

# BANKER & TRADESMAN

THE  
WARREN  
GROUP 1872  
Since  
Real Estate & Financial Information

THE FINANCIAL SERVICES AND REAL ESTATE WEEKLY FOR MASSACHUSETTS

## HOUSING MATTERS

# A Workhorse Affordable Housing Program Is Expanding Significantly

### State Low Income Housing Tax Credit Here to Stay

BY SUSAN GITTELMAN  
SPECIAL TO BANKER & TRADESMAN



**T**he need for more affordable housing in the Greater Boston area continues to grow, and demand has exceeded supply for decades. But at the very time when the need for more affordable housing in Greater Boston is at an all-time high, many developers are having to put plans on hold because of a confluence of cost factors that have made the projects infeasible for the foreseeable future. Interest rates have risen rapidly as have other costs like the costs of construction and insurance.

These are challenging times, and we need solutions that can be deployed immediately to keep the pace of production of these projects intact. And one of these tools can be found in a surprising place – in tax reform bill that was signed by Gov. Maura Healey a few weeks ago.

Like the prior administration, the Healy administration is turning over every stone to advance housing projection in the commonwealth to serve our critical need.

Since taking office earlier this year, the governor has elevated a new cabinet secretary dedicated to housing, the first in many years. And a robust bond bill recently announced may promise significantly increased funding in a number of important programs that facilitate construction of new homes for needy families.

This is an exciting prospect but not one that will bring relief to our production woes imme-

diately. In the meantime, though, the important legislation that Healey signed into law this month contains tax cuts and included a major increase in the commonwealth's ability to raise funds associated with on the state's Low Income Housing Tax Credit (LIHTC) program.

### Why LIHTC Matters

Modeled after the 1986 federal LIHTC program, the state LIHTC was established in 1999. Massachusetts was one of the first states to initiate a state credit that complemented the federal credit, including the rules of how it gets administered, through a single annual allocation plan. Over the years since then about half of all U.S. states as well as Washington, D.C., have adopted a state housing tax credit in some form.

The program incentivizes private investment by allowing companies or individuals who owe taxes to get a tax credit in return for capital that they make available to be invested in multifamily affordable housing projects. Those who purchase the credits can reduce their otherwise payable taxes for up to five years. And because the capital comes in as equity and not as debt, costs are reduced, allowing a cost structure with lower rents that can be passed on to resident families.

Both the federal and state credit programs were established as a way to fund affordable housing developments. Historically, the federal government and states used to build or at least directly fund housing. However as federal funds became more scarce, the tax credit programs filled part of the gap as way of financing below-market-rate housing at scale.

Today, like the federal credit, the Massachusetts

low income housing credit is a workhorse tool in providing the needed capital to make affordable development projects financially feasible. To date it has been invested in 331 housing development projects in 95 different communities across the commonwealth from Provincetown to Pittsfield. In all, it has helped to create more than 25,000 housing units, with more than 80 percent of those affordable.

The program started out small and has incrementally increased as it has proven its success, with the previous increase in 2018, when the program was increased to \$40 million annually. As a result of the recent tax reform legislation, the commonwealth has \$60 million of state credit authority. In addition, a provision that previously required continual reauthorization of the program was also removed, making it permanent.

But those numbers underestimate the power of the program because of the leverage that it achieves. State leaders estimate just the additional \$20 million of state LIHTC authority that got approved this year should provide four times that much, or \$80 million, in equity available to affordable housing projects.

The advocacy group Citizens Housing and Planning Association calculates that the new funding will make possible 10 to 15 more multifamily housing developments, with 600 to 900 new homes a year.

Now that is real impact just when we need it. ◀

**Susan Gittelman** is the executive director of B'nai B'rith Housing, a nonprofit affordable housing developer currently working in Boston, Metrowest, and the North Shore.