



NHT and the Low Income Housing Tax Credit Program

2023

NHT has a history of working with state and local Housing Finance Agencies (HFAs) to strengthen their affordable housing policies, especially specific to the Low Income Housing Tax Credit (Housing Credit) program. The Housing Credit program is the largest federal source of financing for affordable housing, supporting the development and preservation of over 3.55 million units since 1987.¹ With our deep understanding of this critical resource, NHT's efforts have helped to transform the program from one that favored new construction to one that preserves hundreds of thousands of units of affordable housing across the country. NHT has helped to lead the way in supporting agencies to use their Housing Credits to deliver properties that are energy efficient and sustainable.

As the largest source of funding for increasing and preserving the nation's supply of affordable rental homes, it is critical that Housing Credits are allocated and administered to most effectively combat the greatest threats to affordable housing. Qualified Allocation Plans (QAPs) are the main document through which Housing Finance Agencies (HFAs) require or incentivize certain policies in Housing Credit properties. Federal statute gives HFAs broad discretion in how to allocate the credits through the QAP. Developers, in turn, seek to maximize their chances of securing funding by ensuring that the developments they pursue adhere closely to the priorities of the housing agency as laid out in the QAP.

HOW THE LOW INCOME HOUSING TAX CREDIT WORKS



NHT periodically reviews the QAPs² from all 50 state HFAs and three local allocating agencies (Chicago, New York City, and Washington, D.C.) to identify the strategies used to promote housing stability in the Housing Credit program³. Our latest findings reflect insights from the most recent QAPs released by HFAs before March 2023.

Our analysis focuses on two main mechanisms in the QAP that guide allocation decisions for state and local housing needs: threshold requirements and points or preferences (incentives). **Threshold requirements** set forth the minimum standards a proposal must meet to qualify for an allocation of tax credits. Additionally, HFAs use **points or preferences** to rank applicants against each other, with the higher scoring application receiving an allocation of tax credits above a lower scoring application. Although points or preferences are optional, HFAs can virtually ensure that applicants meet certain criteria by assigning enough weight to the criteria that the application has little chance of receiving an allocation without complying. In addition to reviewing threshold requirements and incentives in QAPs, NHT also reviews accompanying documents, such as developer guides, policy manuals, green building or energy conservation policies, design and construction manuals, funding applications, and underwriting guidelines.

The findings from NHT's 2023 analysis are summarized on [our website](#), and explored in depth through a series of Infobriefs covering topics including Housing Preservation, Electrification, Digital Equity and more.

Learn more about how QAPs can accelerate the affordability, opportunities, and sustainability of affordable housing on our [QAP analysis home page](#).

NHT has been a long-time champion of energy efficiency and sustainable affordable housing. Our [2017](#) and [2020](#) reports highlight state strategies and best practices in QAPs to increase energy and water efficiency in Housing Credit properties -- and provide a comparison to our 2023 data to track industry changes.

In addition to promoting tools that proactively create long-term affordable housing options, NHT continues to partner with state and local HFAs to protect properties [against two threats to preservation at Year 15](#) – the Qualified Contract (QC) and the ambiguity of the nonprofit Right of First Refusal (ROFR).

NHT applied our comprehensive QAP knowledge, working alongside the Indiana Housing and Community Development Authority to update the Indiana 2023-2024 QAP.

Learn more about our process and solutions [here](#).

To learn how we can help your allocating agency meet their goals, align with best practices, and promote stable housing, contact [Laura Abernathy](#) or [Moha Thakur](#).

¹ Data from the Department of Housing and Urban Development, revised 05/04/23

² For the purposes of this work, the term QAP encompasses all of the QAP-adjacent documents, including but not limited to design standards, applications, compliance manuals, and program and construction guidelines.

³ There are two types of credits in the Housing Credit program—the “4 percent” rate and the “9 percent” rate. 4 percent credits are awarded along with private activity bonds, and subject to a private activity bond cap per state, while the amount of 9 percent credits a state can allocate in a given year is limited based on a per capita formula authorized by Congress. This analysis examines only to the 9 percent program.