



LIHTC + CDBG-DR

COSDA – March 17, 2026



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## Agenda

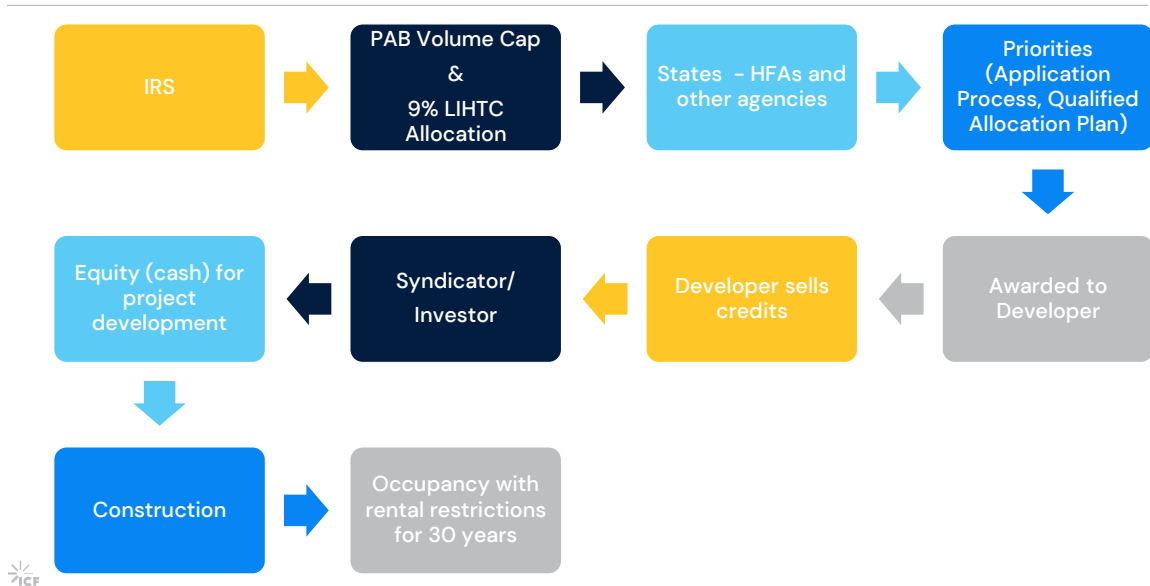
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- Overview of Allocation Process
- Overview of Credits
- Basic Capital Stack
- CDBG-DR as Gap Financing
- Rents
- Other Compliance Requirements
- Considerations
- Questions/Comments



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## LIHTC Overview



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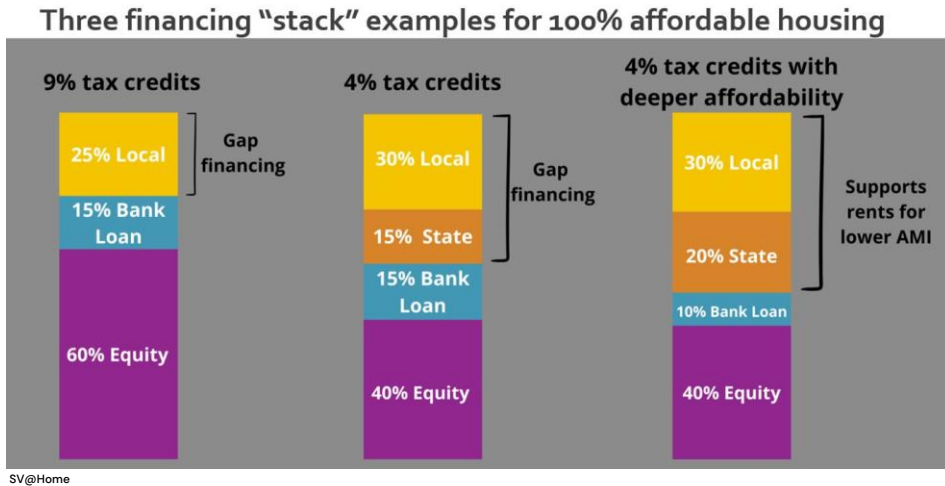
## LIHTC Overview

- **9% Credit:** Covers a significant portion of eligible development costs for new construction without additional federal subsidies.
  - Limited resource, amount set by IRS based on population
  - States set priorities in Qualified Allocation Plan
  - Competitive application process
  - More equity, but limit on amount of credit per project
  - Best for smaller projects (under 100 units), can serve extremely low-income households
- **4% Credit:** Used for projects with tax-exempt bond financing. Must have committed bond financing to access 4% credit
  - Not competitive, but bonds may be competitive in some states
  - Typically used for larger projects, rehabs
  - Bonds have higher legal costs and fees
  - Larger 1<sup>st</sup> mortgages but less tax credit equity

Serves households up to **80% AMI** PROVIDED that average AMI served is 60% AMI

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## LIHTC Capital Stack



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## CDBG-DR as Gap Financing

- CDBG-DR gap financing must always be structured as a **LOAN**
  - Loan agreement, mortgage/deed of trust, promissory note, affordability covenant
  - Non-amortizing, paid from available cash flow
  - Subordinate to senior lender
  - Subordinate to LURA
- Affordability period
  - **LIHTC: 15** years minimum, at least **15** years extended use
    - HFA records Land Use Restriction Agreement (LURA)
  - Property will remain affordable after completion of CDBG-DR term
  - Some grantees match CDBG-DR term to tax credits or have other extended use



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## How Do Rents Differ Between LIHTC and CDBG-DR?

### Area Median Income – 82,900

Household Size	Income Level	LIHTC Annual Income	HUD Annual Income	LIHTC Annual Income	LIHTC Rent	CDBG-DR Rent (HOME Rents)
1	30% AMI	\$14,430	\$17,400	\$24,000	\$466	\$801
1	50% AMI	\$29,050	\$29,050	\$40,000	\$778	\$801
1	80% AMI	\$46,480	\$46,450	\$63,950	\$1,245	\$993
3	30% AMI	\$22,410	\$26,650	\$30,850	\$560	\$961
3	50% AMI	\$37,350	\$37,350	\$51,400	\$933	\$961
3	80% AMI	\$59,760	\$59,700	\$82,250	\$1,494	\$1,173



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## How Do Other Compliance Requirements Differ?

### LIHTC (Treasury)

- No cross-cutting requirements
- Construction lender will require inspections
- Market study required upon application
- Occupancy and affordability requirements—annual recertification

### CDBG-DR (HUD)

- Environmental Review
- Davis-Bacon
- Section 3
- Other requirements
- Occupancy and affordability requirements – upon initial occupancy
- Other cross-cutting requirements



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## Considerations when layering LIHTC and CDBG-DR

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### Set Priorities

- Target Unmet Needs
- Reward deep affordability
- Reward innovation and resiliency

### Negotiate Terms

- Draft funding documents early
- Require payment in full at end of loan term
- Set payment as a percentage of cash flow
- Be aware of loan position and other payments

**Consider hiring experienced attorney or consultant**



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