AFFORDABLE RENTAL HOUSING A.C.T.I.O.N.

A Call To Invest in Our Neighborhoods

New York Fact Sheet

The Low Income Housing Tax Credit (Housing Credit) program is the most successful affordable housing program in our nation's history, producing and preserving over 100,000 affordable rental homes annually through public-private partnerships.

History of the Housing Credit's Success in **New York**

- **128,386** affordable apartments
- **148,928** jobs created
- **$11.2 billion** of local income
- **$1104.1 million** in state and local revenue
- **$3.2 billion** in federal revenue

As the fundamental housing resource used to transform communities, the program creates quality affordable housing for working families and people with special needs (such as the elderly, the disabled, veterans and the homeless) in urban, suburban, and rural communities throughout the country.

Since its creation as a provision in the Tax Reform Act of 1986, more than **$75 billion of private equity capital** has been leveraged in order to help finance more than **2.5 million affordable rental homes** throughout the nation. In **New York**, the Housing Credit has provided critical financing for the development of **128,386 affordable homes**.

Given our nation's fiscal challenges, Congress has been considering deficit reduction solutions and tax reform options. During these discussions, it is important to recognize that the Housing Credit is a proven and efficient means for creating affordable housing. Through public-private partnerships, the Housing Credit elicits a private-sector discipline as investors can claim tax credits only if the affordable housing is properly managed and maintained. This "pay-for-performance" model has been a critical component of the Housing Credit's success. Housing Credit properties have an extraordinarily low foreclosure rate of only 0.62 percent over the history of the program, according to the Reznick Group. Moreover, the risks are borne entirely by private-sector participants. Through the loss of tax credits, investors - not American taxpayers - are penalized for projects that fail to meet the stringent and ongoing affordable housing requirements.

The Housing Credit has a direct economic impact for local communities through both the development of infrastructure and job creation, as substantiated by economic analyses conducted by the National Association of Home Builders. The Housing Credit supports approximately 95,000 jobs annually – most of which are in the small-business sector – and the Housing Credit has created more than **148,928 jobs** in **New York** over the past 25 years. Additionally, the impact of construction and the ongoing operations of the affordable apartment communities attracts significant private investment and generates substantial tax revenue for states and municipalities. Since the program began, **New York** has allocated **$8.2 billion** in new construction and substantial rehabilitation Housing Credits throughout the state. During this period, investment has led to a return of **$11.2 billion** in local income for **New York** communities, and **$1,104.1 million** in state and local tax revenue for **New York.** In 2010, **New York** benefited from **10,255** new affordable apartments, **11,896** new jobs, over **$88.193 million** in tax revenue, and **$898.3 million** in income for state localities due to the private investment in **New York** communities.

Perhaps even more important than its economic impact is the importance of the Housing Credit in addressing the substantial unmet national demand and rapidly growing need for affordable rental homes. A 2011 Joint Center for Housing Studies of Harvard University report found that only 11.6 million affordable rental homes are available for 18 million low-income families. There is an unmet need for 6.4 million affordable homes, and this number will only continue to grow as more families become burdened by housing costs and the affordable housing stock deteriorates. Over the past decade, this persistent rental affordability problem has collectively grown worse in all of our nation's top 100 largest metropolitan areas.

In order to address our nation's rental affordability challenges, minimum rates for the allocated Housing Credits should be made permanent as a means of maintaining stability in the affordable housing industry. Historically, the Internal Revenue Service has calculated the 70 percent and 30 percent present value credits for newly constructed and existing properties based on medium and long-term interest rates. When applied to Housing Credit investments, this floating rate system creates uncertainty and financial complexity. The Housing and Economic Recovery Act of 2008 (HERA) provided for a 9 percent fixed floor rate for newly constructed and substantially rehabilitated properties placed in service through 2013. Making permanent the minimum 9 percent fixed floor as well as providing a minimum 4 percent rate for acquiring existing properties will boost affordable housing development by making it more financially feasible. Ensuring this continued development activity will not only help to provide a solution to our nation's housing challenges, but will also promote job creation and retention in communities throughout the country.

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The Housing Credit

(Low-Income Housing Tax Credit or LIHTC)

HOW THE HOUSING CREDIT WORKS:

The federal government funds the program;

- The Department of the Treasury issues states the authority to allocate tax credits to developers of rental housing that is dedicated to low-income families for a minimum of 30 years.
- In 2013, each state will receive an allocation of either a minimum of $2,590,000 or a maximum of $2.25 per capita – whichever amount was greater. Since 2003, this amount has been adjusted annually for inflation.

But the states largely shape what housing gets built.

- State agencies write regulations (called Qualified Allocation Plans or QAPs) describing the selection criteria that governs the competition for Housing Credit allocations.
- States review developers' applications, and decide which projects will receive an allocation based on the projects' ability to meet the selection criteria outlined in the QAP.
- Through this process, states can guide which types of affordable rental housing are built, who gets served, and where those projects are located.

Developers get funds toward construction;

- State agencies award the Housing Credits to housing developers.
- "Syndicators" create funds comprised of investors to pool capital, and then provide that investment capital to developers in exchange for the Housing Credits.
- With the financing obtained from syndicators and investors, developers can borrow less money to fund construction, reducing the cost of the development.
- The lowered development costs allow for reduced rent for low-income tenants without needing any ongoing subsidy.

Low-income renters get an affordable home;

- The affordable apartments must be rented to families whose income is no more than 60 percent of the area median.
- The rent for these apartments cannot be more than 30 percent of the income limit at that property.

And Investors get a 10-year tax credit.

- By purchasing the Housing Credits, investors get an equity stake in the development and 10 years worth of tax credits based on the cost of constructing or rehabilitating the apartments.
- Investors also get a return on their investment for providing the capital to finance the housing.

WHY WE NEED THE HOUSING CREDIT PROGRAM:

- The Housing Credit has helped finance more than 2.5 million apartments since 1986, and is responsible for virtually all affordable housing production in the U.S.
- Housing Credits help finance over 100,000 apartments annually.

WHY THE HOUSING CREDIT PROGRAM WORKS:

- State agencies put each development through three separate, rigorous evaluations to make sure the project receives only enough tax credits to make it affordable to low-income families for at least 30 years.
- The majority of these apartments must remain affordable for longer than 30 years—many are permanently dedicated.
- The private sector has a stake in making these apartments work – in order to continue to claim tax credits and keep a strong return on their investment, investors must ensure that the project remains in compliance.
- Due to the Housing Credit's public-private partnership structure, these rental homes benefit from a private-sector discipline - an unprecedented departure from previous federal housing production programs.

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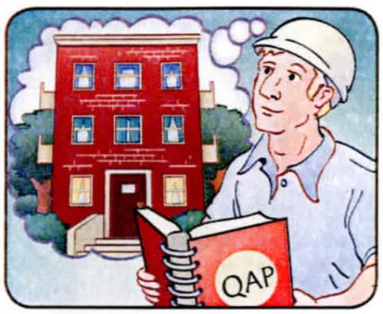
Housing Credit (LIHTC)
How it Works

The federal government issues tax credits to states. (In 2012, the greater of $2.20 per resident or $2.5 million.)

Each state drafts a qualified allocation plan (QAP), which describes the criteria governing the competition for the tax credits.

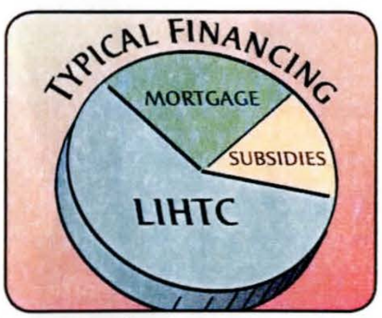
States invite public comment on the QAP.



Developer applies for tax credits under QAP.

States award tax credits to housing developers on a competitive basis.

Syndicator (e.g., Enterprise) brings investor(s) and developer together. Investor offers equity capital to developer in exchange for tax credits.



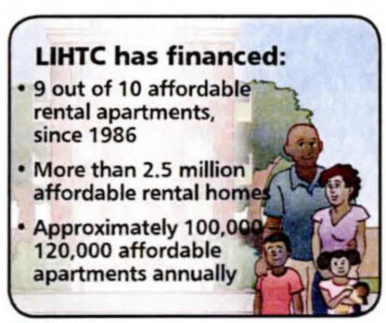
Typically 50-60% of the financing comes from LIHTC equity, 20% from mortgage debt and the remaining 20-30% comes from various other subsidies.

Using the equity, debt and subsidies to finance the project, developer begins construction.

State, syndicator and investor monitor for compliance. Building must remain affordable to low-income families for at least 30 years.

About two years after the process began, residents move in. Their income must be at or below 60% of area median and their rent is less than 30% of that amount.

Investors get 10 years of tax credits based on the cost of construction or rehab of apartments.



LIHTC Achievements