



September 30, 2024

The Honorable Mike Kelly
United States House of Representatives
1707 Longworth House Office Building
Washington, DC 20515

The Honorable Mike Carey
United States House of Representatives
1433 Longworth House Office Building
Washington, DC 20515

The Honorable Claudia Tenney
United States House of Representatives
2349 Rayburn House Office Building
Washington, DC 20515

The Honorable Blake Moore
United States House of Representatives
1131 Longworth House Office Building
Washington, DC 20515

The Honorable Darin LaHood
United States House of Representatives
1424 Longworth House Office Building
Washington, DC 20515

Dear Representatives Kelly, Tenney, LaHood, Carey, and Moore:

Thank you for the opportunity to submit comments to the Ways and Means Committee's Community Development Tax Team as it considers how the tax code can better support affordable housing and community development and how such changes could be incorporated into tax legislation that focuses on extending the *Tax Cuts and Jobs Act of 2017* (TCJA). The [ACTION Campaign](#) is a national grassroots coalition of approximately 2,400 national, state, and local organizations and businesses focused on protecting, expanding, and strengthening the Low-Income Housing Tax Credit (Housing Credit) program. The Housing Credit is our nation's most important tool for encouraging private investment in the production and preservation of affordable rental housing.

The ACTION Campaign supports the enactment of the bipartisan *Affordable Housing Credit Improvement Act* (AHCIA), H.R. 3238. The AHCIA is comprehensive legislation to both expand and strengthen the Housing Credit program. We greatly appreciate Representatives LaHood and Tenney's leadership in sponsoring this bill and the rest of the Community Development Tax Team for cosponsoring it. Without question, enacting the AHCIA is one of the most important things Congress can do to tangibly address the affordable housing supply crisis affecting communities of all types and sizes across the country.

The Affordable Housing Crisis is Vast and Growing

As you are all aware, there is a significant affordable housing shortage affecting every state, county, and metro area in America. The insufficient supply of affordable rental homes is driving up rents, making it impossible for low-income households to live in the

communities where they work, harming seniors on fixed incomes, and many families who are forced to choose between paying the rent and meeting other critical needs—all of which negatively impacts our nation’s economic growth.

Approximately half of all renter households nationwide, or 22.4 million families, are considered housing-cost-burdened, meaning they pay more than 30 percent of their income on housing costs. Moreover, over a quarter of renter households, or 12.1 million families, are considered severely housing-cost-burdened, meaning they pay over half of their income on housing costs. And this crisis is just getting worse. About two million more households face housing cost burdens now than at the start of the pandemic. These cost-burden statistics are the highest on record.¹

The recent rise in rents is directly connected to the imbalance between demand for affordable housing and its supply. Moreover, we are short 7.3 million affordable and available rental homes for renters who are extremely low-income, which includes those whose incomes are below the Federal Poverty Level or who earn less than 30 percent of the local Area Median Income (whichever is greater).² Seventy-four percent of extremely low-income renters are severely housing-cost-burdened, spending over half of their limited income on housing. These renters are always living one unexpected expense away from housing instability, eviction, and, in the worst cases, homelessness. Reforms included in the AHCA would help the Housing Credit better serve these households. The shortage affects all types of areas – rural, suburban, and urban.

The national “Housing Wage,” an estimate of the hourly wage a single worker must earn to afford a modest rental home at HUD’s fair market rate (FMR) without spending 30 percent or more of their income on housing, is \$26.74 for a modest one-bedroom home and \$32.11 for a modest two-bedroom home. Therefore, a single minimum-wage worker must work an average of 95 hours per week, or 2.4 full-time jobs, to afford a modest one-bedroom rental home at FMR, even when factoring in higher state and county minimum wages. To afford a modest two-bedroom rental home, the average minimum-wage worker would have to work 113 hours per week, or 2.8 full-time jobs.³

The Housing Credit’s Considerable Impact

Since the Housing Credit was established as part of the *Tax Reform Act of 1986*, the program has financed over 3.8 million affordable homes and served nearly 9 million families. It is a market-based, pay-for-success solution that transfers risk to private sector investors and developers. Much of its success is also due to the fact that the Housing Credit’s administration is delegated to states rather than to an inside-the-Beltway entity in a one-size-fits-all manner.

¹ Harvard University’s Joint Center for Housing Studies. *The State of the Nation’s Housing 2024*.

https://jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2024.pdf

² NLIHC. *The Gap: A Shortage of Affordable Homes 2024*. https://nlihc.org/sites/default/files/gap/2024/Gap-Report_2024.pdf

³ NLIHC. *Out of Reach: The High Cost of Housing 2024*. https://nlihc.org/sites/default/files/2024_OOR.pdf

The Housing Credit also has many secondary impacts beyond providing affordable housing for those who need it. It supports about 6.33 million jobs per year across multiple industries and has generated \$716.3 billion in wages and business income. Similarly, it has generated over \$257 billion in federal, state, and local tax revenue over its nearly 40-year existence.

The AHCIA would add to this economic juggernaut. Over the next decade, the AHCIA's provisions would result in not just the two million additional affordable rental homes, but also around 2.95 million more jobs; almost \$333 billion more in wages and business income; and over \$115 billion more in new federal, state, and local tax revenue than we would have without its enactment.

The Housing Credit has a proven track record of serving working families and our nation's most vulnerable households, including seniors, veterans of our Armed Forces, people that have experienced homelessness, survivors of domestic violence, and people with disabilities. It has financed the creation and preservation of homes in all corners of the country: rural areas, Tribal areas, exurban areas, suburban areas, and urban areas. Critically, the program enables states to encourage property sponsors to coordinate or directly provide services to residents who need it, including job training, financial counseling, tutoring, physical and mental healthcare, childcare, substance use disorder treatment and counseling, and more, further enhancing the outcomes of the program for residents beyond providing a roof over their heads.

Production Provisions of the AHCIA

The AHCIA has several provisions that would finance the production and preservation of more affordable housing. Together, these provisions would finance almost two million additional affordable rental units nationwide over the next decade.

1. Increasing Housing Credit authority under the annual program cap. The AHCIA would both restore a modest increase in program authority that expired at the end of 2021, resulting in a cut in program resources, and further increase authority by 50 percent. Housing Credit authority under the cap is used to finance the production and preservation of so-called "9 Percent Credit" properties.
2. Lowering the bond financing threshold from 50 percent to 25 percent. Current law allows states to amplify their production of Housing Credit properties if they dedicate private activity bond authority for multifamily bonds and if developers receive enough debt from bond authority to cover at least 50 percent of their projects' total financing costs. Meeting this 50 percent threshold allows developers access to so-called "4 Percent Credits" to provide equity for these properties. However, developments generally are unable to support such high levels of debt over the long term because of the limit on the rents that may be charged to low-income households. Thus, the 50 percent threshold results in higher development costs, as developers must pay issuance fees for debt they do not need and cannot support and take on refinancing costs when the

properties placed in service and permanent debt is swapped in for the bond mortgage. Moreover, approximately two-thirds of states have demand for bond authority that either exceeds or equals their annual allotment; thus, the 50 percent threshold forces them to use this finite resource in an inefficient manner and reduces the resources available for more production and other bond-eligible projects. The AHClA would lower this threshold to 25 percent, creating financing efficiencies, reducing development costs, and increasing production.

3. Establishing new basis boosts. The AHClA proposes four basis boosts to ensure financial feasibility of certain projects. These are:
 - a. Tribal basis boost: a new basis boost of up to 30 percent for homes built on Tribal lands.
 - b. Rural basis boost: a similar new basis boost of up to 30 percent for homes built in rural areas.
 - c. Extremely low-income basis boost: a basis boost of up to 50 percent for properties with at least 20 percent of their units dedicated for tenants with extremely low incomes – and only for those specific units. This will enable affordable housing for those with special needs, homeless veterans, and many other vulnerable populations.
 - d. State discretionary basis boost: would extend an existing discretionary basis boost that currently only applies to 9 Percent Credit properties to 4 Percent Credit properties.

Program Improvement Provisions of the AHClA

The AHClA contains approximately two dozen additional provisions that would make commonsense improvements to the Housing Credit program. These optimizations have the support of the broad affordable housing community, including tenant advocates, state agencies, owners, syndicators, and investors. A detailed bill summary is available [here](#) and a series of videos explaining the need for each provision is [here](#).

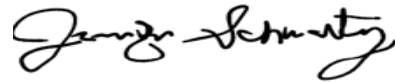
The programmatic changes in the AHClA would make the Housing Credit a better tool for the preservation of existing affordable housing; streamline program rules to better align with other affordable housing and energy programs; codify protections for veterans, those who have suffered from domestic and dating violence, and victims of human trafficking; reduce barriers faced by investors; combat NIMBYism; better facilitate production in rural and Native American communities; and strengthen program oversight. While these provisions have not received scores from the Joint Committee on Taxation, they are likely to have little to no cost, but will result in major programmatic improvements.

Thank you very much for this opportunity to provide input on ACTION's tax policy priorities for 2025. We greatly appreciate it. If you have any questions, we are always available as a resource. Please do not hesitate to reach out to ACTION's co-chairs, [Ayrienne Parks](#) with Enterprise Community Partners or [Jennifer Schwartz](#) with the National Council of State Housing Agencies, with any questions.

Sincerely,



Ayrienne Parks
Enterprise Community Partners
ACTION Campaign Co-Chair



Jennifer Schwartz
National Council of State Housing Agencies
ACTION Campaign Co-Chair

cc: Elise Stebick, Jack Boyd, Greg Warren, Emily Graeter, Nick Wooldridge, and Kathryn Chakmak Reed.