

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

December 10, 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:

The Covid-19 pandemic is continuing to disrupt economic activities across the U.S., including the development of Low-Income Housing Tax Credit (Housing Credit) properties. The Housing Credit – our nation’s primary tool for encouraging private investment in affordable rental housing – is responsible for nearly all of the affordable housing built and preserved across the country. It is critical that Congress enact policies to help mitigate the damage to affordable housing production that continues to occur as a result of the crisis. There was a severe shortage of affordable rental housing even before the pandemic, with one in four renters paying more than 50 percent of their income on rent. Now, with so many families facing economic hardship in light of the crisis, the need to keep affordable housing production moving forward is more important than ever.

The undersigned businesses and organizations – representing nearly 2,400 national, state, and local affordable housing stakeholders as a part of the A Call To Invest in Our Neighborhoods (ACTION) Campaign – urge Congress to stabilize our nation’s affordable housing delivery system by including provisions to support the Housing Credit in any year-end tax legislation.

Several of the provisions in this letter are included in the *Affordable Housing Credit Improvement Act* (S.1703 & H.R.3077). This bipartisan legislation 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, and these provisions are even more urgent now. In addition to these critical provisions, the affordable housing community is also seeking additional relief through rental assistance, support for struggling properties, and regulatory flexibilities. In any year-end legislative package, we encourage the enactment of these Housing Credit priorities:

- **Immediately enact a minimum 4 percent Housing Credit rate.** Federal borrowing rates have been slashed in response to the pandemic. This has caused a swift drop to the so-called “4 percent” Housing Credit rate, which in actuality fluctuates according to these federal borrowing rates. At 3.19 percent in February, the 4 percent Housing Credit rate has since fallen and remains low, at just 3.09 percent for the month of December. This decline has threatened the viability of thousands of affordable homes already underway, creating unforeseen financing gaps that have forced development to come 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 rate as part of the response to the 2008 economic collapse and in recognition of the critical role of affordable housing in the recovery. It would help ensure projects remain financially viable and that these much-needed homes will move forward. Accounting firm Novogradac & Company estimates that

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nearly 137,000 additional affordable rental homes would be created or preserved over 2020–2030 with a minimum 4 percent Housing Credit rate, and according to the National Association of Home Builders, each 100 units built would support 125 full-time equivalent jobs for one year. These affordable homes and jobs will be critical as the nation recovers from Covid-19.

- **Lower the “50 percent test” bond financing threshold for 4 percent Housing Credit developments.** The “4 percent” Housing Credit is available to 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, delays caused by the pandemic have created unexpected and increased project development costs, jeopardizing the ability of properties to amass enough bond financing to meet this 50 percent threshold and access associated Housing Credit equity.

Lowering the 50 percent threshold would allow more developments to move forward despite these pandemic-related disruptions. It would also increase affordable housing production by allowing more developments to access 4 percent Housing Credits.

- **Increase the annual Housing Credit allocation by 50 percent**, phased in over two years at 25 percent per year and beginning in 2021. This would finance hundreds of thousands of affordable homes for low-income households, who face an even dire need of affordable housing in light of the ongoing crisis.
- **Provide additional basis boosts for vulnerable properties impacted by Covid-19** – including bond-financed properties that have felt the financing crisis most acutely, developments serving extremely low-income tenants, rural area properties, and properties in Native American communities – would make more properties financially feasible.

In addition to these proposals for recovery and beyond, the ACTION Campaign supports the enactment of all of the provisions in the Affordable Housing Credit Improvement Act. We will continue to closely monitor the pandemic’s impact on affordable housing development, and will highlight to Congress any additional, necessary relief. In the meantime, we urge Congress to immediately address the urgent Housing Credit provisions included in this letter in any year-end legislative package, and we sincerely appreciate your consideration of these priorities.

ACTION Campaign Co-Chairs

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National Council of State Housing Agencies

ACTION Campaign Steering Committee Members

Affordable Housing Tax Credit Coalition
Council for Affordable and Rural Housing
Council of Large Public Housing Authorities
CSH
Housing Advisory Group
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Local Initiatives Support Corporation/National Equity Fund
National Association of Affordable Housing Lenders
National Association of Home Builders
National Association of Housing and Redevelopment Officials

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National Association of REALTORS®
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National Housing and Rehabilitation Association
National Housing Conference
National Housing Law Project
National Housing Trust
National Low Income Housing Coalition
National Multifamily Housing Council
Smart Growth America
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For a full list of ACTION Campaign members, visit www.rentalhousingaction.org.

CC: Senate Committee on Finance Chairman Chuck Grassley
Senate Committee on Finance Ranking Member Ron Wyden
House Ways & Means Committee Chairman Richard Neal
House Ways & Means Committee Ranking Member Kevin Brady