

FACILITATING SUPPORTIVE HOUSING WITH THE LOW-INCOME HOUSING TAX CREDIT

The Low-Income Housing Tax Credit (Housing Credit) is our nation's most successful tool for encouraging private investment in the production and preservation of affordable rental housing. Since its inception in 1986, the Housing Credit has been used to develop or finance 3 million apartments, providing roughly 7 million households with homes they can afford. While the Housing Credit serves a wide array of tenants, including working families and seniors, it is also often a critical source to finance supportive housing for people with special needs.

Supportive housing combines affordable housing with services targeted to help people who face complex housing challenges, such as the chronically homeless, those living with serious mental illness, and veterans. Services include access to case management, employment and education resources, medical care, and a host of other services tailored to the tenants' specific needs. Currently, **all states and territories encourage supportive housing in their selection process for allocating Housing Credits.**



THE NEED FOR AFFORDABLE SUPPORTIVE HOUSING CSH estimates that **approximately 1.2 million individuals and families in the U.S. are in need of supportive housing.** These households typically include people with significant histories of homelessness. Supportive housing not only resolves homelessness and increases housing stability, but it also improves health and generates significant public savings in shelter costs, healthcare, and the criminal justice system. Much progress has been made in addressing homelessness in recent years, including 50 communities declaring an end to veterans' homelessness. The Housing Credit has been central to these victories and expanding it further bolsters this proven, cost-effective way to end homelessness and improve communities.

THE AFFORDABLE HOUSING CREDIT IMPROVEMENT ACT (S. 548)

Provisions to Facilitate Affordable Supportive Housing

The Affordable Housing Credit Improvement Act, introduced by Senator Maria Cantwell (D-WA) and Senate Finance Committee Chairman Orrin Hatch (R-UT), includes several provisions to facilitate the development of supportive housing.

Expand the Housing Credit. S. 548 would increase annual Housing Credit allocation authority by 50 percent, phased in over five years. This provision is estimated to finance an additional 400,000 affordable housing units over the next ten years, allowing states to address a wider range of housing needs, including supportive housing for people with special needs.

- The Consolidated Appropriations Act of 2018 made a significant down payment on this provision by enacting a 12.5 percent increase in Housing Credit allocation for four years (2018-2021). While this increase is estimated to finance an additional 28,400 affordable rental units, more resources are needed to make up for the nationwide shortage of affordable rental housing.

Provide a Basis Boost for Properties Serving Extremely Low-Income (ELI) Tenants. S. 548 would allow states to provide up to 50 percent additional Housing Credit equity, known as a "basis boost," for developments serving extremely low-income tenants. While states are encouraged to give preference to developments that serve the lowest-income populations, it can be difficult to make these developments financially feasible without significant additional subsidy. The basis boost for ELI tenants would help make more properties serving extremely low-income residents financially feasible, and allow for the financing of community rooms, service providers and other features to facilitate supportive housing.

Improve the Student Rule. The current student rule, which was intended to prevent the Housing Credit from being used to finance dormitories, has had the unintended consequence of preventing vulnerable populations in Housing Credit properties from continuing their education. S. 548 would target the full-time student exclusion more fairly.

Allow Income Averaging within Properties. Housing Credit projects currently serve renters with incomes up to 60 percent of area median income (AMI), and rents are comparably restricted. Income averaging provides greater flexibility to serve a broader range of tenants, with higher-income households up to 80 percent of AMI paying higher rents that can offset lower rents for people with the lowest incomes, such as those who have been living on the streets for many years. This improvement also allows the Housing Credit to reach those who receive modest VA benefits, who are often in a limbo between qualifying for Housing Credit properties and being able to afford housing on the open market. *This provision was enacted in the Consolidated Appropriations Act of 2018.*