

Affordable Housing Preservation: Low Income Housing Tax Credit (LIHTC)



Why is preserving LIHTC important?


1. LIHTC is the **largest program funding for affordable housing** in Pennsylvania and across the U.S.ⁱ
2. Properties that receive funding through the LIHTC program are **not required to remain affordable in perpetuity**.
3. As of October 2024, there were **150 LIHTC properties in Pennsylvania containing 5,168 units**, in which the affordability requirements **expire within five years**.ⁱⁱ
4. After the affordability restriction expires, property owners are free to **convert LIHTC properties into market-rate units**, threatening to make this vital form of affordable housing financially out-of-reach for current and future low-income residents.

How does the LIHTC program work?

LIHTC gives private investors a **federal income tax credit** as an incentive to make equity investments in **affordable rental housing**. The equity raised can help to fund the construction of new affordable housing properties, the acquisition and renovation of existing buildings, or the refinancing and renovation of existing affordable rental housing properties subsidized under other federal housing programs.ⁱⁱⁱ LIHTC offers both 4% and 9% credits. The 9% credits, which offer more capital and are therefore more highly coveted, are typically used just for new construction, while the **4% credits are typically used for preservation**.

LIHTC units are generally priced to be affordable to households around **60% of the Area Median Income**.^{iv} They must **remain affordable** for a period of at least **30 years**, with the option to opt out after 15 years. States do have the option to require longer affordability requirements.^v **In Pennsylvania**, the minimum affordability period has been set at **40 years** instead of 30.^{vi} As of 2023, there are **57,282 units of LIHTC**.^{vii}

How can you preserve LIHTC properties' affordability and quality?

Strategy	Example
Use new allocation of LIHTC to start a new affordability period	Sharpsburg, PA: The Sharpsburg Towers apartment building received both 4% and 9% credits in 2019 for preservation . Originally subsidized through the Section 202 program (which funds supportive housing for low-income elderly residents) in 1980, this 103-unit, completely affordable senior development will continue to be affordable until 2059. ^{viii}
Local government and municipalities provide additional local funding	Philadelphia, PA: The city of Philadelphia's Neighborhood Preservation Initiative (NPI) is a \$400 million investment in affordable housing and commercial revitalization citywide, funded by municipal bonds. The city is providing additional funds to properties being preserved through LIHTC to incentivize preservation and aid in the physical maintenance of these buildings. As of March 2025, \$15.3 million had been either committed or allocated to preserving LIHTC. ^{ix}
Extend the required affordability period 	States can extend the affordability requirement past the federally mandated 30-year minimum. New Hampshire and Utah have required affordability periods of 60 and 50 years , respectively. Vermont properties that receive 9% credits must remain affordable in perpetuity , although their 4% credits have the normal 30-year requirement. ^x

For more information on LIHTC preservation, check out this resource:

- [Poverty & Race Research Action Council paper that discusses ways to preserve LIHTC properties](#)

References

- ⁱ “Low-Income Housing Tax Credit (LIHTC).” *HUD User*, <https://www.huduser.gov/portal/datasets/lihtc.html#:~:text=The%20Low%2DIncome%20Housing%20Tax,in%20the%20United%20States%20today>.
- ⁱⁱ *National Housing Preservation Database*, Public and Affordable Housing Research Corporation and National Low Income Housing Coalition, <https://preservationdatabase.org/>.
- ⁱⁱⁱ Scally, Corianne Payton, et al. “The Low-Income Housing Tax Credit.” *The Urban Institute*, July 2018, https://www.urban.org/sites/default/files/publication/98758/lihtc_how_it_works_and_who_it_serves_final_2.pdf.
- ^{iv} *Ibid.*
- ^v “Advancing Preservation in Housing Credit Properties.” *National Housing Trust*, 2023, https://nationalhousingtrust.org/sites/default/files/documents/preservation-info-brief-final-formatted_0.pdf.
- ^{vi} *Ibid.*
- ^{vii} 2023 Preservation Profile: Pennsylvania. *National Preservation Database*. Accessed 18 April 2025.
- ^{viii} *National Housing Preservation Database*.
- ^{ix} “Neighborhood Preservation Initiative (NPI) dashboard.” *Philadelphia Department of Planning and Development*, <https://www.phila.gov/departments/department-of-planning-and-development/about/our-results/neighborhood-preservation-initiative-npi-dashboard/>.
- ^x “Advancing Preservation.”



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For additional information and resources on preservation, please visit the [Housing Preservation Resource Library](https://www.housingalliancepa.org/housing-preservation-resource-library) on our website www.housingalliancepa.org