Basics of Low Income Housing Tax Credits
Case Study of Stoddard West Apartments
CREATE COMMUNITIES
Builds safe, affordable homes and communities designed to break the cycle of poverty

SERVE RESIDENTS
Offers innovative, targeted support services to almost 10,000 residents

MANAGE PROPERTIES
Manages a property portfolio that includes 3,200 homes spread across 76 communities

Opening doors, changing lives.
What are affordable housing tax credits?

Federal Low Income Housing Tax Credits (LIHTC) offer tax incentives for private investment in affordable housing.

Two most common types:
- 4% tax credits
- 9% tax credits
4% Tax Credits
Cover up to 30% of development costs
In greater supply than the 9% tax credits
Credits are becoming increasingly competitive
Projects typically require additional funding to complete

9% Tax Credits
Cover up to 70% of development costs
Credits are extremely competitive
Projects typically require less additional funding to complete
How Affordable Housing Projects are Typically Funded

- **FEDERAL TAX CREDITS**: 43%
- **STATE TAX CREDITS**: 19%
- **State Mental Health Services Act**: 6%
- **Private bank loans**: 9%
- **Federal HOME Funds**: 4%
- **Local funds**: 3%

*HCD's California's Housing Future: Challenges and Opportunities, Final Statewide Housing Assessment*
Why do tax credits matter?

Tax credits help to fund a majority of affordable housing projects in California.

Multiple funding sources, including tax credits, are almost always required to complete an affordable housing project.
The Basics

**Tax Credit = $1 for $1 reduction of taxes owed**

Examples include:

- Low Income Housing Tax Credit
- **New** Market Tax Credit
- Business Energy Tax Credit
- Earned Income Tax Credit
- Child Care Tax Credit
- Higher Education Tax Credit
Eligible Projects

Per sec. 42 (Federal), must meet basic criteria:

• Non-transient rental housing (includes SROs)
• Resident income < 60% AMI (80% if income averaging)
• New construction, substantial rehab, acquisition/rehab

For 9% credits TCAC (State) eligible projects:

• Large family
• Senior
• Special needs (includes SROs)
• At-risk
Ineligible Projects

- Owner-occupied buildings
- Employer-provided housing
- Nursing homes
- Retirement homes
- Lifecare facilities
- Hospitals
- Dormitories
- Mobile home parks
Area Median Income (AMI)

$10K  $30K  $48K  $60K  $110K

50% Median  80% Median  100% Median

*Graphic by California Housing Partnership
Setting Rents

- Rent ≤ 30% of income level (per unit) based on 1.5 persons per bedroom

- At least 10% below market rate rent for comparable units
  - For competitive funding sources: 20% or more below
Projects with Multiple Funding Sources Must:

- Meet the affordability requirement of each funding source
- Meet the most stringent requirement, if requirements overlap

Case Study: Stoddard West Apartments
Stoddard West Apartments
345 Gasser Drive
Napa, CA 94559
50 units at or below 30-60% AMI
Burbank Housing signed agreement with the Gasser Foundation in 2017.

Project was approved and funded within 2.5 years using 9% tax credits.
Noteworthy Aspects

12 FUNDING SOURCES

CDBG
9% tax credit allocation from TCAC
Gasser Foundation
City of Napa
County of Napa
Tipping Point
Napa Valley Community Foundation
Napa Valley Vintners
Louis and Evalyn Trincherno
Wells Fargo Bank
Century Housing Foundation
Wells Fargo Affordable Housing Community Development Corporation
Project Completed in 2.5 years

After signing the agreement with the Gasser Foundation in 2017, the project was funded, approved and completed by September 2019 - just 2.5 years later.