

SENATE BILL REPORT

SB 5759

As of January 18, 2022

Title: An act relating to increasing involvement of private housing developers in the nine percent low-income housing tax credit program.

Brief Description: Increasing involvement of private housing developers in the nine percent low-income housing tax credit program.

Sponsors: Senators Gildon and Rivers.

Brief History:

Committee Activity: Housing & Local Government: 1/20/22.

Brief Summary of Bill

- Requires the Housing Finance Commission to amend internal policies and project scoring criteria to increase participation of private housing developers in the nine percent low-income housing tax credit program.

SENATE COMMITTEE ON HOUSING & LOCAL GOVERNMENT

Staff: Brandon Popovac (786-7465)

Background: Housing Finance Commission. The Housing Finance Commission (Commission) is a finance authority established to act as a conduit to make additional funds available at affordable rates to help provide housing throughout the state. The Commission is financially self-supported and does not receive funding from the state. To provide financing, the Commission may:

- issue bonds;
- make loans to or deposits with mortgage lenders for making mortgage loans;
- make loans for down payment assistance to home buyers; and
- participate in federal and other government programs to carry out its purpose.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Low-Income Housing Tax Credit Program. The Commission administers the Low-Income House Tax Credit (LIHTC) program, which finances construction of low-income housing through federal tax incentives. Housing financed through the LIHTC program must be affordable to households with incomes at 60 percent or less than the area median income and must remain affordable to low-income tenants for at least 30 years. LIHTC provides an indirect subsidy to housing developers where federal tax credits are allocated at the state level. The Commission awards these state tax credits to developers under two different LIHTC programs.

Under one LIHTC program, after a competitive application process, a developer may receive a 9 percent tax credit that typically generates equity for 70 percent of a projects' development cost. Non-profits and housing authorities are typical recipients, although for-profit developers are eligible under this program.

Under a second LIHTC program, a developer may receive a combination of a 4 percent tax credit and tax-exempt bonds that typically generates equity for 30 percent of a project's development costs as long as 50 percent of the costs are financed by tax-exempt bonds. Typical eligible recipients are non-profits, housing authorities, and for-profit developers.

Under both LIHTC programs, the developer transfers the credits to an investor that funds the housing. The investor becomes a majority owner of the housing and uses the credit to reduce its federal income tax liability. The developer uses the money received from the investor to build low-income housing.

Joint Legislative Audit and Review Committee Study. In 2017, the Legislature directed the Joint Legislative Audit and Review Committee (JLARC) to analyze the costs of developing low-income housing and compare them with market-rate costs. Because market-rate data was not available, JLARC analyzed development costs for two low-income housing development programs, LIHTC and the Housing Trust Fund. Six LIHTC case studies found development costs were within or below estimates from independent experts. One resulting recommendation from the study was for the Commission to identify and evaluate options for increasing participation of for-profit developers in the 9 percent LIHTC program.

Summary of Bill: The Commission must amend internal policies and project scoring criteria to increase participation of private housing developers in the nine percent LIHTC program administered by the Commission.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.