HOUSING

Policy Tool: Low-Income Housing Tax Credits

Examples: California LIHTC allocation
Georgia LIHTC allocation

Summary: Both preservation and production of affordable housing can be financed in part through the Low-Income Housing Tax Credit (LIHTC) program, particularly in states that favor transit-accessible projects in their qualified allocation plans.

The federal Low-Income Housing Tax Credit (LIHTC) program provides tax credits that developers can use to raise capital for the acquisition, rehabilitation or construction of affordable housing. State housing agencies allocate housing tax credits through a competitive process, specifying how they will allocate their LIHTCs in a Qualified Allocation Plan and implementing regulations that may award "points" for certain kinds of projects, state preferences (without awarding points) or set aside a specified portion of tax credits for certain kinds of projects.

A recent report on Preserving Affordable Housing Near Transit published by Enterprise Community Partners found that 32 states (and Washington, D.C.) award points to projects near transit in their scoring criteria (Quigley, 2010). California, for example, has a category of amenities points, and projects can be awarded up to 15 amenities points. Projects near transit can qualify for up to seven of these points, all of which are awarded if a project is part of a transit-oriented development strategy, is within a quarter-mile of a transit or bus station that receives frequent service during peak hours and its density exceeds 25 units per acre. Other projects are awarded from three to six points depending on the site's proximity to different types of transit services (COTD, 2009b).

The Enterprise report focused specifically on preservation of affordable housing near transit and found that 21 states include set-asides for affordable housing preservation and an additional 25 states award points in their scoring criteria for preservation. The Georgia Department of Community Affairs' 2010 plan for awarding LIHTCs reserves a portion of its tax credits for preservation and also awards three points to projects within one-half mile of a rapid transit system and one point to projects within one mile of transportation and services. Oglethorpe Place apartments, located only blocks from the Metropolitan Atlanta Rapid Transit Authority's West End station (and well served by bus routes) is one example of a project that benefited from an allocation of LIHTCs. A for-profit developer financed the preservation of this 144-unit property with tax credits in return for reserving 20 percent of the units for families earning less than 50 percent of median income; affordability is protected through 2027 (Quigley, 2010).

For additional information: www.treasurer.ca.gov/ctcac/tax.asp
www.practitionerresources.org/cache/documents/674/67410.pdf