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

Low-Income Housing Tax Credits fund affordable rental housing for low-income North Carolinians, including working families, seniors, formerly homeless veterans and persons with disabilities. The Housing Credit has far-reaching impacts. With the help of state-funded programs that support it, the credit saves taxpayer dollars and acts as an economic driver, particularly in rural regions of the state.

BACKGROUND

The Low-Income Housing Tax Credit, a public-private partnership, is the most crucial affordable housing tool in the country. The credit incentivizes private developers and investors to build apartments that low-income residents can afford. In North Carolina, the credit has financed **83,000** apartments that charge rents affordable to low-income tenants, which would not otherwise generate enough cash flow to be financially feasible.[1]

The credit also promotes success for North Carolina children. Beyond economic benefits, the Housing Credit promotes residents' well-being. When affordable options are unavailable, families may be forced to rent unsafe, overcrowded or otherwise substandard apartments, which can cause illness and developmental delays in children.[2,3] Affordable housing can also prevent frequent moves, which improves children's educational outcomes by supporting school attendance.[4]

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

The Housing Credit's All-Time
ECONOMIC IMPACT
in North Carolina

$7.5 BILLION in property value

$923 MILLION in tax revenue

137,000 jobs

2:1 LEVERAGE of additional public and private funds

IMPACT SNAPSHOT: HEALTH CARE SAVINGS

Affordable housing combined with supportive services for tenants can generate significant public health care savings. In North Carolina, Housing Credit properties are required to participate in the Targeting Program by setting aside 10-20% of units for people with disabilities. Local service agencies provide access to supports and services, such as health care or case management, to tenants of Targeted Units. Research has found that living in affordable housing coupled with support services lowers the medical expenses of tenants who are elderly or have disabilities by an average of **$1,000** per year.[5] For tenants with intensive services needs, health care cost savings are even higher, around **$6,000** per year.[6]

Every **$1** in Housing Credit equity

Saves as much as **$3** in taxpayer health care dollars

In North Carolina, the Housing Credit saves up to $3 in health care dollars for every $1 invested over the life of the program.[7] Because Targeted Unit tenants have very low incomes and receive public disability benefits, their health care costs are typically paid by taxpayer dollars. Based on research on comparable programs, the 3,500 households who currently occupy Targeted Units could save taxpayers between **$3.5 and $21 million** in public health care dollars each year.[8]

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IMPACT SNAPSHOT: STATE FUNDING BOOSTS THE HOUSING CREDIT IN RURAL TOWNS

The Housing Credit drives housing development in rural communities across the state. In some counties, Housing Credit developments have been the only new residential construction in years, driving the building industry in those areas, fueling local property tax revenues and providing much-needed affordable rental housing.

The Housing Credit does not operate on its own—state funding like the Workforce Housing Loan Program (WHLP) maximizes its impact. WHLP makes Housing Credit developments viable in rural communities, where rents are not high enough to cover building costs and repay development loans, leaving a funding gap that renders Housing Credit development infeasible. WHLP fills that gap and helps developers repay their debts. In the few short years since WHLP's creation in 2015, the program has helped finance **45 properties** and created more than **2,700 units of affordable rental housing** in rural communities across the state.

All Housing Credit properties in rural areas*

* This map shows all Housing Credit properties in rural areas of the state. Rural areas are those that are eligible for USDA single-family loans.

RURAL IMPACT

35,600 apartments

56,000 jobs

$380 million in tax revenue

$3.1 billion in property value

While the Housing Credit finances about 4,100 affordable rental units each year in North Carolina, more development is necessary to meet a growing need.[9] More than 526,000 low-income households in the state pay more than they can afford in rent; the average renter in North Carolina earns $14.14 per hour but the average wage needed to afford a two-bedroom apartment is $15.79 per hour.[10,11] Increasing state supports like the Workforce Housing Loan Program 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/research-reporting-and-policy.*

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7. This calculation assumes $6,000 per year (over 30 years) in healthcare savings per Targeted Unit and $61,000 per unit in financing (one-time cost), which is the average amount of financing provided per unit for all properties that currently have Targeted Units.
8. The calculation for this range was: Number of Targeted Unit households (3,500) x healthcare savings per household ($1,000-6,000)
9. This number is a five-year average of annual units produced from 2013-2017.
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