ACTION Campaign Comments on the Tax Reform Act of 2014 Discussion Draft

July 2014

On behalf of nearly 650 national, state and local businesses and organizations[1] dedicated to protecting and strengthening the Low-Income Housing Tax Credit (Housing Credit), the A Call To Invest in Our Neighborhoods (ACTION) Campaign commends House Ways and Means Chairman David Camp for preserving the Housing Credit in his tax reform discussion draft.

America is in the midst of an affordable housing crisis, and the need for quality affordable housing has never been more critical. According to Harvard's Joint Center for Housing Studies, there were only 3.3 million affordable and available rental homes for 11.5 million extremely low-income renters in 2012, creating an 8.2 million affordable home supply gap. We appreciate the Chairman's recognition that the Housing Credit is the nation's most effective tool to address this vast and growing housing need. Since its creation during the Reagan administration, the Housing Credit has financed more than 2.6 million quality affordable homes, currently producing or preserving nearly 90,000 – 95,000 more each year.

We also appreciate the Chairman's invitation to provide feedback on this discussion draft. While we are very pleased with the Chairman's support for the Housing Credit and the proposal to increase Housing Credit resources by 3 – 5 percent, the draft has proposed some changes that will make building and preserving affordable housing more difficult or even impossible. In particular, we are deeply concerned about the proposals to eliminate the 4 percent credit for the acquisition of affordable housing, to eliminate multifamily tax-exempt bonds, to lengthen the credit period from ten to fifteen years, to retain floating credit rates and to eliminate the basis boost. Below we have provided comments on behalf of the affordable housing industry related to each Housing Credit proposal, beginning with those of greatest concern.

[1] See a full list of ACTION Campaign members here.

Repealing the 4 Percent Acquisition Credit

Discussion Draft

The discussion draft would repeal the "4 percent credit" for the costs of acquiring existing buildings. Only the "9 percent credit" for new construction and substantial rehabilitation would be retained.

Background

There are two types of Housing Credits: the 30 percent present value credit (generally referred to as the "4 percent credit") for the acquisition of existing buildings and the 70 percent present value credit (generally referred to as the "9 percent credit") for non-federally subsidized new construction and substantial rehabilitation. In order to qualify for the 4 percent Housing Credit, buildings must be acquired by purchase from an unrelated party, the buildings generally may not have been last placed in service within the prior ten years and the buildings must undergo substantial rehabilitation.

According to the National Council of State Housing Agencies (NCSHA), states allocate a significant portion of their Housing Credits to the acquisition of existing properties. In 2011, 30.3 percent of the units receiving allocations of Housing Credits involved acquisition and rehabilitation of existing housing and in 2012, that percentage was 27.9 percent. New construction accounted for approximately 61.3 percent of the units in 2011 and 62.6 percent in 2012. By contrast, only 8.3 percent of the units receiving allocations in 2011 and 9.9 percent in 2012 were substantially rehabilitated, but did not receive 4 percent credits for acquisition. Roughly 18,000 units were preserved using the 4 percent credit in 2011.

The 4 percent Housing Credit is also applicable for new construction and substantial rehabilitation expenditures for buildings financed with the proceeds of tax-exempt bonds. By repealing multifamily tax-exempt bonds, the discussion draft also effectively repeals the 4 percent credit for bond-financed new construction and substantial rehabilitation – an issue that is addressed in the following section.

Recommendation

State administration of the Housing Credit is one of the major reasons for the program's success. As part of their administration, states determine their highest priority housing needs and identify selection criteria in their annual qualified allocation plans (QAPs) that allow them to select Housing Credit projects that help advance their goals. In doing so, all but five states have established some form of priority for preserving existing housing as affordable. Sixteen states and the District of Columbia have established a set-aside (from within their annual allocation) for the preservation of existing housing, an additional twenty provide points in the scoring competition for applications involving existing housing and seven states have established other types of priorities for this type of housing, according to the National Housing Trust. Repealing the 4 percent credit for the acquisition of existing properties would undercut the ability of states to address a need that nearly all of them have identified as critical.

A number of factors make acquisition and rehabilitation a more appropriate choice than new construction in some circumstances. For example, one of the selection criteria that must be used by states in their QAPs is project location. If a state determines that it wants to give priority to a particular location for reasons like proximity to jobs or transportation facilities or particularly acute housing shortages, and there is not vacant land for new construction available in that neighborhood, it is more appropriate to acquire existing property. Or if a project is designed to serve a specific population – for example, persons with special needs, large families or veterans – it may be more cost-effective to rehabilitate an existing building that already contains many of the features (e.g. accessibility features or community space) needed to help serve that group.

In addition, financing 9 percent Housing Credit developments involving substantial rehabilitation is often not financially feasible without the use of the 4 percent Housing Credit as well. As shown above, less than ten percent of all units financed with Housing Credits involve substantial rehabilitation without acquisition. In order to preserve affordable rental housing when the prior owners decide to sell, the new owners must buy the property and then finance the substantial rehabilitation of the property. The equity capital needed to pay all of these costs and make the transaction financially feasible will only be generated if both 4 percent and 9 percent credits are used.

Eliminating Multifamily Tax-Exempt Bonds

Discussion Draft

The discussion draft would eliminate all private activity bonds by making interest on such bonds issued after 2014 taxable. This would eliminate the 4 percent Housing Credits that accompany multifamily tax-exempt private activity bonds.

Background

Private activity bonds are tax-exempt bonds that provide a public benefit, but may be used by private persons, such as lower-income homebuyers and renters. Eligible uses include affordable single-family and multifamily housing, small manufacturing facilities, student loans, municipal water and sewer services, mass-commuting facilities, and redevelopment activities in blighted areas.

States may currently provide 4 percent Housing Credit authority to qualified multifamily tax-exempt bond-financed developments. This 4 percent Housing Credit authority does not count against the state's annual Housing Credit cap. However, bond-financed 4 percent credit developments must still comply with the state's allocation plan established in the QAP and with all other applicable Housing Credit program rules, including those related to income targeting and the affordability period.

Recommendation

Because multifamily tax-exempt bonds used in conjunction with 4 percent Housing Credits are responsible for more than 40 percent of annual Housing Credit production, we urge that this program be preserved. Multifamily tax-exempt bonds have provided affordable rental housing to over 1 million families since 1986. In 2012 alone, almost 38,000 affordable apartments were created using multifamily tax-exempt bonds. If multifamily tax-exempt bonds are eliminated, the production potential of the Housing Credit will be reduced by close to 40 percent each year, significantly accelerating the growth of the affordable housing supply gap.

Extending the Length of the Credit Period

Discussion Draft

The discussion draft would increase the period over which investors claim Housing Credits from ten to fifteen years.

Background

Although Housing Credit properties must remain in full compliance with Section 42 of the Internal Revenue Code for fifteen years, investors claim credits on an accelerated basis over ten years. We appreciate the goal of the discussion draft to simplify administration of the Housing Credit by aligning the tax credit period with the tax credit compliance period, but this differential has a positive impact on the program, both with respect to tax credit pricing and program compliance.

The current law recapture of the accelerated portion of the tax benefit plays an important role in imposing high compliance discipline on investors and property managers who go to great lengths to ensure properties are maintained properly and rented to qualified tenants at appropriate incomes and restricted rents. This high level of program compliance has been a hallmark of the program.

When the Housing Credit was created during tax reform in 1986, the ten-year credit period represented a negotiated compromise between the competing policy objectives of sustaining investor involvement in properties while avoiding a credit period so lengthy as to diminish investor interest, especially from non-financial institution investors. Already, some potential investors are discouraged from investing in the Housing Credit because of the lengthy ten-year credit period. Extending the credit period further to fifteen years would most likely discourage more investors from the program. This would likely reduce investor demand, which will negatively affect tax credit pricing and therefore further reduce the amount of equity capital that can be raised.

Lengthening the credit period from 10 to 15 years would generally reduce the present value of credits, reducing the amount of equity capital that could be raised. The discussion draft does retain the 70 percent present value calculation, theoretically maintaining the status quo. Unfortunately, this fails to account for the fact that private investors have a higher investment return rate than the after-tax federal discount rate used in the Housing Credit statute. The statute uses a discount rate based on a combination of the mid-term and long-term applicable federal rate, adjusted downward by the highest corporate tax rate. In the current interest rate environment, the after-tax discount rate under the discussion draft is about 2 percent. Private investors have higher risk-adjusted rate of return hurdles, which means that the present value of credits for investors is lower than the theoretical 70 percent retained by the discussion draft. A lower present value means that investors will pay less per credit, resulting in less equity, and ultimately, less housing is generated. Rough initial estimates are that this expansion of the credit period would result in a loss of about 5 to 10 percent of investor equity, which would translate into a loss of about 3,400 to 5,100 units.

Extending the credit period would also negatively amplify the effect of other discussion draft proposals related to lowering the corporate tax rate to 25 percent, repealing the Modified Accelerated Cost-Recovery System **(**MACRS**)** method of depreciation and moving to the alternative depreciation system (ADS), which would lengthen the depreciation period for rental residential real estate from 27.5 to 40 years.

A report prepared by Novogradac & Company LLP, “Affordable Rental Housing after Tax Reform: Calculating Corporate Tax Reform’s Possible Effects on Equity Raised from Low-Income Housing Tax Credits,” found that lowered corporate tax rates and lengthened depreciation would result in a drop in Housing Credit equity raised annually by as much as 13 percent, or $1 billion. Layering in the effect of a lengthened fifteen-year credit period would result in a cumulative loss of Housing Credit equity raised to as much as 19 percent, or about $1.5 billion less annually for the development of affordable rental housing.

A loss of as much as $1.5 billion dollars or more in annual equity raised could have a significant effect on the availability of affordable rental housing. It could lead to a reduction in the total number of affordable rental homes built or rehabilitated each year by as many as 13,000 units. The loss in equity raised for each Housing Credit development would also significantly undermine the ability of affordable housing providers to develop housing for the lowest income populations. When the equity used to finance a development shrinks, the project usually must take on more debt, which requires higher rental income to support. The effect becomes even more pronounced as resources for gap financing continue to decline in the wake of budget cuts at the federal, state and local levels.

Recommendation
In light of the tremendous need for affordable rental housing across the country, and the need to sustain as much Housing Credit equity capital as possible to help meet that need, we urge the Committee to maintain a ten-year credit period.

We also ask that the Committee take into consideration the negative impact that the combination of lower corporate rates and a longer depreciation period would have on the Housing Credit, and consider maintaining depreciation under current law for Housing Credit properties.

Retaining Floating Housing Credit Rates

Discussion Draft
The discussion draft would retain the discount rate ("floating rate") formula for determining the maximum annual Housing Credit amounts properties could receive.

Background
Congress originally set the credit rate at 9 percent for the 70 percent present value credit in the first year, and in later years directed the Treasury Department to calculate the credit percentage based on a discount rate that was derived from monthly calculations of federal borrowing costs (known as the "floating rate"). Congress originally set the rate at 4 percent for the 30 percent present value credit, and directed Treasury to adjust it using the same formula.

Because federal borrowing rates are at historically low levels, the Housing Credit rates are at an historic low as well. As of July 2014, the 70 percent present value credit rate is 7.56 percent (down from 9 percent) while the 30 percent present value credit rate is 3.24 percent (down from 4 percent). This translates into roughly 15 – 20 percent less Housing Credit equity that can go into any given property.

To illustrate this issue, if a proposed development has $10 million in costs eligible for new construction or substantial rehabilitation Housing Credits and a Housing Credit equity price of 90 cents per tax credit dollar, the maximum amount of private equity it can raise under the floating rate is approximately $6.8 million. The amount of private equity that same development can raise under a 9 percent rate is approximately $8.1 million – a difference of approximately $1.3 million or 15.6 percent.

Congress largely, but temporarily, fixed the problem for the 70 percent present value credit in the Housing and Economic Recovery Act of 2008 by setting the annual rate at no less than 9 percent. In the legislation that addressed the fiscal cliff, the American Taxpayer Relief Act, Congress extended with strong bipartisan support the temporary rate provision for Housing Credit allocations made prior to 2014. Unfortunately that provision has now expired, and the floating rate is once again in effect.

Recommendation

We believe that minimum credit rates of 9 percent for new construction and substantial rehabilitation and 4 percent for acquisition allow the Housing Credit to function more efficiently, effectively and predictably.

The floating rate makes it more difficult to finance affordable housing. The inability to allocate more Housing Credits to a particular development because of the floating rate translates into a loss of project equity, and consequently more difficult tradeoffs for the affordable housing community.

With less equity available, developers may need to borrow more to cover the equity shortfall. This additional borrowing adds additional monthly interest costs to the final equation, which project sponsors must find a way to afford. They are likely to be forced to serve less needy families at higher rents in order to pay debt service on higher debt financing. They may also have to cut back on physical amenities like community rooms that improve the quality of life for low-income residents, such as veterans, or limit social services, like workforce training, career counseling or after school programs. In the worst case, more affordable housing developments simply become unfeasible under the floating rate, and Housing Credit financing becomes more unpredictable and administratively complex.

Given the local nature of affordable housing needs, we believe these tradeoffs should remain at the credit allocating agency level, rather than in Washington, D.C.

Further, the decrease in equity that results from the floating rate is not actually associated with taxpayer savings, since the amount of Housing Credits that states are able to allocate does not change under the floating rate. This means that implementing minimum credit rates has minimal costs – the Joint Committee on Taxation has estimated that the cost of extending the minimum 9 percent rate for allocations made through 2015 is only $4 million over 10 years.

It should be noted that neither the floating rate nor the minimum rate has any impact on Housing Credit investor returns. Such returns are set by the market, based on local market conditions, property characteristics and other considerations unrelated to the annual credit rate.

Lastly, we believe the fact that the floating rate leads to greater financial uncertainty, heightened administrative complexity and bigger financing gaps from the reduced amount of private equity that a development can receive for its Housing Credit allocation is counter to the Chairman's tax reform goals to streamline and simplify the federal tax code.

Eliminating the Basis Boost

Discussion Draft

The discussion draft would repeal the increased basis rule for high-cost and difficult development areas as well as the general authority of credit allocating agencies to award additional credits to qualifying projects.

Background

In 1989, Congress enacted changes to Section 42 which permit states to provide additional tax credits up to 130 percent of the standard amount to certain hard-to-develop projects. This included projects located in a "qualified census tract" (QCT) or a "difficult development area (DDA)." In addition, credit allocating agencies were given general authority in 2008 to award credits up to 130 percent of the standard amount for projects an allocating agency determines requires additional credit to be financially feasible.

A "qualified census tract" is an area in which either: a) at least 50 percent of all households have incomes that are less than 60 percent of area median income, or b) at least 25 percent of the households live in poverty. A "difficult development area" is an area designated by the Secretary of Housing and Urban Development (HUD) as one with high construction, land and utility costs relative to area median gross income. No more than 20 percent of the population of a metropolitan statistical area (MSA) can be designated as a QCT and no more than 20 percent of the total population in all MSAs (and 20 percent of the population in all nonmetropolitan areas) can be designated as a DDA under these rules. The general 130 percent basis boost rule simply gives credit allocating agencies the authority to identify criteria under which additional credit amounts can be awarded up to 130 percent of the normal rate. None of these provisions entitle a developer to a boost in the credit amount; whether it is awarded at all and the exact amount of the basis boost up to 30 percent are entirely within the discretion of the credit allocating agency.

Housing Credit properties are typically financed with a combination of: a) equity raised from tax credits, b) “hard” debt, which must pay market rates of interest on a current basis and which is dependent on cash flow from rents, and c) gap financing from a variety of sources, including local, state and federal government low-interest loans on the property which allow for more flexible repayment terms. Properties which house the lowest income tenants must charge the lowest rents, necessitating a very low level of hard debt on the property. In addition, gap financing is becoming increasingly scarce as a result of budget cuts at all levels of government. By increasing the amount of tax credit equity that an individual project can receive, the basis boost limits reliance on these other sources and enables some of the most difficult and often most needed projects to be built and, very significantly, allows rents to be set as low as possible.

Recommendation

Though practices vary considerably among credit allocating agencies, states generally award a basis boost for their most difficult to develop projects. Projects that serve populations with special needs, including homeless veterans, for example, make common use of the 130 percent basis boost. Additionally, many states specifically target rural areas to receive the basis boost to make up for the very low area median incomes and other factors that make rural development particularly challenging.

Admittedly, as credit allocating agencies put more equity into certain projects, fewer units overall can be built. There is a trade-off in the program between more deeply subsidizing select properties and providing fewer subsidies to more projects. However, credit allocating agencies understand the affordable housing needs of their states and Congress has determined in the past that this type of decision should be left to them as they manage this scarce resource. Without it, some of the most important types of housing could not be built. We urge the Committee to retain the QCT and DDA boosts, as well as the ability of states to provide Housing Credit allocations which utilize the 130 percent basis boost.

Awarding Allocable Basis

Discussion Draft

The discussion draft would authorize state allocating agencies to allocate qualified basis instead of Housing Credit authority. The annual amount of allocable basis for each state would be the greater of $31.20 per capita or $36.3 million. The annual amount of authority a state could allocate would include unused basis allocations from the prior year plus basis allocations returned to the state during the calendar year from previous allocations.

Background

Currently, the amount of the Housing Credit that a development receives for any tax year in the ten-year credit period is the applicable percentage of the qualified basis of each qualified low-income building. Qualified basis is generally based on the costs of constructing the building, excluding land and some other costs and takes into account the percentage of dwelling units occupied by qualified low-income tenants who pay restricted rents.

Recommendation

Allocating to sponsors the amount of Housing Credit they are eligible to take is more intuitive, transparent and directly relevant than allocating qualified basis, which represents a portion of total construction costs instead of the amount of credit the taxpayer can receive. While both systems ultimately reach the same basic result, allocating credit authority is a simpler and more straightforward way of expressing the purpose and impact of the Housing Credit.

The state Housing Credit allocation system, the development process and the equity market have grown increasingly sophisticated and efficient in the 27-year history of the program. Converting to a system of allocating qualified basis will disrupt this efficiency and require significant resources to establish new state agency policies for allocation, underwriting and cost reasonableness, plus additional resources to educate the development community about the new system.

Allocating basis instead of credits may also negatively impact the equity market, which has relied for decades on the simple premise of offering partnership interests that generate tax credits to affordable housing investors to offset tax liability. Changing to a system of allocating qualified basis instead of tax credits complicates this message, especially for new investors considering entering the Housing Credit market for the first time.

Eliminating the National Pool

Discussion Draft

The discussion draft would eliminate the national pool of unused credits. Currently, unused credits are recaptured from states and reallocated to states that have used their entire allocation and applied for additional authority from the national pool.

Background

From 2009 - 2012, the Internal Revenue Service (IRS) took back unallocated credits and reallocated national pool amounts of $4.6 million, $0, $3.7 million, and $2.4 million, respectively. The IRS did not allocate national pool amounts in 2010, stating at the time that it did not receive any unused authority to reallocate. The national pool amounts in 2009-2012 represent less than 0.5 percent of total Housing Credit cap authority available in each year, respectively.

Each year approximately 30 allocating agencies, having allocated all their credits, qualify for and apply for national pool allocations. Over the 2009-2012 period, 40 allocating agencies received national pool allocations in at least one year. The average national pool allocations per agency for 2009, 2011, and 2012 were $160,000, $131,000, and $70,000, respectively.

Recommendation

The national pool is an important fail-safe mechanism to prevent losing scarce Housing Credit resources. Though a relatively small percentage of each year's annual credit authority, the pool allocation increases the likelihood that all credit authority allocated to the states each year will be used promptly, and each year allows some states to finance additional developments that would otherwise not be possible.

Restricting the Use of Selection Criteria

Discussion Draft

The discussion draft would repeal the requirement that states include the energy efficiency of affordable housing projects and the historic nature of the projects as selection criteria in their QAPs.

Background

Current law requires that certain selection criteria be included in all QAPs:

1. Project location,
2. Housing needs characteristics,
3. Project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan,
4. Sponsor characteristics,
5. Tenant populations with special housing needs,
6. Public housing waiting lists,
7. Tenant populations of individuals with children,
8. Projects intended for eventual tenant ownership,
9. The energy efficiency of the project, and
10. The historic nature of the project.

The discussion draft would retain the first eight selection criteria while eliminating only the last two. Improving energy efficiency is an important federal priority that states incorporate to varying degrees in their existing QAPs. Preserving historic buildings has also been an important federal priority for many years. While credit allocating agencies would still be able to consider the historic nature of projects, removing this criterion would signify that Congress no longer regards the preservation of historic buildings that serve as low-income housing as a priority, thereby reversing longstanding federal policy.

Recommendation

We believe that energy expenses are and will increasingly be a critical component of project viability, as well as the physical and financial health of the affordable housing stock. As such, we recommend retaining the energy efficiency selection criterion in the tax code as a national lever for incorporating energy efficiency measures into QAPs. Moreover, we believe that the selection criteria should take into account the historic nature of projects. While we do not find the proposal to eliminate these selection criteria as problematic as other changes to the Housing Credit proposed in the draft, we do believe these selection criteria can be useful insofar as they encourage states to adopt criteria in their QAPs that they otherwise would not.

Restricting Occupancy Preferences

Discussion Draft

The discussion draft would revise the general public use rule to "eliminate the special occupancy preference for members of specific groups under certain federal or state programs and the special preference for individuals involved in literary or artistic activities. Instead, occupancy preferences would only be permitted for individuals with special needs and for veterans."

General Background

The discussion draft would revisit the amendment adopted in the Housing and Economic Recovery Act of 2008 that clarified the original requirement that Housing Credit property must be "for use by the general public." The conference report to the 1986 Act provided little guidance as to what this required other than to give two examples that would not meet the requirement: where "units are provided only for members of a social organization or provided by an employer for its employees."

IRS regulatory guidance has consistently provided that, with few exceptions, the general public use requirement is satisfied if units are rented consistent with HUD's housing policy regarding nondiscrimination. HUD's policy permits targeted marketing efforts and tenant selection criteria or preferences as long as, in general, they do not have the effect of discriminating based on one of the prohibited fair housing criteria (e.g. race or gender). For many years, states have thus chosen to develop Housing Credit properties that target specific types of tenants – for example, farm workers, veterans, grandparents raising grandchildren, pregnant teens, artists, teachers, police officers and firefighters. These preferences allow states to target the groups that they have determined have the greatest needs and that contribute to other policy initiatives (e.g. having first responders living in communities in which they work).

In January 2007, the IRS tried to change its policy – not through new regulatory guidance, but by issuing a new Section 42 guide book for use by state and local housing credit agencies. The guide asserted that giving a preference to an occupational group (without regard to whether they are employees of one, or a few, specific employers) violates the general public use requirement. The Guide was the first indication of a change in IRS interpretation and was soon followed up by audits against taxpayers that used targeted marketing efforts, or tenant selection screening criteria or preferences. This caused great confusion in the Housing Credit community, threatening to place many properties into noncompliance with the attendant recapture of tax credits. One allocating agency even notified an owner of a property housing victims of domestic violence and pregnant and parenting teenagers that it would have to issue a noncompliance report that could ultimately lead to the recapture of all tax credits on the property.

The 2008 legislative changes modified the general public use rules in reaction to this arbitrary change in IRS policy. Among other changes, the discussion draft would delete reference to state programs. State programs that would be impacted by this change include programs that subsidize or encourage projects for teachers, fire-fighters, policemen, farm workers, grandparents, victims of domestic violence and parenting teenagers.

The discussion draft would also delete the reference to artistic or literary programs. While providing a specific reference to projects developed with a preference for artists might appear frivolous and outside the scope of an affordable housing program, the Housing Credit is often used as a means both to build affordable housing and to help rebuild economically distressed areas. Many communities across the country have been very successful with neighborhood redevelopment programs that use art galleries and artists to bring people to neighborhoods, which eventually seeds further development. [2]

Recommendation

While we do not believe the ability of states to develop occupancy preferences is critical to the future of the Housing Credit in the way that some of the other issues highlighted in our response

[2] See for example the work of the Kresge Foundation and the Local Initiatives Support Corporation to use artists housing as a tool for community economic development.

are, we believe that occupancy preferences have been a useful tool for states as they address their local housing and economic development goals.

Conclusion

We estimate that the changes to the Housing Credit proposed in the Tax Reform Act of 2014 could result in the development or preservation of up to 54,000 fewer affordable units per year[3], or a reduction of over 60 percent, even taking into account the increase in Housing Credit resources proposed in the discussion draft. The vast majority of these units would be lost by repealing multifamily tax-exempt bonds and the associated Housing Credits, eliminating the 4 percent acquisition credit, and the combined effects of lengthening the credit period from ten to fifteen years, lowering the corporate tax rate and extending the depreciation period. While we understand the goals of reducing the program's cost, the increasing need for affordable housing and the increasing demands placed on the Housing Credit mean that this is no time to cut back on this critical program.

The loss of these units would impact more than just the low-income families who would not be able to access affordable homes. According to the National Association of Home Builders (NAHB), every 100 rental homes produced with the Housing Credit or Housing Bonds generates 113 jobs, meaning developing 54,000 fewer units would thus result in the loss of over 61,000 jobs each year. In a typical year, the Housing Credit supports almost 96,000 jobs.

The Housing Credit is also a major economic catalyst. Housing Credit development has attracted $100 billion in private investment since its inception, and each year it generates $9.1 billion of local business income and $3.5 billion in taxes and other revenues for all levels of governments. Much of this private investment would be lost as a result of the changes proposed.

We deeply appreciate the Committee's recognition of the value and importance of the Housing Credit by preserving it in the Chairman's tax reform proposal. We look forward to continuing to work with the Committee to identify changes, such as enacting minimum credit rates, to improve upon this already highly successful program.

[3] Novogradac & Company LLP, "Tax Reform Discussion Draft Threatens Future Supply of Affordable Rental Housing"