COMMUNITY REVITALIZATION

The Low-Income Housing Tax Credit (Housing Credit)

The Housing Credit is a powerful instrument for revitalizing economically distressed urban, rural, and suburban communities. The Housing Credit law encourages states to support projects that will contribute to a concerted revitalization plan for eligible low-income and high-poverty neighborhoods. Each year about 30 to 40 percent of Housing Credits are used in these communities. More generally, the distribution of Housing Credit units among central cities, suburbs, and rural areas closely resembles the distribution of rental housing. The Housing Credit supports new construction about equally in high-poverty and low-poverty neighborhoods. In addition, the Housing Credit also supports the rehabilitation of older housing, including properties built with federal government support decades ago, which tend to be concentrated in neighborhoods with more multifamily housing and lower incomes.

Stanford researchers have found that Housing Credit development "revitalizes low-income neighborhoods, increasing house prices 6.5 percent, lowering crime rates, and attracting racially and income diverse populations…. Our analysis reveals large possible societal gains from building [an] affordable housing [property] in low income areas, with construction of LIHTC in low income, low minority areas increasing total welfare by approximately $116 million…. This number is even bigger in low income, high minority areas, ($211 million), simply because there tend to be more people living close to LIHTC [properties] in these areas…. Taken together, these results seem to imply that LIHTC construction makes low income neighborhoods more desirable regardless of minority share."[1] Several other studies have found similar positive outcomes, and the US Supreme Court has determined that locating Housing Credit properties in low-income communities is consistent with the *Fair Housing Act*.

The *Affordable Housing Credit Improvement Act* (*AHCIA*), S. 1136 & H.R. 2573

Provisions to support Affordable Housing Development

The *AHCIA* is led by Sens. Maria Cantwell (D-WA), Todd Young (R-IN), Ron Wyden (D-OR), and Rob Portman (R-OH), and Reps. Suzan DelBene (D-WA-1), Jackie Walorski (R-IN-2), Don Beyer (D-VA-8) and Brad Wenstrup (R-OH-02). It includes several provisions that make it easier to finance affordable housing through the Housing Credit.

Expand the Housing Credit. The Housing Credit is over-subscribed, meaning far more potential developments are submitted to receive Housing Credits than are available. Increasing the annual Housing Credit allocation by 50 percent, phased in over two years, would finance an additional 299,000 affordable rental homes over 2021-30, providing more housing for low-income individuals and families.

Lower the Bond Financing Threshold for Receiving 4 percent Housing Credits. This provision will allow states to use their bond authority more efficiently and would free up funds for more housing developments.

Increase the amount of Housing Credits for developments serving extremely low-income (ELI) tenants.* Developing housing affordable to ELI tenants requires significant additional subsidy because the expected rents will be too low to pay off much debt on the property. These properties often also include critically needed supportive services, adding to the cost of the development. Providing additional Housing Credits for ELI properties (if needed for financial feasibility) would allow the Housing Credit to serve more ELI persons. **ELI households make at or below the greater of 30 percent of area median income or the federal poverty line.*

Help Housing Credits Work Better in Rural Areas. The bill would provide a basis boost for rural projects, and standardize income eligibility for rural properties, both of which will help serve low-income individuals and families in rural areas that need revitalization.

[1] Diamond, R., & McQuade, T. (2017). "Who Wants Affordable Housing in Their Backyard? An Equilibrium Analysis of Low Income Property Development." Stanford, CA: Stanford University, Graduate School of Business. Retrieved from http://web.stanford.edu/~diamondr/LIHTC_spillovers.pdf