000	$ 230,000	2
Vermont	6,050	6,325	5	$ 196,500	$ 208,000	6

	Condos Sold			Median Price		
	2016	2015	% Change	2016	2017	% Change
Connecticut	7,200	7,475	4	148,500	154,000	4
Massachusetts	20,900	21,550	3	307,900	334,900	9
New Hampshire	3,875	4,325	4	165,000	190,000	15
Rhode Island	1,700	1,975	16	190,000	195,000	3
Vermont	1,300	1,450	12	185,000	187,750	1

Source: HUD Office of Policy Development and Research, New England Regional Report, 2017. Note: HUD Report does not document Maine condominium sales.

Demographics of Homebuyers

Based on the *State of the Nation's Housing 2017* report, homeownership rates have stayed relatively unchanged. Only 35 percent of recent homebuyers are younger than 35 years old, a decrease of 5 percent since 2001. Reasons that younger Americans are delaying purchasing a home include student loan debt, marrying later in life, fewer starter homes available, continued effects from the recession, and rising home prices. In many metropolitan areas, home purchases by African Americans have decreased. The median credit score needed to qualify for a mortgage has continued to rise, putting mortgages out of reach for borrowers with lower credit scores. Small mortgage loans have also become more difficult to access.(Joint Center for Housing Studies, 2017)

Homeownership Trends

Nationally the homeownership rate remained consistently low at 63.5 and 63.6 percent, respectively, in 2016 and 2017. New Hampshire was the only New England state to have an increase in homeownership between 2007 and 2017, but its homeownership rate fell 4.4 percent between 2016 and 2017. Rhode Island had a slight increase in homeownership as it continues to recover from the effects of the foreclosure crisis. However, Rhode Island still has the lowest homeownership rate of the New England states. Barriers to homeownership continue to trend homeownership rates down, and increase the number of renters.

Table 10. Change in Homeownership Rates in New England and the United States

State	Q1 2007	Q1 2016	Q1 2017	% Change 2007-2017 (10 YR)	% Change 2016-2017 (1 YR)
Connecticut	71.0	64.0	66.5	-6.34	3.91
Maine	75.1	71.1	69.4	-7.59	-2.39
Massachusetts	64.4	62.1	62.1	-3.57	0.00
New Hampshire	71.5	75.0	71.7	0.28	-4.40
Rhode Island	64.4	57.2	57.9	-10.09	1.22
Vermont	73.4	68.5	68.5	-6.68	0.00
United States	68.4	63.5	63.6	-7.02	0.16

Source: U.S. Census: Housing Vacancies and Homeownership: 2007-2017

Conclusions: Key Housing and Community Development Observations

- Nationally, the vacancy rate is at a 17-year low. In New England, the vacancy rate ranged from a low of 1.9 percent in Manchester, NH to a high of 7.1 percent in Bridgeport, CT
- Average rents in every New England metropolitan area increased between 2016 and 2017
- Five out of six New England states (not RI) were among the top 10 states with the biggest gap between housing wage and average renter wage
- Median home and condo prices increased in all six New England states from 2016-2017
- Gentrification is occurring in both urban and rural areas in New England
- New England states are attempting to balance new construction and preservation, as well as building in both distressed areas and areas of opportunity
- All six New England states have a high median age; Maine has the highest in the U.S.
- The population under 18 years of age decreased, and the population over 65 increased, in all six New England states from 2010 to 2015
- Throughout New England, the foreign-born population increased significantly more than the U.S.-born population
- Massachusetts has the highest rate of homelessness in New England, which it is actively working to decrease

Economic Development and Market Opportunities

New England Economic Snapshot

The New England economy continues to recover from the Great Recession. Unemployment rates, labor force participation, and job growth continues to improve throughout New England. Progress has been unequal, both at the state and local levels, as well as by industry and employment sector.

According to the Federal Reserve Bank of Boston, the construction industry was the only supersector in New England to add jobs at a rate faster than the nation between February 2016 and 2017. Manufacturing declined in New England, while it only slightly increased at the national rate. (Federal Reserve, 2017)

The most recent New England Regional Report by HUD found that New England added 32,000 jobs or 2.1 percent from first quarter 2016 to 2017. Massachusetts led this growth, accounting for 66 percent of the increase in New England. The job growth in the education and health services sector varied by state, increasing 0.6 percent in Connecticut and 2.9 percent in Massachusetts. While the mining, logging, and construction sector increased by 2.5 percent in New England during the first quarter of 2017, that gain was significantly lower than the 8.0 percent increase during the first quarter of 2016. Vermont and New Hampshire both saw significant increases in their leisure and hospitality sectors, in part due to new and expanded ski resorts. Maine’s largest increase was in its mining, logging and construction sector, partly attributed to highway projects throughout the state. Rhode Island saw the strongest gains in its construction sector as well. (HUD, 2017).

Average hourly earnings increased in all six New England states. However, average weekly hours fell in Maine, Massachusetts, and Rhode Island (see table 11). While rising hourly earnings are a positive trend, decreasing hours for workers may not make up the difference. Without sufficient hours per week, employees will find it increasingly difficult to afford housing and other necessities. (U.S. Bureau of Labor Statistics, 2015-2016).

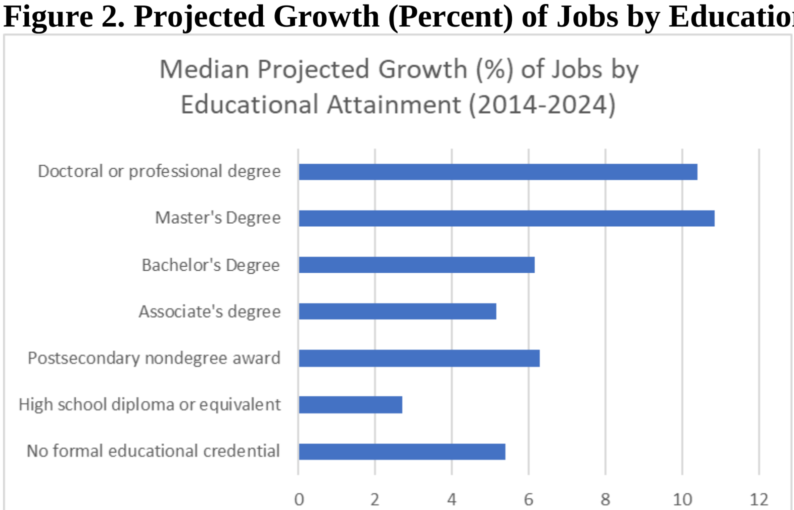
Table 11. Average Weekly Hours and Average Hourly Earnings, 2015 to 2016

	Average weekly hours		% Change	Average hourly earnings		% Change
State	**2015**	**2016**	**2015-2016**	**2015**	**2016**	**2015-2016**
Connecticut	33.5	33.6	0.30	29.14	30.43	4.43
Maine	34.3	33.9	-1.17	21.85	22.25	1.83
Massachusetts	33.5	33.4	-0.30	30.44	31.23	2.60
New Hampshire	33.6	33.8	0.60	24.9	25.72	3.29
Rhode Island	33.1	32.7	-1.21	24.94	25.99	4.21
Vermont	33.3	33.4	0.30	24.06	24.34	1.16

Source: Source: U.S. Bureau of Labor Statistics Average hours and earnings of all employees on private nonfarm payrolls, by State

Future job growth and higher earnings are expected to track with higher levels of education. Figure 2 illustrates U.S. Bureau of Labor Statistics projections for future job growth from 2014-2024 based on educational attainment. Greater job growth is expected for professions requiring higher education (bachelor's degree or greater) as compared with professions requiring lower amounts of education. Some positions expected to add the most number of jobs in the next decade are not high quality jobs, as they offer relatively low pay for challenging work. According to the *Out of Reach* report, six out of the seven occupations nationally projected to add the most jobs by 2024 do not pay a sufficient median wage for an employee to afford a modest one bedroom apartment (NLIHC, 2017). As fewer lower skilled jobs are created, it will be essential to find other types of employment for employees without a college degree.

Figure 2. Projected Growth (Percent) of Jobs by Educational Attainment, 2014 to 2024



Source: U.S. Bureau of Labor Statistics, Occupations with the Most Job Growth, 2014 and projected 2024

Unemployment and Labor Force Participation

Between 2016 and 2017, the unemployment rate fell in every New England state except New Hampshire. However, New Hampshire's unemployment rate is still the lowest in New England. Connecticut is the only New England state with an unemployment rate higher than the national average. All six New England states have unemployment rates lower than they were two years ago, in 2015.

With the exception of New Hampshire, labor force participation increased in the New England states at a greater rate than the national rate. Maine saw the largest increase at 3.56 percent. While these trends are promising, it is important to note that unemployment rates vary significantly by local economy. For example, the unemployment rate in Danbury, Connecticut is 4 percent, while the unemployment rate in Waterbury, Connecticut is 5.9 percent (Federal Reserve Bank of Boston, 2017).

Table 12. 2015-2017 Unemployment and Labor Force Participation Rates

	Unemployment Rate (April)			1 Year Change	Labor Force Participation Rate			1 Year Change
	2015	2016	2017	% Change 2016-17	2015	2016	2017	% Change 2016-17
Connecticut	5.8	5.7	4.9	-14.04	66.0	66.1	66.9	1.21
Maine	4.5	3.4	3.0	-11.76	62.6	61.8	64.0	3.56
Massachusetts	5.0	4.2	3.9	-7.14	65.3	65.0	66.5	2.31
New Hampshire	3.6	2.6	2.8	7.69	68.5	68.7	68.8	0.15
Rhode Island	6.3	5.4	4.3	-20.37	65.1	64.4	64.6	0.31
Vermont	3.7	3.2	3.1	-3.13	67.0	67.0	67.4	0.60
United States	5.4	5.0	4.4	-12.00	62.7	62.8	62.9	0.16

U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, 2015-2017

New England Job Growth and Decline Trends

Based on Projections Central data, job growth and decline trends in New England tend to mirror national trends. Overall, the largest projected increases in employment are in the healthcare fields, while the production, manufacturing, and office and administrative fields are projected to lose the most jobs. The following table highlights which sectors by state are expected to grow ("Top 100 Growth") or decline ("Bottom 100 Decline") based on the 100 fastest growing positions, and the 100 most rapidly declining positions. For example, in Connecticut, 29 percent of the fastest growing jobs are healthcare practitioners while 34 percent of the fastest declining jobs are in production, and 27 percent are in office and administrative support.

Table 13. Growth and Decline of Top 100 Positions, by Industry and by State

CT Top 100 Growth	**CT Bottom 100 Decline**	**NH Top 100 Growth**	**NH Bottom 100 Decline**
15% education and training	27% office/admin support	7% life/phys/social sciences	22% office/admin support
29% healthcare practitioners	34% production	30% healthcare practitioners	7% installation/maint.
9% healthcare support		10% healthcare support	40% production
9% construction			
9% production		**RI Top 100 Growth**	**RI Bottom 100 Decline**
		13% business and financial	10% art/design/media
ME Top 100 Growth	**ME Bottom 100 Decline**	10% computer/math	26% office/admin support
29% healthcare practitioners	19% office/admin support	12% healthcare practitioners	37% production
10% healthcare support	50% production	15% construction/extraction	
		15% production	
MA Top 100 Growth	**MA Bottom 100 Decline**		
8% computer and math	28% office/admin support	**VT Top 100**	**VT Bottom 100**
16% education and training	40% production	12% life/phys/social science	24% office/admin support
32% healthcare practitioners		16% healthcare practitioners	36% production
10% healthcare support		12% construction/extraction	
		13% production	

Source: Projections Central: Long-Term Projects (2024) by State

In Connecticut, Maine, Massachusetts, and New Hampshire, nearly all of the top 10 fastest growing jobs were in science, health, and mathematics. In Rhode Island and Vermont, the fastest growing jobs were more mixed. Few of the top 10 were in healthcare, while many were in productions and machinery. Although both Rhode Island and Vermont had more than 10 percent growth in production positions among their the 100 fastest growing jobs, the percent in the bottom 100 was significantly higher, at over 30 percent decline in each state resulting in projected net job losses. (Projections Central)

Small Business Needs, Opportunities, and Challenges

While most New Englanders work for firms with at least 20 employees, most firms (in terms of overall numbers) are businesses with one to four employees, accounting for over half of all firms. Small businesses continue to be an important segment of the regional economy. The percent of firms, by number of employees, in New England mirrors national levels.

Table 14. 2015 Percent of Firms by Number of Employees in New England

# of Employees	CT	ME	MA	NH	RI	VT	U.S.
1 to 4	52.6	57.6	53.0	52.5	54.9	56.8	54.5
5 to 9	19.2	18.5	19.0	20.0	18.4	19.2	18.4
10 to 19	13.3	12.3	12.8	13.3	12.9	12.6	12.6
20 to 99	12.3	9.9	12.3	11.9	11.6	9.8	12.0
100 to 499	2.4	1.6	2.5	2.1	2.0	1.5	2.2
500+	0.2	0.1	0.3	0.2	0.2	0.2	0.3

Source: U.S. Census Bureau, County Business Patterns, Number of Establishments, Employment, and Annual Payroll by Enterprise Employment Size for the United States and States, 2015

The 2016 Small Business Credit Survey, conducted by twelve Federal Reserve Banks and released in April 2017, provides insight into the business opportunities and financing needs of small businesses. Five percent of survey respondents were in New England. Of the respondents, 83 percent were in urban areas, versus 17 percent in rural locations. By annual revenue size, 21 percent of respondents had firms with a revenue size of less than $100,000; 49 percent were between $100,000 and $1M, 26 percent were between $1M and $10M, and only 4 percent were over $10M. Of all of the respondents, 55 percent had firms with one to four employees. Twenty percent were female owned businesses. (Small Business Credit Survey, 2016).

Overall, 61 percent of respondent firms expected revenues to increase in the next year, and 39 percent expect to add jobs. Sixty-one percent of firms had financial difficulties within the last year, and 76 percent of business owners used personal finances to bridge the gap.

Smaller revenue firms tend to have higher approval rates at CDFI's, small banks, and online lenders, compared to large banks. Respondents also cite a 75 percent satisfaction rate with small banks and credit unions, while large banks received a satisfaction rate of 46 percent, and online lenders received 27 percent. (Small Business Credit Survey, 2016).

Conclusion: Key Economic Development and Market Opportunities Observations

- The construction sector was the only supersector in New England to add jobs at a greater rate than the national rate
- Massachusetts is leading New England in job growth, while Connecticut has the slowest growth in the region
- In Connecticut, Maine, Massachusetts, and New Hampshire, all ten of the ten fastest growing jobs were in health, science, and mathematics, mirroring national trends
- Rhode Island and Vermont have more production, and less healthcare, growth than the other four states
- Quality jobs, with sufficient wages and benefits, are especially needed
- Six out of the seven jobs expected to increase the most in the next 10 years do not pay a sufficient wage to afford a modest one bedroom apartment
- Connecticut was the only New England state with an unemployment rate above the national average
- Labor force participation increased in all of the New England states
- Over half of all firms in New England and in the U.S. have between 1-4 employees
- Smaller revenue firms have more difficulty accessing credit than larger firms
- Smaller firms tend to have more access at CDFI's and small banks, as opposed to larger banks, and also cite greater satisfaction with smaller lenders

Appendix A: Summary of New England Qualified Allocation Plans, FHLBBoston—NeighborWorks America Outreach Events

Connecticut 2017 QAP (Final, June 29, 2017)	**Maine 2017 QAP** (Final, August 7, 2016)	**Massachusetts 2017 QAP** (Final, February 16, 2017)
• Increase the supply of affordable housing through production, preservation, and rehabilitation • Prevent and end homelessness, in part by providing housing and services • Housing for families • Mixed-income housing • Efficient use of existing infrastructure • Revitalize regional centers, promoting vibrant downtowns • Mixed-use neighborhoods • Expand housing opportunity and choice • Provide housing that has access to education, employment, green space, and public transportation • Adaptive reuse of historic properties • Sustainable design, including renewable energy systems and passive housing design • Affordable housing in Areas of Opportunity	• Increase the supply and quality of affordable rental housing • Preserve and improve the quality of existing housing • Help residents attain housing stability • Housing for families • Provide services for seniors, the homeless, persons with disabilities, and victims of domestic violence • Provide housing that has access to employment, public transportation, education, community assets, and services • Redevelop and revitalize blighted areas • Adaptive reuse of historic properties • Accessible housing for mobility-impaired • Develop housing using Smart Growth principles • Affordable housing in high opportunity areas • Decrease concentrated poverty	• Prioritize preservation of affordable housing, especially housing that is at risk of being lost due to age, condition, or market changes • Housing and services for the homeless, seniors, and persons with disabilities • Housing for families • Invest in and revitalize distressed neighborhoods • Mixed-income housing • Provide housing that has access to employment, public transportation, public amenities, and education • Sustainable housing development with energy-efficient design • Develop housing using Smart Growth principles • Mixed-use neighborhoods • Plan regionally • Affordable housing in Areas of Opportunity

New Hampshire 2018 QAP (Final, July 10, 2017)	**Rhode Island 2017 QAP** (Final, April 22, 2016)	**Vermont 2018 QAP** (Final, May 1, 2017)
• Increase the supply of affordable housing through production and preservation • Affordable housing for veterans, persons with disabilities, and the homeless • Provide affordable housing in areas that have none • Non-age restricted housing • Neighborhood revitalization • Adaptive reuse of historic properties • Efficient use of existing infrastructure • Develop housing using Smart Growth principles • Sustainable housing with energy-efficient design • Mixed-income housing	• Preserve affordable housing, especially housing that is at risk of being lost due to deferred maintenance, expiring subsidies and use restrictions, and deterioration • Prioritize development and revitalization in neighborhoods most affected by the foreclosure crisis • Mixed-income housing • Housing for families • Redevelop vacant and abandoned properties • Affordable housing and services for the homeless • Mixed-use neighborhoods • Provide housing that has access to public transportation, green space, and recreation • Efficient use of existing infrastructure • Sustainable design, including energy-efficiency • Develop housing using Smart Growth principles • Affordable housing in Areas of Opportunity	• Increase the supply and quality of affordable housing, especially in downtowns and village centers • Affordable housing and services for the homeless, and seniors • Housing for families • New construction must be in area with vacancy rate of 5% or less • Revitalize communities and remove blight • Provide housing that has access to public transportation • Develop housing using Smart Growth principles • Sustainable housing with energy-efficient design • Affordable housing in high opportunity areas • Perpetual affordability • Natural disaster repairs and remediation

Rhode Island FHLBBoston – NWA Providence June 7, 2017	Vermont FHLBBoston – NWA Rutland June 22, 2017	Massachusetts FHLBBoston – NWA Springfield July 20, 2017
Community's top housing and small business challenges • Need for funding sources beyond LIHTC and other threatened programs • Burdensome regulations on CDCs • Low vacancy rates • Cost of land and construction • Older housing stock • Need for transit-oriented development without resulting in displacement **Community developers' priorities** • Funding for supportive programs and services, such as youth programs and resident services • More capital, loans, and PRIs for CDCs • Need for financing for predevelopment **Financial institutions' primary goals and challenges** • higher construction costs • Helping investors invest in low-income areas • Address credit risk associated with multifamily housing • Financing options for first-time homebuyers	**Community's top housing and small business challenges** • Environmental hazards from disasters • Cost of rehab can exceed market value of homes • Insufficient entry level jobs for post-grads • High construction costs • Need for workforce housing • High cost of heating homes • Need for financial literacy training • Low vacancy rates • Absentee landlords **Community developers' priorities** • Improve targeted areas, especially safety • Where to find funding if LIHTC and other programs are cut • Need for additional resources to support housing and services for homeless **Financial institutions' primary goals and challenges** • Appraisers can be slow completing appraisals • Appraised values are sometimes lower than project costs • Many buyers cannot afford downpayments	**Community's top housing and small business challenges** • Home prices rising while incomes staying flat • Cost of land and construction • Lack of quality housing • Older housing stock • Rental history of families can be a barrier • Need for bilingual services and loan officers in banks • Absentee landlords • Using disaster resilience funds for housing **Community developers' priorities** • Sustaining organization during lengthy predevelopment period • IDA programs and downpayment assistance • CITC programs • Better interest rates and terms **Financial institutions' primary goals and challenges** • Address predatory lending issues • Supporting developers to move pipeline projects forward • Lack of trade workers leading to higher costs

Rhode Island FHLBBoston – NWA Providence June 7, 2017	Vermont FHLBBoston – NWA Rutland June 22, 2017	Massachusetts FHLBBoston – NWA Springfield July 20, 2017
• Addressing small business lending and compliance challenges **Changing demographics** • Aging population and need for home modifications for aging in place • Families are becoming smaller in QAP to reflect this • Millennials unable to afford urban markets • Gentrification and displacement **Opinion of HCI programs** • Should reward in-district AHP projects • Very transparent • Grateful for technical assistance • AHP first-in capital • Too difficult for CDFI's to participate • Involve PHA's, larger nonprofits and for-profits • Need gap financing	• Student loan debt burden • Some projects are unable to afford debt **Changing demographics** • Senior population increasing, especially rural • Millennials putting off milestone purchases due to student loans • Increasing immigration • Need for family housing **Opinion of HCI programs** • Helping to House New England great leverage opportunity • Good that small and large projects are equally competitive • Need to address financial literacy	of rehabs and lower quality • Do not have sufficient loan officers • HMDA and regulations with lending • Mortgage companies charge additional fees for multifamily **Changing demographics** • Seniors staying in place, but many of their homes are older and need rehab • LTV ratios an issue for rural housing • Immigrant population increasing **Opinion of HCI programs** • AHP has transparent scoring • Jobs for New England is excellent, but funding runs out • Equity equivalence has been helpful to CDFIs • AHP takes applications when other funds are not committed • Would like equity builder grants split to serve more homebuyers

Appendix B: Summary of 2017 CLP goals and results

The Bank fully met its quantitative targeted community lending performance goals for 2017. The following table itemizes how FHLB Boston met each of its 2017 performance goals.

Goal 1. Conduct targeted trainings and events on the FHLB Boston's housing and community investment programs.		
	JNE	• Completed one targeted JNE Program and application webinar
	HHNE	• Program rollout by March 31, 2017; individualized outreach to each of the six state housing finance agencies in progress. • Five of the six HFAs have participated in the program as of November 30, 2017.
	AHP	• Completed three targeted AHP Next Steps webinars for 2016 awardees • Completed one AHP income calculation and documentation webinar • Completed 10 2017 AHP application trainings and five 2017 AHP application webinars • Completed a separate 2017 AHP application webinar for the HAI Group and public housing authorities • Completed one AHP reporting webinar
	EBP	• Completed five 2017 EBP Application webinars • Completed four 2017 EBP Enrollment webinars • Completed four 2017 EBP Disbursement webinars
	CDA	• Completed three CDA webinars in March, June, and September
Goal 2. Conduct at least three outreach activities to respond to the 2017 plan's primary or other community development priorities based on funding availability and the interest of members, the Advisory Council, and community stakeholders.		
Priority I	Finance the production of affordable rental housing for households at a variety of income levels.	• Doing Business in Times of Uncertainty, forum on the changing political and economic climate for affordable housing and community development; sponsored with CHAPA, Federal Reserve Bank of Boston, Boston, MA, May 22, 2017 • Connecting the Dots of Affordable Housing Financing, lenders workshop, in partnership with Eastern Bank, New Hampshire Housing Finance Agency, NeighborWorks of Southern New Hampshire, and Northern New England Housing Investment Fund, Portsmouth, NH, September 11, 2017

Priority II	Fund the preservation of affordable housing, including deed-restricted and federal and state-supported public housing stock.	
Priority III	Support housing development and mortgage financing to provide affordable homeownership opportunities for first-time homebuyers and low-income families.	• Connecticut Affordable Lending Summit, presenter, sponsored by Connecticut Mortgage Bankers Association's Affordable Housing Committee, Cromwell, CT, March 9, 2017 • New Hampshire Annual Conference on Homeownership, sponsored by New Hampshire Housing Finance Agency, Bedford, NH, April 4, 2017
Priority IV	Address poverty and blight through investment in distressed and at-risk communities to improve neighborhood livability and sustainability.	• Affordable Housing Development Competition, 17th Anniversary, Boston, MA, April 26, 2017 • A Breakfast on Housing, City of Boston's Housing Innovation Lab, CHAPA, BSA, Boston, MA, May 3, 2017 • One CRA for CBOs, Community Reinvestment Act training, FDIC, Dartmouth, MA, May 9, 2017 • One CRA 101 for Lenders, Community Reinvestment Act Training, FDIC, Federal Reserve, OCC, Boston, MA, August 3, 2017 • Two Joint CRA Training for Bankers and CBOs, FDIC, Federal Reserve, OCC, Hartford, CT, October 30, 2017 and Lawrence, MA, November 2, 2017 • Strengthening Community Impact through Business Investing, three community development luncheons, with NeighborWorks America in Providence, RI (June 7, 2017), Rutland, VT (June 21, 2017) and Springfield, MA (July 20, 2017)
Priority V	Support strategic investments in high-opportunity communities to improve economic mobility.	

Priority VI	Encourage innovative initiatives that link supportive services, housing, and health care to improve individual and community health.	• Housing and Health Care forum, with Housing Development Fund, Old Greenwich, CT, May 25, 2017
Priority VII	Focus on job creation/retention, small business finance, and economic development to support income growth and make communities more economically resilient.	• Completed one JNE Webinar • SBA's Region I Small Business Webinar, presenter; sponsored by the U.S. Small Business Association; March 16, 2017 • Financing Small Business: Tools of the Trade, with FDIC, Federal Reserve, OCC, SBA, and USDA, November 7, 2017
Goal 3. Continue program development and conduct marketing outreach to expand participation and the dollar amount of advances leveraged in the JNE and HHNE programs.		
a.	Research and recommend program enhancements to the AHP	• Research regarding feasibility metrics and nonprofit capacity and/or other program or process enhancements for 2018 and future AHP Implementation Plans- *ongoing*
b.	Program development and marketing outreach to expand participation and the dollar amount of advances leveraged in the JNE and HHNE programs	• Completed

Economic and Community Development Funding Supported by FHLB Boston through the Jobs for New England, Helping to House New England, and Community Development Advance Programs (January through November 30, 2017)

Jobs for New England Initiatives:

Disbursed Initiatives by State	Number of Transactions	Number of Members*	Advances Disbursed	JNE Subsidy Disbursed
Connecticut	19	9	$4,407,166	$586,007
Maine	26	9	$11,064,117	$1,174,527
Massachusetts	39	18	$10,191,749	$1,163,793
New Hampshire	11	5	$5,410,190	$826,752
Rhode Island	5	4	$3,198,090	$516,027
Vermont	17	6	$6,005,357	$732,894
Total Disbursed Initiatives	117	51	$40,276,669	$5,000,000
Total Jobs Created or Retained	1,335			
*This includes two members each active in two different states.				

Helping to House New England Initiatives:

Number of Participating HFAs	5
Advances and Investments Disbursed	$21,604,000
HHNE Subsidy Disbursed	$2,990,356

CDA Housing Initiatives:

Total Approved	35
Owner Units	815
Rental Units	836
Total Members	21
Total Funds Approved	$170,552,793
Total Disbursed	$157,348,994

CDA Economic Development Initiatives

Total Approved	90	$1,186,939,865
Small Business	68	$1,088,062,873
Targeted Economic Development Initiatives	10	$46,025,000
Servicing Households at 80 Percent of AMI	13	$54,351,992
Jobs Created/Retained		194
Rural Initiatives Approved		43
Urban Initiatives Approved		47
Total Members		42
Total Disbursed		$694,743,242

Regulatory Citation and Bibliography

12 CFR 952.4 and 12 CFR 1290.6 requires that the Bank establish and maintain a community support program that provides technical assistance to members, promotes and expands affordable housing finance, identifies opportunities for members to expand financial and credit services to underserved communities, and encourages members to increase their targeted community lending and affordable housing finance activities by providing incentives and technical assistance. The 2018 Community Lending Plan is an integral part of FHLB Boston's program and, as such, also codifies the Bank's community support program overall.

12 CFR 1290.6 also requires that the Community Lending Plan should:

- Include market research,
- Include a description of how FHLB Boston will address identified credit needs and market opportunities,
- Consult with the Advisory Council, members, and other stakeholders in developing and implementing the Community Lending Plan, and
- Include quantitative targeted community lending performance goals.

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