

CDBG-DR Gap to LIHTC Program: Contributing to Resilient and Affordable Housing Solutions in Puerto Rico

Puerto Rico Housing Finance Authority

Rental Housing: Encouraging New Construction

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PUERTO RICO HOUSING FINANCE AUTHORITY
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RENTAL HOUSING: ENCOURAGING NEW CONSTRUCTION

SUMMARY

The CDBG-DR Gap to LIHTC Program, funded with CDBG-DR funds, aims to promote LIHTC projects. Administered by the Puerto Rico Housing Finance Authority, it funds eligible activities like construction, acquisition, and Green Building Standards, supplementing the existing LIHTC Program. With an allocation of \$1.423 billion, approximately \$414.2 million has been awarded as of December 2023, which contributes to an additional 1,904 housing units in the market at a total cost of \$704.8 million.

INNOVATION

The Puerto Rico CDBG-DR Gap to LIHTC Program stands out as an example of innovation in post-disaster recovery efforts, in the aftermath of major hurricanes Irma and María. By strategically intertwining the Community Development Block Grant-Disaster Recovery (CDBG-DR) funding with the Low-Income Housing Tax Credits (LIHTC) Program and other sources of funds, this initiative addresses a critical need for resilient and affordable rental housing that was exacerbated after the events. This approach incentivizes developers to create housing solutions for low- and moderate-income households, thereby maximizing funding sources. Leveraging LIHTC, which is the cornerstone of federal affordable housing policy, developers receive tax credits to offset construction costs in exchange for committing to rent-restricted units for lower-income families. The innovative aspect lies in how this program maximizes incentives by tapping into both public and private sectors. Developers, in need of upfront financing, sell their tax credits to outside investors, thereby infusing equity into the projects and making affordable rents more feasible. This collaboration not only fosters alliances between government agencies, private investors, and nonprofits but also amplifies the impact of each dollar invested. In its contribution for creating affordable rental housing stock, the Program funds eligible activities such as housing construction and acquisition, implementation of the Green Building Standards, increased accessibility requirements, broadband infrastructure, and other activities to supplement the existing LIHTC Program. Ultimately, the program serves as a catalyst for increasing the inventory of resilient and affordable housing, addressing the needs of vulnerable populations, including the elderly, in a sustainable and inclusive manner.

REPLICABILITY

The Gap to LIHTC Program is a replicable model based on key principles that can be adapted across different jurisdictions. At its core, the program emphasizes on an understanding of the market and housing needs, exemplified by the PRHFA's focus on underserved groups and the elderly. This approach ensures that housing initiatives are tailored to address specific demographic challenges and vulnerabilities. Additionally, the program highlights the importance of assessing HFA staff capacity and internal resources, a critical step in ensuring a robust implementation and long-term sustainability. By providing capacity-building experiences for staff, agencies can enhance their ability to effectively execute the program. Furthermore, the program underscores the significance of establishing partnerships with stakeholders from the public, private, and nonprofit sectors. These collaborations are essential for leveraging resources and expertise, ultimately strengthening the housing stock for low-income populations.

RESPONSE TO AN IMPORTANT STATE HOUSING NEED

The CDBG-DR Gap to LIHTC Program emerges as a vital response to Puerto Rico's pressing housing needs, particularly in the aftermath of Hurricanes Irma and María. The devastation of these hurricanes exacerbated an already precarious situation, leaving a dire shortage of safe, affordable rental housing in Puerto Rico. With over 76% of the island's rental stock built before 1990, many buildings were not prepared to withstand the storms, highlighting the need for a focused effort on resilience in reconstruction and rehabilitation efforts. The pre-hurricane landscape was characterized by extensive waiting lists for public housing and Section 8 assistance, with tens of thousands of households in need of affordable options. These challenges are further compounded by the high costs associated with housing rehabilitation and

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construction, driving up costs and limiting the availability of affordable options for those earning \$60,000 or less annually. In the face of these multifaceted challenges, the CDBG-DR Gap to LIHTC Program offers a targeted solution, leveraging both public and private resources to address the urgent need for resilient, affordable rental housing for vulnerable populations, including the elderly. By aligning incentives and fostering collaboration across sectors, this program represents a crucial step towards building a more equitable and resilient housing landscape in Puerto Rico.

DEMONSTRATE MEASURABLE BENEFITS TO HFA TARGETED CUSTOMERS

The Gap to LIHTC Program in Puerto Rico plays a pivotal role in addressing pressing housing-related challenges and fostering socio-economic progress, particularly for vulnerable populations. A study conducted for purposes of analyzing these impacts, showed that, as of December 31, 2023, approximately \$414.2 million in grant funding had been awarded for construction projects representing an additional 1,904 housing units at a total cost of \$704.8 million. A significant portion, approximately 35.8%, of these units are targeted for the elderly population, reflecting Puerto Rico's commitment to addressing the needs of its aging demographic. With data from the Census Bureau indicating that over a third of the island's population is over 55 years old and 27% are seniors aged 65 or older, prioritizing assistance to this demographic is imperative. Furthermore, while many LIHTC projects are still underway, of those completed, 98.7% of the program's beneficiaries are low- and moderate-income households with high levels of vulnerability. By focusing on underserved markets and providing targeted assistance to vulnerable populations, the Gap to LIHTC Program not only addresses immediate housing needs but also contributes to broader societal well-being and inclusivity in Puerto Rico.

PROVEN TRACK RECORD OF SUCCESS IN THE MARKETPLACE

The Gap to LIHTC Program has demonstrated a track record of success in the marketplace, serving as a cornerstone in the development and rehabilitation of affordable rental housing for low- and moderate-income households. By leveraging the proven effectiveness of Low-Income Housing Tax Credits (LIHTC), this program has incentivized the creation of vital rental housing stock across Puerto Rico. As of December 2023, the program has allocated a substantial portion of its \$1,423 million budget, awarding \$414.2 million in grant funding for construction projects. This investment has so far resulted in the creation of 1,904 housing units at a total cost of \$704.8 million, underscoring the program's tangible impact on expanding affordable housing options in the marketplace.

PROVIDE BENEFITS THAT OUTWEIGH COSTS

The Gap to LIHTC Program stands as a clear example of how investments in affordable housing yield substantial economic benefits that far outweigh their costs. With the development of these projects generating \$3,472.1 million in economic activity, the program demonstrates a remarkable return on investment. For every dollar invested, nearly \$5 of economic activity is generated, indicating a significant multiplier effect within the economy. This economic activity translates into tangible benefits, supporting 14,729 jobs directly or indirectly, with a substantial payroll of \$468.3 million. Moreover, the ripple effects of these projects extend further, contributing \$104.1 million to the Treasury through indirect activity, as well as income and expenses generated by supported jobs. In essence, the Gap to LIHTC Program not only addresses critical housing needs but also serves as a catalyst for economic growth, job creation, and revenue generation, showcasing how its benefits far surpass the initial costs.

DEMONSTRATE EFFECTIVE USE OF RESOURCES

The Gap to LIHTC Program exemplifies effective resource utilization by achieving significant outcomes with relatively modest investments. By leveraging approximately \$414.2 million in grant funding, the program has facilitated the construction of an additional 1,904 housing units at a total cost of \$704.8 million. This demonstrates an effective allocation of resources, maximizing impact while minimizing expenditure.

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Furthermore, the program's ability to generate \$3,472.1 million in economic activity underscores its efficacy in leveraging public funds to stimulate broader economic growth.

EFFECTIVELY EMPLOY PARTNERSHIPS

The success of the Gap to LIHTC Program is deeply intertwined with its strategic partnerships, which have played a pivotal role in its implementation and impact. At the core of the PRHFA's approach lies an innovative ecosystem crafted to drive success on a comprehensive scale. By mobilizing a network of dedicated PRHFA employees, internal resources, and strategic external partners, the program has established a robust framework for collaboration. This collaborative approach has not only enhanced the program's effectiveness and efficiency but has also enabled it to effectively contribute to the housing stock with close to 2,000 housing units. By leveraging the collective expertise and resources of various stakeholders, the PRHFA has set a precedent for holistic and inclusive approaches to post-disaster housing initiatives, fostering sustainable community development and resilience. Through partnerships with public, private, and nonprofit entities, the program has been able to navigate complex challenges and tap into specialized knowledge, ultimately ensuring that housing needs are addressed comprehensively and inclusively.

ACHIEVE STRATEGIC OBJECTIVES

The Gap to LIHTC Program, implemented by the PRHFA, contributes to addressing Puerto Rico's pressing housing needs and advancing strategic objectives in the aftermath of Hurricanes Irma and María and the Island's recovery. By leveraging resources effectively, the program has made significant strides in increasing the inventory of affordable rental housing for low-income populations, including older adults facing vulnerabilities. Through strategic allocation of approximately \$414.2 million in CDBG-DR grant funding so far, the program has facilitated the construction of 1,904 housing units, totaling \$704.8 million in construction costs, being one of the populations benefited the elderly. Through strategic partnerships and a concerted effort to strengthen the housing inventory island-wide, the Gap to LIHTC Program emerges as a vital response, providing safe, resilient, and affordable housing solutions to those in need, thereby fostering community resilience and socio-economic stability in Puerto Rico.

CONCLUSION

The Gap to LIHTC Program administered by the PRHFA provides the incentive required to spur development and replenish the current inventory of new or rehabilitated, resilient, and affordable rental housing in Puerto Rico. It acts as an economic catalyst and boosts the stock of resilient, affordable housing, catering to vulnerable populations, including the elderly, in a sustainable, inclusive manner. Ms. Blanca Fernández, Executive Director of PRHFA, highlights: "The CDBG-DR Gap to LIHTC program has had a profound impact on Puerto Rico's housing landscape. In the aftermath of Hurricanes Irma and María, it has delivered new and rehabilitated units, significantly bolstering our housing inventory. This initiative not only has raised resiliency standards but has also generated a tremendous positive impact in our communities. The PRHFA remains committed to building upon this foundation, ensuring that every Puerto Rican has access to safe, resilient, and affordable housing."

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The Diego Village

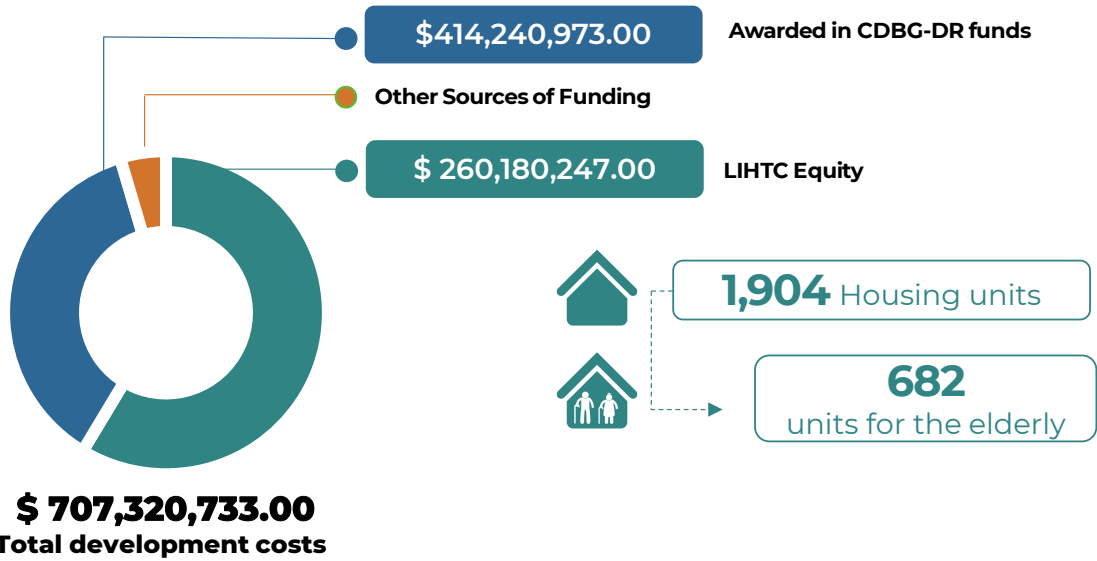


Égida Sagrado Corazón de Jesús



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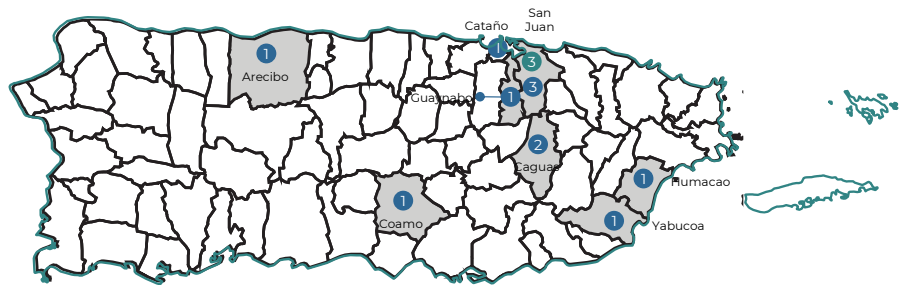
Social benefits of LIHTC's Gap Program



14
TOTAL PROJECTS

3
REHABILITATION

11
NEW CONSTRUCTION



Name	Municipality	Name	Municipality
1 Sabana Village Apartments	San Juan	8 Ensueño	San Juan
2 San Blas Apartments	Coamo	9 Mirador Las Casas Apartments	San Juan
3 José Gautier Benítez - Family	Caguas	10 MiraSol	Yabucoa
4 José Gautier Benítez - Elderly	Caguas	11 San Sebastián Apartments	San Juan
5 Hogar Manuel Mediavilla Negrón II	Humacao	12 Bahía Apartments	Cataño
6 De Diego Village	San Juan	13 Egida 837	Guaynabo
7 Egida Sagrado Corazón de Jesús	Arecibo	14 Casa Metropolitana	San Juan

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Economic Impact of Gap to LIHTC Program, 2023

Program	Concept	Direct	Indirect	Induced	Total
LIHTC	Economic Activity (\$ millions)	\$704.8	\$2,032.9	\$734.4	\$3,472.1
	Employment (#)	4,425	7,900	2,404	14,729
	Payroll (\$ millions)	\$137.7	\$272.7	\$58.0	\$468.3

Sources: Estimates by Estudios Técnicos, Inc. (January 11, 2023). Information provided by the Puerto Rico Department of Housing. Planning Board (2023). Input-Output Matrix 2012. US Bureau of Labor Statistics (2023). Quarterly Census of Employment and Wages.

Tax Revenues Derived from Gap to LIHTC Program, 2023

Concept	LIHTC
Contributions from Direct Economic Activities	
State	\$0.00
Municipal	\$13.70
Contributions from Supported Employment Income and Expenses	
Income Taxes	\$31.40
Sales and Use Income	\$21.20
State	\$18.40
Municipal	\$2.80
Plus: Contributions Derived from Indirect and Induced Economic Activity	
State	\$19.50
Municipal	\$18.40
Equal to: Total Taxable Income of the Economic Activity	
State	\$69.30
Municipal	\$34.80
Total	\$104.10

Sources: Estimates by Estudios Técnicos, Inc. (December 7, 2023). Information provided by the Puerto Rico Department of Housing. Planning Board (2023). Input-Output Matrix 2012. US Bureau of Labor Statistics (2023). Quarterly Census of Employment and Wages