



McShane Construction Co. has been working on several LIHTC projects, including Hairpin Lofts in Chicago, West Yard Lofts in North Charleston, S.C., and Ashley Midtown II in Savannah, Ga. (Photos: Courtesy of McShane Construction Co.)

“McShane Construction is highly apprised of the economic impact that a LIHTC project can have within the local community. ... Historically, we have discovered that new LIHTC projects provide jobs for an average of 350 to 500 people over the duration of the project.”

—Christopher V. Foster, business development manager for the Southeast region, McShane Construction Co.



## WHY THE LIHTC PROGRAM WORKS

The low-income housing tax credit (LIHTC) program is the most successful affordable housing production and preservation program in the nation. Since its creation in 1986, the program has helped finance more than 2.4 million apartments for low-income families, and it generates about 120,000 more affordable homes each year.

During all this time, very few LIHTC properties have been foreclosed upon.

The program is designed to be highly efficient:

- Only developments that meet federal and state housing priorities receive credits and only the amount necessary to make developments viable.

- With public input, states is-

use a plan to allocate the credits. This allows each state to adapt the program to meet its unique housing needs. In many states, the demand from developers is two, three, or more times

the available supply of credits. As a result, states select only the best projects.

- Compliance to rules is closely monitored. LIHTC developments must remain occupied and in good standing for 30 years or longer. The credits are subject to recapture for 15 years.

- The program is a public-private partnership. Because developments rely on private investors and developers, they are carefully underwritten and draw on private-sector discipline. As a result, foreclosures have occurred in less than 1 percent of all LIHTC properties over the 25 years of the program.

- Housing credits leverage other private capital. The program was designed not to provide the entire development

costs, so developers must compete for other sources of funding and impress each funder with the quality of their development.

- The program employs a pay-for-performance policy. There is ongoing risk to the investors because they only get to claim and keep the tax credits if affordable housing units are built, leased, and maintained as affordable housing throughout the compliance period of 15 years. Additionally, there's a 15-year extended-use period, with many states requiring much longer affordability. There also is ongoing risk to the developers, who provide operating deficit and tax credit guarantees.

## BUILDING JOBS

*The low-income housing tax credit is about more than providing affordable homes. It also creates jobs for millions of Americans and stimulates the economy.*

The program creates jobs for small business. Architects, plumbers, electricians, carpenters, concrete fabricators, bricklayers, roofers, and other specialties all benefit when a LIHTC property is being built. Property managers, maintenance workers, service providers, and others benefit when the property is occupied.

The estimated one-year local impacts of building 100 apartments in a typical family tax credit development include:

- \$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 of building 100 apartments in a typical family tax credit development include:

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

Source: “The Local Economic Impact of Typical Housing Tax Credit Developments,” National Association of Home Builders (March 2010)