



State Low Income Housing Tax Credit Annual Report

2022

Arizona Department of Housing



Arizona
Department
of Housing

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OVERVIEW

Annual Highlights

The State Low Income Housing Tax Credit (STC) program was adopted in July of 2021. This program includes \$4 million in STC over the next four years.

STC allocation methods and requirements were developed based on stakeholder feedback and are memorialized in the state's

two-year, 2022-2023 Qualified Allocation Plan (QAP). Three (3) STC rounds resulted in \$6 million in allocations for six (6) projects and the creation of 922 housing units. STC pairing with 9% LIHTC rural projects increased rural participation by 80%.



Centerline I and II: Glendale, AZ

Looking Ahead

In calendar year 2023, ADOH will complete Arizona's fourth allocation round for STC. The 2023 Annual Report will include details about the projects awarded STC. ADOH will also begin seeking input for the STC allocation methods and requirements of the 2024-2025 QAP.

ALLOCATION METHODS

Statewide Division of Resources

Senate Bill 1124 sets an annual STC cap of \$4 million. The STC can be allocated and carried forward according to state law and any applicable regulations. Properties placed in service on or after June 30, 2022, are eligible, and the state LIHTC is currently set to sunset on December 31, 2025. To ensure statewide availability of resources the annual STC allocation of \$4 million will be apportioned as follows:

- Rural Projects: \$2 million
- Metro Projects: \$2 million

Rural projects may utilize STC in 9% and 4% LIHTC projects due to the lack of other gap financing resources in the balance of the State. Metro projects have local resources for 9% gap financing, so they may only utilize STC in 4% LIHTC projects.

2022-2023 Qualified Allocation Plan

The below sections provide an overview of the STC allocation methods and criteria within the 2022-2023 Qualified Allocation Plan.

STC Award Limits

ADOH will award STCs per the following criteria and in accordance with Senate Bill 1124 (S.B. 1124) and A.R.S. §43-1163:

- minimum of \$500,000 per application;
- maximum of \$1,000,000 per application;
- STC amount must be at least fifty percent (50%) of the federal LIHTC amount; and
- If combined with 4% LIHTC Bonds, the project must comply with I.R.C. § 42(h)(4).

STC Application Rounds

ADOH will have three application rounds for STC each year. The following schedule of funding rounds was developed with stakeholder feedback and ensures that rural projects may apply for STC in the 9% competitive LIHTC process.

Allocation Year	Competitive Allocation Round	Date	Type	Amount	Round Status
2022	1 st Round	February 15, 2022	4% Metro	\$2,000,000	Complete
2022	2 nd Round	April 1, 2022	9% Rural	\$2,000,000	Complete
2022	3 rd Round	July 18, 2022	4% Rural and Metro	Any Remaining	Not Applicable
2023	1 st Round	August 1, 2022	4% Metro	\$2,000,000	Complete
2023	2 nd Round	April 3, 2023	9% Rural	\$2,000,000	Upcoming
2023	3 rd Round	July 18, 2023	4% Rural and Metro	Any Remaining	If Applicable

Any funding remaining under Rural or Metro categories after the second round will be allocated to applicable Rural or Metro categories in the 3rd Round.

Selection Criteria

ADOH will make awards using the following selection criteria for STCs, 4% LIHTCs, and 9% LIHTCs.

I. STC and 4% LIHTC

Maximum of 120 points.

Number of Units

Maximum of 60 points.

ADOH will award points based on the total number of units in the project.

Total Units	Points
1-100	20
101-200	40
201+	60

Low-Income Targeting

Maximum of 60 points.

AMI Targeting	Points
20% at 30% (using the 40% at 60% minimum set-aside) or the designations for all units average to 54% (using income averaging)	60
20% at 40% (using the 40% at 60% minimum set-aside) or the designations for all units average to 56% (using income averaging)	40
20% at 50% (using the 40% at 60% minimum set-aside) or the designations for all units average to 58% (using income averaging)	20

Tiebreaker

In the event more than one application earns the same total number of points, and there are not enough STCs remaining for all, ADOH will make awards based on the following, in descending order:

- Greatest total number of units
- Projects with zoning in place at the time of application

II. STC and 9% LIHTC

In the event the amount of Rural / Balance of State project 9% LIHTC interest exceeds available STC resources, then STC award(s) will be made to the application(s) with the highest 9% LIHTC score.

ALLOCATION RESULTS

ADOH held three (3) STC rounds in calendar year 2022, resulting in six (6) STC awards for the creation of 922 housing units. Projects will be located in the following counties: Yavapai, Gila, Pima and Maricopa.



Valencia Apartments: Tucson, AZ

Statewide Impact

The 2022 STC rounds resulted in 18 applications and all three rounds were oversubscribed. Pairing rural STCs with 9% LIHTC provided much-needed gap financing for rural 9% projects and has increased the rural interest in our 9% LIHTC program by 80%.



Hill Street School: Globe, AZ

Six million dollars in STCs provided an essential resource that will result in increased housing for Arizona’s residents by leveraging over \$257 million of resources for the development of affordable housing. The table below provides an overview of the projects that were awarded in the 2022 allocation rounds:

Project Name	County	City	Total Units	Round
Centerline on Glendale I	Maricopa	Glendale	186	1st
Centerline on Glendale II	Maricopa	Glendale	182	1st
Hill Street School	Gila	Globe	64	2nd
View Point II Senior Community	Yavapai	Prescott Valley	72	2nd
Valencia Apartments	Pima	Tucson	261	3rd
Chandler Trails Apartments	Maricopa	Chandler	157	3rd
Total			922	