STRENGTHEN THE LOW-INCOME HOUSING TAX CREDIT

OBJECTIVE: Address the nation's shortage of affordable housing by protecting, expanding and strengthening the Low-Income Housing Tax Credit (LIHTC).

BACKGROUND: Since 1986, LIHTC has financed the development of over 3 million apartments, providing affordable homes to roughly 7.2 million low to moderate-income families. The development of these apartments has supported 3.4 million jobs, and generated $323 billion in local income and $127 billion in federal, state and local tax revenues.

Developers sell the tax credits to investors in exchange for equity capital through a process called "syndication." With capital from investors, developers can limit the amount of money they need to borrow for construction, which reduces the developers' debt so that they can keep rents affordable. Without an incentive like the LIHTC, it is simply not financially feasible for the private sector to build affordable homes for the families that need them most.

Without LIHTC, there would be virtually no private investment in affordable housing. It is fundamentally uneconomic to build housing that very low-income people can afford. In order to develop new apartments that are affordable to renter households earning the full-time minimum wage, the construction cost would have to be 72 percent lower than the current average.

Traditionally families qualify to rent LIHTC apartment units if their income is at or below 60 percent of the area median income (AMI) and their rent payments are capped at 30 percent of their total income. However, thanks to the changes in the law made in 2017, families making up to 80 percent AMI can now qualify to rent LIHTC units as long as the total affordability of the entire apartment complex averages to 60 percent AMI. This change now allows teachers, police officers, fire fighters, and civil servants to rent LIHTC apartment units since these groups have traditionally been income overqualified at the 60 percent AMI ceiling.

ESTABLISHING A 4% LIHTC RATE FLOOR: The 4 percent LIHTC covers only 30 percent of eligible costs, and affordable housing construction projects must be financed through tax-exempt bonds and other subsidies. By contrast, the 9 percent LIHTC is more generous, it covers 70 percent of eligible costs and has much stricter limits regarding additional sources of project funding. Combined with tax-exempt private activity bonds, more equity in 4 percent credit developments would help close the gap between the costs of developing homes and the financing available to provide affordable rents to low and moderate-income families.

Recognizing the issue of declining interest rates LIHTC, Congress permanently enacted a minimum 9 percent credit rate floor in 2015 with bipartisan support. However, the floating 4 percent credit rate still limits the equity available to build affordable rental homes. Establishing a minimum 4 percent credit rate will allow for more subsidies to build affordable housing.

Establishing a minimum 4 percent credit rate will also bring more units online faster to combat the growing affordability crisis, provide predictability for developers, and make more types of development viable, especially major rehabilitations preserving existing affordable rental units.

Novogradac & Company LLP estimates that 65,000 additional rental homes could be financed over the next 10 years if a minimum 4 percent floor is established for low-income housing tax credits (LIHTCs), in combination with tax-exempt private activity bonds.

Moreover, there will likely be more 4 percent LIHTC allocations because the increased amount of equity available will make more affordable rental housing developments financially feasible. Finally, there will likely be more debt available as a result of greater multifamily housing bond issuance triggering the increased LIHTC allocations.

LEGISLATION: On June 4, 2019, the Affordable Housing Credit Improvement Act was reintroduced with bipartisan cosponsors in both the Senate and House (S. 1703, H.R. 3077).

This bipartisan legislation would build on LIHTC's 30-year history of success. The legislation would:

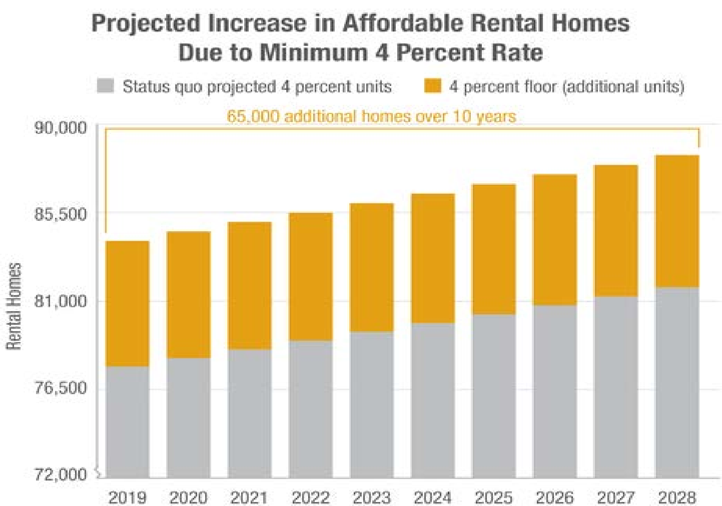
- Increase the amount of equity available to build affordable housing by establishing a minimum 4% credit rate floor;
- Boost affordable housing development by increasing the amount of credits allocated to each state by 50% over a five year period;
- Facilitate Housing Credit development in challenging markets like rural and Native American communities;
- Increase LIHTC's ability to serve extremely low-income tenants; and,
- Better support the preservation of existing affordable housing.

The Senate bill was introduced by Sens. Maria Cantwell (D-WA), Ron Wyden (D-OR), Johnny Isakson (R-GA), and Todd Young (R-IN). The House bill was introduced by Reps. Suzan DelBene (D-WA), Kenny Marchant (R-TX), Jackie Walorski (R-IN), and Don Beyer (D-VA).

NLBMDA POSITION: NLBMDA supports the LIHTC as an effective means to expand the supply of affordable housing and promote job creation.

REQUEST: NLBMDA encourages lawmakers to cosponsor and pass the Affordable Housing Credit Improvement Act in both chambers of Congress.

For more information contact Kevin McKenney, Director of Government Affairs, at kevin@dealer.org or 202.367.2480.



Top 12 States Benefiting from the Minimum 4 Percent Floor

		4% Floor Additional Homes 2019-2028
1	California	17,787
2	New York	12,303
3	Texas	3,837
4	Washington	3,288
5	Florida	2,915
6	Massachusetts	2,748
7	Illinois	2,475
8	Georgia	1,946
9	Ohio	1,753
10	Minnesota	1,199
11	Colorado	1,199
12	Missouri	1,045