



Summary of 2011 LIHTC proposals

Introduced as part of H.R. 992, the Building American Jobs Act of 2011

1. Reinstatement of the Section 1602 LIHTC exchange program (grants in lieu of tax credits)

As originally authorized in the Recovery Act for 2009, allow States to exchange the following portion of their LIHTC authority for grants at 85 cents for each Credit dollar:

- 100% of Credits returned in 2011 & unallocated LIHTC from 2010 (unused Credits), plus
- 40% of 2011 per-capita LIHTC authority & any national pool Credits awarded in 2011.

Administration FY12 Budget proposals (from Treasury "Green book")

2. Basis boost for 4% bond-financed preservation projects

Extend the policy authorized by the Housing and Economic Recovery Act of 2008 (HERA) for 9% projects to allow States to provide up to a 30% basis boost to 4% bond-financed projects preserving federally assisted housing (e.g., HUD, USDA, and Year 15 LIHTC properties). Could be added to currently authorized basis boosts available in qualified census tracts and difficult to develop areas.

Limitation: In each State, the boost is limited to projects financed with tax-exempt bonds whose aggregate issue price is not more than an amount equal to 0.4 percent of the State's volume cap for the calendar year in which the bonds are issued (regardless which year's volume cap is taken into account in issuing the bonds). See attached table.

3. Income mixing

Authorize owners to elect to reserve at least 40% of units at no more than an *average* of 60% of area median income (AMI), as long as no unit is initially leased to families earning more than 80% of AMI. For purposes of computing the average, any unit with an income limit that is less than 20% of AMI would be treated as having a 20% limit.

Industry proposals

4. Making 9% Credit percentage floor permanent

HERA set the 70% net present value credit at no less than 9% for units placed in service by December 31, 2013. Although this provision does not expire for more than two years, projects receiving allocations late this year will need to be underwritten at the floating rate, which would represent about a 15% cut in the amount of equity available

5. Apply floor to 4% Credits for acquisition

Apply the same percentage floor principle to 4% Credits for acquisition, which come from each state's capped allocation. It would NOT apply to 4% Credits generated from bond-financed projects.

For state-by-state fact sheets on LIHTC data and economic impacts, please see the Affordable Rental Housing A.C.T.I.O.N. website, www.rentalhousingaction.org.