

The Cost of Fairness: Why LIHTC's Expense Can Be a Progressive Strength

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The Low-Income Housing Tax Credit (LIHTC) is the United States' [largest federal program](#) for incentivizing the development and preservation of affordable rental housing. LIHTC builds are often criticized for being [more expensive](#) than market-rate construction, largely due to regulatory compliance costs. Despite these heightened costs, LIHTCs can be an essential part of the progressive plan to combat the housing crisis if we distinguish between regulations that further equity and safety and those that are unjustifiably burdensome.

If we move beyond the [false dichotomy](#) between defending all entrenched regulation and a blanket rejection of the LIHTC framework, we can refine the regulatory infrastructure to promote housing development while retaining other forms of equity. This approach allows us to keep regulations that further equitable goals while eliminating inefficiencies that prevent housing production squander resources meant to aid financially vulnerable groups. Accepting higher administrative costs is a [rational tradeoff](#) when it guarantees that the affordable housing supply increases and the resulting builds comply with essential regulations, such as tenant protections and environmental safeguards.

I. LIHTC: Structure, Critiques, and Progressive Potential

The LIHTC program awards federal tax credits to private sector developers who build or rehabilitate housing reserved for low-income tenants. The federal government allocates credits to [states](#), which then select projects through competitive application processes. To qualify for a credit allocation, developers must meet [strict requirements](#) on rents, tenant income, and property maintenance, enforced through multifaceted legal and bureaucratic processes involving numerous agencies and specialists. Developers must [partner](#) with financial and legal professionals to ensure compliance with complex statutes, regulations, building codes, fair housing mandates, and local

ordinances. These intersecting authorities and requirements make LIHTC builds [complex and costly](#).

Critics on the left decry LIHTC as a market-based program that often [fails to deliver](#) on its promise to efficiently create affordable housing with government support. This school of thought highlights how filtering subsidy dollars through [layers of legal and administrative oversight](#) diminishes the resources that actually reach tenants or [build housing units](#). Further, the role of private developers in affordable housing construction is criticized, since they necessarily prioritize profits over public service. To combat this issue, many on the left call for a larger role for nonprofit entities, a solution that would introduce yet another layer of administrative complexity.

Though these concerns are valid, the urgency of the housing crisis means we cannot wait to design a perfect solution before increasing the supply of affordable housing. While new public housing initiatives may avoid some of the administrative costs that LIHTC developments face, that does not mean we should ignore the [potential of existing programs](#) to alleviate housing pressure for low-income groups. Private developers play a key role in expanding housing supply nationwide, but they are unlikely to focus on affordable housing [without targeted government incentives](#). Effective housing policy must balance retaining equitable tenant protections through necessary regulations while ensuring that affordable housing continues to be built at the needed scale.

II. Balancing Good and Bad Regulation

LIHTC's regulatory framework warrants more than dismissal as [mere bureaucratic overreach](#). It requires stringent tenant protections, including detailed inspection protocols, enforceable long-term affordability covenants, and comprehensive anti-discrimination obligations, all underpinned by federal and state oversight. These safeguards reflect a recognition that [unregulated markets frequently fail to protect vulnerable populations](#). Additionally, [environmental review processes](#) and location criteria function as critical tools to mitigate negative impacts on residents and communities, preventing the recurrence of harms historically associated with urban renewal and exploitative landlord practices.

It is, however, equally true that some mandates have collectively [outlived their usefulness](#). Inefficient paperwork, repeatedly obsolete reporting standards, and duplicative layers of agency review can slow project delivery, raise legal fees, and [siphon resources better used for construction](#) or support services. Progressives should not shy away from streamlining these components, provided reforms are carefully delimited to avoid weakening the core regulatory backbone that protects tenants and communities.

III. Interjurisdictional Inequality and the Progressive Case for LIHTC

While private developers can be part of a progressive coalition, there is a risk in embracing a purely supply-side solution to the housing crisis. [Conservative legislatures](#) are far more willing to give private developers free rein without robust tenant protections, affirmative fair housing standards, or anti-discrimination rules, which may increase the number of available affordable units at the cost of safety for marginalized renters. Though progressives shouldn't set aside the importance of retaining important regulations, we should still try to build as many affordable units as possible under those confines.

For communities like transgender individuals, who already [face disproportionate rates of homelessness](#), the legal context of a given state is critical. If the growth of affordable housing is [concentrated in conservative regions](#) with weak civil rights safeguards, many vulnerable people may face a stark dilemma: access shelter at the cost of facing hostile or unsafe environments, or remain homeless in hopes of eventually securing spaces in more supportive, inclusive states. The growth of [“red state” housing markets](#) could thus tilt political and economic power away from states with stronger protections, making it harder for progressive jurisdictions to set inclusive policy standards for the nation as a whole.

Accepting that LIHTC development costs will always be higher than those of unregulated private construction reflects progressive values. It means prioritizing safety, fairness, and environmental protection over building as many units as possible. The challenge is to find the right balance by cutting out unnecessary regulations that waste time and money while keeping the rules that make affordable housing a reliable source of stability and dignity for the people who need it most. It is

worth paying more for new housing if that housing is safe, fair, accessible, and supported by strong legal protections, no matter where it is built.