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

Consensus Housing Credit Proposal Talking Points

Background

- The most successful affordable rental housing production program in U.S. history — The Low Income Housing Tax Credit (Housing Credit) — has been adversely affected by the financial crisis.
- Housing Credit investment has dropped from about $9 billion in 2006-2007 to $5.5 billion in 2008, and, absent Congressional action, will likely drop further in 2009.
- The lack of investment capital is preventing the development of affordable housing at a time when need is greater than ever.
- The lack of development means tens of thousands of lost construction jobs, as many as 90,000 annually.
- The stimulus bill that passed Congress in February – the American Recovery and Reinvestment Act (ARRA) – provided a temporary solution for 2009: gap financing and approval for states to exchange some of their Housing Credit authority for direct funds from the Treasury.
- But those programs will expire at the end of this year and Congress needs to figure out where we go from here.

Industry Consensus

- Over the summer, an extraordinarily broad coalition of national, state, and local organizations active on affordable housing issues has reached a consensus on proposed legislative solutions.
- This coalition includes state housing agencies, developers, investors, Housing Credit syndicators, and affordable housing advocacy groups.
- We would like Congress to consider our proposals as part of the upcoming legislation to extend expiring tax provisions. Without extension, the temporary Housing Credit provisions will expire at the end of this year.

Proposals

- First, we would like to extend the Housing Credit exchange program from ARRA for one more year, and allow states to exchange Housing Credits generated from tax-exempt bond financed housing.

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- Second, we would like to stimulate and restore long-term investment by increasing the Housing Credit carryback to up to five years in two ways:
  - For existing housing, this proposal would ONLY apply to Housing Credits if investors reinvest the entire amount carried back immediately into new Housing Credit investments.
  - For new housing, this proposal would make the Housing Credit more competitive with other tax credits with shorter compliance and holding periods, by permitting future credits to be carried back up to five years throughout the 10-year credit period.
- Finally, we propose to further broaden the investment base by permitting pass-through entities – LLCs and Subchapter S corporations – and closely held corporations to utilize the Housing Credit program as a means of attracting equity capital to rural areas of the country. This would diversify the investor base to include entities outside of commercial banking.
- We believe these are modest proposals that will restore affordable housing development throughout the country, create construction jobs, and help generate economic growth.

What are the impacts of these proposals?
- They would increase investment in the Housing Credit nationally by at least $5 billion more through 2011 than what the Housing Credit is projected to raise without legislation.
- Combined with the extension of the exchange, this would lead to:
  - 123,000 more affordable apartments constructed or rehabilitated,
  - 232,000 more jobs created or saved,
  - $50 billion in additional local income, and
  - $8 billion in additional taxes and revenue to localities nationwide.

Please go to http://rentalhousingaction.edicypages.com/about-action/state-fact-sheets for state-specific fact sheets on the economic impact of these proposals.