



COHNREZNICK SPOTLIGHT

May 2023

Embrace the Movement: A spotlight on 'LIH-Tech' digital revolution

With the real estate sector experiencing rapid technological advancements, the Low-Income Housing Tax Credit (LIHTC) industry is also beginning to embrace these innovations to streamline development, management, and compliance processes.

While any technological innovation presents new risks, the following explores the transformative impact of new technology on the industry and its potential to revolutionize the affordable housing landscape.

Proptech innovations in development and management

Property technology, or proptech, has made significant inroads in housing credit development and management, improving the efficiency of processes and operations. For example, Building Information Modeling (BIM) allows developers to plan, design, and construct projects virtually, resulting in cost savings and reduced construction timelines. IoT-enabled (internet of things) smart home systems enhance the management of affordable housing properties by monitoring energy consumption, security, and maintenance, helping to ensure a more comfortable and sustainable living environment for residents.

Harnessing advanced data analytics and visualization

Data analytics and visualization tools are rapidly becoming indispensable in the housing credit industry, enabling developers, investors, and public agencies to make better-informed decisions using data that was previously hard to aggregate, compare, and analyze. By leveraging data, industry professionals can assess project feasibility, identify optimal sites, and perform in-depth market analysis. These tools can also help them identify trends, monitor performance, and forecast future demand for affordable housing. Stakeholders can now optimize resource allocation, and ultimately optimize development.

AI-driven risk assessment and project management

Artificial intelligence (AI) and machine learning technologies can enable housing credit industry professionals to automate tasks and improve decision-making processes. By analyzing large datasets, AI-driven tools can identify patterns, predict outcomes, and furnish decision-makers with information necessary to optimize strategies. This technology can also aid in risk assessment, project management, and operational efficiency, ultimately contributing to more successful and sustainable housing credit projects. Moreover, AI-powered applications can facilitate communication and collaboration among project stakeholders, so that potential issues are addressed promptly and effectively.

Streamlining compliance automation and monitoring

The housing credit program has stringent compliance requirements to make sure that tax credits are utilized properly and to maximum impact. As mentioned above, developments, such as AI and machine learning have made significant strides in streamlining compliance monitoring by automating data extraction, classification, analysis, and reporting. This helps to not only reduce human error but also save time for compliance officers, allowing them to focus on addressing potential issues, improving overall compliance, and maintaining the integrity of the housing credit program.

Unlocking the potential of blockchain and smart contracts

While not yet widely adopted, blockchain technology and smart contracts hold immense potential to enhance transparency, efficiency, and security in housing credit transactions. Blockchain is a secure, decentralized digital ledger for recording transactions, while smart contracts are self-executing agreements with the terms directly written into code. Smart contracts can automate and streamline processes, reducing the likelihood of human error and time consumption, while blockchain technology facilitates secure, tamper-proof records of transactions. These innovations make it easier to track the allocation and use of tax credits and help prevent fraud in the industry, resulting in increased trust and confidence among stakeholders.

Immersive experiences with virtual and augmented reality

Virtual and augmented reality (VR/AR) technologies have the potential to significantly change the way housing credit projects are presented and marketed. Developers can create immersive virtual walkthroughs and interactive 3D models that allow potential investors, tenants, and other stakeholders to experience a project before its construction. This not only aids in attracting investment and fostering interest but can also expedite approvals, help garner community support, and enable developers to refine their designs based on stakeholder feedback.

Geographic Information Systems (GIS) in site analysis

Geographic Information Systems (GIS) have emerged as invaluable tools assisting developers in site selection and analysis. By visualizing and analyzing geographic data, GIS can help developers identify suitable locations for housing credit projects based on factors, such as proximity to public transportation, schools, healthcare facilities, and employment opportunities. Additionally, GIS can aid in understanding the socioeconomic characteristics of neighborhoods, allowing developers to tailor their projects to the needs of the community and maximize the positive impact of their developments.

In conclusion

There is still a ways to go before these technologies reach their full potential in the LIHTC industry, as adoption is still picking up steam and best practices are still being developed. These innovations also introduce new risk management responsibilities, such as implementing strong protections and policies around cybersecurity and data privacy.

But ultimately, the integration of new technology into the LIHTC industry can transform affordable housing development, management, and compliance. The use of these tools helps streamline processes and optimize resource allocation, leading to more efficient and sustainable LIHTC projects. As the real estate sector continues to evolve, the LIHTC industry is poised to become more innovative and impactful in addressing the affordable housing needs of millions of Americans.

For more on technology and data trends shaping the real estate sector, catch our recent article, "[Real estate operating models: 5 keys to efficiency and value](#)" - part of our [Embrace the Movement](#) series.

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