


Mayor's Tax Credit Workgroup

HPMRRH
Tax Credit

October 22, 2024




Today's Agenda

- 


1

Recap of Last Meeting
CHAP (Historic) Tax Credit / Rehabs

(10 mins)
- 


2

High-Performance Market-Rate Rental Housing Tax Credit (HPMRRHTC)

(60 mins)
- 

3

Discussion:
How Should We Target The Multi-Family Market?

(30 mins)
- 

4

Development Tax Credit Policy Options
Proposal on Tax Credit Economics

(40 mins)

Workgroup
Schedule

Homeowner Protection Tax Credits

- March 26 1 ✓ Homestead Tax Credit
- April 30 2 ✓ Targeted Homeowners Tax Credit
- June 11 3 ✓ State Homeowners Tax Credit / City Supplemental

Development Tax Credits

- July 30 1 ✓ Intro to Development Tax Credits
- Aug 27 2 ✓ Newly Constructed Tax Credit
- Sept 26 3 ✓ Historic (CHAP) Tax Credit
- Oct 22 4 High-Performance Market-Rate Rental Housing Tax Credit
- Nov 26 5 Enterprise Zone (EZ) Tax Credit
- Dec TBD 6 Brownfields Tax Credit

Historic (CHAP) Tax Credit *Recap*



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Historic (CHAP) Tax Credit

What I Heard from the Workgroup

1

Some **confusion** from Workgroup members about all of the different historic districts and what they mean: Federal Register, Local Designation, Heritage Areas, and the (newly-proposed) Conservation Districts.

2

Some **disagreement** about how strict historic building design standards should be to qualify for the tax credit, and the impact of those standards on affordability.

Questions for Short Discussion

1

Should the Historic District map drive the availability of tax credits for rehabilitation of existing properties?

2

How strict should the standard be for rehab projects, and who should decide?



HPMRRH Tax Credit

Background



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HPMRRH Tax Credit

Older Development Examples

Fiscal 2016
Mount Vernon
520 Park Avenue



171 units

Fiscal 2017
Downtown
10 Light Street



419 units



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BMORE BUDGET

HPMRRH Tax Credit

Recent Development Examples - Downtown and Vicinity

Fiscal 2020

Federal Hill

501 E. Cross Street



Bainbridge Federal Hill
224 units

Fiscal 2022

Harbor East

555 President Street



Avalon 555 Apartments
400 units



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HPMRRH Tax Credit

Recent Development Examples - Outside of Downtown

Fiscal 2018
Remington
2700 Remington Avenue



Remington Row
109 units

Fiscal 2021
Lauraville
4801 Harford Road



SoHa Union
16 units



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HPMRRH Tax Credit - Basics

1 Purpose

- To “help grow Baltimore’s residential population in an environmentally safe manner, by encouraging the construction or conversion of new high-performance market-rate rental housing projects.”

2 Class of Property

- Property must be a newly constructed, converted, or wholly renovated multi-family dwelling building.
- Must contain 10 or more residential units.
- Must contain no units that are subject to governmental restrictions on the amount of rent charged or the tenant’s income level.
- Must have construction or conversion costs exceeding \$60,000 per unit.
- Must achieve a minimum LEED Silver certification, the Baltimore City Green building code 2-Green Star rating, or a comparable Maryland standard.

3 Application / Eligibility

- Initial application must be filed within 30 days of the issuance of the first construction permit.
- Final application can be submitted after the occupancy permit has been issued.



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HPMRRH Tax Credit - Calculation

1 Term and Amount

- 10-Year Tax Credit
- 80% (Yr 1-5), 70% (Yr 6), 60% (Yr 7), 50% (Yr 8), 40% (Yr 9), 30% (Yr 10)

2 Calculation

- Difference between the pre-improvement value and the first post-improvement Full Cash Value (FCV).

3 Effect on Other Credits

- Property may receive the Enterprise Zone Tax Credit on the commercial portions of the multi-family structure.
- HPMRRH Tax Credit does not apply if the project involves improvements eligible under the CHAP program.

4 Transferability

- Transferable to subsequent owners, for the remaining life of the credit.
- New owner must file a transfer application.

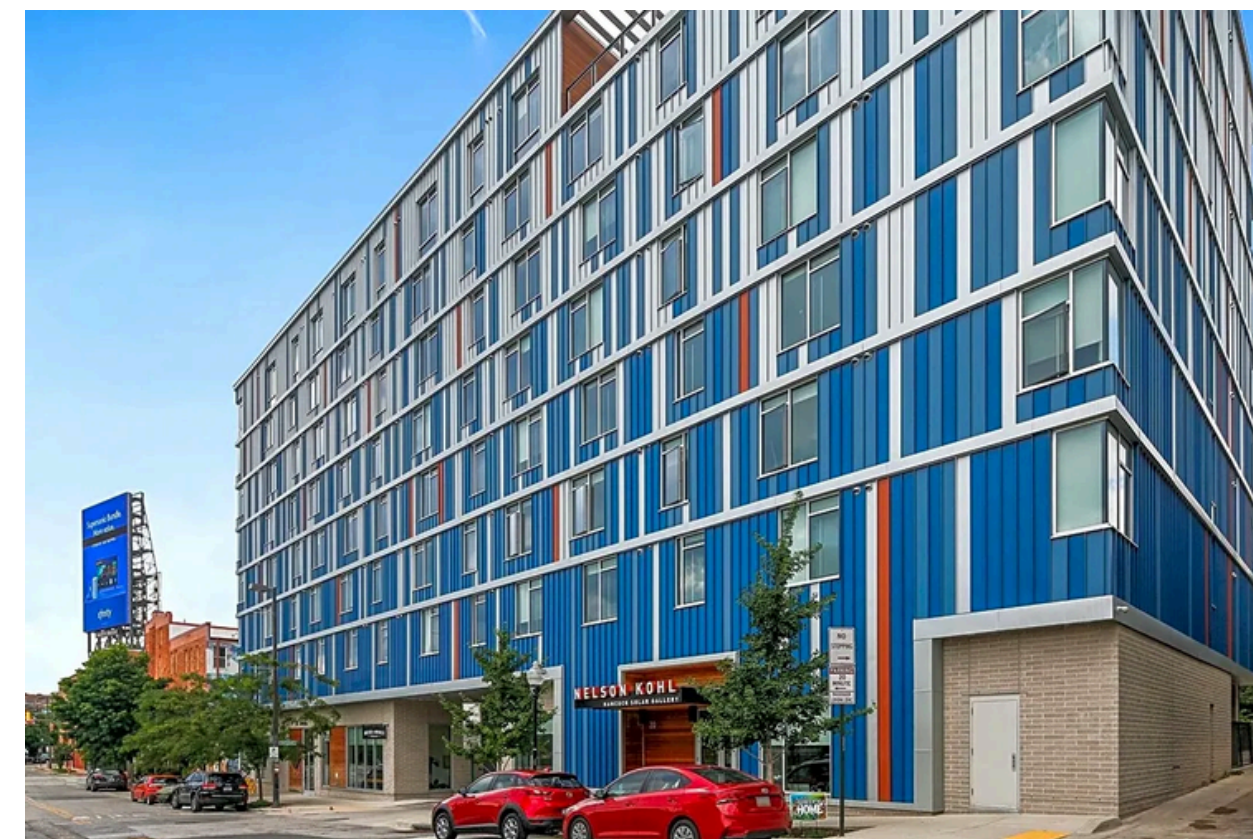


HPMRRH Tax Credit - Two Versions

“Targeted” HPMRRH Tax Credit

- Adopted via CCB 13-0176 in **Fiscal 2013**.
- The target area and boundaries were written into the Code with a focus on **Downtown** neighborhoods.
- **15-year** Tax Credit.
- Sunset date in Fiscal 2018 (December 31, 2017). No new applications accepted.

Nelson Kohl Apartments - Station North



The Woodberry - W. Cold Spring Lane

“Citywide” HPMRRH Tax Credit

- Adopted via CCB 14-0359 in **Fiscal 2014**.
- No geographic limits; available **City-wide**.
- **10-year** Tax Credit.
- Program is still open, with a sunset date of December 31, 2027.



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Legislative History

2013 - TARGETED

Original legislation authorizing the “Targeted” HPMRRH Tax Credit.

2014 - CITYWIDE

Original legislation authorizing the “Citywide” HPMRRH Tax Credit.

2016 - CALCULATION METHOD

Use first Full Cash Value (FCV) post-improvement to calculate tax credit.

2017 - EXTENSION

Application deadline for the “Citywide” HPMRRH Tax Credit was extended to 2022 and the deadline for issuance of occupancy permit was extended to 2024.

2019 - UNITS REQUIREMENT

Minimum number of apartment units needed for a project to qualify for HPMRRH was reduced from 20 units to 10 units.

2021- EXTENSION

Application deadline for the “Citywide” HPMRRH Tax Credit was extended to 2027 and the deadline for issuance of occupancy permit was extended to 2029.

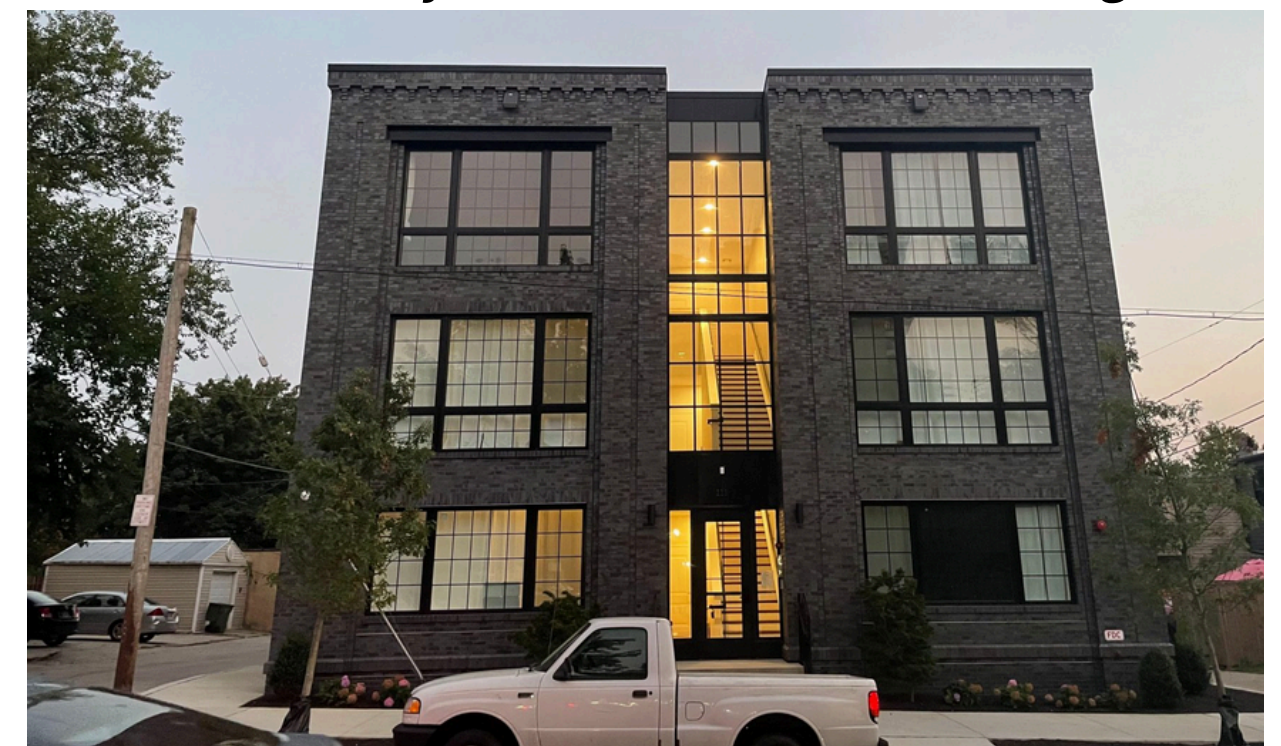


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The Trinity - Little Italy



Peabody Walk Lofts - Charles Village



Has the HPMRRH Tax Credit Been Effective?

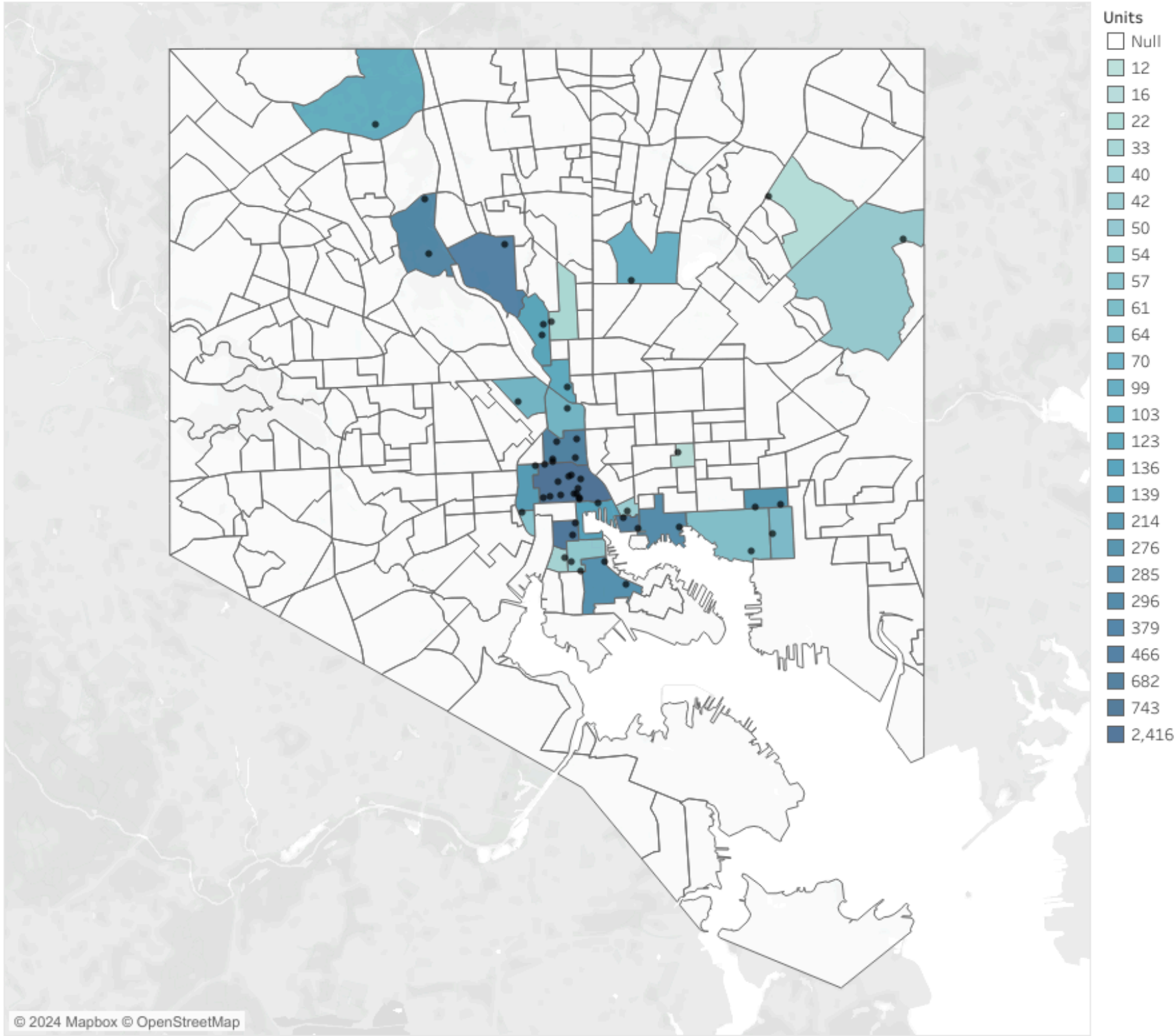


SINCE 2013
50 NEW APARTMENT BUILDINGS
6,900+ NEW UNITS



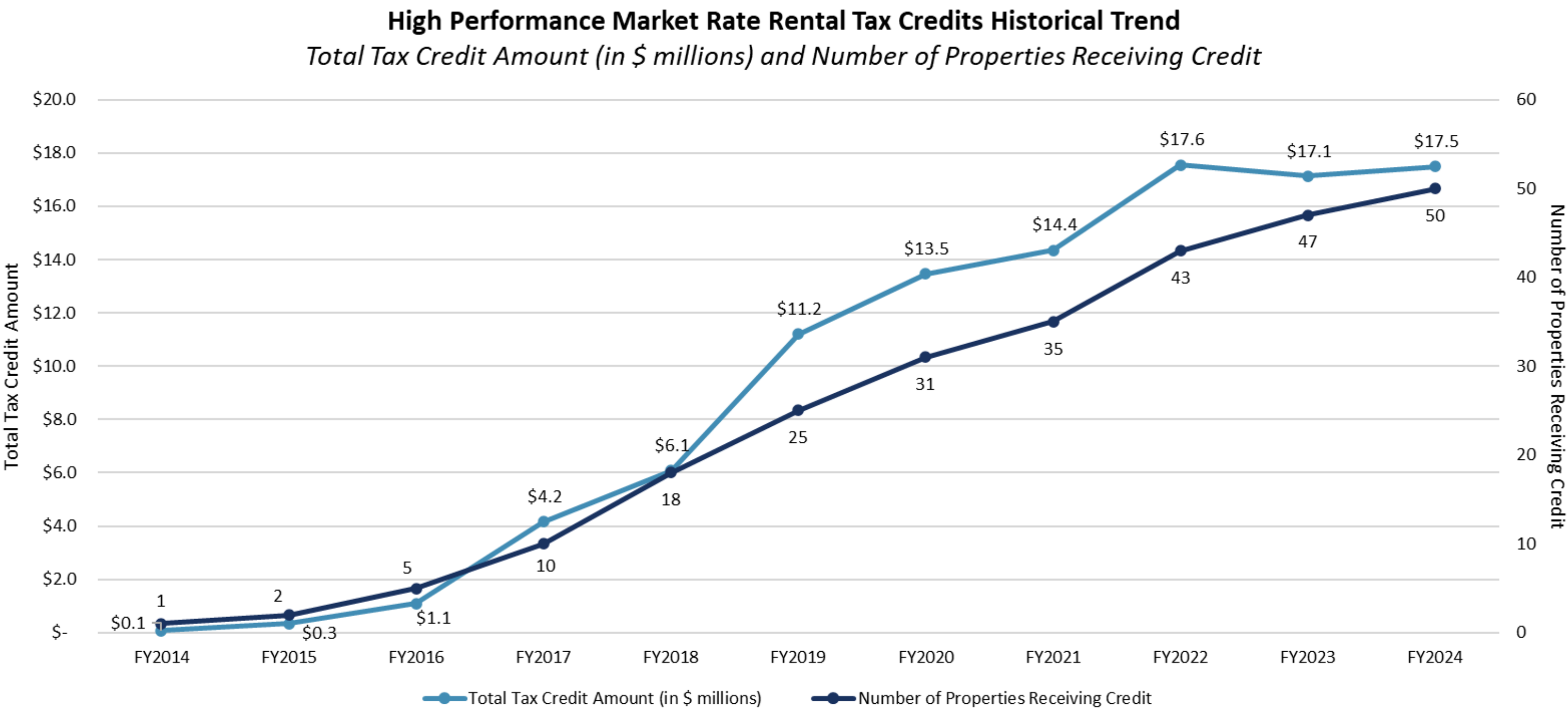
Distribution of High-Performance MRRH Tax Credit

Units Created by Neighborhood *(Fiscal 2014 to Fiscal 2024)*

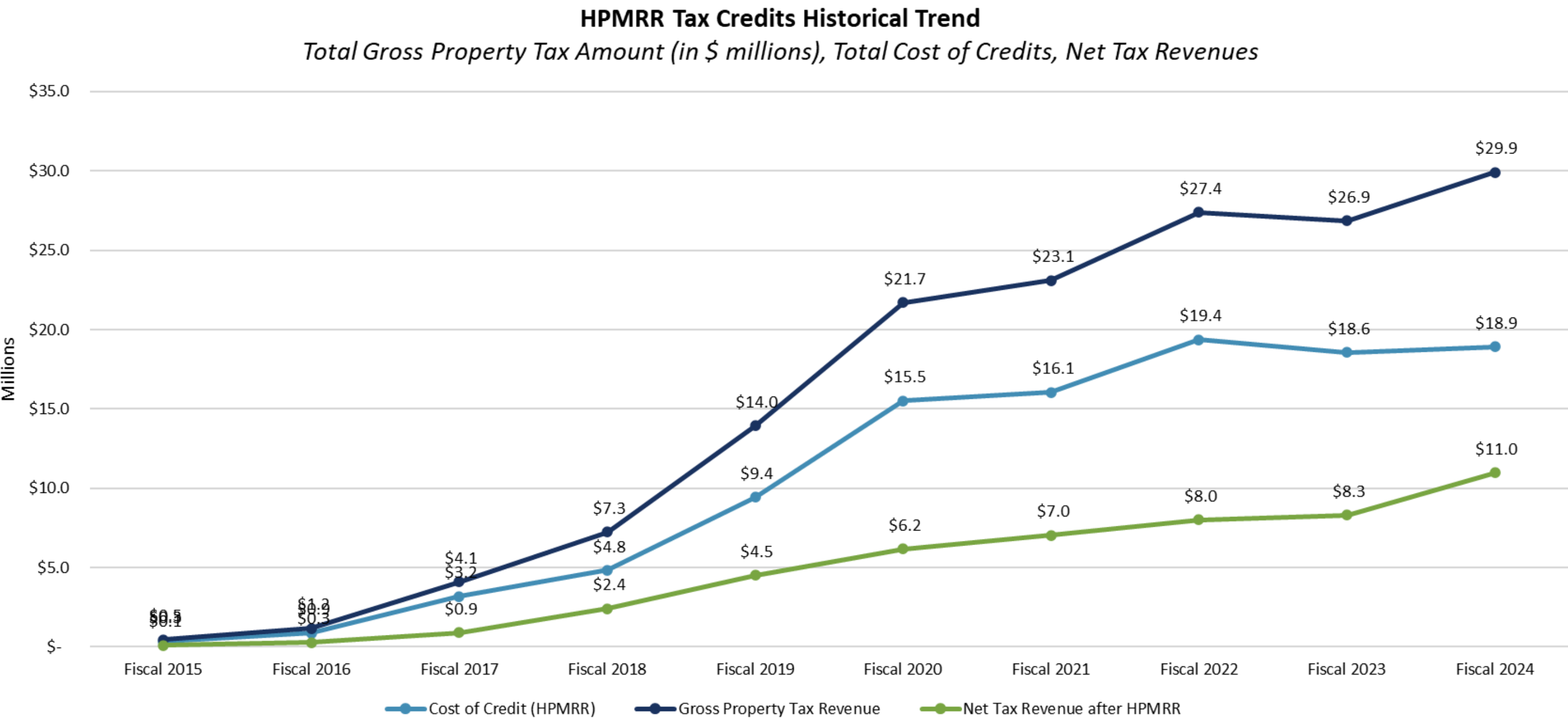


Neighborhood	Units Created
Downtown	2416
Otterbein	743
Harbor East	682
Mount Vernon	466
Hampden	379
Woodberry	296
Fells Point	285
Riverside	276
Highlandtown	214
University Of Maryland	139

Historical Trend: HPMRRH Tax Credit

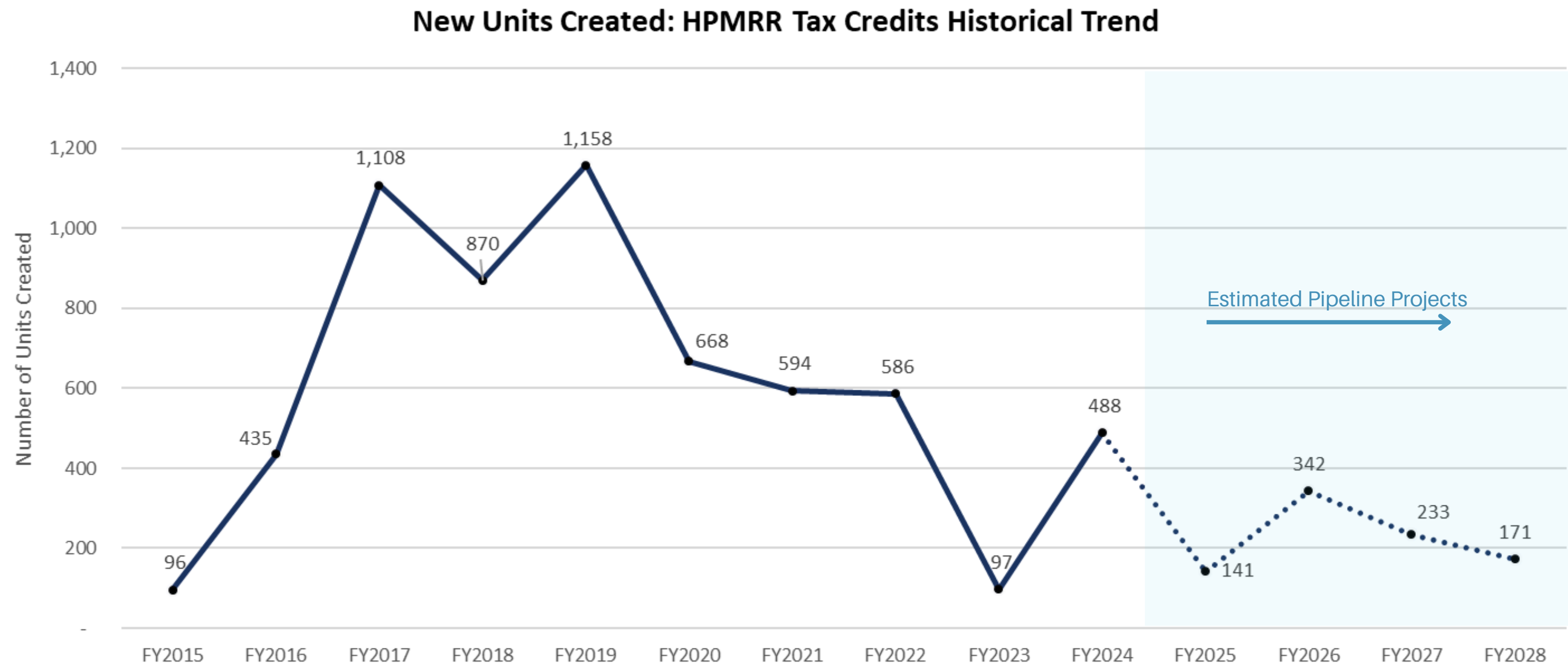


Historical Trend: HPMRRH Tax Credit



* There are some properties that are receiving an EZ credit which is included within this chart.

Historical Trend: HPMRRH Tax Credit



HPMRRH Tax Credit Example: 414 Light



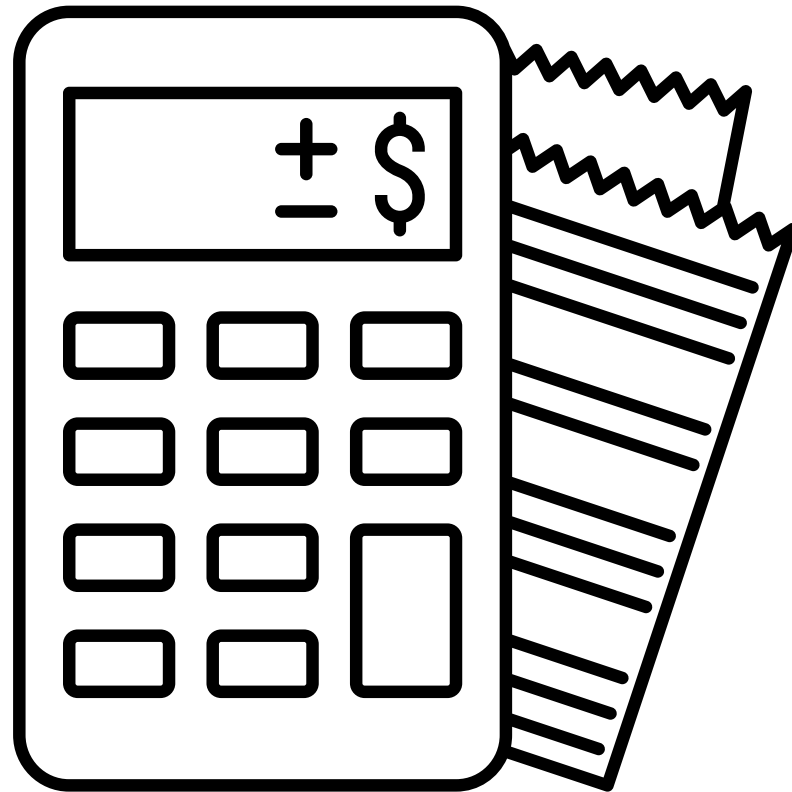
Fiscal 2019
Inner Harbor
394 units



	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Year 11</u>
Assessed Value	137,325,700	141,934,300	146,604,900	123,650,400	123,650,400	123,650,400	134,286,000	144,921,600	155,557,200	160,223,916	165,030,633
Full Tax Rate	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%
Gross Property Taxes	3,087,082	3,190,683	3,295,678	2,779,661	2,779,661	2,779,661	3,018,749	3,257,838	3,496,926	3,601,834	3,709,889
Credit Percentage	80%	80%	80%	80%	80%	70%	60%	50%	40%	30%	0%
Pre-Improvement Assessment	6,580,800	6,580,800	6,580,800	6,580,800	6,580,800	6,580,800	6,580,800	6,580,800	6,580,800	6,580,800	N/A
Post-Improvement FCV	137,325,700	141,934,300	146,604,900	146,604,900	146,604,900	146,604,900	146,604,900	146,604,900	146,604,900	146,604,900	N/A
Maximum amount of credit	2,351,316	2,434,197	2,518,193	2,518,193	2,518,193	2,203,419	1,888,645	1,573,871	1,259,097	944,323	N/A
Taxes at Base Year	147,936	147,936	147,936	147,936	147,936	147,936	147,936	147,936	147,936	147,936	N/A
Credit Amount	(2,351,316)	(2,434,197)	(2,518,193)	(2,518,193)	(2,518,193)	(2,203,419)	(1,888,645)	(1,573,871)	(1,259,097)	(944,323)	0
Net Taxes Owed	735,765	756,486	777,485	261,468	261,468	576,242	1,130,104	1,683,967	2,237,829	2,657,511	3,709,889

HPMRRH Tax Credit Calculation Issue: 111 W. Baltimore

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assessed Value	46,220,200	46,220,200	46,283,833	22,500,000	22,500,000	22,693,833	22,887,667	23,081,500	23,773,945	24,487,163
Full Tax Rate	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%
Gross Property Taxes	1,039,030	1,039,030	1,040,461	505,800	505,800	510,157	514,515	518,872	534,438	550,471
Credit Percentage	100%	100%	80%	80%	80%	70%	60%	50%	50%	50%
Pre-Improvement Assessment	1,829,100	1,829,100	1,829,100	1,829,100	1,829,100	1,829,100	1,829,100	1,829,100	1,829,100	1,829,100
Post-Improvement FCV	46,220,200	46,220,200	46,220,200	46,220,200	46,220,200	46,220,200	46,220,200	46,220,200	46,220,200	46,220,200
Maximum amount of credit	997,912	997,912	798,330	798,330	798,330	698,538	598,747	498,956	498,956	498,956
Taxes at Base Year	41,118	41,118	41,118	41,118	41,118	41,118	41,118	41,118	41,118	41,118
Credit Amount	(997,912)	(997,912)	(798,330)	(505,800)	(505,800)	(510,157)	(514,515)	(498,956)	(498,956)	(498,956)
Net Taxes Owed	41,118	41,118	242,131	0	0	0	0	19,916	35,482	51,515

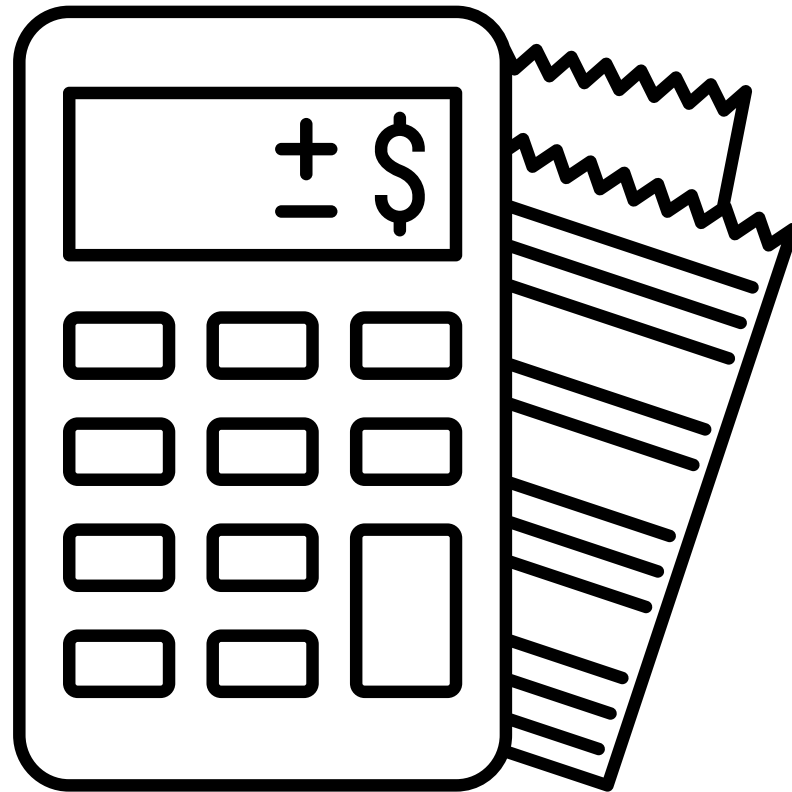


Current law requires the tax credit to be calculated based on the first Full Cash Value assessment after the improvement.

If the property assessment later declines, then the property owner ends up paying less in taxes than they did pre-improvement (or even \$0 overall).

HPMRRH Tax Credit Calculation Issue: 111 W. Baltimore

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assessed Value	46,220,200	46,220,200	46,283,833	22,500,000	22,500,000	22,693,833	22,887,667	23,081,500	23,773,945	24,487,163
Full Tax Rate	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%	2.248%
Gross Property Taxes	1,039,030	1,039,030	1,040,461	505,800	505,800	510,157	514,515	518,872	534,438	550,471
Credit Percentage	100%	100%	80%	80%	80%	70%	60%	50%	50%	50%
Pre-Improvement Assessment	1,829,100	1,829,100	1,829,100	1,829,100	1,829,100	1,829,100	1,829,100	1,829,100	1,829,100	1,829,100
Post-Improvement FCV	46,220,200	46,220,200	46,220,200	46,220,200	46,220,200	46,220,200	46,220,200	46,220,200	46,220,200	46,220,200
Maximum amount of credit	997,912	997,912	799,474	371,745	371,745	328,327	284,038	238,877	246,660	254,677
Taxes at Base Year	41,118	41,118	41,118	41,118	41,118	41,118	41,118	41,118	41,118	41,118
Credit Amount	(997,912)	(997,912)	(799,474)	(371,745)	(371,745)	(328,327)	(284,038)	(238,877)	(246,660)	(254,677)
Net Taxes Owed	41,118	41,118	240,987	134,055	134,055	181,830	230,477	279,995	287,778	295,795



A better approach would require both a “floor” and a “ceiling” on the calculation.

This would ensure that the property taxes owed never fall below the pre-improvement taxes, and that the credit doesn’t grow to capture normal market appreciation beyond the original improvement.

In this example, the change would have generated an additional **\$1.5 million** over ten years.



Discussion:

How Should We Target The Multi-Family Market Going Forward?



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Mayor

Discussion: How Should we Target the Multi-Family Market Going Forward?

Exhibit 1: New Residential Units Permitted by Type in the Baltimore Region Jurisdictions, 2023



	Annual Market Potential					Subtotal
	Below 30% AMI	30% to 60% AMI	60% to 80% AMI	80% to 100% AMI	Above 100% AMI	
Multi-Family For-Rent:	6,586	5,206	2,976	3,143	8,341	26,252
Multi-Family For-Sale:	647	566	343	377	1,107	3,040
Single-Family Attached For-Sale:	1,911	1,642	958	1,024	2,747	8,282
Single-Family Detached For-Sale:	1,111	1,154	764	864	2,868	6,761
Total:	10,255	8,568	5,041	5,408	15,063	44,335
Percent:	23.1%	19.3%	11.4%	12.2%	34.0%	100.0%



- 1 What is the current state of the multi-family market and what are the current barriers?
- 2 What parts of the multi-family market should we be incenting? Do we have the right economic tools (tax credits, PILOTS, other) in place?
- 3 Is the HPMRRH Tax Credit the right tool going forward? Do we need to alter or expand it?

Policy Options: *Tax Credit Economics*



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Development Tax Credits: Policy Options

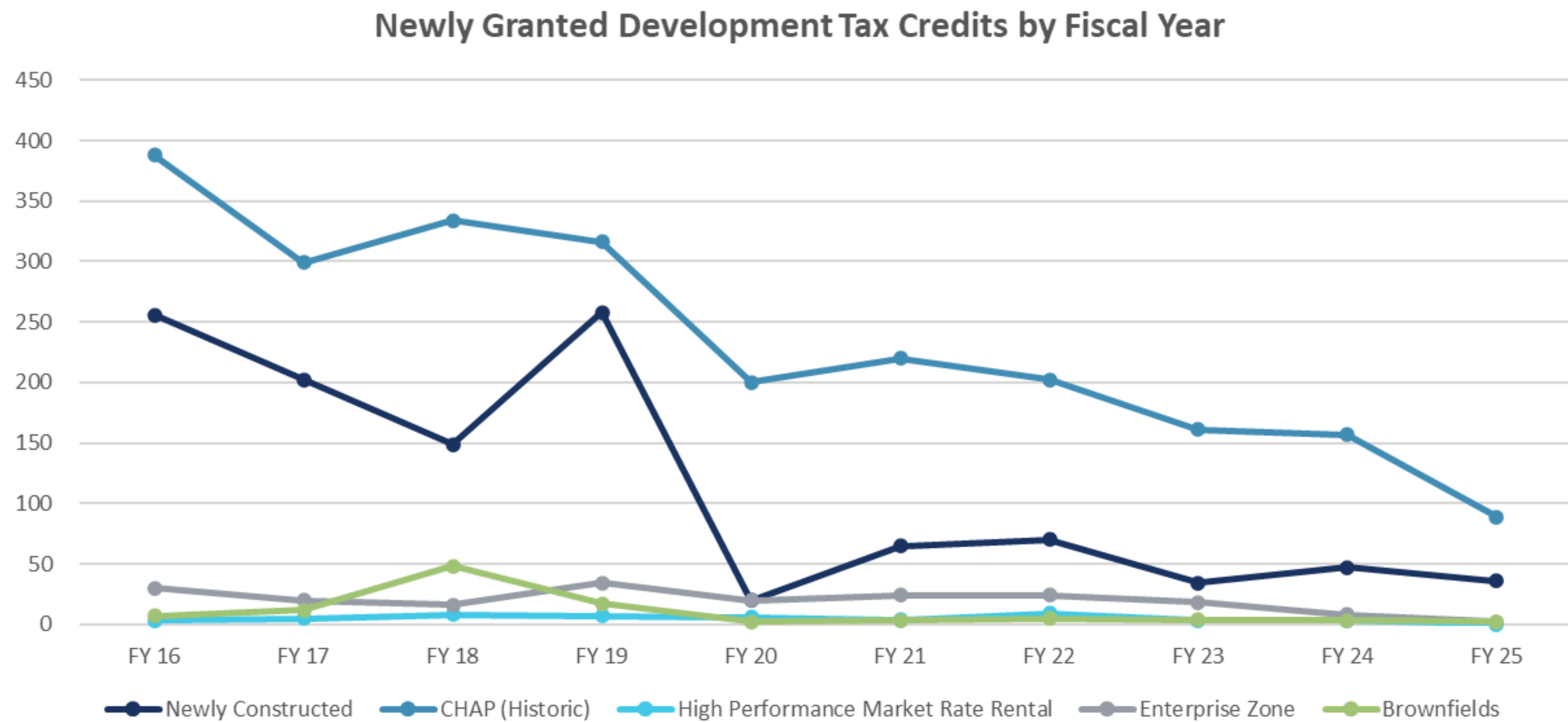
Tax Credit Economics

- **Length and Amount:** Should we have a consistent length and amount across all tax credits, or should there be different terms based on the differing needs of each sub-market?
- **Fixed vs. Declining:** Should tax credits have a fixed percentage for all years or a declining amount each year?
- **Geography:** Should we draw boundaries to distinguish between neighborhoods with different needs?
- **Testing:** Should the City run “but for” tests on certain projects to ensure that the subsidy is needed for the project without providing excess returns?



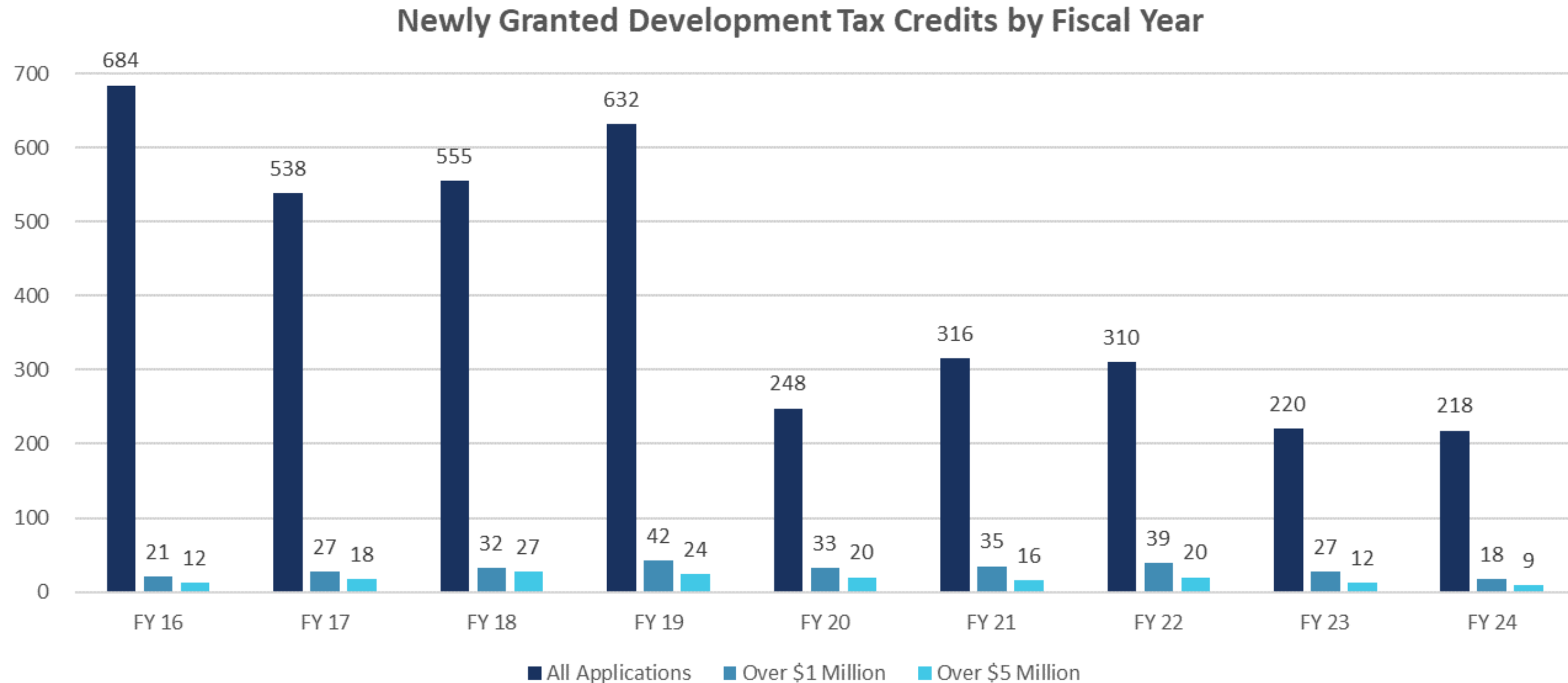
Development Tax Credits: Volume by Program

How Many Tax Credits Do We Grant Annually?



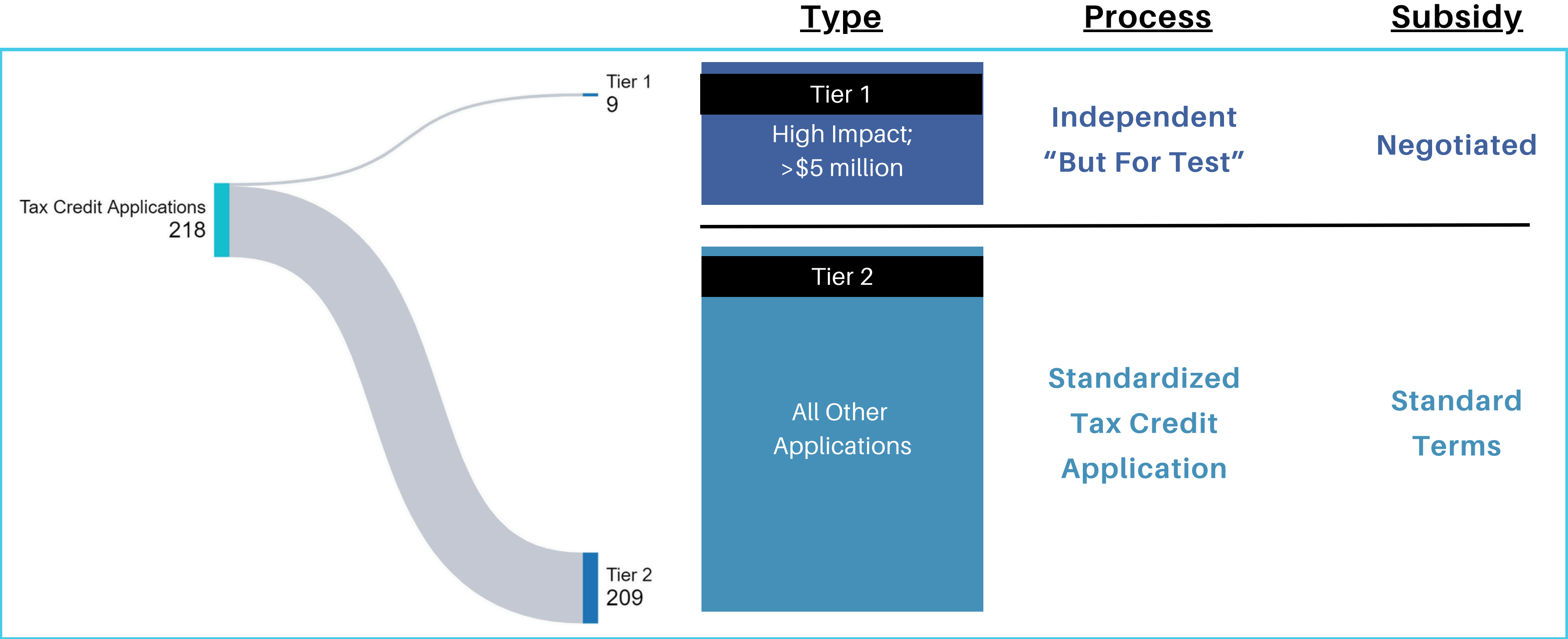
Development Tax Credits: Volume by Project Size

How Many Projects Have Exceeded a Project Cost of \$1M or \$5M?



Proposal: Two Tiers of Tax Credit Applications

Using Fiscal 2024 Data as an Example



Proposal: Tier One - High Impact Projects

Why Do a “But For” Test?

- Helps the City answer two fundamental questions:
 - Does the project require a public incentive to be feasible?
 - Does the amount of the public incentive provide a necessary but not excess return?
- Builds trust and credibility into the process for all parties.



The Jordan - Bolton Hill

How Would the “But For” Test Work?

- Utilize a private independent firm with public finance expertise to perform the analysis (MuniCap).
- Analysis would include:
 - NPV calculation both with and without tax credit.
 - Reasonability of developer fees and return on equity requirements.
 - Benchmarking of comparable properties for rent, sale price, and operating expenses.



“But For” Test: Recent Downtown Project Example

NPV Analysis

Schedule I: Unlevered Internal Rate of Return and Net Present Value Analysis

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	Year 0	Year 1	Year 2	(Stabilization) Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Development Cost ¹	(\$18,992,675)										
Gross Income											
Residential - Scheduled Rental Income (SRI)		\$2,205,000	\$2,205,000	\$2,249,100	\$2,294,082	\$2,339,964	\$2,386,763	\$2,434,498	\$2,483,188	\$2,532,852	\$2,583,509
Commercial - Scheduled Rental Income (SRI)		\$87,146	\$100,217	\$152,330	\$155,377	\$158,485	\$161,654	\$164,887	\$168,185	\$171,549	\$174,980
Scheduled Rental Income (SRI)		\$2,292,146	\$2,305,217	\$2,401,430	\$2,449,459	\$2,498,448	\$2,548,417	\$2,599,386	\$2,651,373	\$2,704,401	\$2,758,489
Vacancy & Collection Loss ¹											
Residential Vacancy		\$882,000	\$661,500	\$179,928	\$183,527	\$187,197	\$190,941	\$194,760	\$198,655	\$202,628	\$206,681
Residential Collection Loss		\$22,050	\$22,050	\$22,491	\$22,941	\$23,400	\$23,868	\$24,345	\$24,832	\$25,329	\$25,835
Commercial Vacancy		\$4,357	\$5,011	\$7,617	\$7,769	\$7,924	\$8,083	\$8,244	\$8,409	\$8,577	\$8,749
Commercial Collection Loss		\$871	\$1,002	\$1,523	\$1,554	\$1,585	\$1,617	\$1,649	\$1,682	\$1,715	\$1,750
Vacancy & Collection Loss		\$909,279	\$689,563	\$211,559	\$215,790	\$220,106	\$224,508	\$228,998	\$233,578	\$238,250	\$243,015
Effective Gross Income ¹		\$1,382,867	\$1,615,654	\$2,189,872	\$2,233,669	\$2,278,342	\$2,323,909	\$2,370,387	\$2,417,795	\$2,466,151	\$2,515,474
Operating Expenses ¹											
Utilities		\$123,739	\$126,214	\$128,738	\$131,313	\$133,939	\$136,618	\$139,351	\$142,138	\$144,980	\$147,880
Repairs and Maintenance		\$111,323	\$113,549	\$115,820	\$118,137	\$120,499	\$122,909	\$125,368	\$127,875	\$130,432	\$133,041
Payroll		\$120,695	\$123,108	\$125,571	\$128,082	\$130,644	\$133,257	\$135,922	\$138,640	\$141,413	\$144,241
Reserves for Replacements (added \$0.25 psf) ²		\$20,506	\$20,916	\$21,334	\$21,761	\$22,196	\$22,640	\$23,093	\$23,554	\$24,026	\$24,506
Administrative		\$144,726	\$147,620	\$150,573	\$153,584	\$156,656	\$159,789	\$162,985	\$166,244	\$169,569	\$172,961
Professional Fees		\$8,843	\$9,020	\$9,201	\$9,385	\$9,572	\$9,764	\$9,959	\$10,158	\$10,361	\$10,569
Operating Expenses pre-taxes		\$529,831	\$540,428	\$551,237	\$562,261	\$573,506	\$584,977	\$596,676	\$608,610	\$620,782	\$633,198
Fees and Taxes ¹											
City Real Property Taxes		\$196,154	\$196,154	\$230,359	\$264,565	\$298,770	\$303,749	\$308,729	\$313,708	\$318,937	\$324,165
CHAP Tax Credit ³		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Downtown Mgmt. District (0.2239)		\$19,537	\$19,537	\$22,944	\$26,351	\$29,757	\$30,253	\$30,749	\$31,245	\$31,766	\$32,287
State Real Property Taxes (0.12)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total City Expenses		\$215,691	\$215,691	\$253,303	\$290,915	\$328,527	\$334,003	\$339,478	\$344,954	\$350,703	\$356,452
Total Expenses		\$745,522	\$756,119	\$804,540	\$853,176	\$902,034	\$918,979	\$936,154	\$953,563	\$971,485	\$989,649
Net Operating Income		\$637,344	\$859,535	\$1,385,332	\$1,380,493	\$1,376,309	\$1,404,930	\$1,434,233	\$1,464,232	\$1,494,667	\$1,525,825
Sale Proceeds At Stabilization ⁴											\$22,773,502
Unlevered Cash Flow (No Tax Credit)	(\$18,992,675)	\$637,344	\$859,535	\$1,385,332	\$1,380,493	\$1,376,309	\$1,404,930	\$1,434,233	\$1,464,232	\$1,494,667	\$24,299,327
Net Present Value (No Tax Credit) ⁵	(\$221,133)										
Unlevered IRR (No Tax Credit)	7.93%										
Value of Chap Tax Credit ⁶				\$34,205	\$68,410	\$102,616	\$107,595	\$107,595	\$107,595	\$107,595	\$299,466
Unlevered Cash Flow (Tax Credit)	(\$18,992,675)	\$637,344	\$859,535	\$1,419,537	\$1,448,903	\$1,478,924	\$1,512,525	\$1,541,828	\$1,571,827	\$1,602,262	\$24,598,793
Net Present Value (Tax Credit) ⁵	\$307,391										
Unlevered IRR (Tax Credit) ⁷	8.30%										

¹ Provided by Developer.

² Estimated by MuniCap.

³ Accounted for below.

⁴ Represents net operating income in year 10 divided by CoStar market cap rate of 6.70% reported as of 2024 Q3 quarter to date. See Schedule V.

⁵ Represents net present value of cash flows assuming a PWC discount rate of 15.00% reported as of 2024 Q2 until stabilization and a PWC discount rate of 8.00% reported as of 2024 Q2 for years 3-10. See Schedule V.

⁶ Represents value of Chap Tax Credit estimated by developer, with years 9 and 10 discounted by PWC discount rate of 8.00% reported as of 2024 Q2. See Schedule V.

⁷ National development land market discount rate as of 2024 Q2 ranges from 14.00%-30.00%. Estimated unlevered internal rate of return demonstrates that the project warrants a tax credit and that the full amount of the tax credit is appropriate.

MuniCap gathers financial information from the developer.

MuniCap runs an NPV analysis both with and without the tax credit.



Brandon M. Scott
Mayor



"But For" Test: Recent Downtown Project Example (cont.)

Benchmarking for Rent and Operating Expenses



Table 1: Comparable Properties - Studio

Property	Unit Type	Developer's Appraisal (January 2024) ¹				CoStar (September 2024 Data) ²			
		Unit Count	Square Feet	Rent Per Unit	Rent Per SF	Unit Count	Square Feet	Rent Per Unit	Rent Per SF
Subject property	Studio	97	484	\$1,210	\$2.50	-	-	-	-
Arrive Inner Harbor (1)	Studio	-	542	\$1,298	\$2.39	51	495	\$1,396	\$2.82
2 Hopkins (2)	Studio	-	516	\$1,428	\$2.77	44	518	\$1,661	\$3.21
Luminary at One Light (3)	Studio	-	412	\$1,670	\$4.05	28	422	\$1,570	\$3.72
222 Saratoga (4)	Studio	-	544	\$1,155	\$2.12	6	653	\$1,359	\$2.08
Average comps ³				\$1,388	\$2.83			\$1,497	\$2.96

Operating Expenses (Annual)	Subject Property		101 N Wolfe St	1211 South Eaton St	101 West Cross St	300 West Lombard St
	Pro-Forma	Appraisal				
Utilities	\$121,313	\$150,960	\$449,920	\$467,460	\$362,687	\$266,968
Repairs and Maintenance	\$109,140	\$56,100	\$233,776	\$588,406	\$398,866	\$214,149
Payroll	\$118,328	\$259,731	\$1,456,768	\$989,457	\$1,153,542	\$1,123,564
Administrative	\$141,888	\$148,888	\$496,736	\$465,605	\$402,155	\$584,766
Legal/Accounting	\$8,670	\$0	\$104,880	\$70,861	\$97,175	\$179,010
Total	\$499,339	\$615,679	\$2,742,080	\$2,581,789	\$2,414,425	\$2,368,457



This analysis ensures the the project is not "under" counting revenue or "over" counting expenses in order to accentuate the need for a subsidy.



"But For" Test: Recent Downtown Project Example (cont.)

Return on Cost Analysis

"Positive" cash flows include net operating income and cash from sale transaction.

"Negative" cash flows include project costs such as acquisition, building, and financing.

Project does not pay out, assuming a required 15% return on equity requirement.

Conclusion: project needs a public subsidy to be financially feasible.

Schedule II-A: Return on Cost Analysis - Developer Target Return

	<u>201 Redwood Project</u>
Estimated Project Cost:	
Acquisition and Associated Closing Costs ¹	\$10,773,305
Building Improvement Costs ¹	\$4,363,089
Fees, Reserves, and Soft Costs ¹	\$2,263,281
Financing Costs ¹	\$1,593,000
Financing Interest Through Stabilization	
Loan Interest During Lease-Up ²	\$3,983,535
Net Operating Income During Lease-up ³	(\$2,882,212)
Net Cost of Interest	\$1,101,323
Required Return On Equity (15%) ⁴	\$1,532,771
Sub-total	\$21,626,769
Less: NPV of Tax Credit ⁵	(\$637,888)
Sub-total	\$20,988,881
Developer's Profit (0%) ⁶	\$0
Total Estimated Development Costs	\$20,988,881
Estimated Transaction Price and Market Value:	
Net Operating Income At Stabilization ⁷	\$1,385,332
Projected Market Yield ⁸	6.70%
Estimated Transaction Price and Market Value	\$20,676,597
Estimated Profit (Shortfall)⁹	(\$312,284)



HPMRRH Tax Credit Example: 414 Light (revisited)

Current Tax Credit Terms

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10-Yr Total
Credit Percentage	80%	80%	80%	80%	80%	70%	60%	50%	40%	30%	
Net Taxes Owed	735,765	756,486	777,485	261,468	261,468	576,242	1,130,104	1,683,967	2,237,829	2,657,511	11,078,324

Alternative

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10-Yr Total
Credit Percentage	70%	70%	70%	70%	70%	60%	50%	40%	30%	20%	
Net Taxes Owed	1,029,680	1,060,760	1,092,259	576,242	576,242	891,016	1,444,878	1,998,741	2,552,603	2,972,285	14,194,707

Difference

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10-Yr Total
Credit Percentage	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	
Net Taxes Owed	(293,915)	(304,275)	(314,774)	(314,774)	(314,774)	(314,774)	(314,774)	(314,774)	(314,774)	(314,774)	(3,116,383)

Even a subtle change in the tax credit percentages (10% less per year) results in \$3.1 million of additional tax revenue over 10 years.

