CENTRAL PINES
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Expiring Low-Income Housing Tax Credits: What's at Stake for the Region

A Central Pines Regional Council White Paper

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The Federal Reserve recently released a deep-dive into the Low-Income Housing Tax Credit (LIHTC), the nation's largest source of federal funding for the development of affordable rental housing that provides federal tax credits in exchange for 30-year restrictions on rent to ensure affordability.

While the LIHTC program is widely used as a tool to address rising housing costs, many credits will expire in the next decade. In places where market rates are higher than restricted rents, low-income residents could face increased rents that price them out of their units and limit their access to safe and stable housing.

In this report, CPRC's Housing Program Manager, Hunter Fillers, discusses the role of LIHTC in our region, the impact of these expirations, and how local governments should prepare.

Let's start with the basics: What is LIHTC, and how has it shaped the affordable housing landscape in the Central Pines region?

Congress established the Low-Income Housing Tax Credit (LIHTC) program in 1986 to encourage private investment in the development and preservation of affordable housing. Under this program, developers receive federal tax credits that they can sell to investors to raise equity for construction or rehabilitation projects. In return, the properties must remain affordable to low- and moderate-income (LMI) renters for at least 30 years through legally binding affordability covenants.

LIHTC represents a public-private initiative that has proved to be one of the most successful tools for increasing the supply of affordable housing nationwide, bringing nearly 4 million units of affordable housing online, according to HUD (Low-Income Housing Tax Credit (LIHTC): Property Level Data | HUD USER). In our region, more than 17,000 active LIHTC units currently provide essential housing for LMI households.

Many LIHTC affordability agreements are set to expire within the next decade. What's the scale of this issue in our region, and what could it mean for vulnerable renters?

The expiration of LIHTC affordability requirements poses a significant challenge for communities across the Central Pines region. Since the program's launch in 1986, millions of privately owned affordable housing units nationwide have been financed through federal tax credits. These properties are required to remain affordable for 30 years. According to analysis from the Federal Reserve Bank, a growing number of developments are now approaching the end of this 30-year compliance period.

In our region, much of the LIHTC housing built during the 1990s and early 2000s will face affordability expirations within the next 5-10 years. Without new incentives or preservation strategies, many of these units could transition to market-rate rents, reducing the supply of affordable housing and placing vulnerable renters at risk of displacement or homelessness. According to the National Preservation Home Database (NHPD), it is estimated that without intervention, over 3,200 of the region's 17,000 active units, or 19%, are projected to lose their tax credit affordability status by 2030 and over 6,100 by 2035.

County	Active Units	Expiring within 5 years	Expiring within 10 years
Chatham	464	113	119
Orange	611	192	246
Durham	4,039	923	2,000
Wake	9,754	1,771	3,527
Johnston	1,058	16	104
Moore	338	82	28
Lee	752	124	102
TOTALS	**17,016**	**3,221**	**6,126**

Source: National Housing Preservation Database, April 2025

Is the pace of new affordable housing development keeping up with the number of expiring LIHTC units – or are we on track to lose ground?

The pace of new affordable housing development is struggling to keep up with the number of LIHTC units nearing expiration. LIHTC allocations are determined by a formula based on state population, which means North Carolina receives a fixed annual pool of tax credits to distribute through competitive awards. In 2025, this allocation was approximately $3 per person but is set to increase by 12% under the approved July 2025 budget reconciliation (H.R.1. One Big Beautiful Bill Act). While this boost could create additional opportunities for local governments to identify development sites and partner with private and nonprofit developers, the current production rate still falls short of what's needed to replace or preserve the large number of units expected to exit affordability restrictions.

A 2024 report by Bowen National Research, commissioned by the NC Chamber, estimated that our region faces a housing shortfall of 93,165 units by 2029. Of these, 53,704 units are needed for households earning at or below 80% of the Area Median Income (AMI). During the five-year period from 2019 to 2023, local jurisdictions issued 124,260 residential building permits, signaling substantial construction activity. However, this growth has not been evenly distributed across counties nor consistently aligned with affordability needs. It is important to note that issued permits do not always translate directly into completed units, but it is an effective proxy for projections. Moving forward, it will be critical to both preserve existing affordability in Low-Income Housing Tax Credit (LIHTC) properties and secure new credits to expand the supply of affordable housing. (Bowen National Research NC Housing Supply Gap Analysis)

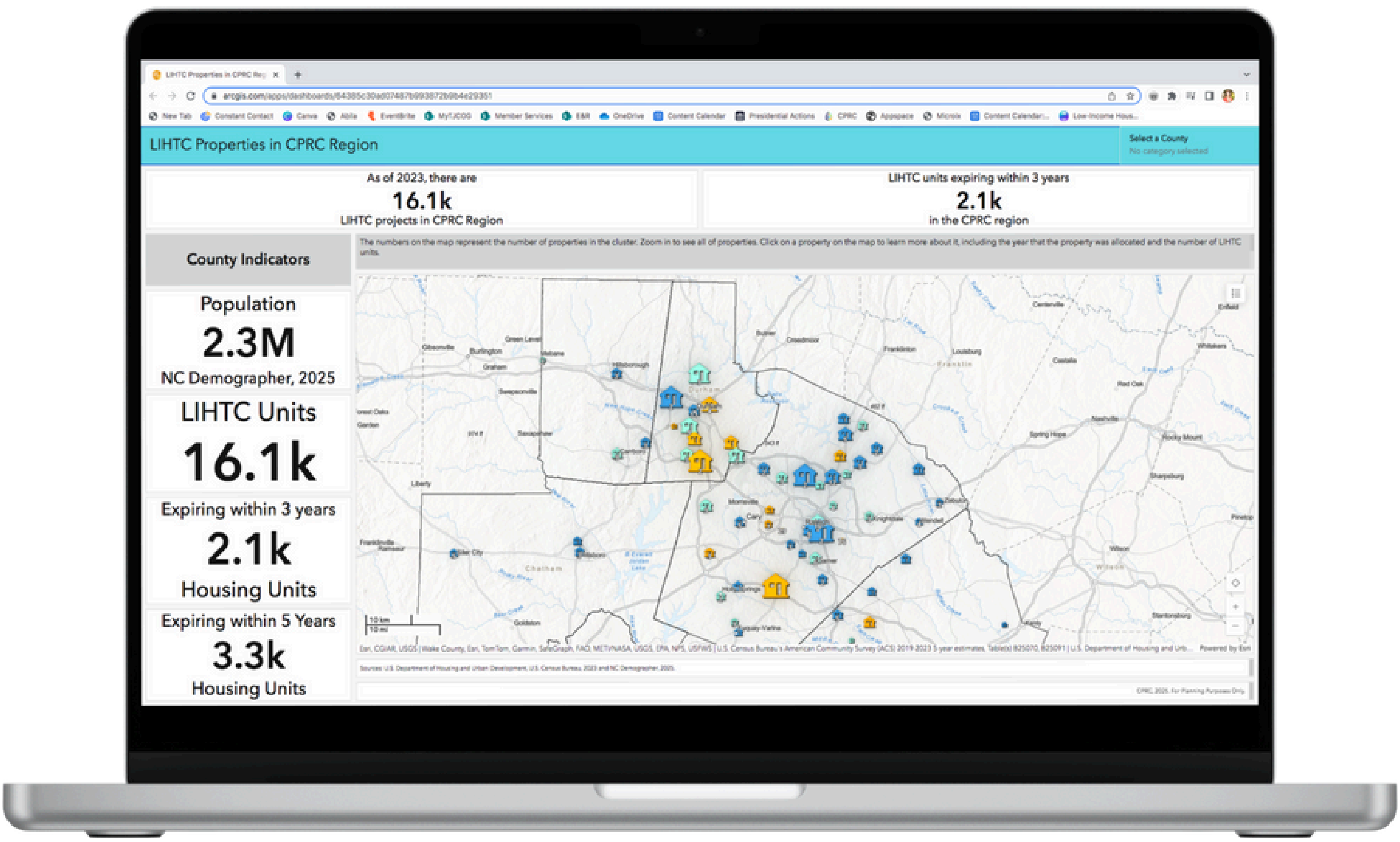
What tools do local governments have to encourage property owners to preserve affordability after LIHTC commitments end?

Local governments have several tools to help preserve affordability when LIHTC commitments approach their expiration date. They can:

1. Provide new investment to property owners for critical repairs and renovations in exchange for extending affordability commitments.
2. Acquire the properties directly or facilitate nonprofit acquisitions, ensuring the homes remain permanently affordable.
3. Leverage other funding sources, such as federal HOME funds, which can be used for acquisition and rehabilitation, often paired with local housing trust funds or other resources to make preservation financially viable.

Early action is essential. Local governments should begin engaging property owners years before affordability periods end to explore preservation options collaboratively.

Access CPRC's LIHTC dashboard here: LIHTC Properties in CPRC Region



What examples from other regions or states offer promising/proven models for extending affordability or transitioning properties to community ownership?

- As LIHTC properties approach the end of their 30-year affordability period, many struggle with maintenance and repair needs. Because rents are capped to remain affordable, income is limited, making it difficult for property owners to fund major capital improvements. To address this, states across the country, including North Carolina through NCHFA (up to 10%), set aside a portion of their LIHTC allocation specifically for rehabilitation and recapitalization. These funds allow developers to reinvest in aging properties while committing to another extended period of affordability. According to the National Housing Trust, there are 30 states that require affordability beyond the federal minimum of 30 years, as well as other features of their Qualified Allocation Plan like Right of First Refusal to notify local governments of a sale. North Carolina is not among this cohort of states that have increased requirements.
- Community Land Trusts (CLT) are another effective strategy used across the nation. Community Land Trusts are community-led organizations that acquire and hold land permanently in trust to ensure it is used for affordable housing. By separating land ownership (held by the CLT) from building ownership (sold or leased to residents through long-term ground leases), CLTs can remove properties from the speculative market, stabilize communities, and guarantee permanent affordability. They are increasingly used for preserving LIHTC properties nearing the end of their affordability periods by acquiring and rehabilitating them, then maintaining affordability through indefinite affordability restrictions. The Burlington Community Land Trust, now known as the Champlain Housing Trust, in Vermont is just one example.

How can collaboration across jurisdictions – especially those that share housing markets, infrastructure, and transit corridors – strengthen our preservation strategy?

Collaboration across jurisdictions is key to building a stronger, more effective, affordable housing preservation strategy. While housing is often managed at the local level, it functions as a regional issue as residents regularly live, work, and spend their free time across multiple municipalities and counties. This interconnectedness means that housing supply, transportation networks, and infrastructure are shared systems that span city, town, and county lines. A regional preservation approach recognizes that the housing challenges and solutions don't stop at jurisdictional boundaries, and can identify shared barriers for developers, homeowners, others, that can benefit from coordinated incentive strategies. Coordinated efforts can help increase overall housing supply, protect expiring affordable units, and create a more stable housing market for the entire region.

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Is there a role for Central Pines to lead proactively on this issue? What could a regional preservation strategy look like – and are there other national examples that we can find inspiration from?

We recognize that expiration and deployment of increased LIHTC can be challenging but feel that there is immense opportunity to develop and implement a regional preservation strategy that helps protect and grow affordable housing.

Our vision for this work includes:

1. Developing localized mapping tools that build on our work underway in two counties (Durham and Orange) to help stakeholders quickly identify publicly owned, faith-based, and underutilized private land suitable for affordable housing development. These tools make it easier for nonprofits and developers to pinpoint competitive LIHTC parcels and plan for future projects and could be used as models for mapping across the region.
2. Building a comprehensive housing dashboard that will track key metrics in our Regional Data Center, including LIHTC units nearing expiration and opportunities for preservation. This will provide a shared, data-driven foundation for decision-making across jurisdictions.
3. Facilitating collaboration with the North Carolina Housing Finance Agency (NCHFA) and their housing preservation programs, which serve a vital role in protecting vulnerable residents from displacement and maintaining the housing supply. CPRC can build on this work to establish stronger communication channels with the NCHFA) to foster conversations among municipalities/counties, mission-driven developers, and the designers of the Qualified Allocation Plan (QAP). This will help the region stay competitive for tax credit awards and more adaptable to changing housing needs.
4. Advocating for increased LIHTC allocations for North Carolina and for more equitable distribution of credits within the state. Currently, metropolitan areas (Durham and Wake counties) can access 38% of available credits, while the rest of our region can only access 23%. Coordinated advocacy could help secure additional resources for our communities.

Creating a unified preservation strategy will take a combination of shared data, policy tools, and regional collaboration. Advancing our collective work in these spaces can help strengthen affordable housing supply, protect vulnerable renters, and position the collective region for long-term housing stability.