

# Article 21

Tax Incentive for Affordable Housing

# Tax Incentive Key Elements

- 10 Units or more
- 10% Affordable
- 10 Year Maximum Tax Incentive
- Make property owner whole for lost rent



# 24 Unit Apartment Building

			21	22	23	24			
11	12	13	14	15	16	17	18	19	20
1	2	3	4	5	6	7	8	9	10

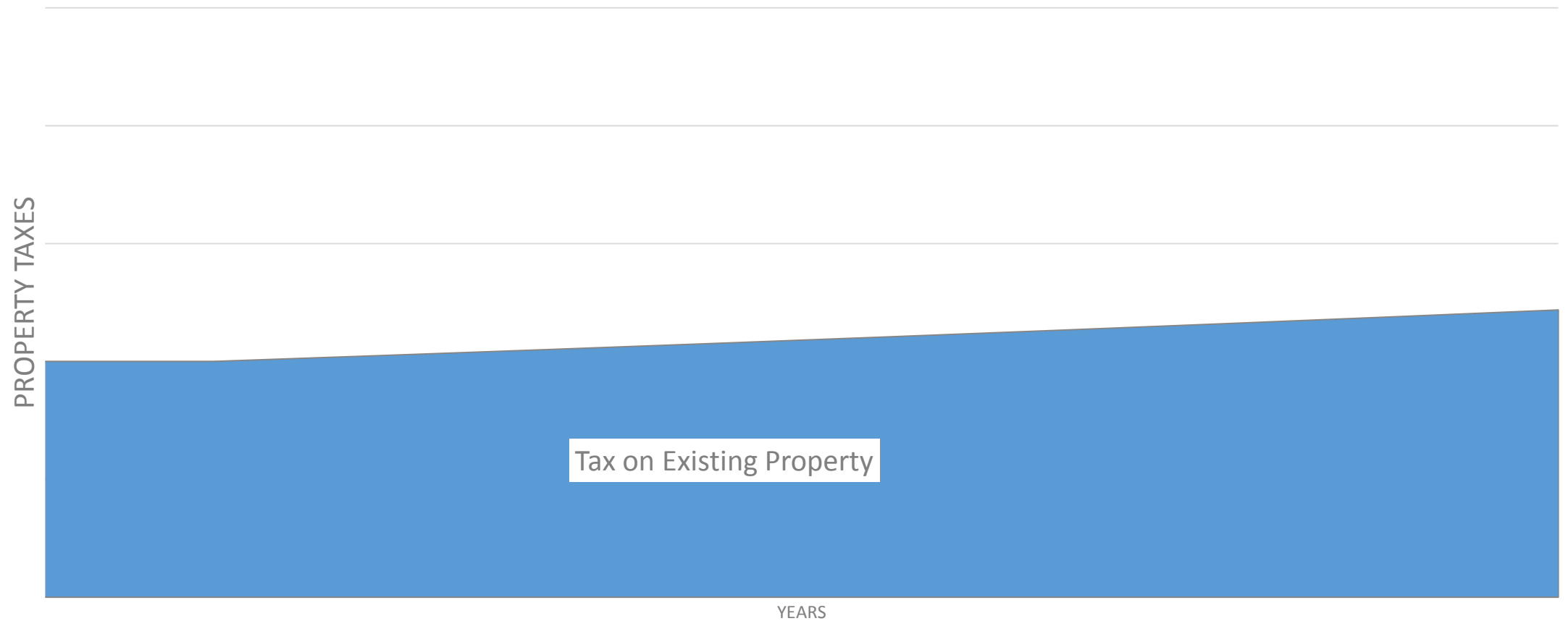
# 24 Unit Apartment Building with 10% (2) Affordable Units

			21	22	23	24			
11	12	13	14	15	16	17	18	19	20
1	2	3	4	5	6	7	8	9	10

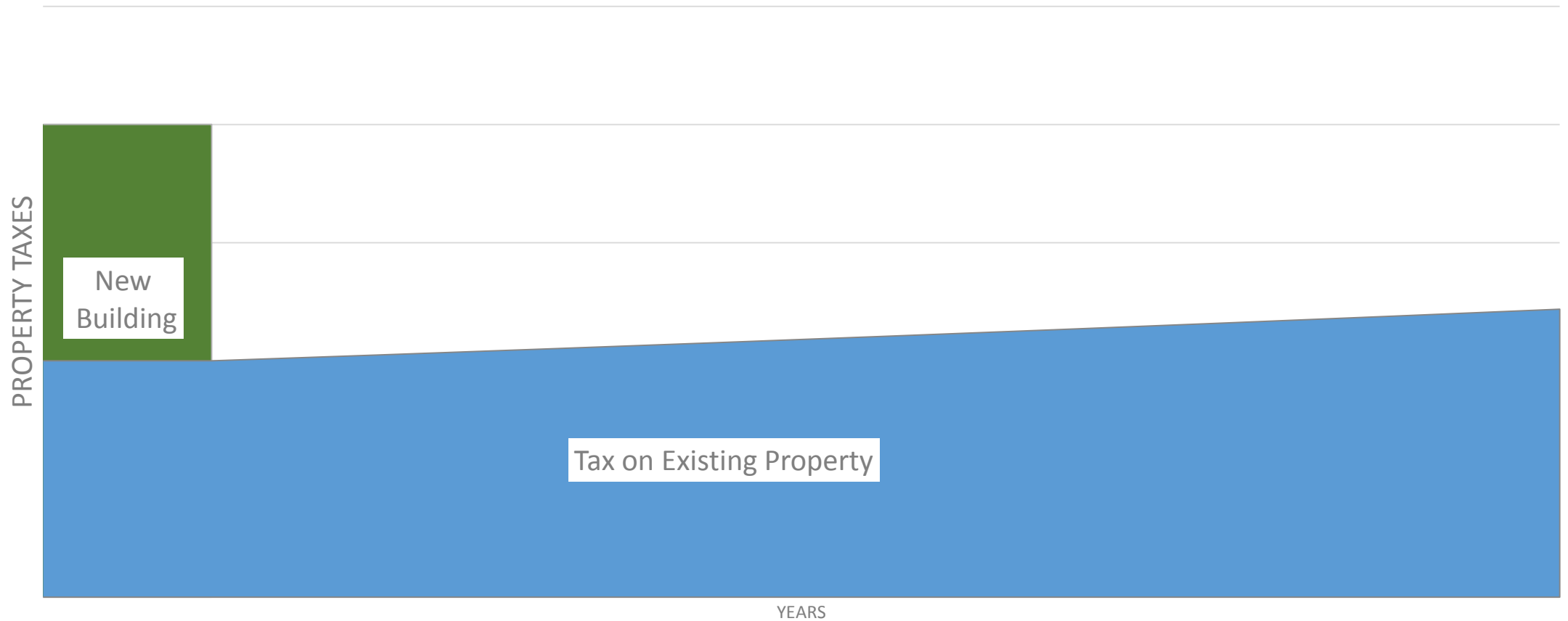
24 Unit Apartment Building  
with 10% (2) Affordable Units and  
3 Offset Units ( $2 \times 1.5 = 3$ )  
Becomes at 27 Unit Building

		25	21	22	23	24	26	27	
11	12	13	14	15	16	17	18	19	20
1	2	3	4	5	6	7	8	9	10

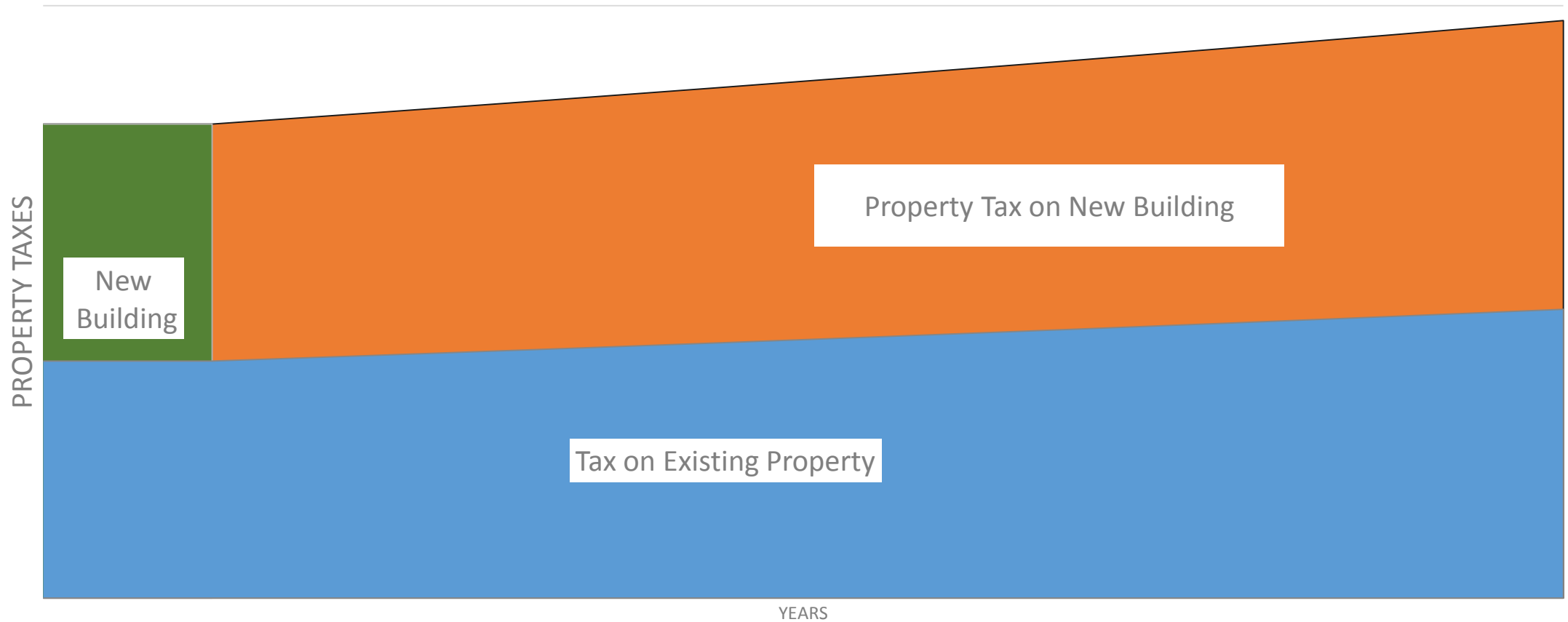
# 1. Existing Building



## 2. Build a New Apartment Building

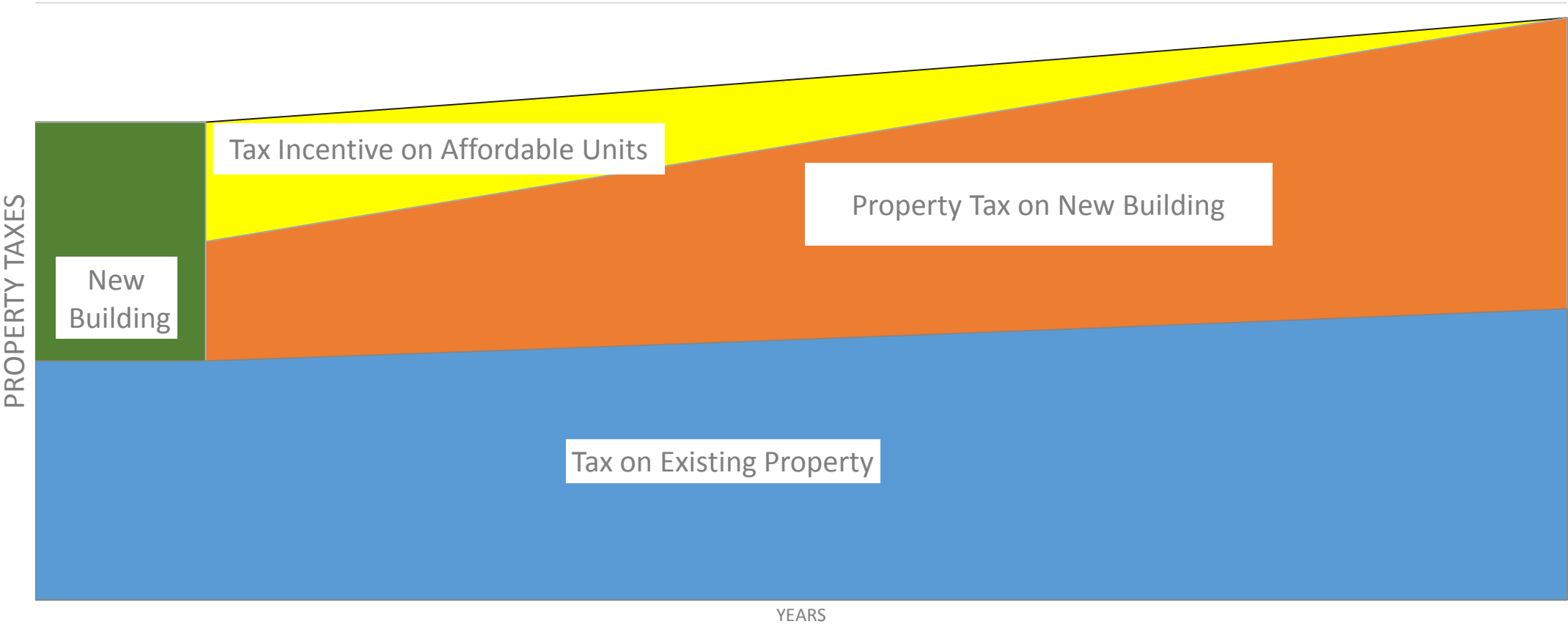


### 3. New Building's Additional Taxes

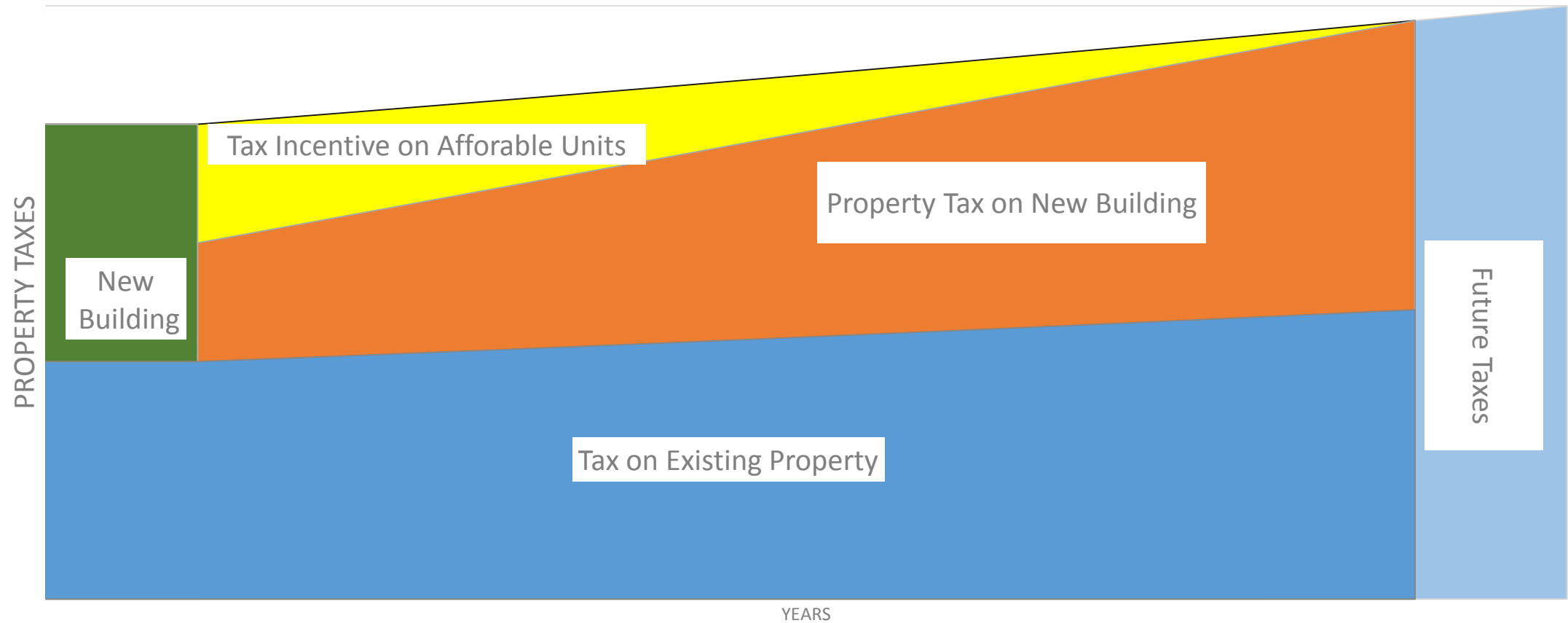




# 4. Tax Incentive Phases in New Building's Taxes



# 5. In the Future, at the end of Tax Incentive, New Building Pays 100% of Taxes.



# Comparing Scenarios

## A. Market Rate

- Net Operating Income = \$279,537

## B. + Affordable

- Net Operating Income = \$265,367
- Net Income Loss = **\$11,378**
- Needs a Subsidy

## How to Calculate Taxes on a 24 Unit Building (A)

UNITS	BEDS	MONTHLY RENT	ANNUAL RENT
10	1	\$850	\$102,000
10	2	\$1,800	\$216,000
2	3	\$2,400	\$57,600
2	4	\$3,200	\$76,800
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24			

Annual Rent	\$452,400
Vacancy 5%	\$22,620
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Rent less vacancy	\$429,780
Expenses 35%	\$150,423
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Net Operating Income	\$279,357
Cap Rate = 11%	
Value	\$2,539,609
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Taxes @ \$20.54	\$52,164

## 24 Unit Building with 10% Affordable Units (B)

UNITS	BEDS	MONTHLY RENT	ANNUAL RENT
10	1	\$850	\$102,000
10	2	\$1,800	\$216,000
1	3	\$2,400	\$28,800
1	4	\$3,200	\$38,400
1	3	\$1,761	\$21,132
1	4	\$1,951	\$23,412
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24			

Annual Rent	\$429,744
Vacancy 5%	\$21,487
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Rent less vacancy	\$408,257
Expenses 35%	\$142,890
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Net Operating Income	\$265,367
Income Change	-\$13,990
Value	\$2,412,427
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Taxes @ \$20.54	\$49,551
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Tax Savings	\$2,612
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Net Income Loss	-\$11,378

# Expenses

## Net Operating Income

Management

Legal/Accounting

Electricity

Payroll

Maintenance & Repairs

Elevator Maintenance

Reserves for Replacement

Leasing Fees/Commissions/Advertising

Heat/Air Conditioning

Other Utilities

Supplies

Common Area Maintenance

Fire/Liability Insurance

Security

# Special Act



- Article 21 Authorizes the Select Board to file a special act with the Legislature.
- Amherst needs the Legislature's authority in order to offer tax incentives; it is not a power towns have inherently.
- Legislative process typically is 4 to 6 months.
- Staff currently is conferring with our legislators, Department of Revenue, and Department of Housing and Community Development.