NYU: LIHTC Requires More Subsidies

By Jacqueline Hlavenka

NEW YORK CITY-Over the last 25 years, the federal Low Income Housing Tax Credit Program has created over 2.2 million units of affordable housing and remains the largest affordable housing program in the US. But new research is shedding light on the impact it has on multifamily owners/managers and tenants.

A study from the NYU Furman Center for Real Estate and Urban Policy and the Moelis Institute For Affordable Housing Policy finds that the Low Income Housing Tax Credit program serves a substantial number of households with incomes far lower than the program requires. According to the study, approximately 40% of LIHTC units house extremely low-income households with incomes below 30% of the area median income, even though program rules allow the developments to serve households with incomes up to 60% of the area median income.

The report, "What Can We Learn About the Low Income Housing Tax Credit Program by Looking at the Tenants?", also finds that tenants experience a lower rent burden than renters with similar incomes living in private housing.

“This research sheds light for the first time on the incomes of households served by the country's largest affordable housing program,” says Becky Koepnick, director of the Moelis Institute, in the report. "Our study finds that the LIHTC program serves the poorest households who have the greatest need for affordable housing.”

According to the research, LIHTC tenants experience higher rent burdens than households with similar incomes living in HUD-subsidized units. Overall, the report finds that ELI households living in LIHTC properties without receiving additional subsidies tend to have significant rent burdens. Among the 30% of ELI households who do not have rental assistance, more than half pay over 50% of their income as rent, which is defined as “severe rent burden.”

The study also shows that states who administer the LIHTC program are successful in achieving the federal goal of using LIHTC as a tool to serve households most in need. “Throughout the history of federal housing policy, policymakers have often struggled to strike the right balance between federal control and local discretion,” noted affiliated faculty researcher Katherine O’Regan, who co-authored the foundational research paper on LIHTC tenant incomes. “Our findings suggest that a model where the federal government sets goals but allows the states to exercise judgment in implementing the program can achieve federal interests.”

The LIHTC was created in 1986. In 2008, state housing finance agencies were required to report tenant income and rents to the US Department of Housing and Urban Development as part of the federal Housing and Economic Recovery Act.

For the full report, click here.

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