

NJHMFA

Low Income Housing Tax Credits



KEY TOOL FOR AFFORDABLE HOUSING IN NEW JERSEY

Since its inception in 1986, the federal Low Income Housing Tax Credit (LIHTC) program has helped produce more than 60,000 housing opportunities for New Jersey's working families.

One of the most successful and efficient federal housing programs ever created, LIHTCs provide the private market an incentive to invest in the creation or rehabilitation of quality affordable rental housing. Affordable housing enhances our neighborhoods' character and provides significant ongoing sources of income, taxes and jobs for the state and its municipalities. The LIHTC program, established by the Tax Reform Act of 1986, is considered the single largest source of funding for affordable housing in the United States.

The tax credit program is a public-private-partnership that brings together the federal government, the state allocating agency, which is the New Jersey Housing and Mortgage Finance Agency (NJHMFA), and the private sector. Since it began, the program has made possible the production of more than 2.5 million affordable apartments and creates approximately 95,000 new full-time jobs, adds \$7.1 billion in income to the economy and generates approximately \$2.8 billion in federal, state and local taxes each year, according to the National Association of Home Builders.

As the state's sole administrator of the program, NJHMFA awards two types of tax credits to developers:

9% LIHTC	4% LIHTC
Funds approximately 70% of construction costs	Funds approximately 30% of construction costs
Highly competitive	Non-competitive
Applications accepted once a year	Applications accepted on rolling basis
Taxable Bonds/Conventional Financing	Tax-exempt bonds

NJHMFA allocates over \$20 million in 9% credits annually, which generates approximately \$190 million in private equity for the development of affordable housing in the state. NJHMFA also allocates approximately \$15 million to \$20 million in 4% credits annually.

The 9% credits are awarded in three competitive cycles:

- Family (non-age restricted)
- Senior (over age 55)
- Supportive Housing (25% of units set aside for special needs)

Additionally, there is a Mixed Income reserve for projects in urban municipalities that include a mix of both market-rate and affordable units.

NJHMFA announced the most recent round of 9% awards in December 2021 with 20 developments receiving \$23.1 million in tax credits over 1500 affordable units across 11 counties.

CREDITS



Low Income Housing Tax Credits – Qualified Allocation Plan



All states allocate Low Income Housing Tax Credits (LIHTC) through procedures outlined in their Qualified Allocation Plan (QAP). In New Jersey, the QAP has been nationally recognized as a tool to guide development of affordable housing to higher opportunity areas and aid in deconcentrating poverty.

NATIONALLY RECOGNIZED

In 2013, NJHMFA made extensive changes to the QAP, resulting in a near total overhaul of the points and ranking system for 9% tax credit awards. In April 2015, the U.S. Department of Housing and Urban Development's (HUD) Office of Policy Development and Research published a report, "Effect of QAP Incentives on the Location of LIHTC Properties," recognizing those efforts.

The research team studied 21 QAPs between 2002 and 2010 to see if changes to the QAP had an effect on the siting of LIHTC properties in high or low poverty areas.

Several very positive changes were reported in New Jersey, which represented some of the most extensive changes in all states:

- New Jersey showed the greatest increase of all states in Share of Units Sited in Neighborhoods with less than 10% poverty;
- New Jersey showed the greatest decrease of all states in Share of Units Sited in Neighborhoods with greater than 30% poverty;
- New Jersey showed the greatest decrease of all states in Poverty Exposure of Tax Credit Units.

Another innovative policy change introduced in 2011 was to award points for integrating 5% or a minimum of five special needs units within traditional family and senior developments. Since 2011 over the vast majority of our projects have set aside hundreds of units across the state, which has more than doubled New Jersey's typical supportive housing production and tripled the available locations.

This small but meaningful change enabled NJHMFA to utilize the LIHTC program to subsidize the cost of stable permanent supportive housing, including consumer-centered support services, to improve quality of life by providing varied housing choices for those able to live independently in integrated communities, and to help reduce rates of high utilization of costly public systems and services. In 2022 NJHMFA expanded this to apply to 4% LIHTC, as well.

