Urban Land Institute
Boston
Serving the Six New England States

State Historic Tax Credit - Cost / Benefit Analysis

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The Massachusetts State Historic Tax Credit is one of the most effective Jobs Development Programs in the Commonwealth.

For every dollar of state costs the State receives increased tax revenues of $1.20.

One dollar of the State Historic Tax Credit ("SHTC") typically generates $5.80 of total investment, including a matching amount from the Federal Historic Tax Credit. In addition, the program serves to:

- save and renovate important historic buildings, and
- acts as a powerful revitalization stimulus for the historic areas of many Massachusetts cities and towns.

Currently the program is limited by the annual cap on SHTC allocations of $50,000,000. There is documented demand for twice that amount of funding. As a result, many highly deserving developments, developments that could stimulate substantial additional investment, languish for years waiting to be allocated the funding necessary to get under construction.

In almost all cases, projects are not economically feasible without the State Historic Tax Credit as a source of funds. With the State Credit comes the Federal Credit, and typically multiple other sources of funds. Without the State Credits, most projects simply will not take place. This is why many areas with many historic buildings – the older parts of our communities – have gone without investment for so many years.

It is proposed that the State increase the annual cap for the SHTC from $50,000,000 to $100,000,000.

The proposed Economic Development Jobs bill being proposed by the Joint Committee would be an ideal way for this to be done.

The following Cost / Benefit Analysis is based on evaluating the costs and resulting impacts of a specific project located in a typical modest downtown in Massachusetts. It is believed that the impacts and results from this project are typical of State Historic Tax Credit projects throughout the Commonwealth, and can be used as a proxy for the program as a whole.

This cost / benefit analysis of the State Historic Tax Credit has been prepared by Concord Square Planning & Development under the auspices of the Housing and Economic Development Subcommittee of the Urban Land Institute. It has been reviewed and the conclusions endorsed by Preservation Mass, Mass Inc., The Dukakis Center for Urban and Regional Policy, and the Commonwealth Housing Task Force.

State Historic Tax Credits

Cost / Benefit Analysis

This analysis demonstrates that the direct costs to the State Treasury of the Massachusetts State Historic Tax Credit Program are offset by benefits realized by the State and Local Governments.

Ratio of Benefits to Costs pursuant to this analysis: 1.21

The specific inputs for this analysis come from a Prototype Property Development consisting of a four story building located in a downtown in Massachusetts. This building is proposed to be renovated with retail on the first floor, and residential apartments on floors two, three and four. The analysis for the building shows that the transaction is not feasible without the State Historic Tax Credit, but that with the SHTC it is feasible.

The analysis also shows that the fiscal benefit to the Commonwealth from this use of the State Historic Tax Credits exceeds the cost of the Credits to the Commonwealth.

A detailed description and analysis of the building follows this summary of the Costs and Benefits to the Commonwealth from making the credit available to developers of historic properties.

Notes are provided describing the source of percentages and multipliers used in the analysis, including a summary of the assumptions and inputs used on the following page.

During the construction period the State receives income taxes and sales taxes as a result of the cost of designing and constructing the building. The wages paid directly on the job have a multiplier effect in the State. In addtion, after the completion of construction the property generates on-going benefits to the loca community because of higher property tax payments. It also serves to create permanent new jobs both from the management of the development, and from the new jobs that new houisng units stimulate in the economy at large.

The following analysis quantifies the benefits that can be expected to be received by the State from the construction of the Generic Building that has been described in the second part of this study.

This analysis demonstrates that the State Historic Tax Credit Program is a highly effective JOBS DEVELOPMENT PROGRAM that generates direct revenues for the State equal to 1.2 times the costs.

Summary of Assumptions / Inputs

Percent of Construction that is labor	45.0%	
Percent of Construction that is material	40.0%	
Average Wages per job	50,000	
Effective Income Tax Rate	3.5%	
Percent of Salaries spent on Sales Tax Items	40.0%	
Indirect Salary Multiplier	120.0%	
Sales Tax Rate	6.25%	
Percent of Soft Costs paid as salaries	58.0%	(from analysis of prototype project costs)
Percent of Operating Costs paid as salaries	53.0%	(from analysis of prototype project costs)
Number of public school students per 100 units	4	
% Property Taxes to Increased General Costs	25.0%	
Average school costs per pupil	13,000	
Average amt paid by Chapter 70	40.0%	
Impact on surrounding areas	10.0%	
Number of new jobs per 100 new housing units	20	
Average wage per new job	65,000	
Property tax rate per $1,000 of valuation	$12.00	
Discount Rate for Net Present Value	3.0%	
% of projects that would not occur w/o SHTC	0.85	

Tax Benefits During the Construction Period

Income Taxes

From Construction and Planning Workers

Total Cost of Construction:		2,640,000
Percent to Labor		45.0%
Cost of Labor		1,188,000
Plus		
Share of Soft Costs to Salaries	58.0%	278,400
Total Salaries Paid During Construction		1,466,400
Indirect Salary Multiplier		120%
Total Salaries		1,759,680
Income Tax Paid @	3.50%	61,589

Sales Tax from Construction

Total Construction Cost		2,640,000
Amount for Materials		40.0%
Cost of Materials		1,056,000
Sales Tax @ rate of:	6.25%	66,000

Sales Tax from Construction Related Salaries

Total Construction Related Salaries		1,759,680
Percent spent for Sales Tax Items		40.0%
Amount of Sales taxed items purchased		703,872
Sales Tax on this amount @	6.25%	43,992

Summary - Construction Related Activities

Income Taxes During Construction	**61,589**
Sales Taxes During Construction	**66,000**
Sales Tax from Const. Related Salaries	**43,992**
Total Receipts by State	**171,581**

Notes and Assumptions to Benefits received during the construction phase:

*Construction expenditures on historic renovation projects are assumed to be allocated 45% to labor, 40% to materials and 15% to overhead and profit.

* See the Prototype Building Analysis for the derivation of the percentage of soft costs that are paid in wages.

*Historic Preservation Impact studies in Rhode Island, Delaware and Maine conclude that construction wages have an indirect multiplier effect, and calculated, using IMPLAN analysis, the amounts in each State at 1.56, 1.67, and 1.68, which average out to 1.64. However, to be conservative a significantly lower figure has been used in the above calculations.

*The percent of wages spent on sales taxes is assumed to = the total wages, less 60% for taxes, shelter, and food purchases.

Once construction is completed, the State and Local Governments will receive benefits from the ongoing operations of the property.

These benefits are the result of the following:

1. Income and Sales Taxes from new jobs created in managing the property;

2. Income and Sales Taxes from permanent new jobs created in the economy by the construction of new housing units;

3. Net Increase in local property tax revenues.

These amounts have been quantified by using the specific figures from the prototype property. A Net Present Value has been calculated, using the stated discount rate.

This analysis is based on the premise that essentially all of the projects built using the State Historic Tax Credits would not have been feasible and therefore would not have been built if the program did not exist, or if the funds were not available. Therefore, all the benefits are incremental new benefits to the State and Local Governments, that would not be received without the program funding.

First, consider the ongoing wages and sales taxes that result from the management of the property. These amounts continue indefinitly, and grow with inflation. The operating costs for the prototype property have been estimated, and then each line item has been evaluated for the percentage of the amount that would be expected to be paid for wages. The detail on the allocations can be seen in the following section containing the Prototype building analysis.

Income / Wages from ongoing Property Operations:

Total Annual Operating Costs	83,397
Percent to Salaries	53.0%
Annual Salaries from Operations	**44,200**

Income from New Permanent Jobs Created by the New Housing:

Multiple studies have concluded that the Massachusetts economy is constrained from expanding by a shortage of housing that can be afforded by working families. The recent dramatic increases in apartment rents in Greater Boston is evidence that this phenomenon - high housing costs - remains an important constraint in business expansion. The Dukakis Center for Urban and Regional Policy at Northeastern University concluded (in a report that led to the adoption of Chapter 40 R, Smart Growth Zoning) that "20% of the net new housing units represent incremental new jobs added to the economy, that the median wages from the new jobs would be $85,000, and that the multiplier effect would be 1.30.

Reviews by Mass Inc. of studies on the Massachusetts Economy lead them to conclude that the actual number of new jobs per new housing unit may be as high as one to one.

Ed Moscovitch of Cape Ann Economics has estimated (in an email of 01-15-09 to Clark Zeigler regarding the impact of using Federal Stimulus funds for the construction of housing) that for each 100 new housing units created, as many as 56 permanent new jobs are created. This analysis was for the Boston region, not the State as a whole.

To conservatively take into account the views of each of these sources, it has been assumed in the figures below that every 100 new housing units that are created will result in 20 permanent new jobs for the Massachusetts economy.

The prototype project contains 12 new housing units in approximately 75% of the commercial space in the building. It is believed that the State Historic Tax Credit has been utilized on projects in which housing is approximately 75% of the aggregate amount of development. If this is the case, the prototype project is similar to the the overall use of the Credit throughout the State.

For this analysis, it is assumed that 20% of the number of housing units represents an increase in the number of Permanent new jobs in the State, that the average wage in those new jobs is $85,000, and that the multiplier factor would be 1.3. This is a 20% discount from the IMPLAN results for construction related wages used earlier. From these assumptions a calculation has been made of income and sales taxes to be received by the State.

Number of housing Units in the Prototype:	**12**
Percent representing new jobs for the state	20.0%
Total new permanent jobs	2.40
Annual Salary per new Job	65,000
Total new permanent wages - annually	**156,000**

To this figure should be added the new jobs from management operations:

Annual Salaries from management ops.		44,200
Annual Salaries from New Permanent Jobs		156,000
Total New Annual Salaries		200,200
Multiplier for permanent Jobs	120.0%	120.0%
Total permanent, ongoing Salaries		240,240
Total permanent jobs @ $ per job	65,000	3.7
Total FTE jobs over # of years of:	10	37
Annual Income Taxes @	3.5%	8,408
Sales Tax Eligible Expenditures @	40.0%	96,096
Annual Sales Taxes @	6.25%	6,006

Increase in Local Property Taxes

When historic building are renovated, the values go up, and therefore the assessed value of the buildings increases substantially. In a 2011 study assessing the impact of the Maine State Historic Tax Credit over a number of years it was determined that the assessed value of ten specific properties went up by a factor of ten times as a result of the work done on the buildings.

A Rhode Island study of the Rhode Island State Historic Tax Credit (2005) concluded that the assessed value for tax purposes would go up in an amount equal to approximately one half of the total development cost. This is because assessed values are based on the economic value of the property, and not the cost of renovating the property. As the Prototype Analysis shows, the economic value of the property does not support the cost of the renovation; therefore it is reasonable that the new assessed value will be significantly lower than the cost of the work.

In this analysis it is assumed that the assessed value of the property increases to an amount equal to approximately 75% of the cost of renoavtion. It is assumed that the tax rate in the community is as set forth below per thousand dollars of assessed value. These assumptions allow for the calculation of the increased tax revenues that will be received by the community.

However, along with these new tax revenues come increased costs to the community - police, fire, libraries, and education. The analysis below estimates the percentage of increased costs that the community will incur due to the new housing units.

The CURP study above concluded that in multifamily housing, each housing unit would have .129 school aged children. However, many renovated historic buildings contain fewer two and three bedroom units than typical suburban multifamily apartment complexes. In addition, the locations of many historic properties are not ideal for school aged children. Consequently it is assumed that the appropriate figure for school aged children should be approximately .04 school aged children per historic renovated housing unit (or 4 school aged children per 100 units).

To calculate the net benefit to the community, it is assumed that one half the total cost of each student is covered by increased Chapter 70 payments.

The calculations below show the net positive benefit to the community from the increased tax base of the new housing.

Increase in Property Taxes

Total Construction Costs		2,400,000
Assumed Assessed Value after renovation		1,795,133
Assessed value as a % of construction costs		74.8%
Local Property Tax Rate / $1,000		$12.00
Local Property Tax Increase		$21,542
% allocated to general municipal expenditures:		25.0%
Amount for general expenditures		$5,385
Number of new historic rehabilitated units		12
School aged children per historic rehabed unit:		0.040
Projected number of school aged children		0.480
Average Cost for educating one child		$13,000
Amount paid by Chapter 70 @	40.0%	$5,200
Net to be paid by the community per child		$7,800
Cost for the projected # of children @	0.480	$3,744

Summary of Property Tax Impact

Total increased property taxes	$21,542
Less costs for general municipal services	($5,385)
Less costs for school education	($3,744)
Net Benefit to the Local Community:	**12,412**

This allows us to calculate the total amount of permanent, recurring benefits that accrue from the renovation of the Prototype Project using the State Historic Tax Credit Program.

Summary of Annual Increase in Tax Payments

		% of total
Local property taxes, net of increased costs:	12,412	46.3%
Plus increase in income Taxes per year	8,408	31.3%
Plus Increase in sales taxes per year	6,006	22.4%
Annual Recurring Benefit	**26,827**	100.0%

NPV of Annual Benefit		**$728,771**
at a discount rate of	4.0%	
for this many years	30	
Annual Inflation @	2.5%	
NPV of Local Property Tax Increase		337,190
NPV of Income and Sales Taxes		391,582

Timing of the SHTC:
The expenditure from the State for the SHTC takes place in the tax year after the year in which the full amount of the renovations are completed. The Credit is claimed for the tax year in which the completion takes place, and is used to reduce the overall State Tax owed for that year, such reduced payment presumably reflected in reduced receipts by the State in March or April of the subsequent year.

However, a portion of the benefits to the State will have already been realized before the reduced tax receipts are recognized because the income and sales taxes from construction and approximately one year of property operations take place before and during the construction period and during the first year of operations.

An estimate of the amount of revenues / benefits received before the cost hits the State's books is shown below.

Spin-off impacts:

In addition to the direct benefits from the program, as have been outlined above, projects redeveloped with the SHTC have consistently served as catalysts for additional new construction and for further renovation project nearby. Often the renovation work in historic buildings is accompanied by new construction work in the same project. For instance, in the report for the Maine SHTC program, completed in April, 2011, it was reported (to the author's surprise) that the Tax Credit Program had stimulated $135,000,000 of renovation construction, and an additional $25,000,000 of new construction. The new construction equalled 18.5% of the rehabilitation amounts. In the Prototype project used for the example here, only 5% of the total construction costs were assumed to not be part of the rehabilitation base. Therefore it is reasonable to assume that a significant amount of additional new construction, construction not included in Prototype example, is likely to be spun off from the direct work.

In Greenfield, MA, the SHTC program was used to redevelop five buildings downtown. A proxy (i.e. somewhat altered version) for one of these buildings has been used as the Prototype model for this analysis. In Greenfield, prior to these buildings being brought back to life, there had been seven empty buildings in the downtown, some vacant for 30 years. Once the first buildings were delivered, their example directly led to the $2,000,000 renovation of an adjacent mill building into office space and apartments. It never would have happened absent the SHTC example. One other building was subsequently renovated in the downtown, and one new building was built.

Fenway park is another example. For years development professionals made the case that it was uneconomic to renovate Fenway Park. However the new owners were more imaginative, and with with the use of both the State and Federal Historic Tax credit programs were able to make the renovation of Fenway Park economically viable. The result is a treasured ballpark for the community for decades to come.

Equally important is the extraordinary amount of new investment in the immediate Fenway area. Hundreds of millions of dollars have been spent on the new construction of mixed use buildings with hundreds of new housing units - almost all of which are pure market rate developments, not requiring additional State or Federal subsidy contributions. It is hard to imagine that this rennaissance would have taken place absent the Fenway Park renovation, which would not have happened without the State Historic Tax Credit Program.

Consequently, it appears reasonable to assume that in most cases, and on average, renovations using the SHTC are likely to result in spin-off renovation and new construction work. In this analysis

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However, clearly some historic projects would be renovated in the absence of the State Historic Tax Credit Program. To account for this, the total benefits have been reduced by the percentage shown below.

Summary

New Jobs

Total Salaries - Planning & Construction	$1,759,680
Average wages per job	$50,000
Total New Jobs created - FTEs	**35**
Total costs of tax credit	$706,365
Tax Credits cost per job	$20,071

Fiscal Impact

Income Taxes During Construction		**61,589**	
Sales Taxes on Construction Materials		**66,000**	28.1% of credit
Sales Taxes from Salaries during Const.		**43,992**	
First year of Permanent Benefits		**26,827**	
NPV of the Increase in Recurring Benefits		**$701,945**	(balance of the NPV)
Total Direct Benefits		**900,352**	
Spin off -			
New Const. and upgrades nearby:	**10.0%**	**90,035**	
Less % that would happen w/o	**0.15**	**(135,053)**	
Total Benefits		**855,335**	

Total Costs of the Credit	**706,365**
Delta - Net Cost to the State & Local Govt.	**(148,970)**
Percent of benefits to costs	**121.1%**

Leverage of Funding

Amount of Credit		**$706,365**
Total Project Cost		**$4,122,130**
Multiple		**5.8**
New Construction Period Jobs		**35**
New Permanent Jobs over # years of:	**10**	**37**
Total New Jobs		**72**
Cost / Job		**9,790**

Percent of cost received before the expense is incurred:	**28.0%**
One Dollar of State Credits generates total Investment of	**$5.84**
Amount of Credit for one new full time equavelent job:	**$9,790**
Total Benefits as a percent of initial cost:	**121.1%**

$1,000,000 in State Credits yields $1,211,000 in Fiscal Returns to State and Local Govt.

Calculation of Net Present Value

		Annual Increase of:		2.5%	(proposition 2 1/2)
Years					
1	26,827	(first year amount)			
2	27,497				
3	28,185				
4	28,889				
5	29,612				
6	30,352				
7	31,111				
8	31,888				
9	32,686				
10	33,503				
11	34,340				
12	35,199				
13	36,079				
14	36,981				
15	37,905				
16	38,853				
17	39,824				
18	40,820				
19	41,840			**NPV**	
20	42,886	3.0%	20 years	**$497,568**	
21	43,959				
22	45,057				
23	46,184				
24	47,339				
25	48,522				
26	49,735				
27	50,978				
28	52,253				
29	53,559			**NPV**	
30	54,898	3.0%	30 years	**$728,771**	

	Sq. Ft.	Leasable Sq. Ft.	Residential	Commercial
Basement	5,000	2,000		2,000
1st	6,000	4,080		4,800
2nd	6,000	4,080	5,100	
3rd	6,000	4,080	5,100	
4th	6,000	4,080	5,100	
	29,000	18,320	15,300	6,800

Rental Income

Market Rents after Renovation

Floor	Use	# Units	$ / Unit / Mo	Avg S.F. / Unit	Total $	$ / S.F.
Basement	Storage	1	$833	2,000	10,000	$5.00
1st	Retail	2	$3,200	2,400	76,800	$16.00
2nd	Residential	4	$1,517	1,084	72,828	$16.80
3rd	Residential	4	$1,517	1,084	72,828	$16.80
4th	Residential	4	$1,517	1,084	72,828	$16.80
				7,651	305,284	
		Less Vacancy @		8.0%	(24,423)	
		Projected Collections			280,861	
		Number of Apartments		12		

Annual Operating Expenses

	Operating Costs	Percent to Salaries	Amount to Salaries
Insurance	7,964	10.0%	796
Common Area Electricity	1,939	10.0%	194
Gas	2,117	10.0%	212
Repairs / Maintenance	3,319	70.0%	2,323
Trash Removal	1,650	50.0%	825
Water & Sewer	3,587	25.0%	897
Tenant Turnover	3,300	70.0%	2,310
Cleaning	2,149	70.0%	1,504
Elevator Maintenance	2,225	60.0%	1,335
Snow Removal	1,939	50.0%	969
Management Fee	10,882	70.0%	7,617
Property Taxes	17,951	50.0%	8,976
Audit	9,075	75.0%	6,806
Accounting	4,536	75.0%	3,402
Leasing Expenses	2,610	80.0%	2,088
Reserves	6,139	50.0%	3,069
Miscellaneous	2,015	50.0%	1,008
Total Estimated Operating Costs:	83,397		44,332

Percentage of Op. Costs to wages **53.2%**

Rounded: 53.0%

(note: based on actual costs on a comparable building after an historic renovation)

Estimated Soft Costs

(this estimate reflects the complexities of tax credit financing)

Description of Tasks and Services		Amounts	% to Salaries	Amounts to Salaries
Architect & Engineering @ % of Const.	2.9%	69,472	75.0%	52,104
Interest during Construction		49,984	0.0%	0
Offset - Interest earned during construction		(15,474)	0.0%	0
Closing Costs - Legal and Professional		90,773	75.0%	68,080
Appraisals		3,868	75.0%	2,901
Environmental		2,579	75.0%	1,934
Survey		7,221	75.0%	5,415
Other legal and professional		41,260	75.0%	30,945
Closing Costs - Out of Pocket - Title / Recording		10,315	40.0%	4,126
Deal Structure / Tax Advice		16,504	75.0%	12,378
Pre Closing Interest		13,593	0.0%	0
Pre-Closing Operating Costs		24,275	50.0%	12,137
Accounting/Cost Certification		15,473	75.0%	11,605
Taxes During Construction		3,358	0.0%	0
Insurance During Construction		10,315	50.0%	5,158
Operating Costs During Construction - utilities		5,673	10.0%	567
Building Permits (Municipal Budget)		13,639	50.0%	6,819
Development Consulting		44,871	75.0%	33,653
Accounting During Construction		6,189	75.0%	4,642
Historic tax credit recapture insurance		23,804	10.0%	2,380
Inspecting Engineer		6,189	75.0%	4,642
Soft Cost Contingency		28,897	58.5%	16,893
Miscellaneous		7,221	58.5%	4,221
		480,000		280,602

Percent of Soft Costs to Wages **58.5%**

Rounded to: 58.0%

Construction Costs:

Total leasable s.f.	18,320
Construction Costs per s.f.	$131.00
Total Estimated Costs of Construction	**2,400,000**

Conventional Financing Analysis

No State or Federal Historic Tax Credits

Net Operating Income

Projected Revenues	$280,861
Operating Expenses	($83,397)
Net Operating Income	**$197,465**

Maximum Loan

Net Operating Income		$197,465	
Debt Service Coverage		1.25	
Available for Debt Service		157,972	
Amortization # Years		25	
Loan Interest Rate		6.00%	
Loan Amount		**2,043,191**	
Annual Cash Flow		39,493	
Debt per Leaseable S.F.		$92.45	
First year interest			122,591
First year principal			35,380

Property Tax Calculation

Net Operating Income		$197,465
Cap Rate for Assessed Value		11.0%
Assessed Value		1,795,133
Tax Rate / $1,000		$10.00
Annual Taxes		$17,951.33
Tax Per Apartment / Yr		$1,121.96

Sources of Funds

Conventional Debt		2,043,191	
Developer Equity @	20.0%	510,798	
Total Sources of Funds		**2,553,989**	
Cash Flow Return on Equity		7.7%	(acceptable)

Uses of Funds

Acquisition		400,000	
Soft Costs (discounted by:)	25.0%	360,000	
Construction (disc. by:)	10.0%	2,160,000	
Construction Contingency	10.0%	216,000	
Development Fee	10.0%	348,444	
Total Costs		**3,484,444**	

Summary

Total Sources of Funds		2,553,989
Less Total Uses of Funds		(3,484,444)
Surplus (Deficit) of Funds		**(930,455)**

Conclusion - the project is not feasible and will not be built

The construction costs and the soft costs are both discounted by the indicated percentages to reflect (a) the less complex financing required, and (b) not having to comply with the National Park Service Guidelines for the renovation work.

Financing using State and Federal Historic Tax Credits

Sources of Funds

Conventional Debt	49.6%	2,043,191
Federal Historic Tax Credit @	15.4%	635,729
State Historic Tax Credit	14.6%	600,410
Owner Equity	9.7%	400,000
Deferred Developer Fee	10.7%	442,800
Total	100.0%	**4,122,130**

Uses of Funds

Development Costs	% of Total	Costs	Historic Basis	Historic as a %
Acquisition	9.7%	400,000	0	0.0%
Soft Costs	11.6%	480,000	456,000	95.0%
Construction Costs	58.2%	2,400,000	2,280,000	95.0%
Construction Contingency @	5.8%	240,000	228,000	95.0%
Developer Fee @ % of Historic:	14.4%	592,800	563,160	95.0%
Misc. (Delta of Sources and Uses)	0.2%	9,330	4,665	50.0%
Total	**100.0%**	**4,122,130**	**3,531,825**	
Paid Developer Fee		150,000		
Total Qualified Rehab Expenditures		3,531,825	Price	$ to Project
State Historic Tax Credit @	20.0%	**$706,365**	$0.90	$635,729
Federal Historic Tax Credit @	20.0%	**$706,365**	$0.85	$600,410
Total Developer Equity		400,000		
Annual Cash Flow		39,493		
Annual Cash Return on Equity		9.9%		

The development is now feasible and can be built

It should be noted that in some situations the local market will not support residential rents that are at the level shown above ($1,500 per month - $16.00 per s.f. per year). In those instances additional subsidies or sources of funds will be needed to make the transactions feasible. Such additional sources are Low Income Housing Tax Credits, New Market Tax Credits, Tax Increment Financing arrangements, NSA Funds, CDBG funds, etc.

Regardless of the package of sources, these transactions would not work without the SHTC. An absence of the SHTC funds means that other sources must be found to make the deals feasible - and those other sources are in short and generally a limited supply. So if the SHTCs are not availab fewer projects will actually get built.