

The Affordable Housing Credit Improvement Act of 2016

S. 2962

The Affordable Housing Credit Improvement Act, co-sponsored by Senator Maria Cantwell (D-WA) and Senate Finance Committee Chairman Orrin Hatch (R-UT), will make significant strides towards addressing our nation's severe shortage of affordable housing by expanding and strengthening the Low-Income Housing Tax Credit (Housing Credit).

The Housing Credit is our nation's most successful tool for encouraging private investment in the production and preservation of affordable rental housing. For 30 years, it has been a model public-private partnership program, bringing to bear private sector resources, market forces, and state-level administration. It has financed nearly 3 million apartments since 1986, providing roughly 6.5 million low-income families, seniors, veterans, and people with disabilities homes they can afford.

The Affordable Housing Credit Improvement Act would:

EXPAND THE HOUSING CREDIT BY 50 PERCENT

More than 11 million low-income renter households spend over half of their income on housing – choosing between paying the rent or their medical bills, making repairs to their cars, or enrolling in job training classes.

Despite the growing need for affordable housing, Congress has not increased Housing Credit authority in 16 years, and viable and sorely needed Housing Credit developments are turned down each year because Housing Credit resources fall far short of the demand. On average, state Housing Credit allocating agencies receive applications requesting more than three times their available authority.

The Affordable Housing Credit Improvement Act would increase the annual Housing Credit allocation authority by 50 percent, phased in over five years, and raise the small state minimum by 50 percent, also phased in over five years.

Impact:

- Make a meaningful step towards addressing our nation's vast and growing affordable housing needs by enabling the creation or preservation of up to 400,000 new affordable homes over the next decade

ESTABLISH A MINIMUM 4 PERCENT CREDIT RATE

S. 2962 would establish a minimum 4 percent Housing Credit rate for the acquisition of affordable housing and for developments financed with Multifamily Housing Bond-generated credits.

In 2015, Congress made permanent a minimum 9 percent rate for new construction and substantial rehabilitation, with strong bipartisan support. The corresponding minimum 4 percent rate would bring parity for all types of Housing Credit developments.

Impact:

- Streamline program administration
- Increase predictability
- Empower states to allocate more Housing Credit equity to properties as needed for financial feasibility

PROMOTE BROADER INCOME-MIXING

Under this provision, a portion of the Housing Credit units in a given development could be offered to low-income households with incomes above the Housing Credit's current limit of 60 percent of area median income so long as the **average** income limit for the property remains at 60 percent of area median income or less.

Impact:

- Preserve rigorous income targeting to low-income households
- Promote income diversity
- Enable developments to serve even lower-income households at rents they can better afford
- Make Housing Credit developments more viable in rural and other areas where it is difficult to target households at the income levels needed for feasibility