

# Returns

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NORTHERN NEW ENGLAND HOUSING INVESTMENT FUND REPORT

## Preserving the Past

Historic Tax Credits turn bygone buildings into affordable homes

In Fairfield, Maine, a decaying hotel built in the late 19<sup>th</sup> Century was transformed into apartments for 28 low-income seniors and several retail businesses. An 1852 textile mill in Lewiston, Maine is now home to 41 families. An old high school in Berlin, New Hampshire houses more than 30 elderly residents.

Historic Tax Credits made these and many other housing projects possible.

Enacted in 1976, the federal Historic Tax Credit (HTC) encourages the preservation and rehabilitation of historically significant buildings. The program is administered by the National Park Service (NPS) and the IRS, in partnership with state historic preservation offices.

Although housing developers in both Maine and New Hampshire utilize federal HTCs, Maine has a very progressive state HTC program.

To receive HTCs, a building owner—usually working with a consultant and architect—must receive a three-part certification from the NPS. In the first part, the building must be certified of national, state or local significance. In part two, rehabilitation plans are reviewed and approved. For the final step in certification, NPS confirms that the completed construction complies with the approved



The Mill at Saco Falls: interior demolition underway (left) and after completion (right).

plans. The credit is set at 20% of the Qualified Restoration Expenses, or QREs (those directly related to historic rehabilitation).

To receive HTCs in Maine, the project must be completed consistent with the Federal HTC program requirements. The credit is set at 25% of the QREs. Projects that create affordable housing units qualify for a credit of 31%. The tax credits are offered in equal installments in each of the four years following the year that the project was placed in service.

State and federal historic credits total 45% of the project's QRE; 51% for affordable housing projects. Unlike the Maine credit, the federal credit is made entirely available the year the project is placed in service.

According to Bill Shanahan, President of NNEHIF, investors like the HTC because the credits are triggered when the project is done, as opposed to the low-income

housing credit (HC), which is delivered over the course of ten years and has strict compliance rules.

Because both the HC and historic credits are a function of project costs, the two work together to create affordable housing that is a desirable investment. NNEHIF frequently bundles the housing and historic credits together.

"Rules won't let you 'double dip' but the two types of credits complement each other extremely well," said Shanahan. "Historic credits can be 20% of the QREs, while HTCs are 9% of depreciable costs."

Rehabilitating a century-old property isn't like building a new one from the ground up. Upgrades and retrofits must be made while preserving specific

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NORTHERN NEW ENGLAND  
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# Village Centre — The Epitome of Energy Efficiency

In the spring of 2016, the small city of Brewer became home to Maine's first Passive House apartment building—one of the largest Passive House buildings in North America to date.

The \$9.5 million project is a partnership between Community Housing of Maine (CHOM), Maine-Housing, NNEHIF, TD Bank, and the City of Brewer.

According to Erin Cooperrider, Development Director at CHOM, when they started planning the project they considered Leadership in Energy and Environmental Design standards, more commonly known as “LEED.” Several of CHOM's buildings are LEED-certified, including Maine Hall in Bangor and Elm Terrace in Portland.

With Village Centre, however, CHOM decided to go beyond LEED standards and try the Passive House approach instead.

## EFFICIENCY AND COMFORT

The fundamental principles of passive building were developed in the 1970s and 80s in the United States and Canada, and the term “passive house” was coined by Canadian pioneers in the industry.

In this context, “passive” means an effort to reduce heating energy consumption in a building to nearly zero by limiting heat loss and optimizing gains using insulation, high-performance windows, and air-tightness.

In the U.S., passive house has meant mostly “house,” but with the introduction of the Passive House Institute US 2015 climate-specific building standards (PHIUS+), U.S. designers

and builders have been better able to meet the rigorous passive house building certification, and more large-scale passive buildings have been built, with more to come.

Village Centre was built to PHIUS+ standards, said Cooperrider, resulting in a building that is quiet, requires little energy for heating or cooling, and has excellent indoor air quality throughout.

The goal was to create an extremely tight shell by careful attention to air sealing and to eliminate nearly all thermal bridges, which are places where a material connects directly from the inside to the outside of the building. The building uses double-walled construction, allowing for the entire wall and ceiling/roof structure to have a continuous layer of insulation between the interior and exterior, preventing the transfer of both cold and heat.

The 54,400-square-foot building is also super insulated, with recessed triple-glazed windows, and a variation in coating on the glazing, depending on the solar orientation of the window, to reduce solar gains. The windows seal out not only radiant cold or heat, but also sound, making for a very quiet building.

Energy Recovery Ventilators (ERVs) steadily exchange inside air for fresh outside air, extracting more than 90% of the heat or cold in the process. This means that each apartment is a steady comfortable temperature.

Additionally, the building is lit with



Photovoltaic panels on the roof were made possible by a TDBank “Housing for Everyone” Grant Award.

LED bulbs, and photovoltaic panels on the roof produce about 12% of the building's total electricity.

Although it cost approximately 3% more than a conventionally constructed project, CHOM hopes its energy efficiency will make up for that in operational savings over time.

## CITIZENS AT THE CENTER

Like many Maine communities, the city of Brewer lacked affordable housing. City officials realized that they had an opportunity to turn a City-owned parcel into much-needed “workforce housing” for people with low to moderate incomes. Village Centre residents must meet certain income eligibility requirements. (As of this writing, nearly all of the 48 units have been leased, and the waiting list tops 200.)

D'arcy Main-Boynton, City of Brewer's Economic Development Director, was one of the key city officials who spearheaded the project, and the mayor and others supported it every step of the way.

“This is cutting-edge workforce housing in a sustainable package,” said Main-Boynton. “People will have comfort and convenience while nestled into

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# INDUSTRY NEWS BRIEFS

## BIPARTISAN HOUSING CREDIT BILL PROPOSED

In May, Senators Maria Cantwell (D-WA) and Orrin Hatch (R-UT) introduced the Affordable Housing Credit Improvement Act, which seeks to expand the low-income Housing Credit by 50%. If the legislation passes, the program could build or preserve approximately 1.3 million affordable homes over ten years, 400,000 more units than is attainable at current program levels. Under the expanded program a projected 5,280 new units could be built in Maine over 10 years. In New Hampshire 3,975 new units is projected. The bill also proposes a new income-averaging option and a permanent 4% credit rate floor for acquisition and bond-financed projects. The 50% increase is estimated to cost about \$4 billion over 10 years.

<http://1.usa.gov/1U2L6W1>

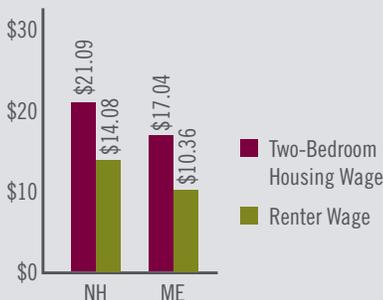
## 2016 OUT OF REACH REPORT

The latest Out of Reach report from the National Low Income Housing Coalition says that there continues to be a shortfall between what home renters earn and their “housing wage,” an estimate of how much a full-time minimum-wage worker would have to earn in order to afford an apartment at fair market rent (without spending more than 30% of his/her salary on housing).

<http://nlihc.org/orr>

### SHORTFALL BETWEEN TWO BEDROOM HOUSING WAGE AND RENTER WAGE IN ME AND NH

Source: 2016 National Low Income Housing Coalition



a village center near many amenities.”

The three-story building is more than just apartments. There’s a library/media room with computers for tenants to use, indoor and outdoor play areas for children, and a large community kitchen to promote gatherings and community events.

True to CHOM’s belief that anyone can be successful in housing if they have adequate support, they’ve made accommodations for people with special needs. For people who are blind and visually impaired, for example, directional signs are also in Braille

and there is a dog washing station for service animals.

Village Centre is a project that took a significant financial investment for a small non-profit (CHOM contributed about \$275,000) and a big leap of faith, but according to CHOM Executive Director Cullen Ryan, it was worth it:

“This was a pioneering project in Maine—the first of its type and on a large scale. We feel that this was worth every cent, and we’ll apply what we learned to every building we can going forward.” ♦

## Housing Priorities — 2017 QAP

State housing finance agencies (HFAs) across the country must decide which projects will receive low-income housing tax credits—but first each agency must make clear the criteria they’ll use to decide. Each state’s Qualified Allocation Plan (QAP) is updated to reflect that state’s housing priorities. In Maine and New Hampshire, the

2016, with final applications due by August 26th. MaineHousing’s deadline for pre-application requests is August 23rd, and final applications are due by October 27th.

In Maine, there were a number of updates to the 2017 QAP, but perhaps the most significant change is that each developer is limited to two



QAP is drafted after a public hearing, where people can advocate for specific priorities (such as preferences for senior housing, for example).

Competition for Housing Credits is intense, so to increase the number of quality applications, HFAs require that projects meet a pre-application threshold. For 2017, the preliminary application review for the New Hampshire Housing Finance Authority (NHHFA) was due on June 1,

applications. In addition, a developer with more than four projects that are in process but not completed, may not submit an application.

### Other highlights from the Maine 2017 QAP include:

- Additional scoring criteria for serving special needs populations and extremely low-income (<30% AMI) households

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## In the Next Issue of *Returns*

Tax credit professionals, asset managers, property managers—how do we find and train the next generation of affordable housing leaders?

### *Preserving the Past* (continued from the cover)

architectural and historical elements. Some developers find the criterion for historical rehabs onerous, but Nathan Szanton, Principal of the Szanton Company, likes the high bar.

“The NPS has a rigorous set of standards, but that means that our final product looks sharp—and is very faithful to the original construction of the building,” said Szanton.

The Szanton Company has re-developed a number of historic buildings, including a mill on the banks of the Saco River in Biddeford. Originally used to manufacture cotton cloth, the building is now home to 66 families (40 are residents with low incomes).

They also brought back to life Bates Manufacturing Company Mill #2 in Lewiston. Built in 1854, today the complex includes offices, shops, and restaurants. Four floors were converted into 48 mixed-income apartments—the first housing in any Lewiston mill.

Currently under construction is The Lofts at Saco Falls, a “sister project” that’s adjacent to The Mill at Saco Falls. It will open at the end of summer 2016.

Most of Szanton’s projects are built near a downtown district—and often contribute to the renaissance of the area. But as much as Szanton believes in looking forward, he cares deeply about preserving the past:

“I believe that as a society we are better off if we conserve and preserve historic buildings; they help us understand who we are, where we’ve come from.” ♦

### RESOURCES

**National Park Service:** [www.nps.gov/tps](http://www.nps.gov/tps)

**Maine Preservation:** [www.maine-preservation.org](http://www.maine-preservation.org)

**Sutherland Conservation & Consulting:** [www.sutherlandcc.net](http://www.sutherlandcc.net)

### *Housing Priorities* (continued from page 3)

- Clarifying “family” housing definition
- Total Development Costs (TDC) Cap will exclude operating reserve amounts and tax credit fees
- Requirement of a Phase I at application

The biggest change in New Hampshire’s 2017 QAP is that the limit on elderly housing projects has been eliminated. Previously, there was a set aside for only two elderly projects, but the NHHFA’s market data shows that the state’s population is aging and will require more housing in coming years. (This is an excellent example of why QAPs are updated annually and

why they vary from state to state.)

Other highlights from the New Hampshire 2017 QAP include:

- Cost reasonableness evaluation based upon weighted average of the TDC and the TDC per bedroom (the weighted average can not exceed \$235,000).
- Points will be awarded to projects that offer units reserved for extremely low-income households and for projects that offer market rate units.
- Points will be awarded to projects that offer units that are reserved for households that include a veteran who are homeless or at imminent risk of homelessness.

- Points will be awarded for projects that achieve Passive House Certification for energy efficiency.

For more information on Maine’s Housing Credits program eligibility and how to apply, visit the Maine-Housing website, or contact Bill Glover, Manager of Lending (207-626-4634, [bglover@mainehousing.org](mailto:bglover@mainehousing.org)). In New Hampshire, contact Theresa Perkins of Management & Development Division (603-310-9272) or visit [tperkins@nhhfa.org](mailto:tperkins@nhhfa.org). ♦

If you have questions about the QAP process in either Maine or New Hampshire, feel free to contact NNEHIF President Bill Shanahan at (207) 772-8255 or [bshanahan@nnehif.org](mailto:bshanahan@nnehif.org).

WWW.NNEHIF.ORG



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*The Northern New England Housing Investment Fund (NNEHIF) is a private, nonprofit 501(c)(3) corporation that promotes housing and community development by providing equity capital, technical assistance and consulting to affordable housing developers throughout Maine and New Hampshire.*