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

The undersigned businesses and organizations, representing over 2,000 national, state and local affordable housing stakeholders as part of the A Call To Invest in Our Neighborhoods (ACTION) Campaign, urge Congress to address our nation’s severe shortage of affordable rental housing by expanding and strengthening the Low-Income Housing Tax Credit (Housing Credit).

We strongly support the Affordable Housing Credit Improvement Act, introduced by Senator Maria Cantwell (D-WA) and Senate Finance Committee Chairman Orrin Hatch (R-UT). This legislation would increase Housing Credit authority by 50 percent, taking a meaningful step towards addressing our nation’s vast and growing affordable housing needs. It would also strengthen the Housing Credit by providing states with additional flexibility, making the financing of affordable housing more predictable and streamlined, facilitating Housing Credit development in challenging markets like rural and Native American communities, increasing the Housing Credit’s ability to serve extremely low-income tenants, and supporting the preservation of existing affordable housing. The legislation also contains important provisions that would support development of rental homes using the Housing Credit coupled with multifamily Housing Bonds, which currently provide critical financing to roughly 40 percent of Housing Credit apartments.

The Affordable Housing Credit Improvement Act earned strong bipartisan support when Senators Cantwell and Hatch first introduced it during the 114th Congress. ACTION looks forward to working with Congress and the Administration to advance this legislation this year. For the more than 11 million 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.

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 approximately 6.7 million low-income families, seniors, veterans, and people with disabilities homes they can afford. With the Affordable Housing Credit Improvement Act, we could expand this opportunity to hundreds of thousands more families who struggle to pay the rent.
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. Roughly one in four renters spend over half their income on rent. 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. Virtually no affordable rental housing development would occur without the Housing Credit. Housing simply costs too much to build or preserve as affordable 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. 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 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. Affordable housing promotes financial stability and economic mobility, leading to better health outcomes, school performance, and employment stability. 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 allows 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 national 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.

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.