

# The Crossings Renovation LIHTC – City Participation



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CITY OF APACHE JUNCTION

COUNCIL WORK SESSION – JANUARY 4, 2016

# Low Income Housing Tax Credit Program - Basics

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- Tax Reform Act of 1986, (IRC Section 42) aka “Section 42 Tax Credit Program” promote the development of affordable rental housing for low-income individuals and families
- Mostly rental developments, some rent to own projects
- National program, operated in each state by state housing agencies (ADOH)



## LIHTC Basics cont.

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- Dollar-for-dollar credit against the federal income tax liability of the owner (developer or investor) for 10 years
- Credits usually sold to investors who want to lower their federal tax liability
- “Value” of the credit can vary, sale of “credit” becomes cash/equity for developer

# State Requirements of “Local Government Contribution”

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- The procedures followed by ADOH in awarding credits are described in the current Qualified Allocation Plan (QAP)
- Application to ADOH costs developers approx. \$40-50,000, applications are scored on a point system
- QAP requires local governments to provide a “contribution of new funding toward the development budget”
- Developers need to know prior to spending \$40-50,000 on application whether local government will contribute

# State Requirements of “Local Government Contribution”

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- Contribution can be in the form of:
  - Cash;
  - Donation of city-owned land;
  - HOME or CDBG funds;
  - Loan;
  - Waiver of fees (development fees\* or permit fees)
- Contribution = 1% of construction costs

\*Development fees must be reimbursed to Gen Fund

# The Crossings and possible “Local Government Contribution”

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- Project Details: (see letter from Englewood Group)
  - Rehabilitation of 117 Units, including paint, roof repairs that allow future solar, landscaping/drainage improvements, replace perimeter wall, pool and playground upgrade, parking lot reseal
- Project benefits:
  - Short term construction jobs, sales tax (approx. \$90,000+\$12,000), improved and upgraded property, affordable housing extended to 2046, investment of \$5-6 Million in the property

# The Crossings - “Local Government Contribution” = \$58,500 - \$70,200



## ■ City Contribution Possibilities...

- Cash;
- ~~Donation of city-owned land~~; N/A
- ~~HOME or CDBG~~ funds; difficult for non-entitlement community since this would have to have been in our application last spring
- Loan;
- Waiver of fees (~~development fees~~ or permit fees) there won't be development fees since it is an existing development, permit fees are estimated at \$7,500 since many items on upgrade list don't require permits

# Apache Junction Villas LIHTC – City Participation



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# Apache Junction Villas and possible “Local Government Contribution”

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- Project Details: (see letter from Adams Const.)
  - 52 new housing units, 80 % seniors (42 units) and 20% family housing (10 units), SE corner of Tepee and Plaza
- Project benefits:
  - Short term construction jobs, sales tax (approx. \$107,500 + \$12,000), \$200,000 development fees, \$100,000 permit fees, investment of \$7 Million in the property, property tax base for County, Sch. Dist.

# AJ Villas - “Local Government Contribution” - \$60 - \$70,000

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## ■ City Contribution Possibilities...

- Cash;
- ~~Donation of city-owned land; N/A~~
- ~~HOME or CDBG funds; difficult for non-entitlement community since this would have to have been in our application last spring~~
- Loan;
- Waiver of fees (development fees or permit fees) development fees approx. \$200,000 and permit fees are estimated at \$100,000



# Discussion/Questions????

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- Key Point\* - Developers need to know prior to spending \$40-50,000 on application to ADOH whether local government will contribute
- The Crossings possible contribution: Loan and Permit Fees
- Apache Junction Villas possible contribution: Loan, Development Fees, Permit Fees