

A City's New Hope for Market-rate Housing

Springfield Offers Substantial Tax Incentives to Residential Developers

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The ability to attract developers of market-rate housing to Springfield has just been made easier thanks to a new tax-incentive program being administered by the Mass. Department of Housing and Community Development.

This effort, known as the Housing Development Incentive Program (HDIP), allows developers to apply for local and state tax incentives for the rehabilitation of multi-family properties for sale or lease primarily as market-rate units if located within a 'housing development incentive zone,' or HDIP zone. The program is available only in 'gateway municipalities' that have successfully registered as an HDIP zone with the Commonwealth. Springfield is now one such municipality.

On Dec. 3, 2012, the Springfield City Council approved an HDIP zone pursuant to a housing development zone plan, as recommended by the Springfield Office of Planning and Economic Development. The plan establishes a zone encompassing sections of the city's downtown, North End, and South End. Included in the HDIP zone are three projects that the city believes could potentially have a market-rate housing component: Chestnut Street School, the Student Prince, and State Street Lofts.

The plan is purported to be consistent with the Urban Land Institute plan of 2006, which encouraged more downtown middle-income housing; the Zimmerman Volk Downtown Market Rate Housing Study of 2006, which indicated a market demand for such housing; and the 2012 UMass Medical District Report, which indicated that there is a significant number of medical professionals currently choosing to live outside of the city.

The Commonwealth's recent approval of the Springfield HDIP zone represents a significant business opportunity for developers and a possible rebirth for the city's struggling downtown.

The HDIP provides two major tax incentives for developers of multi-unit market rate housing:

- A local real-estate tax exemption in an amount not less than 10% and not more than 100% of the incremental value of the market-rate units for a period of not fewer than five years and not more than 20 years. Previously, these agreements could only be offered to commercial developments; and



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- A state investment tax credit of up to 10% on all qualified expenditures in creating and constructing new market-rate housing units.

To qualify for these tax benefits, the development must have between two and 50 units, 80% or more of which are targeted for market-rate residential use and priced for households with incomes above 110% of the area's household median income. Preliminary estimates for Springfield indicate the median income to be around \$49,084 per year. There are no ceilings on the pricing of sales or rents or for the income of occupants.

Qualifying projects can be proposed in the Springfield HDIP zone, and require approval from the city and the Commonwealth.

The approval by the Commonwealth is a three-step process. First, based upon an application containing basic information about the property, the developer must seek preliminary approval that the building meets the standards of a certified housing-development project.

After receiving preliminary approval, based on a more extensive application, which includes construction documents and a marketing plan, the Commonwealth will consider the issuance of a conditional certification of the project. Once all of the certificates of occupancy have been issued for the housing-development project and 80% of the market-rate units have been leased or sold, the Commonwealth will consider issuing a final certification which designates the project eligible for the tax incentives.

According to the plan, the city envisions

that the implementation of the HDIP will help to eliminate vacancy and blight conditions of some of the city's commercial buildings by converting underutilized upper floors to attractive market-rate apartments; increasing foot traffic, which is a critical component for neighborhood viability; retaining local talent as well as recruiting talent from other areas by providing attractive housing opportunities for young professionals who work in and around the HDIP zone; promoting historic preservation; and strengthening the city's ability to attract high-quality development to Springfield. ■

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