

MAINE LOW INCOME HOUSING TAX CREDIT CALENDAR YEAR 2021.

Annual Report to Maine Revenue Services and the Joint Standing Committee on Taxation

36 M.R.S. §5219-WW(9) requires Maine State Housing Authority to provide a report annually to Maine Revenue Service, to the Office of Program Evaluation and Government Accountability, and to the joint standing committee of the Legislature having jurisdiction over taxation matters on the status of the credit if there has been new activity since the previous report.

“The report must include, but is not limited to, the amount of the credits allocated under this section, the location and cost of projects receiving credits, the number and type of residential units created or improved by each project, the number and type of units allocated credits in qualified rural development preservation projects and senior housing projects and the amount of other investment leveraged by each project, including federal low-income housing tax credits.”

About the Program:

The Maine State Low Income Housing Tax Credit (SLIHTC) was enacted by the 129th Maine Legislature in 2019. The program provides \$80,000,000 in affordable housing tax credits, available for allocation in the amount of \$10,000,000 per year over eight years. The first allocations under the program were made in 2021 and are the subject of this report. We also include information on several projects, currently in underwriting, which we expect to finance using the state tax credit.

Implementation:

The intent of this tax credit is to provide a state-level financing instrument that can be paired with the federal 4% low income housing tax credit which is used in the production of affordable housing. Combining the 4% federal credit with this state credit provides a financing option that can pay for nearly 60% of the cost of constructing a housing development project. In this way, the state credit almost doubles the amount of tax credit subsidy that MaineHousing can make available to certain projects in a given year.

Credits not allocated in any year are carried over to subsequent years, with a maximum of \$15,000,000 that can be allocated in any one year. Additionally, 10% of the total credit available (\$1,000,000 per year) is set-aside for preservation of USDA Rural Development (RD) projects that are too small to take advantage of the federal credit. This set-aside may also be carried over for RD projects in subsequent years. The Genesis Fund is working with existing RD project owners and non-profit organizations to utilize this set-aside.

The SLIHTC is a one-time credit that is used at the end of a project's construction, whereas the federal credits are spread out over 10 years. As enacted, the SLIHTC was designed to provide state credit equal to the federal credit, but results in the first year suggested that the most efficient method of allocation is to provide SLIHTC in an amount *not to exceed* the federal credit. A legislative amendment was passed in 2021 as part of that year's tax conformity legislation to make this change. This allows MaineHousing to maximize the use of the federal credit, which is effectively unlimited, and to more efficiently use the fixed amount of SLIHTC that is available to allocate each year.

While these credits have been awarded to projects, no credits were actually claimed during 2021. These credits are not actually claimed until the project is completed and an independent cost certification has been prepared. Multifamily apartment projects can take between two and three years to create, so there is a lag between time of award and time of payment.

Tax Credit Awards

MaineHousing has awarded three projects that are currently under construction to receive a combined allocation of \$12,646,074 in SLIHTC for 2021 and 2022. An additional project is in underwriting that has requested a 2021-2022 allocation of \$6,103,655, but the project has yet to receive its formal notice to proceed. Two additional projects are currently in underwriting and are expected to be allocated 2023 SLIHTC totaling \$3,317,983.

This makes a total of six projects that are in construction or in the pipeline and which have either been awarded or anticipate using this credit. The first of these projects won't be completed until the end of 2022 at the earliest, and given construction delays due to COVID-19 we believe it is possible that the construction timeline might push some of these over into or through 2023.

The accompanying table provides specific details on the three projects that were funded in 2021 using the state tax credit. One of the projects, Mary Street in Skowhegan, qualifies as a rural project.

It is important to note that projects in certain jurisdictions (such as Portland) can qualify for a bonus amount of federal tax credit. Because the state credit is tied to the federal credit, these bonuses make it possible to finance a greater proportion of certain projects with federal resources, allowing us to stretch the state credit to support more projects in other places. So while a substantial proportion of this year's SLIHTC went to projects in Portland, this freed up other resources to fund three additional projects (in Bath, Scarborough in Augusta – not included in this report) all of which, according to SLIHTC definition would be considered rural, and which, in the absence of this program, would not have been funded.

When considering both the projects that have been funded and those that are in underwriting, the state can expect to have invested \$22,067,712 of SLIHTC over the first three program years, in projects with a total development cost of \$110,653,437. This has leveraged a total of \$88,585,725 of construction funding and subsidy from other sources, and resulted in the addition of 300 new housing units, 276 of which can be classified as affordable.

Maine Low-Income Housing Tax Credit ("SLIHTC") Awards

PROGRAM YEAR	PROJECT	CITY	STATUS	TYPE	TENANTS	TOTAL UNITS	LOW INCOME UNITS	STATE TAX CREDIT	TOTAL DEVELOPMENT COST	LEVERAGED FUNDS
2021-2022 UNDER CONSTRUCTION										
	Mary Street Apts	Skowhegan	Under Construction	Adaptive Reuse/NC	Family	40	40	\$4,475,663	\$14,972,851	\$10,497,188
	Phoenix Flats	Portland	Under Construction	New Construction	Older Adults	45	45	\$2,944,521	\$15,547,073	\$12,602,552
	Porter Station	Portland	Under Construction	New Construction	Family	60	48	\$5,225,890	\$21,311,481	\$16,085,591
	<i>Totals</i>					145	133	\$12,646,074	\$51,831,405	\$39,185,331
2021-22 IN UNDERWRITING										
	337 Cumberland	Portland	In Underwriting	New Construction	Family	60	48	\$6,103,655	\$30,911,322	\$24,807,667
2023 - IN UNDERWRITING										
	The Equinox	Portland	In Underwriting	New Construction	Family	43	43	\$1,740,122	\$13,699,378	\$11,959,256
	Winter Landing	Portland	In Underwriting	New Construction	Older Adults	52	52	\$1,577,861	\$14,211,332	\$12,633,471
	<i>Totals</i>					95	95	\$9,421,638	\$27,910,710	\$49,400,394
	SLIHTC Totals					240	228	\$22,067,712	\$79,742,115	\$88,585,725