

## MAINE LOW INCOME HOUSING TAX CREDIT CALENDAR YEAR 2023.

*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 129<sup>th</sup> 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 awards under the program were made in 2021 and we have structured this report to provide a complete accounting of each year since. We also include information on several projects, currently in underwriting, that 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. This contrasts with federal LIHTC credits, which 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.

Credits were awarded to three projects in 2021-2022 (Mary St, Phoenix Flats, Porter Station) that completed construction in 2023. Credits are not actually allocated until the project is completed and an independent cost certification has been prepared. [Note: MaineHousing is not involved with the recipients' claiming the credits with Maine Revenue.] 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. Of the three, only two received their cost certification and were allocated credits totaling \$8,170,411 in 2023. The third project will receive its allocation of \$4,475,663 once the cost certification is complete in 2024.

### Tax Credit Awards

MaineHousing has awarded credits to seven projects in 2022-2023 that are under construction and total \$15,352,193 in credit. These projects should be completed in 2024-2025. Four more in the pipeline and have either been awarded or anticipate using this credit total \$19,410,084. These projects should begin construction in 2024-2025. Workforce shortages, cost, and even COVID 19 continue to cause construction delays, and we believe it is possible that the construction timeline might push some of these projects into or through 2026.

The accompanying table provides specific details on all the projects that have been funded since 2021 using the state tax credit. Seven of the projects qualify as rural projects.

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 Credit Reservations										
	Mary Street Apts	Skowhegan	Complete	Adaptive Reuse/NC	Family	40	40	\$4,475,663	\$14,972,851	\$10,497,188
	Phoenix Flats	Portland	Complete-Allocated-202	New Construction	Older Adult	45	45	\$2,944,521	\$15,547,073	\$12,602,552
	Porter Station	Portland	Complete-Allocated-202	New Construction	Family	60	48	\$5,225,890	\$21,311,481	\$16,085,591
	337 Cumberland	Portland	Withdrawn	New Construction	Family					
2022-2023 Credit Reservations										
	The Equinox	Portland	Under Construction	New Construction	Family	43	43	\$2,873,938	\$13,699,378	\$10,825,440
	Winter Landing	Portland	Under Construction	New Construction	Older Adult	52	52	\$3,399,730	\$14,211,332	\$10,811,602
	Pine Street	Thomaston	Under Construction	RD Acquisition/Rehab	Family	16	16	\$500,000	\$1,813,118	\$1,313,118
	Water Street	Thomaston	Under Construction	RD Acquisition/Rehab	Family	12	12	\$454,000	\$1,611,705	\$1,157,705
	Hartland Sr. II	Hartland	Under Construction	New Construction	Older Adult	30	30	\$2,333,333	\$9,946,827	\$7,613,494
	Snow School	Fryeburg	Under Construction	New Construction	Older Adult	28	28	\$791,192	\$9,757,694	\$8,966,502
2023-2024 Credit Reservations										
	Wedgewood	Lewiston	Under Construction	New Construction	Family	82	60	\$5,000,000	\$50,664,019	\$45,664,019
	Peasely Park	Rockland	In Underwriting	New Construction	Older Adult	49	49	\$6,646,093	\$17,429,438	\$10,783,345
	Pulsifer Road	Mapleton	In Underwriting	RD Acquisition/Rehab	Older Adult	12	12	\$274,500	\$578,222	\$303,722
2024-2025 Credit Reservations										
	Equality Housing	Portland	In Underwriting	New Construction	Older Adult	54	54	\$4,319,424	\$18,477,334	\$14,157,910
	DeWitt	Lewiston	In Underwriting	New Construction	Family	104	83	\$8,170,067	\$45,066,301	\$36,896,234
						627	572	\$47,408,351	\$235,086,773	\$187,678,422