



# The Low-Income Housing Tax Credits *Issue*

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*The term “mixed-income” can describe six different circumstances in the LIHTC context, each with important implications.*

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# LIHTCs Help Vision Swim into Reality in Rejuvenated New Bedford, Massachusetts

NICK DECICCO, SENIOR WRITER, NOVOGRADAC

In a moment in 1997, as Duane Jackson drove into New Bedford, Massachusetts, the past, the present and the future were all in the car together.

The details were hazy in that moment, but he could see into the future, to a thriving New Bedford, a place where he is now building 10@8<sup>th</sup>, a 52-apartment affordable housing property that uses low-income housing tax credits (LIHTCs), among other sources.

Back in 1997, as president of architect/planner firm Migliassi/Jackson & Associates Inc., Jackson drove to New Bedford to meet a community leader to discuss the future of a contaminated site in the midst of the South End neighborhood of the city. As he descended the Interstate 195 off ramp to Route 18, Jackson saw

*Image: Courtesy of MassHousing*  
Alinea Capital Partners is developing 10@8th in New Bedford, Massachusetts, using low-income housing tax credits.

New Bedford for the first time—the expansive Acushnet River out the window on the left and old brick mill buildings on the right. The scene didn't quite fit with Jackson's expectations of a city that, at the time, was reputedly known for blight, disrepair, rising crime and unemployment.

His own past informed his vision of the future.

In 1973, as a graduate student in architecture and planning at the Massachusetts Institute of Technology, Jackson interned with Greater Boston Community Development, which later became affordable housing titan The Community Builders. During that period and throughout the 1980s, Jackson saw the revitalization of the South End in Boston as it transformed from its own state of blight into one of the most diverse, attractive and expensive real estate markets.

Jackson saw the same potential in 1997 in New Bedford. "I said to myself in 1997, this is not an if, it's a when," said Jackson.

Now, 27 years later, with the arrival of jobs from an offshore wind farm, and the final stretch of the Massachusetts Bay Transportation Authority's (MBTA's) commuter rail project that will connect New Bedford to Boston complete, the "if" is now the "when." For Jackson, now a managing member with affordable housing developer and investor Alinea Capital Partners, the once-hazy vision has much greater shape and dimension.

### Whale of a Tale

The vision of 10@8<sup>th</sup> comes at a time of rejuvenation for New Bedford, once the nexus for the whaling industry in the 1800s that made it the world's wealthiest city, according to the National Park Service. In the latter half of the 20<sup>th</sup> century, fortunes reversed—New Bedford's

status declined, bringing a spike in blight, crime and unemployment.

Now, its fortunes are primed to change again. "It's a beautiful city," said Jackson.

To bring Jackson's vision into reality, 10@8<sup>th</sup> will use LIHTCs, income averaging and solar investment tax credits (ITCs). The \$28 million, 52-apartment property 10@8<sup>th</sup>, located downtown in the southeastern Massachusetts city will host a five-story, mixed-use, mixed-income development. Jackson bought the site, a former motor vehicle registry, in 2005 with an eye toward the future.

Income averaging will allow Alinea Capital Partners and their development teammates to set-aside eight apartments for federal Section 8 Housing Assistance Payment contracts, 36 homes for those earning up to 60% of the area median income (AMI) and eight apartments for those earning up to 80% of the AMI.

Financing partner Massachusetts Housing and Investment Corporation (MHIC) provided LIHTC and ITC equity.

Alinea Capital Partners hopes to complete construction on 10@8<sup>th</sup> in June 2025.

### Location, Location, Location

Carrie Knudson, senior investment officer for MHIC, said combining LIHTC income averaging and ITCs are historically an atypical model for the financier, but expects to see them more.

"I think it will be typical going forward," Knudson said. "More and more, sponsors are going to want to take advantage of income averaging and solar credits. We're already seeing that this year."

Location is a key factor for MHIC's involvement, too. New Bedford is a small city with a lot to offer, said Knudson.

The investment complements three others MHIC has made recently in New Bedford. That level of involvement—combined with a number of other public and private investments in the city, ranging from streetscape improvements to improvements in New Bedford's port related to a large offshore wind project to the new MBTA commuter rail station—inspired MHIC's participation.

So, too, did the diversity, equity and inclusion elements, which sought to maximize the level of participation for workers of color and minority businesses in the hard and soft costs.

"We're really excited about all our work in New Bedford," said K. Beth O'Donnell, director of community investment with MHIC. "The project is in great a location. It's great with multiple opportunities to make a major impact in a single location."

## Financing

When Silicon Valley Bank collapsed in March 2023 in one of the biggest bank failures in U.S. history, it sent a ripple effect through the finance world. Several financing parties interested in 10@8<sup>th</sup> declined to move forward. Jackson's vision had hit one of its biggest obstacles.

"The rug was pulled from under our feet. Period," said Jackson. "I probably never appreciated that phrase more than I did then. It was like, whoa. You just had to believe there would be an answer somewhere. ... When they went under, it literally caused chaos within the affordable housing universe-ecosystem. A lot of projects were looking for equity. MHIC stepped in and replaced those sources and made this project possible."

10@8<sup>th</sup> received \$14.7 million in federal and \$1 million in state LIHTCs. MHIC provided Alinea Capital Partners with \$13.4 million in federal LIHTC equity financing and \$54,895 in ITC equity. MHIC invested in the tax credits through a multi-investor fund it syndicates.

Knudson said bringing together all of the elements to complete the transaction was the most satisfying and the most difficult elements of the financing.

"We specialize in projects that don't always compete as well for traditional financing, so we're glad to have the capacity for this," said Knudson. "We always pride ourselves in providing investment in cases like this."

Other layers in the capital stack include nearly \$9 million in direct support from the Massachusetts Executive Office of Housing and Livable Communities, which administers the LIHTC incentive, including \$6.9 million in American Rescue Plan Act (ARPA) funds.

"I have said, unequivocally, if not for \$6.95 million in ARPA, this project does not get done," said Jackson. "That's quite a bit of capital to a private developer. The benefit is 100% affordable housing for New Bedford. That's probably the most rewarding aspect of this entire transaction."

MassHousing provided a \$14.2 million bridge loan and \$2.2 million permanent debt. JPMorgan Chase provided \$15.6 million in construction financing. The city of New Bedford provided \$3 million in ARPA and Community Development Block Grants funds. One million dollars came from the Affordable Housing Trust Fund. Mass Save delivered \$34,676.

"As you can imagine, the most challenging part is financing these deals," said Jackson. "You see the alphabet soup of cobbling together the right mix of sources, particularly for a for-profit developer."



Still, Jackson is now able to combine his career-spanning experience and his sources to make his long-running vision a reality for 10@8<sup>th</sup> and for New Bedford.

“I knew [the change] wouldn’t be immediate,” said Jackson. “I didn’t think it would be 25 years.” ♦

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