



LOCAL  
IMPLEMENTATION



Implemented on Cape Cod

## OVERVIEW

New housing can be encouraged by using tax abatements, credits, and exemptions. Tax abatements reduce the total amount of tax owed to a town or city by the developer during the abatement period. Tax credits provide developers a way to invest in affordable housing by applying for credit against a project's tax liability or by selling tax credits to raise equity for a project. Tax exemptions adjust the amount of the property value that is taxable. These incentives can be permanent or time-limited. These financial incentives may increase the financial viability of new developments, particularly those providing affordable housing.

## CHALLENGES ADDRESSED

-  Not Allowed to Build Multi-family Housing
-  Too Expensive to Build New Housing
-  Too Expensive to Secure or Maintain Housing
-  Hard to Find Year-round Housing

## POTENTIAL BENEFITS & CONSIDERATIONS

- Abatements and exemptions can have a time limit allowing the town to eventually receive taxes on the full assessed value after the incentive period ends
- It is crucial that any tax incentives are well-calibrated so as not to increase the value of the land without stimulating new development
- Areas with soft housing markets may not find tax incentives alone to be an effective stimulus for housing development
- Towns must understand temporary or permanent impacts from reduced tax collections to a town's budget
- Taking advantage of some of these incentives may require time and resources from the developer, which smaller developers may not have

## RESOURCES

**Local Housing Solutions Tax Incentives Brief** - This brief provides an overview of tax incentives for new construction and substantial rehabilitation of affordable homes.

**Urban Center Housing Tax Increment Financing (UCH-TIF)** - This Massachusetts program authorizes cities and towns to promote housing and commercial development, including affordable housing, in commercial centers by allowing exemptions on all or part of the increased value of improved real estate.

## CASE STUDY: HOUSING DEVELOPMENT INCENTIVE PROGRAM, MASSACHUSETTS

M.G.L. Chapter 40V established the Housing Development Incentive Program. The program offers two tax incentives for developers undertaking new construction or significant renovation of properties for multi-unit rental or ownership housing: an exemption from local-option real estate taxes on all or some of the increase in property value and state tax credits. To participate in the program, cities must designate, and the state must approve,

an HD zone where housing development and revitalization is encouraged, and must prepare plans for promoting the housing development in those areas both subject to approval from the state. Gateway Cities are currently the only municipalities eligible for participation in the program. Towns and cities that are not Gateway Cities may advocate for expansion of the program or establishment a similar one they're eligible for.

Learn more [here](#).

