

THE CASE FOR EXPANDING THE LOW-INCOME HOUSING TAX CREDIT

The need for affordable rental housing is growing dramatically. At the same time, the demands on our primary affordable housing financing tool, the Low-Income Housing Tax Credit (Housing Credit), far exceed the available resources. Although the Housing Credit finances nearly 100,000 affordable homes for low-income households each year, the affordable housing supply gap will continue to grow unless the program is significantly expanded.

Unmet Affordable Housing Needs:

- An unprecedented 11 million renter households—more than one in four of all renters in the U.S.—spend more than half of their monthly income on rent. With that renter cost burden, there is very little left for the other necessities of life, such as food, healthcare, education and transportation to employment. The implications of this fact on the lives of low-income renters are staggering and extend well beyond housing.
- More than half of all renters pay more than 30% of income for rent—the traditional measure of affordability. Creating more affordable rental housing would generate more supply and could help take some pressure off of escalating rents, even for market rate rentals.
- The number of households experiencing “worst-case housing needs” (more than 50% of income paid for rent and/or living in severely inadequate housing) has risen 9% just since 2009 and 49% since 2003.
- At last measure, there were 11.2 million extremely low-income families (below 30% of area median income), competing for 7.3 million housing units that are considered affordable to them. This has created an affordable housing supply gap of 3.9 million homes just for this, the neediest segment, of the renter population.
- There were an estimated 7.7 million unassisted very low-income renters with worst case housing needs, as defined by HUD, in 2013. Only 26 percent of eligible very low-income households received housing assistance.
- Analysts expect that each year over the next decade an average of over 400,000 new renter households will enter the rental housing market--those entering the workforce and baby boomers downsizing into rental housing at or near retirement are a big part of this group. Many of these people will be low-income. However, the rental housing industry develops significantly less than this number of new rental units each year, meaning that the gap in rental housing supply vs. demand will only worsen. This factor alone will make it even more difficult in the immediate future and beyond for low-income renters to find a suitable place to live.
- According to a recent study by Enterprise Community Partners and the Joint Center for Housing Studies at Harvard University, the number of rental households who are severely cost burdened will continue to grow. Even if income gains outpace rent gains (over and above inflation) by a full percentage point over the next decade, only a net 169,000 households are projected to benefit. In a worst case scenario – where rent gains surpass income gains by a full percentage point – the study projects the number of severely cost burdened households would rise to 14.8 million by 2025 – an increase of 25 percent over 2015 levels.

- Over 12.8% of the nation’s supply of low-income housing, or 650,000 units, have been permanently lost from the stock of available affordable rental housing since 2001 due to conversion to market rate rentals or condominiums, demolition or obsolescence.
- The net effect of this significant loss of affordable rental homes is that, despite the impressive number of apartments developed with the Housing Credit, according to the Harvard Joint Center on Housing Studies, “the number of affordable units has stagnated over the past decade.”

Demand for the Housing Credit:

- Every year, state Housing Credit allocating agencies typically receive applications requesting two to three times as much Housing Credit resources as the agencies have to allocate. Yet even this does not quantify the extent to which demand for affordable rental housing outstrips the supply of Housing Credits, as there is no doubt that some developers with worthwhile projects do not even bother applying because the competition for Housing Credits is so fierce.
- State Housing Credit allocating agencies face difficult choices—not just whether to direct their extremely limited Housing Credit resources to preservation as opposed to new construction, but also rural versus urban areas and neighborhood revitalization versus projects in high opportunity areas. They balance whether to finance supportive housing for the homeless against assisted living for the elderly, against housing for needy families, against projects for veterans—all of whom have extraordinary needs. There simply is not enough Housing Credit authority to fund all of the properties we need.

Sources:

- Enterprise Community Partners and the Joint Center for Housing Studies of Harvard University (JCHS), *Projecting Trends in Severely Cost-Burdened Renters: 2015-2025*, 2015
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- JCHS, *America’s Rental Housing*, 2013
- National Council of State Housing Agencies, *2012 Fact Book*