



TIPS on Entering the LIHTC/Affordable Housing Sector

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The Low Income Housing Tax Credit *Simplified*

- Created under the Tax Reform Act of 1986
- Private sector incentive to invest in income restricted rental housing. \$1 for \$1 offset in federal tax liability
- Majority of all new construction/preservation of affordable housing
- Equity generated from **9% LIHTC** is designed to finance 70% of total project costs vs. 20-30% equity typical with market rate housing. **4% LIHTC** is a 30% Subsidy.

Lower debt service = Lower Rents = Affordable Housing!



The LIHTC *Simplified*

9% Low-Income
Housing Tax Credits

IRS Section 42 IRC

Tax Credit Authority

State QAP

Tax Credit Allocation

Partnership Entity
(Owner)

1

9% “Competitive” credits are allocated to states based on a per capita formula that is adjusted annually.

- *For Pennsylvania and Ohio, it is about \$30M in annual credits.*

2

Qualified Allocation Plan (QAP) provides structure for how each state allocates tax credits.

3

States are tasked with prioritizing/scoring competitive applications.



The TIPS *Summarized*

01.

Education

NAHB Housing Credit Group,
Novogradac

02.

Build the Team EARLY

Co-developer, property
management (Compliance)

03.

Identify your **State Selection
Criteria** in the **QAP**

04.

Understand the **“GAP”**
financing resources

CASE STUDY

Nationwide: \$4 is requested for every \$1 available. *What wins??*

Sellersville Senior Residences

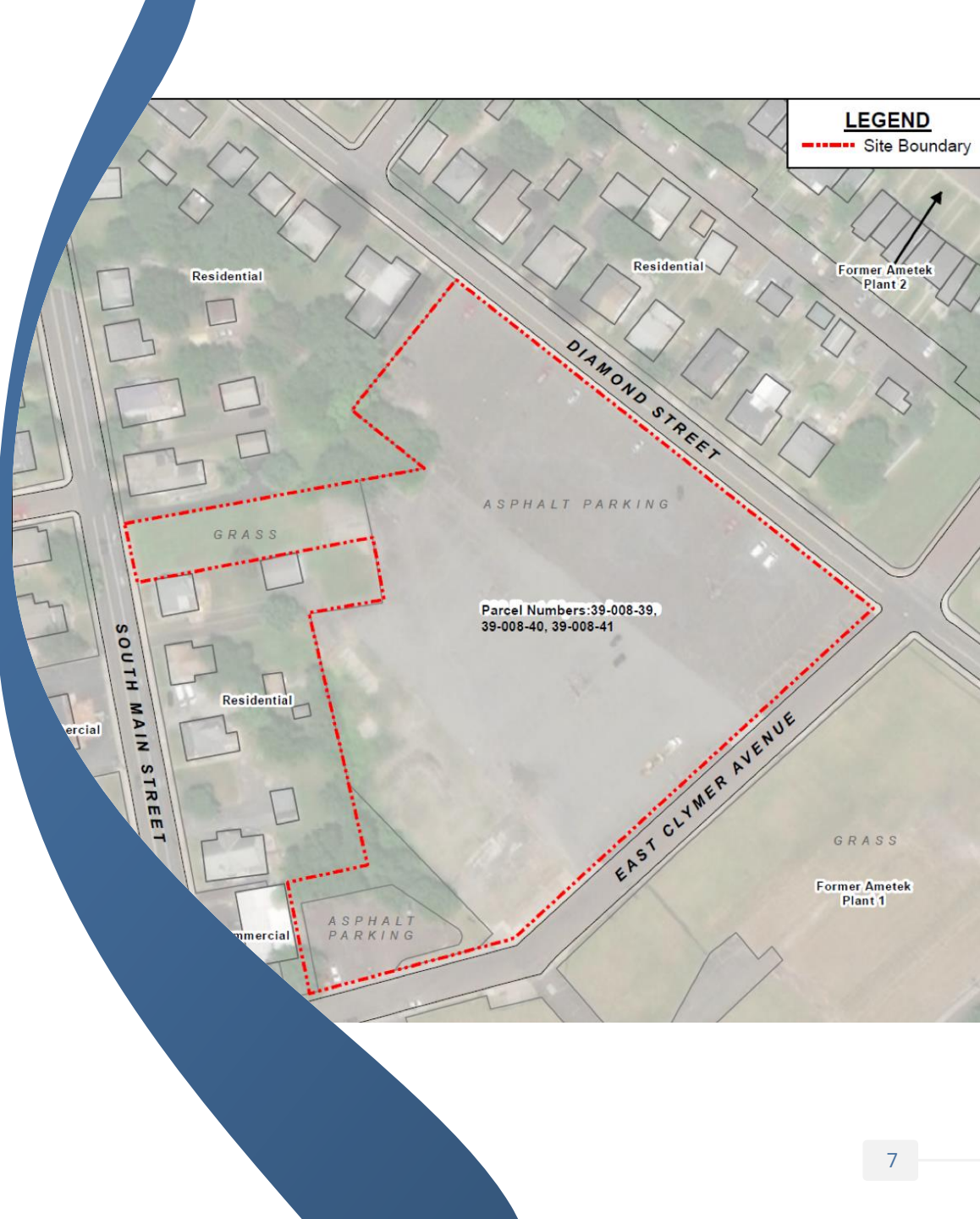
- Bucks County, PA (1-hour NW of Philadelphia)
- 2019 award of **9% Low Income Housing Tax Credits**
- Partnership between for profit developer/builder/manager and nonprofit sponsor
- 50 apartments for ages 55+
- 8 units for Behavioral Health priority

LIHTC Tips: Understand the QAP Selection Criteria



Community and Economic Impact (20%)

- High Owner-Occupied Market
- School Proficiency
- Local Revitalization Plan
- Walkability or Transit Oriented



LIHTC Tips: Understand the QAP Selection Criteria



Energy and the Environment (15%)

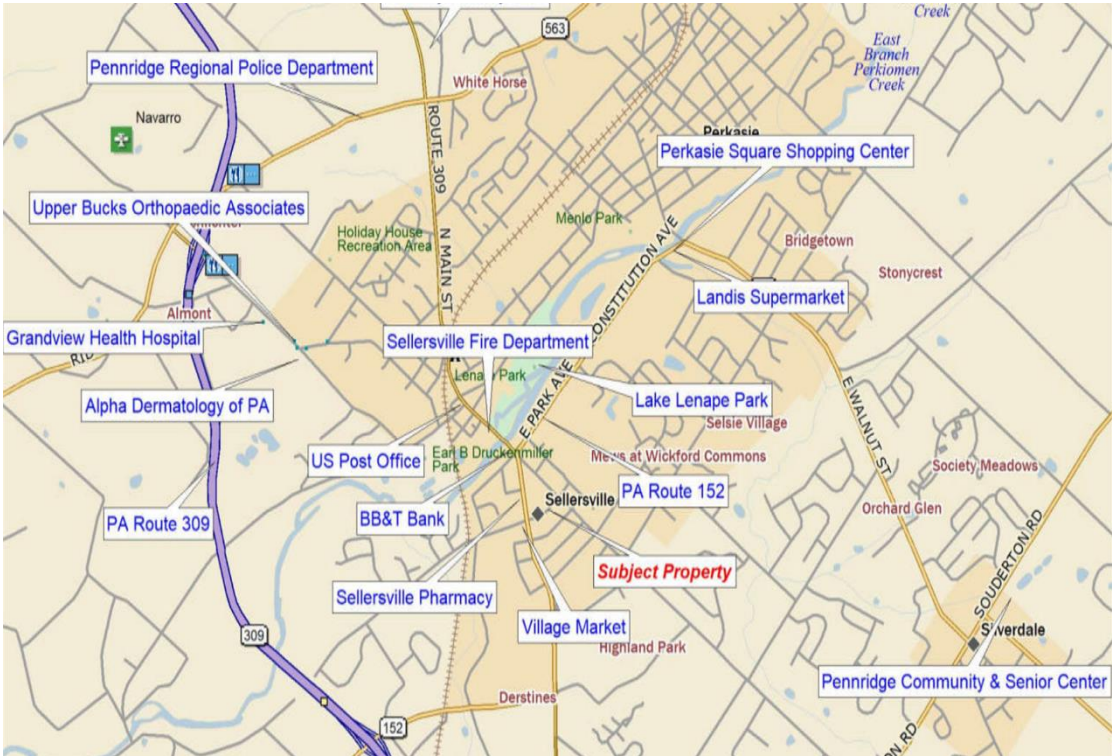
- Brownfield Redevelopment
- Adaptive Reuse
- Green Building Programs
 - *NGBS, LEED or Enterprise*
 - *Advanced: US DOE Net Zero Ready, Enhanced HERS, Passive House*



LIHTC Tips: Understand the QAP Selection Criteria

Resident Profile and Services (30%)

- Low Rent Targeting
- Supportive Service Package
- ADA and HVI
- Supportive Housing Set-Aside



LIHTC Tips: Understand the QAP Selection Criteria

Development Team Experience (30%)

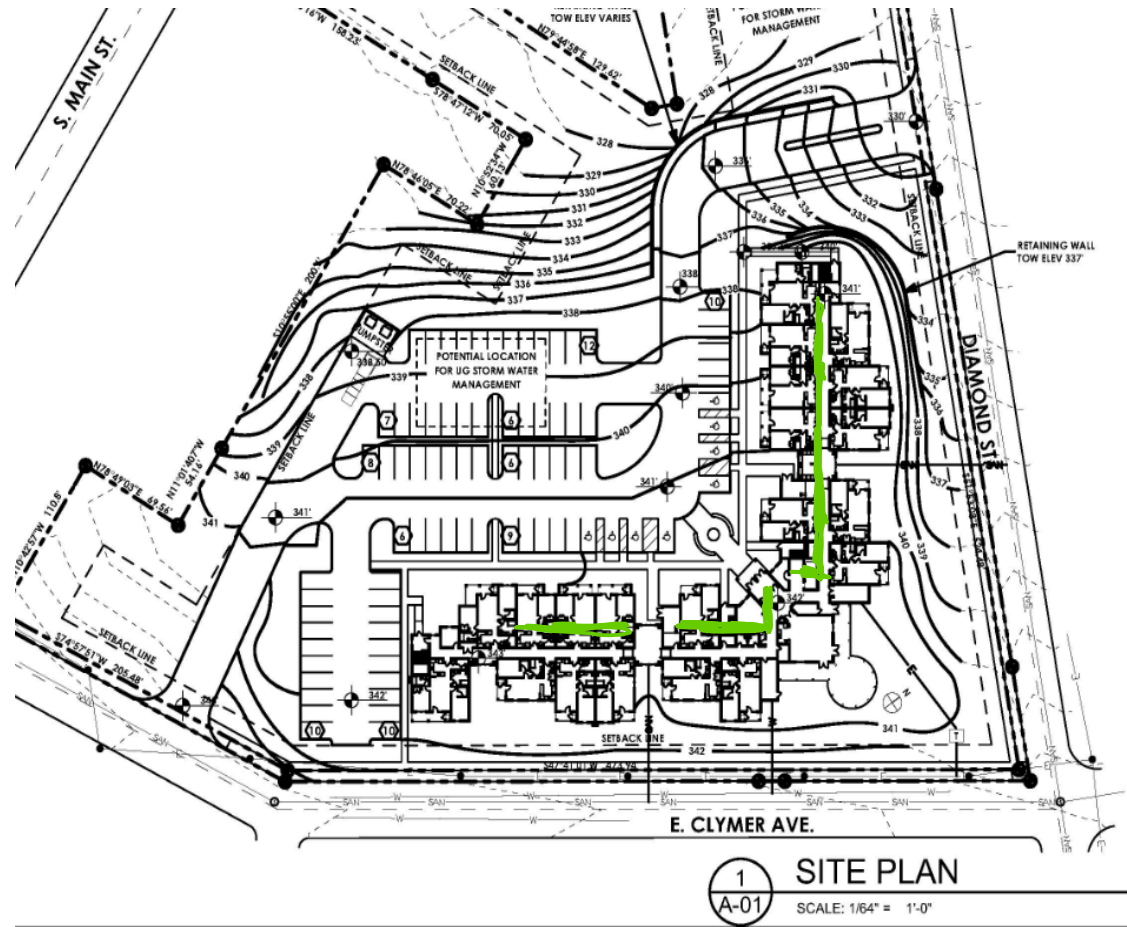
- 10 or more previous developments
- Over 300 LIHTC units under active management (Compliance!)
- Experience of Legal Counsel, General Contractor and Architect
- MBE/WBE/VBE
- Ability to Proceed (Zoning)

LIHTC Tips: Understand the QAP Selection Criteria



Leveraging/Cost Savings (5%)

- Secondary Funding/Resources
 - Tax Abatements
 - Project Based Subsidy (HUD/USDA)
 - Soft Debt *
- Construction Cost Containment
 - Percentage below the mean



LIHTC Tips: “Gap” Financing Tools

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- FHLB AHP Program
- HOME/CDBG
 - “Soft Financing”
- *Trend spotting:* Healthcare and Housing

Percentage of Capital Stack	
1. PHFA Amortizing Mortgage	16.0%
2. 9% Tax Credit Equity	72.0%
3. FHLB AHP Soft Loan	2.8%
4. County HealthChoices Soft Loan	6.0%
5. Local Foundation Contribution	2.0%
6. Energy Rebates	0.2%
7. Deferred Developer Fee	1.0%
SEVEN SOURCES OF FUNDING!	
	100%

Recap

01.

EDUCATE

02.

BUILD AN EXPERT TEAM

03.

LEARN THE QAP

04.

FIND THE GAP FINANCING



LNW

Why we do it

- New housing—tangible results
- Nexus of policy, finance and design
- Cutting edge product (modular, passive house)
- Earn development fees
- Opportunity for management fees
- Opportunity for cash flow
- Opportunity for Builder profit
- Residual (ownership) benefits, now or in future
- Mission and Reputation in the community



EXCHANGE IDEAS.
BUILD SOLUTIONS.

Thank you!

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