

FEEDBACK

Low Income Housing Tax Credit

A Winner in November *By Jack Casey, Meridian Investments, Inc.*

I am responding to Thom Amdur's column in the September 2012 issue of *Tax Credit Advisor* questioning the Romney-Ryan housing platform and Republican support for housing especially the Low Income Housing Tax Credit.

I'm a bipartisan supporter of those supporting our industry. I'm not good at selecting winners, so I always try to be with the winner by providing bipartisan support. This is a winning tradition in our industry.

The Low Income Housing Tax Credit is the most successful public-private partnership, producing over 2.6 million lower income housing units since the program's creation in 1986. Tax credit equity for these worthwhile properties comes from private sector institutional investors – U.S. corporations that invest for tax credits but also want to help people who need an affordable place to live (e.g., single moms, seniors, veterans).

The redirection of capital to affordable housing

through tax incentive creates net economic efficiencies because the housing credit marshals private sector capital more effectively. Because the program creates competition among developers for credit allocations and among corporations for access to investment opportunities, the design of the housing subsidy through a tax incentive is considerably more efficient than if it were provided through a direct spending program.

LIHTC is a pay-for-performance incentive. Investors are subject to recapture of housing credits unless the housing is built on time and serves eligible tenants at restricted rents for at least 15 years. The fact that the government pays only for successful projects helps ensure prudent planning and operations without "Solyndra" risks.

The Low Income Housing Tax credit was a program on trial until its success was validated with 86 co-sponsors in the Senate when the program was made permanent in 1993. Today I believe the program could obtain 90 Senate co-sponsors, based on its superb track record of successful housing production. I also believe that we have major support in the Republican House Majority, but don't think it's wise to take it for granted or make premature unfounded speculative predictions should Governor Romney win the Presidency.

As to the facts, Governor Romney served on the Board of Marriott Corporation, an investor in several LIHTC properties. Because this was not a "core activity" of Marriott, Board approval was required on all these investments. Director Romney supported LIHTC investment presented to the Marriott Board, and when he was elected Governor of Massachusetts continued his support of the LIHTC program.

Democrats have always favored more government and Republicans less government. The unique strength of the Housing Credit is that it fulfills both parties' objectives! It's estimated that building 100 multifamily units generates 122 local jobs during the first year of construction and 30 local jobs every year thereafter. We will have tax reform in the future, so our key challenge is to make sure we have "standing" to weigh in with structural changes to the LIHTC program that will allow our industry to do what we do best: CREATE JOBS AND BUILD AFFORDABLE HOUSING FOR THOSE WHO NEED IT! **TCA**

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