



NMH
August 23, 2018

The Honorable Ron Wyden
Ranking Member Senate Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Ranking Member Wyden:

We are writing on behalf of the National Multifamily Housing Council (NMHC) and the National Apartment Association (NAA) to thank you for introducing the *Middle-Income Housing Tax Credit Act of 2018*. We strongly support this groundbreaking legislation that represents an integral step to address the severe shortage of workforce housing available to millions of this nation's hardworking families.

For more than 20 years, NMHC and NAA have partnered to provide a single voice for America's apartment industry. Our combined memberships are engaged in all aspects of the apartment industry, including ownership, development, management and finance. NMHC represents the principal officers of the apartment industry's largest and most prominent firms. As a federation of 160 state and local affiliates, NAA encompasses over 75,000 members representing 9.25 million rental housing units globally.

Housing affordability is a critical and growing challenge facing many Americans today who are seeking to rent an apartment. In 1985, 28.0 percent of all households were cost-burdened (paying over 30 percent of their income on housing) while 12.1 percent had severe cost-burdens (paying over half of their income on housing). Thirty years later, these shares of cost-burdened and severely cost-burdened households increased to 51.3 percent and 27.3 percent, respectively.

This issue is not unique to households receiving federal subsidies and, in fact, is encroaching on the financial wellbeing of solidly middle-income households. Consider that the median asking rent for an apartment constructed in 2016 was \$1,479. For a renter to afford one of those units at the 30 percent of income standard, they would need to earn at least \$59,160 annually. Accordingly, this is an issue impacting those supporting the very fabric of communities nationwide, including teachers, firefighters, nurses and police officers.

The multifamily industry believes that the *Middle-Income Housing Tax Credit Act* has a vital role to play in spurring the development of housing targeted to renter households facing affordability challenges but ineligible for federal subsidies. The shortage of available units is making it challenging for millions of households nationwide to find quality rental housing that is affordable at their income level. For many households, the shortage of affordable rental housing makes it even more difficult to pay for basic necessities like food and transportation. Ultimately, this could have an impact on their future financial success.

According to a recent study conducted by Hoyt Advisory Services for NMHC and NAA, the United States needs to build at least 4.6 million new apartment units by 2030 (depending upon the rate of immigration) to accommodate household growth and losses to the existing stock. Put another way, through 2030, the U.S. will need to build an average of 328,000 apartments every year. However, we have only hit that mark once since 1989. Your legislation would provide meaningful incentives to spur housing production.

We are aware that some are concerned that the *Middle-Income Housing Tax Credit Act* will compete with the Low-Income Housing Tax Credit (LIHTC). We commend you not only for the great pains your legislation has taken to ensure it will not divert resources from LIHTC, but also for your steadfast support of the LIHTC program. We believe that the *Middle-Income Housing Tax Credit Act* will only serve to complement the LIHTC, and we were very pleased to see Congress expand LIHTC resources by 12.5 percent for 2018-2021



and enact income averaging as part of omnibus spending legislation enacted in March 2018. We also strongly support enacting the remainder of the *Affordable Housing Credit Improvement Act of 2017*, which you joined Senators Cantwell and Hatch to introduce.

Finally, we wanted to note the interplay between your legislation and the Community Reinvestment Act (CRA). As you are aware, financial institutions can currently fulfill their CRA obligations by investing in LIHTC or other housing projects with tenants at or below 80 percent of area median income. We believe that CRA should be coordinated with the middle-income housing tax credit such that investments using that tax credit would qualify for CRA credit. This change would enable the new credit to reach its full potential in all markets.

In closing, NMHC and NAA sincerely thank you for this critical and responsible step to address the supply shortage of affordable housing for millions of America's working families. Thank you again for your leadership on this essential issue.

Sincerely,

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