We need a state Low-Income Housing Tax Credit program in Arizona

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The costs associated with building an apartment complex – land acquisition, design and engineering, construction – remain substantially the same whether the rent to be charged is below or above the average for a community.

Bankrolling an affordable housing project that is going to cost almost the same as a market-rate complex but will bring in significantly less profit – or, for that matter, no profit – just doesn't make financial sense.

That's why developers need incentives to move affordable housing projects forward, especially when those projects are needed in densely populated, urban areas that are close to jobs, transportation, healthcare facilities and entertainment.

Since the Reagan administration, the federal government has helped build or renovate almost 3 million affordable housing units by offering tax credits for low-income housing. This tax credit program allows for-profit and non-profit developers to offset costs of planning and construction so that they can actually make financial gains.

These tax credits help developers leverage other soft funding sources, raise donations, and cover the cost of operating expenses, like property management. Plus, when the tax credit compliance period ends, after 15 years, the developer has the option to either re-syndicate the project, or assume ownership of the complex through a conventional refinance, with either option extending the affordability of the project.

Tax credits are complicated in operation but are a simple concept. Here's how they work:

- The government allocates a certain amount of tax credits each year. An affordable housing developer makes a case to have some of the credits applied to their project.

- If selected to receive the credits by the state agency that oversees the program, the developer can then sell the tax credits to investors in exchange for equity in the project.

- Using the tax credits, the investors reduce the amount they owe the government in taxes. Investors in the project also benefit from other tax advantages, like the ability of rental property owners to deduct property depreciation and any operating losses.

The federal government's low-income housing tax credit program has been incredibly successful over the past few decades. **But it's not enough to address the need we have for affordable housing in Arizona.**

By adding a state-level tax credit that mirrors and supplements the federal program, and is administered through the same Arizona agency, we can move rapidly to address the affordable housing needs of our communities. Twenty-one states, including Arkansas, Connecticut, Massachusetts, Missouri, Nebraska and Oklahoma, and most recently Pennsylvania, have already implemented their own low-income housing tax credit programs. Arizona should join them.

Although low-income housing tax credits are undoubtedly an expensive proposition for the government, the economic benefits from building apartments and housing more people in properties that don't excessively burden their household budgets far outweigh the upfront costs.

A proposal like the bipartisan one put forth in the Arizona Legislature last year, HB 2732, would cost about $576 million over 15 years. But it would generate well over $6 billion – yes, with a b – in economic activity in the state over the next few decades as the tax credit program plays out, according to an analysis by Elliott D. Pollack & Co.

Colorado's low-income housing tax credit program, launched in 2015, has been so successful that the Legislature decided this past spring to double the annual amount they contribute to the fund. Georgia went all in on their state tax credit program, funding the construction of more than 25,000 affordable units in two years and generating nearly $4.5 billion in economic impact in the state.

State-level low-income housing tax credits are a rising tide. They lift all boats. They create opportunities for developers, both for-profit and non-profit, that would not otherwise exist; they buoy the state's economy; they aid businesses that invest in Arizona; and, most importantly, they create desirable places for people to live without overburdening their finances.

Sally is a local multi-family expert, specializing in the acquisition and disposition of affordable housing for the past 22 years. She most recently served as a managing director of Newmark Grubb Knight Frank in Phoenix. Prior to that, she was a founding partner of Crown West Commercial Real Estate where she and her partner brokered nearly 13,000 units of multi-family housing, most of which involved complex affordable housing transactions with a variety of federal, state and local financing sources. Her career-long focus on originating new multi-family transactions serves her well in her role as Arizona Market President. She has extensive experience in navigating through local government issues, and regularly represents public sector, private sector and non-profit sector clients in her work.