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THE HOUSE CALL

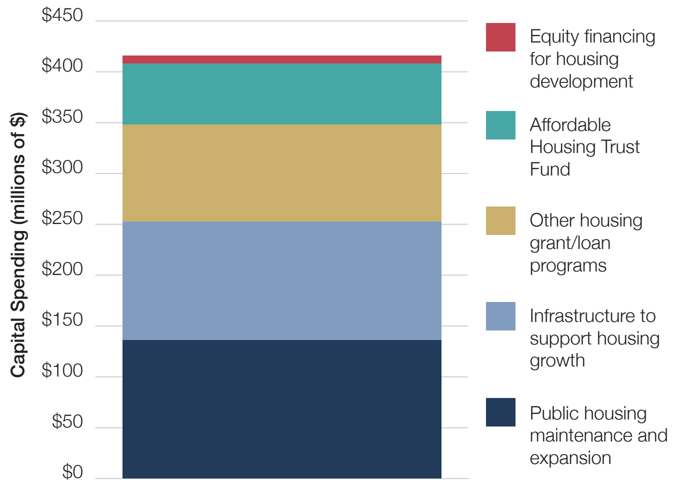
PIONEER INSTITUTE

AFFORDABLE HOMES ACT FUNDS FINALLY MAKE IT ONTO THE COMMONWEALTH'S CAPITAL INVESTMENT PLAN

In August 2024, Governor Healey signed a $5.2 billion housing bond bill into law with a mix of spending options and policy changes. Dubbed the "Affordable Homes Act," the law included substantial earmarks for public housing maintenance, various housing trust and investment funds, and some grant and technical assistance programs.

But because of state capital budget constraints, it was inevitable since before the bill's passage that not all of the $5.2 billion would be spent. The state's FY2026–FY2030 Capital Investment Plan, released on June 30, 2025, includes a total of $415 million in spending on housing in FY2026, nearly a 12 percent increase from the $371 million state bond cap for housing in FY2025. Figure 1 below shows how this $415 million is to be spent.

Figure 1: Breakdown of Housing Spending Items in FY2026 Massachusetts State Investment Plan



The largest individual budget item is $136 million for general expenses in public housing, likely maintenance and upkeep. This large outlay mirrors the Affordable Homes Act itself, which contained $2 billion in allowable expenses for the repair and improvement of properties owned by local housing authorities. The FY26–FY30 Capital Investment Plan also designates $5 million for public housing projects funded by the Affordable Housing Trust Fund and $3 million for new accessible housing units on housing authority properties.

Another $117 million is earmarked for the state's HousingWorks Infrastructure Program, which helps fund "infrastructure related activities to support and unlock housing opportunities." Oftentimes, HWIP grants are used to improve or expand sewer, water, or transportation infrastructure in the vicinity of new housing development to improve safety and accessibility.

The rest of the FY2026 housing capital outlays pad various funding programs that support the development or rehabilitation of housing that is either below market rate or otherwise hard to finance via private means, such as housing with supportive services for people with disabilities. The largest of these funding programs, the Affordable Housing Trust Fund, is also the most flexible, both in terms of eligible applicants and how the funding is disbursed. The AHTF offers multiple types of flexible loan arrangements, matching funds for municipalities and employers providing housing, and down payment assistance for first-time home buyers, among other arrangements.

Perhaps the most innovative of the housing capital spending items has one of the smallest dollar values: the Momentum Fund, through which the state makes equity investments in high-priority projects. Essentially, this fund will form a series of small public-private partnerships to advance housing developments that ostensibly wouldn't be viable to finance with the private market alone. While this gives MassHousing an ownership stake in these projects, it's not clear how much control the Healey administration will have over everyday business decisions. An estimated 461 homes have been financed so far via the Momentum Fund, which was initially capitalized with $50 million last year.

In summary, the Healey administration continues to ramp up capital spending on below-market-rate and other narrow categories of housing. It will take more than public money to solve Massachusetts' daunting housing shortage, but with a lot of development currently held up by high costs and macroeconomic uncertainty, public outlays can help get some projects to the finish line.

Between 2010 and 2023, the Austin, Texas metropolitan area added the most new subsidized apartment units per capita among the top 100 largest metro areas in the country. Greater Boston ranked 67th.

[Source: George W. Bush Institute]

FACT OF THE MONTH

AS PART OF CLIMATE PUSH, STATE AGENCY PROPOSES CHANGING THE WAY NEW NATURAL GAS HOOKUPS ARE FUNDED

Massachusetts has long sought to shift the energy mix used by commercial, residential, and institutional customers away from fossil fuels and toward cleaner alternatives. From promoting offshore wind projects to offering electric vehicle rebates, the state employs a variety of strategies intended to make new green energy options more affordable for consumers.

But a recent order from the Department of Public Utilities (DPU) takes a different approach: making traditional forms of energy more expensive for new customers. On August 8, 2025, the agency announced its intention to require new natural gas customers to pay the full cost associated with hooking up to existing utility systems, unless alternatives (such as electrification) are "technically infeasible." Currently, most new customers don't pay these hookup costs upfront. Instead, they enter into a cost-sharing arrangement with the utility for new service.

In practice, many of the new customers are real estate developers seeking to connect the existing natural gas line to their property. Thus, diluting the direct costs associated with new hookups likely makes it easier to build new homes amidst a statewide housing crunch. A 2024 report from Groundwork Data found that the average cost of a new hookup was nearly $9,000 in 2023, more than double the corresponding figure from 2018.

By contrast, advocates for electrification have portrayed the existing policy as "a subsidy" paid by existing customers to expand environmentally unfriendly infrastructure. Environmental advocacy groups often claim that ending these cost sharing practices could reduce existing customers' bills. One estimate from clean energy nonprofit RMI is that adopting DPU's recent proposal could save Massachusetts consumers $160 million per year.

Meanwhile, representatives of utility companies have asserted that cost sharing does not raise prices for existing customers. This is because they are required to either 1) demonstrate that new customers provide a higher rate of return for them than the current customer base or 2) charge new customers upfront so that the rates of return are equal.

The DPU initially proposed a less-strict ban on cost sharing for new gas hookups in February 2025. The February proposal permitted a wider array of exceptions, including for new gas hookups that either "lead to a demonstrable reduction in greenhouse gas emissions" or are "consistent with achieving the greenhouse gas limits" targeted in the statute.

Between February and August, multiple utility companies submitted comments to the agency suggesting that a ban on cost sharing for new gas hookups would incentivize customers to keep using even dirtier fuel sources, including oil. Real estate business groups such as NAIOP and the Greater Boston Real Estate Board also expressed their concerns.

Even another state agency, the Department of Energy Resources, weighed in to suggest that the DPU policy should reflect the consensus of a broader stakeholder group and that the criteria for "technically infeasible" fuel alternatives should be clarified.

After the August 8th DPU order was released, a coalition of utility companies also filed legal motions to clarify aspects of the new policy, halt its implementation, and extend the time period for appeals.

Despite taking a hardline tack in August, the DPU could further shift the stringency or implementation timeline of the new requirements as two of the three DPU Commissioners plan to step down by October. The upshot is that, amidst rising energy and housing costs, the DPU has some tough tradeoffs to weigh regarding how it implements the state's climate priorities.

> ***The Redevelopment Authority said the reason it had not delivered the first parcel was because a little old lady, not in the best of health, had simply refused to budge."***
>
> The Boston Globe, describing delays to the demolition of Boston's West End in 1959

QUOTE OF THE MONTH

RECENT OP-ED

Maine Leads the Way on Housing Reform in New England

Banker & Tradesman

COMING SOON

Upcoming issues of *The House Call* will include segments on:

- The 2024 American Community Survey data
- Income-restricted home appraisals
- And more!