

The Low Income Housing Tax Credit Program in Illinois

- The Low Income Housing Tax Credit is the most successful affordable rental housing production program in U.S. history.
- Since its inception, the program has produced and financed more than two million affordable apartments across the nation.
- The LIHTC serves households making 60% or less of the area median income, with rents restricted so that households with this income pay 30% or less of their income towards rent.

LIHTC Program in Illinois

- Since 1986, the LIHTC program has generated over 60,000 affordable housing units and 73,200 jobs in Illinois, or approximately 2,700 affordable homes per year.
- In Illinois during 2008 alone, the LIHTC program added approximately \$350 million in local income and over 5,000 full time jobs across all Illinois industries.
- Each year Illinois receives approximately \$20-\$25 million in Tax Credits.

LIHTC = Job Creation

The Estimated One-Year local impact of building 100 apartments in a typical tax credit development includes:

- ⇒ \$7.9 million in local income;
- ⇒ \$827,000 in taxes and other revenue for local governments; and
- ⇒ 122 local jobs

The additional, annually recurring impacts include:

- ⇒ \$2.4 million in local income
- ⇒ \$441,000 in taxes and other revenue for local governments; and
- ⇒ 30 local jobs

Source: National Association of Home Builders (March 2010)

LIHTC Background

The LIHTC Program was enacted by Congress as part of the Tax Reform Act of 1986 to provide the private market with an incentive to invest in affordable rental housing. Federal housing tax credits are awarded to developers of qualified projects. Developers then sell these credits to investors to raise capital (or equity) for their projects, which reduces the debt that the developer would otherwise have to borrow. Because the debt is lower, a tax credit property can in turn offer lower, more affordable rents.

Why does Illinois Need Affordable Housing?

- About 32 percent of all Illinois households – or 1,521,743 households – are renters. Federal rental assistance programs enable more than 214,468 low-income households in Illinois to rent modest housing at an affordable cost. About 54 percent of these households are headed by people who are elderly or have disabilities; approximately 35 percent are families with children.
- In Illinois, 377,992 low-income renter households pay more than half their monthly cash income for housing costs. On average, these households have incomes of \$966 and pay housing costs of \$864, leaving only \$102 to pay for other necessities. About 33 percent of these cost-burdened renters are elderly or people with disabilities, while 31 percent are families with children.
- In 2009, 42.4% of renters in Illinois were rent burdened, paying more than 35% of their income on housing, and in need affordable options.
- In Illinois, the Fair Market Rent for a two-bedroom apartment is \$908. A full-time minimum wage worker would need to work 84 hours per week to be able to afford that rent.

How does the LIHTC work?

- The LIHTC is a public/private partnership bringing together the federal government, state allocating agencies and the private sector.
- Developers receive an allocation of LIHTCs from the allocating agency through a competitive application process.
- The tax credits are then sold to private investors to raise equity for an LIHTC project. The investors are part owners of the project, usually as limited partners. LIHTC syndicators typically bring the developer and investors together.
- The Federal tax credit allows private equity to be raised at lower cost, in turn allowing rental projects to be developed, built, and operated successfully with below-market rents, and to serve lower-income families. Both the incomes of the tenants and the rents they can be charged are restricted to make sure the rental properties remain affordable
- LIHTC properties must remain affordable for a minimum of 30 years.
- Project compliance is monitored by the State allocating agency, syndicator, investor and developer resulting in a very low foreclosure rate, as reported by Ernst & Young.

Sources: Novogradac & Company Annual LIHTC Utilization Charts; 2009 U.S. Census, National Association of Home Builders, "Worse Case Housing Needs 2007: A Report to Congress" US Department of Housing and Urban Development (May, 2010), "Housing for All Americans: The Low-Income Housing Tax Credit" Affordable Housing Finance (2011 Report), "Out of Reach 2010," National Low Income Housing Coalition (June 2010), Illinois Housing Development Authority Website