

Emergency Relief For Affordable Housing



AFFORDABLE
HOUSING
TAX CREDIT
COALITION

BEFORE:

Nearly 11 million households were spending **more than half of their income on rent.**

COVID-19 CRISIS



NOW:

More than 40 million people have lost their livelihoods, putting their ability to pay for housing at risk.

AFFORDABLE
HOUSING IS
**NEEDED MORE
THAN EVER**

The COVID-19 crisis has critically impacted planned affordable housing developments with significant disruptions and financing shortfalls. **Immediate Low-Income Housing Tax Credit (Housing Credit) relief measures are needed as a result.** In support of the nation's primary tool for building and preserving affordable housing, setting a minimum 4 percent Housing Credit rate would allow continued progress despite recent disruptions.

CREATE A MINIMUM 4% HOUSING CREDIT RATE



IMPACT OF COVID-19

- The Housing Credit rate, originally set at 4 percent, recently fell to a **record low** 3.07 percent as a direct result of cuts to federal borrowing rates as part of the government's crisis response.
- This dramatic rate drop has created **major funding gaps** for thousands of affordable housing developments underway across the nation, delaying and in many cases **preventing their development.**
- The COVID-19 crisis has also disrupted affordable housing development, resulting in sometimes insurmountable added costs from delays, broken supply chains, and other unforeseen obstacles. These added costs would be immediately remedied by the 4 percent minimum rate, allowing critically-needed properties to move forward.



POLICY BENEFITS

- Finance 126,000 additional affordable homes and support over 157,000 jobs.*
- Provide predictability throughout the crisis response and beyond to ensure developments move forward.
- Provide parity to the 9 percent Housing Credit rate, for which Congress enacted a minimum rate in response to the 2008 economic crisis.

WHAT IS THE 4% HOUSING CREDIT RATE?

Developing affordable rental homes is generally only economically feasible if owners receive a subsidy to make up the difference between what it costs to develop the property and what low-income tenants can afford to pay in rent, which is why the private sector equity that the Housing Credit provides is essential. There are two types of Housing Credits – the “9 percent Housing Credit,” which is used for new construction and substantial rehabilitation, and the shallower “4 percent Housing Credit,” which is generally used for the acquisition and rehabilitation of properties that are financed with Private Activity Bonds.

The Housing Credit rate determines the amount of Housing Credit equity that can be provided. Tied to federal borrowing rates, the credit rate percentage is applied to Housing Credit-eligible costs to determine the amount of Housing Credit authority a development can receive. Investors then pay a market-based price for a given amount of Housing Credits, yielding equity to build the affordable housing. A lower credit rate translates to less equity for financing affordable homes and, **at 3.07 percent, the equity available is simply not enough.**

WHY HAVE HOUSING CREDIT RATES FALLEN?

The Housing Credit rates have fallen since the Housing Credit was created in 1986 because they float according to a formula tied to federal borrowing rates, and fluctuate monthly. Recognizing the detrimental effect of the decreased rates, Congress set a minimum credit rate for the 9 percent Housing Credit in response to the 2008 economic crisis. At the time, the 9 percent Housing Credit created many more homes than the 4 percent Housing Credit, but the growing affordable housing shortage has made the 4 percent Housing Credit an equally important tool – now financing roughly half of all Housing Credit developments.

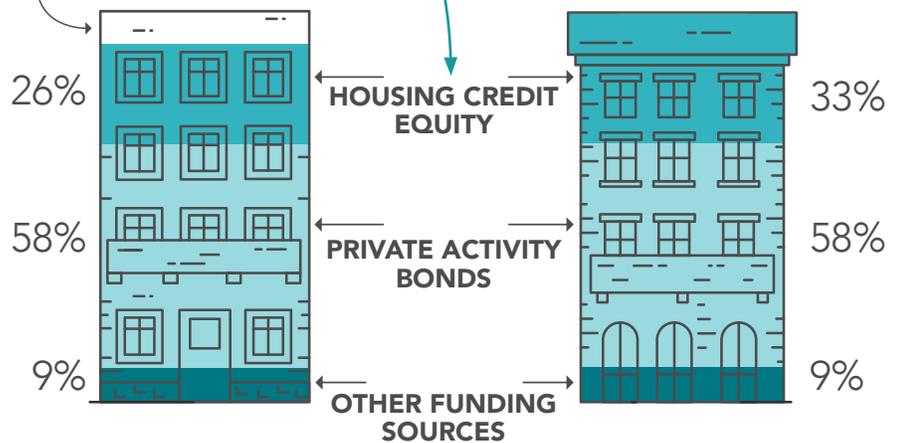
As borrowing rates have fallen to historic lows in response to the COVID-19 pandemic, the credit rate has fallen so low and so quickly that it is now jeopardizing the development of thousands of affordable homes and the construction-related jobs that produce them. Setting a minimum 4 percent rate would finance an additional 126,000 affordable homes and support over 157,000 jobs over the next decade, and address financing shortfalls that have resulted from the COVID-19 pandemic.*

* Novogradac and Co.

EXAMPLE HOUSING CREDIT EQUITY CALCULATION:

	CURRENT CREDIT RATE	4% FLOOR
TOTAL PROJECT COSTS	\$10,833,000	\$10,833,000
Housing Credit-eligible costs	\$10,000,000	\$10,000,000
Housing Credit rate	X 3.07%	X 4.00%
10 year flow of tax credits to the investor	X 10 YEARS	X 10 YEARS
Price paid for each dollar of Housing Credit in the investor market	X \$0.90	X \$0.90
HOUSING CREDIT EQUITY	\$2,763,000	\$3,600,000

8% FUNDING GAP



CURRENT CREDIT RATE

4% FLOOR



AFFORDABLE HOUSING TAX CREDIT COALITION

The Affordable Housing Tax Credit Coalition is a trade organization of housing professionals who advocate in support of the Low-Income Housing Tax Credit.

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