

TESTIMONY BEFORE THE HOUSING COMMITTEE

February 17, 2015
Hazim Taib, Vice President
Connecticut Housing Finance Authority

Good afternoon Senator Winfield, Representative Butler and members of the Housing Committee, I am Hazim Taib, Vice President of Finance at the Connecticut Housing Finance Authority (CHFA). I am here to speak on behalf of CHFA and provide my comments on legislation before the Housing Committee. In 1969, the Connecticut Housing Finance Authority was created by legislation for the purpose of helping to alleviate the shortage of affordable housing for low- and moderate-income families and persons in Connecticut. CHFA is a self-sustaining, quasi-public organization, which uses its resources to provide below-market interest rate mortgages for single-family ownership and multifamily rental properties. Tax-exempt bonds are the primary source of mortgage capital for CHFA's housing programs. Since its founding, CHFA has provided mortgage financing for more than 130,000 first time homebuyers, and has financed the development of more than 40,000 affordable rental homes.

CHFA Does Not Support Proposed House Bill 6640 – AN ACT CONCERNING ALLOCATIONS OF LOW INCOME HOUSING TAX CREDITS.

Proposed House Bill No. 6640 would require CHFA to allocate Federal Low Income Housing Tax Credits (LIHTCs) into two separate housing categories. Seventy-five percent of the LIHTCs would be allocated for projects located in "higher opportunity areas" with the remaining 25% of LIHTCs allocated for catalytic projects in "moderate or lower opportunity areas." The proposed legislation goes on to state that credits not utilized for either category due to an insufficient number of qualified proposals, remain available for future proposals.

CHFA administers the LIHTC program for housing development in the State of Connecticut as do other housing finance agencies across the country. The LIHTC program is contained within Section 42 of the Internal Revenue Code (26 U.S.C. Section 42) as a tax incentive program to stimulate private investments in affordable housing. Based on Connecticut's population size, the state receives approximately \$8 million annually in 9% LIHTCs to allocate to development projects. These credits translate to approximately \$70 million in equity available for projects. The LIHTC program provides investment incentives for developers to acquire, rehabilitate and/or to build low-income housing through the allocation of federal tax credits that may be sold to corporations or investor groups to raise equity for a project. In exchange for these tax credits, developers and owners are required to provide and maintain affordable rental units in their housing development.

Projects seeking tax credits must submit an application to CHFA. LIHTC application rounds are typically held each year in the fall. A notice of the round is sent out via email blast and a press release is listed on the CHFA website main page. The LIHTCs are awarded annually through a competitive process and are oversubscribed. Projects are awarded tax credits based on the project's compliance with a Qualified Allocation Plan (QAP), which supports the state's housing priorities as defined in written and adopted state plans such as the State of Connecticut Consolidation Plan for Housing and Community Development (ConPlan) and Connecticut's Conservation and Development (C&D) Plan. The development and utilization of the QAP is required by the LIHTC program for the allocation of tax credits. The QAP promotes an expansion of low-to-moderate income rental housing in the state by establishing the guidelines and procedures for the acceptance, scoring and competitive ranking of LIHTC applications and the administration of the program. In addition, the Internal

Revenue Code requires that the QAP: (1) Set forth the selection criteria used to determine housing priorities; (2) Give preference to projects that (a) serve the lowest income tenants, (b) serve qualified tenants for the longest period of time, and (c) are located in qualified census tracts (QCTs)¹ and; (3) Provide a procedure for monitoring for program non-compliance.

The QAP is reviewed and published annually for public comment and public hearings are held in order to gather stakeholder's opinion on the effectiveness of the QAP. The public is welcome to comment directly to the CHFA Board of Directors prior to the adoption of the QAP. Additionally, CHFA receives feedback and recommendations to the QAP from the Interagency Council on Affordable Housing, who is made up of affordable housing advocates and stakeholders. Once the CHFA Board has approved the final document based on this feedback, the QAP is then forwarded to the Governor for signature.

The QAP does not establish state housing policy but is an important tool to support and implement housing policy. The Connecticut QAP is relevant to the current housing needs of the state and consistent with the housing priorities outlined in the current State of Connecticut ConPlan and the current Annual Action Plan, as required by the National Affordable Housing Act of 1990. The QAP is consistent with the State of Connecticut's current C&D Plan which includes land use policies for the development of housing throughout the state.

The QAP's structure awards points for affordable housing applications that provide opportunities throughout the entire state for family or elderly housing, and may include public housing projects and supportive housing. Between 2009 and 2013, roughly half of the projects awarded 9% LIHTCs were awarded in Connecticut's five largest cities: Bridgeport, New Haven, Hartford, Stamford, and Waterbury resulting in 1,057 housing units, while the remaining projects receiving credits, resulting in 1,305 housing units in the balance of the state. The QAP flexibility allows the LIHTC to support housing policies and meet the current affordable housing needs in any community in the state. It should be noted that since the creation of the Department of Housing (DOH), the state has provided substantial financing through the DOH CHAMP program for the development of affordable housing in both cities and suburbs.

CHFA does not support any legislation that would statutorily allocate Federal Low Income Housing Tax Credits. Such legislation would materially alter how credits are allocated. The current QAP process allows for public comment and stakeholder feedback which informs the drafting of the QAP on an annual basis. In addition, "higher opportunity areas" are not clearly defined and often can vary based on the demographics of each individual housing project. Of significant concern in the proposed legislation is the requirement to hold credits not allocated in either category. When LIHTCs are not fully allocated, the U.S. Treasury recaptures tax credits and redistributes them to other states.

Thank you for your time in listening to my testimony. I am happy to answer any questions you may have at this time.

¹ "Qualified Census Tract" means any census tract, which is designated by the Secretary of Housing and Urban Development in which 50 percent or more of the households have an income which is less than 60 percent of the area median gross income for such year or which has a poverty rate of at least 25 percent.