



On behalf of the 86 Housing Authorities of Tennessee; the over 207,000 low-income housing authority residents of Tennessee and the Tennessee Association of Housing and Redevelopment Authorities (TAHRA), please consider this policy statement in support of the Low Income Housing Tax Credit (LIHTC) program.

### **Low-Income Housing Tax Credits**

Historically, the Federal government funded the development of affordable housing for low-income families through federally subsidized capital grants to housing authorities to build new public housing. Since the Reagan administration, the Federal government has funded the development of new affordable housing primarily through the Low-Income Housing Tax Credit (LIHTC) program.

LIHTCs are Federal incentives. Rather than direct grants, they are income tax credits received by investor partners who pay housing developers up-front equity in order to benefit from the tax credits over a ten-year period. Whether a grant or a tax credit, these are Federal incentives for the development of affordable housing and affordable rents for low-income Tennessee residents are achievable because the equity generated by the tax credits lowers the amount of debt service necessary to finance the overall project development costs.

### **Tennessee's Affordable Housing in in Danger**

Currently, Tennessee is in the minority of states who have not passed legislation to protect the LIHTC program. In Tennessee, local property assessors can and do include the value of the Federal incentive, in this case tax credits, in the development's overall property tax assessment. TAHRA firmly believes including the value of the Federal incentive in the property's overall assessment is counterproductive to the mission of providing affordable housing to Tennessee's low-income residents. Additionally, TAHRA is concerned the practice of including the value of the Federal incentive in the development's overall property tax assessment will adversely affect other funding sources relied on by Tennessee's public housing authorities.

Due to the affordability and rent restriction requirements of the LIHTC program, owners of LIHTC properties have no ability to pass the additional property tax burden to their low-income residents. If the Tennessee General Assembly does not take legislative action, increased property taxes could ultimately result in deterioration, foreclosure, and potential loss of LIHTC developments, thus becoming a problem for the local community in which the development operates rather than a valuable asset.

### **There is a Solution to Protect Tennessee's Affordable Housing**

In 32 other states, most recently in Georgia, developments receiving tax credits are valued based on the actual rental income derived from the property. TAHRA urges the Tennessee General Assembly to pass similar legislation when the legislature reconvenes in January 2015.

**Developments utilizing the LIHTC program are currently paying property taxes and will continue to pay property taxes just like any other private citizen or entity. It is counterproductive to tax a Federal incentive that supports affordable housing and makes no more sense than taxing the value of incentives provided to businesses that relocate to or expand operations in Tennessee.**

The passage of legislation to protect the LIHTC program would produce predictability for public housing authorities, affordable housing developers, and local governments. The legislation should establish a uniform, standardized method for assessing property taxes on LIHTC developments that would apply statewide.

### **Preserving the LIHTC Program in Tennessee is Critical to TAHRA's Mission**

The LIHTC program is the most efficient and successful affordable housing tool currently available to Tennessee's 86 public housing authorities. It is the only Federal program that fosters public-private partnership in the development of affordable housing.

There is a shortage of affordable rental housing available to the low-income residents of Tennessee and TAHRA is not alone in its mission to protect LIHTC program, which serves the housing needs of the most venerable population of citizens in Tennessee. This is not a line of business for public housing authorities it is their mission. Supporters of the LIHTC program in Tennessee include a number of county and city mayors from across the state. In addition, the Tennessee Bankers Association, the Tennessee Apartment Association, and Tennessee Developers Council are all committed to protecting the future of the LIHTC program and the affordable housing it enables in Tennessee.