


THDA's Low Income Housing Tax Credit Program Report

1987-2013

QAP Priorities, Market & Financial Influences

Outcomes of the LIHTC program closely mirror the **QAP priorities (set asides, caps and points)**:

- ❖ Housing need by Location (includes vacancy rates) (points)
- ❖ Location-geographic distribution (set aside), county (cap), regional distribution (points), % in QCT areas (cap & points)
- ❖ Type of Development- NC or Rehab (points)
- ❖ Development Size (small development set aside)
- ❖ Type of developer (set asides)
- ❖ Units for lowest income tenants (points)



Projects that score well under the QAP and are situated within strong market areas may bring stronger syndicator interest; achieve higher equity pricing and in general are more financially viable.

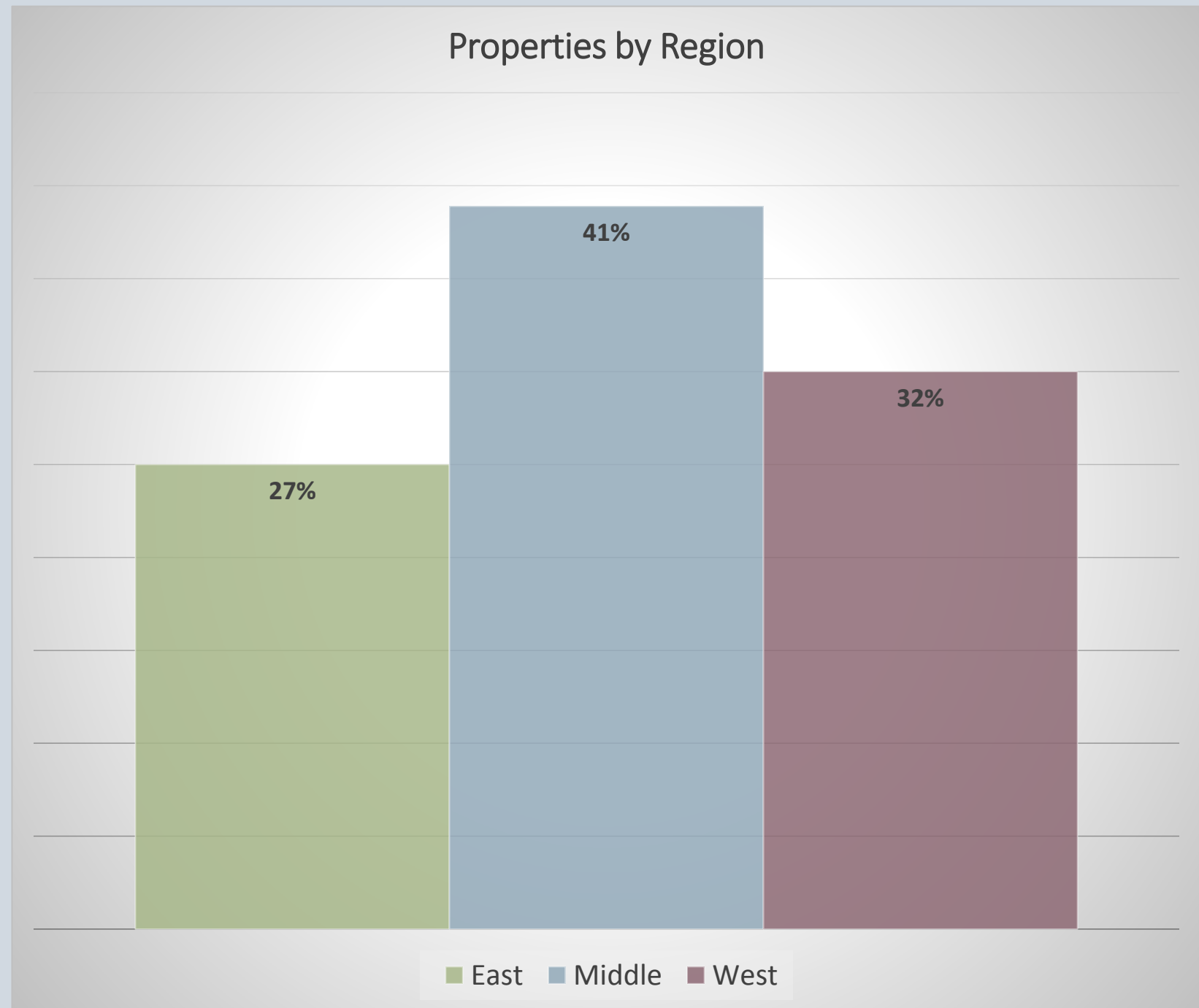
The market and potential rent levels influence the overall financial viability of a particular property and certain characteristics.

- ❖ Size of developments
- ❖ Rent levels & need for rental subsidies,
- ❖ Bedroom size and mix of units
- ❖ Building cost per unit
- ❖ Location (cost of acquiring land)

All Development, 1987-2013

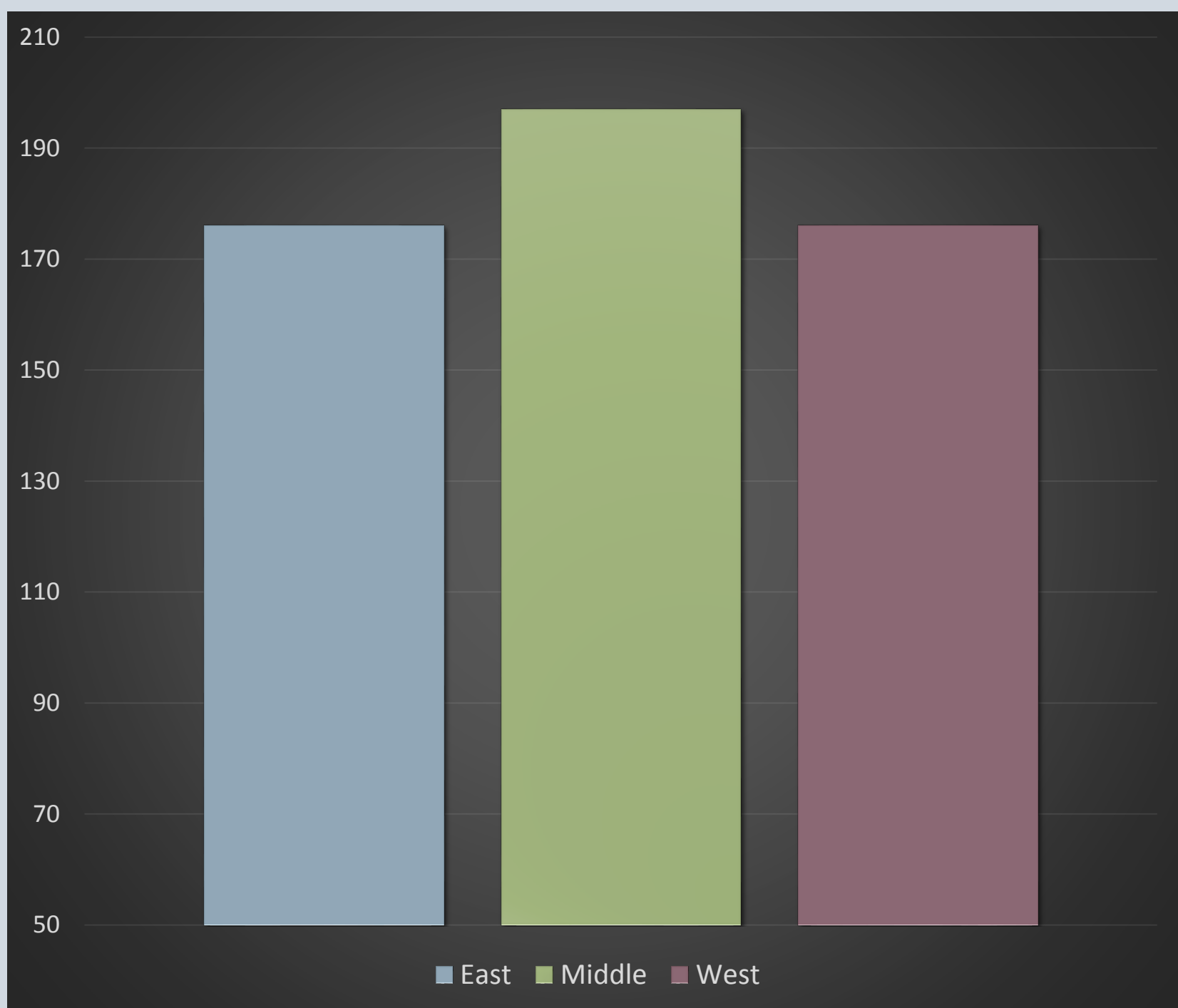
\$2.46 billion in 10 yr.
credit authority used to
develop:

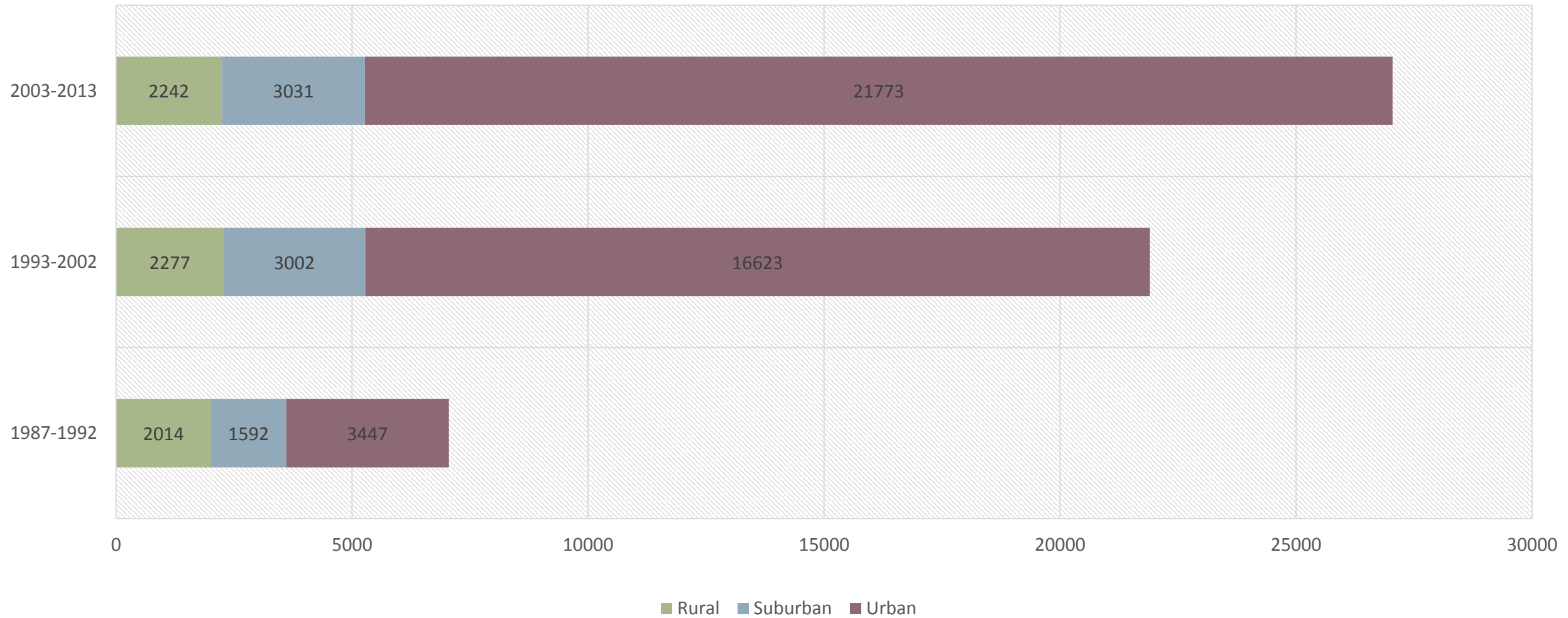
- 940 properties
- 56,000 units
- The program has served 93 of 95 counties with at least 1 property.



Active Properties, 2014

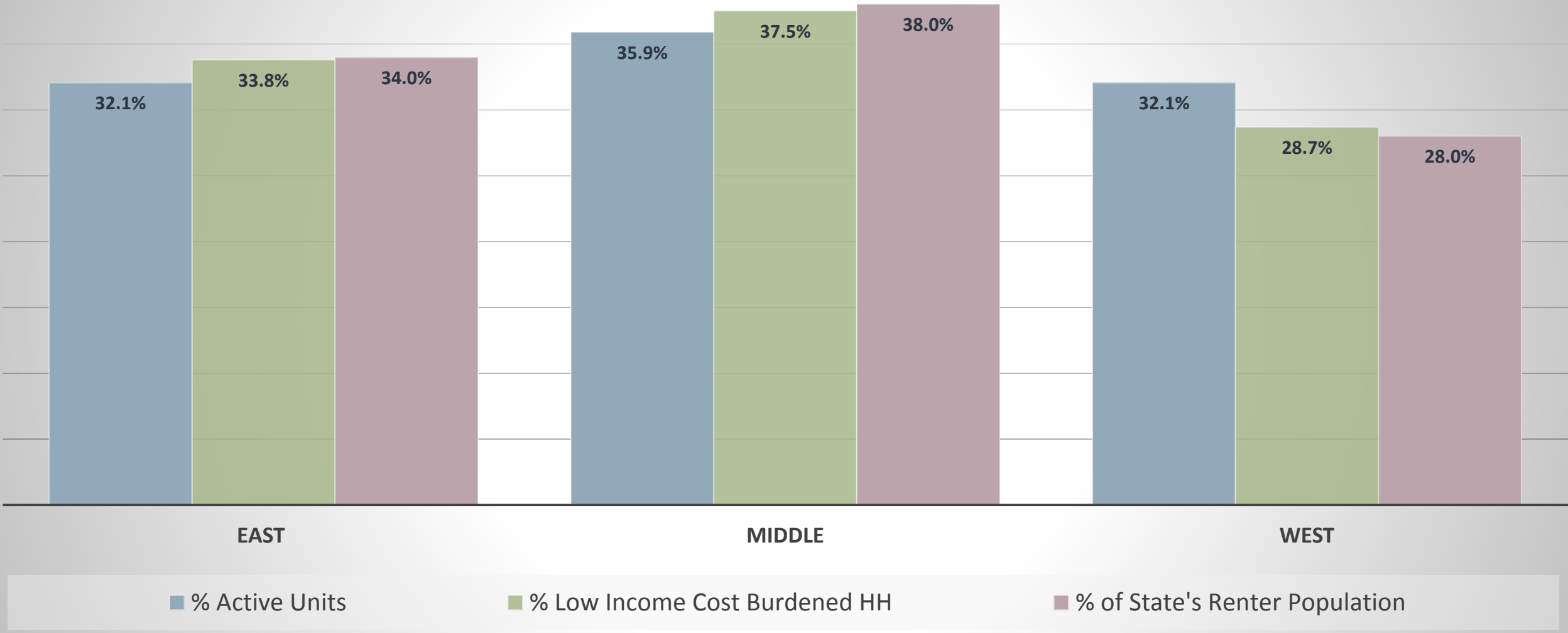
- 550 of the 940 properties remain active with THDA monitoring
- 47,000 active units
- 87 of 95 counties have at least 1 active LIHTC property.





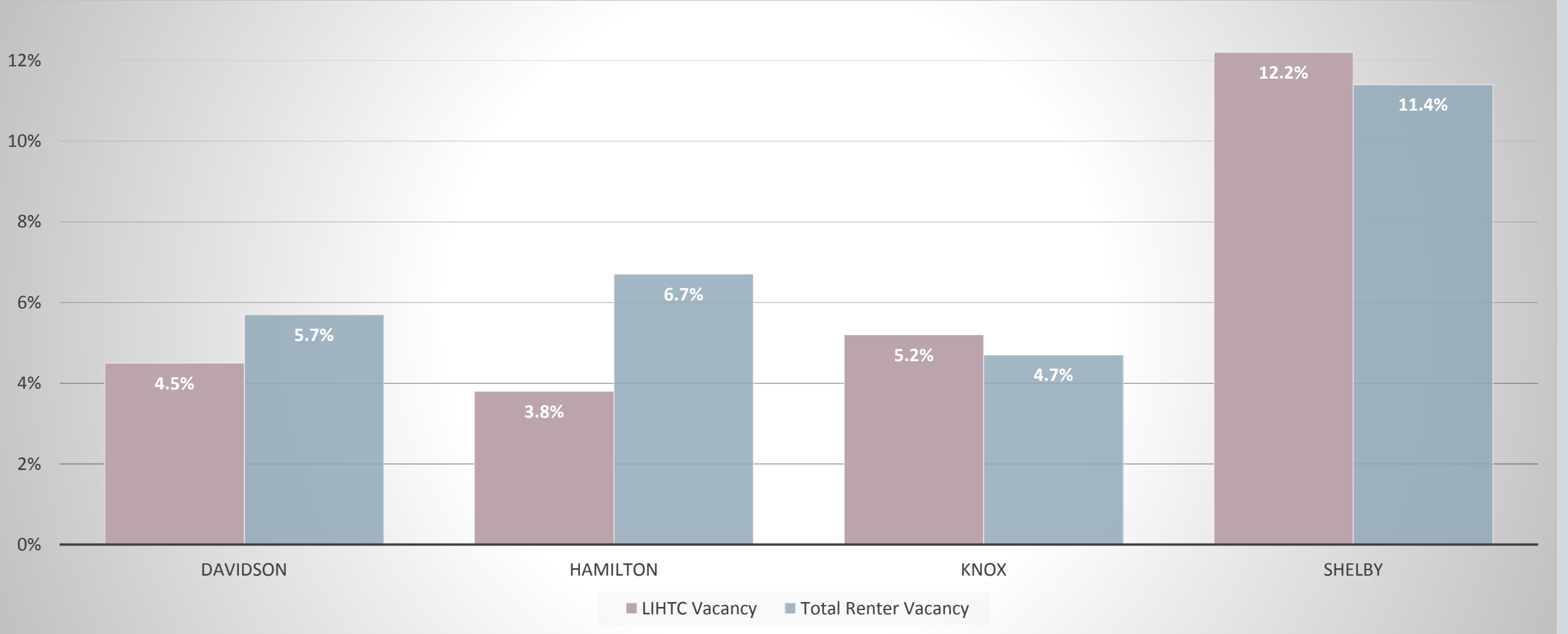
LIHTC Units by Location/Urbanicity

Urban areas, where need is often greatest, have the highest share of LIHTC units. However, the program has consistently produced units in rural and suburban areas as well, likely due to QAP incentives for geographic distribution and county caps.



Comparison of LIHTC Active Units to Housing Need by Region

The location of LIHTC properties tracks closely with areas of current housing need in all regions.

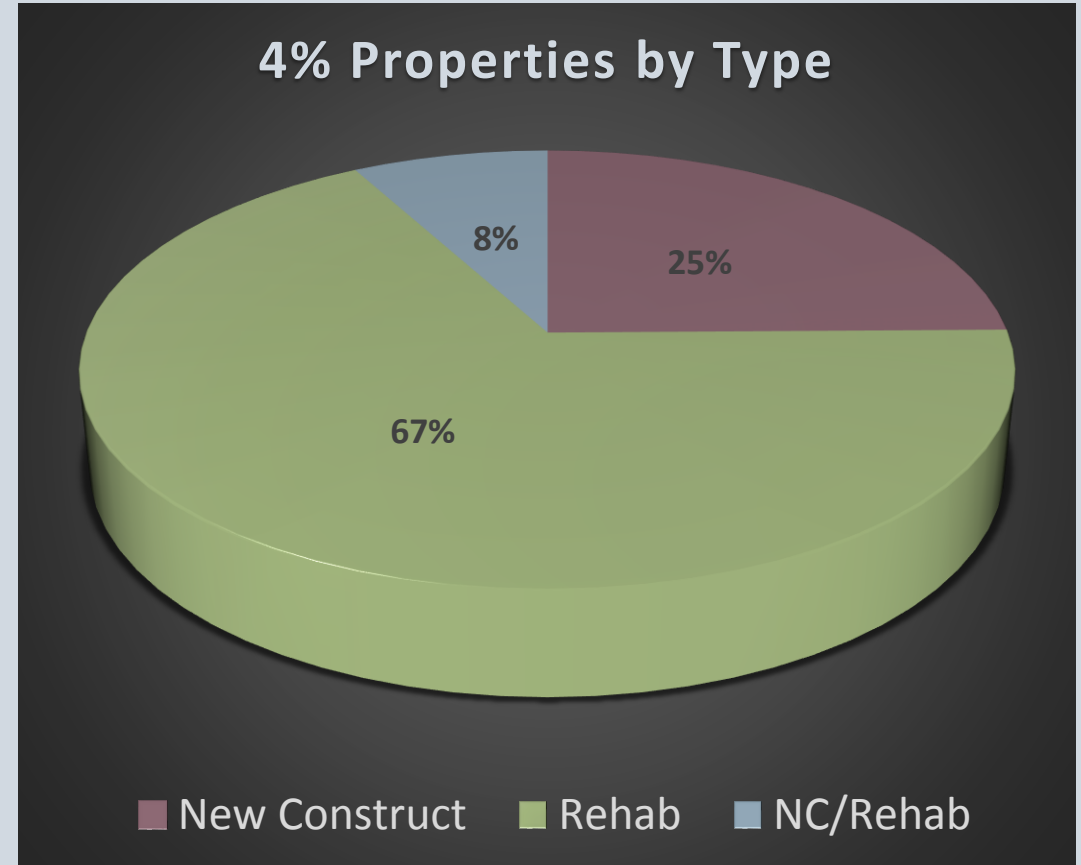
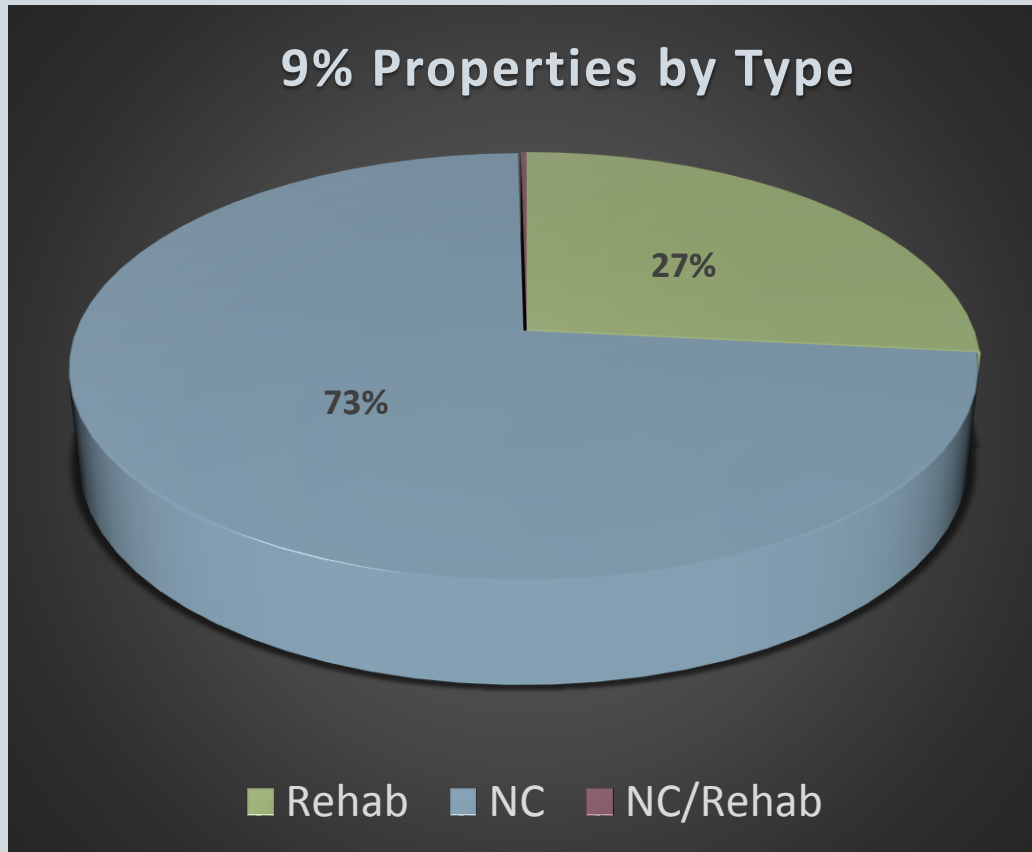


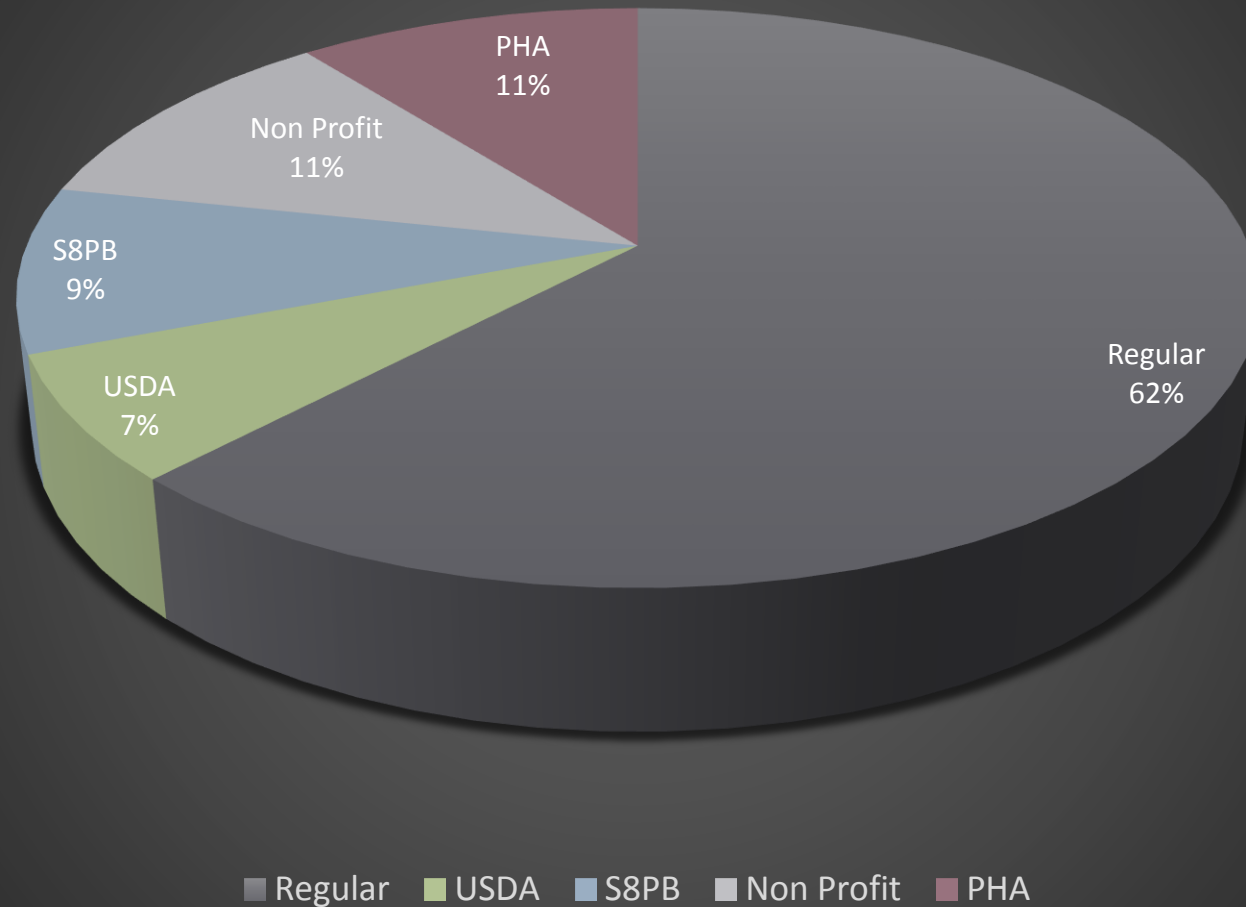
Vacancy Rates (Total Renter vs. LIHTC), Major Metro Areas, 2013

LIHTC vacancy is lower than overall renter vacancy in all of the major metropolitan counties except Shelby, where LIHTC vacancy is slightly higher. Shelby County also has the highest vacancy rate in both categories among the major metros during the most recent time period data was available (2013).

Development Characteristics

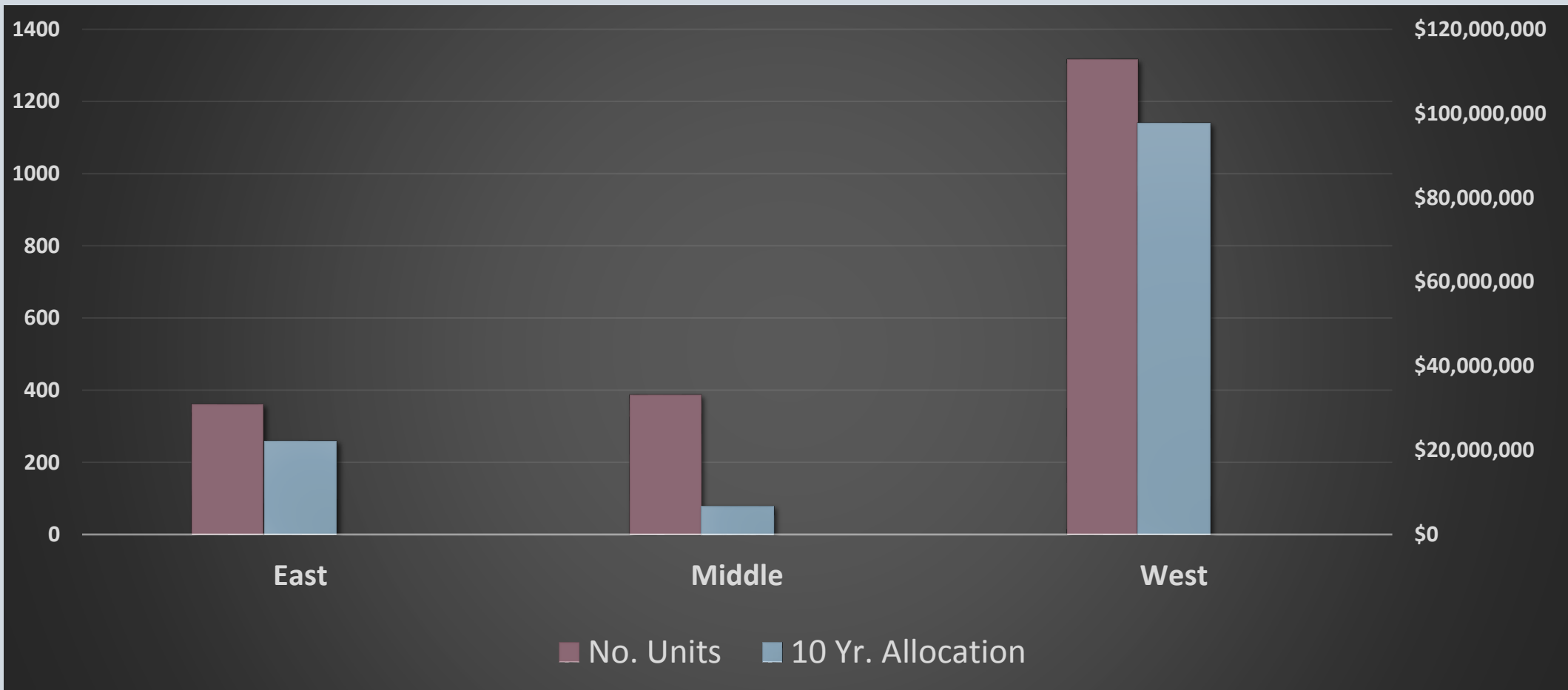
Competitive credits are more frequently awarded to new construction; while non competitive credits combined with bond financing more frequently help finance preservation activities.





Share of Credit by Developer Type (9% & 4% credits)

The majority of credit authority is issued to “regular” or non-designated development entities. Non-profit and Public Housing Agencies received the next largest share of credits with a combined 22% of allocations, while project based programs (Section 8 & USDA) have received 16% of overall allocations. All typically target the lowest income renters.



Hope VI LIHTC Allocations

West Tennessee and the city of Memphis, in particular, received the largest share of LIHTC allocations dedicated to public housing redevelopment under the Hope VI program

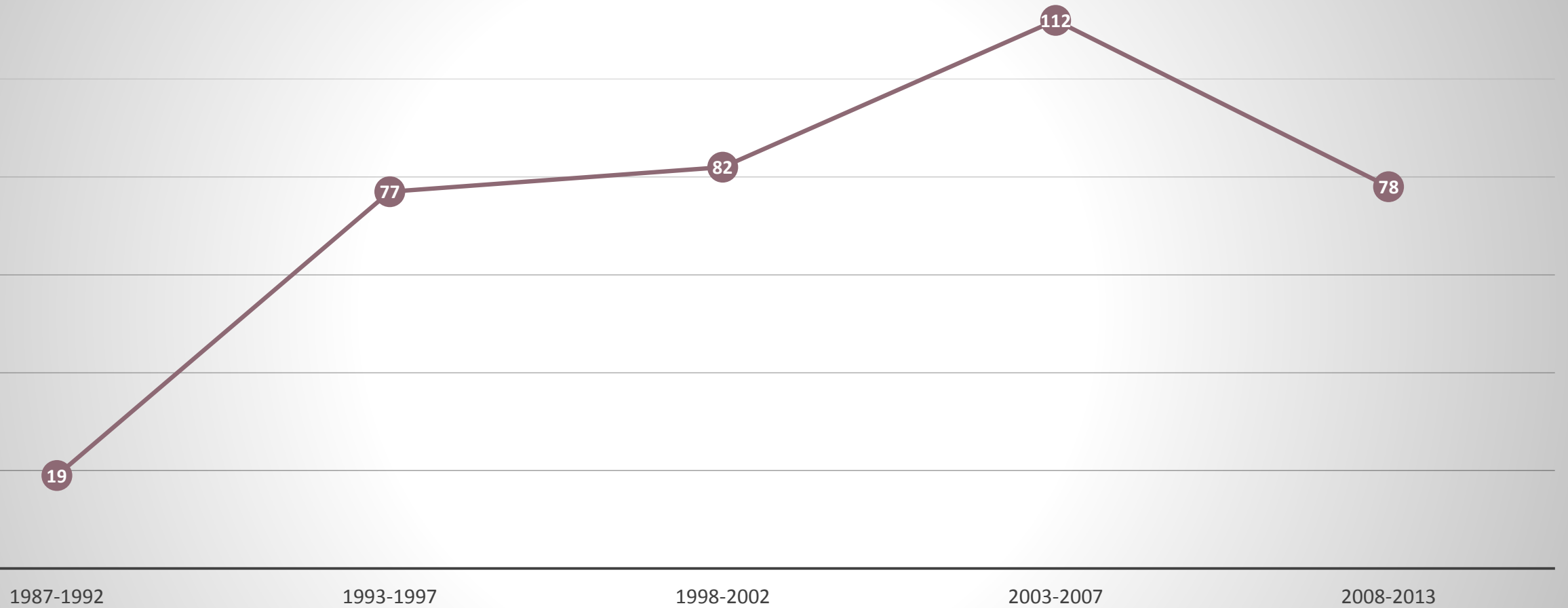


Legends Park Apartments, Memphis

Memphis Housing Authority

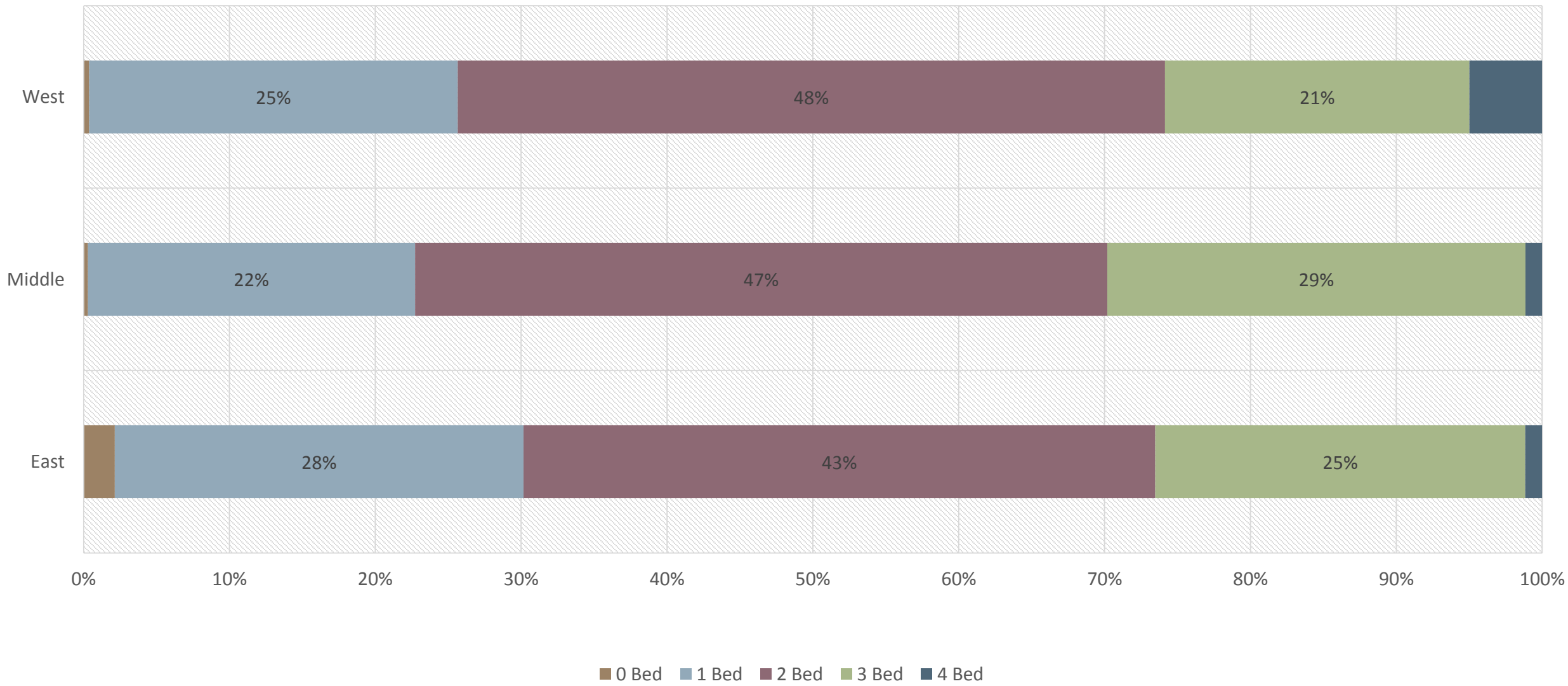
186 units

Hope VI preservation (new construction) with 9% LIHTC credits



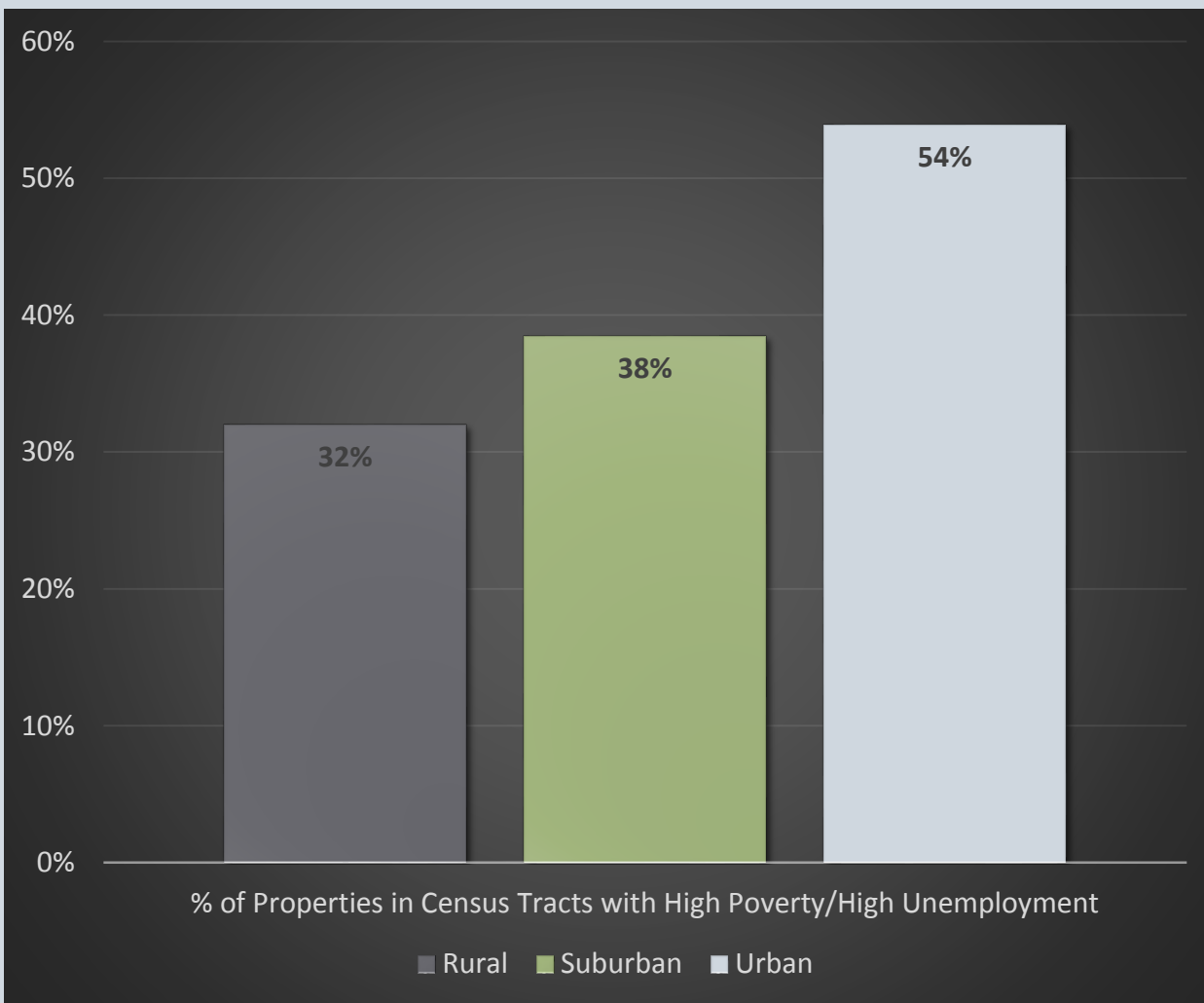
Average Number of Units per Development

The average unit size trended up for a number of years, reaching a high of more than 100 units in 2003-2007 before trending back down again to the more common average of 78. Other than a small development set aside, the QAP appears to have little effect on the size of developments. The market and financial considerations likely drive this characteristic.



Distribution of Active Units by Bedroom Size & Region

The largest share of LIHTC units in every region is 2 bedroom, which aligns well with family size and rental need in the state. The QAP sets no preference for unit size, thus it is likely the market and financial considerations, including projected rent levels, drive this characteristic.



Prior studies show that LIHTC developments nationally have historically concentrated in lower economic opportunity areas, possibly due to federal requirements giving preference to projects located in QCTs or due to housing need in lower income communities.

Current Tennessee LIHTC properties often locate in areas with high housing need but also high poverty & unemployment.

Future Consideration- Where to Encourage Development?
Areas with High Housing Need....



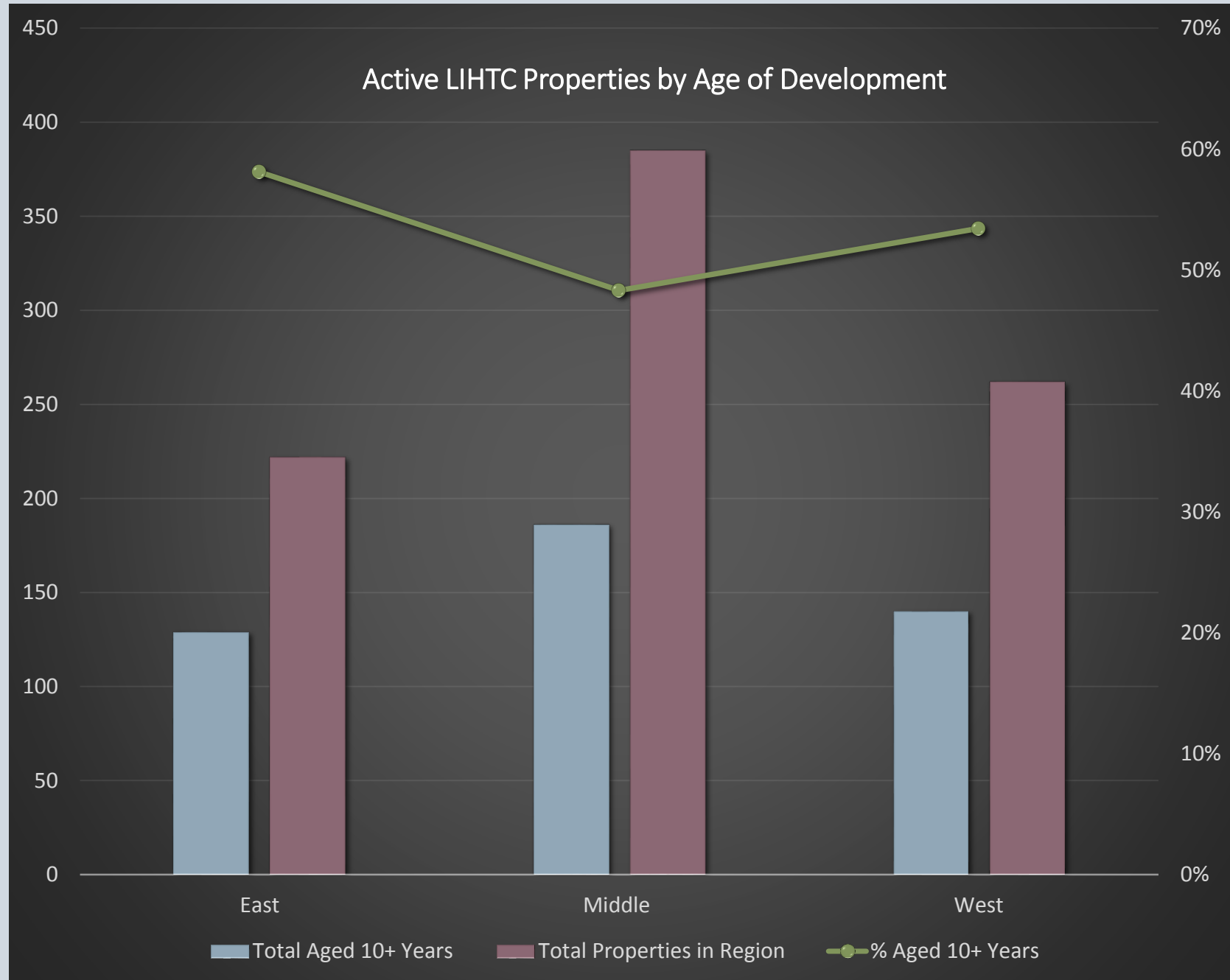
A “high opportunity” primary market area is typically defined as an area where unemployment levels are low and economic opportunities, such as jobs, are ample. Some states are now offering a QAP priority or incentive to locate developments in primary market areas with jobs, transit, high performing schools or other measures of opportunity.

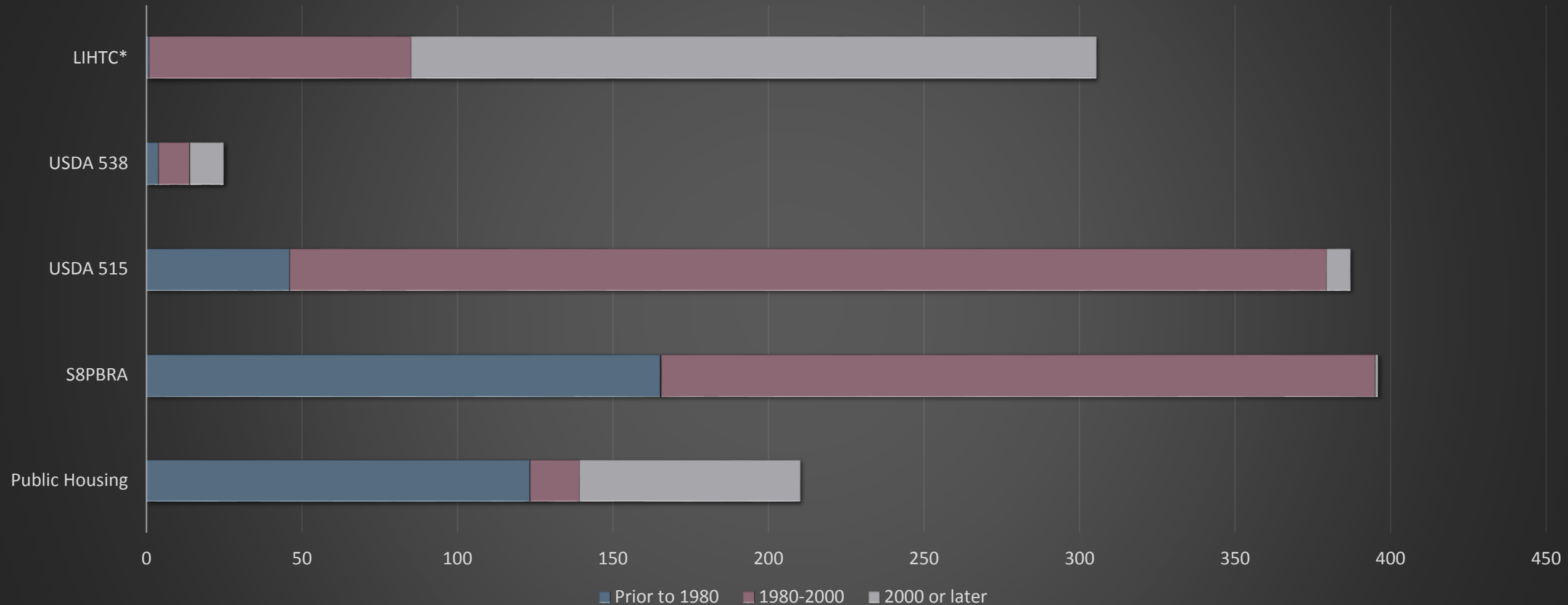
The definition of opportunity may vary in urban, rural and suburban communities.

Future Consideration- Where to Encourage Development?
Areas with High Economic Opportunity...

Future Consideration-Preservation Needs of Aging Affordable Housing

- LIHTC
- USDA
- Section 8 Project Based
- Public Housing- RAD





Aging Existing Affordable Housing

Many different types of affordable housing are aging, built more than 15 years ago, and are in need of preservation to maintain quality and affordability. Currently, the LIHTC program is the only federal affordable housing development program that has not faced serious federal budget reductions and is the primary source of funding for rehabilitation and redevelopment of aging affordable properties.

Why Does the success of the LIHTC Program Matter?

- Today, there is not a single county in the United States where an individual earning the federal minimum wage (\$15,080 annually) can afford a market-rate apartment.
- The number of renters is growing substantially in the 2010s. At the same time, rents and home prices are exceeding income growth in most areas- leading to a steady rise in the number of renters unable to afford housing.
- Cities in the south where population growth has been high in recent years, like Nashville, are facing a particular shortage of affordable options at differing income levels, and the shortage is expected to worsen with continuing Congressional cuts federal housing programs.



Laurel House,
Nashville, Gulch
*Housing Trust Fund (non-
profit developer)*
48 units
New construction with 9%
credits



The credit may be combined with other types of federally insured loans, direct subsidies or local incentives to build new or preserve existing units in neighborhoods where affordable housing is scarce due to high development costs. Laurel House 1 bedroom units lease for around \$700 per month, whereas comparable 1 bedroom rents in the Gulch (albeit with some higher end amenities) are \$1,500 per month and higher. In high tourist months, 1 bedroom units VRBO nightly for \$145-\$185.