The Massachusetts Low Income Housing Tax Credit
An Opportunity to Create Affordable Homes and Jobs

The Massachusetts Low Income Housing Tax Credit (LIHTC) awards state tax credits to investors in affordable multifamily rental developments\(^1\). It encourages private investment in affordable housing and allows developers to finance part of the cost of the development with equity invested by local corporations and individuals, thereby reducing the amount of debt financing and helping to keep rents low.

- LIHTC apartments must be affordable to persons with incomes at or below 60\% of the area median income. While this is the highest income a household can earn, many LIHTC apartments are affordable to persons with far lower incomes. New LIHTC developments must set aside at least one out of every ten units for households with extremely low incomes, less than 30\% of area median income. In addition, many of the developments that include LIHTC apartments also include market rate apartments.

- The LIHTC can be used to create new affordable housing or to rehabilitate and preserve existing affordable housing with affordability at-risk of expiring and going market rate.

- The program leverages significant private investment in affordable housing and is a center-piece for public-private community development efforts.

- The program is easy to administer, relying on the same allocation plan as the federal program, thereby minimizing additional work and costs for the Department of Housing and Community Development and eligible for-profit and non-profit developers. This also creates public and private sector oversight to ensure affordability objectives are followed.

- LIHTC developments must meet the Commonwealth’s Sustainable Development Criteria and include energy efficient design features.

**History of Success**

- In its 12 year history, the Massachusetts LIHTC is responsible for the development of 4,001 affordable apartments\(^2\). An additional 1,640 market rate apartments have also been incorporated into these developments.

- Since 1999, an estimated 6,882 jobs were created during the construction phase of LIHTC developments and 1,692 ongoing jobs have been created throughout LIHTC occupancy\(^3\).

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\(^1\) There is a parallel federal LIHTC program.

\(^2\) The state LIHTC was capped at $4 million per year until 2008, when it was increased to $10 million per year.

\(^3\)
The project benefits are geographically dispersed across the state. The 61 developments built through the LIHTC are located in over 30 different communities. The developments range in size from 18 homes to over 300.

### Current Challenges and Opportunities

- Massachusetts rents are already high and they are rising even more. Commonwealth rents are the sixth most expensive of any state in the nation and rents in the Greater Boston metropolitan area are the fifth most expensive of any metropolitan area in the country. Too many families are experiencing severe difficulty finding or retaining an affordable place to live in the Commonwealth.

- There are over 50 shovel-ready affordable housing developments that could help meet this challenge but these developments are not able to move forward due to current funding constraints.

- These developments will provide much-needed affordable rental housing at a time when rents are excessively high, more people are having difficulty maintaining Massachusetts’ high cost of housing, and employers are struggling to add jobs that pay workers a sufficient wage to be able to live in the Commonwealth.

- Funding these developments will create jobs immediately and leverage additional private investment that benefits communities across the Commonwealth.

- HUD recently made two HOPE VI awards to important public housing redevelopment efforts in Taunton and Boston. These awards will bring approximately $44 million to the Commonwealth for jobs, housing, and community revitalization. However, HUD requires the state to also provide a significant amount of funding in order to capture the HOPE VI funding and the State can’t fund the two HOPE VI developments and the affordable housing developments currently seeking funding at current funding levels. With an already robust pipeline of affordable housing developments awaiting funding commitments and this rare opportunity to leverage federal dollars with a state investment, there is a tremendous need to increase the State LIHTC to create jobs and housing.

### Supplemental Budget Solution

A state LIHTC increase of $10 million per year for the next four years would fund approximately 2,725 affordable homes in 50 developments. It would directly create over 2,600 construction-related jobs and 1,330 spin-off jobs related to the construction efforts. It would also allow the Commonwealth to leverage $44 million in federal HOPE VI funding and leverage significantly more private funding for affordable housing and community development.

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3. The Local Economic Impact of a Typical Tax Credit Housing Project, National Association of Homebuilders [http://www.nahb.org](http://www.nahb.org)


5. The Local Economic Impact of a Typical Tax Credit Housing Project, National Association of Homebuilders [http://www.nahb.org](http://www.nahb.org)