AFFORDABLE RENTAL HOUSING A.C.T.I.O.N.
A Call To Invest in Our Neighborhoods

The Affordable Housing Credit Improvement Act of 2016

S. 3237

Our nation's affordable housing needs are vast and growing.

Rising rents and stagnant wages have made most rental housing unaffordable to low-income households. More than 11 million low-income households – roughly one in four renters – spend over half their income on rent, leaving too little for other necessary expenses like transportation, healthy food and medical bills. There is currently no state in the U.S. where a full-time minimum wage worker can afford a modest, one-bedroom apartment.

The Housing Credit provides a proven solution to a problem that faces every community.

The Low-Income Housing Tax Credit (Housing Credit) is our nation's most successful tool for encouraging private investment in the production and preservation of affordable rental housing. For 30 years, it has been a model public-private partnership program, bringing to bear private sector resources, market forces, and state-level administration. It has financed nearly 3 million apartments since 1986, providing roughly 6.5 million low-income families, seniors, veterans, and people with disabilities homes they can afford. Unlike many other tax expenditures, which subsidize activity that would occur at some level without a tax benefit, virtually no affordable rental housing development would occur without the Housing Credit.

Demand for the Housing Credit vastly exceeds supply.

Despite the growing need for affordable housing, Congress has not permanently increased Housing Credit authority in 16 years. As a result, viable and sorely needed Housing Credit developments are turned down each year because Housing Credit resources fall far short of the demand. On average, state Housing Credit allocating agencies receive applications requesting more than three times their available authority. There are also many worthy applications that are not even submitted in light of the competition.

We urge members of Congress to support the Affordable Housing Credit Improvement Act.

Co-sponsored by Senator Maria Cantwell (D-WA) and Senate Finance Committee Chairman Orrin Hatch (R-UT), S. 3237 will make significant strides towards addressing our nation's severe shortage of affordable housing by expanding and strengthening the Housing Credit.

S. 3237 includes provisions from **S. 2962**, introduced by Senators Cantwell and Hatch in May 2016, which would:

- Expand the annual Housing Credit allocation by 50 percent. This would make a meaningful step towards addressing our nation's vast and growing affordable housing needs by enabling the creation or preservation of up to 400,000 new affordable homes over the next decade.
- Make affordable housing financing more predictable and feasible by creating a permanent minimum 4 percent Housing Credit rate for acquisition and for Housing Bond-financed properties, and
- Permit income averaging within Housing Credit properties in order to preserve rigorous targeting while providing more flexibility and responsiveness to local needs.

S. 3237 also adds numerous programmatic modifications that will further strengthen the Credit by:

- Making Housing Credit administration more predictable and streamlined,
- Supporting the preservation of existing affordable housing,
- Facilitating Housing Credit development in challenging markets like rural and Native American communities, and
- Increasing the Housing Credit's ability to serve extremely low-income tenants.

See a full list of provisions to strengthen the Housing Credit in S. 3237 on the reverse.

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Provisions to Strengthen the Housing Credit in S. 3237

- **Increase the annual Housing Credit allocation authority by 50 percent**, phased in over five years, and raise the small state minimum by 50 percent, also phased in over five years.
- **Permit broader income-mixing within Housing Credit developments** in order to preserve rigorous targeting while providing more flexibility and responsiveness to local needs.
- **Standardize income eligibility for rural properties** to facilitate more rural Housing Credit development.
- **Provide flexibility around existing tenant income eligibility** in order to eliminate tension between allowing existing tenants to stay in their homes and recapitalizing Housing Credit properties, so long as tenant incomes do not exceed a reasonable limit.
- **Simplify the Housing Credit Student Rule** to better achieve the intended targeting.
- **Limit voucher payments in certain Housing Credit developments** in order to avoid over-subsidization.
- **Establish a permanent minimum 4 percent Housing Credit rate** for the acquisition of affordable housing and for developments financed with Multifamily Housing Bonds in order to provide more predictability and flexibility in Housing Credit financing.
- **Clarify the ability to claim Housing Credits after casualty losses** in order to provide a predictable and reasonable window to repair and reoccupy properties after damage.
- **Modify rights related to building purchase** to help keep Housing Credit properties affordable for the long term.
- **Modify the "10 Year Rule"** to support preservation of properties in need of rehabilitation.
- **Include relocation expenses in rehabilitation expenditures**, consistent with the treatment of other similar costs, in order to avoid adding unnecessary costs or sacrificing resident safety during rehabilitation.
- **Repeal the Qualified Census Tract (QCT) population cap**, enabling properties in more areas to receive a basis boost and thus become more financially feasible.
- **Allow states to determine the definition of a community revitalization plan** in order to give them the flexibility to determine local criteria.
- **Prohibit local approval and contribution requirements** to prevent NIMBY opposition from interfering with Housing Credit development.
- **Increase the amount of Housing Credits that developments serving extremely low-income tenants can receive** in order to make developments serving the lowest-income tenants more financially feasible.
- **Allow states to award a "basis boost" to Housing-Bond financed developments** to provide additional equity when needed for financial feasibility.
- **Make the Housing Credit compatible with energy efficiency credits** by allowing the two to be used together.
- **Encourage the development of affordable housing in Native American communities** by creating a selection criteria for Indian housing and treating qualifying Indian housing developments as Difficult Development Areas.