

2023 INDIANA
HOUSING
CONFERENCE
SEPTEMBER 26 & 27 | INDIANAPOLIS MARRIOTT DOWNTOWN



LIHTC 101

The Not so Basic Basics

Panelists

- Brooke Solis - CREA
 - Senior Vice President, Director of Asset Management
- Trent Claybaugh – Gorman & Company
 - Developer
- Kristen Senff – National Equity Fund
 - Managing Director – Central Region
- Jeff Lathrop – DOZ
 - Member



Agenda

- LIHTC Basics
 - QAP - Qualified Allocation Plan
 - Area Median Income, Rent Limits
 - 4% vs. 9%
 - Eligible Basis and Qualified Basis
 - Typical Partnership Structure
- Development Life Cycle of a Section 42 Project
- Carryover
- Credit Calculation
 - Basis Boost
 - Cost Certification



LIHTC Basics

- Federal income tax credits
- Awarded to owner/developer by state allocation agency
- Reduces tax payment dollar for dollar
- LIHTC delivered over a 10-year period
 - 15-year compliance period
- Additional compliance and use periods following initial 15-year compliance period

LIHTC Basics

- Qualified Allocation Plan
 - Issued by each state's housing agency
 - Generally updated every 2 or so years
 - Point system
 - Sets guidelines and limitations
 - Developer Fee
 - Contractor Fee
 - Architect Fee
 - Sets building code restrictions



LIHTC Basics

- Area Median Income

Tipton County Income Limits				
Set-Aside	One Person	Two Persons	Three Persons	Four Persons
30%	\$ 18,270	\$ 20,880	\$ 23,490	\$ 26,070
60%	\$ 36,540	\$ 41,760	\$ 46,980	\$ 52,140

- Rent Limits

Tipton County Rent Limits				
Set-Aside	Efficiency	1 BR	2 BR	3 BR
30%	\$ 456	\$ 489	\$ 587	\$ 678
60%	\$ 913	\$ 978	\$ 1,174	\$ 1,356

- Source:

IHCDA Notice: RED-23-23

2023 Low Income Housing Tax Credit Income and Rent Limits



LIHTC Basics

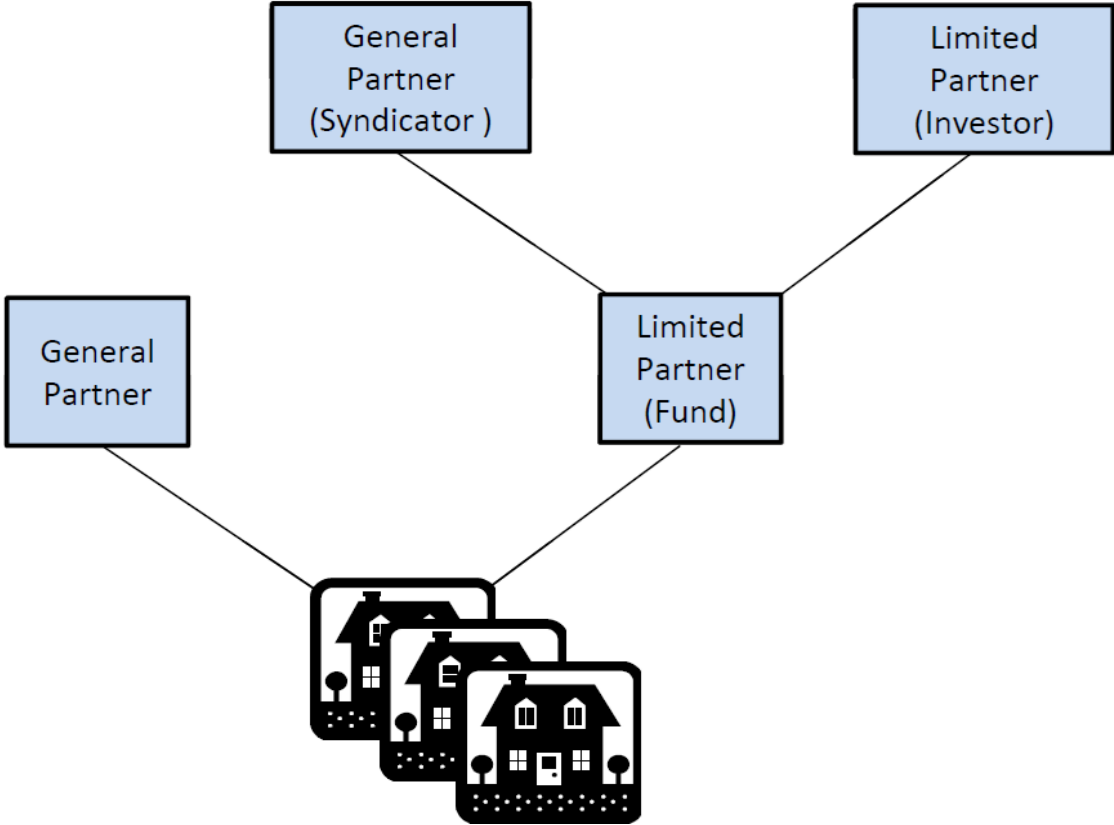
- 9%
 - 42(b)(2) sets minimum credit rate at 9%
 - Competitive
- 4%
 - Modified by CAA, 2021 signed 12/27/2020
 - Credit rate floor at 4% for projects PIS after 12/31/2020
 - Non-competitive

LIHTC Basics

- Eligible Basis – total cost basis eligible for consideration in calculating “qualified basis
- Qualified Basis – total cost eligible for credits based upon applicable fraction
- Applicable Fraction – percentage of the property that is dedicated to affordable housing



Typical Partnership Structure

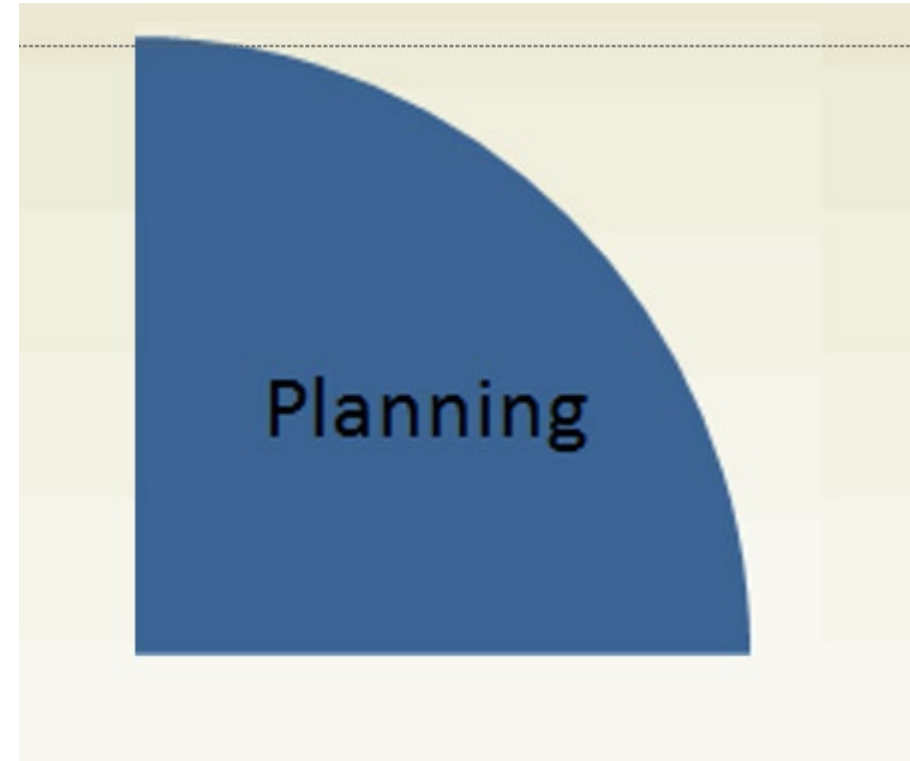


Development Life Cycle



Planning

- Type of Construction
- Other credits
- QAP Requirements
- General market influences
- Potential investors



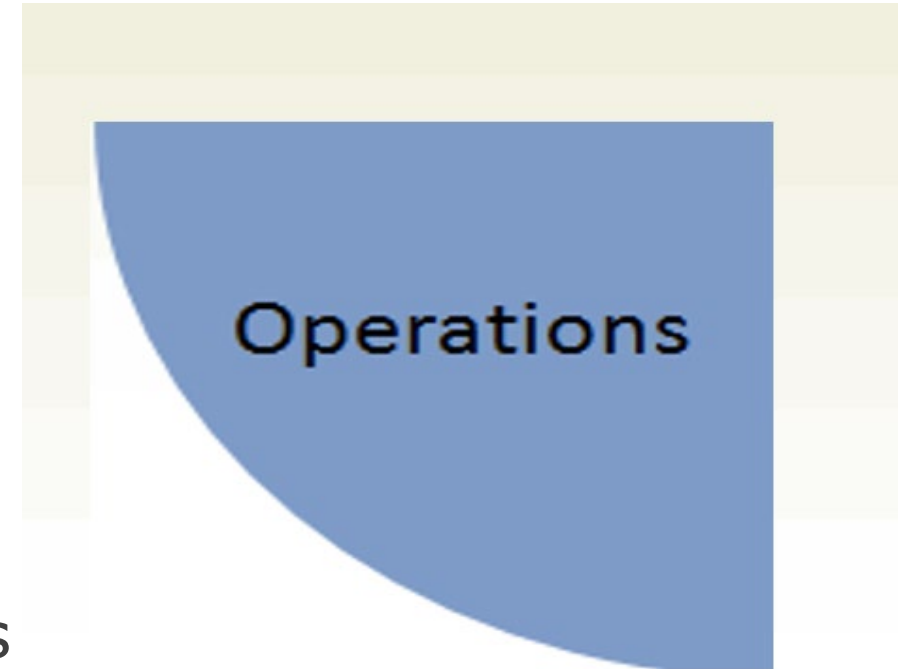
Development

- Type of financing
- Section 42 reporting
- Projections
- Yield and credit pricing
- Partnership agreement
- Tenant certifications



Operations

- Management agent
 - Yearly certifications and training
- Compliance and Reporting
- Tax compliance / Form 8823 issues
- Funding of operating deficits
- Monitor economics of project
- Tracking vacancy, market conditions



Exit Strategies

- Re-syndication
- Qualified contract
- Right of first refusal
- Value of property
 - Appraisal
 - BOV
- LP interest purchase
- Sale of property



Carryover

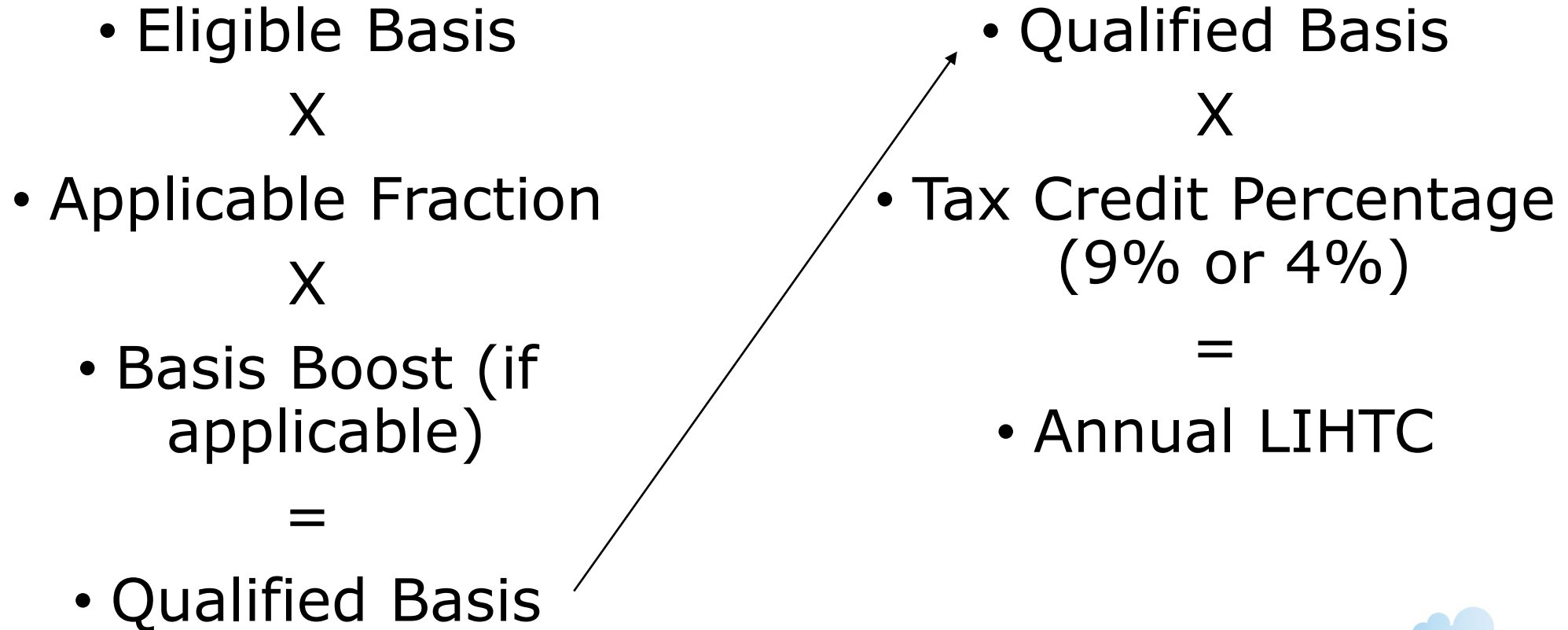
- Cliff Test – must incur 10% of total expected capitalized costs + land

\$ 6,680,000	Eligible Basis per Application
\$ 300,000	Land
\$ 6,980,000	Reasonably Expected Basis
10%	Carryover Test
\$ 698,000	To be Expended

- 10% carryover report issued by CPA



Credit Calculation



Credit Calculation Example

	Total	Eligible
Land	\$ 300,000	\$ -
Construction Contract	\$ 5,200,000	\$ 5,200,000
Financing	\$ 250,000	\$ 180,000
Other Soft Costs	\$ 600,000	\$ 520,000
Tax Credit Fees	\$ 60,000	\$ -
Developer Fee	\$ 780,000	\$ 780,000
Reserves	\$ 300,000	\$ -
	\$ 7,490,000	\$ 6,680,000
Applicable Fraction		100%
		\$ 6,680,000
Basis Boost		100%
		\$ 6,680,000
Tax Credit Percentage		9%
Annual LIHTC		\$ 601,200



Basis Boost

- Increase in eligible basis of up to 130%
 - Projects located in a qualified census tract
 - Projects to be located in a difficult to develop area
 - Specifically designated by State housing credit agency



Cost Certification

- Cost certification report issued by CPA detailing:
 - Total development costs
 - Total sources
 - Credit calculation
 - Eligible / Qualified / Tax Credits by BIN
- Important
 - Some states require a Contractors Cost Certification



Q&A

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