



# The ACTION Campaign Calls on Congress to Enact Critical Low-Income Housing Tax Credit Production Provisions

November 2022

The A Call to Invest in Our Neighborhoods (ACTION) Campaign, representing over 2,400 national, state, and local affordable housing stakeholders, urges Congress to expand the reach of the Low-Income Housing Tax Credit (Housing Credit) before the end of the 117th Congress to increase essential affordable rental housing production. Increased resources are critically needed to better align the supply of rental housing with demand to combat skyrocketing rental housing costs that are harming American families, seniors, and all low-income renter households.

According to the Bureau of Labor Statistics, shelter was the single largest component of the Consumer Price Index as of October 2022, making up approximately one-third of total costs.<sup>1</sup> Rent payments are by far the largest expense for renter households, and rents have risen at an unprecedented rate over the last two years. This is largely due to the fact that since the Great Recession, our nation has woefully under built, resulting in demand far outstripping supply for affordable rental housing. Congress must address this disparity, which will only get worse unless we act.

Not only have rents been rising precipitously, but the cost to develop housing of all sorts — affordable and market rate — have rapidly increased over the last few years due to supply chain disruptions, workforce shortages, and rising interest rates. According to independent research by Abt Associates, nearly all developments awarded Housing Credits since 2019 have faced significant financing gaps due to higher-than-expected costs and/or project delays.<sup>2</sup> The average funding gap is estimated to be approximately 30 percent of original anticipated costs. This means that we are building fewer homes with existing resources than we were just a few years ago.

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<sup>1</sup> Bureau of Labor Statistics, U.S. Department of Labor [Consumer Price Index – October 2022](#)

<sup>2</sup> *Filling the Gaps: How State Agencies are Moving to Meet the Growing Threat to Affordable Housing*, Abt Associates, September 2022



The Housing Credit is our nation's most effective affordable housing financing tool. It is a model public-private partnership program that has earned strong bipartisan, bicameral support since its inception in 1986. Expanding production through the Housing Credit is essential for addressing the shortage of affordable rental housing and address inflationary impacts, especially for low-income individuals and working families across the country.

The ACTION Campaign urges Congress to take two critical steps to expand the Housing Credit

- *Expand Housing Credit authority.* We simply do not have enough Housing Credit authority to meet demand. Unfortunately, we have moved backward rather than forward in this regard. At the end of 2021, a small but meaningful increase in the Housing Credit expired, thus, in 2022 there were less Credit resources than there had been in the preceding years. This 12.5 percent increase had been in place since Congress struck a bipartisan agreement in 2018, but it expired at the worst possible time, given rising development costs. **The undersigned organizations and businesses call on Congress to increase the Housing Credit by 50 percent. At a bare minimum, Congress should reinstate the 12.5 percent cut to Housing Credit authority, adjusted for inflation.**
- *Enhance the use of existing Private Activity Bond (PAB) authority for rental housing production.* An outdated requirement that at least 50 percent of the cost of rental housing properties must be financed with multifamily bonds to maximize Housing Credit equity is preventing states from getting the most out of existing PAB authority to finance affordable rental housing with the 4 percent Housing Credit. **The undersigned organizations and businesses call on Congress to lower the bond financing threshold from 50 percent to 25 percent to make more efficient use of existing PAB resources and significantly expand rental housing production.**

Together, increasing Housing Credit authority by 50 percent and lowering the bond financing threshold could result in an additional **xxxxx**\* affordable rental homes over the next 10 years.

Both of these provisions are included in the bipartisan, bicameral Affordable Housing Credit Improvement Act (AHCIA) of 2021 (S.1136 and H.R.2573), introduced by Senators Maria Cantwell (D-WA), Todd Young (R-IN), Ron Wyden (D-OR), and Rob Portman (R-OH), and Representatives Suzan DelBene (D-WA-01), Don Beyer (D-VA-08), Brad Wenstrup (R-OH-02), and the late Jackie Walorski (R-IN-02) in April 2021.

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\* This data is being calculated but will be updated in the final letter for distribution.



The AHCIA includes numerous proposals to strengthen the Housing Credit. Our organizations urge Congress to pass the bill in its entirety. However, the most crucial thing Congress can do now, given the likelihood that end-of-year tax legislation could be limited in scope, would be to take these two steps to increase the number of affordable rental homes to begin combatting rising rents for the scores of low-income individuals, working families, seniors, veterans, people with disabilities, and people experiencing homelessness in communities nationwide.

**Sincerely,**

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Jennifer Schwartz,  
ACTION Co-Chair and  
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### **STEERING COMMITTEE MEMBERS**

Affordable Housing Tax Credit Coalition

Council for Affordable and Rural Housing

Council of Large Public Housing Authorities

CSH

Housing Advisory Group

Housing Partnership Network

LeadingAge

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

National Association of Local Housing Finance Agencies (NALHFA)

National Association of REALTORS®

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