PRESERVING PUBLIC HOUSING WITH THE LOW-INCOME HOUSING TAX CREDIT

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. While the Housing Credit is responsible for the development of nearly all new affordable housing in the U.S., it also plays an increasingly critical role in maintaining and revitalizing our nation's inventory of over 1.1 million federally subsidized public housing units. According to an analysis from the National Association of Housing and Redevelopment Officials, **the Housing Credit has supported financing for at least 53,200 apartments owned by public housing and local redevelopment agencies.**

The Housing Credit and multifamily Housing Bonds are also primary financing tools for HUD's **Rental Assistance Demonstration** (RAD), which enables public-private partnerships to preserve at-risk public housing.

Although public housing is an integral component of our nation's infrastructure, a growing capital backlog – estimated at over $26 billion in 2010 and growing annually due to continued decreases in capital funding – has placed the inventory at risk. RAD preserves public housing for the long-term by shifting it onto more stable financial footing and leveraging funding for repairs – roughly 40 percent of which comes from the Housing Credit, according to HUD. Since the demonstration was established in 2012, **the Housing Credit has leveraged nearly $1.7 billion to help finance the conversions of almost 28,000 homes** through RAD, more than any other source of financing. Without additional action to strengthen and expand the Housing Credit, the nation's public housing stock faces continued risk of deterioration.

THE AFFORDABLE HOUSING CREDIT IMPROVEMENT ACT (S. 548)

Provisions to Preserve Public Housing

The Affordable Housing Credit Improvement Act, introduced by Senator Maria Cantwell (D-WA) and Senate Finance Committee Chairman Orrin Hatch (R-UT), includes several provisions that would help recapitalize our nation's public housing using the Housing Credit.

Expand the Housing Credit allocation authority by 50 percent. Federal housing resources are limited, and expanding Housing Credit allocation authority by 50 percent will give states greater ability to direct credits towards public housing recapitalization as well as many other competing needs.

Establish a minimum credit rate and enable states to provide a basis boost for preservation. The "4 percent" Housing Credit for acquisition and tax-exempt Housing Bonds play a critical role in the recapitalization of public housing, especially through the RAD program. In 2015, Congress provided greater stability in the Housing Credit market by establishing a minimum 9 percent rate for new construction and substantial rehabilitation and establishing a state-determined basis boost for 9 percent Housing Credit developments. Creating a corresponding minimum 4 percent credit rate and allowing a 30 percent state determined basis boost for acquisition will make financing more predictable and feasible for more developments that require the preservation of existing housing.

Provide a basis boost for developments serving extremely low-income (ELI) households. Nearly 72 percent of tenants living in federal public housing are ELI, meaning their incomes are at or below 30 percent of area median income. S. 548 would provide up to 50 percent additional Housing Credit equity for properties serving this population.

Provide Tenant Income Flexibility. S. 548 would allow for all existing tenants of federally assisted affordable housing properties that are recapitalized with Housing Credits to be considered low-income, thus expanding their eligibility of properties originally financed with HUD to receive Housing Credit equity. This makes the preservation of HUD properties more financially feasible.