GULF OPPORTUNITY ZONE

States Are Allocating Federal Tax Incentives to Finance Low-Income Housing and a Wide Range of Private Facilities

What GAO Found

States with GO Zones are responsible for allocating and overseeing the use of four tax incentives in the GO Zone Act of 2005. The table below identifies the provisions and the amounts each state received. Alabama, Louisiana, and Mississippi received allocation authority for all four provisions. Florida and Texas each received $3.5 million in GO Zone low-income housing tax credit (LIHTC) authority, but did not receive allocations under the other incentives.

With some process variations, the three eligible states with GO Zones generally allocated bond authority on a first-come, first-served basis without consistently targeting the allocations to assist recovery in the most damaged areas. Officials in Louisiana and Mississippi acknowledged that the first-come, first-served approach led to allocating bond authority to less-damaged areas at the start of the program. The five eligible state housing finance agencies used existing processes to award GO Zone LIHTCs, but differed in how they targeted these credits. For all three bond provisions, state officials and bond issuers said the borrower’s bond counsel is generally responsible for ensuring that the bonds are compliant with applicable laws when issued. State housing finance agencies plan to use existing procedures to monitor compliance once units are placed in service.

As of mid-June 2008, eligible states had allocated 87 percent of the GO Zone private activity bond authority, but bonds issued amounted to about 50 percent of the total awarded allocation authority. The bonds issued will be used to finance a wide range of facilities, including manufacturing facilities, utilities, housing, retail facilities, and hotels. State housing finance authorities have awarded 95 percent of the GO Zone LIHTCs. Although few housing units are currently in service, state housing finance agency officials said planned units will be in service by the mandated deadline. GO Zone LIHTC-funded units will address about 17 and 45 percent of the rental housing units with major or severe damage in the states of Louisiana and Mississippi, respectively. The three eligible states with GO Zones used the tax credit bonds and additional advance refundings to varying degrees to provide debt relief. State officials said current economic conditions pose challenges for using both GO Zone bond and LIHTC financing.