

Affordable housing preservation and development projects rely on qualifying for the Low Income Housing Tax Credit basis boost in high cost areas such as New York City. The basis boost enables affordable housing developers to raise 30% more equity than they would otherwise be able to without the boost. In a typical newly constructed 100% affordable rental project in NYC, a developer might be able to raise \$130,000/du in equity from the sale of tax credits. That same project, would only be able to raise \$100,000 in equity without the basis boost. The loss of equity requires the City or State to make up the difference with additional public subsidy or it will result in fewer affordable units produced.

Projects can qualify for the basis boost if they are located in either a Difficult Development Area (DDA) or in a Qualified Census Tract (QCT). Until this year, all of New York City was designated as a DDA. DDAs are areas defined by the U.S. Department of Housing and Urban Development (HUD) as ones in which construction costs are very high and area median incomes are low relative to the cost of development- thus they are difficult to develop housing in. Beginning in 2016, HUD moved to a zip code based designation of DDAs. This made many NYC zip codes ineligible for the boost, even though construction costs remain high across the five boroughs. Many projects not in an eligible zip codes are, however, located in eligible QCTs. QCTs must have 50% of its households with incomes below 60% of the area median gross income or have a poverty rate of 25% or more. However, QCTS are subject to a statutory 20% population cap. The result is that many census tracts in New York City that are not found with the DDA zip code boundaries are now ineligible to be designated as QCTS due to the 20% cap.

It is critical that the distribution of the basis boost through DDAs and QCTs, which both allow for a LIHTC basis boost, are maximized to produce the most coverage across potential development sites, to address local affordable housing plans. In just one affordable housing project located in both an ineligible zip code and census tract, which will produce 1000-units of affordable housing in the Spring Creek neighborhood of Brooklyn, ~\$30 million in additional subsidy will be required.

While both the City and State have increased their commitment to the creation of affordable housing in the past years, some of this additional funding will have to make up for the lost LIHTC equity in projects failing to qualify for the basis boost.

QCT CAP LIFT

President Barack Obama's budget includes a legislative proposal to remove the cap on the number of census tracts that can be designated as qualified census tracts (QCTs). Lifting this cap would greatly benefit New York by allowing more areas to qualify for the 30% LIHTC basis boost. Currently, the population living in QCTs cannot exceed 20 percent of the population of a metropolitan area, which is problematic for dense urban areas including New York City.