

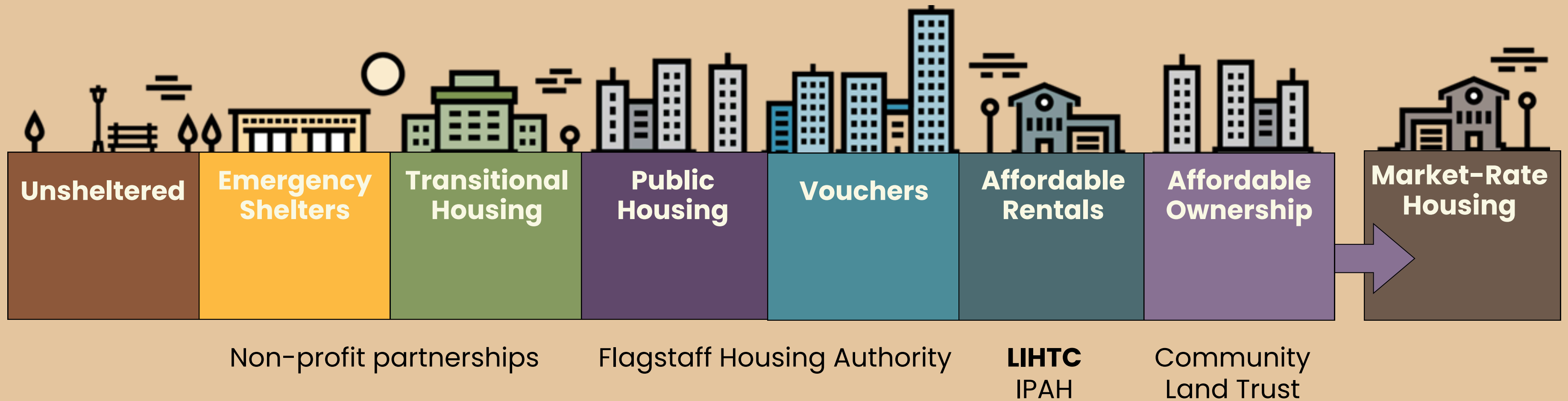
LOW-INCOME
HOUSING
TAX CREDIT
(LIHTC) 101

Sarah Darr – Housing Director



CITY OF
FLAGSTAFF

HOUSING CONTINUUM



ABOUT LIHTC

- Primary federal tool for affordable rental housing
- IRS program that uses tax credits as an incentive to attract (private or non-profit) development
- Targets low-income individuals and families
- Supports the construction of new housing units and rehabilitation of existing ones
- The commitment period of maintaining affordable rents is typically 15 years or more, Arizona requires a 30 year committment





HISTORY OF LIHTC

- Created in **1986** as part of the Tax Reform Act
- Response to declining federal funding for public housing
- Designed to shift affordable housing production to the private market

LIHTC INCOME LIMITS



2025 Area Median Income Limits for Flagstaff, AZ

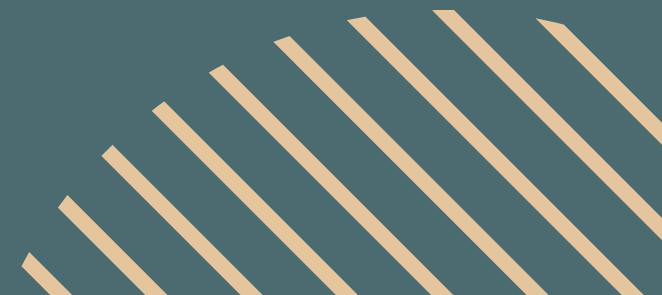
Federally Funded Programs

Do not use these income limits for Flagstaff Affordable Homeownership Programs

Household size	30% - Extremely Low Income	50% - Very Low Income	60% - LIHTC Max	80% - Low Income
1	\$22,950	\$38,200	\$45,840	\$61,100
2	\$26,200	\$43,650	\$52,380	\$69,800
3	\$29,500	\$49,100	\$58,920	\$78,550
4	\$32,750	\$54,550	\$65,460	\$87,250
5	\$37,650	\$58,900	\$70,680	\$94,250
6	\$43,150	\$63,250	\$75,900	\$101,250
7	\$48,650	\$67,650	\$81,180	\$108,200
8	\$54,150	\$72,000	\$86,400	\$115,200

To Qualify for LIHTC in AZ:

- 40% of the development must be reserved for families earning no more than 60% AMI
- 20% must be reserved for families earning no more than 50% AMI



HOW THE LIHTC PROGRAM WORKS



01.) Federal or state government allocates tax credits to state housing agencies

- *Determined by population*
- *\$3 per person - 2025*
- *\$3.416 per person - 2026*

02.) Developers apply for tax credits. Projects are selected based on how the development meets the state's housing needs.





03.) Developers sell credits to investors who can claim them on their federal or state income tax returns.

- *Investor sell tax credits for somewhere between \$0.85 to \$1.05 per \$1 of credit*

04.) The money raised allows developers to build and maintain housing with lower and more affordable rents.





TYPES OF TAX CREDITS



4%

- Allows a developer to claim about 4% of a project's qualified cost basis every year for 10 years.
- Usually covering 30-40% of the project's total construction or renovation costs.
- Considered/Awarded on a rolling basis
- Less competitive



9%

- Allows a developer to claim about 9% of a project's qualified cost basis every year for 10 years.
- Usually covering 60-70% of the project's total construction or renovation costs.
- Annual application process
- More competitive

LIHTC IN ARIZONA



Arizona Qualified Allocation Plan (QAP)

- Establishes priorities, scoring criteria, thresholds, and award limits for competitive 9% LIHTC applications.
 - 4% LIHTC applications are awarded on an ongoing basis, generally not scored in the same way as 9% applications.
- Currently updated every 2 years
- Deadline: April 1st or near April 1st

LIHTC IN ARIZONA



QAP Scoring & Priorities

- Projects are scored based on alignment with state housing priorities
 - Number of units
 - Community revitalization efforts
 - Targeted locations
 - Proximity to amenities
 - Rehabilitation of existing LIHTC units

Rural vs. Metro Allocations - 9%

- Arizona receives around \$22 M annually

2024-2025 Allocations

Rural: 3 Tax Credit Applications Awarded

Metro: 7 Tax Credit Applications Awarded

Rural: 13 Counties

Metro: Pima and Maricopa Counties

AZ STATE HOUSING TAX CREDIT



Created in 2021

- \$4 Million per year for 4 years
- Leveraged Federal LIHTC
- Sunsetting in 2025

Arizona is the first state to establish and then end a state housing tax credit

LOCAL IMPACT

Developments with Affordable LIHTC Restrictions (704):

- **Sierra on 66** – 221 Affordable Units
- **Pinehurst** – 83 Affordable Units
- **Cedar Crest** – 80 Affordable Units
- **Villas on Lake Mary** – 76 Affordable Units
- **Starpoint Flagstaff** – 68 Affordable Units
- **Flagstaff Senior Meadows** – 60 Affordable Units
- **Oakwood Village 3** – 56 Affordable Units
- **High Country Estates** – 44 Affordable Units
- **Sharon Manor 2** – 16 Affordable Units

Utilized Qualified Contract Process (402):

- **Sandstone Highlands** – 70 Affordable Units
- **Timber Trails** – 64 Affordable Units
- **Oakwood Village 1 and 2** – 144 Affordable Units
- **Village at Lake Mary Crossing** – 124 Affordable Units



1,106

affordable LIHTC units in Flagstaff supported by City funding or incentives

14

LIHTC developments the City has partnered with since 1996

VILLAS ON LAKE MARY



Opened: 2024

Affordable Units: 76 out of 76 (100% contribution)

Income Limit: 60% AMI

9% LIHTC Award 2021: \$2,000,000 (x10)

CoF Financial Support:

\$325,000 in IPAH Funds & \$397,000 in ARPA Funds

Zoning Code Incentives Used:

Density bonus, parking reduction, and landscape reduction





THANK YOU!

QUESTIONS?

