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WHAT IS LIHTC?

An affordable housing initiative was formed with the tax act of 1986 when the U.S. government issued Low Income Housing Tax Credits ("LIHTC") to state housing agencies around the country, to promote the building, renovation and preservation of low- and middle-income affordable housing. Developers, compete for these tax credit awards each year to help finance the building of the housing of single and multifamily units. The credits come in two categories.

9% Tax Credits

These credits are highly competitive and are used for new construction. The credit allows for a 9% credit, yearly, based on the value of the asset (qualified basis) over ten (10) years to the holder of the tax credit. When awarded, the developer will typically sell these credits to the open market and take the proceeds to build their product. This will fund approximately 70% of the development cost of the build.

4% Tax credits

These credits are used primarily for the renovation of housing units and are less competitive and more readily available. Similarly, they offer the holder a 4% credit of the qualified basis (value) of the investment over a ten (10) year period. The developer sells these credits and will garner around 40% proceeds to help fund their renovations.

These benefits come with many restrictions. The project has to remain affordable for 30 years. It has to serve an income class of renters that make between 40 and 60% of AMI (average median income) of the area. In Atlanta, the AMI is currently \$82,700, so LIHTC is meant to serve those making approx. \$30-50,000 per year. The tenant can only pay 30% of their income on housing, so the unit's average rent is \$800-\$1,250/month. While affordable housing is needed, it's important to note that this means of encouraging the development of affordable housing is limited and counts for only a small portion of supply each year.

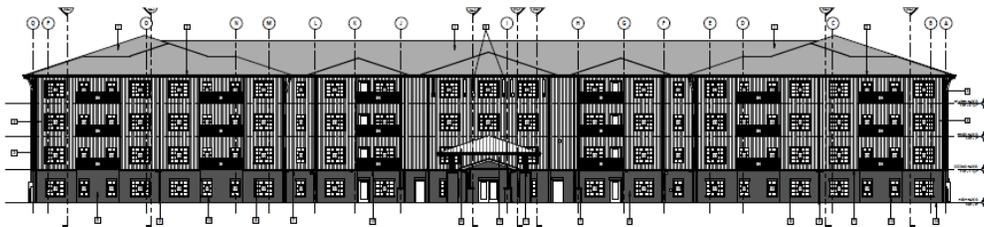
Alternative Affordable Housing

The largest block of apartment/housing development came online in the 1970's. This housing stock represents the largest place/opportunity for affordable housing. It is at risk in urban areas where it is often more profitable to tear down these blighted units and develop new. This older stock is commonly referred to as NOAH naturally occurring affordable housing. It is the best place to solve the affordable housing crisis by providing incentives for the owner of these apartments to keep them up and affordable. Ideas being discussed around the country to facilitate this are tax incentives, low cost financing and social impact funds. TriStar is engaged in both areas to help reduce transiency in our schools, so children can stay in a community without displacement due to escalating rents.

Affordable Housing Examples at TriStar



NOAH - Springview - Rents average \$825/month (Pictured above)



Tax Credit Development - Clayton County New Development Tristar JV w/

Are You an Investor?

We are in pursuit of several investments. If you are an accredited investor and want to be considered for one of these offerings, please reach out to us.

Call us today to learn more at 404-698-3535 or dgibbs@tristarinvest.com.

Sincerely,

TriStar Real Estate Investment

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