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NYU Furman Center Report Finds that Low Income Housing Tax Credit (LIHTC) Program Serves Lower Income Tenants Than Previously Thought, But Requires Additional Subsidies To Do So

Analysis examines whether LIHTC properties house extremely low-income households, and explores the rent burdens tenants of the properties face

October 22, 2012—An analysis by NYU’s Furman Center for Real Estate and Urban Policy and its Moelis Institute for Affordable Housing Policy finds that the Low Income Housing Tax Credit (LIHTC) program serves a substantial number of households with incomes far lower than the program requires. Forty percent of LIHTC units house extremely low-income (ELI) 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 – pay less of their income for rent – than renters with similar incomes living in private housing. At the same time though, 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 percent of ELI households who do not have rental assistance, more than half pay over 50 percent of their income as rent, which is defined as “severe rent burden.”

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

The findings also reveal 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.”

Since it was created in 1986, the LIHTC program has created over 2.2 million units of affordable housing and today it is the largest affordable housing program in the U.S. This study is the first rigorous, national analysis of the incomes of LIHTC tenants. It was only with the passage of the Housing and Economic

Recovery Act (HERA) in 2008 that state housing finance agencies were required to report tenant income and rents to the U.S. Department of Housing and Urban Development.

This report is the first of many that the Furman Center aims to pursue about the LIHTC program to inform affordable housing policymakers and practitioners. Future research will investigate the access that low-income households have to neighborhoods of opportunity and the effect the presence of LIHTC properties have on the concentration of poverty in neighborhoods.

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About the Furman Center

The Furman Center for Real Estate and Urban Policy is a joint center of the New York University School of Law and the Robert F. Wagner Graduate School of Public Service at NYU. Since its founding in 1995, the Furman Center has become a leading academic research center devoted to the public policy aspects of land use, real estate development, and housing. The Furman Center launched the Moelis Institute for Affordable Housing Policy to improve the effectiveness of affordable housing policies and programs by providing housing practitioners and policymakers with information about what is and is not working, and about promising new ideas and innovative practices. More information on the Furman Center and Moelis Institute for Affordable Housing Policy can be found at: <http://furmancenter.org>