



SB18-007: Affordable Housing Tax Credit

Sponsors: Rep. Duran, Rep. Becker, Sen. Tate, Sen Guzman

Housing Colorado supports the extension of the Affordable Housing Tax Credit program (formerly LIHTC) proposed in this bill.

WHAT THE BILL DOES

- Extends the period during which the Colorado Housing and Finance Authority may allocate affordable housing tax credits from 2019 to 2024.
- Changes the name of the low-income housing tax credit (LIHTC) to the affordable housing tax credit.

THE NEED

- Recent studies show that over 378,000 households in Colorado – nearly half of all renter households in the state – are paying more than 30% of their income on housing costs. 272,000 low-income households in Colorado are in crisis, spending more than 50% of their income on housing costs.
- The affordability crisis is not restricted to the lowest income households. With soaring housing costs, housing affordability impacts moderate income families. Recent reports show renters need to make \$24 per hour to afford the median metro Denver rental.
- The affordable housing gap continues to widen, driven by stagnant income, a decreasing availability of rental housing, increased prevalence of gentrification and increased housing costs. For households earning 30% Area Median Income (AMI) or lower, six households compete for every affordable unit available.

THE BENEFITS OF THE LIHTC PROGRAM 2015-2017

- 4,263 housing units directly supported
 - To date, the state LIHTC program has directly supported the development of 4,263 affordable rental units, and enabled CHFA to support 10,496 units from 2015 through September 2017.
 - Developments awarded state LIHTC will serve households earning 60 percent Area Median Income (AMI) or below.
 - Historically, the median household income of residents living in LIHTC-supported units is \$19,500, or approximately 30 percent AMI.
 - For example, 30 percent AMI equals \$20,160 for a two-person household in Denver County, or \$19,830 for a three-person household in Weld County.
- \$465 million in new private sector investment raised to support Colorado housing

- The sale of the state and federal tax credits allocated to the 4,263 units directly supported will generate over \$465 million in private sector equity investment in Colorado that otherwise would not have occurred.
- \$33 million in previously untapped federal 4 percent LIHTC leveraged generating \$342 million in private sector investment
 - All states have access to two types of federal LIHTC to support affordable housing:
 - Federal 4 percent LIHTC, which is designed to subsidize approximately 30 percent of an affordable development's costs; and
 - Federal 9 percent LIHTC, which is designed to subsidize approximately 70 percent of an affordable development's costs.
 - CHFA leveraged the state LIHTC with the federal 4 percent credit, which historically has been under-utilized in Colorado due to a lack of other gap resources required to make these types of deals financially feasible.
- \$1.57 billion in economic impact
 - The development of the 4,263 units directly supported with state LIHTC is estimated to generate over \$1.57 billion in economic impact in Colorado.
 - The total estimated economic impact of all 10,496 affordable housing units supported by CHFA from 2015 through September 2017 exceeds \$2.3 billion and will support more than 14,062 jobs.

About LIHTC

- Colorado's State Low Income Housing Tax Credit (state LIHTC) program helps raise private sector equity needed to develop affordable rental housing.
- The program is modeled after the nationally recognized federal Low Income Housing Tax Credit (federal LIHTC) program created in 1986 under President Reagan's administration, which has helped create or preserve over 2 million affordable rental units in the U.S.
- Colorado's program was originally established in 2001 and later renewed in 2014 and 2016.
- Without a renewal, CHFA will not be able to allocate tax credits past December 31st, 2019.
- In 2015 and 2016, CHFA was also authorized to award state LIHTC above the \$5 million annual cap to affordable multifamily developments in counties impacted by natural disasters.

For more information about this proposal, please contact Sara Reynolds, Housing Colorado executive director, at 303-863-0124 or sara@housingcolorado.org