

Need for Affordable Housing Units

From the NHD 2017 Annual Housing Progress Report

Jurisdiction	Number of Units Available	Number of Units Needed
Clark County - Unincorporated	8,377	75,200
Las Vegas	9,098	53,250
North Las Vegas	1,453	17,765
Boulder City	59	1,150
Henderson	3,094	19,260
Mesquite	111	1,510
Washoe County - Unincorporated	158	7,350
Reno	6,449	25,385
Sparks	1,076	8,765
Total	29,875	209,635

Nevada Affordable Housing Production versus Need

- Need for affordable apartment units increased by nearly 13,000 units from the 2016 affordable housing progress report to the 2017 report which represents a nearly 7% increase
- Historical production statistics indicates an average of roughly 800 units placed into service each year via the Low-Income Housing Tax Credit Programs
- Rising costs of building materials, land, labor and interest combined with a decrease in tax credit pricing (equity to projects) currently make it even more difficult to build affordable housing
- In order to meet the demand illustrated on the previous table it would take producing over 20,000 new affordable units each year for the next 10 years

Low-Income Housing Tax Credits (LIHTC)

The low-income housing tax credit (LIHTC) program is an indirect federal subsidy used to finance the construction and rehabilitation of low-income affordable rental housing.

The program provides an incentive for developers and private investors to provide more low-income housing.

LIHTC gives investors a dollar-for-dollar reduction in their federal tax liability in exchange for providing financing to develop affordable rental housing.

- In return for providing equity to a project investors receive tax credits paid in annual allotments, generally over 10 years.

Projects receiving LIHTC's must meet eligibility requirements for at least 30 years after project completion. Such restrictions include:

- Rent restrictions
- Tenant income restrictions

Two Types of Low-Income Housing Tax Credits (LIHTC)

- **9% Low-income Housing Tax Credits** - http://housing.nv.gov/programs/LIH_Tax_Credit/
 - 9% Housing Tax Credit awards are provided to projects on a competitive basis
 - Annual Qualified Allocation Plan (QAP) provides guidelines for program
 - http://housing.nv.gov/programs/LIH/Qualified_Allocation_Plans/
 - The 9% LIHTC's are designed to subsidize 70% of the cost of construction
 - The state receives a federal allocation of around \$6-8m of 9% LIHTC's each year
 - 9% housing tax credits have created or preserved nearly 13,000 units since 1986
- **4% Low-income Housing Tax Credits** - http://housing.nv.gov/programs/Multi-Family_Bond/
 - Projects using tax-exempt multi-family revenue bonds are “automatically” entitled to 4% tax credits
 - The 4% LIHTC's are designed to subsidize 30% of the cost of construction
 - 4% housing tax credits and bonds have created over 25,000 units in Nevada since 1975

Capital Stack Examples of Projects using 4% and 9% Low-Income Housing Tax Credits

360 Unit Complex

4% Tax Credits and Tax Exempt Bond

Project Sources & Uses

Sources of Funds			
Bond Proceeds	32,571,000		
HOME Loan	750,000		
LIHTC Equity Proceeds	23,975,965	35%	
Developer Equity	4,887,738		
Nevada Housing 80/20 GAHP Loan	3,000,000		
Lease up period income	3,227,883		
Total Sources	68,412,586		
Uses of Funds			
Land & Site Work	2,865,000		
Construction Costs	44,279,075		
Soft Costs	11,663,563		
Repair & Replacement Reserve	823,585		
Developer Fee -Affordable	8,781,363	15%	
Total Uses	68,412,586		

66 Unit Complex

9% Tax Credits

Project Sources & Uses

Sources of Funds			
Permanent Debt	881,834		
HOME Loan	1,000,000		
LIHTC Equity Proceeds	9,499,050	76%	
AHP Loan	530,000		
Developer Equity	591,098		
Total Sources	12,501,982		
Uses of Funds			
Land & Site Work	1,554,291		
Construction Costs	7,398,923		
Construction Period Interest	517,941		
Contingency (construction & finance)	404,101		
Permit & Fees	15,000		
Accounting & Legal	1,056,000		
Soft Costs	405,240		
Syndication Costs	57,500		
Repair & Replacement Reserve	92,986		
Developer Fee	1,000,000	9%	
Total Uses	12,501,982		

Potential Avenues for State Housing Tax Credit Delivery

	Combine with 9% LIHTC	Combine with 4% LIHTC
Award cycle	Once Per year	Year-round
Projected Number of Units per Project	Up to 100	200-300+
Typical Income Levels Targeted (AMI)	30%, 40%, 50% and 60%	Predominantly 60%
Ability to Create Units which include Wraparound Services	Yes	Not typically
Award Process	Annual Qualified Application Plan (QAP) – competitive based on points system	First come, first served based on available Private Activity Bond Cap (PABC)
Projected number of additional units annual additional units created	200-300 units	400-600 units

- The 9% LIHTC program is more flexible in serving lower income residents and the infrastructure for a competitive awarding process already exists
- Each project using tax-exempt bonds/4% LIHTC is approved by the Board of Finance
- Potential hybrid system could include making 9% priority with any unused credits available to the 4% program
- The State Housing Tax Credit could provide the “but for” financing to make a 4% project financially viable
- Projections in table above calculated based on \$10 million annual state housing tax credit