



June 17, 2019

U.S. Senate Finance Committee  
Employment and Community Development Task Force

To Whom It May Concern:

On behalf of the A Call To Invest in Our Neighborhoods (ACTION) Campaign, we appreciate the opportunity to provide recommendations to the Senate Finance Committee's Task Force on Employment and Community Development as it considers how to address expiring tax provisions under its jurisdiction. The ACTION Campaign is a national coalition representing over 2,200 national, state, and local organizations and businesses advocating to expand and strengthen the Low-Income Housing Tax Credit (Housing Credit).

The Housing Credit is the most effective tool for encouraging private investment in affordable rental housing and is responsible for nearly all of the affordable housing built and preserved since Congress created the program in 1986. To date, it has financed over 3.2 million affordable homes nationwide, providing approximately 7.4 million low-income families, seniors, veterans, and people with disabilities homes that they can afford. It has financed affordable housing in all 50 states, the District of Columbia, and U.S. territories, as well as in all types of communities including urban, suburban, and rural areas. Furthermore, the Housing Credit has supported 3.6 million jobs and has generated an estimated \$135 billion in tax revenue and \$344 billion in wages and business income.

As a part of the Consolidated Appropriations Act of 2018, Congress established a temporary expansion of the Housing Credit, increasing the Housing Credit authority provided to states by 12.5 percent for 2018, 2019, 2020, and 2021.

ACTION is extremely grateful to Congress for providing this increase in critically needed resources. The temporary expansion of the Housing Credit ("cap increase") will allow us to finance over 10 years nearly 29,000 more affordable rental homes than would have otherwise been possible for low-income families, seniors, veterans, and people with disabilities. Yet resources remain woefully insufficient to address current and future need. Our nation faces an affordable housing crisis, with more than 11 million renter households paying more than half of their income on housing, leaving little left for other critical necessities including food, healthcare, childcare, and utilities.

We therefore urge Congress not only to make permanent the 12.5 percent increase in Housing Credit authority provided in 2018, but to also further increase this authority and strengthen and streamline the program as proposed in the Affordable Housing Credit Improvement Act of 2019, S. 1703 (AHCIA). This bipartisan legislation, recently reintroduced by Senators Maria Cantwell



(D-WA), Todd Young (R-IN), Ron Wyden (D-OR), and Johnny Isakson (R-GA) has the full support of the affordable housing community, from investors to low-income tenant advocates. In the last Congress, this legislation garnered wide bipartisan support in both chambers, with more than 40 percent of Congress cosponsoring the legislation.

Our specific responses to the questions posed by the Task Force follow.

*1) In your view, what was the original purpose and legislative intent of this provision? How has the provision met the original intent?*

The intent of the temporary cap increase in Housing Credit authority was to finance additional affordable housing using a proven tool, which for over three decades has incentivized private sector investment in affordable rental housing. Without this incentive, it simply does not make economic sense for private companies to invest capital in affordable housing, as the rents that low-income people can afford to pay are insufficient to cover the costs of building and operating apartments.

The temporary cap increase has already allowed state Housing Finance Agencies (HFAs), which administer the Housing Credit program on behalf of the federal government, to finance more developments than they otherwise would have been able to in 2018 and 2019. These include developments located in Opportunity Zones, as established under the Tax Cuts and Jobs Act of 2017, rural communities, and in urban and suburban areas that can provide access to employment, quality schools, and transportation.

*2) Since the provision was enacted, have there been policy changes that have altered the purpose of this provision? How have these changes impacted the ability to meet the original intent? Have these changes improved the provision?*

There have been no changes impacting the cap increase since Congress enacted it on a temporary basis in 2018; however, the Housing Credit program itself has been modified several times since its inception, each time to further improve the program by addressing changing needs and adopting new innovations.

AHCIA would make the most significant changes to the Housing Credit since 1989, when Congress significantly reworked the program to address lessons learned since its establishment three years earlier. Since then, Congress has made a number of modifications to the program, most notably in 2008 with the Housing and Economic Recovery Act, in the 2015 tax extenders legislation that made the 9 percent Housing Credit floor permanent, and most recently in 2018 with the establishment of the Average Income Test.



3) *Since the provision was enacted, have there been other external changes that have altered the purpose of this provision?*

The rental housing crisis in this country continues to worsen, with more families facing daunting rent burdens, living in substandard housing, or both. Moreover, we do not expect pressure on the rental market to lessen any time soon. Between 2015 and 2025, the Census Bureau estimates that the adult population in the United States will expand by 24.6 million, a 10 percent increase. This demographic trend alone will raise the number of severely rent burdened households by 11 percent, from an estimated 11.8 million in 2015 to 12.1 million in 2025.

Rising costs for building materials, labor, and land create additional challenges as we seek to increase the supply of affordable housing. Due to these market realities, the need for increased Housing Credit resources to help bring production in line with demand for affordable rental housing becomes more and more dire every year.

4) *As currently drafted, does the provision achieves its stated purpose?*

The temporary cap increase has allowed for the building and preservation of more affordable housing than otherwise would have been possible. Unless Congress acts to extend the cap increase, we will see a decrease in affordable housing resources in every state beginning in 2022.

Not only do we urge Congress to permanently extend the cap increase, but also to provide additional authority to the Housing Credit program, as well as a floor to the 4 percent Housing Credit rate, to better reflect the increasing need for affordable rental housing across the country.

5) *Are there potential reforms to this provision that would strengthen it and allow it to better achieve its stated purpose?*

**Further increase in Housing Credit allocation authority.** As proposed in AHCIA, a 50 percent increase in Housing Credit authority would provide for approximately 384,500 additional affordable homes to be built over the next ten years than under current law. AHCIA would provide a 50 percent increase over the current level, phased in over five years.

**Establish a minimum 4 percent Housing Credit rate.** AHCIA would also establish a minimum 4 percent rate for Housing Credits used to finance acquisitions and Housing Bond financed developments. This would provide more predictability and flexibility in Housing Credit financing, allowing developers and state HFAs to target more apartments to very- and extremely-low income households—particularly for special populations such as veterans, seniors, people with disabilities, and households in harder-to-reach rural communities—at rents they could afford. This would also make more types of properties financially feasible, especially for affordable housing preservation. A minimum 4 percent rate would increase affordable housing production by at least 66,000 affordable homes over the next 10 years compared to current law.



It would also provide parity with the corresponding minimum 9 percent Housing Credit rate, which was made permanent along with other expiring provisions at the end of 2015.

**Further strengthen the Housing Credit.** AHCA also includes more than two dozen other provisions that would help preserve existing affordable housing, facilitate Housing Credit development for extremely low-income households and in hard-to-serve communities, provide state Housing Credit allocating agencies new tools to strengthen program oversight, and streamline rules to create efficiencies in program administration. New provisions in AHCA this Congress would help the Housing Credit better serve rural areas, encourage cost reasonableness, and maximize Private Activity Bond affordable housing resources, among other changes.

For a detailed overview of the recommended reforms to the Housing Credit, please view this bill summary: <https://bit.ly/2IjCwDz>.

6) *How has the temporary nature of the provision affected its ability to achieve its stated purpose, if at all?*

Because the 2018 cap increase is temporary in nature, the number of additional affordable properties that can be built or preserved will decrease in 2022 unless Congress were to extend this. The Housing Credit program is already far oversubscribed, with many high-quality proposals not funded under current resource constraints. The loss of these resources will mean that even more desperately needed properties will go unfunded. State HFAs and other program stakeholders cannot develop plans for how to use critically needed additional resources beyond the temporary provision's expiration date.

In addition, the lack of a floor for the 4 percent Housing Credit rate (compared to the minimum 9 percent Housing Credit rate as enacted in the 2015 tax extenders legislation) leaves the marketplace without the certainty and financial feasibility that would provide for even more critical affordable rental housing developments.

7) *Are there any other special considerations that you would like to identify relative to this provision?*

As previously mentioned, urban, suburban, and rural communities nationwide face a shortage of affordable and available rental housing. Without a decent, affordable place to call home, many Americans run the risk of experiencing homelessness. Given the nation's affordable housing crisis, it is more important than ever to strengthen and increase the Housing Credit so that more affordable housing could be built and preserved nationwide.

8) *Can you quantify or elaborate on the full scope of the impact of the provision as currently drafted, including but not limited to the total number and defining characteristics of the beneficiaries of the provision?*



According to estimates by the national accounting and consulting firm Novogradac and Company, the temporary cap increase will increase production by 29,000 affordable rental homes. If made permanent, the 12.5 percent allocation increase would finance nearly 67,000 affordable rental homes between 2022 and 2029.

State and district data on the number of rental homes financed by the Housing Credit since its establishment can be found at <http://rentalhousingaction.org/state-district>.

The beneficiaries of the cap increase, and the Housing Credit program more broadly, are low-income households, generally earning less than 60 percent of area median income (AMI), including families, seniors, persons with disabilities, and veterans. According to the most recently available HUD data, nearly half of all households living in Housing Credit apartments are extremely low-income, meaning they earn 30 percent of AMI or less.

**To conclude, The ACTION Campaign strongly recommends that Congress extend the temporary Housing Credit cap increase, establish a minimum 4 percent Housing Credit rate, and further expand and strengthen the Housing Credit by advancing the Affordable Housing Credit Improvement Act.**

For further information, please do not hesitate to contact Sarah Brundage, Enterprise Community Partners, senior director, public policy, at [sbrundage@enterprisecommunity.org](mailto:sbrundage@enterprisecommunity.org) and Jennifer Schwartz, National Council of State Housing Agencies, director of tax and housing advocacy, at [jschwartz@ncsha.org](mailto:jschwartz@ncsha.org).

#### **ACTION Campaign Co-Chairs**

Enterprise Community Partners  
National Council of State Housing Agencies (NCSHA)

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



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