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

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>12</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>17</td>
<td>18</td>
<td>19</td>
<td>20</td>
</tr>
</tbody>
</table>

21 22 23 24
24 Unit Apartment Building with 10% (2) Affordable Units and 3 Offset Units \((2 \times 1.5 = 3)\) Becomes at 27 Unit Building

<table>
<thead>
<tr>
<th></th>
<th>25</th>
<th>21</th>
<th>22</th>
<th>23</th>
<th>24</th>
<th>26</th>
<th>27</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>12</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1. Existing Building

![Diagram: Tax on Existing Property over Years]

- Tax on Existing Property
2. Build a New Apartment Building
3. New Building’s Additional Taxes

- Property Tax on New Building
- Tax on Existing Property
4. Tax Incentive Phases in New Building’s Taxes

- Property Tax on New Building
- Tax Incentive on Affordable Units
- Property Tax on New Building
- Tax on Existing Property
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)

<table>
<thead>
<tr>
<th>UNITS</th>
<th>BEDS</th>
<th>MONTHLY RENT</th>
<th>ANNUAL RENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>1</td>
<td>$850</td>
<td>$102,000</td>
</tr>
<tr>
<td>10</td>
<td>2</td>
<td>$1,800</td>
<td>$216,000</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
<td>$2,400</td>
<td>$57,600</td>
</tr>
<tr>
<td>2</td>
<td>4</td>
<td>$3,200</td>
<td>$76,800</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>$452,400</strong></td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>UNITS</th>
<th>BEDS</th>
<th>MONTHLY RENT</th>
<th>ANNUAL RENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>1</td>
<td>$850</td>
<td>$102,000</td>
</tr>
<tr>
<td>10</td>
<td>2</td>
<td>$1,800</td>
<td>$216,000</td>
</tr>
<tr>
<td>1</td>
<td>3</td>
<td>$2,400</td>
<td>$28,800</td>
</tr>
<tr>
<td>1</td>
<td>4</td>
<td>$3,200</td>
<td>$38,400</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>$429,744</strong></td>
</tr>
</tbody>
</table>

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