AFFORDABLE RENTAL HOUSING A.C.T.I.O.N.
A Call To Invest in Our Neighborhoods

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.