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MEETING A NEED

Opinion: Increase Volume Of State Housing Tax Credits

Incentives Support Construction Of Affordable Rental Projects In Mass.

BY SUSAN GITTELMAN

SPECIAL TO BANKER & TRADESMAN

Housing is a fundamental human need. Apartment rents in the Boston area have reached record highs, following the economic pressures and housing finance crisis that drove many people from ownership to become renters.

Massachusetts has been a leader over the last 15 years in fostering the creation of affordable and mixed-income housing for working families through a progressive state housing tax credit program. And it can help even more families if the volume of state housing tax credits, a small part of the overall budget, is increased, as the housing community has recommended.



SUSAN GITTELMAN

There's no question that the last few years of economic difficulty have impacted the state's budgets. The governor and Legislature have had to make difficult choices and set priorities. But given the continuing high cost of housing and the need to accommodate working families as well as the need to ensure the economic strength of our region, we believe the state housing tax credit program is an investment that more than carries its cost.

A little background: In a high-cost region like Eastern Massachusetts, programs that provide affordable housing have become essential.

And the need for this housing outpaces the supply in almost every community.

Contributing To Social Good

The affordable housing tax credit is one of the pillars of affordable-housing development for nonprofit development corporations, private companies and others who specialize in building affordable housing. Created by Congress under the administration of President Ronald Reagan in 1986, the federal program essentially allows companies that owe federal taxes to fund construction of affordable housing. What they get back in return is a tax credit – a reduction in the amount of taxes that they would otherwise owe on their profits over the next few years.

Several states – like Massachusetts, Connecticut, and Georgia – followed suit and created their own affordable housing tax credit programs. All states can administer the federal tax credits, but the state programs provide further incentive for the creation of needed housing.

Those who purchase the tax credits – banks, life-insurance companies and other profit-making entities – still pay their taxes, but the tax reductions they receive contribute to the social good by making housing affordable for more families and individuals.

And these state tax credits have made the difference in valuable development efforts around the state. State tax credit awards in 2011 made possible successful developments in Beverly, Boston, Chicopee, Easton, Salem, Springfield, Tyngsborough and Wareham.

But the value of tax credits extends well beyond just providing more housing.

A study of the use of tax credits in New Hampshire from 2009 through 2011 concluded that, even at the limited scale

of only 202 affordable housing units built in that state, the direct and indirect fiscal impacts in a single year totaled \$29 million in income for residents, \$3.7 million in taxes and other revenue for state and local governments and 433 jobs created.

Need For Affordable Housing

Massachusetts followed the federal model and created its own housing tax credit program in 1999. It started small but was considered a good investment and was increased to a total of \$10 million in 2008. Last year it was increased to \$20 million a year – but only for the years 2013 and 2014.

Advocates of affordable housing would like to keep the state's tax credit level at \$20 million for at least three more years. There is currently an estimated demand for \$4 of tax credits for every \$1 available.

There are hundreds of new apartments being built now in the Boston area, following five years of stagnation; however, many are expensive, market rate homes. They will not solve the need for housing for many working people, families and retirees in our state.

The money the state leverages through its affordable housing tax credit program is a solid investment in communities and in the future of our state. ■

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