Low-Income Housing Tax Credit Guide for Community-Based Organizations

Refugee Housing
SOLUTIONS

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Overview

Expanding affordable housing fuels economic growth, attracts investment, and strengthens communities. Through Refugee Housing Solutions' work on innovative housing partnerships, we've explored models to increase housing opportunities for ORR-eligible groups. One key strategy is for community-based organizations (CBOs) to partner with Low-Income Housing Tax Credit (LIHTC) developers, embedding resident services within LIHTC properties to promote long-term stability and economic integration.

Research shows that increasing the supply of affordable homes creates jobs, boosts local businesses, and generates tax revenue. Well-designed developments reduce housing instability, ease reliance on public assistance, and improve health and education outcomes — laying the groundwork for stronger communities. LIHTC is a critical tool in this effort, leveraging private investment to expand housing options for households with lower incomes. By partnering with developers, CBOs can help ensure LIHTC properties serve as hubs for economic mobility, workforce development, and community engagement.

This guide introduces LIHTC, explains its financing structure, and outlines how CBOs can engage in the development process. By leveraging Memorandums of Understanding (MoUs) and service agreements, CBOs can help strengthen housing stability while driving broader economic benefits. Aligning housing with community services fosters long-term success, ensuring new developments support both residents and the broader community.

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What are Low-Income Housing Tax Credits?

The **Low-Income Housing Tax Credit (LIHTC)** is the largest federal program for financing affordable housing. It provides tax incentives to developers who build or rehabilitate housing for low-income households. LIHTC properties must remain affordable for at least 15 years, often extending beyond 30 years. Tax credits are distributed per capita to states, which are then administered by state housing finance agencies through the Qualified Allocation Plan (QAP). Eligible tenants typically earn 60% or less of the Area Median Income (AMI), and rents are capped based on income limits. Developers receive tax credits, which they sell to investors to raise capital for construction.

Understanding the Qualified Allocation Plan (QAP)

A **Qualified Allocation Plan (QAP)** is the state-level framework that governs how Low-Income Housing Tax Credits (LIHTC) are awarded. Each state housing finance agency (HFA) develops a QAP to outline the eligibility criteria, scoring system, and priorities for allocating tax credits to developers. The plan is updated regularly to reflect state housing needs, ensuring LIHTC funding supports projects that align with policy goals such as increasing affordable housing in high-need areas, promoting supportive housing, or encouraging energy efficiency.

Find your state's 2025 QAP

The QAP sets selection criteria for LIHTC projects, typically considering factors like affordability levels, location, developer experience, and commitment to resident services. Many states prioritize developments that include partnerships with nonprofit organizations, as these collaborations can enhance long-term tenant stability through onsite services such as job training, financial literacy, and educational programs. Each state's QAP is subject to public input and must be approved by the governor. Developers seeking LIHTC funding must submit proposals that align with the QAP's priorities to maximize their chances of receiving tax credits.

Find LIHTC allocations in your state.

Key Stakeholders in LIHTC Developments

LIHTC-financed properties involve multiple stakeholders, each playing a critical role in the development and long-term success of affordable housing projects.

DEVELOPERS

Private or nonprofit entities that apply for LIHTC credits and oversee the construction or rehabilitation of affordable housing properties. Developers may specialize in affordable housing or have experience working with supportive service providers.

INVESTORS & SYNDICATORS

Developers sell tax credits to private investors (banks, corporations, or syndicators) in exchange for equity, reducing the need for debt financing. Investors benefit by offsetting their tax liabilities while supporting affordable housing.

STATE HOUSING FINANCE AGENCIES (HFAS)

These agencies administer LIHTC allocations through the Qualified Allocation Plan, scoring applications and monitoring compliance with affordability requirements.

PROPERTY MANAGERS

Companies hired by developers to oversee daily operations, lease-up, compliance reporting, and tenant relations. Property managers ensure that LIHTC affordability requirements are met.

NONPROFIT & COMMUNITY-BASED ORGANIZATIONS (CBOS)

Many LIHTC projects include partnerships with nonprofits to provide resident services, tenant outreach, and culturally competent programming.

Financing Structure of LIHTC Properties

LIHTC financing works by awarding tax credits to developers, which they sell to investors to raise capital for the project. This process reduces the need for traditional debt financing, allowing developers to maintain lower rents. The financial structure typically includes multiple funding sources, such as:

- **Equity from LIHTC Investors**: Investors purchase tax credits, providing the primary source of funding for the development.
- **Debt Financing:** Many projects include traditional bank loans, though at reduced amounts due to the equity from LIHTC.
- **Gap Financing & Subsidies:** Grants, soft loans, or additional subsidies from federal, state, or local programs may be needed to fill funding gaps. These may include HOME funds, Community Development Block Grants (CDBG), or state-specific affordable housing programs.
- **Rental Assistance:** Some LIHTC units may also accept Housing Choice Vouchers or project-based subsidies to support tenants with extremely low incomes.

How Nonprofits & CBOs Support LIHTC Developments

Nonprofit organizations, including ORR-population serving CBOs, play an essential role in LIHTC properties by providing resident services and fostering community engagement. Many developers seek partnerships with CBOs to strengthen their LIHTC applications, as state QAPs often prioritize projects with strong resident service components. Common ways CBOs contribute include:

- **Providing Onsite Services:** ESL classes, job training, financial literacy, after-school programs, and case management for residents.
- **Tenant Outreach & Lease-Up Support:** Helping residents navigate the housing application process and ensuring community wide access to housing.
- **Strengthening Community Engagement:** Organizing tenant leadership programs, social events, and support groups to foster a strong community within the housing development.
- **Contribution to Project Costs:** CBOs and nonprofits are often able to secure grant awards that are not available to developers. By braiding funds, a CBO can solidify their ongoing partnership role in the project and ensure project costs are met.

How to Partner with a LIHTC Developer

To establish a successful partnership, CBOs can identify active LIHTC developers in their state and reach out early in the development process. Many localities and states facilitate affordable housing coalitions, CBOs can explore joining as a member to forge connections with development stakeholders.

CBOs should consider what benefits are a priority in a potential partnership. Benefits may include establishing a preferred waitlist or set-aside for their beneficiaries, the creation of low-income units, neighborhood revitalization, and influence in the development process. Additionally, CBOs should consider potential risks in participation, including financial obligations, ongoing compliance reporting requirements, and their tax-exempt status.

CBOs can explore their options for partnership, including as a Limited Partner, General Partner, or Sponsor. CBOs should define their goals and value to the project through collaboratively drafting an MoU that clearly defines the CBO's role in service provision and how the organization can strengthen the partnership and improve the project's viability in the LIHTC application process. Aligning with local QAP priorities—such as commitments to resident services—can increase the likelihood of funding.

STEP 1

CBOs identify active LIHTC developers in their state and reach out

STEP 2

Join affordable housing coalitions

STEP 3

CBO do a benefit/risk analysis of joining/participating

Sample MoU Template

Affordable Housing Tax Credit Coalition Member Organizations

CASE STUDY

CBO-LIHTC Partnership in Action

One 40-townhome development in Akron, Ohio is a successful example of how Low-Income Housing Tax Credits (LIHTC) can be leveraged to create stable, high-quality housing.

The project was initiated through a partnership between the International Institute of Akron (IIA), a nonprofit agency serving ORR-populations, and Testa Companies, an experienced affordable housing developer. Recognizing the need for larger, affordable homes for families, the partners secured a 9% LIHTC allocation in 2017 to fund the project, ensuring long-term affordability for households earning 60% or less of the area median income.

The collaboration was structured to maximize financial and operational sustainability. IIA formed a separate housing entity to support the project, while the City of Akron contributed HOME funds to offset development costs. To further serve the community, IIA provides on-site services such as workforce development, ESL classes, and after-school programming. A waitlist preference was implemented for applicants supported by IIA services in compliance with Fair Housing laws while ensuring residents who would most benefit from this partnership had an opportunity to apply.


Photo: Testa Companies


Photo: Testa Companies

Since opening in 2021, the development has successfully housed tenants referred from IIA and the wider community. The project highlights the benefits of CBOs partnering with developers, combining expertise in housing finance, property management, and wraparound services to create sustainable housing solutions. This model demonstrates a scalable approach for addressing housing shortages while fostering economic and social stability.

For more information on Refugee Housing Solutions' research on CBO-LIHTC partnerships, please contact **info@refugeehousing.org**.

Appendix & Citations

1. LIHTC Overview
2. HUD LIHTC Overview
3. 2025 Federal LIHTC Information
4. Corporation for Supportive Housing – Sample MoU
5. Directory of State Housing Finance Agencies
6. How Whole Communities Benefit from Affordable Housing

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