THE LOW-INCOME HOUSING TAX CREDIT


Encanto Pointe; Phoenix, AZ

The Low-Income Housing Tax Credit (Housing Credit) stimulates investment in affordable housing in underserved urban and rural communities and in higher cost suburban communities across the nation. It provides low-income families with a safe and decent place to live and, by lessening their rent burdens, frees up additional income that can be spent on other necessities or put into savings for education or homeownership. The Housing Credit is also a vital community and economic development tool, creating jobs and catalyzing redevelopment in struggling communities.

What is the Low-Income Housing Tax Credit?

- The Housing Credit is the single most important federal resource available to support the development and rehabilitation of affordable housing – currently financing about 90 percent of all new affordable housing development.
- How the credit works:
  - Federal tax credits are allocated to state housing finance agencies by a formula based on population.
  - Each state agency establishes its affordable housing priorities and developers compete for an award of tax credits based on how well their projects satisfy the state's housing needs.
  - Developers receiving an award use the tax credits to raise equity capital from investors in their developments.
  - The tax credits are claimed over a 10-year period but the property must be maintained as affordable housing for a minimum of 30 years.
  - Because tax credits can be recaptured for any noncompliance, investors maintain close supervision over the properties to ensure their long-term viability and compliance with IRS and state allocating agency requirements.
- Units funded by the Housing Credit must be affordable for people earning no more than 60 percent of the Area Median Income (AMI), although most residents have far lower incomes.
- Rent may not exceed 30 percent of the qualifying income.

What are the outcomes?

- Since its inception, the Housing Credit has spurred the development of approximately **three million quality homes** for working families, seniors, disabled veterans, and people at risk of homelessness.
- Each year, the Housing Credit finances about **100,000 units** of affordable housing and creates approximately **96,000 jobs** in the construction and property management industries.
- Housing Credit properties outperform market-rate housing properties, with occupancy rates topping 96 percent and a cumulative **foreclosure rate of 0.66 percent** over the program's entire history.
- The units tend to be occupied by very low-income families, with 48 percent of the units occupied by families making less than 30 percent of AMI; and 82 percent of the units occupied by families making less than 50 percent of AMI.

What has been LISC's involvement?

- In 1987, LISC created National Equity Fund, Inc. (NEF) to attract investor capital to Housing Credit properties. NEF provides technical assistance, structures and closes these investments, and provides asset management services.
- In 2019, LISC, through NEF, placed $1.45 billion in equity investments into tax credit properties. Since inception, it has invested more than $17.05 billion in 187,237 affordable rental residences.
- NEF has established dedicated pools of funding to finance housing that is linked to healthcare services, housing for homeless veterans, and housing for victims of natural disasters.
- Example of Housing Credit properties supported by NEF include:
    - **Parksdale Village II, located in the agrarian Central Valley of California**, is an overdue and welcome alternative to the older, overcrowded housing that most low-income farm workers have endured. The development contains **49 energy-efficient multifamily residences** targeted to households whose incomes range from 30 to 60 percent of AMI.
    - **Encanto Pointe, located in Phoenix, Ariz.**, is home to chronically homeless community members, including veterans and in particular Native American veterans. It is a modern energy-efficient complex that sets the standard for future developments in its Phoenix neighborhood. Its sponsor, Native American Connections, applied the Housing First model to this **54-unit** community serving the homeless. Housing First is based on the belief that helping people access permanent affordable housing is central to creating effective supportive services programs.
    - **JBJ Soul Homes in Philadelphia, Pa.,** is home to 55 formerly homeless and low-income individuals and young adults transitioning out of programs for homeless teens. Twenty-five of the studios are furnished and available as permanent supportive housing with services inclusing basic medical care, employment training and educational classes provided by Project HOME. Nationally recognized as a premier non-profit developer, **Project HOME** has been at the forefront of the battle against homelessness.

What can Congress do?

Enact the Affordable Housing Credit Improvement Act (S. 1703 and H.R. 3077). This legislation would:

- Increase Housing Credit allocations by 50 percent, phased in over five years, to help meet the growing need for affordable housing;
- Enhance the 4 percent Credit and multifamily housing bond portion of the program;
- Streamline requirements and provide states with additional flexibility;
- Facilitate Housing Credit development in challenging markets like rural and Native American communities;
- Increase the Housing Credit's ability to serve hard-to-reach communities including rural, Native American, high-poverty, and high-cost communities, as well as extremely low-income tenants; and
- Better support the preservation of existing affordable housing.

LISC is a national non-profit housing and community development intermediary with offices in 35 different cities and a national rural network of 88 organizations.

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