

AFFORDABLE RENTAL HOUSING A.C.T.I.O.N. A Call To Invest in Our Neighborhoods

May XX, 2020

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
Washington, DC 20515

The Honorable Charles Schumer
Minority Leader
United States Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader
United States House of Representatives
Washington, DC 20515

Dear Leader McConnell, Speaker Pelosi, Leader Schumer, and Leader McCarthy,

As bipartisan mayors representing communities in XX states, we write to urge Congress to include provisions that support the Low-Income Housing Tax Credit (Housing Credit) in the next coronavirus (COVID-19) response package. The Housing Credit is our nation's primary tool for encouraging private investment in affordable rental housing. While rental assistance is critical for keeping renters in their homes during this time of financial instability, cities and towns also need to build more affordable housing. Stable, safe, affordable housing is imperative for public health and safety during a pandemic. Furthermore, affordable housing will be in greater demand given the economic downturn, and the production of affordable housing will create jobs to help our economy recover. Protecting and strengthening the Housing Credit in the face of COVID-19 will provide residents in our cities safe and affordable housing during a time of great economic uncertainty.

COVID-19 has only exacerbated the affordable rental housing crisis in the United States, and now developments nationwide are threatened due to significant financing gaps caused by the cuts to federal borrowing rates made in response to the pandemic. Before COVID-19, one in four renters were already struggling, paying more than 50 of their income on rent. Now, with more than 30 million individuals and counting having just lost their jobs, the need to keep affordable housing production moving forward is greater than ever.

We as mayors see firsthand the need for affordable rental housing among families in our cities. Together, we urge Congress to enact policies to help mitigate the damage to affordable housing production that is already occurring as a result of this crisis. We respectfully request immediate consideration of the following proposals for the next response package:

- **Enact a minimum 4 percent Housing Credit rate.** With federal borrowing rates recently slashed in response to the pandemic, the "4 percent" Housing Credit rate is dropping precipitously – from 3.17 percent in March to 3.12 percent in April to 3.08 percent in May – and will likely decline even further, threatening the viability of many critical properties. Every day, many developments already underway have become financially infeasible due to the falling rate and are now coming to a halt. Enacting a minimum 4 percent Housing Credit rate would provide parity to the 9 percent Housing Credit rate, for which Congress enacted a minimum as part of the response to the 2008 economic collapse in recognition of the critical role of affordable housing in the recovery. This would help ensure projects remain financially viable and that these much-needed homes will move forward. Furthermore, Novogradac estimates that nearly 126,000 additional affordable rental homes would be created or preserved over 2020-2029 with a minimum 4 percent Housing Credit rate. According to the National Association of Home Builders, each 100 units built supports 125 full-time equivalent jobs for one year. These affordable homes and

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jobs will be critical as the nation recovers from COVID-19. The minimum 4 percent Housing Credit rate is included in the *Affordable Housing Credit Improvement Act* (S.1703 & H.R.3077), bipartisan legislation that gained the support of more than half of the U.S. House of Representatives and nearly half of the U.S. Senate prior to the pandemic but have become especially urgent now.

- **Lower the “50 percent test” Bond financing threshold for 4 percent Housing Credit developments.** The “4 percent” Housing Credit is available for developments that receive 50 percent or more of their financing from Private Activity Bonds, and such developments are responsible for roughly half of all Housing Credit developments. However, unexpected and increased project development costs due to delays caused by the pandemic are jeopardizing properties’ ability to assemble enough bond financing to meet the “50 percent test,” which puts at risk the properties’ access to associated Housing Credit equity. Lowering the 50 percent threshold would allow more developments the ability to move forward despite these disruptions related to the pandemic. It would also increase affordable housing production by allowing more developments to access 4 percent Housing Credits.

As Congress considers future recovery legislation, other measures such as additional Housing Credit resources will be needed as part of our nation’s economic recovery.

Strong federal leadership that responds to the needs of local communities is critical throughout the stabilization and recovery process of the COVID-19 pandemic. The inclusion of these Housing Credit provisions in future COVID-19 response legislation is crucial for our cities, and we as bipartisan mayors urge Congress to consider these priority items immediately. Thank you for your attention to these proposals.

Sincerely,

Mayor Jenny A. Durkan, *Seattle, WA*

[Additional signatories]