Georgia Affordable
Housing Coalition

To: Members of the Joint Tax Credit Review Panel

From: Georgia Affordable Housing Coalition

Date: 8 November 2023

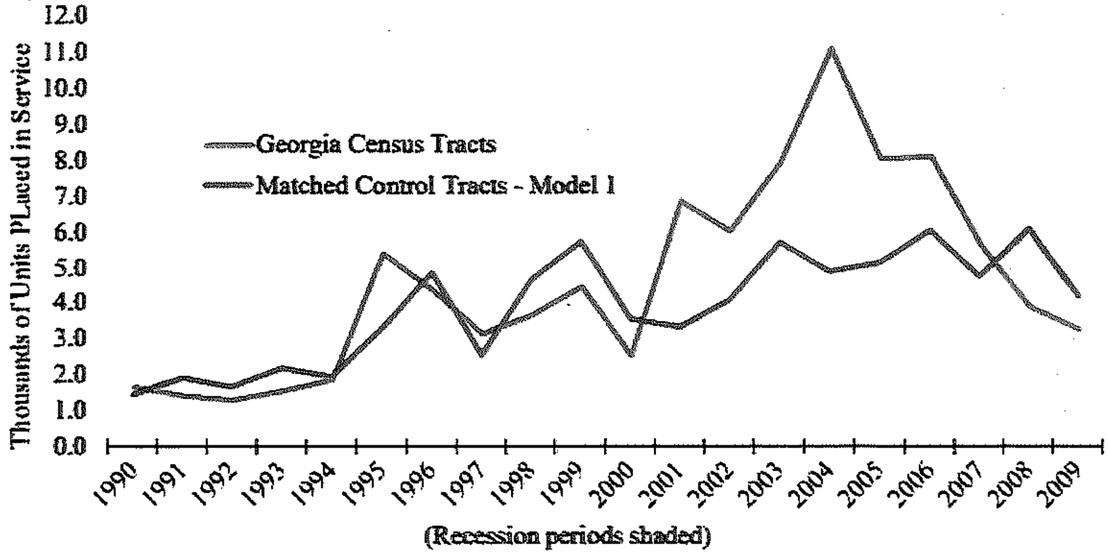
Thank you for your attention to the Georgia Housing Tax Credit ("Housing Credit") program. Below is a summary of the program and material concerns the Georgia Affordable Housing Coalition (155 member firms) has regarding testimony received on the program to date.

- The Georgia Housing Tax Credit ("Housing Credit") induces equity investments that fund the production of affordable housing in Georgia **But for the Housing Credit, significantly fewer affordable housing units would have been created under the 9% credit program and substantially none of the existing affordable units created under the 4% credit program awarded in the last 20 years could have been produced.** The existence of the Housing Credit is not just helpful, but strictly necessary for the creation of every development awarded Housing Credits by the Department of Community Affairs.
- The Housing Credit program draws private equity investment dollars that fund construction. **If the Housing Credit were to be removed, the equity dollars would need to be replaced with another source in order for the construction costs to be paid.** The Study does not suggest any viable alternative funding source if the Housing Credit went away, though it does list some hypothetical, if unavailable, ideas in the conclusion. If the solution was for LIHTC developments to substitute limited federal tax credits for the Housing Credit, then other developments that require this limited resource would not be able to be produced. The result would be critically reduced 9% credit production, and virtually no 4% credit production developments. In the case of 4% developments, removing the Housing Credit equity would require a substitution of greater debt. If 4% developments substituted debt for Housing Credit equity, rents would have to be raised to repay that debt, and the resulting rents would exceed federal tax credit requirements, rendering the development financial plan moot.
- During the June meeting of the Joint Tax Credit Review Panel, Dr. Robert Buschmann, Interim Director of the Public Finance Research Cluster, estimated that

only about one quarter of Georgia affordable housing developments were attributable to the Housing Credit. This statement was based on the June 2022 Georgia State Fiscal Research Center study, headed by Dr. Buschmann, titled "Tax Incentive Evaluation: Georgia Low-Income Housing Tax Credit" (the "Study").

a. The Study claims that many of the projects would likely have occurred even in the absence of the Housing Credit, and only about 21 percent of the studied units placed in service could be attributed to the presence of the Housing Credit. **This claim is based on a comparison of unit production in Georgia and similar national census tracts over a period of 2000-2009 (14-23 years ago), a period which is both flawed in its application and not relevant to the current Housing Credit program.**
b. The study period application is flawed in the following material respects:
    i. **The dated period used in the study is not relevant to the current Housing Credit equity market.** At the start of the study period (year 2000), there was no state tax credit equity market. This was an entirely new program that did not come into existence until well into the legislative session. Further, the Housing Credit market was still developing when it greatly contracted during the global financial crisis beginning in 2007. **Today's market is well-developed and robust, providing 2-3 times more equity than was provided during the study period.**
    ii. The period used ignored the time it takes to apply for, negotiate and construct a Housing Credit development. The Housing Credit was enacted in 2000 and applied to all projects placed in service after Jan. 1, 2001. However, applications for funding, closing negotiations and construction periods usually occur over 2-4 years prior to placement in service. **Projects placed in service early in the Study period could not have relied on the existence of the yet-to-be-enacted Housing Credit. Yet, the Study starts measuring the comparison in the year 2000.**
    iii. A look at the Study's own figure 12 for the years 2002-2007 shows the impact of the Housing Credit, even before a competitive equity market was developed:

Figure 12. Low-Income Units Placed in Service, Georgia vs. Model 1 Control Group



iv. **The Study details multiple economic data points yet does not discuss the rent savings realized by Georgians, which is the purpose of the program.** Third-party market studies routinely confirm rent savings in the hundreds of dollars per month for Housing Credit apartment residents vs. market-rate apartments.

- **A responsible examination of the Housing Credit program could be constructed as follows:**
  a. **Recast Figure 12 using Placed In-Service data from the most recent decade; and**
  b. **Examine any number of sample Housing Credit projects to see if they would be feasible as structured in terms of number of units and rents achieved absent the Housing Credit equity.**

The Georgia Affordable Housing Coalition is confident that if both measures are followed, the Joint Tax Credit Review Committee will conclude that but for the Housing Credit program, the overwhelming majority of affordable housing units would not have been produced. If Figure 12 cannot be recast in a timely matter, we ask the committee to examine any number of recently completed 4% and 9% Housing Credit developments to determine if any of those developments could have been constructed as currently structured without the Housing Credit equity.