

# HB854 Statewide Housing Study

## Program Fact Sheet

### Low-Income Housing Tax Credit Program

#### Virginia Housing

**Note:** This fact sheet was created in October 2021. Program details can change regularly. For the most up-to-date information on this program and a program contact, please visit the link below:  
[Link to program website](#)

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### 01 Program goals

The federal Low-Income Housing Tax Credit (LIHTC) program is sponsored by the U.S. Treasury Department and authorized under Section 42 of the IRS Code of 1986. The program, administered in Virginia by Virginia Housing, encourages the development of affordable rental housing by providing owners a federal income tax credit. It also provides incentive for private investors to participate in the construction and rehabilitation of housing for low- and moderate-income households.

As opposed to the competitively allocated 9 percent LIHTC, the 4 percent LIHTC, for which a project automatically qualifies if it is also financed with tax-exempt bonds, is a critical but underutilized source of federal financing for affordable homes. These credits are often used for the rehabilitation and the preservation of subsidized rental developments.

### 02 Funding sources

The Section 42 housing program refers to that section of the Internal Revenue Tax Code which provides tax credits to investors who build affordable housing. Investors receive a

dollar-for-dollar reduction in their tax liability in return for providing affordable housing to households with lower incomes.

### 03 Governance

Virginia Housing's Qualified Allocation Plan (QAP) details the selection criteria and application requirements for Housing Credits and tax-exempt bonds. It lists all deadlines, application fees, restrictions, standards, and requirements for multifamily rental housing developers to be eligible for funding. The Agency proposes a new QAP every two years and holds a public forum before adopting a final plan. The plan of Virginia Housing for the allocation of low-income housing tax credits sets forth the pools into which the Commonwealth's total credit authority is divided. Under the LIHTC program established by §42 of the Internal Revenue Code (IRC), the Commonwealth of Virginia has a certain per capita dollar amount of low-income housing tax credits to be allocated each calendar year under §42(h)(3)(C)(i) of the IRC (the "Annual Credit Authority") to qualified low-income housing developments.

### 04 Population served

The LIHTC program directly serves Nonprofit Organizations, Local Housing Authorities, Local Governments, and Private Developers who are building or rehabilitating low-income affordable rental housing and the equity investors who receive the tax credits. The ultimate beneficiaries of the LIHTC program are very low- and moderate-income households who reside in LIHTC-financed housing.

### 05 How program works

The Low-Income Housing Tax Credit (LIHTC) subsidizes the acquisition, construction, and rehabilitation of affordable rental housing for low- and moderate-income tenants. The federal government issues tax credits to state and territorial governments. State housing agencies

then award the credits to private developers of affordable rental housing projects through a competitive process. Developers generally sell the credits to private investors to obtain funding. Once the housing project is placed in service (essentially, made available to tenants), investors can claim the LIHTC over a 10-year period.

## 06 Program history

Virginia Housing's LIHTC program began in 1990.

## 07 Program highlights

- Over the past five years, Virginia's LIHTC program has issued total credit amounts between \$32.9 million and \$67.3 million annually. On average, these credits have supported the creation or preservation of more than 5,500 units per year.
- However, the demand for LIHTC credits remains higher than available resources: roughly one-third of all applications go unfunded each year.
- The majority of LIHTC applications, including those that are allocated and unfunded, are for projects located in the Greater Richmond, Northern Tier, and Hampton Roads / Chesapeake regions. These regions comprise Virginia's urban crescent. The only notable disparity in regional distribution of allocated versus unfunded projects is Greater Richmond, which holds 38% of all unfunded applications, compared to just 30% of all applications total.
- During the year of 2018, the largest percentage of tenants living in LIHTC-financed housing were Black households at 52%. The next largest percentage were white households at 21%. In addition, nearly 50% of households receiving LIHTC assistance were households earning income at or below 30% the area median gross income (AMGI).

- In 2018, the highest percentage of households in LIHTC units in Virginia (41%) had at least one member under the age of 18. Approximately 30% of LIHTC households had at least one member who was 62 years of age or older. The latter figure may be indicative of a growing elderly population in Virginia that will be in need of affordable housing.