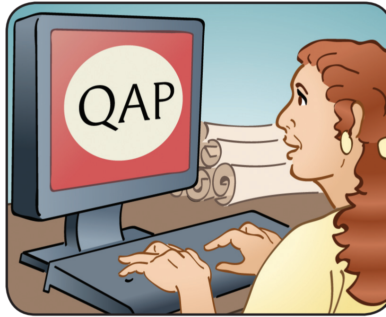
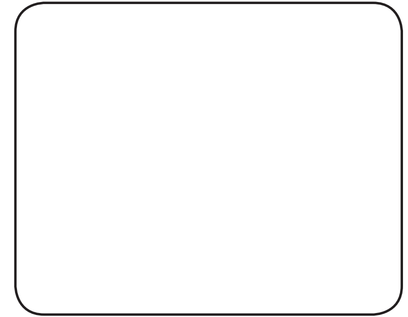
AFFORDABLE RENTAL HOUSING
A.C.T.I.O.N.
A Call To Invest in Our Neighborhoods

Low-Income Housing Tax Credit (LIHTC)
How it Works

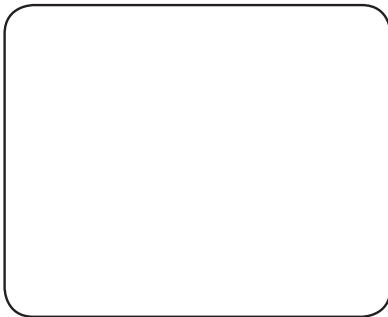
The federal government issues tax credits to states. (In 2011, $2.15 per resident, not less than $2.5 million.)



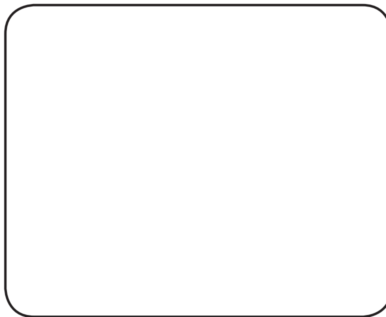
Each state drafts a qualified allocation plan (QAP), which describes the criteria governing the competition for the tax credits.



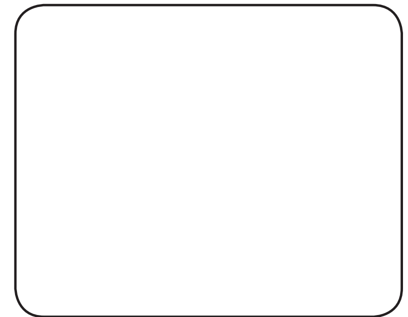
States invite public comment on the QAP.



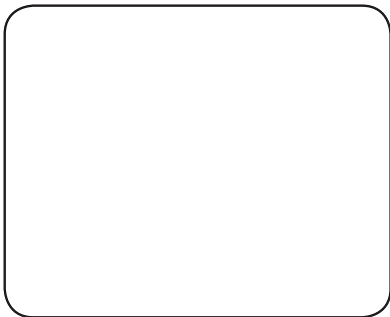
Developer applies for tax credits under QAP.



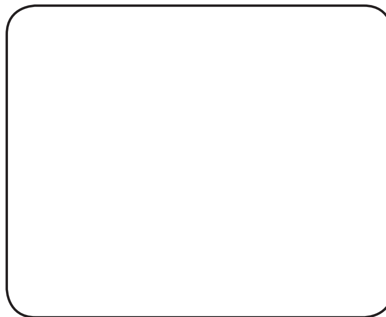
States award tax credits to housing developers on a competitive basis.



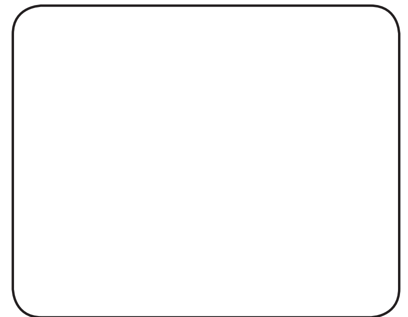
Syndicator (e.g., Enterprise) brings investor(s) and developer together. Investor offers cash to developer in exchange for tax credits.



Typically 50-60% of the financing comes from LIHTC equity, 20% from mortgage debt and the remaining 20-30% comes from various other subsidies.

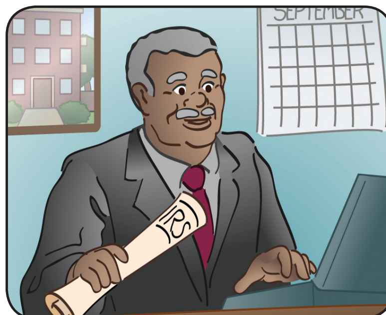


Using the equity, debt and subsidies to finance the project, developer begins construction.



State, syndicator and investor monitor for compliance. Building must remain affordable to low-income families for at least 30 years.

About two years after the process began, residents move in. Their income must be at or below 60% of area median and their rent is less than 30% of that amount.



Investors get 10 years of tax credits based on the cost of construction or rehab of apartments.

LIHTC has financed:

- 9 out of 10 affordable rental apartments, since 1986
- More than 2 million apartments
- Nearly 120,000 apartments annually for most of the past decade

LIHTC Achievements

www.rentalhousingaction.org