



Low-Income Housing Tax Credit Basics

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Agenda

- Reference Materials
- Program Overview
- Developing LIHTC Housing
- The Qualified Allocation Plan (QAP)
- Do you know what's in your LURA?
- Rent and Leasing
- Advantages & Disadvantages

Reference Materials

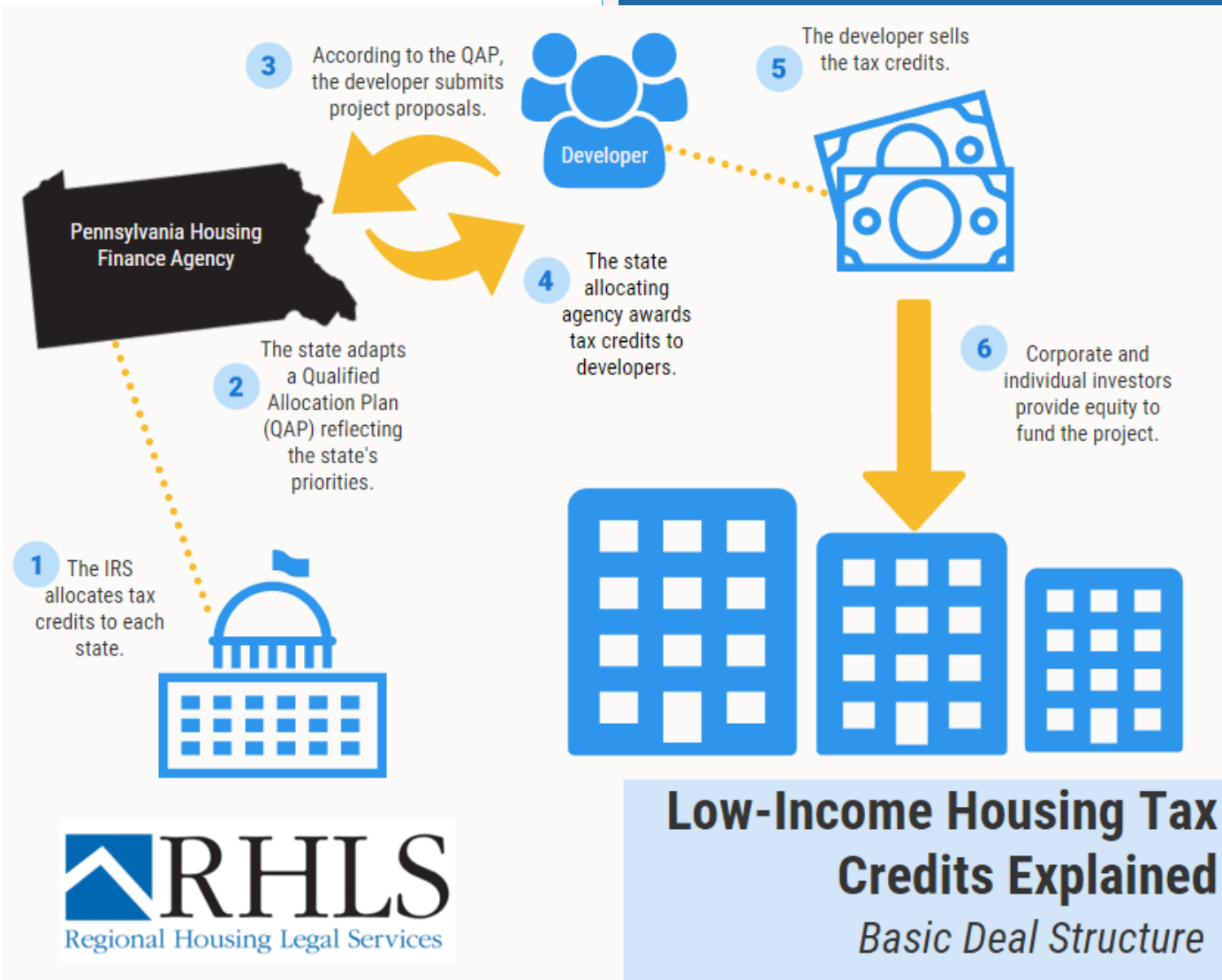
- National Council of State Housing Finance Agencies' Housing Credit Reference Guide
- IRS Qualified Allocation Plan Statute
- These and all other materials can be found on the RHLS Blog:
 - <http://www.rhls.org/2015/11/lihtc-101>

What is the Low-Income Housing Tax Credit Program?

- ❑ Largest affordable multi-family housing program in the country
- ❑ Controlled by Treasury/IRS and allocating agencies
- ❑ Encourages private investors through indirect federal subsidy
- ❑ Used for new/rehabilitation construction for rental units for low-income households

Developing LIHTC Housing

- 4% deals and 9% deals
- Credits are only available on affordable units
- 15 year compliance and 30 years affordable
- In most cases, equity gaps exist after tax credits are funded



Budget Example A: 9% Deal

\$1,000,000	Total Cost
- \$100,000	Costs not in basis
\$900,000	Costs in basis
X 0.09	9% Credits
\$81,000	Annual Credits
X 10	Years
\$810,000	Total Credits Awarded
X \$.98	Equity Pay-In Rule
\$793,800	Equity Raised
\$206,200	Gap Funding Needed

Budget Example B: 9% Deal

\$20,000,000	Total Cost
- \$2,00,000	Costs not in basis
\$18,000,000	Costs in basis
X 0.09	9% Credits
\$1,620,000	Credits
- \$420,000	Excess Credits
1,200,000	Annual Credits
X 10	Years
\$12,000,000	Total Credits Awarded
X \$1.01	Equity Pay-In Rule
\$12,120,000	Equity Raised
\$7,880,000	Gap Funding Needed

What does the QAP mean to me?

- Basic components dictated by IRS
- Reflects state's priorities for desired:
 - Type
 - Location
 - Ownership
- Assigns "points" to certain project aspects
- Why does the QAP matter to you?
 - Point of entry for advocacy
- PA 2016 QAP

The QAP tells developers...

- How to apply for credits
- How the allocating agency will select among the applicants
- Threshold requirements
- Points, Priorities, and Preferences
- Consequences of Noncompliance

QAP: Displacement

- If the development is replacing existing units, developers must:
 - Assist current residents in locating new housing via “appropriate reallocation plan”
 - Offered first priority on newly developed LIHTC units

QAP: NIMBY Protections

- Maximum Basis Per Unit
 - May exceed establish limits if excess cost is result of issues related to NIMBY
 - i.e. building code requirements, restrictive zoning, litigation costs
- Allocating agency reserves the right to port 2015 tax credits for 2016 use
- If tax credits are sent back because of NIMBY opposition, next related application get extra points

QAP: Affordability of Units

- Financing Plan
 - 10% of units in Urban Areas must be affordable to persons at or below 20% AMI
 - 5% of units in Suburban/Rural Areas at or below 20% AMI
- Additional 5% developer fee available only for rent subsidy

QAP: Good Cause

- ❑ Owners must certify no low-income resident eviction or lease termination
- ❑ Owners must confirm all leases state good cause affirmatively
- ❑ Lease addendum copy required in PA
- ❑ Domestic violence does not constitute as good cause for eviction in PA

Do you know what's in your Land Use Restricted Covenant Agreement (LURA)?

- What is it and why is it important?
- Example
- Every LIHTC has one!
- Gives the ability to enforce terms of LIHTC
- Recent changes to LURAs
 - Provides more rights for tenants
 - More easily enforced
- Advocacy opportunities

LIHTC Rent

- Rent Formula
 - % of % of Area Median Income (AMI)
 - NOT adjusted per resident income
 - Many renters experience rent burden

LIHTC Leases and Good Cause Evictions

- Protections for LIHTC residents
- Lease addendum: a tool for tenant advocates
- [Lease Addendum Example](#)
- Good cause evictions

Advantages for Low-Income Populations

- ❑ Each year, finances 100,000 units and creates 95,000 jobs
- ❑ One-time and annual income for local economies
- ❑ Lower average vacancy rate than market-rate units
- ❑ Pay-for-performance policy
- ❑ Incorporation of supportive services

Disadvantages for Low-Income Populations

- Many LIHTC tenants remain rent-burdened
 - 30% of household income
- May require additional layers of subsidy
- Displacement of tenants with other vouchers in rehabilitation projects

For More Information

- Don't forget to visit the RHLS Blog
 - <http://www.rhls.org/2015/11/lihtc-101>
- Sign up for the RHLS E-mail List
 - <http://www.rhls.org/email/>



Thank you.
