



August 24, 2021

The Honorable Ron Wyden
Chairman
Senate Finance Committee

The Honorable Richard Neal
Chairman
House Ways and Means Committee

The Honorable Mike Crapo
Ranking Member
Senate Finance Committee

The Honorable Kevin Brady
Ranking Member
House Ways and Means Committee

Dear Chairman Wyden, Chairman Neal, Ranking Member Crapo, and Ranking Member Brady:

Thank you for your leadership in support of using the tax code to incentivize private sector investments in affordable housing production and preservation and helping low- and moderate-income households become homebuyers. In particular, on behalf of our Housing Finance Agency (HFA) members, the National Council of State Housing Agencies (NCSHA)¹ wishes to show our gratitude to Chairman Wyden for his championing of affordable housing in his recently released Decent, Affordable, Safe Housing for All Act (DASH Act).

As your committees consider 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 affordable housing investments. Affordable 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.

This letter outlines NCSHA's top housing tax priorities, many of which also are included in the DASH Act, the Affordable Housing Credit Improvement Act (AHCIA; S. 1136/H.R. 2573), the Neighborhood Homes Investment Act (NHIA; S. 98/H.R. 2143), and/or the Administration's American Jobs Plan. 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.

¹ 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.

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 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 Senator Wyden's DASH Act and the AHCIA, which has the cosponsorship support of 25 Senators and 101 House members from both sides of the aisle.
- 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.² The DASH bill 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 bill 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.³
- 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.⁴

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

³ "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.

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

Create a New Neighborhood Homes Credit

Both the DASH Act and NHIA 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 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.

Separate from our tax priorities, NCSHA also has [affordable housing spending recommendations](#), which we have made to the leaders on the Senate Banking and House Financial Services Committees.

Thank you for the opportunity to provide our top housing tax 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,



Stockton Williams
Executive Director