

UCLA

Policy Briefs

Title

Who Can Afford Affordable Housing? Income Targeting in the Low-Income Housing Tax Credit Program in Los Angeles County

Permalink

<https://escholarship.org/uc/item/3nw8w9fh>

Author

Owens, Ann

Publication Date

2026-10-01

Who Can Afford Affordable Housing? Income Targeting in the Low-Income Housing Tax Credit Program in Los Angeles County

Ann Owens • October 2026

Key Takeaways

- » The Low-Income Housing Tax Credit (LIHTC) program funds most affordable housing units in the U.S. and Los Angeles County.
- » The supply of LIHTC units affordable to extremely low-income renters increased from 2011 to 2023 in L.A. County.
- » However, most units funded by the program are unaffordable for the poorest residents, and affordable housing need in L.A. County far outstrips supply.
- » Units across the affordability spectrum are located in both high- and low-resource areas, potentially improving poor families' access to neighborhood opportunity.
- » Policymakers face tradeoffs between more deeply subsidizing a smaller number of units versus providing shallower subsidies to more families.

The Low-Income Housing Tax Credit (LIHTC) program is the nation's primary tool for financing affordable housing. However, "affordable" covers a wide range of incomes, raising questions on whether LIHTC units are serving the neediest families.

LIHTC is a public-private partnership through which the IRS allocates tax credits to state housing finance agencies (HFAs), which develop program regulations and priorities to meet the state's affordable housing needs. Private developers — both for-profit and nonprofit — design projects and apply for tax credits. In exchange, developers set rents at levels affordable to households earning specified percentages of Area Median

Income (AMI). Under the U.S. Department of Housing and Urban Development guidelines, housing is considered "affordable" when rent does not exceed 30% of a household's monthly income. Although LIHTC projects must include a minimum number of units for low-income households,¹ developers have considerable latitude in rent-setting outside of these provisions, and "low-income" encompasses a range of incomes.

In an analysis of California, about 44% of LIHTC units funded from 2011 to 2023 were affordable to households earning between 50% to 80% AMI, the upper end of HUD's low-income range, while only 15% were affordable to extremely-low-income (ELI) households, those earning less than 30% AMI (Owens, 2026). This brief examines affordability in Los Angeles County, providing a portrait of LIHTC properties developed over the last 15 years. While rents are one component of housing affordability, household income is another key complementary factor. Although only 15% of

recently developed LIHTC units in California were affordable to ELI households, I found that ELI households occupied about 58% of LIHTC units, similar to national figures (Burnett et al., 2024). This suggests a substantial mismatch between the affordability levels offered by LIHTC units and the incomes of the households most in need of affordable housing.

Because LIHTC rents are tied to AMI rather than to tenants’ incomes, households with lower incomes may be able to qualify for units targeted to (i.e., with rents affordable for) higher-income households. In these cases, the lower-income households would still be rent burdened or would need additional subsidies to afford the rent.² For example, a unit priced for a household earning 80% AMI may also be available to households earning less — they would just pay a higher share of their income toward rent. This mismatch could lead housing cost burden and housing insecurity to persist even within subsidized units. In this brief, I assess the extent of this mismatch in Los Angeles County.

Finally, I examine where LIHTC units at different affordability levels are located. Historically, LIHTC units have been disproportionately located in high-poverty neighborhoods (McClure et al., 2020). Recent policy changes, including in California, aim to locate LIHTC units in higher-opportunity areas and are beginning to see success in doing so (Owens & Smith, 2025). However, the intersection of affordability and location in the LIHTC program is just beginning to be explored. My analyses of California showed that units at a range of affordability levels are distributed fairly evenly across neighborhoods with different poverty and opportunity levels (Owens, 2026). Here, I examine whether that is true in Los Angeles County or whether the most affordable

units are concentrated in lower-resource areas, potentially perpetuating poverty concentration.

Data

This analysis draws on California Tax Credit Allocation Committee (TCAC) data on LIHTC projects funded between 2011 and 2023 in Los Angeles County. The analysis includes 626 projects, representing about 44% of LIHTC projects and income-restricted LIHTC units in the county as of 2024. The data include the number of units by income targeted to households at different percentages of AMI, as well as type of housing.

For this analysis, LIHTC units are grouped into three income categories based on HUD definitions: Extremely Low Income (ELI) households, who earn 30% AMI or less; Very Low Income (VLI) households, who earn 31% to 50% AMI, and Low Income (LI) households, who earn 51% to 80% AMI. Income limits are based on the [Los Angeles-Long Beach-Glendale HUD Metro Area](#).

This analysis also compares LIHTC affordability levels with household income distribution in L.A. County using the most recent American Community Survey data. I focus on thresholds for single person households because this group comprises the largest share of renter households in the county (34%).³

Finally, to analyze the locational patterns, LIHTC projects were linked to their census tracts and categorized using the 2022 California Opportunity Map, which measures a neighborhood’s economic, educational and environmental resources.

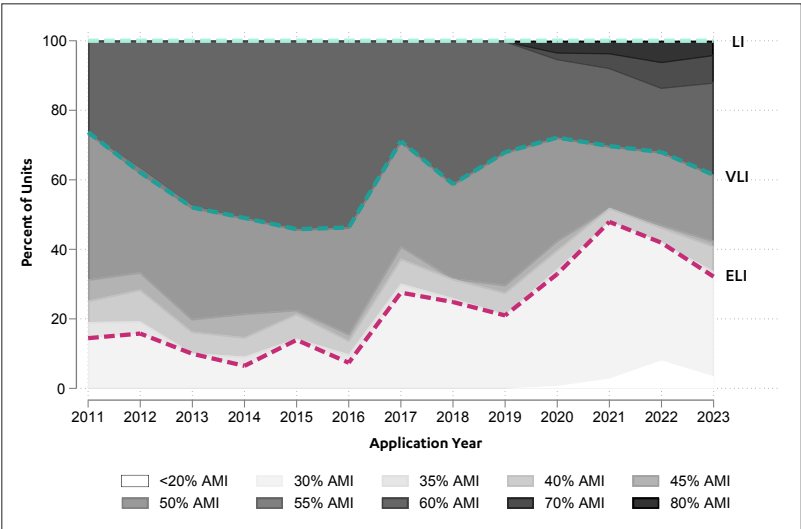


Figure 1.
Distribution of LIHTC Units by Income Target in LA County, Projects Funded from 2011 to 2023

Notes: AMI = Area Median Income;
ELI = Extremely Low Income ($\leq 30\%$ AMI);
VLI = Very Low Income (31-50% AMI);
LI = Low Income (51 to 80% AMI).

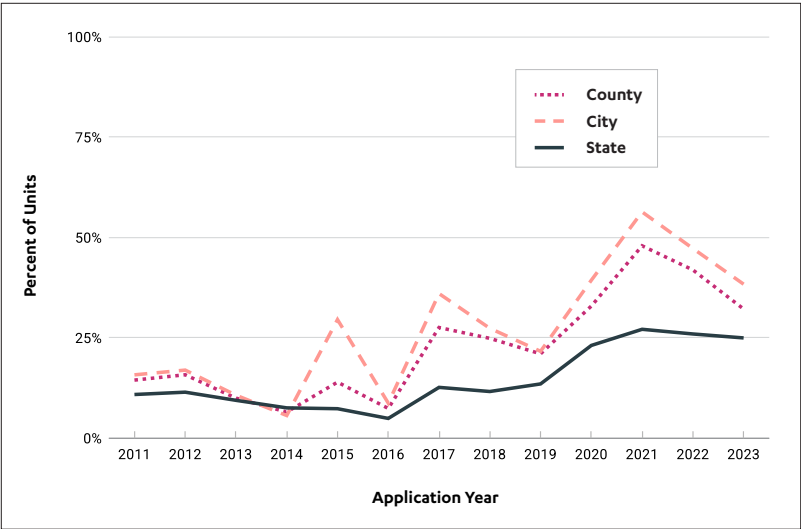


Figure 2.
Share of ELI-Targeted LIHTC Units in California, Los Angeles County, and the City of Los Angeles

Key Findings

Finding 1: Most LIHTC units in L.A. County are not affordable to the lowest-income households, though affordability has improved over time.

Figure 1 presents the distribution of LIHTC units in Los Angeles County by income target for projects funded between 2011 and 2023. Over time, the share of units affordable to ELI households increased from 14% in 2011 to 32% in 2023. At the same time, the share of VLI-targeted units declined from nearly 60% in 2011 to less than 30% in 2023. The shares of LI-targeted units oscillated over time but comprised the largest share of units produced in 2023, 39%.

Los Angeles County has also increased its production of ELI-targeted units more rapidly than the state as a whole. As Figure 2 shows, the share of ELI-targeted LIHTC units increased rapidly in both the county and city of Los Angeles after 2016. In 2023, 32% of LIHTC units funded in L.A. County were affordable to ELI households, compared to 38% in the city of Los Angeles and 25% statewide.

Finding 2: The share of units affordable to extremely-low income households is concentrated in projects for special-needs tenants.

One reason for the takeoff in the share of ELI units in L.A. County and the city may be the region’s increased focus on housing formerly unhoused individuals. Table 1 shows that LIHTC units for special-needs tenants, including formerly unhoused residents, have a higher share of ELI units than those serving seniors or families with children.

Moreover, LIHTC projects serving special-needs tenants became a larger share of the portfolio over time, increasing from 12% of projects funded in 2011 to 36% by 2023. Some of this increased focus is likely due to the passage of Proposition HHH, which provided additional funding for the development of supportive housing for people experiencing or at risk of homelessness. Many HHH projects are also LIHTC-funded.

However, the overall increase in ELI units masks differences among project types. In 2023, fewer than 15% of units in projects serving seniors or families with children were targeted to ELI households.

Table 1.
ELI-Targeted Units by Housing Type

	Senior	Large Family	Special Needs
2011	13.9%	17.4%	24.3%
2013	4.7%	9.5%	54.8%
2014	4.1%	9.8%	44.0%
2015	2.5%	6.0%	29.3%
2016	1.1%	11.1%	53.3%
2017	6.5%	4.4%	40.9%
2019	10.4%	13.0%	48.2%
2020	9.3%	28.8%	38.9%
2021	1.6%	20.2%	43.6%
2022	6.8%	13.2%	70.7%
2023	13.3%	14.0%	65.9%

Finding 3: L.A. County’s LIHTC supply does not meet the needs of its low-income residents.

More than half of L.A. County renter households — about 55% — earned below the income threshold for LIHTC eligibility in 2024 (earning less than \$77,700 for a single person). Among these renter households eligible for LIHTC tenancy, about 42% were extremely low income and more than 90% of these ELI households were rent-burdened — paying more than 30% of their incomes in rent.⁴

During the period from 2011 to 2023, about 23% of LIHTC units produced in L.A. County were affordable to ELI households. While the share of units increased to more than 30% in 2023, there is still a mismatch between the share of ELI households in the renter population and the share of units affordable to them in the LIHTC program.

Moreover, despite being the largest subsidized housing production program in the U.S., LIHTC pales in comparison to the scale of affordable housing need. There were fewer than 100,000 LIHTC units in L.A. County in 2023, including projects produced before 2011, while more than 1 million renter households could qualify for affordable housing. Most low-income households receive no housing subsidy, and even those living in subsidized housing may face rent burden or require multiple subsidies to afford their housing.

Finding 4: LIHTC units affordable to the lowest-income households are located in both high and low resource neighborhoods.

Deeply affordable LIHTC units — those affordable to ELI families — are distributed across neighborhoods of various opportunity levels in the county, though they are slightly overrepresented in the lowest-resource areas. As **Figure 3** shows, about 30% of ELI-targeted units funded from 2011 to 2023 are in neighborhoods classified by the state’s Opportunity Map as having high segregation and poverty, compared to 26% of VLI-targeted units and 20% of LI-targeted units. Surprisingly, about 16% of ELI-targeted units are in high- or highest-resource neighborhoods, a slightly greater share than for VLI- or LI-targeted units. However, LIHTC units remain underrepresented in high-resource neighborhoods overall: 40% of census tracts in L.A. County are classified as high or highest resource, but less than 20% of LIHTC units are located in such tracts.

Conclusion

Since its inception 40 years ago, the LIHTC program has been the primary producer of affordable housing in the U.S. Yet this brief shows that LIHTC is not well suited to serve the lowest-income tenants. While the share of ELI-targeted units has increased over time, most LIHTC units continue to serve households with higher incomes.

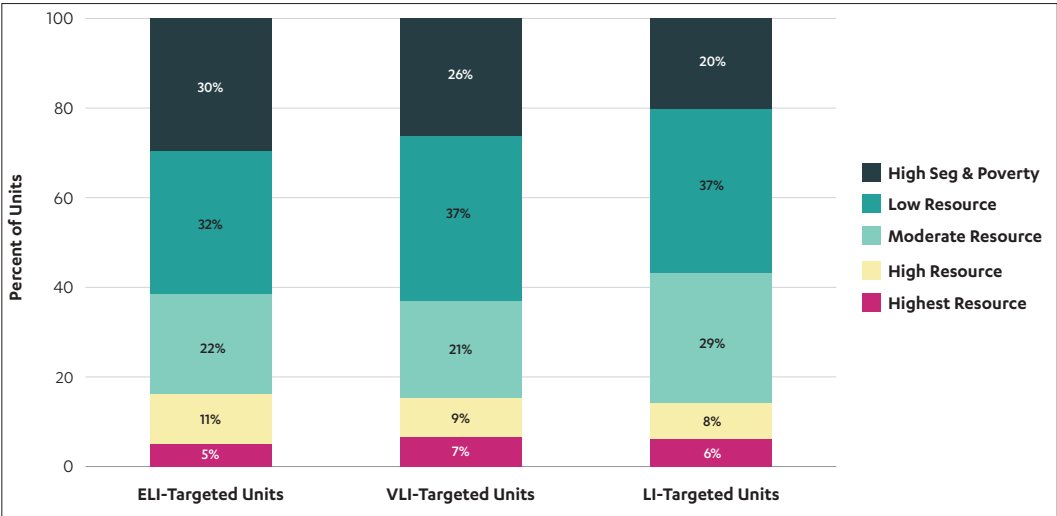


Figure 3.
Distribution of LA County LIHTC Units by Income Target and 2022 Opportunity Map Resource Category

Note: Each bar represents the distribution of units of a particular income target across neighborhood opportunity categories (represented by variation in bar shading). ELI = Extremely Low Income (<30% AMI); VLI = Very Low Income (31-50% AMI); LI = Low Income (51-80% AMI). AMI = Area Median Income. Seg = Segregation.

The challenge is rooted in the structure of the LIHTC program. Developers must balance affordability with the high costs of construction, operations, and providing social services to needy tenants, as required at some developments. Construction costs are particularly high in California, where multiple funding sources are required to build LIHTC properties, which can increase costs (Kneebone & Reid, 2021; Reid, 2020).

Housing Choice Vouchers are better suited to supporting the neediest families because the subsidy is tied to household income, ensuring households pay less than 30% of their income toward rent (Schwartz, 2015). However, voucher holders often struggle to use their subsidies, unable to find affordable and acceptable units and willing landlords (Ellen et al., 2024). LIHTC projects thus play an important complementary role by providing affordable housing in which voucher holders can use their subsidies, which has become more common over time (Colburn et al., 2024). But this subsidy overlap presents policymakers with a difficult tradeoff: Given limited federal funding for housing subsidies, should subsidies be spread out to more households, or should vouchers be paired with LIHTC units to provide deeper assistance to fewer families? Of course, the solution is to expand federal funding, but the 2025 Budget Reconciliation bill did so only for LIHTC production (Wallace & Lawrence, 2025). While expanded commitments to urgently needed affordable housing are welcome, new programs to produce deeply subsidized housing and expanded funding of the voucher program are perhaps more promising pathways than LIHTC alone to serving the neediest Americans.

More Information

This policy brief is based on “Who is LIHTC built for? The distribution of affordable housing units by rents, tenant incomes, and project features in California” in *Housing Policy Debate*. The article can be found at <https://doi.org/10.1080/10511482.2025.2605071>.

This work was supported by a John Randolph Haynes & Dora Haynes Foundation Faculty Fellowship.

About the Author

Ann Owens is Professor of Sociology at UCLA.

References

1. Projects must include either (1) at least 20% of rent-restricted units for households with incomes at or below 50% AMI; (2) at least 40% of units for households with incomes at or below 60%; or (3) via a new income averaging option, at least 40% of units for households whose incomes were, on average, 60% AMI and no more than 80% AMI (Robertson and Shelburne 2019; Tax Policy Center 2024).
2. Rents for units targeted for, e.g., 30% AMI households are substantially lower than units intended for 80% AMI households. In 2024, the 30% AMI income limit for a family of four living in the Los Angeles-Long Beach-Glendale metropolitan area (\$41,600) corresponded to affordable monthly rent of \$1,040 (\$41,600/12 x 30%, the HUD affordability threshold = \$1,040); the 80% AMI income limit (\$110,950) corresponded to affordable monthly rent of \$2,774, a difference of over \$1,700. Source: <https://www.huduser.gov/portal/datasets/il.html#year2024>
3. Social Explorer; U.S. Census Bureau. Household Size (Renter-Occupied Housing Units), 2024. Prepared by Social Explorer. <https://www.socialexplorer.com/data/ACS2024/metadata?ds=SE&table=A10002B> (accessed 29 June 2026 at 10:41:10 GMT-7).
4. Social Explorer; U.S. Census Bureau. Monthly Housing Costs as a Percentage of Household Income in the Past 12 Months (Renter-Occupied Housing Units), 2022. Prepared by Social Explorer. <https://www.socialexplorer.com/data/ACS2022/metadata?ds=SE&table=A10039B> (accessed 29 June 2026 at 10:17:28 GMT-7).

Works Cited

Burnett, K., Khadduri, J., & Tingerthal, M. (2024). *35 years of LIHTC: What kind of housing has LIHTC produced, where and for whom?* Paper presented at the NCSHA National Conference, Phoenix, AZ.

California Fair Housing Taskforce. (2022). *Methodology for the 2022 TCAC/HCD Opportunity Map*. California Tax Credit Allocation Committee & California Department of Housing and Community Development.

Colburn, G., Acolin, A., & Walter, R. (2024). Subsidy overlaps in federal housing policy. *Housing Policy Debate*, 1–18. <https://doi.org/10.1080/10511482.2024.2347857>

Ellen, I. G., O'Regan, K., & Stochak, S. (2024). Race, space, and take up: Explaining housing voucher lease-up rates. *Journal of Housing Economics*, 63, 101980. <https://doi.org/10.1016/j.jhe.2023.101980>

Freemark, Y., & Payton Scalley, C. (2023). LIHTC provides much-needed affordable housing, but not enough to address today's market demands. *Urban Wire*. Urban Institute.

<https://www.urban.org/urban-wire/lihtc-provides-much-needed-affordable-housing-not-enough-address-todays-market-demands>

Kneebone, E., & Reid, C. K. (2021). *The complexity of financing low-income housing tax credit housing in the United States*. Turner Center for Housing Innovation.

McClure, K., Williamson, A. R., Han, H.-S., & Weiss, B. (2020). The LIHTC program, racially/ethnically concentrated areas of poverty, and high-opportunity neighborhoods. *Texas A&M Journal of Property Law*, 6(2), 89–112. <https://doi.org/10.37419/JPL.V6.I2.1>

Owens, A. (2026). Who is LIHTC built for? The distribution of affordable housing units by rents, tenant incomes, and project features in California. *Housing Policy Debate*, 1–23. <https://doi.org/10.1080/10511482.2025.2605071>

Owens, A., & Brooks Smith, R. (2025). Producing affordable housing in higher-opportunity neighborhoods: Incentives in California's LIHTC program. *Journal of Urban Affairs*, 47(7), 2423–51. <https://doi.org/10.1080/07352166.2023.2288582>

Reid, C. (2020). *The costs of affordable housing production: Insights from California's 9% low-income housing tax credit program*.

Robertson, G., & Shelburne, M. (2019). Interpreting the average income test, part 1. *Novogradac Journal of Tax Credits*, 10(3), 1–5.

Schwartz, A. F. (2015). *Housing policy in the United States*. Routledge.

Tax Policy Center. (2024). What is the low-income housing tax credit and how does it work? In *The tax policy briefing book*.

Wallace, D., & Lawrence, P. (2025). Senate Finance Committee releases FY 2025 budget reconciliation bill that includes permanent LIHTC expansion, Novogradac estimates 1.22 million additional affordable rental homes over 2026-2035. Novogradac. <https://www.novoco.com/notes-from-novogradac/senate-finance-committee-releases-fy-2025-budget-reconciliation-bill-that-includes-permanent-lihtc-expansion-novogradac-estimates-122-million-additional-affordable-rental-homes-over-2026-2035>