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

Low-Income Housing Tax Credit Proposals for COVID-19 Relief

April 7, 2020

For emergency relief:

1. **Enact a minimum 4 percent rate for buildings placed in service after January 20, 2020 (per the COVID-19 "incident period" for states per FEMA).**
   - With federal borrowing rates recently slashed in response to the crisis, the "4 percent" Housing Credit rate is at an all-time low of 3.12 percent, and will likely decline even further, threatening the viability of many critically needed properties. Enacting a minimum 4 percent rate would provide parity to the 9 percent Housing Credit rate, for which Congress enacted a minimum rate as part of the response to the 2008 economic collapse in recognition of the critical role of affordable housing in the recovery.
   - Enacting a minimum 4 percent rate has the broad bipartisan support of more than half of the House and nearly half of the Senate, as proposed in the Affordable Housing Credit Improvement Act.
   - Just one of the many examples we have heard about: from Washington state and impacts 1,490 units - spread throughout six projects that were scheduled to close in 2020, a construction impact of $300 million. The precipitous drop in the "4%" rate is jeopardizing the economic viability of each project. Fixing the credit rate at 4% would absolutely bolster these deals and help them remain viable. It would also offset dislocation beginning to manifest in interest rate spreads, Housing Credit pricing, leasing velocity and likely rents.

Additional immediate relief:

2. **Allow developments to access 4 percent Housing Credits by lowering the "50 percent test" to 25 percent (for buildings placed in service after January 20, 2020).**
   - Lowering the threshold of bond financing required per development to trigger the 4 percent Housing Credit from 50 percent to 25 percent would stimulate additional affordable housing production by allowing developments to access credits, while also allowing for more flexibility around issues that have arisen around the crisis that have impacted the availability of bond financing, including delays and increased costs.
   - These unexpected and increased project costs are putting these projects into jeopardy as the expected bond allocation for the project will no longer represent 50% of the total costs, therefore disallowing any 4% credits being used to make the project financing work.

For economic recovery:

3. **Increase the annual Housing Credit allocation by 50 percent, phased in over two years at 25 percent per year, and adjusted for inflation, beginning in 2021.**
   - Increasing the annual Housing Credit allocation would finance hundreds of thousands of affordable homes for low-income households, who are in much more dire need of affordable housing in light of the economic crisis. In 2020, the immediate priority and effort should be moving forward with existing credit and bond allocations and addressing

the challenges high unemployment, rent moratoriums and more are having on the entire rental housing market, given the unforeseen circumstances. Later in 2020, the Housing Credit community will be prepared to focus on a significant increase in rental housing production in 2021 and beyond, and the need will be greater than ever before.
  - Increasing the allocation also has the broad bipartisan support of more than half of the House and nearly half of the Senate, as proposed in the Affordable Housing Credit Improvement Act.

4. **Provide additional basis boosts to allow developments to access additional equity if needed for financial feasibility.**
   - Enact additional basis boost provisions proposed in the Affordable Housing Credit Improvement Act for other types of properties already identified as needing additional equity in many circumstances:
     - A 30 percent basis boost for Housing-Bond financed properties,
     - A 50 percent basis boost for developments serving extremely low-income tenants,
     - A 30 percent basis boost for properties in rural areas, and/or
     - A 30 percent basis boost for properties in Native American communities.

For regulatory relief:

5. **Extend key Housing Credit deadlines to continue progress on affordable housing development.**
   - Under the current circumstances, which are significantly impacting and in many cases upending financing and construction, many Housing Credit developments are in jeopardy of missing program deadlines. A one-year extension of three key deadlines would provide immediate assistance to Housing Credit properties already in the development process.
     - **Rehabilitation expenditure deadlines.** Rehabilitation expenditures are currently required to be placed in service within 24 months. We propose temporarily extending the rehabilitation expenditures deadline to be met at the close of 36-months.
     - **10 percent test deadlines.** Currently, at least 10 percent of the anticipated basis of a development must be expended within one year of the Housing Credit allocation. We propose temporarily extending this deadline to the end of the second year of allocation for properties that received Housing Credit allocations between December 31, 2018 and January 1, 2022.
     - **Placed in service deadlines.** Buildings must currently be placed in service by the end of the second year after the calendar year of the Housing Credit allocation. We propose temporarily extending this deadline to the end of the third year after the calendar year of allocation for properties that received Housing Credit allocations between December 31, 2016 and January 1, 2022.
   - For more regulatory requests, see: https://bit.ly/2V6y7ZI

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