

The Journey of a Low Income Housing Tax Credit Project



Understanding the LIHTC Program

First, you need to familiarize yourself with the LIHTC program guidelines and regulations. This involves studying the [Internal Revenue Code Section 42](#), the associated Treasury regulations, and any specific requirements set by the state housing agency overseeing the program in your state.

STEP
1



Project Concept and Proposal

Once you have a project concept in mind, you will prepare a detailed proposal outlining the development plan. This includes the location, design, financing structure, and the expected number of affordable housing units. Your proposal should address how the project meets the program's affordability criteria and community needs.

STEP
2



Collaboration with State Housing Agency

You would submit your proposal to the state housing agency responsible for allocating LIHTCs. The agency typically reviews and scores the proposals based on specific evaluation criteria, such as affordability, project feasibility, and community impact.

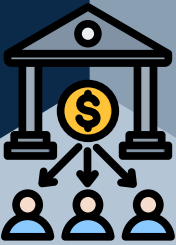
STEP
3



Determining the Tax Credit Amount

The value of the tax credits is calculated based on the eligible basis of the project. This typically includes development costs such as acquisition, construction, rehabilitation, and certain soft costs. The credit amount is a percentage (usually ranging from 9% to 4%) of the eligible basis, spread over a ten-year period.

STEP
4



Allocation of Tax Credits

If your proposal is selected, you are awarded a specific amount of tax credits. The state housing agency determines this credit amount based on various factors, including project feasibility, funding availability, and the demand for affordable housing in the area.

STEP
5



Equity Investors and Financing

To utilize the tax credits, you may seek equity investors who are willing to invest in your project in exchange for the credits. These investors are typically corporations or financial institutions seeking to reduce their federal tax liability.

STEP
6



Syndication Process

Generally, equity investors provide the necessary capital to fund the development. This is often done through a syndication process, where a syndicator or syndication firm pools investments from multiple investors and channels the funds into the LIHTC project.

STEP
7



Compliance Period and Rental Rates

During the compliance period, which is typically 30 years, you must comply with the program's rules and regulations. This includes ensuring that a certain percentage of units are rented to low-income tenants at affordable rates based on income thresholds.

STEP
8



Property Management

Once the project is developed and occupied, you would work with a property management company to handle the day-to-day operations of the affordable housing units. The property management company ensures that tenant qualifications, rent calculations, and ongoing compliance requirements are met.

STEP
9

