



National Association of Housing and Redevelopment Officials

630 Eye Street NW, Washington DC 20001-3736
(202) 289-3500 Toll Free: (877) 866-2476 Fax: (202) 289-8181

NAHRO Statement for the Senate Finance Committee Hearing America's Affordable Housing Crisis: Challenges and Solutions August 1, 2017

Formed in 1933, NAHRO represents nearly 20,000 housing and community development professionals and agencies. Collectively, our members manage more than 950,000 public housing units, 1.6 million Housing Choice Vouchers, approximately 70,000 Low-Income Housing Tax Credit (LIHTC) units, and receive over \$1.5 billion in Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) Program funding to use in their communities. In all, NAHRO members provide housing for more than 7.9 million low-income people. NAHRO is unique in its ability to represent public housing agencies (PHAs), local redevelopment agencies (LRAs), and other HUD grantees of all sizes and geography. Many NAHRO members depend on LIHTC as a source of funding for their affordable housing projects.

LIHTC is a critical tool for PHAs/LRAs preserving and creating affordable housing. PHAs own and operate over 1.1 million units of federally subsidized public housing, supporting low-income families, the elderly, disabled persons, and veterans. Although the public housing inventory is an integral component of our nation's infrastructure, chronic underfunding of the Capital and Operating Funds (the two primary funding mechanisms of public housing) has placed the inventory at risk, with a mounting capital needs backlog of well over \$26 billion. PHAs turn to LIHTC to preserve and revitalize their distressed public housing inventory, and both PHAs and LRAs often take advantage of LIHTC's leveraging power to secure other state, local, federal resources (e.g., CDBG) for affordable housing projects that revitalize their communities.

Last March, the Housing Authority of Salt Lake gathered alongside their public and private partners to celebrate the opening of the 9th Lofts at Bennion Plaza - a 68-unit mixed-use LIHTC development that will help chip away at the city's 7,500 unit affordable housing deficit. The project serves a mix of community low-income housing needs; a third of the units are reserved for residents with specific needs beyond affordability, including residents with physical disabilities, victims of domestic violence, military veterans, and those transitioning out of homelessness. Overall, NAHRO estimates that between 1984 and 2014, LIHTCs awarded to PHAs/LRAs have supported at least 53,200 low-income housing units¹.

¹ Department of Housing and Urban Development, Office of Policy Development and Research: LIHTC Database. (<https://www.huduser.gov/portal/datasets/lihtc.html#about>). Accessed on November 16, 2016.

Stephen W. Merritt, PHM, President; **Carl S. Richie, Jr.**, NCC, NAHRO Fellow, Senior Vice President; **Julie Brewen**, Vice President-International Research and Global Exchange; **Donna Brown-Rego**, Vice President-Member Services; **Donovan Duncan**, Vice President-Community Revitalization and Development; **Duane Hopkins**, Vice President-Professional Development; **Richard Leco**, PHM, Vice President-Commissioners; **Regina Mitchell**, SPHM, PHM, Vice President-Housing; **Adrienne Todman**, Chief Executive Officer.

The LIHTC is also important to the success of HUD's Rental Assistance Demonstration (RAD). RAD allows PHAs to leverage public and private debt and equity to address the capital needs backlog of their public housing portfolios. For example, Home Forward (previously known as the Housing Authority of Portland) is currently in the process of converting 31 public housing properties, with a total of 1,063 units, into Project-based Vouchers. Of the 31 properties undergoing conversion, 30 of those projects would utilize LIHTCs in their financing to assist with necessary capital improvements.

HUD data shows that the LIHTC has been essential in many of the RAD transactions closed by the Department thus far. Notably, 186 closed RAD conversions, amounting to almost 21,000 public housing units, had LIHTC in their financing². As a cost-neutral program, Congress has supported RAD by expanding its current cap on conversions to 225,000 units. Without additional action to strengthen the LIHTC, this support falls short of its intent.

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 (those earning below 30 percent of the AMI). One in four renter households are spending over half of their income on housing costs, and there is no state in the U.S. where a worker earning full-time minimum wage can afford a modest, two-bedroom apartment. NAHRO urges the committee to support a greater investment in the LIHTC as part of any efforts to address the America's affordable housing crisis.

Additionally, the LIHTC program benefits middle-class families who struggle with high housing costs. While the lowest-income renters disproportionately make up the largest share of cost-burdened households (those spending up to 30 percent of income on housing costs), the sharpest growth in cost burden shares have been among middle-income households. Between 2001 and 2014, the share of cost-burdened households in the \$30,000-44,999 income range increased from 37 percent to 48 percent, while households in the \$45,000-74,999 range nearly doubled from 12 percent to 21 percent³.

NAHRO, along with the ACTION Campaign⁴, urges the Committee to pass the Affordable Housing Credit Improvement Act of 2017 (S. 548). Provisions strongly supported by NAHRO include:

- **Expand the overall LIHTC allocation authority by 50 percent.** NAHRO supports this expansion since 9 percent LIHTCs are highly competitive and difficult for PHAs/LRAs to secure. At a time where other federal housing resources are limited, expanding the volume cap by 50 percent will allow greater access for PHAs/LRAs, which would be a meaningful step towards addressing our nation's growing affordable housing deficit.
- **Establish a minimum 4 percent credit rate.** In 2015, Congress provided greater stability in the LIHTC market by establishing a minimum 9 percent LIHTC rate. However, NAHRO members often turn to 4 percent LIHTCs because they are non-competitive and more accessible. The current floating 4 percent rate is an impediment to projects. Establishing a permanent rate will make project financing more predictable and feasible.

² Department of Housing and Urban Development, Rental Assistance Demonstration Resource Desk: RAD First Component Data. (<http://www.radresource.net/firstcomponent.cfm>). Accessed July 27, 2017.

³ *America's Rental Housing: Expanding Options for Diverse and Growing Demand*. Harvard Joint Center for Housing Studies. 2015.

⁴ The ACTION Campaign, of which NAHRO is a Steering Committee member, is a national coalition of roughly 1,300 organizations and businesses calling on Congress to expand and strengthen LIHTC. Learn more at: <http://rentalhousingaction.org/>.

- **Enable income averaging in LIHTC developments.** Housing Credit projects currently serve renters with incomes up to 60 percent of area median income (AMI), and rents are comparably restricted. While states are encouraged to give preference to developments that serve the lowest-income populations, it can be difficult to make these developments financially feasible, especially in certain areas where many of NAHRO's members are located. Examples include: rural areas with very low median incomes, economically depressed communities pursuing mixed-income revitalization, and high-cost markets.

The LIHTC is the most successful tool for enabling and encouraging private sector investment in the production and preservation of affordable rental housing. It 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 with access to homes that they can afford.

The 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 - 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.

The LIHTC requires limited federal bureaucracy. The original authorizers of LIHTC recognized the importance of local control in its administration and decision-making authority. State and local housing 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.

By preserving affordable housing, producing new housing options, creating jobs, and helping struggling low- and moderate-income families across the country, LIHTC program is a common-sense approach to ensuring a stronger housing infrastructure.

Mr. Chairman and members of the Senate Finance Committee, thank you for your interest in meeting the nation's affordable housing needs and we welcome your continued support for the LIHTC program.