

WHAT ARE LOW INCOME HOUSING TAX CREDITS?

The Executive's proposed Transit-Oriented Development Bond Allocation Plan (Proposed Motion 2016-0276) recommends that workforce housing projects be able to leverage 4% low income housing tax credits but not 9% low income housing tax credits. What are low income housing tax credits? And what is the difference between 4% credits and 9% credits?

THE BASICS

- Low income housing tax credits are a key funding source for affordable housing
- In return for providing affordable rents to households at or below 60% of median income, the developer's federal taxes are reduced for 10 years
- Tax credit projects typically must remain affordable for at least 30 years
- Because non-profit housing developers do not pay taxes, they can sell their tax credits to investors in return for upfront cash to cover construction costs
- Low income housing tax credits are allocated to states based on population
- In Washington State, the Washington State Housing Finance Commission receives and awards the tax credits

✓ 4%

ALLOWED BY PROPOSED TOD BOND ALLOCATION PLAN

- Subsidize approximately 30% of project costs
- Automatic: Projects qualify if at least half the project costs are financed with tax-exempt bonds
- Rate floats: currently it is 3.18%

✗ 9%

NOT ALLOWED BY PROPOSED TOD BOND ALLOCATION PLAN

- Subsidize approximately 70% of project costs
- Competitive: Projects must compete, with those serving the lowest income households most likely to succeed
- Rate is set by Congress at 9%

For more information please visit the Washington State Housing Finance Commission

<http://www.wshfc.org/mhcf/9percent/index.htm>

<http://www.wshfc.org/mhcf/4percent/index.htm>

DRAFT 6/17/16

Handout at 6/22/16 BFM Meeting
2016-0276
from Committee Staff (Mary Bourguignon)