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## Report Highlights

### Low-Income Housing Tax Credit Cost Containment

*Louisiana Housing Corporation*

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#### Why We Conducted This Review

This report provides information on the Low-Income Housing Tax Credit (LIHTC) program and the state's Qualified Allocation Plan (QAP). We compiled this information because of legislative interest in cost containment for affordable housing properties funded by LIHTC and State Bond Commission concerns about potential excess costs in LIHTC projects. We evaluated the Louisiana Housing Corporation's (LHC) QAPs from 2019 through 2025, identified recommended practices for cost containment strategies, and reviewed QAPs in 11 other states.

#### What We Found

Between 2019 and 2024, LHC awarded a total of \$192.7 million in LIHTC projects during the initial application review, including \$110.1 million in 4% credits and \$82.6 million in 9% credits. These awards amount to an estimated \$1.7 billion in tax credits over 10 years.

We answered the following questions:

##### 1. What are key costs in LIHTC-funded projects, and what factors affect them?

Key costs in LIHTC-funded projects include hard costs, primarily construction costs, and soft costs, which include consultant fees, insurance, permits, and appraisals. Both hard and soft costs may be higher than those of market-rate projects. LIHTC costs may be higher due to the complexity of LIHTC financing and private financing requirements, more stringent state/federal regulations, the time it takes to finalize projects, and differing requirements from multiple funding sources. State QAPs may require projects to meet sustainability or fortified building standards, accessibility requirements, and prevailing wage rates, which can all increase construction costs. In addition, in the time it takes a project to materialize, interest rates, material costs, and other project requirements can change, which can also increase costs. LIHTC projects may also use additional types of public funds, which may have different requirements that can increase project costs.

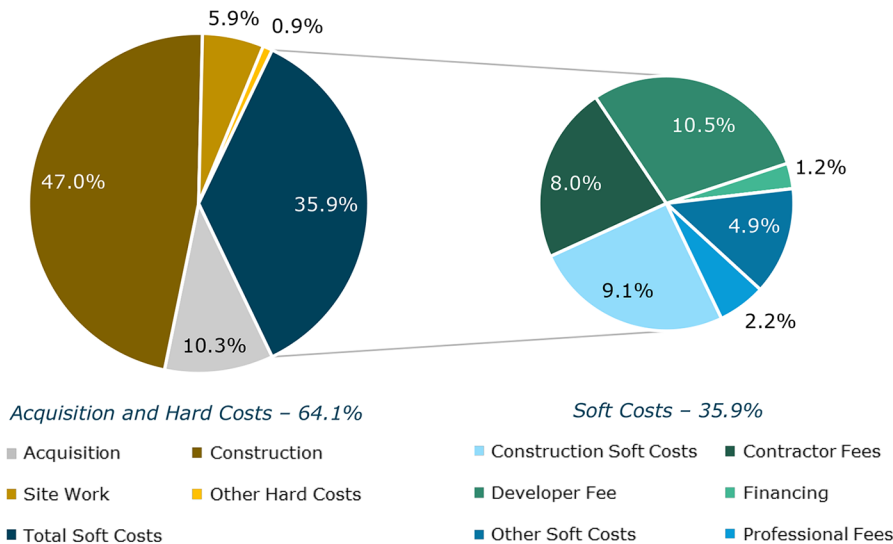
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Louisiana Housing Corporation

## What We Found (Cont.)

**Hard and Soft Costs\***  
**Awarded LIHTC Projects in QAP Years 2019 through 2024**



\* LHC Risk Sharing Fees are an additional soft cost not represented in the exhibit. For projects awarded by LHC in QAP years 2019 through 2024, these fees amounted to only 0.003% of TDC.

**Source:** Prepared by legislative auditor's staff using unaudited LIHTC applications provided by LHC.

## 2. How has Louisiana adjusted its QAP requirements to control costs?

Louisiana has implemented new cost containment strategies within its 2025 QAP requirements. These revisions include: an explicit cost containment policy goal; a cost containment template that identifies costs based on various factors; the addition of total development cost (TDC) limits for 4% LIHTCs; a reduction in staff approvals for costs over TDC limits to 30%; emphasis on tie-breakers that prioritize projects requesting the least amount of LIHTCs; and the removal of some resiliency, energy efficiency, and green building requirements. Previously incorporated strategies, such as limits on points that can be earned for proximity to certain location amenities and optional amenities, were retained in the 2025 QAP. However, Louisiana does not use cost-based scoring criteria to evaluate LIHTC applications.

## 3. What are recommended practices to contain costs for LIHTC-funded projects, and how do other states implement cost containment strategies?

Recommended practices suggest that state housing agencies implement credit allocation limits, procedures to ensure reasonable development costs, and fee limits in their QAPs. All 12 states that we reviewed, including Louisiana, limit credit allocations, developer fees, and builder fees, but Louisiana is the only one of these states that does not limit developer fees for 4% LIHTCs. Most of the states we reviewed implement a TDC limit; however, Louisiana is the only one of these states that uses U.S. Department of Housing and Urban Development TDC limits. Half of the states we reviewed incorporate cost-based scoring criteria, but Louisiana does not. Most states also incorporate score limits for certain amenities, and half use tie-breakers that prioritize lower TDC and/or lower LIHTC requests. Louisiana limits points for amenities, and its first tie-breaker awards credits to projects requesting the least amount of LIHTCs.

View the full report, including management's response, at [www.la.gov](http://www.la.gov).