National Association of Housing and Redevelopment Officials (NAHRO) Comments
In Response to the Senate Finance Committee Request for Tax Reform Proposals
July 17, 2017

Formed in 1933, NAHRO represents over 23,000 housing and community development (HCD) individuals and agencies. Collectively, our members manage over 970,000 public housing units, 1.7 million Housing Choice Vouchers, and receive over $1.5 billion in Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) Program funding to use in their communities. NAHRO is unique in our ability to represent public housing Agencies, local redevelopment agencies, other HUD grantees of all sizes and geography.

Expand and Strengthen the Low-Income Housing Tax Credit (LIHTC)

As Congress and the administration works to implement comprehensive changes to our tax system, NAHRO urges legislators to expand and strengthen LIHTC and to protect multifamily Housing Bonds, as part of any tax reform. LIHTC is our nation's most successful tool for encouraging private sector investment in the production and preservation of affordable rental housing. Virtually no affordable rental housing development would occur without LIHTC and it is one of the few programs that NAHRO members can successfully utilize to preserve and revitalize their aging public housing units. LIHTC is an extremely vital financing component for many of the successful federal HCD that NAHRO members are engage in, including the Rental Assistance Demonstration, Choice Neighborhoods, HOME and CDBG.

As a model public-private partnership program, LIHTC has been a critical source of equity for almost 3 million affordable apartments over the last 30 years (almost one-third of the entire U.S. inventory), providing over 6.7 million low-income households, including low-income families, seniors, veterans, and people with disabilities, with access to homes that they can afford. LIHTC also only requires limited federal bureaucracy since the original authorizers of the program recognized the importance of delegating its administration and decision-making authority to each state government. These state entities have a much greater understanding of the needs of their local markets and possess the sophisticated finance, underwriting, and compliance capacity necessary to administer LIHTC.

LIHTC spurs job creation and stimulates local economies. Since 1986, LIHTC developments have supported over 3.26 million jobs. The National Association of Home Builders (NAHB) estimates that for every 1,000 apartments developed by LIHTC, roughly 1,130 jobs are created - amounting to approximately 96,000 jobs per year. Additionally, LIHTC adds approximately $9.1 billion in income to the economy and generates about $3.5 billion in federal, state, and local taxes each year. Despite LIHTC's success, it has been 16 years since Congress last increased the program's overall allocation authority.

Currently there is a shortage of 7.2 million affordable and available rental units for the nation's 11.4 million extremely low-income households (earning below 30 percent of the area median income). One in four renter households are spending over half of their income on housing[1], and there is no state in the U.S. where a

[1] *America's Rental Housing: Expanding Options for Diverse and Growing Demand*. Harvard Joint Center for Housing Studies. 2015.

worker earning full-time minimum wage can afford a modest, two-bedroom apartment.[2] Harvard researchers recently reported that in the last decade, the U.S. has experienced the largest gain in renter households compared to any 10-year period on record, with an unprecedented 9 million households added to the overall share. Yet, real rents have increased by 7 percent since 2001 and renter income has declined by 9 percent.

The lack of affordable housing can negatively impact economies. Research show that high rent burdens have priced out many workers from U.S. cities with high productivity, resulting in 13.5 percent of foregone GDP growth, a loss of nearly $2 trillion between 1964 and 2009[3]. Affordable housing programs like LIHTC positively impacts communities through revitalization – about one-third of LIHTC properties have revitalize distressed communities. Stanford University research show that these types of investments improve property value and reduce poverty, crime, and racial and economic isolation.

The growing housing needs of low-income families is an imminent reality that Congress cannot ignore. NAHRO urges legislators to should support investment in LIHTC as part of any effort to grow the nation's economy and create jobs. The Affordable Housing Credit Improvement Act of 2017 (H.R. 1661) introduced by Representative Pat Tiberi (R-OH) and Ways and Means Committee Ranking Member Richard Neal (D-MA) has strong bipartisan support. As does the bill's companion legislation (S. 548) sponsored by Senators Maria Cantwell (D-WA) and Orrin Hatch (R-UT). While only the Senate bill phases-in a 50 percent increase to the LIHTC cap -- an increase that NAHRO believes is vital during a time where other resources become limited and the affordable housing deficit continues to grow -- both bills do seek to improve LIHTC through provisions that would streamline and modernize the program, increase financial feasibility for projects, and encourage development in underserved areas. For example, the bills would establish a minimum 4 percent credit rate. In 2015, Congress approved a minimum 9 percent LIHTC rate, but 9 percent credits are often grossly difficult to secure by PHAs. NAHRO members often turn to the non-competitive 4 percent credit to preserve their distressed affordable housing stock. The current 4 percent floating rate is an impediment to LIHTC projects and a permanent rate would enable stakeholders to more efficiently finance affordable housing projects. NAHRO also calls on Congress to retain the tax exemption on multifamily Housing Bonds, which provide important financing to about 40 percent of all LIHTC apartments.

Make Permanent the New Markets Tax Credit Program (NMTC)

NAHRO encourages Congress to permanently authorize the NMTC Program, which is scheduled to expire on December 31, 2019. Since its inception in 2000, the NMTC Program has proven to be an effective, targeted, and cost-effective tool for generating private sector investments in highly distressed communities. The NMTC program supports a wide range of businesses, including manufacturing, food, retail, housing, health, technology, energy, education, and childcare. The program ultimately improves the quality of life for community residents through increased job opportunities and access to community facilities and commercial goods and services, and by spurring further private investment and revitalization.

The NMTC Program's statute requires investments to be made in economically distressed communities, but more than 72 percent of all program investments have been made in areas experiencing severe economic

[2] *Out of Reach 2017.* National Low Income Housing Coalition. 2017.

[3] Hsieh, C. and Moretti, E. "Housing Constraints and Spatial Misallocation." University of Chicago. May 18, 2017. (http://faculty.chicagobooth.edu/chang-tai.hsieh/research/growth.pdf)

distress. The impact of the program on local economies is evident through its leverage ability: for every $1 invested by the Federal government, the program generates over $8 in private capital. The New Markets Tax Credit Coalition finds that between 2003 and 2015, $42 billion in NMTC investments leveraged nearly $80 billion in financing for businesses and revitalization projects located in areas with high poverty and unemployment. Additionally, from 2003 to 2012, the program has generated approximately 750,000 jobs, at a cost to the federal government of under $20,000 per job[4]

The NMTC Program is largely considered as one of the federal government's most efficient economic development program. If legislators want to encourage economic growth and strengthen American businesses, Congress should look to the bipartisan The New Markets Tax Credit Extension Act of 2017 (S. 384/H.R. 1098) that is pending in both chambers of Congress. This legislation permanently authorizes the NMTC Program and also includes prudent and sensible provisions that would increase the program's annual credit authority with inflation adjustments in future years and exempts NMTC investments from the Alternative Minimum Tax.

Please do not hesitate to contact us to provide additional information and clarification on any of the topics mentioned in our comment letter.

Sincerely,

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[4] *Fact Sheet: The New Markets Tax Credit Extension Act of 2017*. New Markets Tax Credit Coalition. (http://nmtccoalition.org/wp-content/uploads/NMTC-Extension-Act-2017-Fact-Sheet-4.pdf)