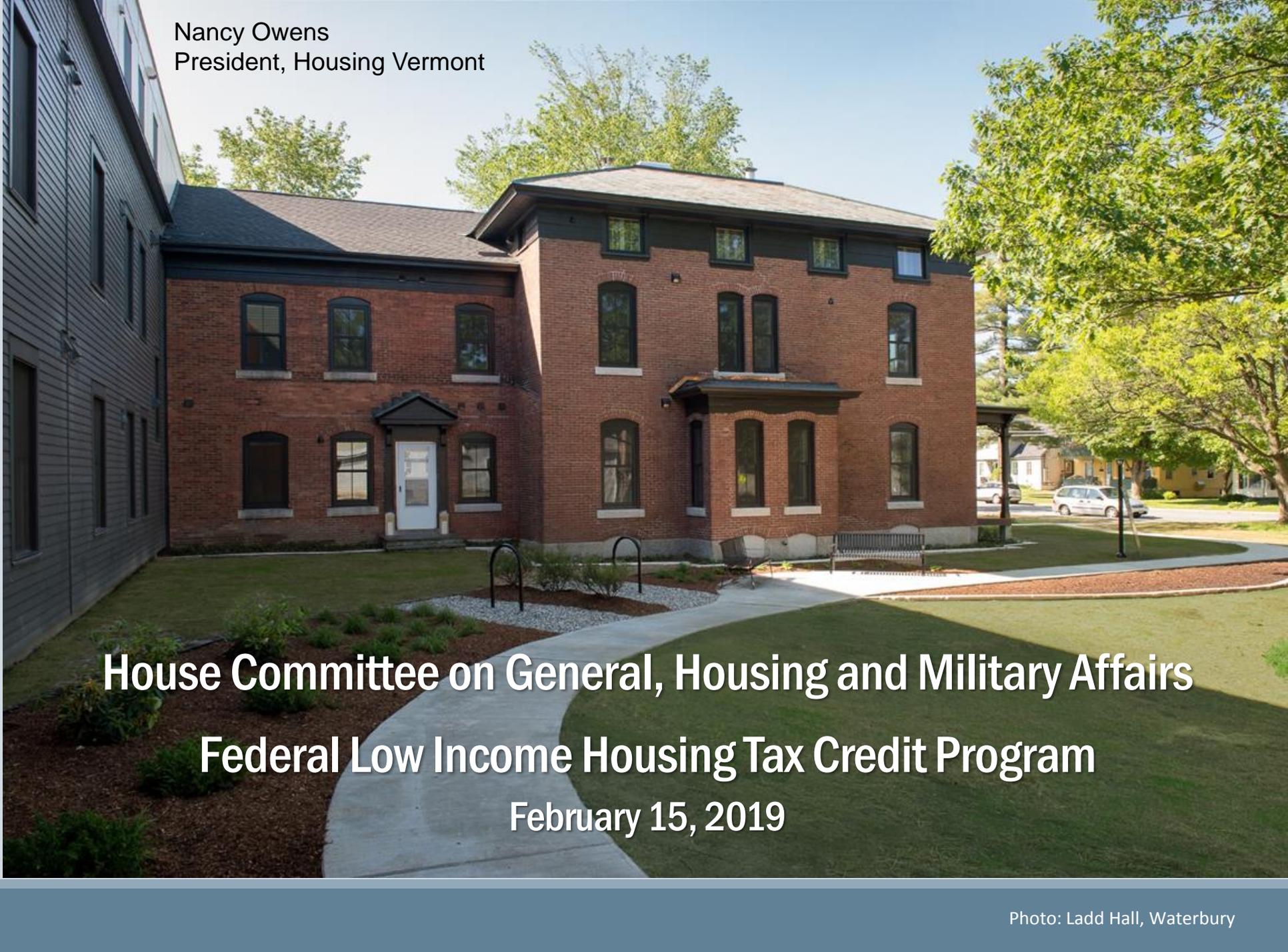


Nancy Owens
President, Housing Vermont



House Committee on General, Housing and Military Affairs
Federal Low Income Housing Tax Credit Program
February 15, 2019

Shifts in Federal Rental Affordability Delivery Mechanisms

Public Housing

Section 8

Tax Credits



Federal Low Income Housing Tax Credit

Created by the Tax Reform Act of 1986.

Intended to offer investors incentive to invest in affordable rental housing.

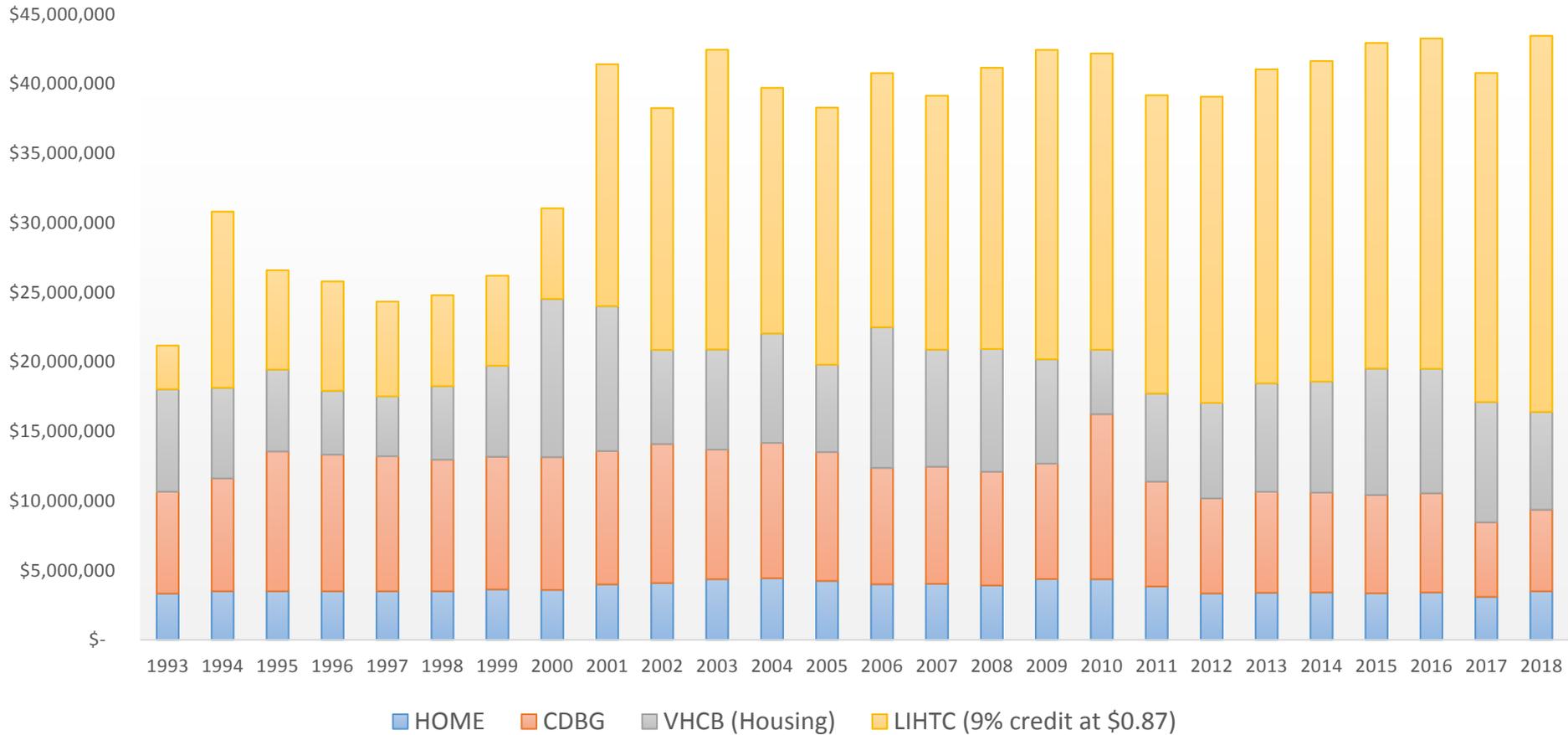
Provides a 10-year stream of federal tax credits in exchange for equity investment.

Promotes affordability by minimizing debt service.

Projects must meet occupancy and affordability criteria.

IRS sets rules. Administered by VHFA.

Public Sources of Housing Capital Available in Vermont



Housing Vermont



French Block, Montpelier

Our specialty is using tax advantaged financing



Developer

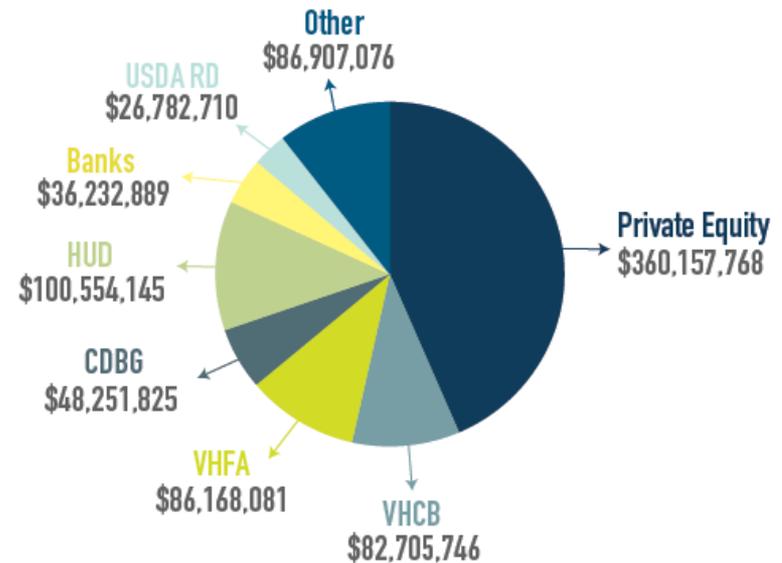
Syndicator

Asset Manager

Housing Vermont By the Numbers

For 30 years, Housing Vermont has been a leader in producing permanently affordable housing and enabling investments in economic and community development through partnerships with local organizations, public agencies, and the private sector.

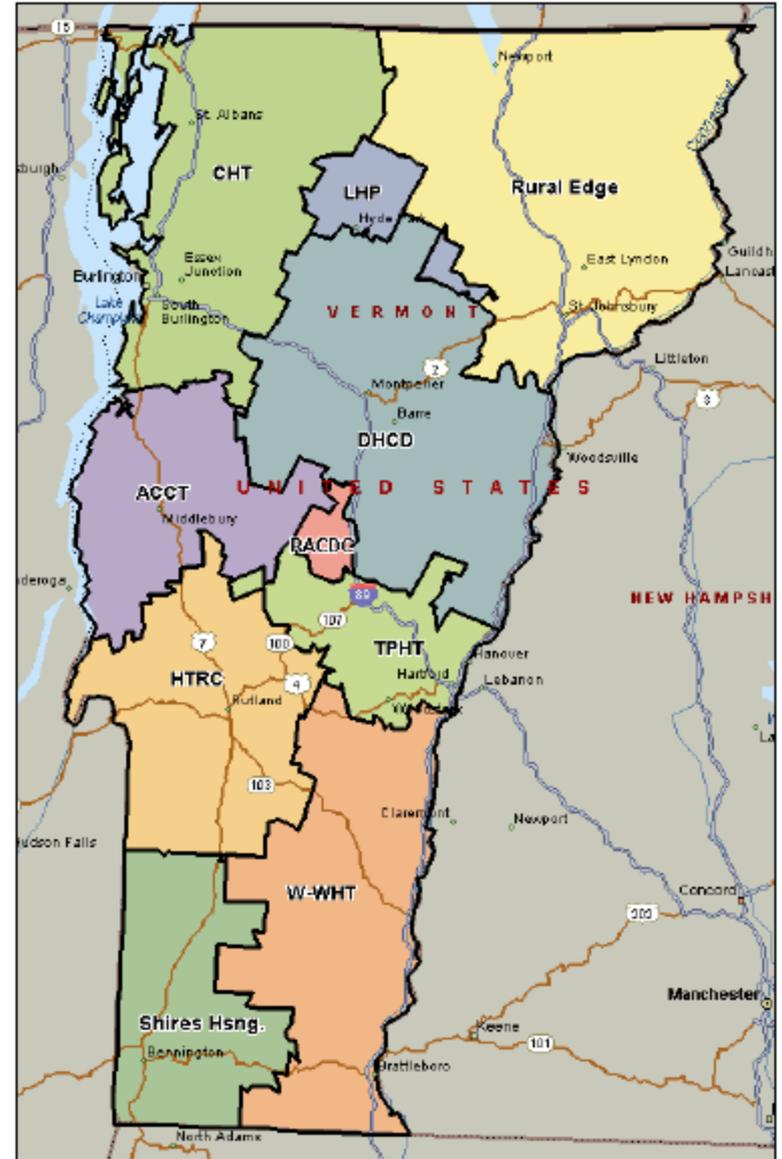
Permanent Housing Funds (1988-2017)



5,120+ permanently affordable apartments | 190+ developments
\$333MM+ in private equity | \$435MM+ in private & public investments

Our Nonprofit Partners

- ACCT – Addison County Community Trust
- CHT – Champlain Housing Trust
- DHCD – Downstreet Housing & Community Development
- HTRC – Housing Trust of Rutland County
- LHP – Lamoille Housing Partnership
- Shires Housing
- TPHT – Twin Pines Housing Trust
- W-WHT – Windham & Windsor Housing Trust



Apartments Developed 2000-2018

Number of Units Developed Annually With Regional Local Partners and PHAs, 2000 - 2018

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	TOTAL
ACCAG		17		19								25								61
ACCT						26	30		30						22				16	124
Brattleboro HA										21						55				76
Burlington HA												37		51						88
CHT	18	258	18	96	19	44	56	47	42	120	29	63	40	73		188	87		76	1274
CSC		15		64	19											24				122
Downstreet		16				36	47		18	45					27				18	207
HTRC					13															13
LHP		32					22				44		25	34					18	175
RACDC				12																12
RACLT			13	13		69		16	58	28										197
Shires Housing												26					104	22	24	176
RuralEdge			28	48		18						21								115
Rutland HA												33	20					22		75
Springfield HA										9										9
TPHT			13									34			28	35			30	140
W-WHT							8				101		17		22	44		25		217
TOTAL	18	338	72	252	51	193	163	63	148	214	183	239	102	158	99	346	191	69	182	3,081

Key

ACCAG	Addison County Community Action Agency (HOPE)	LHP	Lamoille Housing Partnership
ACCT	Addison County Community Trust	RACDC	Randolph Area Community Development Corporation
CHT	Champlain Housing Trust	RACLT	Rockingham Area Community Land Trust (Now W-WHT)
CSC	Cathedral Square Corporation	Shires	Shires Housing (formerly RAHC)
DH&CD	Downstreet Housing & Community Development	TPHT	Twin Pines Housing Trust
HTRC	Housing Trust of Rutland County	W-WHT	Windham & Windsor Housing Trust

LIHTC Project Eligibility Requirements



Hickory Street Neighborhood, Rutland

Maximum Initial LIHTC HH Income

Location	1 Person	2 Persons	3 Persons
Addison County	\$31,860	36,420	40,980
Caledonia County	30,240	34,560	38,880
Chittenden County - MSA	38,580	44,100	49,620
Rutland County	30,240	34,560	38,880
Washington County	32,640	37,320	42,000
Windham County	30,240	34,560	38,880
Windsor County	31,320	35,760	40,260

Maximum LIHTC Gross Rents

Location	1 BR	2 BR	3 BR
Addison County	\$853	1,024	1,182
Caledonia County	810	972	1,122
Chittenden County - MSA	1,033	1,240	1,432
Rutland County	810	972	1,122
Washington County	874	1,050	1,212
Windham County	810	972	1,122
Windsor County	838	1,006	1,162

Additional Details

Two types of LIHTC

- Allocated Credits (“9%”)
- Bond Credits (“4%”)

Perpetual Affordability

VHFA requires restrictive covenant ensuring that low income occupancy in assisted units continues in perpetuity.

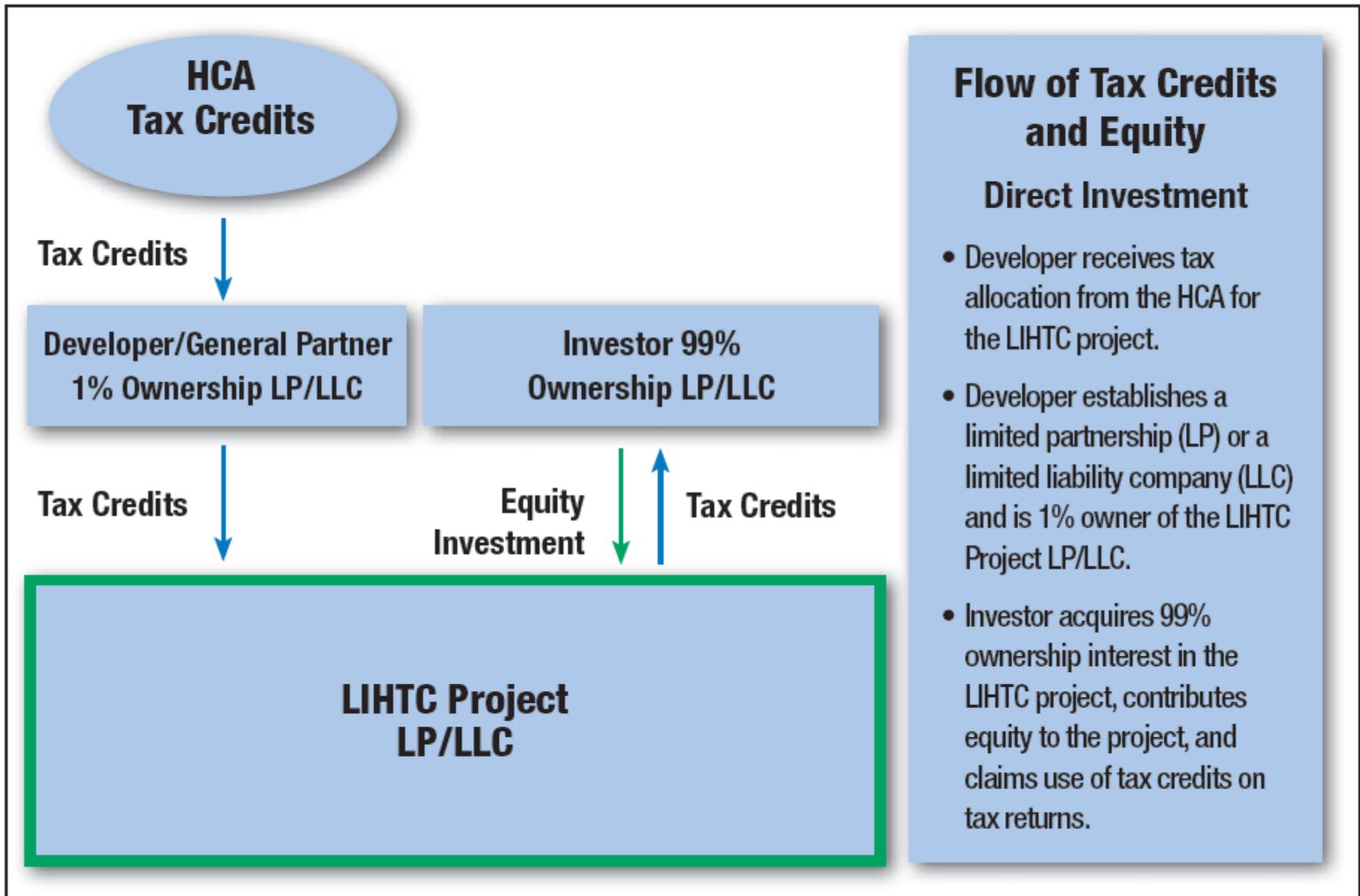
Perpetual Community Asset

Nonprofits arrange in advance through right of first refusal to purchase property after initial 15-year compliance period for pre-determined price (outstanding debt + any tax liability).

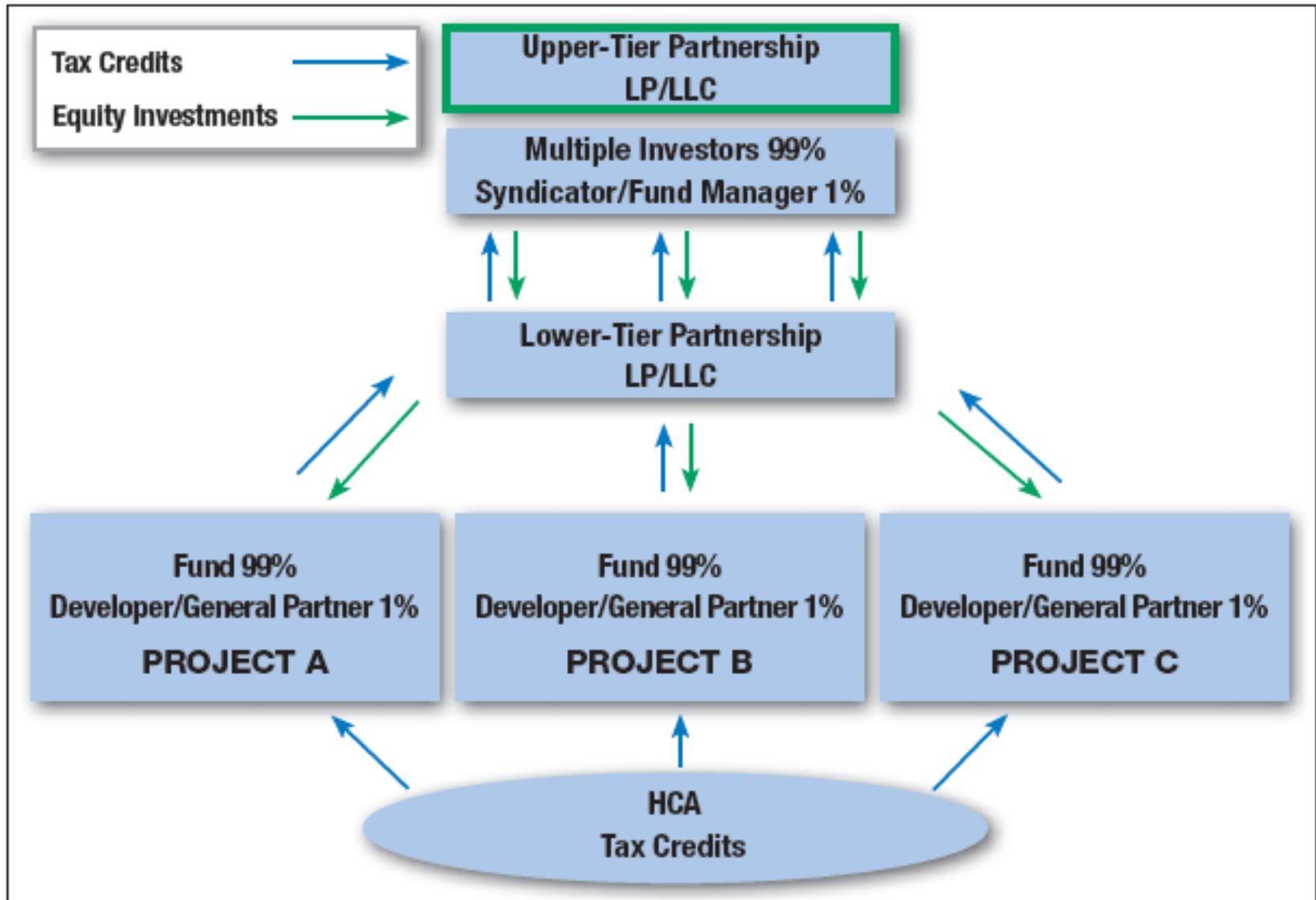
Garden Apartments, South Burlington City Center



Typical Legal Structure: Direct Investment



Typical Legal Structure: Fund Investment



Flow of Tax Credits and Equity

Fund Investment

- At the lower tier, each developer receives tax credits from the HCA for the LIHTC project.
- Each developer establishes a limited partnership (LP) or a limited liability company (LLC) and is 1% owner of the lower-tier LIHTC project. The lower-tier partnership (LP/LLC) acquires 99% ownership interest in multiple LIHTC projects (Projects A-C). The lower-tier partnership is 99% owned by the upper-tier partnership (LP/LLC).
- At the upper tier, the syndicator/fund manager receives tax credits passed through from the lower-tier LP/LLC.
- The syndicator/fund manager establishes a limited partnership (LP) or a limited liability company (LLC) and is 1% owner of the fund. The 99% ownership interest in the fund is held by multiple investors.
- Investors contribute equity to the fund and receive tax credits on a pro rata basis.
- Pro rata equity investments flow from the upper-tier fund to the lower-tier LIHTC projects.

Calculating LIHTC Equity Available

Determine eligible basis.

Compute percentage of total units which are tax credit units.

Determine qualified basis by multiplying eligible basis by percentage of LIHTC units.

If applicable, multiply qualified basis by QCT/DDA adjustment of 130%.

Multiply qualified basis by 9% (percentage changes monthly) or 4% (bond credit).

Result is tax credit which can be taken annually for 10 years.

Multiply LIHTC available by credit pricing.

The Investors' Perspective

Why do investors participate?

- Community Reinvestment Act (banks).
- Return on investment.
- Local Involvement.

What are the investors' risks?

- Loss of credits.
- Reduction in return due to late credit delivery.
- Poor financial performance which results in need for additional capital investment.



Other Tax Credits

Federal Historic Rehabilitation Credit

- One time tax credit equal to 20% of the qualified rehabilitation costs in a certified historic building.
- Rehab must be approved by US Department of Interior (National Park Service).

State Tax Credits

- Affordable Housing Credit
- Downtown Credits
- State Historic Credits

New Markets Tax Credits (*non-housing*)

- Investment in targeted census tracts
- Create jobs
- Provide goods and/or services to low-income communities



West River Valley Assisted Living, Townshend



Safford Commons, Woodstock



Armory Lane Senior Housing, Vergennes

HOUSINGVERMONT
Building possibilities.