The Impact of the Low-Income Housing Tax Credit in North Carolina

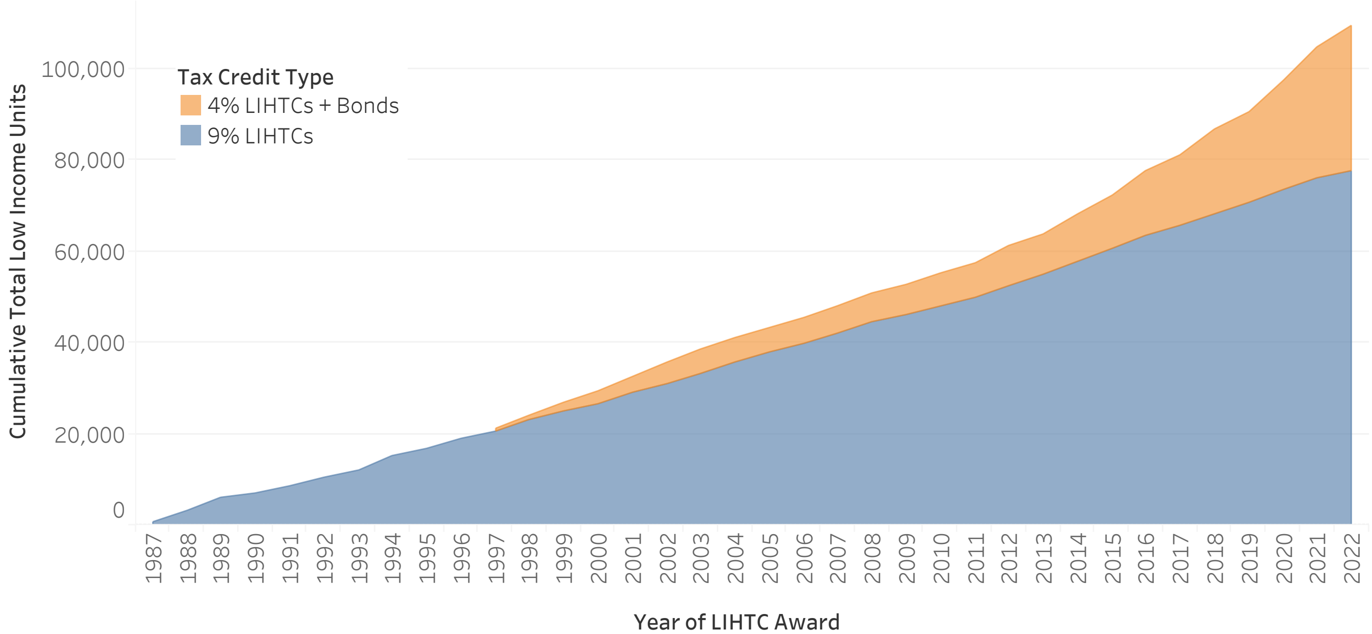
The Low-Income Housing Tax Credit (Housing Credit) funds affordable rental housing for low-income North Carolinians, including working families, seniors, formerly homeless veterans and people with disabilities. The Housing Credit has far-reaching impacts. With the help of state and federal funding that provides additional gap financing, the Housing Credit serves as an economic driver and pays dividends over time with affordable housing, construction financing and revitalization.

BACKGROUND

The Housing Credit is the largest federal funding source for creating affordable rental housing in the United States. Since its inception in 1987, the Housing Credit has incentivized private developers and investors to build apartments that low-income residents can afford by allowing developers and investors to claim a deduction on their federal tax liability for a 10-year period in exchange for keeping rents affordable for 30 years. From 1987 to 2022, the Housing Credit has helped create and preserve 109,359 affordable apartment homes in 2,530 properties across North Carolina. The Agency awarded housing credits to an average of 5,600 affordable apartment homes annually since 2018.

The flexibility of the Housing Credit has enabled it to be used for developing new affordable homes, rehabilitating and preserving aging affordable properties, revitalizing public housing and helping ensure affordable housing can remain in neighborhoods facing gentrification and displacement pressures.

CUMULATIVE HOUSING CREDIT PRODUCTION & PRESERVATION (1987–2022)



Source: North Carolina Housing Finance Agency LIHTC award data, 1987-2022.

IMPACT SNAPSHOT: SOCIAL AND ECONOMIC BENEFITS

The benefits of affordable homes financed with the Housing Credit are expansive—first in the form of relief from homelessness or housing instability and then as more income to spend on household essentials like food, healthcare, childcare, education and transportation. According to national data, severely cost-burdened low-income households (those paying more than half their

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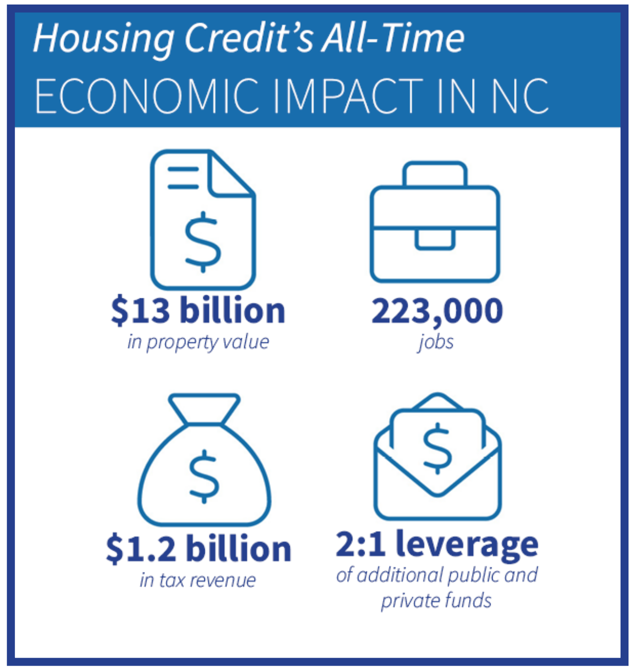
income on rent) spend 38% less on food and 70% less on healthcare than their low-income counterparts who live in housing that is is affordable to them.[i] The Housing Credit's ability to reduce a household's rent burden to 30-40% of income has a substantial impact on improving a family's ability to pay for essentials. For Housing Credit properties awarded in 2021 alone, **households save $209 on average in rent each month** compared to modest market rents.[ii]

In addition to helping low-income families make ends meet, the Housing Credit also helps promote positive long-term economic and health benefits for North Carolina children, including higher academic performance, increases in long-term earnings and improvements to physical and mental health. Some of these benefits come simply by virtue of having access to housing that is affordable, which itself can reduce illnesses in children and improve academic performance. In other cases, location itself is significant: when affordable homes are located in high-resource (or "high opportunity") areas, low-income families gain access to neighborhoods with more amenities, high performing schools, low pollution exposure and improved work opportunities for adults. For example, a 2018 study found that growing up in a region's higher-opportunity neighborhoods was on average associated with **$254,000 in greater lifetime earnings**[iv] than growing up in the same region's lower-opportunity neighborhoods.[v]



The Housing Credit also generates economic activity for the state in the form of jobs and income for local residents and businesses, and tax revenue for state and local governments. Since its inception in 1987 through 2022, the program has supported more than **223,000 jobs,** created more than **$20 billion in wages and business income** and generated more than **$1.2 billion in state and local tax revenue**.

Research has also demonstrated that Housing Credit developments have a neutral effect on nearby property values (and in some communities can actually help facilitate an increase in property values)[vi] and can even have revitalizing effects in high-poverty neighborhoods.[vii]

In short, every tax dollar invested in the Housing Credit generates value for all North Carolinians.

While the Housing Credit finances about 5,600 affordable apartment homes each year in North Carolina, more development is necessary to meet a growing need. More than 623,000 low-income renter households in the state pay more than they can afford in rent.[viii] The wage needed to afford a modest two-bedroom apartment in North Carolina is $19.18 per hour; however, a minimum wage earner earns $7.25 per hour and a four-person household earning 30% of area median income earns just $11.72 per hour.[ix]

Continued investments like the Workforce Housing Loan Program and the Housing Trust Fund would enhance the Housing Credit's ability to provide housing for families and individuals as well as economic benefits for surrounding communities and taxpayers at large.

To learn more about the Housing Credit and the North Carolina Housing Finance Agency's other rental development programs, visit www.nchfa.com/rental-housing-partners/rental-developers.

To learn more about our policy and research work, visit www.nchfa.com/about-us/policy-and-research.

REFERENCES AND NOTES

[i] Joint Center for Housing Studies of Harvard University. 2022. “America’s Rental Housing 2022.” Website: https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2022.pdf

[ii] Household rent savings is calculated as the difference between the restricted rents in Housing Credit properties as reported in the NCHFA application and HUD’s 2021 Small Area Fair Market Rents (SAFMR) for the zip code where the property is located, as provided by HUD at https://www.huduser.gov/portal/datasets/fmr/smallarea/index.html. For rural areas without SAFMRs, we use HUD Fair Market Rents for the appropriate county.

[iii] See, for example: Jacob, Brian, Max Kapustin, and Jens Ludwig. 2015. “The Impact of Housing Assistance on Child Outcomes: Evidence from a Randomized Housing Lottery.” The Quarterly Journal of Economics; and Aizer, et al. 2014. “The Long Term Impact of Cash Transfers to Poor Families.” NBER Working Paper 20103.

[iv] The $254,000 increase in lifetime earnings is represented in 2022 dollars. The study originally represented lifetime earnings increase in 2015 dollars – or $206,000. The annual BLS CPI for all urban consumers (CPI-U) was used for this inflation adjustment.

[v] Chetty, Raj, John Friedman, Nathaniel Hendren, Maggie R. Jones, Sonya R. Porter. 2018. “The Opportunity Atlas: Mapping the Childhood Roots of Social Mobility.” Website: https://scholar.harvard.edu/files/hendren/files/atlas_paper.pdf

[vi] See, for example: Young, Cheryl. 2016. There Doesn’t Go the Neighborhood: Low-Income Housing Has No Impact on Nearby Home Values. Trulia; North Carolina Housing Finance Agency. 2018. “The Low-Income Housing Tax Credit and Neighborhood Property Values in North Carolina.” Website: https://www.nchfa.com/sites/default/files/page_attachments/LIHTCPolicyBrief2.pdf.

[vii] Ellen, et al. 2016. Poverty Concentration and the Low Income Housing Tax Credit: Effects of Siting and Tenant Composition. Journal of Housing Economics. 34, 49-59.

[viii] This estimate was generated using 2019 (1-year) U.S. Census Bureau Public Use Microdata Sample (PUMS) data. Low-income households are those earning less than 80% area median income. Rent is affordable if the household spends no more than 30% of its income on housing and utility costs.

[ix] National Low Income Housing Coalition. 2022. “Out of Reach: The High Cost of Housing.” Website: https://nlihc.org/oor./default/files/page_attachments/LIHTCPolicyBrief2.pdf.

[vii] Ellen, et al. 2016. Poverty Concentration and the Low Income Housing Tax Credit: Effects of Siting and Tenant Composition. Journal of Housing Economics. 34, 49-59.

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[ix] National Low Income Housing Coalition. 2022. “Out of Reach: The High Cost of Housing.” Website: https://nlihc.org/oor.

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