What is a Low-Income Housing Tax Credit?

The Basics of Tax Credits

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Outline

Industry Overview
Tax Credit Flow
Investment Structures
"Low Income Housing Tax Credit"

- 10% of credits set aside for non-profits
- Take into account energy efficiency and historic nature of projects
- Priority to projects targeting lowest income tenants and longest period of low-income use
- Consider financial feasibility/viability, limit credits to amount necessary
<table>
<thead>
<tr>
<th>Eligible construction costs</th>
<th>$2.78 Mil</th>
<th>$5.56 Mil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-income units</td>
<td>100%</td>
<td>40%</td>
</tr>
<tr>
<td>Qualified Basis</td>
<td>$2.78 Mil</td>
<td>$2.22 Mil</td>
</tr>
<tr>
<td>Tax credit percentage</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Annual Tax Credits</td>
<td>$250k</td>
<td>$200k</td>
</tr>
</tbody>
</table>
Minimum Set-Aside:
Set aside at least 40% of units for households with incomes at or below 60% of area median income
or
Set aside at least 20% of units for households with incomes at or below 50% of area median income

Rent Limits:
(30% of imputed income for unit size)
2 Bedroom Unit – Phoenix, Ariz.

- Imputed Income
- Rent Limit
- HUD
- $885 / mo
- $10,620 / yr
- 30%
$450k \times 10 = $4.5 M

Recapture!

$450k \times 10 = $4.5 M

Noncompliance!

Form 8823
Outline

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LIHTC > $ = \text{ROI}

Fund

Developer

P'ship

Affordable Housing

Developer

P'ship

Affordable Housing

Developer

P'ship

Affordable Housing

Developer

P'ship

Affordable Housing

Tax Liability

99.99%
Other investor benefits:
• Taxable losses
• Modest cash flow participation
• Modest residual interest participation
Outline

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Direct Investment Structure

1) Acquisition
2) Underwriting
3) Asset Management
The following structures are all syndication models...

Syndication Structure
Proprietary
(Single Investor Fund)
Syndication Structure

Multi-Investor
(Club Fund)

Developer
Sponsor
Fund

LIHTC
P'ship
Affordable Housing

99.99%

LIHTC
P'ship
Affordable Housing

99.99%

LIHTC
P'ship
Affordable Housing

99.99%

LIHTC
P'ship
Affordable Housing

99.99%

LIHTC
P'ship
Affordable Housing

99.99%

Syndication Structure

Multi-Investor
(National Fund)

Developer
Sponsor
Fund

LIHTC
P'ship
Affordable Housing

99.99%

LIHTC
P'ship
Affordable Housing

99.99%

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Speaker Bio and Contact Info:

George Littlejohn is a partner in the Austin, Texas office of Novogradac & Company LLP. Mr. Littlejohn specializes in commercial real estate development, with an emphasis in affordable housing and community development.

Mr. Littlejohn has extensive experience in the low-income housing tax credit, the historic rehabilitation credit and tax-exempt bond financed transactions, including those subject to the auditing requirements of the U.S. Department of Housing and Urban Development (HUD). He is a frequent speaker at numerous industry sponsored conferences and workshops and serves as chairperson for Novogradac & Company's annual housing conference in New Orleans.

In addition, Mr. Littlejohn represents the firm as a member of the Housing Credit Group of the National Association of Home Builders and serves as treasurer on the board of directors for the Texas Affiliation of Affordable Housing Providers (TAAHP). Mr. Littlejohn graduated from the University of South Carolina-Aiken with an undergraduate degree in business administration with an emphasis in accounting. He received a Master of Accountancy from the University of South Carolina and is licensed as a certified public accountant in the states of Texas and Georgia.

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