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HBA HOME BUILDERS ASSOCIATION of METRO DENVER®

URBAN LAND CONSERVANCY

The Metro Area Impact of Low Income Housing Tax Credit Development Along Transit Corridors in Metro Denver, Colorado

A 2010 study by the Housing Policy Department of the National Association of Home Builders (NAHB) looked at the economic impact of building apartments using Low Income Housing Tax Credits (LIHTCs) in a 10-county metropolitan statistical area (MSA). The study looked at the economic impact of building 615 new apartments along transit corridors using 9% LIHTCs. Nine percent LIHTCs are a particular type of LIHTC is which 70% of the development costs are subsidized, used primarily for new construction and typically serve a higher income level than Section 8 or public housing. The ten counties in the MSA include Denver, Adams, Arapahoe, Jefferson, Douglas, Broomfield, Elbert, Park, Clear Creek and Gilpin.

The Low Income Housing Tax Credit (LIHTC) program was created by Congress in 1986 as part of the federal Tax Reform Act. The program encourages private sector investment into affordable housing construction and rehabilitation. In return for the equity received through the sale of the housing tax credits, developers agree to income and rent restrictions on the units being constructed or preserved, with the units targeted to residents who earn 60% of the Area Median Income (AMI) or less. The investor receives a dollar-for-dollar credit against federal income tax liability, taken over a ten-year period. All states have passed laws that require LIHTC units to remain affordable for 30 or more years.

In Colorado, the Colorado Housing and Finance Authority (CHFA) is the state allocating agency for the LIHTC program. CHFA receives an allocation of annual credit based on a per capita formula ($2.10 x state population). CHFA awards the housing tax credits, on a competitive basis, to developers of multifamily affordable rental housing. For-profit developers built 57% of the new construction 9% LIHTC apartments in Metro Denver between 2004 and 2009. The total LIHTC allocation in Colorado for 2009 was $11.9 million. Nearly 15,000 LIHTC 9% apartments have been created in Colorado to date.[1]

According to the 2010 NAHB study, the one-year estimated impact of building 615 new LIHTC 9% apartments includes:

- $57.6 million in local income
- $5.0 million in taxes and other revenue for local governments
- 732 local jobs

These are the local impacts, representing income and jobs for residents of the Denver MSA, taxes, and other sources of revenue, including permit fees for all local jurisdictions within the metro area. These impacts also include both the direct and indirect impact of the construction activity itself, and the impact of local residents who earn money from the construction activity, spending part of it within the local area.

This same study looked at the annually recurring local impacts. The impacts include:

- $16.7 million in local income
- $2.3 million in taxes and other revenue for local governments
- 192 local jobs

[1] Source: HUDUSER LIHTC Database, 2010, http://www.huduser.org/portal/datasets/lihtc.html and The National Housing Trust, “Colorado LIHTC Report, 2009.”

These are ongoing, local impacts that result from the new LIHTC apartments being occupied and the residents paying taxes and otherwise participating in the local economy year after year. It also includes the effect of increased property taxes.

The residents who live in multifamily developments financed with housing tax credits earn 60% AMI or less, which equates in 2010 to $45,540 for a family of four in the Denver Metro area. This includes families with essential workers such as teachers, law enforcement, and critical service industry positions. Income limits are calculated by the Department of Housing and Urban Development (HUD) through the average of the American Communities Survey across the three most recent surveys, in this case 2006-2008.

Based on Enterprise Community Partners' 2007 TOD study, demand for housing within ½ mile of a light rail station will grow from 45,000 households to 155,000 households in 2030, a 344% increase. Forty percent of this growth is projected to come from households earning at or below 80% AMI, or $60,700 for a family of four in 2010. This translates to increased demand for at least 44,000 affordable homes near transit and an average potential demand for more than 700 additional affordable homes in each station area by 2030.[2]

The Home Builders Association of Metro Denver (HBA) represents businesses involved in the residential development, construction and remodeling industry in the eight-county Denver metro region. Members of the HBA include home builders, land developers and remodelors, as well as their many professional and trade partners. The mission of the HBA is to improve their members' ability to responsibly meet the housing needs of our community for a better quality of life. As part of that mission the HBA encourages awareness among elected officials and others that home builders are key to public/private/nonprofit partnerships in affordable housing. More information about the HBA is available at www.hbadenver.com.

The Urban Land Conservancy (ULC), a nonprofit organization established in 2003, uses real estate as a tool to benefit urban communities. ULC's mission is to acquire, develop, and preserve community assets in urban areas for a variety of community needs such as affordable housing, schools, and office space for nonprofits. ULC uses a wide range of financial resources, including a revolving Transit-Oriented Development loan fund, permanent bond financing, Low Income Housing Tax Credit equity, grants from public and private partners, and charitable real-estate donations. More information on ULC is available at www.urbanlandc.org.

We would also like to thank an important partner in this effort, Colorado Housing and Finance Authority (CHFA). CHFA was essential to acquiring the underlying data for this study. CHFA's mission is to increase the availability of affordable, decent, and accessible housing for lower income Coloradans and strengthen the state's economy by providing financial assistance to businesses. For more information about CHFA visit www.chfainfo.com.

For a copy of the full NAHB study, please contact Josh Burdick, Urban Land Conservancy, 303-454-5369, or Kim Calomino, Home Builders Association of Metro Denver, 303-551-6733.

[2] Source: Enterprise Community Partners, "The Case for Mixed-Income Transit-Oriented Development in the Denver Region," March 2007.