APRIL 2025

Supporting Tenants Displaced by Expiring LIHTC Housing

Policy Strategies for Protecting Housing Stability for Low-Income Virginians

FRANK BATTEN SCHOOL of LEADERSHIP and PUBLIC POLICY

HousingForward VIRGINIA

Prepared by:

Allison Landergan

For HousingForward Virginia

Table of Contents

Acknowledgments

I would like to thank Jonathan Knopf from HousingForward Virginia for working with me as my client for this project. Your expertise and insight into the world of housing policy and all things LIHTC have been invaluable and are greatly appreciated. I would also like to thank my professors for all of their support and guidance throughout the past year. Thank you, Professor Robinson, for helping me get this plane off the ground in August and for supporting me through early turbulence. Thank you, Professor Bick, for helping me navigate the complicated path and for helping me land the plane successfully now in April. It has been a long, enlightening, and rewarding journey.

Client Overview

HousingForward Virginia is a nonprofit organization committed to advancing affordable housing solutions through research, education, and policy advocacy. As a trusted statewide resource, HousingForward Virginia equips decision-makers, advocates, and stakeholders with data-driven insights to support the development and preservation of affordable housing across the Commonwealth. The issue of tenant displacement due to expiring Low-Income Housing Tax Credit (LIHTC) affordability restrictions aligns directly with HousingForward Virginia's broader mission to promote housing stability and equity. This project highlights the need for tenant-focused strategies that address housing insecurity at the time of LIHTC expiration, reflecting HousingForward Virginia's commitment to centering the experiences and needs of low-income renters. Addressing this issue is particularly significant now, as Virginia faces a wave of upcoming LIHTC expirations. With over 7,000 units projected to lose affordability protections within the next five years, there is an immediate need to develop proactive responses. As a research and policy leader in the state's housing ecosystem, HousingForward Virginia is well-positioned to advance this conversation and help protect vulnerable renters beyond the expiration of affordability terms.

<u>Disclaimers:</u>

Mandatory Disclaimer:

The author conducted this study as part of the program of professional education at the Frank Batten School of Leadership and Public Policy, University of Virginia. This paper is submitted in partial fulfillment of the course requirements for the Master of Public Policy degree. The judgments and conclusions are solely those of the author, and are not necessarily endorsed by the Batten School, by the University of Virginia, or by any other agency.

AI Disclaimer:

The author of this paper used generative AI tools in the creation of this final product. AI was used to help draft elements of the executive summary, background, evaluations, recommendations, and implementation strategies, all of which were edited extensively by the author and composed using the author's own initial ideas and research.

Executive Summary

As Virginia's cost of living continues to rise, the need for affordable housing is growing increasingly urgent. Over 120,000 publicly supported affordable rental homes exist across the Commonwealth, 69% of which are funded through the federal Low-Income Housing Tax Credit (LIHTC) program. However, LIHTC units are not permanently affordable, and almost 5,000 LIHTC units face affordability expiration within five years. Thousands of low-income renters are at risk of displacement due to rent increases or property redevelopment when affordability restrictions expire. Supporting these renters through targeted policy interventions is essential for helping these Virginians avoid the harmful effects of housing instability and homelessness.

Three potential policy alternatives to support tenants facing displacement from expiring LIHTC units are introduced in this report. The projected outcomes of each policy are evaluated along the following four criteria: effectiveness, cost, feasibility, and equity. The policy alternatives are as follows:

- **LIHTC Displacement Assistance Fund** – A state-funded program offering 12 months of rental support to eligible displaced tenants.
- **Tenant Relocation Assistance from Landlords** – A mandate requiring landlords to provide financial assistance equal to four months' rent to displaced tenants.
- **Priority Housing Access –** Granting displaced LIHTC tenants preference on Housing Choice Voucher waitlists.

Ultimately, the recommended policy is the **LIHTC Displacement Assistance Fund**, which provides the most comprehensive, equitable, and effective intervention for displaced tenants. Despite its cost, the fund directly supports housing stability through financial assistance and can be implemented using Virginia's existing rental assistance infrastructure.

Key steps and strategies for implementation of this policy include:

- Advocacy and coalition-building among tenant organizations
- Legislative action to establish and fund the program through the state budget
- Administration by Virginia Housing and local housing authorities, leveraging existing systems
- Clear eligibility guidelines and a streamlined application process
- Long-term consideration of requiring landlord contributions in new LIHTC contracts to reduce future state burden

Without targeted state action, the expiration of LIHTC affordability protections will threaten housing security for thousands of Virginians. The LIHTC Displacement Assistance Fund offers a scalable, equitable policy to strengthen the state's affordable housing system and support affected tenants during this critical transition.

Problem Definition

As the cost of living and housing continues to increase across Virginia, the need for affordable housing is critical for ensuring that individuals and families have access to safe, stable, and sustainable living conditions. Currently, there are more than 120,000 publicly supported affordable rental homes for low-income renters across the Commonwealth (*Virginia*, 2023). These units are funded by a variety of federal programs, primarily the Low-Income Housing Tax Credit (LIHTC), and are administered in Virginia by public housing authorities, Virginia Housing, and local administrators. However, LIHTC only has a 15-year compliance period, which is typically extended to 30 years by Virginia Housing's 15-year extended use period. This lack of mandated permanent affordability on these units leaves renters vulnerable to changes in affordability such as rent increases or property redevelopment when affordability restrictions expire. Virginia Housing and the Department of Housing and Community Development estimate that almost three-quarters of LIHTC-supported units will reach the end of their affordability period by 2040 (*HB854,* 2021). In addition, the National Housing Preservation Database concluded in 2023 that 7,126 publicly supported rental homes in Virginia have affordability restrictions that will expire in the next five years.

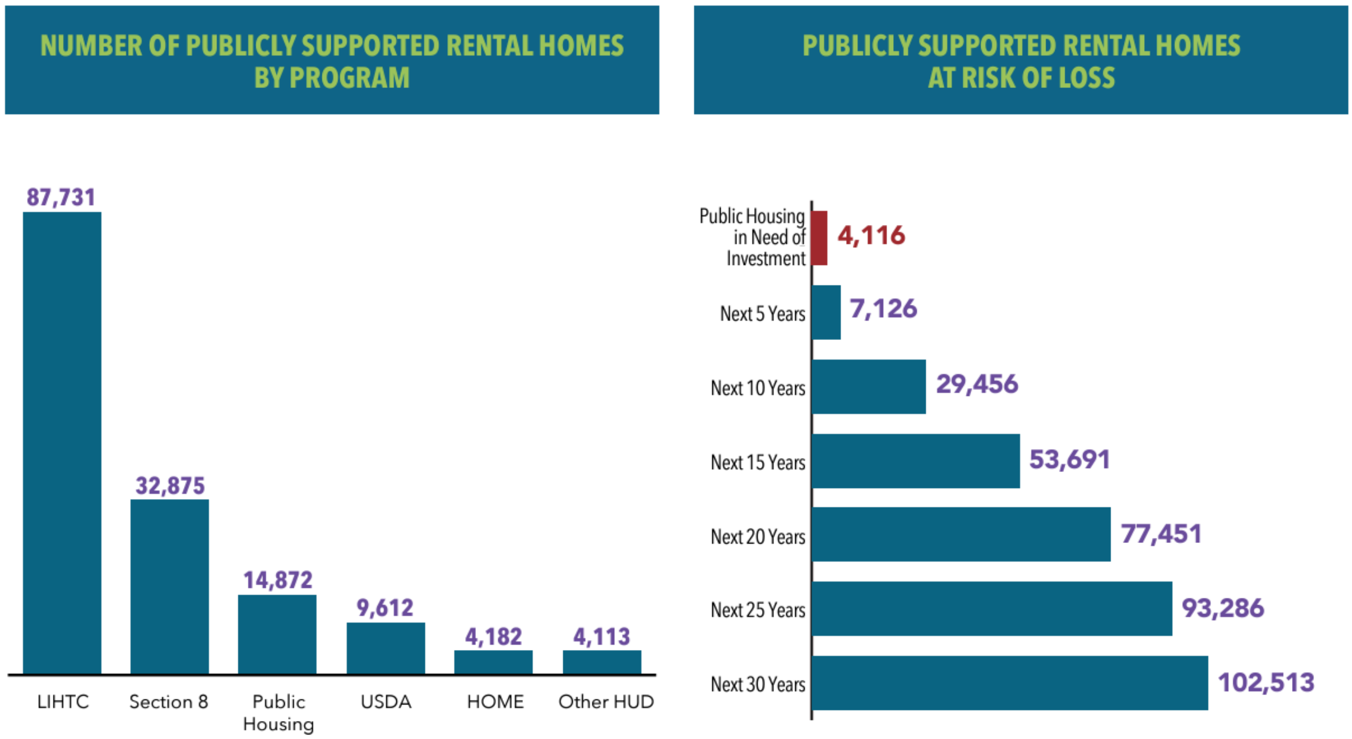
Without the development of new policies targeted at supporting affected tenants when LIHTC affordability expires, too many additional Virginians are at risk of the negative effects associated with a lack of safe and stable housing.

Background and Literature Review

Overview

The Low-Income Housing Tax Credit program has been the primary driver of affordable rental housing development in the United States, having financed the construction or rehabilitation of over 3.6 million housing units since its creation (Virginia Housing Alliance, 2023). However, the 30-year expiration structure for LIHTC contracts poses a growing threat to housing stability for low-income renters. This problem is especially relevant now because LIHTC was created in 1984 and was made a permanent program in 1993, 32 years ago (Orlebeke, 2022). Virginia is starting to see the impact of displacement as contracts from the beginning of the program are reaching expiration. As shown in Figure 1 below, over 7,000 publicly supported rental homes in Virginia are projected to lose affordability protections within the next five years, and a majority of these units are supported by LIHTC (*Virginia*, 2023). When affordability restrictions expire, property owners may raise rents, convert units to market-rate, or redevelop the property, which places tenants at risk of displacement.

Figure 1:



Number of publicly supported rental homes in Virginia by program and at risk of loss. The graphs provided are published in the National Housing Preservation Database, based on data published by the Public and Affordable Housing Research Corporation and the National Low Income Housing Coalition (*Virginia*, 2023).

This issue disproportionately affects extremely low-income households, seniors, individuals with disabilities, and families with children, many of whom already face challenges navigating the private rental market. These tenants often have fewer housing options and limited financial flexibility, making it difficult to absorb rent increases or secure new housing. In Virginia, there is already a shortage of over 170,000 rental homes that are affordable and available for extremely low-income households, defined by HUD as those earning at or below 30% of the area median income (*Virginia*, 2023). When current low-income LIHTC tenants are displaced at the time of expiration they may be at risk of experiencing housing instability and homelessness, which is associated with adverse effects on physical health, mental stability, and social well-being (Baxter et al., 2019; D'Amore et al., 2001). Despite growing awareness of these risks, few policies have been implemented to provide direct support to tenants at the time of affordability expiration.

The Impact of LIHTC

On Surrounding Areas

When it comes to the establishment of affordable housing, concerns can be raised about its impact on surrounding areas. Therefore, a lot of LIHTC research has been dedicated to studying the spillover effects of these properties, particularly when it comes to surrounding home values. Studies generally find neutral to positive impacts on local home values (Voith et al., 2022). For example, one study conducted in New York City found that LIHTC has a positive effect on nearby property values (Ellen et al., 2007). In another national-level study, researchers found a positive effect of LIHTC units on neighborhood home values (Baum-Snow & Marion, 2009). In addition, Diamond and McQuade (2019) conclude that in low-income neighborhoods, LIHTC developments increase house prices by 6.5 percent, but decrease house prices by 2.5 percent in higher-income neighborhoods. A recent study published in Cityscape, the U.S. Department of Housing and Urban Development's peer-reviewed journal, concluded that LIHTC developments in Los Angeles have positive spillover price effects, regardless of neighborhood characteristics (An et al., 2023).

Another major concern of affordable housing is its impact on crime rates. However, research at the county level concludes that LIHTC developments in the lowest-income areas lead to significant reductions in violent crime (Freedman & Owens, 2011). Using data from Austin, Texas, Woo and Joh (2015) concluded that LIHTC housing was often built in neighborhoods with existing high crime rates, and that "LIHTC developments have a mitigating impact on neighborhood crime." Further research conducted specifically in Virginia will be even more beneficial for providing additional data. In addition, outside of LIHTC, other research has concluded that housing vouchers have a small negative relationship with violent crime rates in cities, and no observed relationship in suburban areas (Lens, 2013). Using longitudinal data in Dallas, Van Zandt and Mhatre (2013) examined whether increased Housing Choice Voucher (HCV) households are associated with changes in crime, rather than HCV households simply being more present in higher-crime neighborhoods. They found no evidence to support the claim that vouchers drive increases in neighborhood crime.

On Tenants

The affordable housing that LIHTC provides can have a positive impact on the tenants of these properties in a variety of ways. By providing stable housing to individuals and families, LIHTC can indirectly counter the risks associated with housing instability and homelessness. Housing instability is one risk factor for child abuse and neglect (CAN). In Georgia, researchers concluded that there are significant negative associations between the number of LIHTC units and the number of CAN cases, as well as total reports of sexual abuse (Ports et al., 2018). In another study done at the national level, researchers looked at estimates for health status among low-income children living in LIHTC properties compared to low-income children not living in these properties. These authors found mixed results, with low-income children living in LIHTC properties having a higher likelihood of attending regular well-child visits and dental appointments, but also having a higher likelihood of chronic school absenteeism (Gensheimer et al., 2022). Living in LIHTC housing can also have a positive impact on economic security. For example, one study done on California families living in subsidized housing, including both through LIHTC and housing vouchers, found that the number of years living in one of these properties was positively associated with an increase in income. Regardless of these positive impacts, LIHTC still has its flaws. For example, some research has determined that many LIHTC tenants remain cost-burdened. One study found that 41 percent of residents paid more than 30 percent of their income on rent, and 16 percent paid more than 50 percent of their income on rent (O'Regan & Horn, 2013). Another study done specifically in California found results consistent with this national data, reporting that about 40 percent of LIHTC residents were paying more than 30 percent of their income on rent (Reid, 2019).

The Impact of Interventions Supporting Renters

Emergency Rental Assistance

The coronavirus pandemic triggered a wave of emergency policy responses aimed at preventing widespread housing instability, and much of the current literature on emergency rental assistance (ERA) focuses on this period. These studies show that ERA programs did more than keep people housed; they also reduced financial and emotional stress. For instance, Airgood-Obrycki (2022), using data from the U.S. Census Bureau Household Pulse Survey, found that ERA recipients were less likely to be behind on rent or struggling with basic expenses and reported better mental health. Reina and Lee (2023) studied Philadelphia's Phase 1 ERA program and reported that assistance reduced past-due rent, lowered the risk of accruing rent-related debt, and decreased the likelihood of severe anxiety. However, they emphasized that while ERA programs were beneficial, they were not a cure-all for the larger affordable housing crisis.

Gilman (2021) approached ERA from an economic modeling perspective, showing that rental assistance programs can yield high returns on investment, ranging from 208% to 466%. This perspective challenges conventional cost-based arguments against assistance, suggesting long-term financial and social benefits. Even prior to the pandemic, Fischer et al. (2019) highlighted that federal rental assistance can reduce homelessness and overcrowding, improve long-term outcomes for children, and lower healthcare costs for adults.

Tenant Protection Policies

Some jurisdictions have adopted tenant protection policies, such as mandatory relocation fees or "just cause" eviction ordinances, to support housing stability. While research specifically on relocation fees is limited, studies on broader tenant protections provide valuable insight. Cuellar (2019) found that just cause ordinances in four California cities led to statistically significant declines in both eviction and eviction filing rates. Sirota (2020) argued that tenants are under-protected compared to homeowners, advocating for stronger consumer protections within rental markets. Similarly, Levine et al. (1990) analyzed Santa Monica's rent control ordinance and found that it extended tenancy durations and benefited low-income and elderly renters. Legal protections also play a role in disaster response. Raymond et al. (2022) compared eviction rates in disaster-affected areas and found that states with stronger tenant protections did not experience a post-disaster eviction surge. This reinforces the importance of legal infrastructure in maintaining housing stability during periods of crisis.

Housing Choice Vouchers

The Housing Choice Voucher program is a long-standing tenant-based intervention that helps low-income families afford housing in the private market. Evidence suggests that vouchers not only increase housing stability but can also improve health and well-being. For instance, Wood et al. (2008), using a five-year longitudinal study across six sites, found that vouchers reduced homelessness, overcrowding, and reliance on doubled-up living arrangements among recipients of Temporary Assistance for Needy Families (TANF). They also increased mobility to higher-opportunity neighborhoods, though they had limited impact on employment or family formation. Finnie et al. (2022) conducted a systematic review of research on tenant-based voucher programs and confirmed that such programs lead to improved housing quality, reduced homelessness, and better neighborhood conditions. Adults reported better physical and mental health outcomes, while children had higher educational attainment and improved long-term employment and income.

Cai (2024) further explored the relationship between housing assistance and material hardship, finding that while vouchers reduced rent burden and overcrowding, they had little effect on non-housing material hardship. Newman et al. (2024) used randomized controlled trials in Cleveland and Dallas to assess the mental health impacts of vouchers, particularly on parental stress. Their results showed that reductions in rent burden and improvements in housing conditions, such as adequate heating, space, and neighborhood safety, significantly reduced stress levels among parents, emphasizing the crucial role of affordability in family well-being.

Alternatives and Criteria

The Low-Income Housing Tax Credit plays a crucial role in providing affordable housing to low-income tenants. However, when the affordability restrictions on LIHTC units expire, many tenants face the risk of displacement due to rent increases or conversion to market-rate housing. To address this problem, it is essential to consider effective policy alternatives that can help mitigate the negative impacts of LIHTC expiration on low-income Virginians. Three potential policy alternatives are introduced below: LIHTC Displacement Assistance Funding, Tenant Relocation Assistance from Landlords, and Priority Housing Access. The projected outcomes of each alternative will be evaluated based on specified criteria for evaluation.

Evaluative Criteria

The following criteria are what will be used to evaluate the projected outcomes of each policy alternative. Each criterion focuses on a different aspect of policy performance and the impact any action would have in the context of Virginia's affordable housing landscape. These criteria are designed to provide a comprehensive assessment of each alternative's potential effectiveness, cost, feasibility, and equity. Following evaluation, policies will be given an overall rating of high, high-moderate, moderate, moderate-low, or low for effectiveness, feasibility, and equity, and a total estimated monetary value will be provided for the cost criterion.

1. Effectiveness: This criterion will evaluate how effective the policy is at addressing the main goal of this project: providing support and maintaining housing stability for low-income Virginians who are directly impacted by the expiration of a LIHTC contract. This criterion will also take into consideration the estimated number of people living in affordable housing units with expiring LIHTC contracts each year, compared to the share of this population that the policy would reach.

2. Cost: This criterion will assess the economic implications of each policy alternative. This criterion would measure the projected costs associated with implementing the policy, including direct costs like rental assistance payments, and indirect administrative costs. This criterion would also take into consideration who the burden of this cost would fall on.

3. Feasibility: Feasibility assesses the likelihood of gaining support from key stakeholders for the proposed policy. Support from government officials, housing advocates, LIHTC landlords, Virginia Housing, and local housing agencies will be taken into consideration to understand the level of backing. This criterion will put specific emphasis on both political feasibility: the likelihood that this policy would be able to pass as a new state law or update to an existing law, as well as administrative feasibility: the likelihood that the policy would be implemented by the agency that the burden for enforcement will fall on.

4. Equity: Equity in this context refers to the fair and just distribution of the policy's benefits and burdens. This criterion will consider the equitable application of the policy both among individuals and households within the eligible population of tenants facing displacement due to expiring LIHTC affordability restrictions and in the broader context of low-income Virginians in need of affordable housing. This criterion will also take into consideration how well the policy targets the most vulnerable populations that are in need of affordable housing in Virginia, such as extremely low-income households or families with children.

Policy Alternatives

1. LIHTC Displacement Assistance Funding

Policy Overview: This policy alternative involves establishing a dedicated fund to support tenants who are displaced due to the expiration of affordability restrictions on LIHTC units. The source of this fund will be created by a dedicated state budget allocation, with the exact amount of funding reviewed and adjusted every two years as part of the state's biennial budget process. Renters will be eligible for this rental assistance if their household earnings are below 80% of the Area Median Income (AMI), and they live in a rental unit that has documented notice of a rent increase above 10% or the redevelopment of the rental property. The fund would be distributed through direct payments to landlords in the form of rental assistance, similar to tenant-based Housing Choice Vouchers, where the tenant's rent payment is typically limited to 30% of their income. Assistance for eligible renters would be time-limited, covering a transition period of twelve months, or until the individual or household secures affordable housing or rental assistance through another source, whichever comes first.

- **Effectiveness:** The projected effectiveness of this policy is moderate-high.
  - This policy will be effective in mitigating displacement by providing financial assistance so that affected households have the flexibility financially to find a new housing option that is affordable for their income level. This policy has particularly high short-term effectiveness by providing financial support at the time of LIHTC expiration, and throughout the year following displacement. However, this level of effectiveness does decrease when considering long-term effectiveness for displaced renters. Although this policy provides support while renters look to transition to another source of affordable housing, renters may continue to face challenges securing stable, affordable housing beyond the initial assistance period.
  - This policy is estimated to be highly effective in reaching the affected population. Under this policy alternative, all households directly impacted by the expiration of a LIHTC contract and that meet the specified requirements will be eligible for assistance.

- **Cost:** The estimated cost is $11.2 million annually.
  - This cost takes into consideration the average cost of rental assistance to households in Virginia through the Housing Choice Voucher Program, which was reported by the U.S. Department of Housing and Urban Development to be $978.91 in 2024. Additionally, the number of LIHTC properties with expiring affordability restrictions annually in Virginia was estimated to be around 981 households based on reported data from the National Housing Preservation Database. The main proposed funding source for this policy would be through

general state revenue allocations granted to this program through state legislation passed by the General Assembly and then signed into law by the governor of Virginia.

- **Feasibility:** Taking into consideration both administrative and political constraints, this policy's feasibility is low-moderate.
  - Administering the program would require existing housing agencies to distribute and oversee rental assistance. By leveraging current infrastructure, the administrative feasibility of this policy is high, as it can be managed through existing housing agencies using similar structures to the Housing Choice Voucher program.
  - The need for securing sustained funding through state legislation makes political feasibility a major consideration for this policy alternative. While Virginia tends to be considered a more "Blue" state, the current government has split control in the executive and legislature, which could persist in the future. This emphasizes the necessary bipartisan collaboration, which may be difficult given budgetary constraints and competing priorities. Additionally, the Trump Administration is currently targeting spending cuts at the federal level, which will impact Virginia's overall state budget which is partially supplemented by federal funding streams. While this introduces additional budgetary constraints, this also emphasizes a greater current need for state-level investment. State legislators may be hesitant to commit to a long-term funding program with a high price tag each year. However, with strong advocacy from tenant organizations and affordable housing advocates, it is possible to garner support by highlighting the benefits of preventing homelessness and displacement. In addition, the Virginia State budget allocated $241 million to increasing access to affordable housing for fiscal year 2025, indicating a targeted focus on affordable housing initiatives (Virginia Housing Alliance, 2025).

- **Equity:** This policy option is highly equitable.
  - This policy ensures that assistance is equitably distributed among all individuals and households that are directly impacted by expiring LIHTC affordability restrictions. Because eligibility is based on income and demonstrated housing instability, it will prioritize extremely low-income households, families with children, and other vulnerable populations, such as seniors and people with disabilities. While this policy option may present tradeoffs when it comes to funding this program and other affordable housing programs, this policy does not directly interfere with the access to affordable housing for other low-income Virginians.

2. Tenant Relocation Assistance from Landlords

Policy Overview: This policy alternative would require landlords of LIHTC units with expiring affordability restrictions to provide financial assistance for relocation to tenants who face displacement at the time of expiration. Qualifying circumstances would include rent increases exceeding 10% or property sales leading to market-rate conversion or property redevelopment. The assistance amount would be based on the cost of rent that the tenant was paying under the LIHTC restrictions. This amount would then be multiplied four times to account for financial assistance for the four months immediately following displacement. In order to offset the costs to landlords and encourage cooperation, this policy could also be combined with financial incentives such as a tax credit on state income tax for the tax year that the LIHTC contract expires.

- **Effectiveness:** The projected effectiveness of this policy is moderate.
  - This policy will mitigate negative impacts of displacement by providing short-term financial resources to tenants forced to relocate due to expiring LIHTC affordability restrictions. By ensuring landlords contribute to relocation assistance, displaced households will have access to immediate support for securing new housing, indicating high short-term effectiveness. This policy's long-term effectiveness is lower since the assistance is only at the time of displacement. A payment equal to four months' rent is meaningful financial assistance, but it does not provide as much overall rental assistance as programs that provide financial assistance every month. However, some renters may prefer the high short-term support of a greater lump sum payment at the time of displacement rather than a greater total amount of money that is split into smaller payments each month.
  - This policy will be highly effective in reaching the affected population. Under this alternative, all households directly impacted by the expiration of a LIHTC contract and that meet the specified requirements will be eligible for assistance.

- **Cost:** Under this policy, there is no direct cost to the state.
  - The cost burden of this policy alternative is distributed among landlords. Therefore, after passing this policy, the state is not responsible for any direct financial payments. Any additional costs associated with this policy would instead be the administrative costs of enforcement.
  - The cost to individual landlords would be highly dependent on the cost of living where the landlord operates, and the number of LIHTC households the landlord serves. The average rent cost in the state of Virginia for 2025 is estimated to be $1,972 (*Average*, 2025). Given that units financed through LIHTC provide rents that average 38% less than market-rate rents, the direct cost to landlords is

estimated to be around $3,000 per household, with the combined total across all affected households to be around $2.9 million annually (*Study*, 2024).
    - If this policy is combined with a new tax credit on state income tax for affected landlords, this would not introduce additional direct costs, but the state budget would be impacted through decreased tax revenue.

- **Feasibility:** The overall feasibility of this policy is low.
    - Administrative feasibility is moderate. The state could enforce this policy through existing housing regulations, requiring landlords to comply upon LIHTC contract expiration. However, enforcement would require careful monitoring and oversight, which may pose administrative challenges.
    - This policy would require the passage of state legislation, making political feasibility a major consideration. However, the projected political feasibility of this policy is low. This policy will likely face strong opposition from landlords, developers, and real estate groups, who may argue that it unfairly shifts financial burdens onto property owners. While tenant advocacy groups would support it, passing legislation that mandates landlord contributions would require overcoming strong lobbying efforts against it.

- **Equity:** This policy option is moderate in terms of equity.
    - This policy provides targeted assistance to displaced LIHTC tenants, ensuring that households at risk of displacement receive financial support during a critical transition period. However, it does not prioritize those with the greatest financial need, as all displaced LIHTC tenants would qualify regardless of income level.
    - Additionally, because landlords bear the financial burden, some may choose to exit LIHTC programs, which could reduce affordable housing availability in the long run, negatively impacting low-income renters statewide. However, the LIHTC application process for property developers is competitive, and demand for LIHTC exceeds the supply of credits (Knopf, 2024). Therefore, the projected probability that this policy would cause landlords to leave the program at a rate that significantly impacts the overall supply of affordable housing is low.

3. Priority Housing Access

Policy Overview: This policy alternative aims to increase access to other affordable housing options for displaced LIHTC tenants through targeted adjustments to the Housing Choice Voucher waitlist system in Virginia. Virginia Housing explains on their website that, “HUD allows a housing agency to open the waiting list for applicants who meet a specific preference…Each local housing agency can adopt other local preferences to address housing needs in its communities, such as having a preference for disabled applicants or homeless applicants." This policy would establish displaced LIHTC tenants as an additional preference used by local housing agencies across Virginia, ensuring that tenants who lose their housing due to the expiration of LIHTC affordability restrictions receive priority access to the competitive waitlist system for Housing Choice Vouchers. This targeted adjustment policy would require regulatory changes at the state level and adoption by Virginia's local housing agencies.

- **Effectiveness:** The projected effectiveness of this policy is low-moderate.
  - For tenants who are able to secure funding due to priority access to vouchers, this policy has high long-term effectiveness. The overall financial assistance will be high due to consistent rental assistance payments every month. Over time, this could lead to increased housing stability for low-income renters at risk of displacement.
  - The overall impact of this policy is hindered by limited voucher supply. This policy will improve housing access for displaced tenants, but its impact depends on the availability of vouchers and affordable housing units. While priority status on waitlists improves displaced tenants' chances of securing an HCV, many Virginia HCV waitlists are already long or closed due to high demand. Although all LIHTC tenants facing displacement at the time of expiration would be eligible for this priority housing access, they are not all guaranteed financial assistance under this policy.

- **Cost:** Under this policy, there is no direct cost to the state.
  - The cost burden of this policy alternative will fall on state housing administrators and agencies, particularly Virginia Housing. After passing this policy, the state is not responsible for any direct financial payments. Instead, costs are primarily administrative, related to revising state regulations, implementing changes to local housing agencies' prioritization systems, and public outreach. While these changes may require new administrative costs for housing administrators and Virginia Housing, these costs will likely be low due to the existing infrastructure that these organizations have for implementing the Housing Choice Voucher program.

- **Feasibility:** The feasibility of this policy is high.
  - Administrative feasibility is high. Local public housing agencies (PHAs) already have discretion over how they set priorities for their HCV waitlists. This policy only requires regulatory changes rather than the creation of a new program, making it relatively easy to implement. However, whether PHAs choose to implement this program is left to their discretion because this policy alternative is not binding through state law.
  - This policy does not require major new funding or the passage of new legislation making it less controversial and more feasible politically. However, some

resistance may come from existing HCV applicants, who may feel displaced tenants are receiving preferential treatment at their expense.

- **Equity:** This policy option is low in terms of equity.
  - By prioritizing displaced LIHTC tenants for housing vouchers, this policy helps vulnerable renters avoid long-term displacement. However, it does not create new housing opportunities, meaning that other low-income applicants who also need assistance may face longer wait times. Equity concerns arise when prioritizing one group over others in a high-demand system, and this could reduce access for other vulnerable populations, such as homeless individuals or disabled applicants. In addition, the most vulnerable displaced LIHTC tenants may still struggle to find housing even with priority status, since securing a voucher does not guarantee immediate placement in affordable housing. While this policy improves access to existing resources, its equity impact largely depends on voucher availability and landlord participation.

<u>Outcomes Matrix</u>

	Effectiveness	**Cost**	**Feasibility**	**Equity**
LIHTC Displacement Assistance Funding	Moderate-High	$11.2 million annually*	Low-Moderate	High
Tenant Relocation Assistance from Landlords	Moderate	$2.9 million annually* (with no direct cost to the state)	Low	Moderate
Priority Housing Access	Low-Moderate	No direct cost to the state	High	Low

*The cost calculations are included in the Appendix. The exact cost each year would be adjusted to reflect the current need.

Tradeoffs Discussion

Each policy alternative presents distinct advantages and tradeoffs based on cost, feasibility, effectiveness, and equity considerations:

- **Effectiveness and Reach:** The LIHTC Displacement Assistance Fund and Tenant Relocation Assistance from Landlords provide direct financial support to all displaced tenants who meet the eligibility criteria, ensuring high short-term effectiveness. However, the LIHTC fund offers longer-term support (up to a year), whereas the relocation assistance provides a one-time payment equivalent to four months' rent. In contrast, the Priority Housing Access policy does not guarantee financial assistance but offers the potential for long-term stability if tenants secure Housing Choice Vouchers. However, limited voucher availability may reduce its overall impact.

- **Cost Considerations:** The LIHTC Displacement Assistance Fund has a substantial ongoing financial cost to the state (~$11.2 million annually), requiring dedicated budget allocations. In contrast, Tenant Relocation Assistance from Landlords shifts the financial burden to property owners, reducing state expenditure but facing potential resistance from landlords. Priority Housing Access has no direct state cost beyond administrative adjustments, making it the least financially burdensome.

- **Administrative and Political Feasibility:** Priority Housing Access is the most feasible, as it relies on regulatory adjustments rather than legislation or new funding. The LIHTC Displacement Assistance Fund has lower feasibility due to its reliance on legislative approval and sustained state funding. Tenant Relocation Assistance from Landlords also faces feasibility challenges due to expected opposition from property owners and real estate groups, who may lobby against the policy.

- **Equity Considerations:** The LIHTC Displacement Assistance Fund is the most equitable policy, as it directly prioritizes low-income tenants and vulnerable groups. The Tenant Relocation Assistance from Landlords policy provides broad coverage but does not specifically target those with the greatest need, making it moderately equitable. Priority Housing Access raises equity concerns because it may disadvantage other vulnerable groups already on the waitlist, potentially creating additional competition among low-income tenants for limited affordable housing resources.

Ultimately, if immediate displacement prevention and financial relief are top priorities, the LIHTC Displacement Assistance Fund is the most comprehensive option, despite its cost. If minimizing state financial responsibility is the priority, Tenant Relocation Assistance from Landlords offers an alternative but risks implementation challenges. If feasibility is the main concern, Priority Housing Access stands out, but has lower equity and effectiveness. In the context of new affordable housing policies, effectiveness and equity are arguably the most important considerations, given the fundamental goal of increasing housing stability for vulnerable populations. Affordable housing will likely remain a politicized issue that will require financial investment in some way to increase access, whether that cost is covered by the state or another group such as tenants or nonprofit housing organizations.

Recommendation

Given the need to effectively mitigate housing instability while balancing cost, feasibility, and equity, the **LIHTC Displacement Assistance Fund** is the recommended policy alternative. This policy provides the most comprehensive financial assistance to tenants facing displacement, and it ensures that all affected low-income households receive the financial support while transitioning into other housing options. While the cost is substantial, it directly addresses the financial burden of displacement and helps prevent further instability for vulnerable renters. Unlike the other alternatives, which either impose financial burdens on landlords or rely on prioritization within an already strained system, the LIHTC Displacement Assistance Fund offers a direct and reliable form of support. In addition, this policy maintains flexibility by allowing tenants to seek alternative housing arrangements while benefiting from transitional assistance, making it more adaptable to the varying needs of displaced households.

From an equity standpoint, this policy provides a fair distribution of funding to the affected population while not directly impacting the availability of affordable housing for other low-income renters in Virginia. Additionally, by leveraging existing administrative infrastructure, the program can be implemented more efficiently than alternatives that require the creation of new enforcement mechanisms or extensive regulatory changes. By securing dedicated funding, this policy can serve as a crucial safeguard against housing insecurity for tenants affected by LIHTC expirations. While it does require a substantial investment, the long-term benefits of preventing displacement, reducing homelessness, and maintaining housing stability are critical considerations. For these reasons, the **LIHTC Displacement Assistance Fund** represents the most balanced and effective approach to mitigating the challenges posed by expiring LIHTC affordability restrictions.

Implementation Plan

Several coordinated steps will be required to ensure a structured and effective implementation of this policy recommendation:

1. First, tenant advocacy groups and affordable housing organizations must lead a coordinated advocacy campaign to build public and political support for the policy. This

effort should include public awareness initiatives, coalition-building among stakeholders, and targeted outreach to legislators and budget decision-makers to frame the program as a necessary intervention.

2. Once advocacy efforts have gained traction, a bill must be introduced and passed in the Virginia General Assembly to authorize the program and secure a dedicated funding stream through the state's biennial budget process. This step will require strong legislative sponsors, committee review, and coordinated testimony from stakeholders to support the bill's passage. The legislation should clearly define eligibility criteria, funding distribution mechanisms, and administrative oversight.

3. Once the funding is secured through state legislation, Virginia Housing and Public Housing Agencies will develop administrative guidelines and train their staff on the program requirements, application procedures, and financial disbursement processes.

4. This will be followed by a stakeholder outreach and engagement phase, ensuring that tenants, landlords, and nonprofit partners are informed about program benefits and how to participate.

Legislative Strategies

Because this policy requires a new and dedicated funding stream, legislative action will be necessary to authorize and fund the LIHTC Displacement Assistance Fund. The policy would need to be introduced as a bill in the Virginia General Assembly, outlining eligibility requirements, funding mechanisms, and administrative oversight. To move forward, the bill would need strong legislative sponsors and supporters within the General Assembly with records of support for affordable housing and tenant protections. The bill would likely be referred to the House Appropriations Committee, where it must pass through subcommittee review and full committee approval before reaching the floor for a vote.

Because the policy relies on a recurring state appropriation, a key component of the legislative strategy involves working to incorporate the proposed funding into Virginia's biennial budget process. Tenant advocacy organizations and non-profit housing organizations will be essential in coordinating advocacy efforts and mobilizing public and political support to ensure sustained funding. Advocates can also strengthen the bill's chances by coordinating testimony from impacted tenants, local housing authorities, and housing policy experts during committee hearings. Engaging legislators early in the process and framing the program as a fiscally responsible investment rather than an ongoing expense will be critical to securing continued funding. Policymakers concerned about costs will need to see the long-term economic benefits of preventing displacement, such as reducing homelessness-related expenditures and stabilizing local housing markets. Framing the fund as a proactive investment in housing stability can help support passage within Virginia's current budgetary and political climate.

Additional Strategies

Securing adequate and sustained funding for the program is a key component of implementation. Ideally, funding for the LIHTC Displacement Assistance Fund would be permanent or allocated for a multi-year period to ensure stability for tenants and administrative efficiency. However, if a permanent allocation is not immediately feasible, an alternative strategy could involve securing funding for an initial two-year period under Virginia's biennial budget process. This would serve as a trial phase, allowing the state to evaluate program effectiveness, address administrative challenges, and refine implementation strategies. Then, the next biennial budget cycle could provide an opportunity to transition the fund into a permanent program with a dedicated funding stream. This approach would offer a politically viable pathway to long-term adoption by demonstrating measurable benefits before committing to a larger, ongoing investment.

Additionally, a long-term implementation strategy could involve incorporating elements of Alternative 2 (Tenant Relocation Assistance from Landlords) into future LIHTC contracts. Under this approach, new LIHTC agreements would require property owners to contribute to displacement assistance for tenants at the 30-year mark, when affordability restrictions expire. This would gradually reduce the need for state funding over time, as more LIHTC properties would become subject to displacement assistance requirements. Because demand for LIHTC tax credits consistently outpaces supply, it is unlikely that this requirement would significantly reduce the overall number of LIHTC contracts issued each year. Instead, it would shift the long-term financial responsibility onto property owners while still ensuring tenant protections. This phased transition would allow the LIHTC Displacement Assistance Fund to remain in place for a maximum of 30 years, at which point new funding would no longer be necessary.

Program Administration

Once funding is secured, the LIHTC Displacement Assistance Fund will be implemented using a structure similar to rental assistance through the Housing Choice Voucher program, leveraging existing administrative capacity, local housing authorities, and established procedures to ensure efficient program delivery. Virginia Housing will serve as the lead administrative agency, mirroring its role in managing the Housing Choice Voucher program. Virginia Housing will oversee the program's funding distribution, regulatory compliance, and coordination with local housing authorities, ensuring consistency across jurisdictions. The PHAs, which already administer Housing Choice Vouchers, will be responsible for identifying eligible displaced tenants, processing applications, and distributing financial assistance. Their existing relationships with both landlords and tenants make them well-positioned to ensure efficient program implementation. Tenant advocacy organizations, such as the Virginia Housing Alliance, and non-profit housing organizations will be essential in assisting tenants in navigating the application process, as well as helping displaced tenants locate new housing during and after the transition period from expired LIHTC housing. Landlords and property developers are another key stakeholder group whose participation is necessary for program success. While some landlords may be hesitant to engage with a state-administered assistance program, clear program guidelines and outreach efforts can encourage cooperation.

Potential Risks

Despite careful planning, several potential risks could impact implementation. Funding instability remains a primary concern, particularly if political shifts lead to changes in state budget priorities. Securing a multi-year funding commitment and exploring alternative funding sources can help mitigate this risk. Administrative challenges may also arise, particularly in scaling the program across multiple PHAs. Establishing an online application portal and a centralized support system for tenants and landlords will help streamline the application process and minimize administrative burdens. Landlord non-participation is another risk that could limit the program's effectiveness. To address this, the state can offer incentives, regular communication, and dispute resolution mechanisms to encourage landlord engagement. Political opposition could also pose a long-term threat to the program's sustainability, making it crucial to build bipartisan support and demonstrate measurable program benefits through ongoing evaluation and reporting.

Conclusion

The LIHTC Displacement Assistance Fund represents a comprehensive and targeted intervention for supporting low-income tenants when LIHTC contracts expire, but its success depends on effective administration, coordinated stakeholder engagement, and proactive risk management. By leveraging existing infrastructure, such as the Housing Choice Voucher framework, and implementing a strategic funding approach, the program can be scaled efficiently while demonstrating its long-term viability. While challenges related to funding, landlord participation, and administrative logistics must be addressed, careful and coordinated implementation strategies will ensure that the fund provides meaningful relief to displaced tenants and becomes a sustainable component of Virginia's affordable housing strategy.

References

Airgood-Obrycki, W. (2022). The short-term benefits of emergency rental assistance. *Harvard University Joint Center for Housing Studies*.

An, B. Y., Jakabovics, A., Liu, J., Orlando, A. W., Rodnyansky, S., Voith, R., ... & Bostic, R. W. (2023). Factors affecting spillover impacts of Low-Income Housing Tax Credit developments. *Cityscape*, *25*(2), 309-364.

Average rent by state 2025. World Population Review. (2025). https://worldpopulationreview.com/state-rankings/average-rent-by-state

Baum-Snow, N., & Marion, J. (2009). The effects of low income housing tax credit developments on neighborhoods. *Journal of Public Economics*, *93*(5-6), 654-666.

Baxter, A. J., Tweed, E. J., Katikireddi, S. V., & Thomson, H. (2019). Effects of housing first approaches on health and well-being of adults who are homeless or at risk of homelessness: Systematic review and meta-analysis of randomised controlled trials. *J Epidemiol Community Health, 73*(5), 379-387.

Cai, J. (2024). Housing assistance, poverty, and material hardships. *Housing Policy Debate*, *34*(3), 269-285.

Cuellar, J. (2019). Effect of "just cause" eviction ordinances on eviction in four California cities. *Journal of Public & International Affairs*, *30*.

D'Amore, J., Hung, O., Chiang, W., & Goldfrank, L. (2001). The epidemiology of the homeless population and its impact on an urban emergency department. *Academic Emergency Medicine, 8*(11), 1051-1055.

Diamond, R., & McQuade, T. (2019). Who wants affordable housing in their backyard? An equilibrium analysis of low-income property development. *Journal of Political Economy*, *127*(3), 1063-1117.

Ellen, I. G., Schwartz, A. E., Voicu, I., & Schill, M. H. (2007). Does federally subsidized rental housing depress neighborhood property values?. *Journal of Policy Analysis and Management: The Journal of the Association for Public Policy Analysis and Management*, *26*(2), 257-280.

Finnie, R. K., Peng, Y., Hahn, R. A., Schwartz, A., Emmons, K., Montgomery, A. E., Muntaner, C., Garrison, V., Truman, B., Johnson, R. L., Fullilove, M. T., Cobb, J., Williams, S. P., Jones, C., Bravo, P., & Buchanan, S. (2022). Tenant-based housing voucher programs: a community guide systematic review. *Journal of Public Health Management and Practice*, *28*(6), E795-E803.

Fischer, W., Rice, D., & Mazzara, A. (2019). Research shows rental assistance reduces hardship and provides platform to expand opportunity for low-income families. *Center on Budget and Policy Priorities, Washington, DC.*

Freedman, M. & Owens, E.G. (2011). Low-income housing development and crime. *Journal of Urban Economics, 70*(2), 115–31.

Gensheimer, S. G., Eisenberg, M. D., Hindman, D., Wu, A. W., & Pollack, C. E. (2022). Examining health care access and health of children living in homes subsidized by the low-income housing tax credit. *Health Affairs*, *41*(6), 883-892.

Gilman, S. (2021). The return on investment of pandemic rental assistance: Modeling a rare win-win-win. *Ind. Health L. Rev.*, *18*, 293.

HB854 Statewide housing study: Current efforts, future needs, new strategies. Virginia Housing and Virginia DHCD. (December 2021). https://vhc.virginia.gov/hb854-full-report_FINALE.pdf

Housing Choice Voucher (HCV) data dashboard. U.S. Department of Housing and Urban Development. (2024). https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/dashboard

Knopf, J. *Back to basics: Low-Income housing tax credits*. HousingForward Virginia. (2024). https://housingforwardva.org/news/fwd-b17-low-income-housing-tax-credit-lihtc/

Lens, M. C. (2014). The impact of housing vouchers on crime in US cities and suburbs. *Urban Studies*, *51*(6), 1274-1289.

Levine, N., Grigsby III, J. E., & Heskin, A. (1990). Who benefits from rent control? Effects on tenants in Santa Monica, California. *Journal of the American Planning Association*, *56*(2), 140-152.

Newman, S., Leventhal, T., Holupka, C. S., & Tan, F. (2024). Experimental evidence shows that housing vouchers provided measurable benefits, including parent stress reduction. *Health Affairs*, *43*(2), 278-286.

O'Regan, K. M. & Horn, K.M. (2013). What can we learn about the Low-Income Housing Tax Credit program by looking at the tenants?. *Housing Policy Debate*, *23*(3), 597–613.

Orlebeke, C. J. (2022). The evolution of low-income housing policy, 1949 to 1999: Housing policy debate, 2000. In *The Affordable Housing Reader*, 21-40.

Ports, K. A., Rostad, W. L., Luo, F., Putnam, M., & Zurick, E. (2018). The impact of the low-income housing tax credit on children's health and wellbeing in Georgia. *Children and youth services review*, *93*, 390-396.

Raymond, E. L., Green, T., & Kaminski, M. (2022). Preventing evictions after disasters: The role of landlord-tenant law. *Housing Policy Debate*, *32*(1), 35-51.

Reid, C. (2018). The links between affordable housing and economic mobility. *Terner Center for Housing Innovation at UC Berkeley.*

Reina, V. J., & Lee, Y. (2023). COVID-19 and emergency rental assistance: Impact on rent arrears, debt, and the well-being of renters in Philadelphia. *The Russell Sage Foundation Journal of the Social Sciences*, *9*(3), 208-229.

Sirota, E. (2020). The rental crisis will not be televised: The case for protecting tenants under consumer protection regimes. *U. Mich. JL Reform*, *54*, 667.

Study: LIHTC rents average 38% lower than market rates. Affordable Housing Finance. (2024, November 21). https://www.housingfinance.com/policy-legislation/study-lihtc-rents-average-38-lower-than-market-rates_o#:~:text=Homes%20financed%20with%20low%2Dincome,Tax%20Credit%20Coalition%20(AHTCC).

Van Zandt, S. S., & Mhatre, P. C. (2013). The effect of housing choice voucher households on neighborhood crime. *Poverty & Public Policy*, *5*(3), 229-249.

Virginia Housing Alliance. (2023). *Policy priorities: 2023 General Assembly session*. https://vahousingalliance.org/wp-content/uploads/2023/01/VHA-2023-Policy-Priorities.pdf

Virginia Housing Alliance. (2025). *Housing in Virginia's state budget*. https://vahousingalliance.org/wp-content/uploads/FY25-Housing-in-the-Budget.pdf

Virginia: 2023 Preservation profile. The National Housing Preservation Database. (2023). https://preservationdatabase.org/wp-content/uploads/2023/12/PD-Profile_2023_MERGED-VA.pdf

Voith, R., Liu, J., Zielenbach, S., Jakabovics, A., An, B., Rodnyansky, S., ... & Bostic, R. W. (2022). Effects of concentrated LIHTC development on surrounding house prices. *Journal of Housing Economics*, *56*.

Woo, A., & Joh, K. (2015). Beyond anecdotal evidence: Do subsidized housing developments increase neighborhood crime?. *Applied Geography*, *64*, 87-96.

Wood, M., Turnham, J., & Mills, G. (2008). Housing affordability and family well‐being: Results from the housing voucher evaluation. *Housing Policy Debate*, *19*(2), 367-412.

<u>Appendix</u>

Alternative 1:

- Number of households calculations:
    - Number of publicly supported rental homes with expiring affordability restrictions in the next five years that are assisted by LIHTC: 4,756 (*Virginia*, 2023)
    - 4,756 / 5 years = 951.2
    - Estimated **951** expiring LIHTC households a year in Virginia
- Cost calculations:
    - Current average cost per household for HCVs: **$978.91** (*Housing*, 2024)
    - $978.91 x 12 months = $11,746.92
    - $11,746.92 x 951 households = $11,171,320.9
    - Estimated yearly cost of the LIHTC displacement fund: **$11.2 million**

Alternative 2:

- Cost to landlords calculation:
    - Average rent cost in the state of Virginia: **$1,972** (*Average*, 2025).
    - Units financed through LIHTC provide rents that average 38% less than market-rate rents (Affordable Housing Finance, 2024).
    - $1,972 x .38 = $749.36
    - $749.36 x 4 months = $2,997.44
    - Estimated direct cost to landlords: **$3,000** per household
    - $3,000 x 951 households = $2,853,000
    - Total cost for this alternative: **$2.9 million**