HOUSING TAX CREDITS

A PRIVATE-PUBLIC PARTNERSHIP SOLUTION TO AFFORDABLE HOUSING



The Housing Tax Credit Solution is the

Most Successful Public-Private Partnership in U.S. History

In 1986, during the Reagan administration, Washington lawmakers created the Housing Tax Credit (HTC) solution to incentivize private developers to build more affordable housing. The incentive allows the federal government to transfer housing development and future operations & maintenance costs to the private market. Since affordable rental housing costs the same to build as market-rate rental housing, the tax credits allow owners to offer reduced rents to cost-burdened² families.





The IRS issues Tax Credits to states based on population



Developers apply for tax credits³ with TDHCA⁴ through highly competitive process





TDHCA selects developments that meet high standards that will receive tax credit awards



Developers convert credits to capital to build development by selling them to investors who can offset their tax liability & meet CRA⁵ requirements





Developers build privately owned, quality housing for mixed income residents, most of whom are cost-burdened¹





Equity is used to reduce the cost of debt that is passed along to residents via lower rents for at least 15 years

HOUSING TAX CREDIT PROPERTIES ARE NOT EXEMPT FROM PROPERTY TAXES!

Why It Works...



Large Private Sector Financial Investment, Not Government Owned



Investors Screen & Scrutinize Developments to Ensure Viability



NO Financial Risk for Federal or State Government



Minimum 15-Year Oversight by Investors, Federal & State Governments



Tax Credit Developments are Virtually Indistinguishable from Market-Rate Developments But Remain Affordable for 15 to 30 Years

Everyone Benefits!



Residents
Pav Affordable Rents



State & Local Economies

Earns Property Taxes, Benefits from Economic Development, Attracts Employers to Relocate & Invest, Provides Workforce Housing, Saves Money & Resources by Keeping Residents from Being Homeless



DeveloperOwns Development &

Gets Paid by Building Development



Investor
Reduces Tax Liability

¹Source: U.S. Department of Housing and Urban Development (HUD). ²Cost-Burdened describes families paying more than 30% of their income on housing costs. ³Refers to 9% Housing Tax Credit Program only. ⁴Texas Department of Housing and Community Affairs. ⁵Community Reinvestment Act.