



What are Federal Low-Income Housing Tax Credits?

The Low-Income Housing Tax Credit Program (LIHTC) promotes the construction and rehabilitation of affordable rental housing. Through the program, the federal government encourages private equity investment in affordable housing through a federal tax credit. The program does not offer direct funding. Rather, the financial incentive is the tax credit.

The credit is available to both non-profit and for-profit developers. To receive the credit, the new housing units must have 20% or more of the households earning no more than 50% of area median income or 40% or more households earning no more than 60% of the area median income. Additionally, ten percent of the total units are to be dedicated to persons or families earning less than 30% of area median income.

The program is limited to rental housing. Additionally, a minimum of 8 tax credit-assisted housing units must be included in any project. Housing units that receive the credit have an affordability minimum term of thirty years.

The program works by allowing outside investors to utilize the credit against their federal taxes owed. When awarded the credits, developers seek outside investors that can help finance the housing project and are also interested in receiving the tax credits. In this way, the outside investors help finance the rehabilitation or construction cost of the housing project.

There are two types of credits, 9% and 4%. These can be claimed by investors for 10 years. The higher credit raises more equity but cannot be combined on projects that are utilizing tax-exempt bonds or certain other federal subsidies. Additionally, the higher credit is capped, is awarded competitively, and is therefore limited in availability.

LIHTC Allocation in MA

The allocation of the federal low-income housing tax credits is administered by the Massachusetts Department of Housing and Community Development (DHCD).

The criteria for selection by DHCD include conformance with DHCD Funding Priorities. These include the strength of the overall concept, the strength of the development team, the demonstrated need for the project in the target neighborhood, suitability of the site and design, appropriate scope of rehabilitation or construction, the appropriate total development cost for the properties included in the proposal, the financial viability of the project, the degree of local support including local funding commitments, evidence of readiness to proceed, evidence of satisfactory progress on projects previously funded with DHCD resources and incorporation of sustainable development.

BRPC PROGRAMS

Community Planning Program
Economic Development Program

berkshireplanning.org/programs

Benefits of Low-Income Tax Credits

The main benefit of the low-income tax credit program is providing affordable housing to low-income families. A financing benefit of the low-income tax credit program, over government subsidies, is that the private investors assume financial risk in the project and must be diligent, investing in projects that have been carefully scrutinized for successful outcomes. In short, private capital investment is apt to bring stability to projects as well as development oversight.

Low-Income Tax Credits in Practice

Great Barrington

Windrush Commons is scheduled to open in 2023. It will consist of 49 dwelling units, close to shopping, jobs, and transportation. The developer is the Community Development Corporation of South Berkshire.

Lee

The adaptive re-use of the Eagle Mill in Lee is anticipated to have 56 units of affordable housing.

North Adams

The conversion of this mill building to the Clark Biscuit Apartments included various financing sources. One of them was the Low-Income Housing Tax Credit.

Pittsfield

Formerly a vacant mill building close to downtown, the Rice Silk Mill in Pittsfield was rehabilitated for housing and now includes 43 affordable rental units.

Williamstown

On Cole Avenue, Low-Income Housing Tax Credits were used to construct 41 new rental units, with 38 of the units affordable to households earning less than 60% of Area Median Income. The town provided additional funding through the Community Preservation Act.

Utilizing Federal Low-Income Housing Tax Credits

While utilizing tax credits is initiated by the private sector, familiarity with the Federal Low-Income Housing Tax Credit program can benefit local officials interested in increasing the supply of a variety of affordable housing in their community.

Sample Projects



Clark Biscuit Apartments,
North Adams



Rice Silk Mill, Pittsfield



Cole Avenue, Williamstown