Georgia Housing Tax Credit
Executive Summary

I. Background

The Georgia Housing Tax Credit (the “State Credit”) was enacted and signed into law in 2000, creating an aggressive economic development generator which has placed thousands of high quality workforce housing units in communities throughout Georgia where the local economies alone could not support such development. The State Credit matches a corresponding Federal Low-Income Housing Credit and provides the necessary funding to fill the financing gap that enables non-metro developments to be constructed. The result has been that communities which seek to lure new industry and commerce (such as the KIA plant in LaGrange) now have residences where an expanded workforce can live safely, affordably, and close to the workplace.

In 2006 the Georgia Affordable Housing Coalition (the “Coalition”) funded a research study by the University of Georgia Department of Housing and Consumer Economics (the “Study”) to determine whether the Georgia Housing Tax Credit enacted in 2000:

1. met the objective of having more non-metro Atlanta workforce housing constructed throughout the state, and
2. provided a significant economic multiplier effect to assure that state tax revenue credits issued created a large measurable economic impact throughout the state --- especially in those areas of the state where economic development would not occur without specific incentives.

The Study, which was circulated to key legislators and other interested parties, found that the State Credit has indeed accomplished both of these goals. In the 4 years prior to the State Credit, only 8,611 housing units were constructed in the State of Georgia and only 53% of the projects constructed were outside of Metro Atlanta. In the 4 years immediately following the passage of the State Credit, 11,154 units were constructed in Georgia (a 29% increase over the prior 4 years). Also, the percentage of projects constructed outside the metro Atlanta area increased to 65%.

The study also found that, **for every $1 of net present value of tax revenue lost due to the State Credit, $8.36 of net present value of total economic impact** was created in the State of Georgia.

II. Study Update 2005-2009

In order to provide the Special Council on Tax Reform and Fairness for Georgians (the "Council") with current data to assist in evaluating the costs and benefits of the State Credit, the Coalition has compiled data for the subsequent 5 year period since the original Study to document that the program is still meeting its stated objectives in a cost efficient manner. The table below summarizes the comparisons of the three different periods. As the updated data shows, the program continues to provide an ever increasing number of projects outside the Atlanta metro area with the percentage of projects outside the metro area increasing in the most recent 5 year period to over 70%.

	1997-2000	2001-2004	2005-2009
Total Projects Funded	86	127	165
Outside Metro Atlanta:			
Number	46	82	116
Percentage	53%	65%	70%
Total Units Funded	8,611	11,154	12,630

The total development costs for the projects constructed over the 9 years since the implementation of the State Credit totals over $2.6 Billion and the total economic impact of this development was over $6.6 Billion. The net cost of the State Credits for that same 9 year period is only $1.1 Billion. During that 9 year period, 292 projects have been constructed with a total of over 23,000 individual affordable workforce residences.

III. Necessary vs. Nice

In these tough economic times, the question may not be whether the State Credit is justified from a cost/benefit analysis, but whether it is **necessary for the economic well being of Georgia.** When the State Credit was implemented back in 2000, it represented the extra funds necessary to enable many non-metro projects to be built. Without the State Credit, these projects were not economically feasible. The success of the program is demonstrated in the dramatic increase in the number of non-metro projects completed since the implementation of the State Credit.

However, several factors have changed since the State Credit was implemented. Aggravated by the current recession, the State Credit is now a **necessary subsidy** to enable the majority of these non-metro properties to be built. Without the State Credit, the aforementioned 70% of the current activity represented by non-metro development would not take place. Prior to the recession, the largest purchasers of the federal tax credits were Fannie Mae and Freddie Mac, the federally chartered GSE's. Banks and other corporations competed to purchase the federal credits and the price of the federal credits was over $0.95 per $1 of federal credit. Fannie Mae and Freddie Mac are no longer purchasers of these credits and the prices have fallen below $0.70 per $1 of federal credit. This has created a funding shortfall that means the State Credit is now an absolute necessity to finance non-metro affordable housing development, and even metro projects would be extremely difficult, if not impossible, to develop without the State Credit. Keeping Georgia competitive in the economic development arena requires that we continue to provide safe, affordable workforce housing.

GA Affordable Housing Coalition
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