



The ACTION Campaign Calls on Congress and the Trump Administration to Protect, Expand, and Strengthen the Low-Income Housing Tax Credit

The undersigned organizations, representing *[insert final number]* national, state and local organizations and businesses, look forward to working with the incoming Congress and Administration to protect, expand, and strengthen the Low-Income Housing Tax Credit (Housing Credit). We urge Congress and the Administration to prioritize the Housing Credit as they consider reforms to the nation's tax code and investments in the nation's infrastructure.

Thirty years ago, President Reagan and the Congress showed remarkable foresight and creativity by creating the Housing Credit as part of the Tax Reform Act of 1986. The Housing Credit is now our nation's most successful tool for encouraging private investment in the production and preservation of affordable rental housing, responsible for nearly all of the affordable housing built and preserved in recent decades. It is a model public-private partnership, bringing to bear private sector resources, market forces, and state-level administration.

The Housing Credit has financed nearly 3 million apartments since 1986, which have provided roughly 6.7 million low-income families, seniors, veterans, and people with disabilities homes they can afford. It has provided affordable housing to all 50 states and all types of communities, including urban, suburban, and rural. More than 1 million of these apartments were financed using tax-exempt multifamily Housing Bonds.

In addition to the impact the Housing Credit has had on residents' lives, our nation's investment in Housing Credit development has had immediate and tangible impacts for local economies. The Housing Credit has generated \$310 billion in local income and \$122 billion in tax revenues, and has supported approximately 3.25 million jobs over the past thirty years. According to the National Association of Home Builders, the development of every 1,000 rental apartments supports approximately 1,130 jobs, making the development of affordable housing an important component of our economic growth.

As the 115th Congress and the new Administration begin negotiating an ambitious legislative agenda that includes tax reform and infrastructure investments, the ACTION Campaign calls for:

- 1) Ensuring that the Housing Credit and Housing Bonds are held up as positive examples of the power of the tax code to improve communities by maintaining their viability under tax reform, and
- 2) Expanding and strengthening the Housing Credit to increase the availability of safe and affordable housing and revitalize local economies.



[Our nation's affordable housing needs are vast and growing.](#)

Rising rents and stagnant wages have made most rental housing unaffordable to low-income households, and we are not producing new affordable housing fast enough to keep pace with the rising demand. There is currently no state in the U.S. where a full-time minimum wage worker can afford a modest, one-bedroom apartment. More than 11 million low-income households – roughly one in four renters – spend over half their income on rent, leaving too little for other necessary expenses like transportation, healthy food, and medical bills. This number is expected to grow over the coming years as we lose affordable housing due to deterioration or conversion to market-rate, and more households enter the rental market.

[The private sector cannot build affordable housing absent an incentive like the Housing Credit.](#)

Unlike many other tax expenditures, which subsidize activity that would occur at some level without a tax benefit, virtually no affordable rental housing development would occur without the Housing Credit. Housing simply costs too much to build for owners to charge rents that are affordable to low-income households. To develop new apartments that are affordable to renter households working full-time and earning the minimum wage without an incentive like the Housing Credit, construction costs would have to be reduced by 72 percent of the current construction cost average, according to Harvard University's Joint Center for Housing Studies. In addition to attracting private sector equity, the Housing Credit encourages lenders to finance affordable housing developments when they may be otherwise disinclined to do so.

[Demand for the Housing Credit vastly exceeds supply.](#)

Despite the growing need for affordable housing, Congress has not permanently increased Housing Credit authority in 16 years. 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 two to three times their available authority. There are also many worthy applications that are not even submitted in light of the competition.

[Affordable housing development improves lives and contributes to local economies.](#)

Affordable housing promotes financial stability and economic mobility. It leads to better health outcomes, improves children's school performance, and helps people gain employment and keep their jobs. Housing Credit development provides a financial return on our nation's investment by supporting 96,000 jobs and adding roughly \$3.5 billion in taxes and other revenues to local economies each year. Affordable housing also saves federal, state, and local governments money through reductions in Medicare, Medicaid, police service, and other spending.

[The Housing Credit is uniquely efficient because it is administered through the tax code.](#)

The Housing Credit is "pay-for-success" – the federal government awards credits only after properties are successfully completed and occupied, and can recapture credits for non-compliance. Private sector investors – not taxpayers – bear the financial risk, and are closely involved in monitoring and oversight. This pay-for-performance approach has resulted in highly effective program management, as evidenced by a foreclosure rate of 0.66 percent over the program's entire history, according to the accounting firm CohnReznick – a rate unmatched by any other real estate class. The Housing Credit is also administered at the state level, and through a competitive allocation process, only the affordable housing developments that are most responsive to local housing priorities receive credits.



[Housing Bonds are essential to the Housing Credit's production potential.](#)

Housing Bonds provide critical financing to roughly 40 percent of Housing Credit developments. Without the tax exemption on Housing Bonds, the Housing Credit's production potential would be drastically cut, significantly accelerating the growth of the affordable housing supply gap. Housing Bonds are especially crucial for preserving affordable housing. Through programs like HUD's Rental Assistance Demonstration (RAD), Housing Bonds provide a significant share of the financing to preserve public housing and other federally assisted properties, many of which would otherwise be lost to demolition, obsolescence, and conversion to market-rate housing.

[An investment in the Housing Credit is an investment in infrastructure.](#)

The incoming Administration and congressional leaders from both parties all recognize that we must invest in our nation's infrastructure to remain competitive, build our economy, and strengthen our communities. Housing is as central to our nation's infrastructure as transportation, energy, and water systems, and its development transforms communities while providing significant returns in terms of jobs and economic growth. Investment in the Housing Credit should be a component of any infrastructure plan.

[The Housing Credit's effectiveness must be sustained through tax reform.](#)

In addition to protecting the Housing Credit and Housing Bonds in the tax code, we urge modifications to ensure that they are not indirectly undermined through tax reform. Proposals to lengthen the depreciation period for residential real estate, for example, would significantly reduce the amount of tax benefits associated with an investment in Housing Credit property. Lowering the corporate tax rate will also impact the amount of equity the Housing Credit raises for affordable housing. We encourage Congress to consider making adjustments to the Housing Credit to ensure that tax reform does not negatively impact Housing Credit production and efficiency.

[The Housing Credit should be strengthened and expanded by at least 50 percent.](#)

As Congress and the Administration consider a pro-growth agenda that does not shy away from tough problems like poverty, we urge that the Housing Credit be strengthened and expanded by at least 50 percent. Such an expansion would support the preservation and construction of up to 400,000 additional affordable apartments over a ten-year period, which would support up to 450,000 jobs. There is ample developer and investor appetite for Housing Credits to support such an increase.

In 2016, Senate Finance Committee Chairman Orrin Hatch and Senator Maria Cantwell introduced the Affordable Housing Credit Improvement Act, which would increase Housing Credit authority by 50 percent and enact numerous other changes to strengthen the program. For the millions of families paying more than half of their income towards housing – choosing between paying the rent or their medical bills, making repairs to their cars, or enrolling in job training classes – enacting this legislation cannot come soon enough.