

The Economic Impact of the Low Income Housing Tax Credit Program in Virginia

The LIHTC Program in Virginia has had over \$15 billion in economic impact since 1996.



Introduction

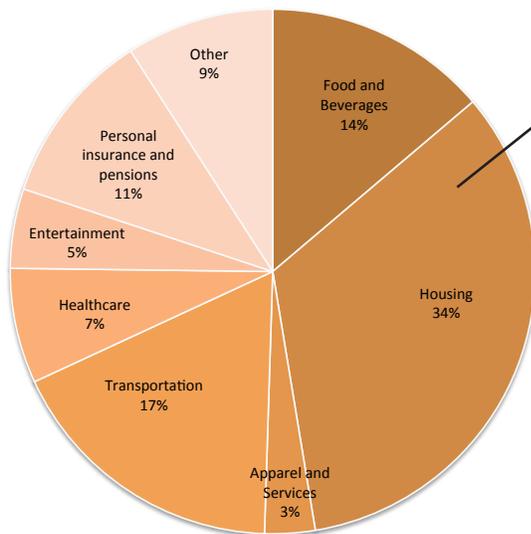
The economic impact of housing development is not well understood or appreciated. The reality is that new housing construction and renovation are job creators and generate significant economic benefits for our communities. Housing Virginia has been studying this connection and gathering data on the economic impact of housing. In partnership with the Virginia Center for Housing Research at Virginia Tech University, Housing Virginia recently released Economic Impact Calculators for both residential new construction and residential renovation. These calculators produce a more accurate estimate of the economic impact of housing production and renovation. Housing Virginia has also used these calculators to evaluate the economic impact of the Low Income Housing Tax Credit in Virginia from 1996 to 2014. The results are significant!

The Low Income Housing Tax Credit (LIHTC)- What is it and how does it work?

The federal Low Income Housing Tax Credit Program provides the market with an incentive to invest in affordable rental housing. Federal housing tax credits are awarded to developers of qualified projects. Developers can then attract investors to their projects and connect the credits to equity. This reduces the debt that the developer would otherwise have to borrow. Because the debt is lower, a tax credit property can in turn offer lower, more affordable rents.

In Virginia, the LIHTC program is administered by the Virginia Housing Development Authority (VHDA). The LIHTC program has provided nearly 100,000 low to moderate income working families and seniors in Virginia with affordable rental housing. It is the largest rental housing production program in the nation. Since its creation by the Tax Reform Act of 1956, the housing credit has leveraged more than \$100 billion in private investment and created 266 million affordable rental homes.

An Average Family's Budget

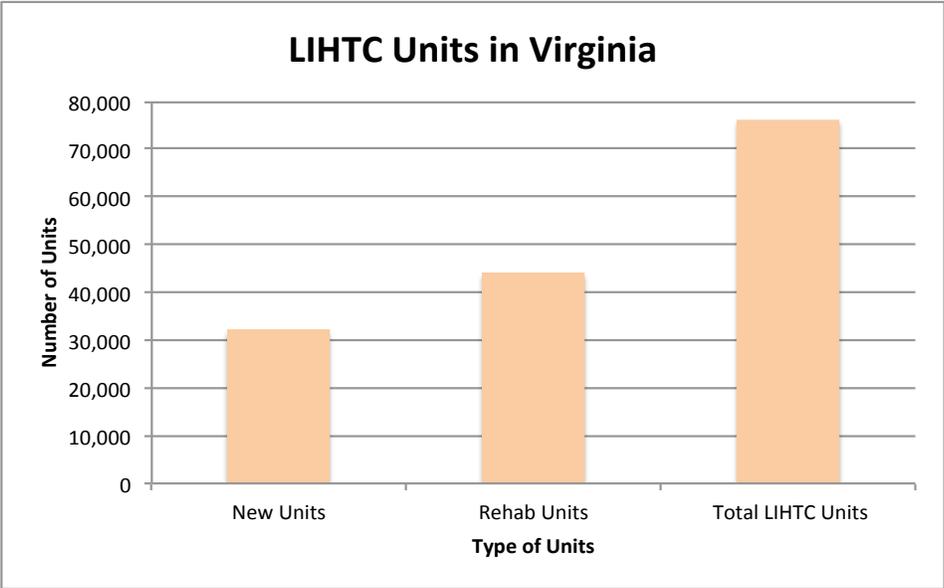


Housing is the largest portion of an average family budget.
Source: Bureau of Labor Statistics



LIHTC Units in Virginia

From 1996 to 2014, the Low Income Housing Tax Credit Program supported a total of 76,108 units. Of those units, 43,999 are acquisition rehab, and 32,109 are new construction. The total development cost of these units, adjusted for inflation, is over \$14 billion.



Jobs

The Low Income Housing Tax Credit Program has resulted in significant short term and long term job creation. During the construction phase (short term), the LIHTC Program has created 239,508 jobs in Virginia. They include positions such as painters, carpenters, plumbers, and electricians as well as architects, engineers, market analysts, and the like.

In the long term, the LIHTC program supports 8,903 jobs each year. This includes positions such as property managers, grounds crew, and maintenance staff at LIHTC properties, as well as workers at companies where these properties purchase supplies and equipment.

The chart below shows the number of LIHTC units in each Congressional District in Virginia, and the number of jobs supported by the LIHTC program in each year.

Congressional District	LIHTC Units	Long Term Jobs Supported
1	6,591	867
2	5,265	865
3	20,707	1,915
4	6,996	259
5	3,313	278
6	5,781	296
7	4,107	437
8	9,550	2,006
9	4,118	122
10	4,876	538
11	4,804	975
Total	76,108	8,558



Estimated Local Economic Growth

When dollars are spent to build or rehabilitate housing, those dollars ripple throughout the local economy. The “multiplier effect” meaning every dollar can move through the local economy more than once. The first impacts occur during construction. It includes jobs created during construction as well as total construction spending on the project itself. In addition to the direct economic impact of housing construction, there are two types of ripple effects: indirect and induced. Indirect impacts are the jobs and spending created from businesses that are suppliers during construction operations. This includes businesses that provide building materials as well as businesses that provide services, such as architectural firms. The induced impacts occur as workers involved in the construction project spend their income in the region. For example, workers spend their money at restaurants and retail stores which creates new jobs at the consumer related businesses.

Economic growth includes total increases in employee compensation, taxes on production and imports, and return on investments in all industry sectors.

In the short term, the LIHTC program has generated over \$15 billion. This is economic growth that occurs during the construction of a LIHTC project.

After construction is complete and the housing is occupied, economic impact continues. Once the housing units are rented, rental payments contribute to economic activity. Residents also spend disposable income on items such as food, clothing, transportation, and health care. In the long term, the LIHTC program generates an estimated \$962 million in economic impact each year.

Estimated Gross Fiscal Revenues

Fiscal revenues are gross revenues collected by state and local government. In the short term, or during project development, the LIHTC program has generated over \$329 million in gross fiscal revenues. This is revenue from fees collected before the development is completed. It includes permitting fees, recording fees, utility fees, etc.

In the long term, it generates over \$310 million every year in gross fiscal revenues. Long term fiscal revenues come primarily from real estate taxes.

\$310 Million Every Year in Gross Fiscal Revenues to Local Governments

How To Use the Calculator

Below is an example of how to use the Economi Impact Calculator for a specific project. Simply enter proposed location for the project, the type of building, number of units, average square feet per unit, and estimated construction cost.

As you can see in the example below, the calculator will generate data on job creation, gross fiscal revenues, and local economic growth specific to your project. The calculator can be found on the Housing Virginia website at www.housingvirginia.org.

Enter the following data for a proposed development:

County/Independent City where home(s) are proposed to be built:

Type of building*:

Total number of units: unit(s)

Average square feet per unit: sq.ft.

Anticipated Construction Cost: If you would like to use your own construction cost estimate, enter it here. Only include new construction cost (this figure should not include land value, permitting costs, etc.; leave blank if unknown):

Estimated Construction Cost**:

Economic Impact***			
Short Term		Long Term	
Estimated Job Creation:	141.51	Estimated Jobs Supported:	13.15
Estimated Gross Fiscal Revenues:	\$241,915.39	Estimated Gross Fiscal Revenues†:	\$138,079.30
Estimated Local Economic Growth:	\$8,226,750.00	Estimated Local Economic Growth:	\$1,152,009.22

The Low Income Housing Tax Credit is a proven and efficient means of creating affordable housing in Virginia. The “pay for performance” model has been a critical component of the Housing Credit’s success. Housing credit properties have an extraordinarily low foreclosure rate of only 0.62 percent over the history of the program. Moreover, the risks are borne entirely by private sector participants, not taxpayers. The Low Income Housing Tax Credit enables development activity that offers a solution to our nation’s housing challenges and promotes job creation and retention in communities throughout the state.



Contact Housing Virginia
www.housingvirginia.org • admin@housingvirginia.org
 205 N. Robinson St. • Richmond, VA 23220