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## **The Performance of Affordable Housing Provisions in State Historic Tax Credits**

**A Case Study Report on Delaware, Maine and  
Massachusetts**

***Summer 2021***



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# **The Performance of Affordable Housing Provisions in State Historic Tax Credits**

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By Sydney Andrea Landers, MSHP





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# Introduction

*“Only 37 affordable and available rental homes exist for every 100 extremely low-income renter households.”*

*-National Low Income Housing Coalition (March 2021)<sup>1</sup>*

The adaptive reuse of vacant, historic properties into affordable housing brings multiple benefits: historic buildings get new life, use of existing infrastructure prevents suburban sprawl, new affordable housing is created, and neighborhoods are revitalized without displacing their original communities.<sup>2</sup>

Historic Tax Credits (HTCs) are a key component of many adaptive use projects that include affordable housing. This report summarizes examples from three states that include provisions in their state HTC programs to incentivize the creation of affordable housing. Project case studies show how important historic buildings have been saved and beautiful living spaces created with the assistance of these innovative state programs.<sup>3</sup> The benefits of HTC's extend



Contractors overlook the rehabilitation of the Huse School Apartments in Bath, Maine. The project was financed by state and federal HTCs as well as low-income housing tax credits.

PHOTO COURTESY MAINE PRESERVATION

beyond individual projects as well, returning more tax revenue to state coffers than they originally cost, spurring reinvestment in older neighborhoods, creating jobs, and protecting our nation's heritage.

Currently, eight states include some type of affordable housing provision as part of their state HTC programs: California, Connecticut, Delaware, Hawaii, Maine, Maryland, Massachusetts, and Pennsylvania. This report focuses on programs in Delaware, Maine, and Massachusetts that offer specific affordable housing incentives through their state historic credit programs. Each of these states offers an example of how to encourage more affordable housing through their state HTC program, from increasing the tax credit percentage for affordable housing projects to allotting a minimum proportion of the annual program funding cap to affordable projects.

<sup>1</sup> National Low Income Housing Coalition, “The Gap: A Shortage of Affordable Homes,” NLIHC, March 2021.

<sup>2</sup> For more information, see “State Historic Tax Credits: Maximizing Preservation, Community Revitalization, and Economic Impact,” National Trust for Historic Preservation, November 2018.

<sup>3</sup> For an example of results, see “Maine Historic Tax Credit Economic Impacts Report,” prepared by Charles Lawton and Frank O’Hara, September 2020.



Interior of the Motherhouse in Portland, Maine, a former convent adapted to create affordable apartments. Many buildings that are reused for affordable housing have unique interiors (due to former uses such as mills, warehouses, and schools) that create an enriched environment for tenants.

PHOTO COURTESY PORTLAND PRESS HERALD

Experienced affordable housing developers are the primary users of these additional incentives. Often these developers are using a combination of federal and state HTC, as well as an allocation of federal Low Income Housing Tax Credits (LIHTCs). In some cases, state Qualified Allocation Plans or “QAPs” (which guide how LIHTCs are awarded in each state) include provisions to promote the use of rehabilitated historic structures.

Among the three state programs profiled in this study, only Maine has provisions to insure long-term impact. Specifically, projects that use the affordable housing provision of the Maine state HTC must keep those units affordable for 30 years or they must repay their tax credit. In this era of overwhelming need for affordable housing, Maine’s accountability clause should be considered the standard for affordable housing provisions in state HTC programs. This is especially important when many affordable housing developments are being created in the heart of economically disinvested neighborhoods. If an affordable housing project were to switch to market rate five years after rehabilitation, the rehabilitated structures could become agents of gentrification that many have associated historic preservation with in the past. Accountability and long-term affordability requirements can help prevent this from happening. As affordable housing continues to be a nationwide crisis, especially after the pandemic, we have an ethical obligation to advocate for the inclusion of these long-term affordability provisions.

# Delaware Case Study

## FAST FACTS

**Date effective:** Jan 1st, 2000

**Statute:** Del. Code Ann. tit. 30, §§ 1811-1817

### **Credit % of Qualifying**

**Expenditures:** 20% credit for properties eligible for federal Historic Tax Credit (HTC); a 30% credit for homeowners and nonprofits; 100% credit for resident curatorship properties. A 10% bonus credit applies for depreciable projects that qualify for low-income housing tax credits and homeowners who meet low-income qualifications.

**Attributes:** \$5 million per building placed in service per year; credit taken in four equal annual installments

**Annual Cap:** \$5 million. Set Aside: a) \$1.5 million for projects under \$300,000 in tax credits; b) \$1.5 million for projects in Downtown Development Districts (of which \$500,000 set aside for projects receiving less than \$300,000); and \$100,000 for qualified resident curators.

**Carry Forward:** 10 years

### **Taxes Applied Against:**

Income Tax and Bank Franchise Tax

### **Distribution Methods:**

Allocation by Partner Agreement and Direct Transfer

**Total Number of Completed Rehabilitation Projects: 167**  
(through FY 2015)

Delaware's state historic tax credit provides generous incentives for affordable housing and is one of the few states that extends the credit to homeowners. Nearly half of the state's credit goes to homeowners in rural areas each year. With a priority toward smaller projects and an accessible qualifying minimum, this is one of the few funding opportunities for low-income homeowners in the country.

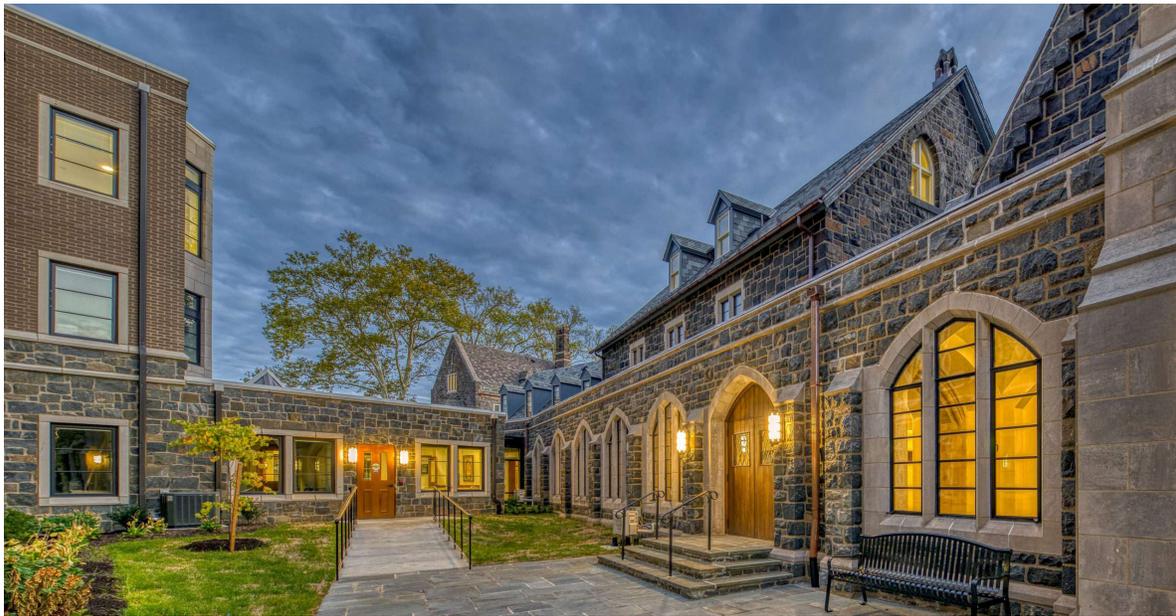
Delaware's state HTC supports affordable housing by increasing the credit from 20 percent to 30 percent for properties eligible for the federal HTC and from 30 percent for 40 percent for homeowners and nonprofits. Delaware offers the most generous affordable housing provisions of all state HTC programs. The success of the state's HTC program's was recognized in 2020, when the state legislature increased the annual program cap from \$5 million to \$8 million to support more projects.<sup>4</sup> Along with increased credit percentages, the state has also established distribution priorities for the credit, including properties in downtown development district properties, small projects under \$300,000, and the state's unique resident curatorship program.<sup>5</sup> Affordable housing project that are either under \$300,000 or located in a downtown development district can benefit in two ways under the state program: by meeting the priority criteria and by receiving an increased tax credit percentage.

From its launch in 2000 through 2015, the Delaware state HTC program funded 167 projects, of which 13 have been affordable housing developments that also utilized LIHTC credits. Approximately 44 percent of all state HTC projects in Delaware are homeowner residences.<sup>6</sup> Rural counties have the highest ratios of homeowner projects. Due to the low qualified minimum project expense of \$5,000 and the state's distribution priority for small projects, the Delaware state HTC helps lower-income homeowners seeking financial assistance with needed repairs.

<sup>4</sup> Delaware Senate Bill No. 180. 2020

<sup>5</sup> The Delaware Resident Curator program allows private citizens and institutions to reside in historic properties owned by the state, rent and mortgage free, if they commit to rehabilitating them.

<sup>6</sup> 74 homeowner residences out of 167 projects total. Metric based on data from a 2015 Report to the Legislature, Delaware SHPO.

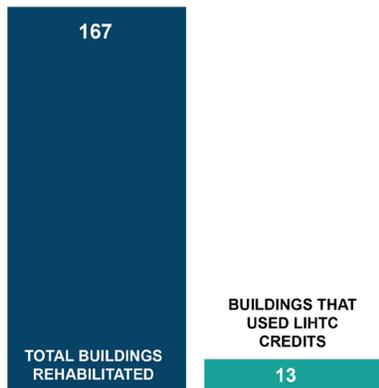


The Village of St. John in Wilmington, Delaware. Delaware is known for having the most generous tax credits for affordable housing, with affordable projects getting up to a 40 percent tax credit. The Village of St. John project received federal historic and LIHTC tax credits as well as state HTC.

PHOTO COURTESY ARCHITECTURAL ALLIANCE

**TOTAL NUMBERS OF PROJECTS VS PROJECTS THAT COMBINED LIHTC CREDITS**

*\*data from Delaware Division of Historical and Cultural Affairs, through FY 2015*



Delaware’s State Housing Authority administers the state’s LIHTC program. In the QAP for the Delaware LITHC program, five extra points are awarded to “developments that are utilizing HTCs.”<sup>7</sup> This helps promote the adaptive reuse of historic structures for affordable housing.

Delaware extends the state HTC to non-income producing properties (other than owner-occupied). This is in contrast to the federal HTC program, which only allows income-producing properties to receive the credit. This allows the use of the credit for more shelters and alternative forms of housing that are not based on rental income.

7 State of Delaware Low Income Housing Tax Credit: Qualified Allocation Plan 2021-2022.

# Delaware Case Study

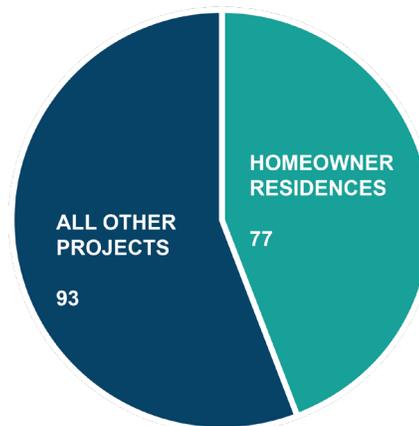
Credits can be received via two methods: allocation by partner agreement and direct transfer.

The National Low Income Housing Coalition calculated that 25 percent of all rental households in Delaware are extremely low-income, and 29 percent of these households are extremely low-income seniors.<sup>8</sup> While seniors are not included in the affordable housing provisions of the Delaware state HTC, many of the projects that take advantage of the increased credit for affordable housing are for senior communities.

Village of St. John in Wilmington (pop. 70, 644) is a prime example of a community gathering for a great cause. Originally a church complex, the site was put for sale in 2015. When the idea of reuse for affordable housing was proposed, the original ministry reduced the asking price from \$1 million to \$600,000. The project used a wide array of funding sources including the state HTC, federal historic and low-income tax credits, a loan from the State Housing Authority, and green energy grants. Chaz Enerio of the Ministry of Caring, reflects on the project: “The Village of St. John was made possible through contributions from many different sources of funding, but the state HTCs were particularly crucial in getting this project across the finish line. Importantly, the HTCs

## TOTAL PROJECTS AWARDED CREDITS THROUGH FY 2015

\*data from Delaware Division of Historical and Cultural Affairs through FY 2015



Groundbreaking ceremony for the Village of St. John in Wilmington. The affordable apartments are dedicated to senior communities. While seniors are not specifically addressed in the provisions, many developments are for them. According to the NLIHC, 29% of all extremely low income renters are seniors.

PHOTO COURESY CINNAIRE

8 National Low Income Housing Coalition. “Housing Needs by State: Delaware”. NLIHC, 2021.

allowed us to preserve the beauty of the historic structures and features for the benefit and enjoyment of our senior residents. In this way, the Village of St. John does not just help increase the supply of affordable senior housing in Wilmington, it provides a home with warmth, dignity, and character which all of our residents so truly deserve.”

Rodney Courts in Wilmington, Delaware (pop. 70, 644) was originally built as a luxury apartment complex in 1928. With funding from the Delaware state HTCs, it was given a new purpose as affordable housing for seniors. Now known as BirchWood at Rodney Courts, the complex is home to 55 affordable senior apartments and received a 2021 Grand Jury Award from the Delaware Preservation Alliance.



Rodney Court in Wilmington.

PHOTO COURTESY BIRCHWOOD AT RODNEY COURT

# Maine Case Study

## FAST FACTS

**Date effective:** Jan 1st, 2008

**Statute:** Me. Rev. Stat. Ann. Tit. 36 § 5219-BB

**Credit % of Qualifying**

**Expenditures:** 25% if qualified for federal HTC and 25% if taxpayer does not claim the federal HTC and incurs between \$50,000-\$250,000 in qualified expenses; 33% where at least 50% of the aggregate square feet is housing (of which 50% creates new affordable housing) or at least 33% of the aggregate square feet of the completed project creates new affordable housing.

**Attributes:** \$5 million per building placed in service per year; credit taken in four equal annual installments

**Taxes Applied Against:** Income Tax and Insurance Premium Tax

**Distribution Methods:** Allocation by Partner Agreement and Refundable

**Total Number of Completed Rehabilitation Projects:** 170 (2008-2021)

As one of the only state HTC programs without an annual cap, Maine's program has found immense success with all projects being guaranteed funding if they comply with rehabilitation standards and complete all parts of the application process. Maine's state HTC is increased from 25 to 30 percent for affordable housing projects. Maine's state HTC is helping to provide affordable housing in many small, rural communities that have been historically overlooked.

In 2007, a special bill was signed to create a tax provision exclusively to aid in the rehabilitation of the Hathaway Mill in Waterville, Maine. After seeing the success of this trial project, lawmakers extended this tax benefit in 2008 to include all eligible historic buildings in Maine. Although it was initiated amid a recession, the program proved successful and has stimulated construction, jobs, and economic development throughout the state. The Maine state HTC is increased from 25 to 30 percent for rehabilitations that include affordable housing. In 2020, the program has come full circle, as other structures in the Hathaway Mill Complex are now slated for rehabilitation that will include affordable housing units. The structures that inspired the creation of the state HTC in Maine are benefitting from the affordability provision.



Interior of Hathaway Mill Building No.2 in Waterville, Maine. Maine's state HTC was created to assist this rehabilitation.

PHOTO COURTESY WRIGHT RYAN CONSTRUCTION

Maine reviews projects on a rolling basis throughout the year. Because there is not an annual program cap, there is no fear of affordable housing projects missing out on funding. Individual projects are capped at \$5 million per year, however. As long as developers comply with all rehabilitation standards, they are likely to receive the credit. Maine has the most financially reliable program among the three states reviewed in this report. Other states with more competitive programs due to annual aggregate caps cannot boast this level of funding certainty. In the risky world of developing and financing, Maine’s program is a gold standard for funding.

The Maine State Housing Authority works with the State Historic Preservation Office to vet projects and ensure quality and completion. The State Housing Authority also administers the LIHTC program for Maine. Maine’s QAP for LIHTC projects states that projects that “include the rehabilitation of a certified historic structure using capital contributions generated from federal and state historic rehabilitation tax credits”<sup>9</sup> are given three points in the scoring criteria (out of 100). This helps incentivize developers to combine the use of both historic and low-income tax credits in their projects.

The program allows for the credits to be received by two different methods: allocation by partner agreement and refund. Seeing that many of the state HTC users are affordable housing developers and nonprofits, these two options are key to getting the credit to the person who needs it. The refund option is also the most accessible option provided by state HTCs in which the amount left unused after the first tax cycle is paid directly in cash to the owner of the credit. This makes pursuing the state HTC worthwhile to smaller projects completed by parties with smaller tax liability.

## AFFORDABLE HOUSING INCENTIVE FACTS

**Total Number of Affordable Housing Projects:** 19 (2008-2021)

**Total Number Of Housing Units Produced:** 1,473 (2008-2021)

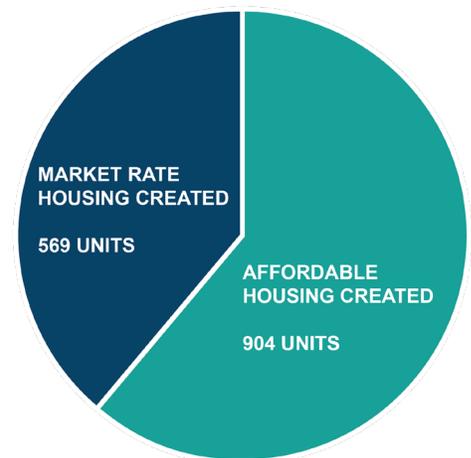
**Total Number of Affordable Housing Units Produced:** 904 (2008-2021)

**Total Number of Housing Square Footage Created:** 3,625,105 sq ft (2008-2021)

**Total Number of Affordable Housing Square Footage Created:** 1,152,977 sq ft (2008-2021)

**Total Number of Affordable Housing Units Preserved:** 367 (2008-2021)

TOTAL HOUSING CREATED IN MAINE (2008-2021)



# Maine Case Study



Community members walk around the Huse School Apartments in Bath, Maine. Originally the auditorium, the space now serves as a common area and houses several two-story apartment units. Three-quarters of the units in the building were leased within a week of the grand opening, showing the demonstrable need for affordable housing in Bath

PHOTO COURTESY SZANTON COMPANY

John E.L. Huse Memorial School was a mid-century school for the town of Bath that closed in 2006. Ten years later, Szanton purchased it with the intention of creating 59 affordable housing units. This project is a good example of former schools becoming affordable housing due to their size and an internal layout that is often readily adaptable to housing. Completed in 2017, the project received awards from Maine Preservation, the Maine Real Estate and Development Association, and Sagadahoc Preservation, Inc. In a small town like Bath, a project like this can be very impactful. One week after opening, 75 percent of the units were leased. Nathan Szanton, President of the Szanton Company, looks back on the project and comments, “It has been so gratifying to see generations of Bath residents who attended the John E.L. Huse School come back to live there! They generally have really fond memories of their years there and are so happy that it’s been adapted to a new use, rather than wasting away or being demolished.”

The National Low Income Housing Coalition (NLIHC) has calculated that 27 percent of all rental households in Maine are extremely low income and 30 percent those households are extremely

Between 2008 to 2021, Maine’s state HTC program has helped fund 170 certified projects.<sup>10</sup> Of this total, 11 percent utilized the affordable housing provision.<sup>11</sup> Notably, 31 percent of the square footage rehabilitated through the program includes affordable housing.<sup>12</sup> Schools, mills, warehouses, and other larger structures have been rehabilitated to create affordable housing through the Maine HTC. Of the housing units created through the Maine state HTC, 61 percent are affordable. Affordable housing developers and nonprofits used these credits to create affordable housing and meet larger goals for revitalization and historic preservation in key neighborhoods.

In the town of Bath, Maine (pop. 8,319) a relatively large project was undertaken by the Szanton Company in 2016.

10 Based on data reported from the Maine Historic Preservation Commission.

11 Ibid, 19 affordable projects out of the 170 completed rehab total.

12 Ibid, 3,625,105 total qualified sf, of which, 1,152,877 sf is affordable housing.

low-income seniors.<sup>13</sup> While seniors are not specifically addressed in the Maine HTC legislation, many affordable housing projects that use the state HTC are exclusively senior communities. The Mission Hill project in Biddeford, Maine (pop. 21,642) illustrates how this communities are finding ways to adapt older buildings for affordable senior housing. The former St. Andres Convent was identified as underutilized real estate in one of the lowest income neighborhoods of Biddeford. In 2015, the Biddeford Housing Authority acquired the property with the intention of adaptively reusing it for affordable housing. The convent now contains 15 affordable housing units for seniors who make no more than 60 percent of the area median income The entire complex is slated for a phased rehabilitation, with more affordable units to be developed in coming years.



The Mission Community Gardens were established in 2017 on the land adjacent to St. Andres Convent in Biddeford, Maine for use by residents. The garden features four accessible gardening beds for seniors and persons with disabilities who live at St. Andres. The garden’s goal is to facilitate “safe green spaces available for all to feed the body, to nourish the soul, and to cultivate the mind.”<sup>14</sup>

PHOTO COURTESY BIDDEFORD COMMUNITY GARDENS

### OVERALL QUALIFYING SQUARE FOOTAGE VS AFFORDABLE SQUARE FOOTAGE



Exterior of St. Andres Convent, Biddeford, Maine. Many developers utilize Maine’s 30 percent state HTC for affordable housing in combination with federal historic and low-income housing credits. Maine’s Qualified Allocation Plan for LIHTC projects supports the adaptive reuse of historic structures for affordable housing.

PHOTO COURTESY MAINE PRESERVATION

13 National Low Income Housing Coalition. “Housing Needs by State: Maine,” 2021.  
 14 Biddeford Community Gardens Mission Statement.

# Massachusetts Case Study

## FAST FACTS

**Date effective:** Jan 1st, 2005

**Statute:** Mass. Gen. Laws  
Ann. ch. 63, § 38R

**Credit % of Qualifying Expenditures:** *Up to 20%* if qualified and income-producing; 25% of credit is allotted to affordable housing projects.

**Annual Statewide Cap:** 55 Million as of Summer 2021

**Carry Forward:** 5 years

**Attributes:** \$5 million per building placed in service per year; credit taken in four equal annual installments

**Distribution Methods:** Direct Transfer and Allocation by Partner Agreement

**Total Number of Affordable Housing Units Created through 2016:** 9,287 Units

Massachusetts has one of the most competitive state historic rehabilitation tax credit programs in the nation. In a state with many high-density communities, affordable housing has always been an issue. The Massachusetts state HTC program is capped at \$55 million, and demand well exceeds the supply of credits. Affordable housing is prioritized, with a minimum of 25 percent of the annual cap allotted to affordable housing projects.

The Massachusetts State HTC was passed in 2003, with the first credits awarded in 2004. The original cap for the program was \$5 million. After early success and demonstrated demand, the cap was increased to \$50 million in 2006. In 2019, the cap was increased to \$55 million. Legislation was introduced in 2021 to increase the cap by another \$10 million and extend the sunset date for the program to 2027. Instead of increasing tax credit percentages for affordable housing, Massachusetts prioritizes affordable housing through a provision that requires 25 percent of all state HTC funding (the annual cap) to be directed to affordable housing projects. This minimum allocation does not seem to be an issue, as approximately 75 percent of all state tax credit projects include an affordable housing component.<sup>15</sup> This metric shows that the state is not only meeting but exceeding the initial goals of the legislation.

In 2016, the Massachusetts Historical Commission (MHC) reported that 16,500 housing units had been produced through projects receiving the state HTC, of which 9,287 units were deemed affordable housing—more than half of all housing produced through the credit. For many developers, historic preservation is not their initial goal. Vacant or blighted historic properties are often viewed as ‘happy accidents’ by developers that can help aid their initial projects and visions.<sup>16</sup> As the statute’s wording states, “projects that contain affordable housing” qualify, but they do not need to provide solely affordable housing. This wording makes way for projects that may have originally not been considering affordable units but may choose to incorporate them to strengthen their tax credit application and give it a competitive edge, especially in a state with high demand for credits.

<sup>15</sup> Based on conversations with representatives from Preservation Massachusetts, the statewide preservation nonprofit.

<sup>16</sup> Based on conversations with developers, state housing authority, and state historic preservation offices.



Exterior of Fitchburg Yarn Works. Lawrence Curtis of Winn Development, the development firm responsible for the project, remarks, *“These buildings may not be the most iconic structures on the face of the earth, but there’s a long-term community association with them. People remember that their grandparents or great grandparents worked there. The whole story of the community is in these buildings.”*

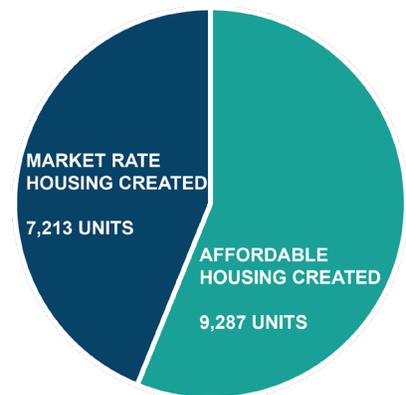
PHOTO COURTESY WINN DEVELOPMENT

In the world of development, the affordable housing provision in state HTCs can often be that extra layer of funding that can help a project come to fruition. Due to the current cap of \$55 million, demand greatly exceeds the supply of tax credits and most projects, if funded, are not guaranteed the full 20 percent credit. Normally, projects can expect a 10-12 percent tax credit if selected. In 2019, the outstanding demand for credits reached a record-breaking \$255,065,498.<sup>17</sup> This level of demand is due to the limiting nature of the annual aggregate cap. Projects are reviewed on a tri-annual basis in January, April, and August. Developers will often apply in phases over three years (a total of nine review rounds) to receive the full credit amount.

The limited and competitive nature of the credit in Massachusetts requires developers to consider other forms of financing in addition to the historic rehabilitation tax credit. For affordable housing projects, LIHTC tax credits are often used in conjunction with historic credits. The federal LIHTC program is administered at the state level by the Massachusetts Department for Housing and Community Development. In the state’s Qualified Allocation Plan (QAP) for LIHTCs, 70 percent of the available credits are set aside to support development of new affordable rental units.

**TOTAL HOUSING UNITS CREATED BY THE CREDIT THROUGH CALENDAR YEAR 2016**

*\*data from Massachusetts Historical Commission*



17 Preservation Massachusetts, “The Massachusetts Historic Rehabilitation Tax Credit Program 2021 One Pager,” 2021.

# Massachusetts Case Study



Residents and community members celebrating the ribbon cutting ceremony for Fitchburg Yarn Works in 2017. The reception was held in the common room which is the repurposed boiler room of the former mill. It is estimated that 80 percent of SHTC projects in Massachusetts include affordable units.

PHOTO COURTESY THE TELEGRAM

Rehabilitations are considered as part of this set aside for new units if “the project previously was non-residential use.”<sup>18</sup> This promotes the inclusion of adaptive reuse projects, of which a significant proportion are historic projects. This QAP provision showcases the mutually beneficial relationship between affordable housing development and historic rehabilitation projects.

The Fitchburg Yarn Works in Fitchburg, Massachusetts (pop. 40,000) is a good example of a mixed-income project that utilized the affordable housing provision. The reused mill and warehouse now contain 96 housing units, 40 percent of which are affordable. Lawrence Curtis of WinnDevelopment, looks back on the project and observes, “Massachusetts has these incredible physical structures that have been rehabilitated into housing at a price that’s affordable to people with normal paychecks. People who are coming to live here are becoming active members of these cities and they are bringing life back to places that had no life. They are great places to rehabilitate, great places to live in and, collectively, one building at a time, they are remaking communities.”

Massachusetts allows state HTCs to be received through two different methods: allocation by partner agreement and direct transfer. Often credits are directly transferred to third parties to create additional streams of revenue for projects. Due to a letter ruling in 2006, the Massachusetts state HTC is now available to nonprofits, which in turn can direct transfer the credit to third parties with tax liability. This makes the credit more accessible to smaller projects and different kinds of project sponsors.

The National Low Income Housing Coalition (NLIHC) has calculated that in Massachusetts 30 percent of all rental households are extremely low-income, which shows a clear need for the provision to promote more affordable housing.<sup>19</sup> Of these households, 40 percent are extremely low-income seniors and 20 percent are disabled.<sup>20</sup> While specific provisions for these households are not written into the affordable housing provisions of the Massachusetts state HTC program, a sizable number of the affordable housing projects that utilize the state HTC serve these populations.

The Maple Commons Apartments in Springfield, Massachusetts (pop. 154,319) provides an example. The Maple Green Limited Partnership utilized federal and state HTCs to rehabilitate a portfolio of 11 buildings. The complex was selected to specifically serve low-income, elderly, and disabled communities. The project resulted in the development of 174 affordable units and received a MHC Preservation Award in 2019. Gordon Pulsier, President of First Resource Development Company, reflects on the project, “The resources for this rehab included combining low-income tax credits with federal and state historic credits. The historic credits were invaluable in making this rehab possible with adding security to the neighborhood (cameras, lighting etc.) and all eleven, 100-year-old buildings being restored resulting in a safe environment for our residents. This would not have been possible without the historic credits.”

Maple Commons is a 11-building complex dedicated to affordable housing for elderly and disabled communities. In smaller sized cities and towns, large affordable housing developments can make a huge difference on the communities in which they are being built.

**PHOTO COURTESY  
FIRST RESOURCE DEVELOPMENT COMPANY**



19 National Low Income Housing Coalition, “Housing Needs by State: Massachusetts,” 2021.  
20 Ibid.



# Conclusion

The National Trust for Historic Preservation has worked with partners across the country to help establish state HTCs for more than three decades. Today there are 39 states with state HTC programs. Affordable additional incentives for affordable housing provisions are now included in eight state tax credit programs and other states are considering similar provisions. These examples are showing how HTCs are evolving and helping to support affordable housing and equitable development. Data from the three case study states shows how affordable housing provisions are making an impact. Tens of thousands of new affordable units have been created by repurposing underutilized real estate all while revitalizing our historic fabric.

With many state QAPs favoring historic rehabilitation projects that also receive LIHTC credits, the adaptive reuse and rehabilitation of historic structures is key for affordable housing development. As developers combine the use of LIHTC as well as state and federal HTCs, the affordable housing provision in state HTCs serves to fill a financing gap for these projects. As demonstrated in Massachusetts, these credit provisions are highly competitive and consistently exceed the initial goals of the legislature that prescribed them. In addition, the communities and areas that need affordable housing the most are often where potential adaptive reuse properties are located.

Characteristics of state HTC programs that can both attract investors and address affordable housing needs include: no program cap, provisions for transfer to third parties, long-term affordable housing accountability clauses, and prioritization of support for vulnerable communities (low-income, disabled, rural, elderly). Affordable housing set asides can be highly effective in states with competitive programs, as seen in Massachusetts. For competitive programs like Massachusetts, which are unable to meet full funding requests due to the sheer number of applicants, including a set aside incentivizes applicants to include an affordable component in all projects to add a competitive edge to their application. Increased credit percentages can be more impactful for states with less intensive market demand. For programs like Maine's where funding is guaranteed for those that abide by rehabilitation standards, the credit increase is more impactful to affordable housing projects.

Adding affordable housing provisions to state HTCs can uplift and support communities, regardless of socio-economic background. This level of policy commitment to affordable housing within the historic preservation field is needed nation-wide for a more conscious, people-driven field. Historic preservation and affordable housing can have a mutually beneficial relationship when cultivated carefully with equity and accountability in mind.

# Definitions and Abbreviations

## Definitions

**Affordable Housing:** The federal government defines Affordable Housing as “housing that doesn't consume more than one-third of a household's monthly income. Affordable units will generally be dedicated to households making up to 80 percent of the area median income.

**Allocation by Partner Agreement:** Mechanism by which a state tax credit can be allocated to stakeholders by mutual agreement within the partnership. Each state regulates business partnerships differently, requiring close examination of development entities' ability to allocate credits within the partnership.

**Area Median Income:** AMI is the exact middle point of all household incomes in an area: half earn more and half earn less. From this number, low-income levels are determined by household incomes that hit a certain percentage of the AMI.

**Deeply Affordable:** Deeply affordable units cater to extremely low-income households that earn no more than 30 percent of the area median income.

**Direct Transfer:** The ability to make an outright transfer or assignment of the tax credit to another person or entity.

**Low Income Housing Tax Credit (LIHTC):** A program that provides tax incentives to developers in exchange for creating affordable housing.

**Qualified Allocation Plan (QAP):** State-specific criteria and eligibility requirements for awarding federal tax credits to housing projects.

**Refund:** A tax refund is issued when the amount of one's tax liability is less than the tax credit.

**Workforce Housing:** Signifies “affordable housing for those whose earned income is not sufficient enough to acquire quality housing near the workplace”; ranges from renting to home ownership.

## AMI Levels

Extremely low-income	30 percent of the AMI
Very low-income	50 percent of the AMI
Low-income	80 percent of the AMI

## Abbreviations

AMI: Area Median Income
FHTC: Federal Historic Tax Credit
LIHTC: Low Income Housing Tax Credit
QAP: Qualified Allocation Plan
SHTC: State Historic Tax Credit

## Principal Author

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