

THE LOW INCOME HOUSING TAX CREDIT



Encanto Pointe, Phoenix, AZ

The Low Income Housing Tax Credit (Housing Credit) stimulates investment in affordable housing in underserved urban and rural communities and in higher cost suburban communities across the nation. It provides low income families with a safe and decent place to live and, by lessening their rent burdens, frees up additional income that can be spent on other necessities or put into savings for education or homeownership. The Housing Credit is also a vital community and economic development tool, creating jobs and catalyzing redevelopment in struggling communities.

What is the Low-Income Housing Tax Credit?

- The Housing Credit is the single most important federal resource available to support the development and rehabilitation of affordable housing – currently financing about 90 percent of all new affordable housing development.
- How the credit works:
 - Federal tax credits are allocated to state housing finance agencies by a formula based on population.
 - Each state agency establishes its affordable housing priorities and developers compete for an award of tax credits based on how well their projects satisfy the state's housing needs.
 - Developers receiving an award use the tax credits to raise equity capital from investors in their developments.
- The tax credits are claimed over a 10-year period but the property must be maintained as affordable housing for a minimum of 30 years.
- Because tax credits can be recaptured for any noncompliance, investors maintain close supervision over the properties to ensure their long-term viability and compliance with IRS and state allocating agency requirements.
- Units funded by the Housing Credit must be generally affordable for people earning no more than 60 percent of the Area Median Income (AMI), although most residents have far lower incomes.
- Rent may not exceed 30 percent of the qualifying income.

What are the outcomes?

- Since its inception, the Housing Credit has spurred the development of approximately **three million quality homes** for working families, seniors, disabled veterans, and people at risk of homelessness.
- Each year, the Housing Credit finances about **100,000 units** of affordable housing and creates approximately **96,000 jobs** in the construction and property management industries.
- Housing Credit properties outperform market-rate housing properties, with occupancy rates topping 96 percent and a cumulative **foreclosure rate of 0.66 percent** over the program's entire history.
- The units tend to be occupied by very low income families, with 78 percent of the residents making less than 50 percent the AMI.

What has been LISC's involvement?

- In 1987, LISC created National Equity Fund, Inc. (NEF) to attract investor capital to Housing Credit properties. NEF provides technical assistance, structures and closes these investments, and provides asset management services.
- In 2022, LISC, through NEF, placed **nearly \$900 million** in equity investments into tax credit properties. Since inception, it has invested more than **\$22.7 billion**, which represents **231,500 new affordable homes** for individuals.
- NEF has established dedicated pools of funding to finance housing that is linked to healthcare services, housing for homeless veterans, and housing for victims of natural disasters.
- Example of Housing Credit properties supported by NEF include:
 - With more than **\$22 million** in LIHTC investments from NEF, The Alexander Company successfully developed the **Milwaukee Soldier's Home**, a historic preservation of six historic buildings on the Milwaukee Soldiers Home grounds, including a National Historic Landmark, which have been rehabilitated and returned to their original purpose - the service of veterans. 101 units of housing have been created for veterans and their families who are homeless or at risk. The Milwaukee Soldiers Home is poised to change the face of veteran care, serving as a replicable example of what is possible through innovative partnerships and showing that preservation truly has the power to heal.
- With support from the National Equity Fund (NEF), RUPCO developed **Energy Square**, a single 5-story mixed-use LEED Platinum certified development providing 57 housing units. Energy Square sits on 1.3 acres providing 70,000 square feet with 11,000 square feet dedicated to the Center for Creative Education. As the first affordable Zone Energy Building (ZNE) development in upstate New York, residents' electricity needs are met through a 300 KW solar array with a projected annual production of 352,000 kWh, and the building's cooling needs are met through a geothermal system.

What can Congress do?

Enact the Affordable Housing Credit Improvement Act ([S. 1557](#) and [H.R. 3238](#)), sponsored by Senators Maria Cantwell (D-WA), Todd Young (R-IN), Ron Wyden (D-OR), and Marsha Blackburn (R-TN); and Representatives Darin LaHood (R-IL), Suzan DelBene (D-WA), Brad Wenstrup (R-OH), Don Beyer (D-VA), and Claudia Tenney (R-NY). This legislation would:

- Increase Housing Credit allocations by 50 percent to help meet the growing need for affordable housing;
- Enhance the 4 percent Credit and multifamily housing bond portion of the program;
- Streamline requirements and provide states with additional flexibility;
- Increase the Housing Credit's ability to serve hard-to-reach communities including rural, Native American, high-poverty, and high-cost communities, as well as extremely low income tenants; and
- Better support the preservation of existing affordable housing.

LISC is a national nonprofit housing and community development intermediary with offices in 38 different cities and a national rural network of 146 organizations.

For more information about the Housing Credit, please contact Matt Josephs at mjosephs@lisc.org.