



THE AFFORDABLE HOUSING  
TAX CREDIT COALITION

# **The Low-Income Housing Tax Credit** *Building & Preserving Affordable Housing*



## Outline:

1. The Need for Affordable Housing
2. Tools to Address the Need
3. How the Housing Credit Works
4. The Affordable Housing Credit Improvement Act (AHCIA)

# The Need for Affordable Housing

Not enough affordable homes are available for low-income households

For every

**100**

extremely low-income households  
*making 30% of area median  
income or less,*

only **37** homes

are affordable and available

For every

**100**

very low-income households  
*making 50% of area median  
income or less,*

only **58** homes

are affordable and available

Source: National Low Income Housing Coalition, "The Gap: A Shortage of Affordable Rental Homes," 2019

\* Extremely Low-Income: Households with income at or 30% of area median income or below the Poverty Guideline, whichever is higher

# The Need for Affordable Housing



**Only 1 in 5 households eligible for federal housing assistance receives it**

# The Need for Affordable Housing

## **MORE THAN 10 MILLION U.S. HOUSEHOLDS**

spend more than half of their monthly income on rent, cutting into other essential expenses such as groceries and healthcare.



Rent burden occurs when you spend more than 30% of your income on housing. You have to start making hard life choices – ex. medicine or food

Source: Harvard University Joint Center for Housing Studies, "State of the Nation's Housing," 2019

# The Need for Affordable Housing

## **99 HOURS PER WEEK AT MINIMUM WAGE**

are required to afford a one-bedroom apartment at the national average fair-market rent.



Source: National Low Income Housing Coalition, "Out of Reach," 2019

# The Benefits of Affordable Housing

## In general, affordable housing...

- ▶ Leads to better health outcomes
- ▶ Keeps families together
- ▶ Reduces domestic violence
- ▶ Reduces substance abuse
- ▶ Helps low-income individuals gain employment and keep their jobs\*
- ▶ Improves educational outcomes
- ▶ Allows for residents to increase their discretionary income by an average of \$500 per month (the equivalent to a 30 percent raise\*\*)

\* Center on Budget and Policy Priorities, “Research Shows Housing Vouchers Reduce Hardship and Provide Platform for Long-term Gains Among Children,” 2015

\*\* Enterprise and Local Initiatives Support Corporation, “Affordable Housing for Families and Neighborhoods,” 2017

# Tools to Address the Need for Affordable Housing

Program	Households	Agency	Description
Section 8 Housing Choice Vouchers	2.2. million households	HUD	Voucher covers difference between 30% of tenant income and fair market rent in the private market
Project-Based Section 8 Rental Assistance	1.2 million homes	HUD	Voucher covers difference between 30% of tenant income and fair market rent at a specific property
Public Housing	1.1 million homes	HUD	Federally owned and operated developments that charge 30% of tenant income in rent
Section 515 Rural Rental Housing Loans	550,000 homes	USDA	USDA provides loans for affordable rural rental housing



# Tools to Address the Need for Affordable Housing

Program	Households	Agency	Description
Section 202 Supportive Housing for the Elderly	400,000 homes	HUD	HUD provides funds to nonprofits to build rental housing affordable to low-income elderly households
Section 521 Rural Rental Assistance	270,000 homes	USDA	Similar to project-based assistance, but for properties receiving Section 515 loans
Section 811 Supportive Housing for Persons with Disabilities	33,000 homes	HUD	HUD provides funds to nonprofits to build rental housing affordable to low-income people with disabilities
Low-Income Housing Tax Credit	<b>3.2 million homes</b>	<b>Treasury</b>	<b>Tax credit incentivizes private investment to develop and preserve affordable housing</b>

# The Low-Income Housing Tax Credit

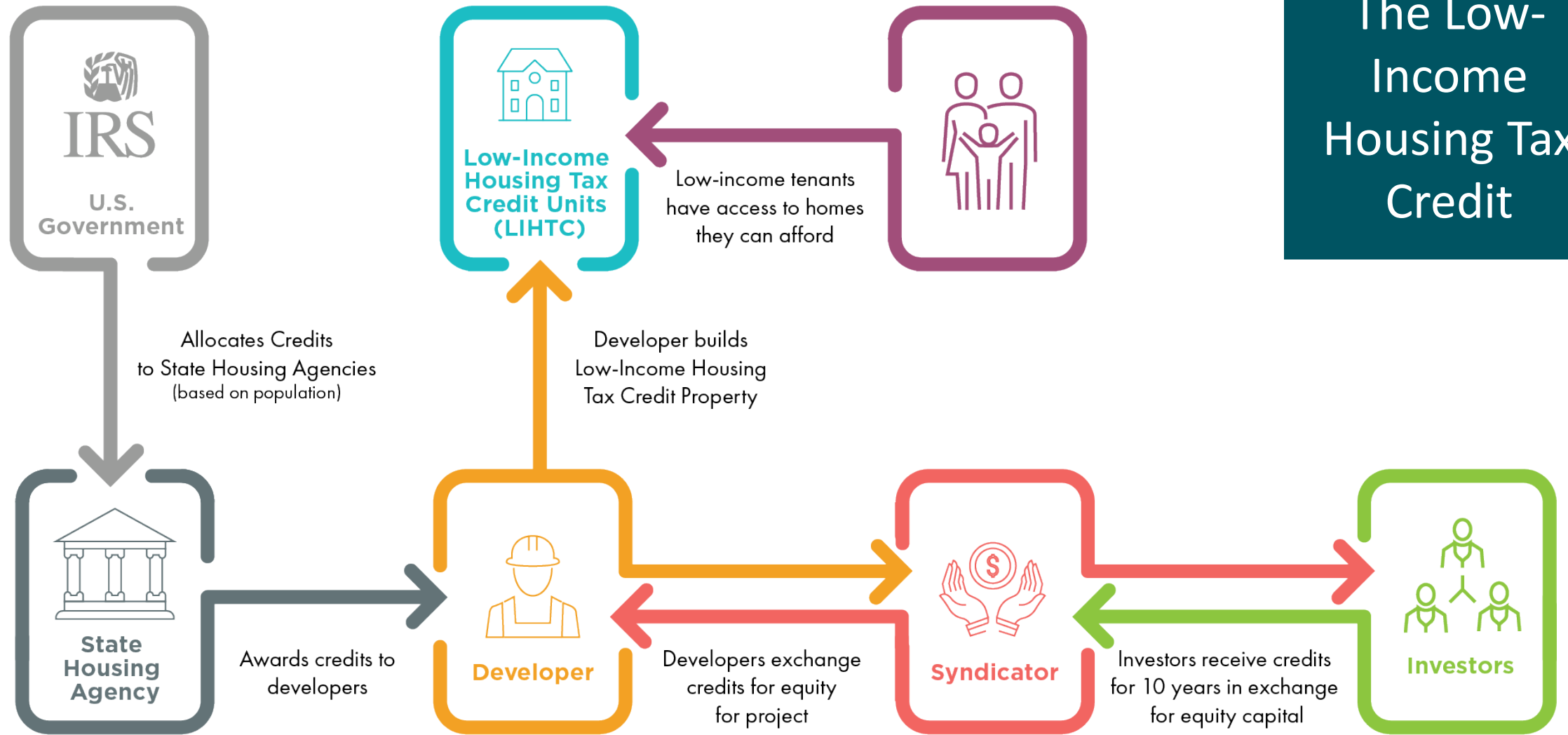
A proven tool for financing the development and preservation of safe, decent, and affordable housing



## Impact of the Low-Income Housing Tax Credit since 1986

- ▶ More than **3.2 million affordable homes** financed
- ▶ More than **7.4 million low-income households** served
- ▶ **3.6 million jobs** supported for one year
- ▶ **\$135 billion in tax revenue** generated
- ▶ **\$ 344 billion in wages and business income** generated

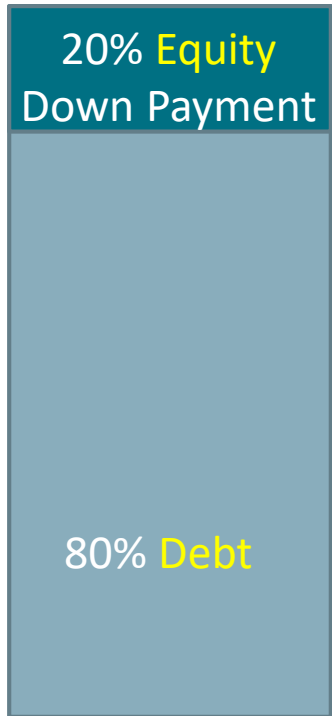
# The Low-Income Housing Tax Credit



# The Low-Income Housing Tax Credit

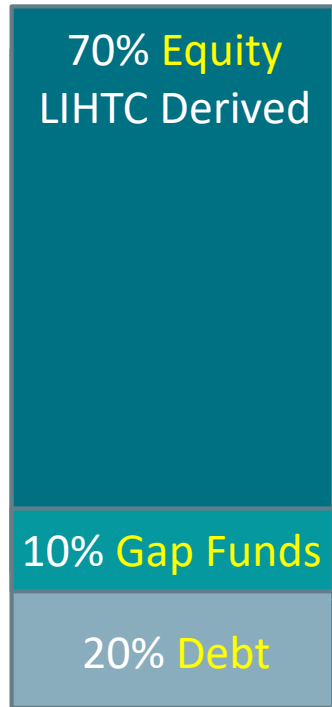
Equity from private investors reduces debt, allowing for affordable rents

## Market Rate Real Estate



Market-Rate Rents cover servicing of debt and expenses

## Housing Credit Properties



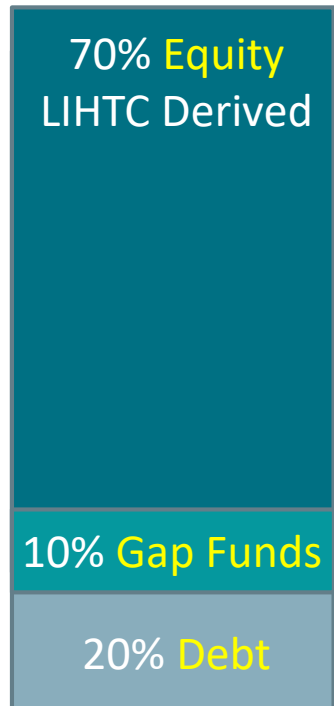
Affordable Rents possible to cover debt.

- Tenants must be low-income
- Rent cannot be more than 30% of income limit of home

# The Low-Income Housing Tax Credit

The amount of equity that goes into a project is determined in part by the Housing Credit Rate

## LIHTC Properties



Total Housing Credits are determined by:

Eligible Costs x Housing Credit Rate

Total Housing Credit equity for a project is determined by:

Total Housing Credits x Market Price for Credits

# The Low-Income Housing Tax Credit

## Two sides of the program: “9 Percent” and “4 Percent”

### 9 Percent Housing Credit

- ▶ Minimum 9% Housing Credit rate
- ▶ Deeper subsidy; covers approximately 70% of eligible costs
- ▶ For new construction and substantial rehabilitation

### 4 Percent Housing Credit

- ▶ Based on formula tied to fluctuating federal borrowing rates
- ▶ Shallower subsidy; Congress intended for it to cover approximately 30% of eligible costs
- ▶ For the acquisition of existing properties and new development or rehabilitation in conjunction with tax-exempt private activity bonds

# The Low-Income Housing Tax Credit

The Housing Credit serves predominately extremely low- and very low-income households

**44%**

of Housing Credit households  
are **extremely low-income**  
households  
*making 30% of area median  
income or less*

**34%**

of Housing Credit households  
are **very low-income**  
households  
*making 30.1 to 50% of area  
median income*

# The Affordable Housing Credit Improvement Act

2016

AHCIA first introduced by Sens. Maria Cantwell (D-WA) and Orrin Hatch (R-UT)

2017

AHCIA reintroduced by Sens. Maria Cantwell and Orrin Hatch, first introduced in House by Reps. Pat Tiberi (R-OH) and Richard Neal (D-MA)

2018

12.5 percent Housing Credit allocation increase for four years (2018 – 2021) and income averaging enacted in Consolidated Appropriations Act of 2018

June 4, 2019

AHCIA reintroduced:

- ▶ S. 1703: Senators Maria Cantwell (D-WA), Todd Young (R-IN), Ron Wyden (D-OR), and Johnny Isakson (R-GA)
- ▶ H.R. 3077: Representatives Suzan DelBene (D-WA), Kenny Marchant (R-TX), Don Beyer (D-VA), and Jackie Walorski (R-IN)



The AHCIA of 2017 was  
cosponsored by  
**more than 40 percent**  
of the 115<sup>th</sup> Congress

# The Affordable Housing Credit Improvement Act

## Increasing Production

- ▶ 50 percent allocation increase phased in over five years
  - ▶ Estimated 384,455 additional homes could be financed
- ▶ 4 percent minimum Housing Credit rate
  - ▶ At least 66,000 additional homes could be financed
- ▶ Strengthen Multifamily Housing Bond recycling
  - ▶ At least 100,000 additional homes could be financed

# The Affordable Housing Credit Improvement Act

## Serving Hard-to-Reach Areas and Populations



- ▶ **Rural areas**
  - ▶ Basis boost for developments in rural areas
  - ▶ Standardize income eligibility for rural areas
- ▶ **Native American communities:**
  - ▶ Basis boost for developments in Native American areas
  - ▶ Native American selection criteria

# The Affordable Housing Credit Improvement Act

## Serving Hard-to-Reach Areas and Populations



- ▶ **Veterans of the Armed Forces:**
  - ▶ Clarify that veterans are exempt from the general public use rule for Multifamily Housing Bond properties
- ▶ **Extremely low-income households:**
  - ▶ 50 percent basis boost for apartments for ELI tenants

# The Affordable Housing Credit Improvement Act

## Preserving Affordable Housing



- ▶ **Right of First Refusal (ROFR):**
  - ▶ For new properties, replace the existing ROFR with a purchase option
  - ▶ Clarify options for acquiring properties and definition of property
- ▶ **Strengthen protections** against planned foreclosures
- ▶ Capitalize tenant **relocation costs**
- ▶ Flexibility around **existing tenant income**

# The Affordable Housing Credit Improvement Act

## Streamlining, Simplification, and Good Governance

- ▶ Simplify and better align the Housing Credit's **student housing rule** with HUD's rule
- ▶ Better align the Housing Credit with the **Violence Against Women Act**
- ▶ Add **income averaging** option as a third minimum set-aside option for Multifamily Housing Bond properties
- ▶ Add a selection criteria for **cost reasonableness**

# The Affordable Housing Credit Improvement Act



Source: Novogradac & Company



# Resources

## ▶ AHTCC Resources

- ▶ Award winning LIHTC Properties: <http://www.taxcreditcoalition.org/awards>
- ▶ Gallery of LIHTC Properties: <http://www.taxcreditcoalition.org/galleries>

## ▶ A Call To Invest in Our Neighborhoods (ACTION) Campaign Resources

- ▶ AHCIA one-page overview, summary of all provisions, and explanation of differences between the 115th and 116th Congress versions: <http://rentalhousingaction.org/advocacytoolkit>
- ▶ National, state, and district fact sheets: <http://rentalhousingaction.org/state-district>
- ▶ Research and reports: <http://rentalhousingaction.org/research-and-reports-1>

## ▶ Novogradac & Company Resources

- ▶ About LIHTC: <https://www.novoco.com/resource-centers/affordable-housing-tax-credits/lihtc-basics/about-lihtc>
- ▶ LIHTC Properties mapped: <https://www.novoco.com/resource-centers/affordable-housing-tax-credits/data-tools/lihtc-mapping-tool>

**AFFORDABLE RENTAL HOUSING ACTION**  
A Call to Invest in Our Neighborhoods

### THE LOW-INCOME HOUSING TAX CREDIT'S IMPACT IN ARIZONA

**THE HOUSING CREDIT'S BENEFITS FOR LOW-INCOME FAMILIES & THE ECONOMY**  
1986 - 2017

- 52,140** homes developed or preserved in AZ
- 121,486** low-income households served
- \$2.2 billion** tax revenue generated
- 58,918** jobs supported for one year
- \$5.6 billion** wages & business income generated

**THE NEED FOR AFFORDABLE HOUSING**  
Though the Housing Credit has had a tremendous impact in Arizona, much more affordable housing is still needed to meet the growing demand.

- 220,965 renter households** in Arizona pay more than half of their monthly income on rent, leaving too little for other expenses like health care, transportation and nutritious food.
- In order to afford a modest one-bedroom apartment, a minimum wage worker in Arizona has to work **56 hours per week**.

**ADDRESSING OUR NATION'S SEVERE SHORTAGE OF AFFORDABLE HOUSING**

- 5,544 additional affordable homes** could be built in Arizona over the next ten years through a 50 percent increase in Housing Credit allocation authority.

**The Housing Credit is a proven solution to help address the affordable housing crisis.**  
The Housing Credit is our nation's most successful tool for encouraging private investment in affordable rental housing. It has financed over 3 million apartments nationwide since 1986, providing about 7.4 million low-income families, seniors, veterans, and people with disabilities homes they can afford.

Without the Housing Credit, it would be financially infeasible for the private sector to build affordable homes for the families that need them most. The ACTION Campaign calls on Congress to:

- **Expand** the Housing Credit to make a meaningful dent in our nation's severe shortage of affordable housing.
- **Strengthen** the Housing Credit by making it more streamlined and flexible.
- **Enhance** multifamily Housing Bonds, which provide critical financing to about 50 percent of Housing Credit developments.

Last updated May 7, 2019. Visit [www.rentalhousingaction.org/state-district](http://www.rentalhousingaction.org/state-district) for the fact sheet's sources and methodologies.

The ACTION Campaign represents over 2,200 organizations and businesses working to address our nation's severe shortage of affordable rental housing by supporting the Low-Income Housing Tax Credit.  
[www.rentalhousingaction.org](http://www.rentalhousingaction.org)



# Contact

Emily Cadik, AHTCC Executive Director  
emily.cadik@taxcreditcoalition.org  
202.434.8287

Megan John, AHTCC Senior Policy Analyst  
megan.john@taxcreditcoalition.org  
202.434.8288

[www.taxcreditcoalition.org](http://www.taxcreditcoalition.org)

 @AHTCCoalition

# The Affordable Housing Tax Credit Coalition

a trade association of housing professionals who advocate in support of the Low-Income Housing Tax Credit



Our nearly **200 members**, including developers, investors, syndicators, professional organizations, state allocating agencies, public agencies, associations and coalitions, have supported the provision of affordable housing in **every state and U.S. territory**



Our **23** syndicator members have facilitated financing for more than **one and a half million** affordable homes, one-half of all Housing Credit homes



Our **59** developer members have developed more than **half a million** affordable homes, one-sixth of all homes developed using the Housing Credit