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Low-Income Housing Tax Credit (LIHTC)

Overview:

- Provides federal tax credits to developers of rental housing in exchange for maintaining income and rent restrictions.
 - Must maintain income- and rent-restrictions for a minimum of 30 years but may opt out after 15 years under certain conditions.
- Produces ~100k new and rehabilitated units annually.

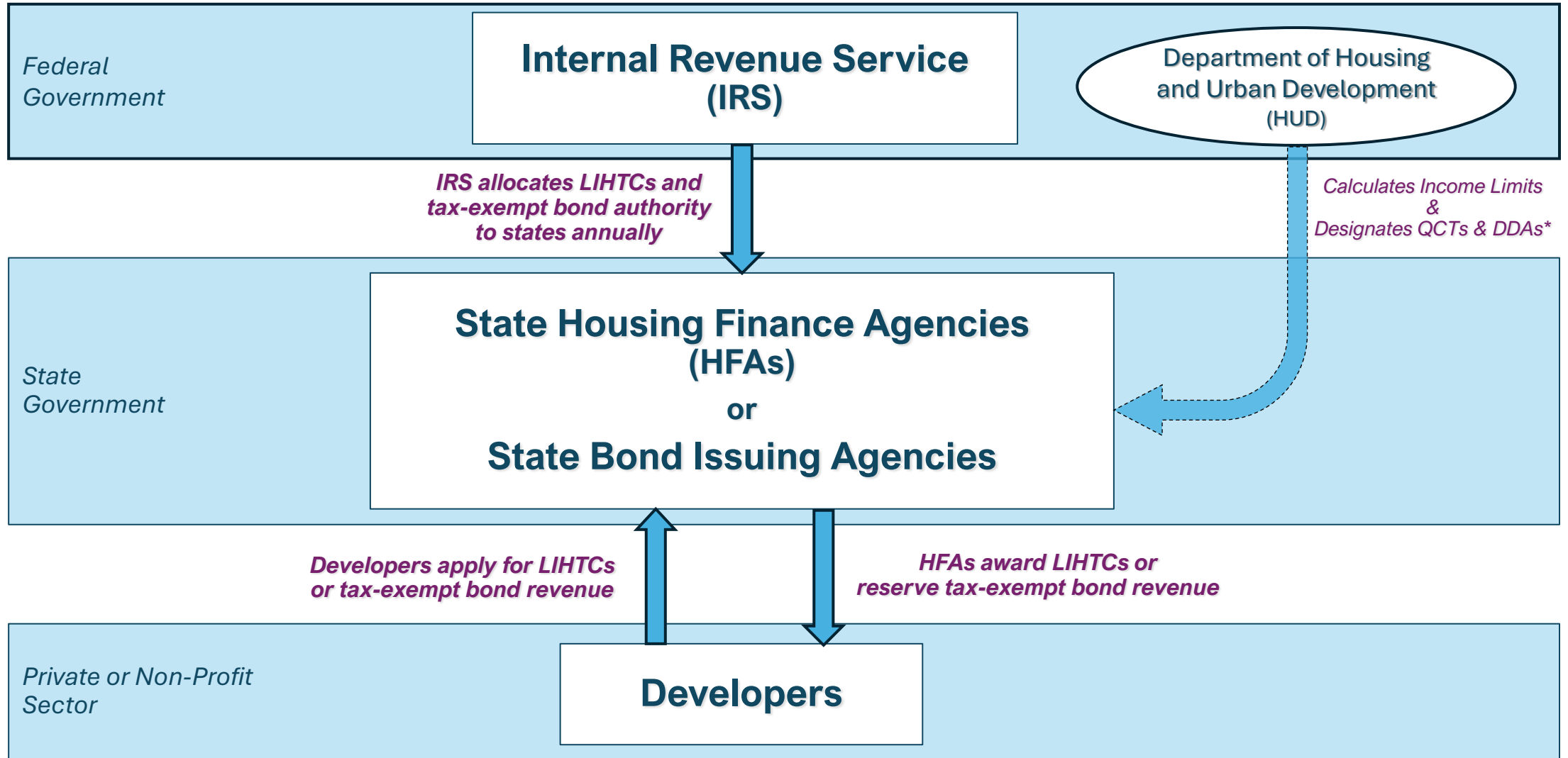
States' Role:

- Administered through state housing finance agencies (HFAs).
- Developers receive LIHTCs through either:
 - Competitive award process conducted by state HFA, or
 - Allocation of tax-exempt bond revenue, issued by state/local bond agency.
- States must maintain a Qualified Allocation Plan (QAP), which explains how the state awards LIHTCs.
- HFAs conduct program compliance.

State Housing Finance Agencies:

- Connecticut Housing Finance Authority
 - Delaware State Housing Authority
 - District of Columbia Housing Finance Agency
 - Maryland Department of Housing and Community Development
 - Maine State Housing Authority
 - Massachusetts:
 - Executive Office of Housing and Livable Communities
 - MassHousing (*Bond Issuer*)
 - New Hampshire Housing Finance Authority
 - New Jersey Housing and Mortgage Finance Agency
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- New York:
 - New York State Division of Housing and Community Renewal
 - New York State Housing Finance Agency (*Bond Issuer*)
 - New York City Dept. of Housing Preservation and Development
 - New York City Housing Development Corporation (*Bond Issuer*)
 - Pennsylvania Housing Finance Agency
 - Rhode Island Housing
 - Vermont Housing Finance Agency
 - Virginia Housing Development Authority
 - West Virginia Housing Development Fund

Low Income Housing Tax Credit (LIHTC)



*QCT: Qualified Census Tract
DDA: Difficult Development Area

Policy Options

- **States have significant influence** over the types of properties receiving LIHTCs.
- QAP priorities typically include: location, target population, amenities.

➤ Tenant Ownership

- LIHTC statute requires state selection criteria include projects intended for eventual tenant ownership.
- Single Family Housing
 - Ohio: Lease Purchase (LP) program pairs homeowner education and economic support to renters, allowing them to purchase their home after a 15-year compliance period has ended.
 - Utah: CRedits to OWN (CROWN) program allows residents to earn equity for each year they occupy the home. (5% set-aside)

Willie Fobbs

Director, Office of Production
Multifamily Housing

Multifamily Production

- **Mission** – create and preserve rental housing through FHA mortgage insurance
- **Countercyclical liquidity** – insuring mortgages for construction, purchase, refinance, and rehabilitation of multifamily properties
- **Financing affordable housing** – Low-income Housing Tax Credit (LIHTC) program, FHA insurance for legacy subsidy programs
- **Four primary programs**
 1. **223(f)**: Refinance or Acquisition
 2. **221(d)(4)**: New Construction or Sub-Rehabilitation
 3. **223(a)(7)**: Refinance Existing FHA Loan
 4. **Risk Share**: HFA

FHA Multifamily Mortgage Insurance

Risk-Sharing Programs (w/ QPEs and HFAs) – \$1.0B committed in FY23

- 542(b) QPE Risk-Sharing (NC/SR or Existing) – GSEs (Fannie Mae, Freddie Mac)
- 542(c) HFA Risk-Sharing (NC/SR or Existing) – State or Local Housing Finance Agencies
 - ✓ Provides full FHA mortgage insurance for affordable multifamily loans, which increase access to capital markets
 - ✓ Promote the increase of supply and lowers costs of financing affordable housing projects
 - ✓ Delegates decision-making, underwriting, processing, loan servicing and disposition of property that fall into default
 - ✓ Reduce FHA exposure by sharing the risk of loss
 - ✓ Establish a partnership with dependable and creditworthy public and quasi-public entities to provide affordable housing in a more expeditious manner

Christopher Granger

Office of Capital Improvements
Public and Indian Housing

HUD Capital Fund Program

\$3 Billion annually to Public Housing Agencies (PHAs) for the development, financing, and modernization of **public housing** developments and for management improvements.

Capital Fund Financing Program (CFFP)



PHAs borrow money through a loan or bond and pay debt service with future Capital Funds.



Key Requirement: Debt service is limited to 33% of the current year Capital Fund grant. The term is limited to 20 years.



Learn More: [Capital Fund Financing Program Webpage](#)

Public Housing Reinvestment



Mixed Finance Development: PHAs develop public housing units that are not exclusively PHA-owned. This allows public housing to be developed using Low-Income Housing Tax Credits and other sources.



Section 30 Public Housing Mortgage Program: PHAs can grant a lender a security interest in a public housing property to secure financing.



Choice Neighborhoods Program: Competitive grant awards of up to **\$50,000,000** each for PHAs and/or local governments to redevelop severely distressed public housing or HUD-assisted housing into new, high-quality mixed-income communities.