



**"Never trust anyone over 30?"  
The Low Income Housing Tax Credit:  
What have we learned?"**

DHCD symposium celebrating LIHTC's 30 years ♦  
Boston, MA ♦ 21 October 2016

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# LIHTC is a *different kind of money*

It enables Mee's to provide 'last mile delivery'



Three benefits – the LIHTC has

1. **Risk transfer**, pay *after* performing
  - a. "Do. Or do not. There is no try."
  - b. No appropriated program can duplicate that

## 2. **Outcome** compliance

- a. Process compliance = "Did you follow the recipe?"
- b. Outcome compliance = "Does the food taste good?"
- c. Much easier to certify to, comply with

## 3. **Collectible recapture**

- a. Investors are large public corporations
  - i. The IRS knows where they file their taxes
- b. "How many HUD asset managers does it take to administer the LIHTC?"

## 4. These features enable PPP handoffs

- a. Gov't provides incentives, sets rules, enforces



# 'Double bottom line' requires two roles

Policy = Allocator, Economics = Risk-taker



*"You lead, I follow"*

- **Policy = Allocator**

- **Goal: quality public policy outcomes**

- Choose the most socially deserving properties
- Assure long-term housing quality, affordability
- Make maximum use of scarce federal resources

- **Core activity: compliance**

- What they don't do – take over troubled or busted properties

**Each party relies on the other  
Symbiosis is why LIHTC works**

- **Economics = Risk-taker**

- **Goal: receive LIHTC returns as projected**

- Choose the safest (least risky) properties
- Assure long-term housing viability
- Maximize cash flow, residual value

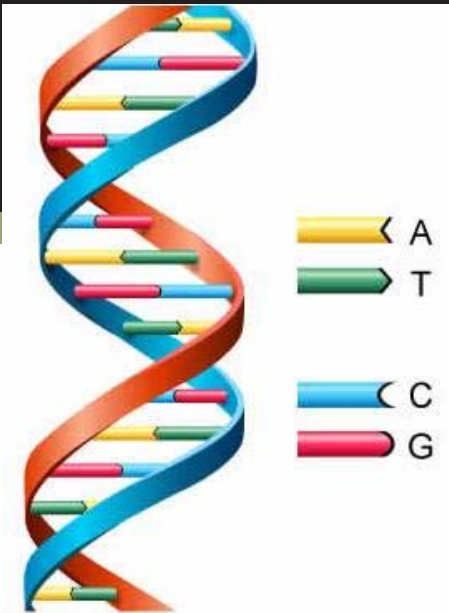
- **Core activity: asset management**

- What they don't do – second-guess policy choices



# QAP is DNA

It's a device for shaping and remaking the market



- DNA is evolution's means of **running experiments**
  - Change the DNA and you change the critters
- QAP DNA uses **quantitative proxies for desirable outcomes** that:
  - Disrupt the **cycle of poverty**
  - Disrupt **economic decline**
  - Disrupt the **gradual atomization of society**
- Housing must produce **'additionality'**
  - **Economic** uplift: new jobs, new business
  - **Transportability**: better commutes for poor people
  - **Community**: safer streets (Jane Jacobs)
  - Community: growing better adults (workers, taxpayers, citizens)
- QAP has to **look beyond Housing, to Tech-Econ-Comm**
  - $H \leftrightarrow T$  = TOD: Transit Oriented Development
  - $H \leftrightarrow C$  = Historic rehab into affordable housing
  - $H \leftrightarrow E$  = New Markets Tax Credits combined w/ LIHTC



# Three sets of housing challenges LIHTC *doesn't* solve



## Social savers

1. Elderly retrofit
2. Permanent supportive housing
3. Veterans' recovery campus
4. Formerly incarcerated
5. Aging out of foster care

## Economic aspirants

6. Workforce housing
7. Employer-assisted housing
8. Off-campus dormitories
9. Entrepreneurial rooming houses  
– 'WeLive'
10. Refugee landing pads

## Community health

11. 'Orphan properties'
12. Mobile home parks  
→ resident co-op's
13. Foreclosure homesteading
14. 'Flats over shops'
15. NOAH's  
– Naturally occurring affordable housing

*Where is the Federal government in addressing these problems?*





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