Public Housing

The Low-Income Housing Tax Credit (Housing Credit)

Public housing, like roads and bridges, is a long-term public asset and a critical part of our nation's infrastructure. In thousands of cities and towns across the country, seniors, veterans, persons with disabilities, and families with children rely on public housing. However, inadequate federal funding over the last two decades has created a capital needs backlog estimated to be at least $70 billion.[1] With only one in five eligible households receiving federal housing assistance,[2] it is critical to preserve the existing public housing stock across the nation.

Public Housing Authorities (PHAs) use the Housing Credit and Housing Bonds to address a variety of affordable housing needs, such as the preservation of existing public housing through recapitalization or demolition and redevelopment where needs extend beyond rehabilitation. PHAs use the Housing Credit in conjunction with the Rental Assistance Demonstration (RAD) program, which allows PHAs to leverage public and private debt and equity to reinvest in the public housing stock and maintain properties for residents. As of March 2023, PHAs in 48 states and D.C. have converted 169,049 public housing units through 1,607 transactions, of which 46 percent secured Housing Credits totaling $10.25 billion in equity financing.[3] The Housing Credit, when coupled with RAD or other non-RAD HUD programs like the Choice Neighborhood Initiative and previously HOPE VI, remains integral to the successful efforts of PHAs to preserve existing and produce new quality housing for low-income households.

The *Affordable Housing Credit Improvement Act* (*AHCIA*), S. 1557 & H.R. 3238

Provisions to support Affordable Housing Development

The bipartisan, bicameral *AHCIA* 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 232,500 affordable rental homes over 2023-32, 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.*

[1] Public Housing Authorities Directors' Association, via House Financial Services Committee. (2019). https://democrats-financialservices.house.gov/uploadedfiles/hhrg-116-ba00-20190430-sd002_-_memo.pdf
[2] Scally, C.P., Batko, S., Popkin, S.J., & DuBois, N. (2018). *The Case for More, Not Less*. The Urban Institute. https://www.urban.org/sites/default/files/publication/95616/the_case_for_more_not_less_1.pdf
[3] U.S. Dept. of Housing & Urban Development, Office of Recapitalization for Multifamily Housing Programs. (2023).