



August 24, 2021

The Honorable Charles Schumer  
Majority Leader  
United States Senate

The Honorable Nancy Pelosi  
Speaker  
United States House of Representatives

The Honorable Mitch McConnell  
Minority Leader  
United States Senate

The Honorable Kevin McCarthy  
Minority Leader  
United States House of Representatives

Dear Leader Schumer, Speaker Pelosi, Leader McConnell, and Leader McCarthy:

Thank you for your longstanding and continued leadership in delivering affordable housing resources to American in need over the last 18 months. While the coronavirus pandemic brought to light like never before the importance of housing to public health, we have always known that housing is essential infrastructure. Like other physical forms of it, affordable housing is a part of the built environment every community needs that only public-private partnerships can ensure exists in sufficient supply and condition. It is the foundation for the human infrastructure on which the nation relies; the place where jobs go to sleep, caregivers support families, and kids get what they need to succeed in school.

As Congress considers a budget reconciliation legislation this fall to advance infrastructure and other priorities not included in the bipartisan Infrastructure Investment and Jobs Act, we urge you to make critical investments in affordable housing programs. Affordable housing is essential infrastructure.

This letter outlines NCSHA's<sup>1</sup> top housing priorities for the reconciliation bill. While our priorities include many commonsense programmatic modifications that would not impact the deficit, this letter focuses on those that do have a budgetary impact and thus, in our opinion, do not run afoul of congressional rules for a reconciliation bill.

### **Increase and Improve the Housing Credit**

The Low-Income Housing Tax Credit (Housing Credit) has long been our nation's most successful program for affordable housing construction and rehabilitation. We urge you to build on the Housing

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<sup>1</sup> NCSHA is a nonprofit, nonpartisan organization. None of NCSHA's activities related to federal legislation or regulation are funded by organizations that are prohibited by law from engaging in lobbying or related activities.

Credit's success through expansion of its reach and program enhancements that conform to reconciliation rules. In particular, we urge you to:

- Provide a significant increase in the Housing Credit volume cap so we can build and preserve more affordable rental homes. Increases in these Housing Credit resources are included in both Senate Finance Committee Chairman Ron Wyden's soon-to-be introduced Decent, Safe, Affordable Housing for All Act (DASH Act) and the bipartisan, bicameral Affordable Housing Credit Improvement Act (AHCIA; S. 1136/H.R. 2573).
- Reduce the bond financing threshold for the 4 percent Housing Credit from 50 percent to 25 percent. If made permanent, as it is in the AHCIA, this action is estimated to allow states to finance nearly 1.5 million more affordable rental homes over 10 years and would reduce transactional costs that needlessly drive up the cost of production.<sup>2</sup> The DASH Act includes a provision that would lower the bond financing threshold to 25 percent through 2024.
- A reconciliation infrastructure bill should also shore up the existing inventory of Housing Credit properties by closing the "qualified contract" loophole that allows owners to terminate affordable use restrictions on their properties before the statutorily required affordability period is over. Despite efforts by state Housing Credit allocating agencies, more than 85,500 units have been lost from the affordable housing stock due to this loophole. NCSHA supports the approach Senator Wyden has taken in the DASH Act to repeal the qualified contract option in Section 42 for future developments and correct the statutory price of existing properties so that it is based on the fair market value of the property as affordable housing. Closing the qualified contract loophole would also result in savings to the federal government. The Joint Committee on Taxation estimates this proposal would raise \$1,073,000 in revenue over a 10-year period.<sup>3</sup>
- Allow basis boosts for properties that provide homes for extremely low-income households and those in rural and Native American areas, and a state discretionary basis boost for bond-financed Housing Credit properties. These provisions, also in both the DASH and AHCIA bills, would finance more than 220,000 additional affordable rental homes over 10 years.<sup>4</sup>

### **Create a New Neighborhood Homes Credit**

Both the DASH Act and the bipartisan Neighborhood Homes Investment Act (NHIA; S. 98/H.R. 2143) would create a new federal tax credit to spur new construction or substantial rehabilitation of affordable, owner-occupied housing located in distressed urban, suburban, and rural neighborhoods. It

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<sup>2</sup> "2021 Affordable Housing Credit Improvement Act Could Finance More than 2 Million Additional Affordable Rental Homes Over 10 Years," Novogradac

<sup>3</sup> "Estimated Revenue Effects of the Revenue Provisions Contained in Division M of H.R. 2, The Moving Forward Act," Joint Committee on Taxation, July 1, 2020.

<sup>4</sup> "2021 Affordable Housing Credit Improvement Act Could Finance More than 2 Million Additional Affordable Rental Homes Over 10 Years," Novogradac

would mobilize private investment to build and substantially rehabilitate 500,000 affordable homes for moderate- and middle-income homeowners over the next 10 years. The Administration's American Jobs Plan also includes the creation of the Neighborhood Homes Credit.

The Neighborhood Homes Credit would be administered by state agencies through annual competitive application rounds. The credits could not be claimed until the construction is completed and the home is occupied by an eligible homeowner, and would only cover the difference between the eligible development costs and the final sales price. In general, homes would have to be located in areas experiencing high poverty, low incomes, and low home values. State HFAs recommend allowing additional flexibility to permit some portion of annual credits to help rebuild disaster areas, as is allowed under the DASH Act version of this proposal, and create affordable homeownership in other areas of defined need.

### **Expand the HOME Housing Block Grant**

The HOME Investment Partnerships (HOME) program is a vital, proven tool for increasing the supply of affordable housing. States and localities use HOME to fund affordable apartment construction, rental assistance, and home repairs for low-income owners. Every dollar in HOME funds leverages nearly five dollars in other public and private resources.

Year after year, HOME is needed to do more and lately has been pressed to fill financing gaps caused by lumber shortages and other construction cost increases; support transformation of public housing developments serving some of the neediest Americans; respond to housing destruction after natural disasters; and prevent a spike in homelessness caused by the pandemic.

NCSHA supports the \$35 billion investment in HOME proposed by both House Financial Services Committee Chairwoman Maxine Waters in her Housing is Infrastructure Act (H.R. 4497) and President Biden in his American Jobs Plan. Such a substantial infusion of resources for the flexible HOME program would jumpstart housing production – especially when paired with an expanded Housing Credit program – and would enable states and local governments to take a substantial and important step toward reducing the extensive shortage of affordable housing supply in many communities throughout our country.

### **Invest in Targeted Down Payment Assistance**

A healthy and equitable home purchase market is crucial toward strengthening the nation's housing infrastructure. Increasing home purchases will spur new home construction and rehabilitation, prompt other infrastructure investments, and open multifamily housing options for those who wish to rent.

Expanding access to down payment assistance is the single biggest step Congress can take to expand homeownership opportunities for working families and address the racial homeownership gap. Saving for a down payment is perhaps the primary barrier to affordable homeownership for low- and moderate-income families and racial and ethnic minorities: more than two-thirds of renters cited saving for a down payment as an obstacle to homeownership, according to the Urban Institute. Many of these households are

otherwise able to afford a home mortgage but are finding it increasingly difficult to amass the requisite savings for a down payment.

Any federal down payment assistance program should use state HFAs to deliver help to those that need it. HFAs have decades of experience responsibly lending to low- and moderate-income home buyers. Down payment assistance has been a key part of these efforts, growing substantially over the past 10 years. In 2020 alone, HFAs provided down payment assistance to more than 122,000 borrowers, just over 77 percent of all HFA program loans last year.

NCSHA is pleased that Congress is considering several proposals to help home buyers pay for a down payment. We specifically support Chairwoman Waters' Down Payment Toward Equity Act, which would provide funds to state HFAs (as well as a separate pool of funding for Community Development Financial Institutions and other eligible entities) for down payment assistance grants of up to \$20,000 for low- and moderate-income home buyers (\$25,000 for socially disadvantaged individuals).

In order for such an important initiative to succeed, HFAs must have the resources necessary for running their down payment assistance grant programs. The Down Payment Toward Equity Act allows states to use only five percent of grant funds for administrative costs and training. This percentage is not high enough to provide the funds necessary to set-up and administer effective down payment assistance programs. We urge you to allow grantees to use at least 10 percent of program funds to administer their down payment assistance programs, though 15 percent would be preferable for ensuring the best possible operation of these programs.

### **Increase Housing Trust Fund Resources**

The Housing Trust Fund provides critically needed resources to increase and preserve the supply of housing for people with the lowest incomes, including families experiencing homelessness, people with disabilities, and other extremely low-income (ELI) households.

Though HTF typically is funded by a transfer of a modest percentage of Fannie Mae's and Freddie Mac's new business income rather than the annual appropriations process, it is very appropriate that Congress devote one-time additional resources to this program as part of reconciliation legislation to address the immediate and significant shortage of housing affordable to Housing Trust Fund-eligible households. Our country currently has a shortage of 6.8 million rental homes affordable and available to ELI renters.<sup>5</sup>

Both the Administration's American Jobs Plan and Chairwoman Waters' Housing is Infrastructure legislation would provide a \$45 billion investment in the Housing Trust Fund. NCSHA supports including these resources in reconciliation legislation.

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<sup>5</sup> The Gap: A Shortage of Affordable Rental Homes, National Low Income Housing Coalition, March 2021

Thank you for the opportunity to provide our top housing priorities to you as you craft the reconciliation bill. Please do not hesitate to reach out if there is anything we can do to be of assistance.

Sincerely,

A handwritten signature in blue ink that reads "Stockton Williams". The signature is written in a cursive, slightly stylized font.

Stockton Williams  
Executive Director