The Low-Income Housing Tax Credit (LIHTC or “Housing Credit”) is our nation’s most successful tool for encouraging private investment in the production and preservation of affordable rental housing. LIHTCs have been a critical source of equity for almost 3 million affordable housing units over the last 30 years, providing affordable homes to 6.7 million low-income families and supporting 3.25 million jobs. Virtually no affordable rental housing development would occur without LIHTC, and the Housing Credit is now a vital financing component for many of the federal, state, and local affordable housing programs that NAHRO members are engaged.

Following the outcome of the 2016 Presidential election, the increased likelihood of major changes to the federal tax code, including a reduction in the corporate tax rate, introduced uncertainty into the LIHTC market. Investors were wary of participating in this affordable housing program and were reassessing the value and benefits of investing in LIHTC projects. As a result, there were disruptions in the LIHTC equity market and projects in the pipeline are being delayed, closed with less equity, or canceled due to funding gaps. However, it is important to note that this current issue involves Housing Credit pricing and individual States are taking beginning steps to address this issue (e.g., providing additional sources to fill funding gaps, changing equity assumptions for 2017 applications and in the awards cycle). There is no shortage of demand for LIHTCs and there is still strong bipartisan support for LIHTC in Congress.

On March 7, Senator Maria Cantwell (D-WA) and Senate Finance Committee Chairman Orrin Hatch (R-UT) introduced the Affordable Housing Credit Improvement Act of 2017 (S. 548), a comprehensive and bipartisan bill that would strengthen and expand LIHTC. S. 548 takes steps toward addressing the affordable housing deficit by increasing the overall Housing Credit allocation authority and establishing a permanent 4 percent Housing Credit rate. The legislation also includes provisions that would streamline and modernize LIHTC, increase financial feasibility for projects, and encourage development in underserved areas. The bill would also support the development of rental units that use LIHTC in conjunction with multifamily Housing Bonds, which currently provide important financing to about 40 percent of all Housing Credit apartments.

In December 2017, Congress passed and the President signed a tax reform bill that maintains tools important to the creation and preservation of affordable housing and the economic development of towns and cities across the country. While preserving private activity bonds, LIHTC, New Market Credits, and Historic Tax Credits, which all play critical roles when our members take on the hard task of improving their communities, the LIHTC strengthening and expansion provisions of S. 548 are still needed.

Currently, one in four renter households spends over 50 percent of their income on housing, and there is no state in the U.S. where a worker earning full-time minimum wage can afford a modest, one-bedroom apartment. The growing housing needs of low-income families is an imminent reality that Congress and policymakers cannot ignore. NAHRO serves on the steering committee for the ACTION Campaign - a national, grassroots coalition of over 2,000 national, state, and local organizations and businesses calling on Congress to protect, expand and strengthen the Housing Credit. NAHRO will continue to join industry partners to call on Congress to support the provisions of S. 548.

For up-to-date information on this issue and other affordable housing issues go to www.nahro.org/resource-center and follow the NAHRO blog at www.nahroblog.org