Strategy: Leverage Private Investment for Job Creation & Economic Development through a State Tax Credit (SF 838/HF 1319)

Objective: Provide businesses a tax reduction in exchange for private investment in community-driven housing options through a state tax credit.

For every $1,000,000 issued as a tax credit annually for five years, the state leverages $21.5 million in additional public and private investment. This investment:

- **Directly creates 144 jobs (300,000 hours of work)** in the year of construction
- Creates 60 additional jobs (125,000 hours of work) indirectly
- **Rehabs or builds 140 units of housing**

**State Tax Credit—Benefits:** State tax credits can be used state-wide in communities that lack workforce housing or in areas where rental housing for seniors and others is needed.

- Investment dollars will be used for rental housing creation or preservation, putting carpenters, builders and other housing professionals back to work.
- State tax credits generate housing development and jobs quickly, with costs to the state distributed over several years.
- State tax credits attract local Minnesota investors and raise local capital for rental project development.
- Investing in housing increases local property tax bases, provides an economic and social return to the state, and stabilizes communities.
- A state tax credit builds upon the successful federal low income housing tax credit (LIHTC) program. The LIHTC helps produce decent, affordable rental housing for seniors, people with disabilities, working families, and the chronically homeless. Housing helps families provide stability for children to optimize their health and education.

**State Tax Credit—Nuts and Bolts:**

- The state housing tax credit allows the Minnesota Housing Finance Agency (and local government suballocators) to allot tax credits in proportion to development costs. Affordable housing developers market these credits to investors to raise capital.
- Projects must receive federal tax credits or other public financing and must meet the requirements of the federal Low Income Housing Tax Credit (LIHTC) program or Minnesota Housing Finance Agency rental programs.
- Projects must continue to meet affordability requirements for tenants for 15 years.
- Tax credits are issued over a five year period.

1 Based on $1,000,000 in tax credits issued annually for five years. Assumes tax credits are marketed at 70 cents on the dollar and that 140 affordable housing units are created.

Updated 4/15/11