

## Overview of the Low-Income Housing Tax Credit Program and the Town's Role in Supporting LIHTC Projects

The Low-Income Housing Tax Credit (LIHTC) program is the largest source of funding for the creation and preservation of affordable housing in the United States. LIHTC is a cornerstone of the Town's [Affordable Housing Strategy](#) and aligns with our Complete Community Framework by supporting the development of affordable rental projects that serve a range of affordability levels in amenity-rich, transit-oriented locations. This discussion item will provide an overview of the program and the role of the Town in supporting successful LIHTC projects.

### Overview of the LIHTC Program

- LIHTC is currently the primary tool available in the United States to develop affordable rental housing.
- Since the LIHTC program was enacted in the late 1980s, it has supported the construction or rehabilitation of over 2 million housing units for low- and moderate-income households, including more than 2,500 projects across 97 of North Carolina's 100 counties.
- The federal government allocates about \$9 billion annually to state housing agencies who then award the credits to private developers of affordable rental housing projects through a competitive process.
- Developers generally sell the credits to private investors to obtain funding and once the housing project is in service, investors can claim the tax credit over a 10-year period.
- The LIHTC program is very competitive with specific timelines and scoring rules.
- Key elements of LIHTC scoring are aligned with the Council's [Complete Community framework](#)<sup>1</sup>, including affordability, transit access, and proximity to commercial, health, recreational, and service amenities.
- Successful applications must demonstrate a perfect site score, site control, approved commitments for any needed gap financing, and zoning approval.
- Once awarded LIHTC funding, projects must meet very tight construction and occupancy deadlines. As a result, the participation and cooperation of local governments is vital to taking advantage of LIHTC funding opportunities.
- LIHTC has been historically underutilized in Chapel Hill, with only five awards received between 1987-2021 resulting in the construction of only 260 units in 34 years. As the Town has invested more resources in affordable housing and prioritized securing at least one LIHTC project a year, we are beginning to see increased interest among LIHTC developers and success in winning LIHTC awards. The Town's Trinity Court project (54 units) received a 9% LIHTC award in 2022 and its Tanyard Branch Trace project (48 units) received a 2023 award. Staff have identified potential projects for at least the next 8 LIHTC consecutive application cycles.

### Overview of the Town's Role in Supporting LIHTC Projects

The Town plays a key role as regulator, funder, partner, and in some cases as landowner, as described below:

#### *Regulator*

- Developers must be able to obtain a rezoning within 6-8 months to meet the LIHTC application deadline. The Town's new Residential-Community Priority- Conditional Zoning District (R-CP-CZD) offers an expedited review process that offers a pathway to meet this timeline.

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<sup>1</sup> <https://www.townofchapelhill.org/home/showpublisheddocument/53972/638222644055270000>

- Post award, LIHTC projects need additional staff support to ensure key permitting milestones are met before and during construction. Town staff have provided extra support to LIHTC projects to help navigate LIHTC deadlines.

#### *Funder*

- The Town's newly adopted Affordable Housing Plan and Investment Strategy recommends the Town dedicate \$2-\$3M per year to support each LIHTC project.
- LIHTC applications must demonstrate local funding commitments by the final application deadline in May.

#### *Partner*

- Preparing a site for a LIHTC application often requires creative partnerships with multiple Town departments to maximize points for amenities within or surrounding the site – e.g., sidewalks, bus stop covers, signage.

#### *Landowner*

- There at least 6 potential LIHTC sites on Town-owned land in the Town's LIHTC pipeline.
- When the Town partners with private affordable housing developers to develop on Town land, the Town must authorize site control prior to the preliminary application deadline in January.

### **Anticipated Impact of LIHTC Strategy Over Next Decade:**

The Town and its affordable housing partners are working toward the goal of securing at least one LIHTC award per year. Over the next 10 years, this strategy could result in the following:

- **10 100% affordable projects** that follow the Complete Community Framework
- **500-600 affordable units** that on average serve households earning 60% AMI.
- **125-150 units serving extremely low-income households** earning at or below 30% AMI
- More than **\$100 million in leveraged funding** through tax credits alone (additional leverage from other sources expected)
- **Average \$45,000/unit** in Town subsidy
- **\$25 million** in Town investment

**Linked Attachments: See Next Page**