

Affordability of a Low-Income Housing Tax Credit Property vs. Equivalent Market Rate

LIHTC Units	36
Market Rate Units	0
Basis Per Unit	75,000

This example is greatly simplified and in some cases leaves out important concepts.

	LIHTC	Market	notes
1 Eligible Basis	2,700,000	n/a	depreciable items
2 Ineligible Costs	200,000	n/a	other expenses
3 Land	300,000	n/a	
4 Total Costs	3,200,000	3,200,000	sum of lines 1 - 3
5 Applicable Frac.	100%	n/a	percent of low-income units
6 Qualified Basis	2,700,000	n/a	line 1 x line 5
7 LIHTC Rate	7.95%	n/a	changes monthly
8 Annual Credit	214,650	n/a	line 6 x line 7
9 Total Credit	2,146,500	n/a	line 8 x 10 year credit period
10 Amt. to Investor	2,146,285	n/a	99.99% of line 9
11 Equity Price	\$0.85	n/a	investment per \$1 of credit
12 Investment	1,824,343	300,000	for LIHTC, line 10 x line 11
13 Other Sources	1,375,657	2,900,000	amount borrowed from bank
14 Interest Rate	7%	7%	
15 Term (years)	20	20	
16 Debt Service Pmt.	129,852	273,739	annual payment for project
17 Per Unit/Month	301	634	line 16 / # of units / 12 months
18 Operating	200	200	cost to operate per unit/month
19 Utilities	80	80	gas, water, electric
20 Equity Return	n/a	120	repayment to investor
21 Housing Cost	581	1,034	sum of lines 17 - 20
22 Affordable To	\$23,223	\$41,346	line 21 is 30% of this income

Alternate Scenario: additional lenders

23 Subsidized Loans	800,000		reduces amount in line 13
24 Interest Rate	1%		
25 Term (years)	30		
26 Debt Service Pmt.	30,998		
27 Per Unit/Month	72		line 26 / # of units / 12 months
28 Bank Loan Pmt.	54,338		reduced from line 16
29 Per Unit/Month	126		reduced from line 17
30 Housing Cost	478		sum of lines 18, 19, 27 & 29
31 Affordable To	\$19,102		line 29 is 30% of this income