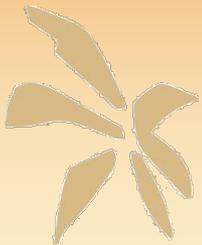


LRC PRESENTATION



Low Income Housing Tax Credit

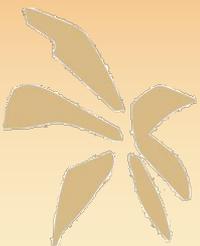
Section 42 of the Internal Revenue Code (IRS Code). Initially created by United States Congress in 1986.

The REFORM ACT closed the loophole for passive income tax losses in “tax shelter” apartments and creates the Low Income Housing Tax Credit (LIHTC) to replace the expected loss of affordable rental housing closing the loophole would cause.

At the time, “tax shelter” apartments were being built all around the country (with money mainly from doctors and lawyers for income tax losses), and in effect, were being rented for very low rates and being lived in by low-income families.

Tax credits is a **FINANCING TOOL**

Not a HUD-type **GRANT** or Hand Out





Low Income Housing Tax Credit

The tax credit program was ALWAYS intended to be a financing tool for PRIVATE DEVELOPERS and investors to build, manage and maintain the affordable housing stock of the country.

In the late 90's, LIHTC PROGRAM becomes extremely successful and begins meeting the country's affordable rental housing goals. So, Congress begins de-funding HUD and Public Housing Authorities (PHAs) and increasing funding for the LIHTC program each year.

Low Income Housing Tax Credit in El Paso

Congress and the Federal Government FINALLY got something RIGHT with this program



Canutillo Palms



THE PROJECTS

“Great Society” public housing experiment was an abysmal failure by comparison.

At its peak, Cabrini–Green was home to 15,000 people,^[2] living in mid- and high-rise apartment buildings totaling 3607 units. Over the years, gang violence and neglect created terrible living conditions for the residents, and the name "Cabrini–Green" became synonymous with the problems associated with public housing in the United States.



The IRS has 2 different LIHTC programs



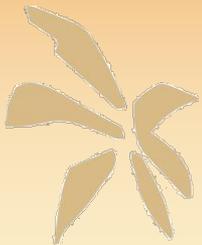
1. COMPETITIVE 9% PROGRAM

The 9% program is highly competitive, and dominated by private developers-just as Congress intended.

Over 95% of the awards in Texas have been to private developers and in 2013

- 100% of the applications proposed private developers
- 0 proposals from PHAs

2. NON-COMPETITIVE 4% BOND PROGRAM



9% LIHTC Program

The original requests in Texas for 2013 9% tax credit funding was \$275 million, and Texas had just over \$57 million to allocate- so requests were almost 5 times the allocation!

RURAL REGION 13

13131	Montana Vista Palms	El Paso	Rural	50 General	\$500,000	98	48141010340	1st C	14.1%
13132	San Elizario Palms II	San Elizario	Rural	80 General	\$750,000	88	48141010901	4th C	57.5%
13096	Laureles del Este	Fabens	Rural	42 General	\$500,000	86	48141010905	4th C	42.4%
Estimated Amount Available to Allocate		\$500,000	Total HTC's Requested		\$1,750,000				

URBAN REGION 13

13133	Verde Palms	El Paso	Urban	152 General	\$1,200,000	96	48141010338	1st C	6.5%
13099	Villas at West Mountain	El Paso	Urban	76 General	\$650,000	93	48141010215	1st C	9.8%
13130	North Desert Palms	El Paso	Urban	152 General	\$1,200,000	93	48141010207	2nd C	10.2%
13098	Meadow Heights	El Paso	Urban	50 General	\$650,000	92	48141004309	1st C	12.5%
13097	Eastpointe Estates	El Paso	Urban	144 General	\$1,400,000	90	48141010341	2nd C	18.9%
13166	Artspace El Paso Lofts	El Paso	Urban	51 General	\$1,225,000	84	48141001800	4th C	46.3%
Estimated Amount Available to Allocate		\$2,361,682							

TOTAL FOR ENTIRE STATE OF TEXAS

Total Estimated 2013 Housing Tax Credit Ceiling	\$57,768,032	Total HTC's Requested	\$274,899,650
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9% LIHTC Program

9% credit authority is block granted to states based on population. Each state must establish a Qualified Allocation Plan (QAP) and a state housing finance agency for administration.

In Texas, the Texas Department of Housing and Community Affairs (TDHCA) is the administering housing finance agency.

IN TEXAS, THE 9% PROGRAM IS BROKEN DOWN FURTHER IN CERTAIN “SET-ASIDES.”

At-risk Set-Aside applications are funded first and are NOT counted as part of the total regional allocation for the other set-asides.

26 sub-regional set-asides

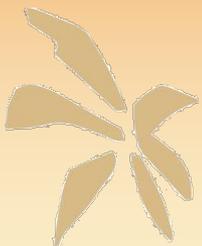
AT-RISK SET-ASIDE

In the At-Risk Set-Aside Every deal is funded (by score in descending order) until the last deal qualifying deal takes over 15% of the 9% funds or this year over \$9,000,000 “At-Risk” credits were awarded.

This set-aside DOES NOT count against a region in the “Regional Allocation Formula”—in other words, HACEP for example, could theoretically receive every award in this set-aside and El Paso would still get more deals awarded by private developers for new construction.

Further, the “at-risk set-aside” was just amended by the Texas Legislature to specifically allow PHAs to submit and compete for deals within it, as this set-aside is TAILOR-MADE to fix dilapidated public housing!

In order to qualify to be in this set-aside you must be rehabilitating housing that is “at-risk” of falling out of the affordable housing stock in Texas due primarily to its physical condition or some other factor—almost the entirety of HACEP’s existing housing stock would qualify for the set-aside.



AT-RISK SET-ASIDE

Every Deal in this set-aside was funded this year by TDHCA.

Application Number	Development Name	City	Zip Code	County	Region	Urban/Rural	At-Risk Set-Aside	USDA Set-Aside	Nonprofit Set-Aside	Construction Type	Low Income Units	Market Rate Units	Total Units	Target Population	HTC Request or Recommendation ^x	Award Status
At-Risk Set-Aside																
13004	Stone Creek Apartments	Kilgore	75662	Groes	4	Rural	X	X		Acc/ffb	36	0	36	General	\$290,711	Awarded
13007	Rock Creek Village	Lampasas	76550	Lampasas	5	Rural	X	X		Acc/ffb	40	0	40	Elderly	\$527,223	Awarded
13012	Prairie Village	El Campo	77457	Wharton	6	Rural	X			Acc/ffb	37	1	38	Elderly	\$532,500	Awarded
13032	Oak Creek Village	Austin	78704	Travis	7	Urban	X			NC	173	0	173	General	\$2,000,000	Awarded
13119	Emma Rinke Villas	Seoville	78102	Sec	10	Rural	X	X	X	Rehab	76	0	76	General	\$391,709	Awarded
13005	Crossing at Oak Grove	Korona	75144	Navarro	5	Rural	X	X		Acc/ffb	32	0	32	General	\$226,452	Awarded
13048	Shepherd Seniors Apartments	Shepherd	77371	San Jacinto	5	Rural	X	X		Acc/ffb	32	0	32	Elderly	\$212,376	Awarded
13234	Wynwood Family Housing	Dallas	75224	Dallas	5	Urban	X		X	NC	160	0	160	General	\$2,000,000	Awarded
13047	GardenWalk of La Grango, Schulenburg, and Weimar	La Grango	75945	Fayette, Fayette, Colorado		Rural	X	X		Acc/ffb	40	0	40	General	\$506,739	Awarded
13006	Country Place Apartments	Atlanta	75551	Cass	4	Rural	X	X		Acc/ffb	72	0	72	General	\$436,268	Awarded
13069	Pinewood Park	Lufkin	75904	Angoline	5	Rural	X		X	Acc/ffb	24	0	24	General	\$660,355	Awarded
13007	Spring Creek Apartments	Linden	75563	Cass	4	Rural	X	X		Acc/ffb	24	0	24	General	\$190,179	Awarded
13001	Sunset Place Apartments	Malakoff	75148	Henderson	4	Rural	X	X		Acc/ffb	36	0	36	General	\$240,606	Awarded
13233	Pine Lake Estates	Nacogdoches	75964	Nacogdoches	5	Rural	X			Acc/ffb	100	0	100	Elderly	\$714,415	Awarded
13069	Grand Manor Apartments	Tyler	75702	Smith	4	Urban	X			Acc/ffb	120	0	120	General	\$1,194,270	Awarded
Estimated Amount Available to Allocate		\$8,800,591												Total HTCs Requested	\$9,744,306	



The 4% Bond Program

The 4%/bond program is also a PERFECT place for PHAs to go because this program is NON-COMPETITIVE



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TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
Building Homes. Strengthening Communities.

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Multifamily Programs

9% Housing Tax Credits

4% Housing Tax Credits

Multifamily Bonds

Non-Competitive (4%) Housing Tax Credits

General Information

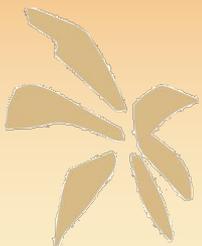
The Housing Tax Credit (HTC) Program is one of the primary means of directing private capital toward the development and preservation of affordable rental housing for low-income households. The tax credits are awarded to eligible participants and provide a source of equity financing for the development of affordable housing. Investors in qualified affordable multifamily residential developments can use the HTCs as a dollar-for-dollar reduction of federal income tax liability. The value associated with the HTCs allows housing to be leased to qualified families at below market rate rents. The Non-Competitive (4%) Housing Tax Credit program is coupled with the Multifamily Bond Program when the bonds finance at least 50% of the cost of the land and buildings in the Development. There are a variety of [bond issuers \(PDF\)](#) in the State from which to select, with some limitations on the location of the development. For more information, visit the [FAQs](#) page. For bond issuer or bond information, visit the [Multifamily Bonds](#) page.

4% Bond Program

This program is very hard for private developers to work because it requires large amounts of additional subsidy, such as Section 8 vouchers or other HUD funds that PHAs have access to. (For example the \$7 million HACEP had to give back to the Feds recently according to the recent story in the El Paso Inc. could have been used to subsidize a 4%/bond deal!)

While the 4% non-competitive program has less tax credits per deal (4% of depreciable basis vs. 9% of depreciable basis as the nomenclature implies), the construction and permanent financing comes from tax-free government bonds. So, in the 4% program, the long-term interest rate on the debt is much lower than in the 9% program.

Also, with low median incomes and corresponding low program rents in El Paso however, a 4%/bond deal would benefit greatly from Section 8 vouchers—again, a program administered by local PHAs.





We propose a “WIN-WIN” situation for El Paso and all the players involved.

FIRST, HACEP SHOULD BE SUBMITTING DEALS IN BOTH:

- 9% AT RISK SET-ASIDE

and

- 4% NON-COMPETITIVE TAX CREDIT PROGRAM

**SECOND, PRIVATE DEVELOPERS CAN SUBMIT THROUGH
THE 9% URBAN AND RURAL SET-SIDE**

Thereby, doubling the amount of much needed affordable housing in El Paso.



HACEP Needs To Rehab Current Stock

“.....and some of the authority’s more than 6,000 housing units are so decayed they are unfit for habitation. “If you don’t fix them, you just have more and more go offline. They’ll just keep decreasing and decreasing and decreasing until eventually you’ve created slums,” says **Gerald Cichon, El Paso housing authority CEO.**

El Paso INC Article



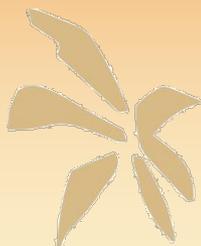
Adopt a “Support ALL” Policy

We request that the city of El Paso adopt the same policy that the cities of Dallas and Ft. Worth have adopted—support any LIHTC development proposed to TDHCA.

Adopt a policy today whereby all applications in El Paso receive a support letter and re-instate the program that Community Development created back in 2008.

Tax credit developments could submit and compete for nominal funding (in the form of a loan) from the federal HOME dollars the city receives and Community Development administers. In the past, the criterion established were reasonable and attainable for anyone looking to do a 9% competitive deal and assured that the city of El Paso would not be beaten out by a deal in Socorro, Alpine, Ft. Stockton, Presidio, or some other city in our region (anything west of the Pecos River generally). The loan was capped at \$100,000 per tax credit development, which in El Paso, has averaged about 100 low income units each.

If HACEP insists on competing with private developers such as us in the 9% competitive round, they assuredly should not get a competitive advantage over private developers.



Adopt a “Support ALL” Policy

COMPETITION IN OUR FREE-MARKET SOCIETY IS GOOD!!!

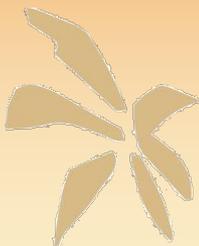
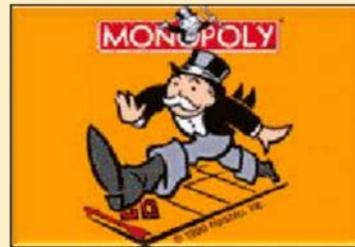
“The most important single central fact about a free market is that no exchange takes place unless both parties benefit.”

Milton Friedman

MONOPOLIES (HACEP REQUEST) are BAD!!!

“The great danger to the consumer is the monopoly — whether private or governmental. If you put the federal government in charge of the Sahara Desert, in five years there'd be a shortage of sand.”

Milton Friedman



PHA's Quest for Unfair Advantage

A few PHAs in Texas, including HACEP, have been lobbying TDHCA to give them special consideration (points) in the QAP for the past 2 years. Last year, HACEP even brought an attorney (Frank Ainsa) to a hearing in Austin to threaten TDHCA and question their legal authority NOT to give PHAs special consideration. At that meeting, TDHCA decided NOT to give PHAs special points in the QAP.

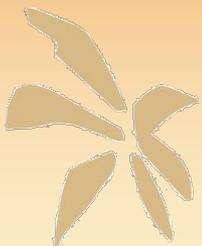
The El Paso and San Antonio PHAs then had a legislator request an Attorney General opinion questioning TDHCA's authority. On July 1, 2013 the Attorney General for the state of Texas (Greg Abbott) issued **opinion #GA-1009**, stating that the Housing Authorities were wrong, and that TDHCA definitely had the authority to make rules leveling the playing field between PHAs and private developers by NOT mandating special preference for PHAs.



HACEP's Quest for Unfair Advantage

Again, this year HACEP marched up to Austin seeking special consideration (points) over private developers and again, the TDHCA board denied their request. Staff stated in their published reasoned response that the HACEP request:

“....would have the effect of providing a disproportionate advantage to certain types of applicants and would have larger sweeping effects than simply allowing PHAs to lend funds and thereby score points for transactions in which they have an ownership interest. Staff does not believe the scoring item was ever intended to give one class of applicant a particular advantage over another class of applicant and no change in this regard is recommended.”



WIN—WIN

We are NOT asking for special consideration, or special points—just a level playing field between all developers proposing a deal in El Paso.

Give all applicants your support through a letter and give all applicants a nominal amount (\$100,000) in a loan, secured by the real estate AND personal guaranties.

**AND DOUBLE THE AMOUNT OF HOUSING BUILT
IN THIS CITY!**

