



# Arizona Affordable Housing Tax Credit

**PLEASE SUPPORT SB1327 / HB2562 TAX CREDIT; AFFORDABLE HOUSING (SEN. DAVID GOWAN) / (REP. REGINA COBB)**

The Arizona Affordable Housing Coalition, both non-profit and for-profit affordable housing owners, operators and builders in Arizona, urges the Legislature to support SB1327 / HB2562 introduced by Senator Gowan and Representative Cobb. SB1327 / HB2562 creates a state Low Income Housing Tax Credit (“Arizona LIHTC”) program.

**SB1327 / HB2562 is a reintroduction of HB2762 (Weninger) that passed the House 45-15 and Senate Appropriations 7-1 last year.**

## BACKGROUND

SB1327 / HB2562 models itself after the federal public-private program signed into law by President Ronald Reagan as part of his Tax Reform Act of 1986. Made permanent in 1993, federal LIHTC has since been sustained by both Democratic and Republican presidents as well as continued by President Donald Trump in his Tax Cuts and Jobs Act, 2017.

The federal LIHTC program has supported the construction or renovation of more than **45,000 properties and nearly 3 million housing units nationally**. Federal LIHTC has helped finance approximately **47,000 affordable housing units in Arizona since 1987**. As indicated in a study released by a national accounting firm, the foreclosure rate on these properties is less than 1 percent, making the program one of the most efficient and sound investments for both the public and private sector.

Already, **20 red and blue states have created state LIHTC programs** to ensure the construction of housing for those who would otherwise struggle to afford rent.

SB1327 / HB2562 would use the same stringent regulatory parameters as the federal LIHTC program. The federal program issues tax credits to state and territorial governments, which then use a competitive process to distribute the credits to for those building affordable projects. In Arizona, the Arizona Department of Housing manages this process through its Qualified Allocation Plan (QAP).

A state-level LIHTC program would create no additional layer of government. It is designed to be flexible so as to target the state’s housing shortages in specific communities in need, across both urban and rural areas, providing safe and affordable housing options for the working families, seniors, and military veterans.

### AFFORDABLE HOUSING INDUSTRY SUPPORTERS

- Arizona Multihousing Association
- Arizona Housing Coalition
- Affordable Equity Partners
- Butler Housing Company
- Chicanos Por La Causa
- Gorman & Company
- Hom, Inc
- Kay-Kay Realty
- La Frontera Arizona, Inc.
- Sugar Creek Capital
- Native American Connections
- UMOM New Day Centers

### COMMUNITY SUPPORTERS

- Arizona Association of Realtors
- Greater Phoenix Leadership Valley Partnership
- League of Arizona Cities and Towns
- Valley Leadership
- Vitalyst Health Foundation
- Arizona Community Foundation
- Arizona Leadingage
- Arizona Council of Human Service Providers

## KEY BILL PROVISIONS

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- Establishes the Arizona Low Income Housing Tax Credit to be allocated to qualifying Affordable Housing projects.
- Caps the annual allocation at \$8 million.
- Sunsets the program after six years.
- Establishes the Affordable Housing Tax Credit Review Committee.
- Allows the Department of Housing to allocate Arizona credits to both 9% federal LIHTC as well as 4% projects financed with tax exempt bonds.
- Includes tax-payer protections including claw-back provisions and compliance requirements to ensure state funds are used appropriately.
- No state credits can be claimed until an affordable housing development is built and filled with qualified applicants. The first credits will be issued in 2022, the first state credits will be claimed in either 2024 or 2025, depending on individual project development timelines.

### Arizona needs innovative solutions to fix housing affordability gap.

- Arizona can be a national model for fixing housing issues to prevent California-style housing crises.
- Arizona needs a private sector solution that leverages public funding.

### Housing demand outpaces supply in Arizona.

- 330+ moving into Maricopa County per day (120,000 new residents per year).
- 236k rental units needed in Arizona by 2030.
- 150k rental units needed in Phoenix-metro by 2030.
- 3,000 “Affordable” housing units needed per year by 2030; 4,500 units of “Workforce” housing needed.

### What can an Arizona Affordable Housing tax credit do for the state of Arizona?

- A state program would provide critical funding for Affordable Housing projects using the same regulatory parameters at the federal program.
- Twenty other states, as well as the District of Columbia, have already established their own state LIHTC programs. Both red and blue states have adopted a state LIHTC program, including Arkansas, California, Colorado, Connecticut, D.C., Georgia, Hawaii, Illinois, Maine, Massachusetts, Missouri, Nebraska, Nevada, New Mexico, New York, Oklahoma, Oregon, South Carolina, Utah, Vermont, Wisconsin.

### The Colorado/Georgia Affordable Housing Tax Credit Programs

In 2015, the state of Colorado adopted a state LIHTC program. Initially the state allocated \$5 million in state LIHTC for qualified Affordable Housing projects. However last year, after realizing the success of the program the state increased the amount of state LIHTC allocated annually from \$5 million to \$10 million.

#### Since 2015, the state LIHTC program in Colorado:

- Directly supported the development of 6,140 affordable rental units;
- Leveraged \$719 million in new private-sector investment to support affordable housing in Colorado;
- Supported new affordable housing for the state’s low and moderate-income workforce, seniors, homeless and special needs communities; and
- Is estimated to generate \$2.6 billion in economic impact.

#### In two years alone in Georgia:

- 25,007 units of affordable housing were built using state affordable housing tax credits.
- Generated \$4.47 billion in economic impact for the state.
- According to an accountability study in Georgia, the “quality of life us being improved for many of Georgia’s more vulnerable residents and thousands of jobs are being created.”