LIHTC Expansion & Reform

NEW YORK HOUSING CONFERENCE

FEDERAL POLICY PRIORITY

MAY, 2016

The Federal Low Income Housing Tax Credit (“LIHTC”) is an *indispensable* tool in the development of affordable housing. Since its creation 30 years ago, this tax credit has financed nearly 3 million homes across the United States, including hundreds of thousands of affordable apartments in New York.

Annually, New York State receives approximately $45 Million in 9% tax credits, as well as additional 4% tax credits which come as-of-right with tax-exempt bond financed developments. These programs leverage significant amounts of additional public and private capital and are the major drivers of the creation and preservation of affordable rental housing in New York City and State. Demand for both City and State programs far outstrips supply.

EXPAND LIHTC BY 50%

Senators Schumer and Cantwell will be proposing a 50% increase in the annual amount of 9% credits available to states, allowing the creation or preservation of an additional 400,000 affordable rental units over the next 10 years. 118,000 of these affordable units will be in New York. That is 14,000 more affordable units than would have been created under current law. Increasing this tax expenditure will also create jobs and spur local economies.

FOSTER INCOME DIVERSITY BY ALLOWING “INCOME AVERAGING”

LIHTC Income Averaging Rules offer a *cost-neutral* solution to better serve households across the low-income spectrum in buildings with mixed incomes. Income Averaging allows LIHTC to finance affordable housing for households earning as low as 30% AMI and as high as 80% AMI in projects where the average income does not exceed 60% AMI. This flexible option will allow LIHTC projects to serve extremely low-income households by generating equity as well as a higher stream of rental income from the moderate income units, while enhancing economic diversity within buildings and communities.

COMBAT POVERY WITH BASIS BOOST

Under current law, certain areas and developments are eligible to receive up to a 30% basis boost (resulting in more housing credit equity) if the state housing credit allocating agency determines the boost is needed to make development financially feasible. State housing credit allocating agencies should be allowed to provide up to a 50% basis boost for properties targeting extremely low-income or homeless families and individuals, allowing these projects to achieve greater financial feasibility and eliminate the need for debt financing. More than 800,000 New Yorkers are extremely low-income and rent burdened paying more than 30% of their income towards rent. More than 80,000 New Yorkers are homeless.