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DCA's Affordable Rental Housing Program



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Housing

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Program Objective

Create and preserve quality,affordable rental housing where it's most needed



Augusta Springs, Augusta

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DCA Multifamily Programs

- Federal and State Tax Credits
- HOME Loan Program
- Tax Exempt bond program

Program Resources

Low Income Housing Tax Credit

- A 10 year federal tax incentive to attract private investment in low and moderate income rental housing

State Housing Tax Credit

- A 10 year state tax incentive for each development receiving the federal tax credit



Porte Cochere

Columbia Colony Senior Residences

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Home Rental Housing Loan Program

Interest free
construction financing
and low-interest, long-
term permanent
financing



Saddle Creek, Alpharetta

5/12/2012

RESOURCES

- Tax credits are based on state population
- This year Georgia will have about 18 million of federal tax credits to issue
- This is 18 million in each of the next ten years or 180 million
- Matched by state tax credit
- About 11 million in HOME funds allocated for multifamily housing each year

An Overview of the LIHTC Program

- What Is A Tax Credit?
- How Does The Program Operate?
- How Do Credits Provide Dollars for Housing?
- What Types of Credits Are There?
- How Do You Determine The Amount Of Credits?

Low-Income Housing Tax Credit Basics

- A dollar for dollar reduction of tax liability for owners and investors in low-income housing.
- Credit generally available over a 10-year period
- 15-year compliance period; Additional 15-year extended use period (post-1990).
- IRS recapture

How Does the Program Operate

- Capital infusion (Equity) via sale of tax credits to investors
- LIHTC equity may pay for 40% - 60% of project cost
- Tax credits can provide financing for:
 - New Construction of rental housing
 - Rehabilitation of existing units
 - Acquisition of existing buildings under certain circumstances

How Does the Program Operate

- Tax credits can be used for various types of rental housing, including:
 - Housing for families
 - Housing for the elderly
 - Special needs housing, and
 - SRO housing
 - but no hospital, nursing home, sanitarium, lifecare facility, dormitory, or trailer park

■ Rent Restrictions

- Under the tax credit program, tenant restrictions are on gross rents. **GROSS RENT**: Does not include rental assistance payments (Sec.8, FmHA) Includes Utility Allowances paid by tenants: electricity, gas, water, sewer, trash(UA does not include cable and phone)
- **Max allowed rents-UA paid by tenants= Max chargeable rents**

How do you determine the amount of credits?

- Development Budget-The first step in determining the amount of tax credits a project is eligible to receive and how much equity can be raised from the tax credits is to put together a development budget-a budget of all of the project's costs.
- Tax Credit Annual Allocation: $\text{Eligible Basis} \times \text{Applicable Fraction} = \text{Qualified Basis} \times \text{Credit Percentage} = \text{TC per year}$

How do you determine the amount of credits?

- Eligible Basis-Once a development budget has been prepared, it is important to determine which line items in the development budget are depreciable costs-this is known as the "Eligible Basis". Eligible Basis includes:
 - A project's depreciable costs related to the construction of new residential rental housing or
 - Its depreciable costs related to the substantial rehabilitation of existing residential rental housing
 - Existing buildings in some cases
- Tax Credit Annual Allocation: $\text{Eligible Basis} \times \text{Applicable Fraction} = \text{Qualified Basis} \times \text{Credit Percentage} = \text{TC per year}$

Tax Credit Calculation

■ Applying the 30% Basis Boost

- Eligible Basis may be increased by up to 30% if the project's buildings are located in a Qualified Census Tract (i.e., a census tract with relatively low incomes) or if they are in a Difficult Development Area (i.e., a county or metropolitan area with a high cost/income ratio). QCT's and DDA's are designated by HUD and the IRS, and the list may change from year to year.
- The Basis Boost applies to the 9% rehab/construction tax credits and the 4% rehab/construction credits, but does not apply to the 4% acquisition tax credits. This results in a higher basis for calculating tax credits and provides an economic incentive to invest in such projects.

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30% Basis Increase for QCT or DDA

- New const.
- Rehab
- Acquisition Example

Program Phases

- 1. Development/Allocation-3 Stages
 - a. Application
 - b. Carryover Allocation & 10 % Test
 - c. Cost Certification and Issuance of 8609s
- 2. Compliance (15 years + 15 years)

The Players

- Internal Revenue Service (IRS)
 - ✓ Administers the Housing Credit Program for Congress
 - ✓ Determine noncompliance & recapture
 - ✓ Oversees State Allocation Agencies
- State Allocation Agency
 - ✓ Publishes Qualified Allocation Plan (QAP)
 - ✓ Allocates tax credits to owners/developers: competitive process (9% credit) or non competitive process. (4% credit).
 - ✓ Monitor recipients for compliance
 - ✓ Reports noncompliance to IRS. (Form 8823)

The Players

- Developer/General Partner
 - ✓ Develops property and applies for credits
 - ✓ Often sells a portion of the TC – in general up to 99.99% - to an outside investor or syndicator.
 - ✓ Must secure land, contractors, financing.
 - ✓ Spends considerable amount of money up front.
- Investor/Syndicator-Limited Partner
 - ✓ Syndicator represents a group of investors
 - ✓ LP owns 99% -99.99% interest (direct investor or syndicator); GP owns 1%-.01% interest
- Property Manager
 - ✓ Lease up the property
 - ✓ Maintain Compliance
 - ✓ Manage resident issues

Tax Credits

- Owners of projects that receive tax credits must agree to set aside a portion of their units for low to moderate income tenants
- Rents are restricted to residents who earn between 30% and 60% AMI
- Rent and income restrictions last from 15 to 30 years

Monitoring

- State monitors property to ensure that all tax credit regulations are met.
- If property does not meet tax credit requirements, tax credits can be recaptured by the IRS

Creating Public/Private Partnerships

- LOCAL GOVERNMENT SUPPORT
- STATE AND FEDERAL GOVERNMENT RESOURCES
- PRIVATE OWNERSHIP
- STATE OVERSIGHT OF PROPERTY CONDITIONS
- COMMUNITY RESOURCES



Contemplation Gardens

Columbia Colony Senior Residences

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PRIVATE INVESTMENT



Hickory Knoll - Canton

DCA's funding is leveraged by private investment (attracted by the tax credits), conventional bank financing and funding sources.

Leveraging of Governmental Resources

- Federal tax credits
- State tax credits
- AHP grants
- CDBG
- HUD
- USDA

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What does affordable housing look like?



Porte Cochere

Columbia Colony Senior Residences

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FINANCING

- DCA HOME Loan
 - \$2,000,000
- City of Atlanta
 - \$400,000
- Private Financing
 - \$2,485,000
- Tax Credits -
 - \$5,419,143



Hospitality Suite

Columbia Colony Senior Residences

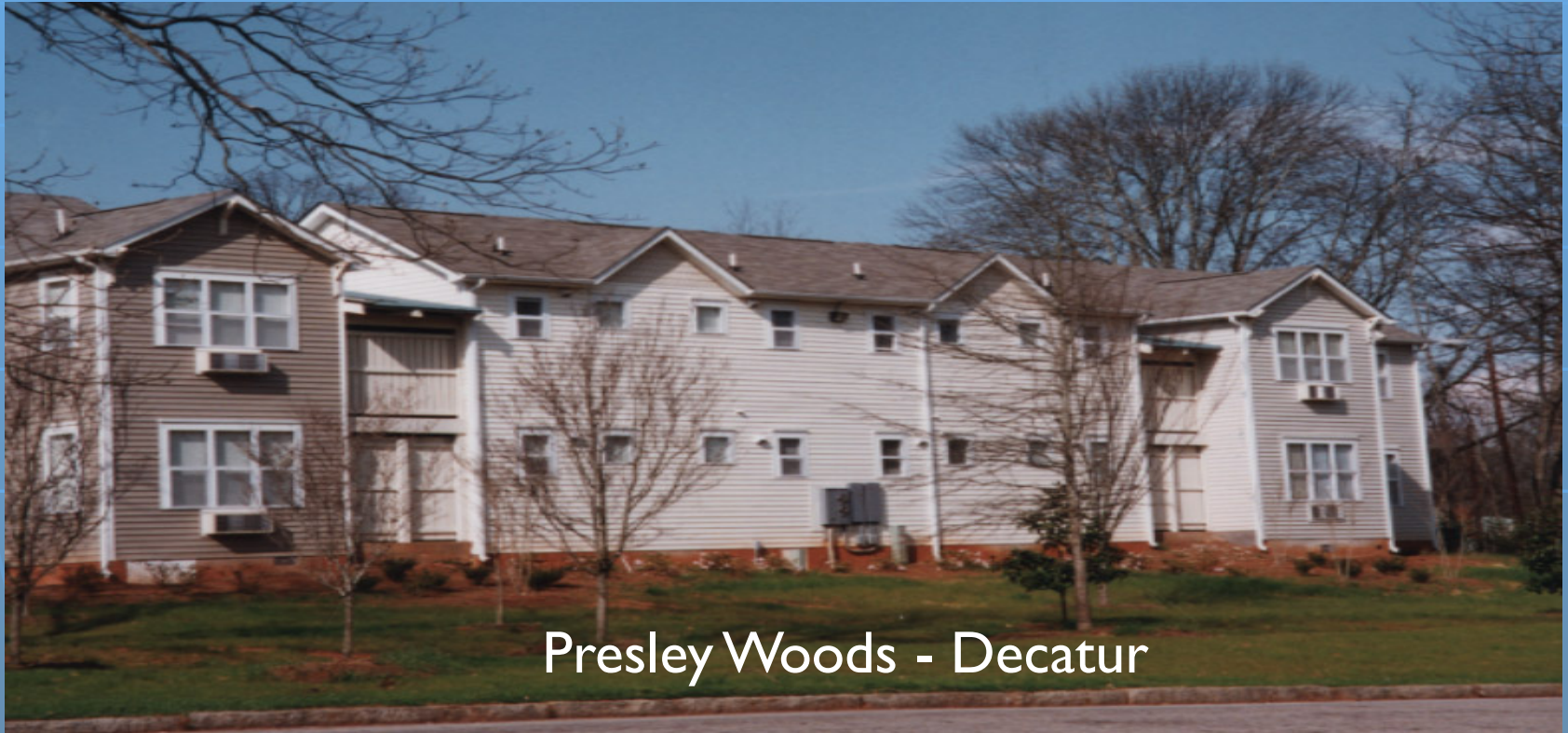
AMENITIES

- On site manager
- Clubhouse
- Health club
- Computer center
- Activity room
- Picnic area
- Walking trail
- Gazebos
- Community garden



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Isn't This Just Another Government Housing Project?



Presley Woods - Decatur

No. These developments are privately owned and operated.

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Not Traditional Public Housing

- Developments target a higher income level than traditional public housing.
- DCA monitors housing quality and compliance with State and Federal



**Harmony Meadows
Marietta**

Revitalization

- Community strategy for revitalization
- Efficient use of abandoned buildings
- Changing neighborhoods
- Environmental cleanups
- Historical rehabs



Different styles of construction

- Single family homes
- Townhomes
- Duplexes
- Traditional multifamily
- Adaptive reuse

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Revitalization



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HIGH STANDARDS

- 40% MASONRY
- ENERGY EFFICIENT
- REQUIRED OPEN SPACES
- MINIMUM EXPENDITURES ON REHAB
- HANDICAPPED ACCESSIBLE
- GAZEBOS
- COMMUNITY ROOMS
- AMENITIES
- SUPPORTIVE SERVICES

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What can an affordable project do for a community?



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Georgia's Housing Source

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Georgia's Housing Source

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Georgia's Housing Source

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What can municipalities do to encourage affordable development?

- Resolution of support
- Financial support
 - waive building fees
 - off site and on site improvements
- Land donations

Georgia Portfolio

- Added 43,000 units of affordable multifamily housing in the past four years
- Approximately 1,000 projects in Georgia

- Check out DCA website
- GORA requests
- Application workshops
- Tax credit trainings
- Partnering
- Georgia Coalition of Affordable Housing Developers

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Affordable, Quality Rental Units:

A Community Asset

