The Role of Vouchers in the Low-Income Housing Tax Credit Program

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Abstract

The Housing Choice Voucher (HCV) program was originally intended for use in the private market, but a subset of HCVs is used for affordable housing units financed through the Low-Income Housing Tax Credit (LIHTC) program. This article examines the relationship between these programs, which are two of the most significant federal sources of affordable housing funding. It provides background information on each program, reviews what is known about their relationship, and identifies areas for data improvements and future research that can inform federal policymaking. Further research based on nationally representative data is needed to answer basic questions about the extent to which HCVs are used in LIHTC units and whether it is an efficient use of the subsidy in the context of scarce resources for affordable housing. Future research can also address questions about cross-subsidization, the role that rental assistance might play in mounting preservation challenges within the LIHTC program, and implications for voucher success and mobility.

Introduction

Housing ChoiceVouchers (HCVs) help millions of low-income renters afford housing. Originally intended for use in the private market, a subset of HCVs helps ensure that the federal Low-Income Housing Tax Credit (LIHTC) program serves renters with extremely low incomes. However, the relationship between HCVs, the nation's largest public source of tenant-based rental assistance, and the LIHTC program, the nation's largest single public source of affordable housing production and preservation capital, remains understudied and underappreciated.

Key differences and complementary features of the HCV and LIHTC programs suggest a significant potential to improve a range of policy outcomes through the coordination of these subsidies, especially for the lowest-income renters. Exhibit 1 summarizes different ways that coordinating

HCVs and LIHTC may improve outcomes across three broad areas of concern for housing policy: affordability and stability, preservation, and voucher success and mobility.

Exhibit 1

Potential Effects of Coordinating Housing Choice Vouchers and Low-Income Housing Tax Credit

Affordability and Stability	Preservation	Voucher Success and Mobility
• HCVs could make LIHTC rents more affordable for renters with incomes well below the LIHTC program's maximum income limits, helping the LIHTC program to serve a wider range of tenants while reducing cost burdens. • LIHTC rents could be more affordable to voucher holders than similar units in the private market, helping to reduce cost burdens among voucher holders. • Deeper affordability provided through HCVs might protect LIHTC tenants from housing instability or eviction. • Additional rental income that LIHTC owners can sometimes collect from HCVs could be used to cross-subsidize tenants without rental assistance.	• HCVs could protect LIHTC tenants from rent increases or displacement when LIHTC affordability restrictions end. • LIHTC property owners could reinvest additional subsidy provided through HCVs to help preserve the financial health and physical quality of their properties.	• LIHTC units might expand opportunities for HCV holders to successfully use their vouchers. • LIHTC units could facilitate voucher mobility by helping voucher holders access higher-opportunity neighborhoods than they might otherwise.

HCV = Housing Choice Voucher. LIHTC = Low-Income Housing Tax Credit.
Source: National Low Income Housing Coalition

Whether many of these potential effects are realized in practice and whether the "doubling-up" of subsidies is necessarily an efficient use of scarce resources remain unclear. Data limitations currently prevent researchers and analysts from exploring and definitively answering these fundamental questions about the extent to which the integration of HCVs and LIHTC provides positive outcomes. Even the full extent of the overlap between the programs is currently unknown.

This article provides essential background information for understanding the relationship between HCVs and LIHTC and its potential for positive policy outcomes, addresses what is currently known about the role of vouchers in the LIHTC program, and outlines important areas for data improvements and future policy-relevant research. Better data and further research about the relationship between vouchers and LIHTC are needed to inform federal policymaking because these programs are increasingly central to the housing safety net for the lowest-income renters.

Background

The HCV and LIHTC programs differ in several respects, but they also have complementary features. On the most basic level, HCVs are intended to subsidize tenant incomes so that they can afford existing housing in the private market, whereas LIHTC provides a subsidy for the construction or preservation of rent-restricted housing with an eye toward increasing the overall supply of affordable housing units. The programs differ in other ways, but the most important differences include income eligibility, rent-setting, and the duration of the subsidy provided. Understanding these differences is necessary to appreciate the relationship between HCVs and LIHTC, particularly regarding outcomes for the lowest-income renters. Key complementary features of these programs, such as a requirement for LIHTC property owners to accept HCVs and the potential for owners to collect higher rents through vouchers, are also pivotal to understanding the relationship and its potential effect on housing policy outcomes.

Differences in Program Design

The HCV and LIHTC programs differ when it comes to income eligibility. Under federal law, maximum income eligibility thresholds for LIHTC units are limited to either 50 or 60 percent of the Area Median Income (AMI), with an income averaging option that allows some units in a property to serve households up to 80 percent of AMI. However, states frequently incentivize or require deeper income targeting in practice, and LIHTC units can serve households with incomes below the stipulated maximum threshold for the unit. Meanwhile, the HCV program is more explicit about targeting the lowest-income renters. Federal law requires that 75 percent of new and turnover vouchers must serve extremely low-income households, those earning less than the federal poverty guideline or 30 percent of AMI, whichever is higher.

The HCV and LIHTC programs also differ markedly in terms of rent-setting. LIHTC rents are not based on actual tenants' incomes. Instead, maximum allowable rents are set at 30 percent of units' maximum income-eligibility thresholds minus a certain amount for utilities. This stipulation means that LIHTC households earning below the maximum income threshold for a unit can be cost-burdened, paying more than 30 percent of income on rent and utilities. LIHTC rents can also increase independently of tenants' household incomes because maximum rents are pegged to AMI.

Unlike LIHTC rents, HCV rents are fundamentally based on market rents, and the tenants' contributions toward rent are tied to their personal incomes. The HCV subsidy typically covers the difference between 30 percent of tenants' income and the payment standard the PHA determines—typically between 90 and 110 percent of the Fair Market Rent (FMR). In cases with the LIHTC rent exceeding a voucher's payment standard, voucher holders may be responsible for contributing more than 30 percent of their adjusted monthly incomes toward rent. Some voucher holders in LIHTC units, as a result, might be housing cost-burdened. However, voucher holders may not pay more than 40 percent of their monthly adjusted income when moving to new units.

Another difference between the programs is that income restrictions and rent restrictions associated with the LIHTC program can expire. The minimum duration of these restrictions is 30 years under federal law, although some properties can exit after 15 years through the qualified contract loophole in which current owners can opt out of LIHTC restrictions if they wish to sell their property, but the state cannot find a buyer. Some states incentivize or require longer periods of affordability, or they incentivize or require developers to waive their right to a qualified contract through their qualified allocation plans. As many as 178,754 LIHTC units may reach the end of their federally or state-mandated eligibility and affordability restrictions in the next 5 years. Voluntary restrictions of greater duration than the federal or state minimums might cover some of these units (NHPD, 2023). The U.S. Department of Housing and Urban Development (HUD) began collecting property-level data on LIHTC program restriction end dates only recently, so a more precise national estimate of LIHTC units with expiring use restrictions that include longer restrictions that owners voluntarily opted into is not yet feasible.

Complementary Features of the Housing Choice Voucher and LIHTC Programs

One complementary feature of the relationship between the HCV and LIHTC programs is that LIHTC property owners can, in some cases, collect rent through the voucher subsidy in excess of the maximum allowable LIHTC rents. This exception can occur when the voucher payment standard exceeds the LIHTC maximum rent threshold for a unit. No requirements are specified for what an owner must do with this additional income.

Although some states and localities have passed legislation banning source of income discrimination, discriminating against voucher holders based on their sources of income is still legal in many communities. Another important complementary feature of the HCV and LIHTC programs is that LIHTC property owners are required to accept vouchers. An LIHTC property owner, more specifically, cannot refuse to lease to a voucher holder simply because they have a voucher, even in communities where source of income discrimination is still permitted.

Questions for Research and Policy

Fundamental differences in income-targeting and rent-setting suggest it is important for policymakers to understand whether the combination of HCVs and LIHTC provides deeper affordability than what is possible through either program alone and whether vouchers allow the LIHTC program to serve a broader range of tenants, particularly those with the lowest incomes. Relatedly, it is also important to know whether the coordination of these subsidies might result in greater housing stability than either subsidy might achieve on its own. Given how local income and rent levels determine LIHTC rents and FMRs, respectively, the question is also how these dynamics might vary between different housing markets.

The limited duration of eligibility and affordability restrictions in the LIHTC program raises the question of whether vouchers might offer LIHTC tenants a degree of protection from mounting subsidy expirations. Freddie Mac (2022) found that LIHTC properties generally remain affordable to households at or below 60 percent of AMI after eligibility and affordability restrictions expire. However, this income threshold may far exceed the incomes of some existing LIHTC tenants because LIHTC can serve households earning below the maximum income thresholds. Even a modest rent increase following an LIHTC property's exit from the program has the potential to destabilize renters earning well below the 60-percent AMI threshold, particularly those without access to rental assistance. However, LIHTC tenants with HCVs might have some protection from rent increases and be able to take their subsidy elsewhere when LIHTC preservation efforts fail, which is especially important given that the LIHTC program does not provide tenant protection vouchers when restrictions expire. The extent to which HCVs might insulate the lowest-income LIHTC tenants from mounting preservation challenges is a pressing question for housing policy.

The potential for LIHTC property owners to collect additional rent through vouchers than they might otherwise also implies potentially positive effects on housing policy outcomes. Previous research by the National Low Income Housing Coalition suggests that mission-driven LIHTC owners sometimes use this additional rental income to cross-subsidize other units for the lowest-income renters (Bolton, Bravve, and Crowley, 2014). This additional rental income could also be reinvested in a property to help preserve its physical quality and financial health, or owners could also simply capture the extra income without reinvesting it in the property or benefiting tenants. The fact that at least 63 percent of LIHTC properties have for-profit owners suggests it is a real possibility (NHPD, 2024). How much additional rental income LIHTC owners collect because of vouchers, where it occurs, and what LIHTC owners do with this additional income are all important questions for policymakers.

In some cases, it can also be difficult for LIHTC property owners to collect the maximum LIHTC rent for a unit without rental assistance. Bolton, Bravve, and Crowley (2014) observed that LIHTC rents set at 60 percent of AMI are comparable with market rents in many communities and that LIHTC property owners must compete with the private market for tenants at these income levels. HCVs have the potential to provide a stable source of tenants and revenue to LIHTC property owners under these circumstances. Similarly, in their examination of LIHTC preservation issues in Detroit, Dewar, Deng, and Bloem (2020) found that the operating support provided by rental assistance helped preserve the financial and physical health of LIHTC properties. The role that vouchers might play in supporting LIHTC properties in weaker housing markets is worth further exploration.

Finally, the requirement for LIHTC property owners to accept vouchers is of particular interest for research and policy given the challenges that voucher holders can face with successfully leasing units. The national voucher success rate, which is the share of new voucher holders who can successfully find and lease apartments within a specified period, appears to be on the decline. Kennedy and Finkel (1994) estimated a success rate of 81 percent for 1993; Finkel and Buron (2001) estimated a rate of 69 percent for 2000; and Ellen, O'Regan, and Strochak (2021) most recently estimated a success rate of 61 percent for 2019. Discrimination, low vacancy rates, a lack of units renting at or below the voucher payment standards, low-quality housing stock, an insufficient supply of larger units and units with accessibility features, and a lack of information about housing choices all constrain rental options for voucher holders (Bergman et al., 2019; Collinson and Ganong, 2018; Finkel and Buron, 2001; Finkel et al., 2003). It is unknown whether some of these constraining factors, or voucher success rates more generally, push voucher holders to lease up in LIHTC units. The relationship between rental housing market characteristics and voucher utilization in tax credit properties is an important area for policy-relevant research. Understanding these dynamics could shed light on whether the coordination of HCVs and LIHTC might bolster voucher success rates or promote mobility.

Beyond questions about how the coordination of HCVs and LIHTC might affect different housing policy outcomes, the overarching question of efficiency is also a concern. The question at the most basic level is whether LIHTC units offer voucher holders a degree of affordability they would not be able to attain with vouchers alone in the private market. If the LIHTC program might improve voucher success rates or mobility, another question is whether these same outcomes could be achieved more efficiently, at a lower cost, through other means such as housing search assistance or mobility counseling. If the doubling-up of HCVs and LIHTC is inefficient, the potential policy impacts of coordinating these subsidies might be irrelevant.

Several features of the HCV and LIHTC programs raise questions about how their coordination might affect housing policy outcomes, particularly when it comes to the lowest-income renters. Fundamental questions remain about whether doubling up these subsidies is efficient or even necessary. The next section presents what is currently known about the relationship between HCVs and LIHTC, with an eye toward identifying necessary data improvements and questions for future policy-relevant research.

What Do We Know About the Relationship Between Vouchers and LIHTC?

Efforts to better understand the relationship between HCVs (and rental assistance more generally) and the LIHTC program go back at least as far as the late 1990s, when the topic was covered as part of a U.S. Government Accountability Office (GAO) investigation into LIHTC program oversight (GAO, 1999, 1997). These GAO reports and subsequent studies by Buron et al. (2000), Williamson, Smith, and Strambi-Kramer (2009), Williamson (2011), NYU Furman Center (2012), O'Regan and Horn (2013), Bolton, Bravve, and Crowley (2014), and Richter, Barkley, and Higgins (2017) relied on varying, and sometimes limited, samples to examine rental assistance use among LIHTC households. Moreover, these efforts provided infrequent snapshots of the relationship between rental assistance and LIHTC, employing varying definitions of rental assistance.

Consistent national data collection about LIHTC tenant characteristics, including rental assistance utilization, started only with the passage of the Housing and Economic Recovery Act (HERA) in 2008. Although HUD had been collecting and publishing property-level LIHTC data since the mid-1990s, HERA empowered HUD to collect a range of tenant-level data, including data on race, ethnicity, family composition, age, income, disability status, rental payments, and use of rental assistance. HUD published its first LIHTC tenant data in 2014. Although HUD is now consistently publishing LIHTC tenant data, the completeness of certain data varies significantly by state because of differences in reporting by the state housing finance agencies that administer the LIHTC program (HUD, 2023a). The decentralized administration of the LIHTC program, limited oversight and enforcement powers for both HUD and state housing finance agencies, and limited technology and staff capacity are all significant obstacles to improving the quality and completeness of LIHTC data (Aurand et al., 2022). The LIHTC program also exempts properties with 100 percent low-income units and properties in their extended-use period from annual income recertifications, further complicating efforts to collect complete data (HUD, 2023a). Ultimately, the completeness of LIHTC tenant data reported to HUD is a key challenge for providing timely, sufficiently detailed public data about the role that HCVs play in the LIHTC program, especially when it comes to serving the lowest-income renters.

How Widespread is the Current Use of Housing Choice Vouchers in LIHTC Units?

The most recent publicly available HUD-published LIHTC tenant data provide information on the specific sources of federal rental assistance LIHTC tenants used in 2021. However, HUD notes that a confident determination of the completeness of these data is not currently possible (HUD, 2023a). Meanwhile, studies of voucher use in the LIHTC program are inconsistent in defining the scope of rental assistance and are either dated or based on potentially unrepresentative samples. Estimates regarding the share of LIHTC households with tenant-based rental assistance in these studies range from 6 percent in Buron et al. (2000) to 18.5 percent in Williamson (2011).

A comprehensive national estimate of HCV use in the LIHTC program is not available, but HUD's LIHTC tenant data are more complete regarding the receipt of rental assistance from any source (federal, state, local, or nonprofit).[1] In 2021, approximately 40 percent of LIHTC households received some amount of rental assistance from any source, and 28.4 percent reported some amount of rental assistance from a federal source (HUD, 2023b).

Who Currently Uses HCVs in LIHTC Units, and How Do HCVs Affect Affordability?

The limited information that HUD publicly provides about rental assistance use in the LIHTC program at the national level is not broken down by household characteristics like household income or housing cost burden. Both household income and housing cost burden are essential to understanding the role that rental assistance programs, including HCVs, play in the LIHTC program, especially when it comes to serving the lowest-income renters. O'Regan and Horn (2013) provided the most recent national estimates of rental assistance use among LIHTC tenants by income and housing cost burden.

LIHTC tenant data spanning 2009–10 from 26 states indicated that 44.7 percent of LIHTC households had incomes at or below 30 percent of AMI, and 70 percent of those had some form of rental assistance (NYU Furman Center, 2012; O'Regan and Horn, 2013). Among the lowest-income LIHTC households without rental assistance, 28 percent had moderate housing cost burdens, spending between 31 and 50 percent of their income on rent, and 58.1 percent were severely cost-burdened, spending more than one-half of their income on rent (O'Regan and Horn, 2013). The O'Regan and Horn findings clearly indicate that rental assistance plays a pivotal role in making LIHTC units affordable to the lowest-income renters, although the authors were unable to analyze specific sources of rental assistance, such as HCVs.

More recent estimates can be derived using 2019 microdata on LIHTC tenants that HUD provided to the authors. Based on a convenience sample of 660,840 LIHTC households from 34 states and the District of Columbia for whom sufficient data were available on income, rent, and rental assistance receipt, 49.1 percent of LIHTC households had incomes of 30 percent or less of AMI, and 69.2 percent of these households received some amount of rental assistance from any source (exhibit 2).

Exhibit 2

Low-Income Housing Tax Credit Households and Rental Assistance by Income

Area Median Income	LIHTC Households (%)	Share of LIHTC Households With Rental Assistance (%)
0 to 30%	49.1	69.2
> 30 to 40%	18.4	37.1
> 40 to 50%	15.8	22.1
> 50 to 60%	10.1	12.4
> 60%	6.5	9.3

LIHTC = Low-Income Housing Tax Credit.
Source: 2019 HUD LIHTC tenant microdata

[1] LIHTC tenant data reported to HUD are often incomplete regarding the specific sources of federal rental assistance, such as HCVs. Estimates of the share of federal rental assistance attributable to HCVs can vary significantly from year to year as a result.

Rental assistance clearly continued to play a pivotal role in driving deep affordability in the LIHTC program in 2019. Among the lowest-income LIHTC households receiving rental assistance, 17.1 percent were moderately housing cost-burdened, and 15.8 percent were severely cost-burdened compared with 18.2 and 59.1 percent, respectively, among their peers without rental assistance (exhibit 3). Overall, 77.3 percent of the lowest-income LIHTC households without rental assistance had some degree of cost burden, although 32.9 percent of the lowest-income households were still cost-burdened despite having rental assistance.

Exhibit 3

Cost-Burden Prevalence Among LIHTC Households by Income and Rental Assistance Receipt

Area Median Income	Share of LIHTC Households With Moderate Cost Burden: Rental Assistance (%)	Share of LIHTC Households With Moderate Cost Burden: No Rental Assistance (%)	Share of LIHTC Households With Severe Cost Burden: Rental Assistance (%)	Share of LIHTC Households With Severe Cost Burden: No Rental Assistance (%)
0 to 30%	17.1	18.2	15.8	59.1
> 30 to 40%	15.1	65.4	1.0	22.4
> 40 to 50%	12.4	76.3	0.4	3.6
> 50 to 60%	9.4	59.1	0.5	0.3
> 60%	5.1	10.3	0.5	0.0

LIHTC = Low-Income Housing Tax Credit.
Source: 2019 HUD LIHTC tenant microdata

The incompleteness of HUD's LIHTC tenant data regarding sources of federal rental assistance hinders making meaningful comparisons between LIHTC households with and without HCVs as their rental assistance. However, a much smaller convenience sample of 65,743 households can be drawn from the 2019 microdata. Sufficient data from that sample are available to identify LIHTC households receiving HCVs, defined to include both tenant-based vouchers and project-based vouchers. Those data also include rents and incomes. Among the lowest-income LIHTC households with HCVs, 41.9 percent had some degree of housing cost burden, 27.3 percent were moderately cost-burdened, and 14.6 percent were severely cost-burdened. In a study of HCV cost burdens, Dawkins and Jeon (2017) found that 45.8 percent of the lowest-income HCV households had some degree of cost burden, 34.8 percent were moderately cost-burdened, and 11.1 percent were severely cost-burdened. These findings suggest that using HCVs in LIHTC units might provide a modest reduction in cost burdens among voucher holders compared with private market use. However, a more representative sample of LIHTC households with HCVs and further analysis are needed.

To What Extent Do Rents Collected From Vouchers in LIHTC Units and LIHTC Maximum Rents Differ, and Where Does It Tend to Occur?

Previous research examining the effect of rental assistance on rental income in the LIHTC program is extremely limited. Bolton, Bravve, and Crowley (2014), relying on a random sample of 104 LIHTC properties from five states totaling 8,758 units, found that rental assistance often allowed LIHTC owners to collect the full LIHTC maximum rent for a unit when they might not otherwise and, sometimes, collect rent in excess of the maximum LIHTC rent. Based on interviews with LIHTC property owners, the same report found that nonprofit owners sometimes used additional rent collected through HCVs to cross-subsidize other units. However, Bolton, Bravve, and Crowley (2014) also noted that owners could use the additional rental income for other purposes and that further research is needed to understand the relationship between tax credit and voucher rents.

To explore the potential for additional rental income that HCVs might provide in the LIHTC program, the authors used the 2019 LIHTC tenant microdata to draw a convenience sample of 63,834 HCV households residing in LIHTC units. The estimated total rent collected for each unit (the combined tenant and voucher contributions) was then compared with the maximum LIHTC rent permitted for the unit. The monthly rent collected was greater than the maximum LIHTC rent for 22.9 percent of households, and it was $210.18 higher on average among those households. Rent collected from LIHTC households with vouchers was more likely to exceed the maximum LIHTC rent in metropolitan areas (24.2 percent) than in nonmetropolitan areas (13.6 percent). Among households where rent collected exceeded the maximum LIHTC rent, rent collected was $212.03 higher on average for households in metropolitan areas and $184.89 higher for households in nonmetropolitan areas.

This analysis suggests a potential for significant differences between rents collected from voucher households in LIHTC units and LIHTC maximum rents. These differences might vary geographically, at least at the regional level. However, a nationally representative sample of LIHTC households with vouchers is needed to draw firm conclusions. Furthermore, such an analysis still cannot provide insight into the extent to which HCVs might allow owners to collect the maximum LIHTC rent when they might otherwise be unable to do so. Further research into the relationship between rents collected from voucher households in LIHTC units and maximum LIHTC rents is clearly warranted.

How Does Using Vouchers in LIHTC Units Relate to Voucher Success and Mobility?

Research about whether LIHTC units facilitate voucher success and how housing market characteristics affect voucher utilization in LIHTC units is extremely limited. Using Ohio Housing Finance Agency data on subsidized households, Richter, Barkley, and Higgins (2017) found limited evidence that voucher holders in tighter housing markets and higher quality neighborhoods were more likely to use their subsidy in LIHTC units, suggesting that voucher use in LIHTC units could play a limited role in facilitating voucher success and mobility. Williamson, Smith, and Strambi-Kramer (2009), using data on subsidized households in Florida, found mixed evidence regarding mobility. Research based on more nationally representative samples is needed to draw conclusions regarding voucher success rates and mobility that can inform federal policymaking.

The Need for More Complete Data and Further Research

HUD and housing finance agencies face significant challenges in collecting and reporting complete data on LIHTC tenants, including their use of rental assistance. However, more complete tenant data are needed to better inform federal policymaking in relation to the HCV and LIHTC programs. Ideally, more complete LIHTC tenant data would permit HUD to provide regular reporting on and crosstabulations of rental assistance use by source of assistance, tenant income, cost-burden level, and household demographics in the LIHTC program. Regular, standardized reporting describing the use of HCVs in LIHTC units could inform the implementation of both programs and monitor progress toward federal policy goals. For example, such reporting would be critical in monitoring any efforts to coordinate the HCV and LIHTC programs to ensure efficient use of subsidies or better align subsidies to serve target populations.

Nationally representative data—whether sourced through careful sampling, innovative approaches to matching LIHTC and HCV administrative datasets, or improvements to HUD's existing LIHTC tenant data—are needed to answer more complex, lingering questions about the relationship between the HCV and LIHTC programs. More research is needed to understand better whether and how the coordination of HCVs and LIHTC might potentially improve outcomes across three areas of concern for housing policy: affordability and housing stability, preservation, and voucher success and mobility.

Affordability and Housing Stability

Aside from more timely data about the prevalence of HCV use in the LIHTC program and its effect on cost burdens within the program, which would ideally be included in HUD's public LIHTC tenant characteristics reports, further research is needed to understand better the affordability of LIHTC units compared with private market units for voucher holders. Does the combination of LIHTC and HCV subsidies provide deeper affordability than HCVs in the private market alone? How might it vary by housing market or household characteristics? If the combination of HCVs and LIHTC does provide deeper affordability, then it is also worth exploring how these programs can be intentionally coordinated, especially with regard to serving the lowest-income renters. Answering these questions would also help determine whether combining HCVs and LIHTC is an efficient use of subsidy, an especially important consideration because only one in four households that qualify for federal housing assistance receive it (Fischer, Acosta, and Gartland, 2021).

Given the apparent prevalence of severe cost burdens among the lowest-income LIHTC households without rental assistance, it would also be worth exploring potential differences in housing stability among LIHTC tenants with and without HCVs. For example, to what extent might HCVs protect LIHTC tenants from evictions? Answering this question could be part of a larger examination of housing stability in the LIHTC program.

Finally, another issue concerns additional rental income collected from HCVs as it relates to cross-subsidization. Preliminary analysis suggests that HCVs present a significant opportunity to collect rental income beyond what LIHTC maximum rents permit, but this opportunity might vary by housing market. A nationally representative sample of LIHTC households with HCVs is needed to estimate how much additional rent LIHTC owners may collect and where it occurs. Such research could help quantify the scope of the opportunity that HCVs provide for cross-subsidization in the LIHTC program. However, further research would also be needed to determine whether LIHTC owners actually use additional rental income for cross-subsidization or other purposes.

Preservation

Little to no research has been conducted regarding the role vouchers might play with regard to looming preservation challenges in the LIHTC program. Further research is needed to understand whether voucher holders in LIHTC units might be insulated from the effects of expiring affordability restrictions in cases in which tenants might be faced with rent increases. Such research might compare housing stability outcomes for the lowest-income LIHTC tenants with and without HCVs in LIHTC properties exiting the program as the result of the qualified contract loophole or the expiration of the extended-use period. The extent to which owners of former LIHTC properties continue to accept HCVs would also be of interest.

Future research should also investigate whether HCVs contribute to the long-term physical and financial health of LIHTC properties by providing a stable source of tenants and allowing owners to collect maximum LIHTC rents when they might otherwise be unable to do so. However, tenant-based housing choice vouchers are typically not counted as rental income for the purposes of underwriting, which could affect properties seeking to finance capital improvements. An examination of how tenant- and project-based vouchers affect the financial health of LIHTC properties is warranted. As with cross-subsidization, the issue of how the potential for additional rental income from HCVs relates to preservation is another concern. To what extent, if any, might additional rental income from vouchers be reinvested in LIHTC properties? In what contexts might it be possible?

Voucher Success and Mobility

Further research using nationally representative data is needed to better understand the relationship between voucher use in tax credit properties and housing market and neighborhood characteristics. For example, are vouchers more likely to be used in tax credit properties in tighter housing markets or in communities lacking source of income protections? Research along these lines could help to answer questions about whether LIHTC units might facilitate voucher success when voucher holders face known challenges with discrimination, low vacancy rates, a lack of units renting at or below FMR, low-quality housing stock, an insufficient supply of larger units, or limited units with accessibility features. If LIHTC units do contribute to voucher success, the question of whether comparable outcomes could be achieved through robust housing search assistance would remain unresolved. Finally, nationally representative data could shed further light on how the use of HCVs in LIHTC units relates to mobility.

Conclusion

Knowledge about the relationship between HCVs and LIHTC and how the coordination of these subsidies might improve housing policy outcomes remains fundamentally limited. Although HCVs can clearly help make LIHTC rents more affordable to the lowest-income renters, more complete data and further research are needed to answer basic questions about the extent to which HCVs are used in LIHTC units and whether it is an efficient use of subsidy in the context of scarce resources for affordable housing. A related question is how voucher use in LIHTC units relates to voucher success rates. Answering these questions can help determine whether these programs should be coordinated and to what end, especially with regard to serving the lowest-income renters. Further research into the relationship between HCVs and LIHTC can also help policy analysts understand the potential for cross-subsidization, the role that rental assistance might play in mounting preservation challenges within the LIHTC program, and implications for mobility. A better understanding of the relationship between two of the nation's most significant affordable housing programs is necessary to shape federal housing policy more effectively.

Authors

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