



Statement of the A Call To Invest in Our Neighborhoods (ACTION) Campaign

In Response to the Ways and Means Committee Hearing on “How Tax Reform Will Grow Our Economy and Create Jobs”

May 18, 2017

The A Call To Invest in Our Neighborhoods (ACTION) Campaign, representing over 2,000 national, state, and local organizations and businesses, urges the Ways and Means Committee to expand and strengthen the Low Income Housing Tax Credit (Housing Credit), and to protect multifamily Housing Bonds, as part of any tax reform effort to grow our economy and create jobs.

A 30 Year History of Success

The Housing Credit is our most successful tool for encouraging private investment in the production and preservation of affordable rental housing, with a proven track record of creating jobs and stimulating local economies. For 30 years, it has been a model public-private partnership program, bringing to bear private sector resources, market forces, and state-level administration to finance more than 3 million affordable apartments – nearly one-third of the entire U.S. inventory – giving more than 6.7 million households, including low-income families, seniors, veterans, and people with disabilities, access to homes they can afford. Roughly 40 percent of these homes were financed in conjunction with multifamily Housing Bonds, which are an essential component of the program’s success.

The Housing Credit Creates Jobs

Housing Credit development creates jobs – roughly 1,130 for every 1,000 Housing Credit apartments developed, according to the National Association of Home Builders (NAHB). This amounts to roughly 96,000 jobs per year, and more than 3.25 million since the program was created in 1986. NAHB estimates that about half of the jobs created from new housing development are in construction. Additional job creation occurs across a diverse range of industries, including the manufacturing of lumber, concrete, lighting and heating equipment, and other products, as well as jobs in transportation, engineering, law, and real estate.

The Housing Credit Stimulates Local Economies and Improves Communities

The Housing Credit stimulates local economies. NAHB estimates the Housing Credit adds \$9.1 billion in income to the economy and generates approximately \$3.5 billion in federal, state, and local taxes each year.

Conversely, a lack of affordable housing negatively impacts economies. Research shows that high rent burdens have priced out many workers from the most productive cities, resulting in 13.5 percent foregone GDP growth, a loss of roughly \$1.95 trillion, between 1964 and 2009.

Housing Credit development positively impacts communities. About one-third of Housing Credit properties revitalize distressed communities. Stanford University research shows these investments improve property values and reduce poverty, crime, and racial and economic isolation.

The Housing Credit is a Model Public-Private Partnership

The Housing Credit is structured so that private sector investors provide upfront equity capital in



exchange for a credit against their tax liability over ten years that only vests once the property is constructed and occupied by eligible households paying restricted rents. This unique, market-based design transfers the real estate risk from the taxpayer to the private sector investor. In the rare event that a property falls out of compliance anytime during the first 15 years after it is placed in service, the Internal Revenue Service can recapture tax credits from the investor. Therefore it is in the interest of the private sector investors to ensure that properties adhere to all program rules, including affordability restrictions and high quality standards.

The Housing Credit is State Administered with Limited Federal Bureaucracy

The Housing Credit requires only limited federal bureaucracy because Congress wisely delegated its administration and decision-making authority to state government as part of its design. State Housing Finance Agencies, which administer the Housing Credit in nearly every state, have statewide perspective; a deep understanding of the needs of their local markets; and sophisticated finance, underwriting, and compliance capacity.

The Housing Credit Addresses a Serious and Growing National Need

More than one in four renter households in the U.S. – over 11 million – spend more than half of their monthly income on rent, leaving too little for other necessities like food, medical care, and transportation. This crisis is continuing to grow. HUD reports that as of 2015, the number of households with “worst case housing needs” had increased by 38.7 percent over 2007 levels, when the recession began, and by 63.4 percent since 2001. A recent study by Harvard University’s Joint Center for Housing Studies and Enterprise Community Partners estimates that the number of renter households who pay more than half of their income towards rent could grow to nearly 15 million by 2025.

Affordable Housing Improves Low-Income Households’ Financial Stability

Affordable housing promotes financial stability and economic mobility. It leads to better health outcomes, improves children’s school performance, and helps low-income individuals gain employment and keep their jobs. Affordable housing located near transportation and areas with employment opportunities provides low-income households with better access to work, which increases their financial stability and provides employers in those areas with needed labor.

Families living in affordable homes have more discretionary income than low-income families who are unable to access affordable housing. This allows them to allocate more money to other needs, such as health care and food, and gives them the ability to pay down debt, access childcare, and save for education, a home down payment, retirement, or unexpected needs.

The Housing Credit is Critical to Preserving Our Nation’s Existing Housing Investments

The Housing Credit is also our primary tool to preserve and redevelop our nation’s current supply of affordable housing. Without the Housing Credit, our ability to revitalize and rehabilitate our nation’s public housing and Section 8 housing inventory, decades in the making, would be significantly diminished. In addition to putting the residents of these properties at risk of displacement, we would lose these investments that taxpayers have already made.

In rural areas, where direct funding for rural housing programs has been cut significantly, the Housing Credit is the backbone for preservation and capital improvements to the existing housing stock. Low-income rural residents’ incomes average just \$12,960, and they are often living in areas with extremely limited housing options, making preservation of the existing housing stock crucial.



Congress Should Strengthen and Expand the Housing Credit

Congress should support investment in the Housing Credit as part of any effort to grow the economy and create jobs. The Affordable Housing Credit Improvement Act (H.R. 1661), sponsored by Representative Pat Tiberi (R-OH-12) and Ways and Means Committee Ranking Member Richard Neal (D-MA-1), has strong bipartisan support in the House and among the Ways and Means Committee members. This legislation would enact roughly two dozen changes to strengthen the Housing Credit by streamlining program rules, improving flexibility, and making the program better able to serve a wider array of local needs.

ACTION also calls on Congress to expand the Housing Credit. Viable and sorely needed Housing Credit developments are turned down each year because the cap on Housing Credit authority is far too low to support the demand. In 2014 – the most recent year for which data is available – state Housing Credit allocating agencies received applications requesting more than twice their available Housing Credit authority. Many more potential applications for worthy developments are not submitted in light of the intense competition, constrained only by the lack of resources.

The scarcity of Housing Credit resources forces state allocating agencies to make difficult trade-offs between directing their extremely limited Housing Credit resources to preservation or new construction, to rural or urban areas, to neighborhood revitalization or developments in high opportunity areas, or to housing for the homeless, the elderly, or veterans. There simply is not enough Housing Credit authority to fund all of the properties needed, but with a substantial increase in resources, many more of these priorities would be addressed – and the benefits for communities would be even greater.

Though the need for Housing Credit-financed housing has long vastly exceeded its supply, Congress has not increased Housing Credit authority in 16 years. To meaningfully increase affordable housing development, we urge Congress to increase the cap on Housing Credit authority by at least 50 percent. Such an expansion would support the preservation and construction of up to 400,000 additional affordable apartments over a ten-year period.

We also call on Congress to retain the tax exemption on multifamily Housing Bonds, which provide critical financing to roughly 40 percent of Housing Credit developments and are essential to sustaining the Housing Credit's production potential.

Investing in the Housing Credit is an investment in economic growth. It transforms the lives of millions of Americans who for the first time are able to afford their homes – and it transforms their communities and local economies as well.

ACTION Co-Chairs

National Council of State Housing Agencies
Enterprise Community Partners

ACTION Steering Committee Members

Affordable Housing Tax Credit Coalition
Council for Affordable and Rural Housing
Council of Large Public Housing Authorities

AFFORDABLE RENTAL HOUSING A.C.T.I.O.N. A Call To Invest in Our Neighborhoods



CSH
Housing Advisory Group
Housing Partnership Network
LeadingAge
Local Initiatives Support Corporation/National Equity Fund
Make Room
National Association of Affordable Housing Lenders
National Association of Home Builders
National Association of Housing and Redevelopment Officials
National Association of REALTORS®
National Association of State and Local Equity Funds
National Housing and Rehabilitation Association
National Housing Conference
National Housing Trust
National Low Income Housing Coalition
National Multifamily Housing Council
Stewards of Affordable Housing for the Future
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For a full list of ACTION Campaign members, visit www.rentalhousingaction.org.