Capitol Region Council of Governments
Affordable Housing Working Group

September 2023

Tax Abatements – Understanding the Need for Public Participation

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GOMAN+YORK

Sample of Recent Tax Abatement Agreements – Hartford Region

Abatement Years	Region South	Region South	Region South	Region South	Region West	Region West	Region North	Region East	Region East	Region Out
1	100%	100%	100%	100%	100%	50%	100%	$2,700/u	100%	100%
2	100%	100%	100%	100%	100%	50%	100%	$2,700/u	100%	100%
3		70%	75%	90%	100%	50%	100%	$2,700/u	50%	100%
4		50%	75%	80%	80%	50%	100%	$2,700/u	50%	100%
5		40%	75%	70%	70%	50%	100%	$2,700/u	50%	100%
6		30%	75%	60%	50%	50%	100%	$2,700/u	50%	100%
7			50%	50%	50%	50%	100%	$2,700/u	50%	100%
8			50%	40%	50%	50%		$2,700/u	50%	100%
9			30%	30%	50%	50%		$2,700/u	25%	100%
10			30%	20%	50%	50%		$2,700/u	25%	100%
11								$2,700/u		
12								$2,700/u		
13								$2,700/u		
14								$2,700/u		
15+								$2,700/u		

10 Tax Abatements Since 2015
To the left are ten tax abatement and tax fixing agreement. Nine are within the Hartford region and all are outside of the City of Hartford. Four are housing only and six are mixed use. Two of the abatements include affordable housing units.

Each abatement is structured differently in terms of number of years and percent of taxes abated by year. In most cases, this is the result of the abatement terms being determined based on the specific financial needs of the proposed development.

This presentation will discuss how tax abatements and tax fixing agreements can be used to incentivize and assist in the development of housing, specifically affordable housing.

Approximate Residential Market Conditions

West Hartford			
Beds	**Average Sq Ft**	**Average Rent**	**Average $/Sq Ft**
Studio	537	$1,615	$3.01
1 Bed	736	$1,748	$2.38
2 Bed	1,185	$2,272	$1.92

Wethersfield			
Beds	**Average Sq Ft**	**Average Rent**	**Average $/Sq Ft**
Studio	531	$1,400	$2.64
1 Bed	804	$1,595	$1.98
2 Bed	1,150	$1,921	$1.67

East Hartford			
Beds	**Average Sq Ft**	**Average Rent**	**Average $/Sq Ft**
1 Bed	710	$1,101	$1.56
2 Bed	1063	$1,377	$1.29

Approximate Affordable Rents				
Beds	**Average Sq Ft**	**Av. Rent**	**80% AMI FMR**	**Av. FMR $/Sq Ft**
Studio	550	$1,615	$1,002	$1.82
1 Bed	775	$1,748	$1,207	$1.60
2 Bed	1,175	$2,272	$1,499	$1.27

Why is Public Participation Necessary?

Projects Must Achieve Returns (ROI) Attractive to Investors

- Or they don't get built
- Typical Return on Investment (ROI) = 12 - 18% **[15 – 20%]**
- Only way to attract the required equity capital

Typical Return on Investment

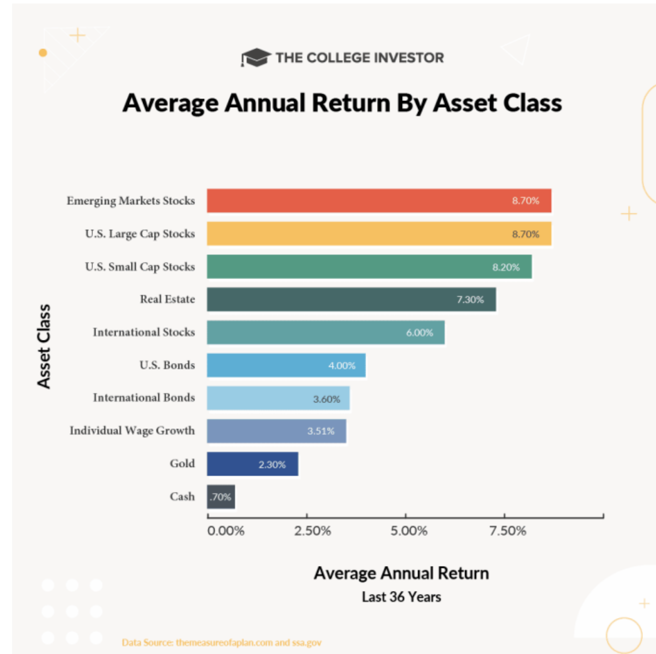
- Reflects the risks of RE development vs other investments
- Varies by the conditions of the market:
  - growth and affluence
  - urban vs suburban

Why is Public Participation Necessary?

Multifamily Development Assumptions **Example ROI Analysis** w/No Public Participation	
Required Return on Investment (ROI)	12% - 18%+
Development Costs	$250 psf
Market Rents	$2.35 psf/mo $28.20 psf/yr
Operating Expenses	$9.87 psf/yr
Net Rents	$18.33 psf/yr
ROI	**7.33%**

Source: Goman+York market studies and project research

Real Estate Development –
A High-Risk Investment Class



- Example above illustrates the need for public support
- With an ROI of only **7.33%** this project **<u>would not get built</u>**
- Common issue in older and smaller markets, particularly in the Northeast
- **Public investment is required to catalyze initial projects**
- **Public investment can ultimately reverse the trend**

Why is Public Participation Necessary?

Multifamily Development Assumptions Example ROI Analysis Public Participation Required to Meet Required ROI	
Required Return on Investment (ROI)	12% - 18%+
Development Costs	$250 psf
Total Public Participation @40% **(all sources)**	**($100 psf)**
Market Rents:	$2.35 psf/month $28.20 psf/year
Operation Costs	$9.87 psf/year
Net Rents	$18.33 psf/year
ROI	**12.22%**

Source: Goman+York market studies and project research

- Using the assumptions shown above, the ROI on this project would equal **12.22%**, within the minimum required for development
- Public investment is required to catalyze initial projects and will ultimately reverse the trend

Sample Review of Developer Proposal

Pro forma Development Costs – 'One Park Development' West Hartford

In analyzing the ***necessity of a tax abatement***, Goman+York examined the expected valuation and projected returns.

- The developer's proposal included development costs and projected operating incomes.
- Goman+York produced two prospective financial pro forma models;
  - one approximating the numbers provided by the developer and
  - another utilizing Goman+York's total cost expectations.
- Each model includes a detailed development cost structure and **a 10-year operating timeline**.

The developer's hard construction costs were deemed reasonable and were used for costs in both models.

- Given the age of the existing building and its historic nature, soft costs were considered aggressive and increased in Goman+York's model.
- Overall, the costs of the two models are similar.

Developer Costs	Total	Per Sq. Ft.
Land & Site Costs	$6,725,543	$21.93
Hard Construction Costs	$49,269,106	$160.65
Soft Costs	$3,251,147	$10.60
Financing & Leasing Costs	$3,860,538	$12.59
Developer Fees	$2,250,000	$7.34
Total Development Cost	**$65,356,602**	**$213.11**

Goman+York Costs	Total	Per Sq. Ft.	Diff. vs Dev.
Land & Site Costs	$6,725,543	$21.93	-
Hard Construction Costs	$49,269,106	$160.65	-
Soft Costs	$3,882,808	$12.66	+19.4%
Financing & Leasing Costs	$3,898,861	$12.71	+1.0%
Developer Fees	$2,250,000	$7.34	-
Total Development Cost	**$66,026,318**	**$215.29**	**+1.1%**

Sample Review of Developer Proposal

Pro forma Operating Statement – 'One Park Development' West Hartford

Assumptions Without a Tax Abatement

Goman+York compared the residential rents provided by the developer against rates for the market. Considering the prevalence of studios and 1 bedrooms, the developer provided average rent of $2.66 per square foot a month was deemed reasonable.

Without the tax abatement, the stabilized operating statement shows an overall Net Operating Income (NOI) of approximately $3.9 million. This provides a current day valuation of approximately $67.3 million, roughly equivalent to the overall cost of the project.

Calculating the Need for a Tax Abatement

When examining the project **over a longer 10-year holding period** with the proposed tax abatements, we observe:

- 8.3% project IRR and 14.0% IRR on Equity (developer assumptions)
- 7.8% project IRR and 12.6% IRR on Equity (Goman+York assumptions)

Proposed Tax Abatement Structure

Given the size of the project and expected infrastructure expenses, Goman+York applied a tax abatement structure of:

- **100%:** Years 1-3
- **80%:** Year 4
- **70%:** Year 5
- **50%:** Year 6-10
- **0%**: Year 11

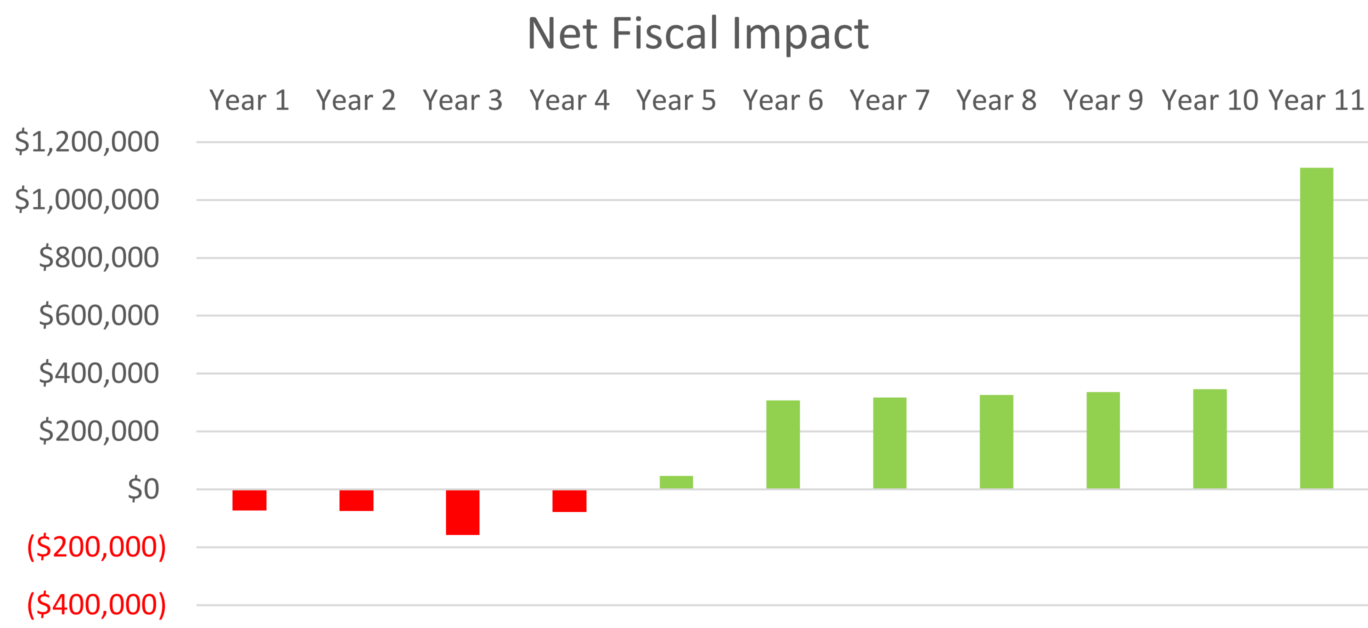
Income: Rental			
Residential: Market Rate	*$/Sq. Ft.*	33.9	6,685,034
Residential: Affordable	*$*		488,846
Other Income	*$/unit*	106	31,270
Income: Total Rental			7,205,150
Residential Vacancy/Bad Debt Loss	*%*	5%	(334,252)
Gross Rental Income			**6,870,899**
Operating Expenses:			
Residential - Oper. Ex	*%*	27%	1,804,959
Residential - Taxes	*$*		1,191,968
Commercial - Oper. Exp.	*$/sf*	3.00	-
Commercial - Property Taxes	*$/sf*	8.00	-
Gross Operating Expenses			**2,996,927**
Net Operating Income (NOI)			**3,873,971**
Stabilized Valuation	**Cap. Rate**	**5.75%**	**67,373,417**
Debt Service - Permanent Loan			(3,072,341)
Net Cash Flow - Annual			**801,631**

Definition of IRR and Equity IRR

- **IRR:** The IRR (Internal Rate of Return) is used to calculate the return on investments.
    - The Project IRR provides information on the project-specific return. This does not take the financing structure into account and assumes 100 % equity financing.
- **EQUITY IRR:** The equity IRR considers the debt financing. When financing projects with the addition of debt capital, the so-called leverage effect occurs and increases the return.

Sample Fiscal Impact Analysis

Proposed Tax Abatement Structure – 'One Park Development' West Hartford



Net Fiscal Impact – Findings & Conclusion

As shown in the table and graph, One Park with the assumed tax abatement will be fiscally negative in years one through four and positive in years five through 10. In year 11, after the tax abatement expires, One Park is net positive by approximately $1,111,700.

It is important to note, the fiscal impact in years one and two is a negative impact "on paper". Most likely, this loss will be absorbed into existing government services with no realized, actual fiscal impact.

Detailed Fiscal Impact Analysis of Proposed 10-year Tax Abatement

Revenue	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11+
% Tax Abatement	100	100	100	80	70	50	50	50	50	50	0
Residential	$0	$0	$0	$245,545	$379,368	$651,248	$670,785	$690,909	$711,636	$732,985	$1,509,949
Personal Property	$0	$0	$75,418	$155,362	$160,023	$164,823	$169,768	$174,861	$180,107	$185,510	$191,075
Total	**$0**	**$0**	**$75,418**	**$400,907**	**$539,391**	**$816,071**	**$840,553**	**$865,770**	**$891,743**	**$918,495**	**$1,701,025**
Expenditures	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11+
Residential Gov. Serv.	$72,412	$74,584	$153,645	$316,507	$326,003	$335,783	$345,856	$356,232	$366,919	$377,926	$389,264
Residential BOE	$0	$0	$78,965	$162,668	$167,548	$172,574	$177,751	$183,084	$188,576	$194,234	$200,061
Total	**$72,412**	**$74,584**	**$232,610**	**$479,175**	**$493,550**	**$508,357**	**$523,607**	**$539,316**	**$555,495**	**$572,160**	**$589,325**
Net Fiscal Impact	**($72,412)**	**($74,584)**	**($157,191)**	**($78,268)**	**$45,840**	**$307,714**	**$316,946**	**$326,454**	**$336,248**	**$346,335**	**$1,111,700**

Sample Review of Pro forma Operating Statement

Mixed-Use Redevelopment

Developer Costs - All Phases	Total	Per Sq. Ft.
Land & Site Costs	$8,542,188	$10.65
Construction Costs	$133,032,161	$165.85
Soft Costs	$21,975,183	$27.40
Financing & Leasing Costs	$14,278,438	$17.80
Developer Fees	$7,941,724	$9.90
Total Development Cost	**$185,769,694**	**231.60**

Goman+York Costs - All Phases	Total	Per Sq. Ft.
Land & Site Costs	$8,542,188	$10.65
Construction Costs	$138,091,754	$172.16
Soft Costs	$22,772,069	$28.39
Financing & Leasing Costs	$14,647,822	$18.26
Developer Fees	$8,234,548	$10.27
Total Development Cost	**$192,288,380**	**$239.73**

When examining the project **over a longer 15-year holding period** with tax abatement structure as specified below, the overall project returns improve to:

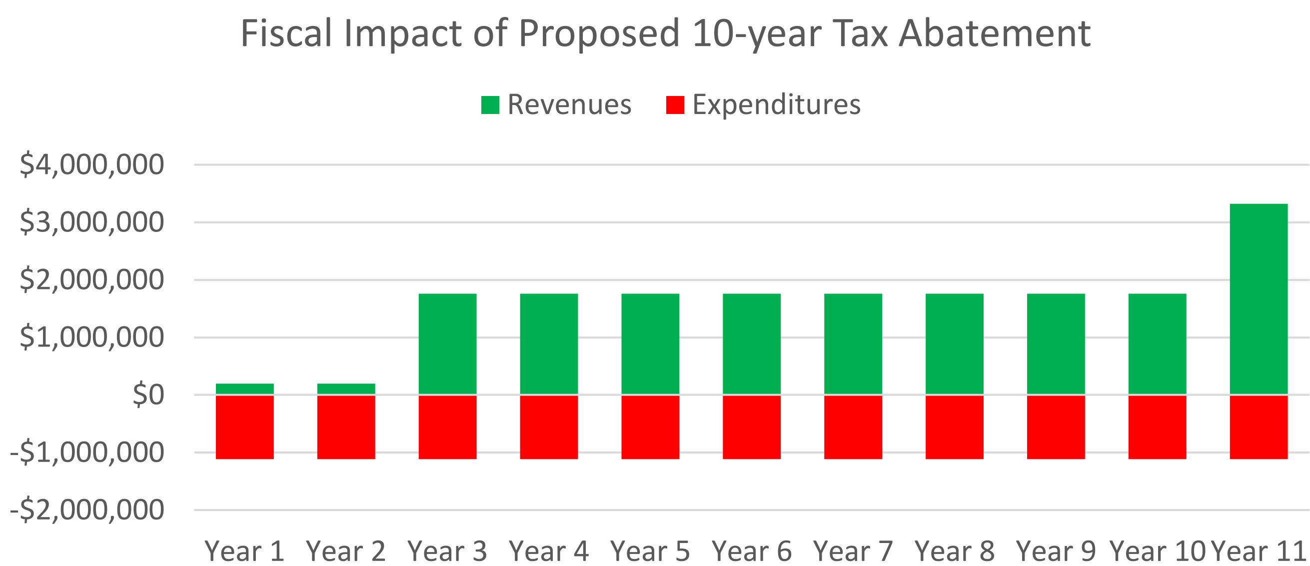
- 7.8% project IRR and 13.9% IRR on Equity (developer assumptions)
- 7.4% project IRR and 12.5% IRR on Equity (Goman+York assumptions)

The improved rates of return resulting from the tax abatement would make the proposed development more attractive to investors and more likely to be successful.

Income: Rental	Unit Descr.	Units	$ Amount
Mixed Use Retail	*$/Sq. Ft.*	24	1,032,000
Residential	*$/Sq. Ft.*	25.2	15,475,320
Hotel	*$/Room Night*	120	5,256,000
Office	*$/Sq. Ft.*	24	1,992,000
CAM	*$/Sq. Ft.*	11	1,386,000
Income: Total Rental			25,141,320
Residential Vacancy Loss	*%*	5%	(773,766)
Retail/Office Vacancy Loss	*%*	7%	(211,680)
Hotel Vacancy Loss	*%*	35%	(1,839,600)
Gross Rental Income			**22,316,274**
Operating Expenses:			
Residential - Oper. Ex	*%*	30%	4,642,596
Residential - Taxes	*$*		2,116,699
Commercial - Oper. Exp.	*$/psf*	3.00	378,000
Commercial - Property Taxes	*$/psf*	8.00	1,008,000
Hotel Expenses	*%*	30%	1,576,800
Gross Operating Expenses			**9,722,095**
Net Operating Income (NOI)			**12,594,179**
Stabilized Valuation	**Cap. Rate**	**6.00%**	**209,902,983**
Debt Service - Permanent Loan			(10,726,254)
Net Cash Flow - Annual			**1,867,925**

Sample Fiscal Impact Analysis

Mixed-Use Redevelopment



Net Fiscal Impact – Findings & Conclusion

As shown in the tables and graphs, the proposed development with the assumed tax abatement will be negative in years one and two as a result of the 100% tax abatement.

However, for years three through 10, the development is positive by approximately $646,335.

In year 11, after the tax abatement expires, the development is net positive by $2,208,685.

All Phases (1, 2, 3). Fiscal Impact of Proposed 10-year Tax Abatement

Revenue	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Tax Abatement	100%	100%	50%	50%	50%	50%	50%	50%	25%	25%	0%
Residential	$0	$0	$1,058,349	$1,058,349	$1,058,349	$1,058,349	$1,058,349	$1,058,349	$1,058,349	$1,058,349	$1,058,349
Commercial	$0	$0	$504,000	$504,000	$504,000	$504,000	$504,000	$504,000	$504,000	$504,000	$504,000
Personal Property	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000
Total	**$200,000**	**$200,000**	**$1,762,349**	**$1,762,349**	**$1,762,349**	**$1,762,349**	**$1,762,349**	**$1,762,349**	**$1,762,349**	**$1,762,349**	**$3,324,699**
Expenditures	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Resid. Gov. Serv.	-$597,244	-$597,244	-$597,244	-$597,244	-$597,244	-$597,244	-$597,244	-$597,244	-$597,244	-$597,244	-$597,244
Residential BOE	-$256,680	-$256,680	-$256,680	-$256,680	-$256,680	-$256,680	-$256,680	-$256,680	-$256,680	-$256,680	-$256,680
Comm Gov. Serv.	-$262,090	-$597,244	-$262,090	-$262,090	-$262,090	-$262,090	-$262,090	-$262,090	-$262,090	-$262,090	-$262,090
Total	**-$1,116,014**	**-$1,116,014**	**-$1,116,014**	**-$1,116,014**	**-$1,116,014**	**-$1,116,014**	**-$1,116,014**	**-$1,116,014**	**-$1,116,014**	**-$1,116,014**	**-$1,116,014**
Net Fiscal Impact	**-$916,014**	**-$916,014**	**$646,335**	**$646,335**	**$646,335**	**$646,335**	**$646,335**	**$646,335**	**$646,335**	**$646,335**	**$2,208,685**

Sample Review of Developer Proposal

Mixed-Use Development With Affordable Housing - Pro forma Development Costs

In analyzing the necessity of a tax abatement or tax fixing agreement for the proposed project, Goman+York examined the expected valuation and projected returns.

The developer's proposal included development costs and projected operating incomes. Goman+York produced two prospective financial pro forma models; one applying the numbers provided by the developer and another utilizing Goman+York's total cost expectations. Each model includes a detailed development cost structure and **a 10-year operating timeline**.

Based on our research, the developer's land & site costs were deemed reasonable. The developer's construction costs were also found to be reasonable and were used in Goman+York's model, with minor changes. However, financing and leasing costs differed moderately with Goman+York estimating lower financing costs due to the assumption of a lower construction loan principal amount. This assumption was made in order to be fiscally positive at the time of refinancing to the permanent loan at the end of the 32-month construction period. Overall, the costs of the two models are similar.

Developer Development Costs	$	$/Unit	$/SF	% Total
Land & Site Costs	$9,786,040	$38,528	$34.55	8.7%
Construction Costs	$75,699,051	$298,028	$267.25	67.0%
Soft Costs	$7,343,481	$28,911	$25.93	6.5%
Financing & Leasing Costs	$15,786,589	$62,152	$55.73	14.0%
Developer Fees	$4,317,562	$16,998	$15.24	3.8%
Total Development Cost	**$112,932,723**	**$444,617**	**$398.70**	**100.0%**

Goman+York Development Costs	$	$/Unit	$/SF	% Total
Land & Site Costs	$10,388,877	$40,901	$36.68	9.6%
Construction Costs	$74,079,575	$291,652	$261.53	68.5%
Soft Costs	$6,880,355	$27,088	$24.29	6.4%
Financing & Leasing Costs	$12,429,186	$48,934	$43.88	11.5%
Developer Fees	$4,317,562	$16,998	$15.24	4.0%
Total Development Cost	**$108,095,556**	**$425,573**	**$381.63**	**100.0%**

Sample Review of Developer Proposal

Mixed-Use Development With Affordable Housing - Pro forma Development Costs

Assumptions Without a Tax Abatement

Goman+York compared the residential rents provided by the developer against current and projected rates for the market. Considering the prevalence of studios and 1 bedrooms, the developer provided average rent of $2.98 per square foot per month, which was deemed reasonable.

Without the tax abatement, the stabilized operating statement shows an overall Net Operating Income (NOI) of approximately $5.03 million. This provides a current day valuation of approximately $114.86 million, which is nearly equivalent to the overall cost of the project.

with no tax abatements, Goman+York calculated the estimated returns to be:

- 7.1% project IRR and 11.8% IRR on Equity (Developer Assumptions)
- 6.9% project IRR and 12.1% IRR on Equity (Goman+York Assumptions)

Calculating the Need for a Tax Abatement

When examining the project **over a 10-year holding period** with the proposed tax abatement structure, Goman+York calculated:

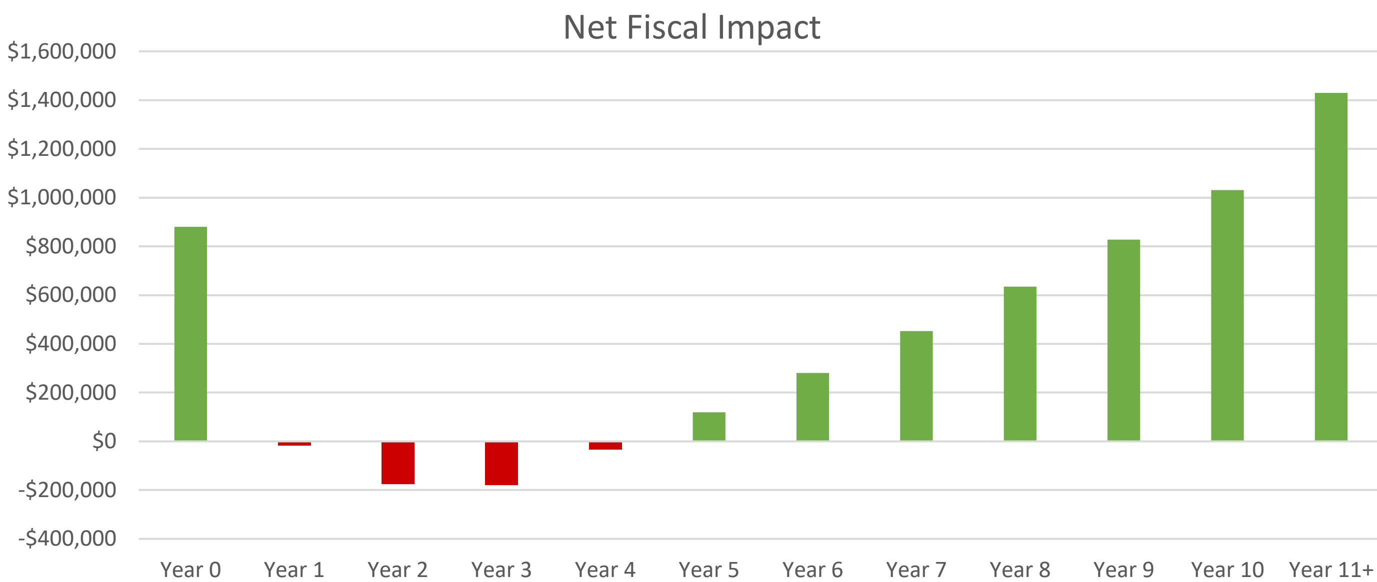
- 7.7% project IRR and 13.8% IRR on Equity (Developer Assumptions)
- 7.5% project IRR and 14.4% IRR on Equity (Goman+York Assumptions)

Operating Statement - Developer

Stabilized Operating Income	**$**	**$/Unit**
Gross Potential Rent	$9,925,999	$39,079
Residential Income	$7,547,943	$29,716
Other Income	$202,306	$796
HOA - Townhomes	$180,000	$750
Commercial Income	$1,874,056	N/A
Fee Parking Revenue	$504,000	N/A
(Affordable Housing Adjustment	($95,859)	($377)
(Vacancy/Bad Debt)	$ (602,944)	($2,374)
Effective Gross Revenue	**$9,609,503**	**$37,833**
Stabilized Operating Expenses	**$**	**$/Unit**
Payroll	$483,997	$1,906
Utilities & Trash	$254,000	$1,000
Maintenance & repair	$482,600	$1,900
Marketing	$78,486	$309
Administration	$130,810	$515
Insurance	$130,810	$515
Real estate taxes	$1,300,203	$5,119
PACE Assessment	$1,502,130	$5,914
Management fee	$211,662	$833
Total Operating Expenses	**$4,574,698**	**$18,011**
Net Operating Income	**$5,034,805**	
Return on Cost	4.5%	

Sample Fiscal Impact Analysis

Municipal Fiscal Impact of Tax Abatement



Net Fiscal Impact

This graph indicates that the town will continue to receive at minimum the baseline tax equal to the current assessed value throughout the 10-Year period. Revenue for the fiscally negative Years 1-4 (-$405,125) will be recaptured through the approximately $880,000 in one-time revenue from the building permitting fees.

When the tax abatement expires in Year 11, the development is projected to be net positive by approximately $1,429,476.

Detailed Fiscal Impact Analysis of Proposed 10-Year Tax Abatement

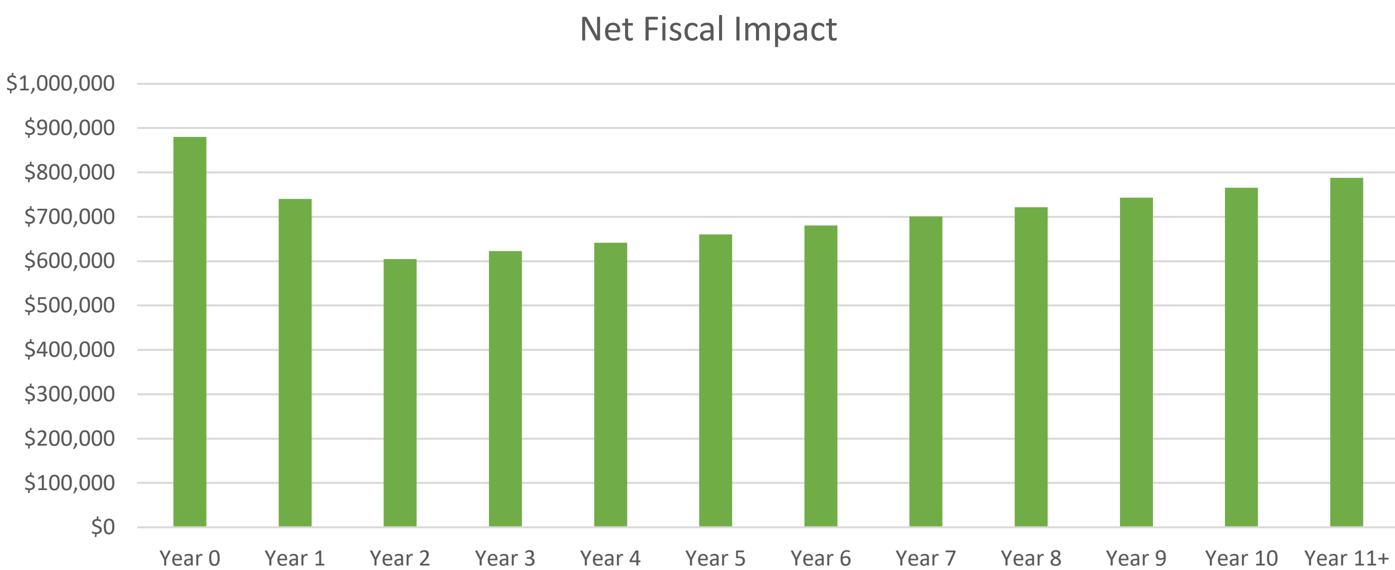
Revenue	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11+
% Tax Abatement	100	100	90	80	70	60	50	40	30	20	0
Real Property	$135,318	$139,378	$145,222	$299,156	$462,196	$634,750	$817,240	$1,010,109	$1,213,814	$1,428,833	$1,839,623
Personal Property	$43,201	$88,994	$91,664	$94,414	$97,246	$100,164	$103,169	$106,264	$109,451	$112,735	$116,117
Total	**$178,519**	**$228,372**	**$236,886**	**$393,570**	**$559,442**	**$734,914**	**$920,409**	**$1,116,373**	**$1,323,265**	**$1,541,568**	**$1,955,740**

Expenditures	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11+
Residential Gov. Serv.	$ 87,500	$ 180,250	$ 185,658	$ 191,227	$ 196,964	$ 202,873	$ 208,959	$ 215,228	$ 221,685	$ 228,335	$ 235,185
Residential BOE	$ 108,295	$ 223,088	$ 229,780	$ 236,674	$ 243,774	$ 251,087	$ 258,620	$ 266,378	$ 274,370	$ 282,601	$ 291,079
Total	**$195,795**	**$403,338**	**$415,438**	**$427,901**	**$440,738**	**$453,960**	**$467,579**	**$481,606**	**$496,054**	**$510,936**	**$526,264**

Net Fiscal Impact	**-$17,276**	**-$174,966**	**-$178,552**	**-$34,331**	**$118,704**	**$280,953**	**$452,830**	**$634,766**	**$827,211**	**$1,030,632**	**$1,429,476**

Sample Fiscal Impact Analysis

Municipal Fiscal Impact of Fixed Assessment



Net Fiscal Impact

This graph indicates that the town will continue to receive at minimum the baseline tax equal to the current assessed value throughout the 10-Year period. The town will collect approximately $880,000 in one-time revenue from the building permitting fees and is projected to be fiscally positive throughout the Assessment Fixing Agreement.

When the assessment fixing expires in Year 11, the development is projected to be net positive by approximately $788,095.

Detailed Fiscal Impact Analysis of Proposed 10-Year Tax Fixing Agreement

Revenue	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11+
Fixed Assessment	**$26,672,667**	**$26,672,667**	**$26,672,667**	**$26,672,667**	**$26,672,667**	**$26,672,667**	**$26,672,667**	**$26,672,667**	**$26,672,667**	**$26,672,667**	**$26,672,667**
Residential	$889,000	$915,670	$943,140	$971,434	$1,000,577	$1,030,595	$1,061,512	$1,093,358	$1,126,159	$1,159,943	$1,194,742
Personal Property	$43,201	$88,994	$91,664	$94,414	$97,246	$100,164	$103,169	$106,264	$109,451	$112,735	$116,117
Total	**$932,201**	**$1,004,664**	**$1,034,804**	**$1,065,848**	**$1,097,824**	**$1,130,758**	**$1,164,681**	**$1,199,621**	**$1,235,610**	**$1,272,678**	**$1,310,859**

Expenditures	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11+
Residential Gov. Serv.	$87,500	$180,250	$185,658	$191,227	$196,964	$202,873	$208,959	$215,228	$221,685	$228,335	$235,185
Residential BOE	$108,295	$223,088	$229,780	$236,674	$243,774	$251,087	$258,620	$266,378	$274,370	$282,601	$291,079
Total	**$195,795**	**$403,338**	**$415,438**	**$427,901**	**$440,738**	**$453,960**	**$467,579**	**$481,606**	**$496,054**	**$510,936**	**$526,264**

Net Fiscal Impact	**$736,406**	**$601,326**	**$619,366**	**$637,947**	**$657,086**	**$676,798**	**$697,102**	**$718,015**	**$739,556**	**$761,742**	**$784,595**

Sample Affordable Housing Costs

10% Affordable Units at 80% Area Median Income

Type	Sq Ft	Projected Market Rent	Total Units	Affordable Units	Max (80%) Affordable	Utility Allowance	Net Affordable Rent	Rent Differential (Monthly)	Rent Differential (Annually)	Total Lossed Revenue	Value Loss
Studio	562	$1,980.00	41	4	$1,750.00	$228.00	$1,522.00	$458.00	$5,496.00	**$22,533.60**	**$ 4,703,123.08**
1x1	767	$2,502.50	97	10	$1,875.00	$293.00	$1,582.00	$920.50	$11,046.00	**$107,146.20**	3.9%
1x1 + Den	863	$2,750.00	48	5	$1,875.00	$293.00	$1,582.00	$1,168.00	$14,016.00	**$67,276.80**	
2x1.5	952	$2,970.00	16	2	$2,250.00	$424.00	$1,826.00	$1,144.00	$13,728.00	**$21,964.80**	
2x2	1027	$3,190.00	42	4	$2,250.00	$424.00	$1,826.00	$1,364.00	$16,368.00	**$68,745.60**	
3x2	1343	$3,575.00	10	1	$2,598.00	$526.00	$2,072.00	$1,503.00	$18,036.00	**$18,036.00**	
Average/Total	830	$2,650.29	254	25	$1,968.92		$1,647.32	$1,002.96	**$ 78,690.00**	**$305,703.00**	

10% Affordable Units at 80% AMI

- The loss of $305,703/year equals approximately $12,1228/affordable unit/year
- The development loses $78,680/year in gross income.
    - 20% Affordable at 80% AMI = $611,406/year
    - 30% Affordable at 80% AMI = $917,109/year
    - With 25 Affordable units at 80% AMI, the development would lose $3,057,030 over the 10-year hold and $12,228,120 over the 40-year deed restrictions.

8-30g Qualified Affordable

- If this were an 8-30g application with 30% affordable at both 60% AMI (half the units) and 80% AMI (half the units), the development would lose approximately $1,375,663/year.
    - Such losses would total approximately 16% of gross income.

Conclusion

- A tax abatement or tax fixing agreement can be structured to offset the losses per year for affordable units for up to 10 years—this can go a long way to assist the development with securing investors, securing financing, and stabilizing the development.

Sample of Recent Tax Abatement Agreements – Hartford Region

Abatement Years	Region South	Region South	Region South	Region South	Region West	Region West	Region North	Region East	Region East	Region Out
1	100%	100%	100%	100%	100%	50%	100%	$2,700/u	100%	100%
2	100%	100%	100%	100%	100%	50%	100%	$2,700/u	100%	100%
3		70%	75%	90%	100%	50%	100%	$2,700/u	50%	100%
4		50%	75%	80%	80%	50%	100%	$2,700/u	50%	100%
5		40%	75%	70%	70%	50%	100%	$2,700/u	50%	100%
6		30%	75%	60%	50%	50%	100%	$2,700/u	50%	100%
7			50%	50%	50%	50%	100%	$2,700/u	50%	100%
8			50%	40%	50%	50%		$2,700/u	50%	100%
9			30%	30%	50%	50%		$2,700/u	25%	100%
10			30%	20%	50%	50%		$2,700/u	25%	100%
11								$2,700/u		
12								$2,700/u		
13								$2,700/u		
14								$2,700/u		
15+								$2,700/u		

Takeaways

- If a development can't be financed, it will not get built.
- Attracting equity investors and financing for market-rate housing development in the Hartford region is challenging at best.
- Public participation, in the form of tax abatements, tax fixing agreements, or credit enhancement agreements (in the case of TIF) are often needed.
- Attracting equity investors and financing for affordable housing developments is even more challenging—the loss revenue cuts into the returns.
- Public participation is often needed and can be a powerful public policy tool to encourage and develop affordable housing.

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