

Keep Affordable Housing Production Moving Forward

Dear Speaker Pelosi and Minority Leader McCarthy,

The lack of affordable housing has been an ongoing crisis in rural counties and major cities alike. The coronavirus (COVID-19) pandemic has only made this crisis worse. Eleven million households in America already paid more than half of their income in rent before COVID-19, and we now have over 50 million people and counting who just lost their jobs – meaning our affordable housing needs are at an all-time high.

In addition to the efforts Congress has made to ensure people can stay in their homes during this difficult time, we respectfully urge our congressional leaders to also consider the direct and immediate impact of the pandemic on our ability to build and preserve the affordable housing production we so sorely need. The following measures related to the Low-Income Housing Credit (Housing Credit) will allow us to ensure affordable housing production can continue despite the crisis, provide hundreds of thousands more affordable homes for the millions who need them, and create construction and associated jobs to build those homes.

The Housing Credit is a proven tool, and the proposals below have broad bipartisan support. Several of the measures proposed are included in the Affordable Housing Credit Improvement Act (H.R. 3077), bipartisan legislation that gained the support of more than half of the U.S. House of Representatives and nearly half of the U.S. Senate prior to the pandemic, but have become especially urgent now. **We respectfully request immediate consideration of the following provisions needed for the COVID-19 response:**

- **Enact a minimum 4 percent Housing Credit rate.** The Housing Credit is unique among other tax credits in that the credit rate is tied to federal borrowing rates. *In response to the pandemic, those borrowing rates were slashed, forcing a dramatic hit to the “4 percent” Housing Credit rate - now hovering at an all-time low of 3.07 percent - threatening the viability of critically needed properties nationwide.* We have heard of new examples every day of developments now coming to a halt due to newly-caused financing gaps. Enacting a minimum 4 percent rate is immediately needed and would provide parity to the 9 percent Housing Credit rate, for which Congress enacted a minimum rate as part of the response to the 2008 economic collapse in recognition of the critical role of affordable housing in the recovery. Not only will a 4 percent minimum rate provide an immediate equity infusion into developments now stalled, but it is estimated to produce 126,000 additional rental homes over 10 years and support 157,000 jobs over the same period by ensuring developments can move forward.
- **Provide additional basis boosts to allow developments to access additional equity if needed for financial feasibility.** Providing additional basis boosts would supply needed equity for developments that would not be financially feasible due to the COVID-19 pandemic or other barriers. These additional boosts will be critical to helping at-risk developments move forward in difficult to serve rural areas as well as Housing Bond-financed properties that have felt the financing crisis acutely during the pandemic. Additional boosts are also urgently needed for properties serving vulnerable populations, such as extremely low-income tenants and Native American communities.
- **Allow developments to access 4 percent Housing Credits by lowering the “50 percent test.”** Unexpected and increased project development costs due to delays caused by the pandemic are jeopardizing properties’ financial viability. Lowering the 50 percent threshold of bond financing required per development to trigger the full amount of 4 percent Housing

Credits would provide the much-needed flexibility during this uncertain time in the market. In addition, a growing number of states have reached their limit of bond cap, which limits their ability to access the associated 4 percent credits and prevents critically needed developments from moving forward. Lowering the 50 percent test to 25 percent would allow the development of up to 1.4 million more affordable homes over the next decade.

- **Increase the annual Housing Credit allocation by at least 50 percent, phased in over two years, and adjusted for inflation, beginning in 2021.** Increasing the annual Housing Credit allocation would finance hundreds of thousands of affordable homes for low-income households, who are in much more dire need of affordable housing in light of the economic crisis. In 2020, the immediate priority and effort should be moving forward with existing credit and bond allocations and addressing the challenges brought about by the crisis, but in 2021 it will be more important than ever to begin adding to our affordable housing supply.

This pandemic has only exacerbated the affordable housing crisis our country was already facing. We cannot ignore this crucial area of our economy, and more importantly the working families, veterans, seniors and other low-income families who will be able to afford their homes during this time and in the years ahead because of the Housing Credit. We will continue to be focused on communicating the developing needs of this community during all stages of this recovery process. We appreciate your immediate consideration of these priority items.

Sincerely,

Suzan DelBene
Member of Congress

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