



National Consensus Letter to Support and Improve the Low-Income Housing Tax Credit (Housing Credit) Program

The Low Income Housing Tax Credit (Housing Credit) is the nation's largest and most successful rental housing production program, having produced more than 2.4 million affordable apartments and 3.6 million jobs since 1986. The undersigned organizations urge Congress to:

- Protect and preserve the Housing Credit in whatever deficit reduction or tax reform plan Congress considers, and
- Make permanent the temporary fixed floor rate for Housing Credits to sustain their efficiency and effectiveness at little or no cost to the federal government (see specifics below).

The Housing Credit is vital to the creation and preservation of affordable housing in every state in the Union. According to the National Council of State Housing Agencies (NCSHA), approximately 90 percent of all affordable rental housing produced annually is financed through the Housing Credit, and in 2010, half of all multifamily starts were financed by the Housing Credit according to the National Association of Home Builders (NAHB). In a typical recent year, the program supports about 150,000 jobs and adds approximately \$1.5 billion in taxes and other revenues to local economies, according to NAHB. Housing Credit properties are very well managed, with an extremely low foreclosure rate below 0.1 percent, according to Ernst and Young.

The need for affordable rental housing is acute and growing. Renters are constrained by a lack of income growth, and as more people decide to rent, there has not been an accompanying increase in the supply of affordable apartments. Harvard's Joint Center for Housing Studies recently documented an affordability crisis: 49 percent of renters in 2009 were at least moderately cost-burdened and 26 percent were severely cost-burdened. In the types of jobs currently hiring new workers, four out of the five most prevalent jobs do not pay workers enough to afford to rent or buy housing at typical prices nationwide, according to the Center for Housing Policy.

In addition to creating affordable homes, supporting jobs, and expanding local economies, the Housing Credit brings well-designed rental housing to a wide variety of communities, from inner cities to rapidly growing suburbs to rural towns. It builds new affordable apartments and saves valuable at-risk existing affordable housing, preventing displacement as rents outpace incomes. It provides affordable homes to working families and vulnerable populations with special needs—the elderly, people with disabilities, and people who are homeless. It addresses the housing needs of acutely underserved communities, such as farmworkers and Native Americans, and it is the key housing resource for transformative community redevelopment and revitalization efforts nationwide.

The focus on deficit reduction has raised tax reform on the national agenda. As Congress considers various options, it should recognize the Housing Credit as a proven, efficient means for creating affordable housing through public-private partnerships. For more than 25 years after President Reagan signed it into law in 1986, the Housing Credit has leveraged private capital, private development expertise, and private asset management to create affordable housing under the



National Consensus Letter to Support and Improve the Low-Income Housing Tax Credit (Housing Credit) Program

guidance of individual state allocating agencies. The Housing Credit's place in the tax code is an essential part of its long-term success. Indeed, it has been so successful that it has become a model for subsequent programs.

The undersigned include coalition members in the Affordable Rental Housing A.C.T.I.O.N. (A Call To Invest in Our Neighborhoods) Campaign — a national, grassroots coalition focused on maintaining investment in affordable rental housing—and represent a broad cross-section of organizations dedicated to the creation of affordable rental homes for lower-income families throughout the country. In addition to protecting and preserving the Housing Credit as a permanent part of the tax code, we support the following legislative proposals to improve its efficiency and effectiveness at little or no cost to the federal government:

1. Make the 9 percent Housing Credit fixed floor rate permanent

The Housing and Economic Recovery Act of 2008 (HERA) set the rate for new construction and substantial rehab Housing Credits (also known as 9 percent Housing Credits) from each state's allocation at no less than 9 percent, the amount originally envisioned when the program was created in the Tax Reform Act of 1986. This experiment proved successful—it removed the uncertainty and financial complexity of the floating rate system, simplified state administration, and facilitated development of affordable housing after HERA's enactment. However, this provision will expire for apartments placed in service after 2013. Because the Housing Credit development cycle generally takes about two years to complete, if this provision is not extended at the beginning of 2012, developments will need to be underwritten at the floating rate, which would mean a sudden and substantial reduction in the amount of equity that a development could receive for its allocation (though with no change in the amount of credits allocated). In the current budget environment where gap financing from HOME, CDBG, and other local sources are at risk, such a cut in equity would make the development of affordable housing more difficult. Making the fixed floor rate permanent would not increase the number of Housing Credits allocated, as they are capped annually. It just affects how much allocation each project may receive.

2. Make the Housing Credit floor rate for acquisition fixed at no less than 4 percent

In addition to the new construction and substantial rehab Housing Credits, states are allowed to provide Housing Credits from their capped allocation for the acquisition of existing property, an important tool for affordable housing preservation. Acquisition Housing Credits are currently set by the floating rate system just like new construction and substantial rehab Housing Credits were before HERA. Applying the fixed floor rate for acquisition Housing Credits at no less than 4 percent would similarly remove the uncertainty and financial complexity of the floating rate system, simplify state administration, and facilitate preservation of affordable housing at little or no cost to the federal government. Acquisition Housing Credits are less than 10 percent of all allocated Housing Credits according to NCSHA, so the incremental additional cost of extending the fixed floor rule to acquisition Credits would be minimal.



National Consensus Letter to Support and Improve the Low-Income Housing Tax Credit (Housing Credit) Program

Signatories:

Addison County Community Trust, Inc.
Affordable Housing Investors Council
Affordable Housing Tax Credit Coalition
AHEAD, Inc.
Arizona Housing Alliance
Atlanta Neighborhood Development Partnership
Auburn Housing Authority
Avesta Housing
Barbara Sokoloff Associates
Burbank Housing Development Corporation
California Council of Affordable Housing
California Housing Consortium
California Housing Partnership Corporation
Carolinas Council of Affordable Housing
CASA of Oregon
Catholic Charities Housing Services – Diocese of Yakima
Certified Commercial Investment Member Association
Chicago Community Development Corporation
Citizens Housing and Planning Association
City of Las Cruces, New Mexico
Clark County Community Resources Management Division
Cleveland Housing Network
Community Action Committee of the Lehigh Valley, Inc.
Community Affordable Housing Equity Corporation
Community Housing Assistance Program, Inc.
Community Housing of Maine
Cook Inlet Housing Authority
Corporation for Supportive Housing
Council for Affordable Rural Housing
Council of State Community Development Agencies
Curtis + Ginsberg Architects LLP
Desert Manna
EAH Housing
Eden Housing, Inc.
Enterprise Community Partners
Excel Development Group
Famicos Foundation
Federation of Appalachian Housing Enterprises Inc.
Freeport Housing Trust
Georgia Affordable Housing Coalition
Great Lakes Capital Fund
Habitat for Humanity International
Homes for America
House of Hope CDC
HOUSING ACTION Coalition - RI
Housing Advisory Group
Housing Association of Nonprofit Developers
Housing Corporation of Arlington
Housing Partnership, Inc.
Housing Partnership Network
Housing Resource Connection
Housing Trust of Rutland County, Inc.
Housing Vermont
Institute of Real Estate Management
Kansas City Equity Fund
Kelly & Close Engineers
Klein Hornig LLP
Laconia Area Community Land Trust
Lamoille Housing Partnership
LeadingAge
Local Initiatives Support Corporation



National Consensus Letter to Support and Improve the Low-Income Housing Tax Credit (Housing Credit) Program

Louisiana Association of Affordable Housing Providers
Low Income Investment Fund
Louisiana Community Reinvestment Coalition
Maine Affordable Housing Coalition
Maine Workforce Housing
Maryland Affordable Housing Coalition
Maryland Asset Building and Community Development Network
Massachusetts Housing Investment Corporation
MCA Housing Partners
Mercer Alliance to End Homelessness
Mercy Housing
Merritt Community Capital Corporation
Midwest Housing Equity Group Inc.
Missoula Housing Authority
Mountain Plain Equity Corporation
National Affordable Housing Management Association
National Apartment Association
National Association of Home Builders
National Association of State and Local Equity Funds
National Council of State Housing Agencies
National Housing & Rehabilitation Association
National Housing Conference
National Housing Law Project
National Housing Trust
National Leased Housing Association
National Multi Housing Council
National NeighborWorks Association
NeighborWorks Blackstone River Valley
NeighborWorks of Greater Manchester
New England Housing Network
Non-Profit Housing Association of Northern California
North Shore Community Development Coalition
Northern New England Housing Investment Fund
Novogradac & Company LLP
Ohio Capital Corporation for Housing
Olneyville Housing Corporation
Penquis Housing, Inc.
Project for Pride in Living
Project Freedom, Inc.
Recap Real Estate Advisors
Regan Development Corporation
Related California
Reznick Group, P.C.
Rural Rental Housing Association of Louisiana, Inc.
Rural Rental Housing Association of Texas, Inc.
Selfhelp Community Services
Southeastern Affordable Housing Management Association
St. Louis Equity Fund Inc.
Stewards for Affordable Housing For the Future
TAG Associates, Inc.
Tenderloin Neighborhood Development Corporation
The Affordable Housing Group of North Carolina, Inc.
The Burgwyn Co., LLC
The Community Builders, Inc
The Housing Assistance Corporation
The Institute for Human Services, Inc.
The Shelter Group
Urban Residential Partners
Virginia Community Development Corporation
Volunteers of America
Weaver Cooke Construction
Women's Institute for Housing & Economic Development
Workforce Homestead, Inc.