

LIHTC Industry Must Unite to Support Expansion of Credit

By Michael J. Novogradac, CPA

In a keynote address to New York Housing Conference and National Housing Conference (NHC) Annual Awards Luncheon - his first public speech as new member of Senate Finance Committee - Sen. Charles E. Schumer, D-N.Y., to the delight of many of those in the low-income housing tax credit (LIHTC) industry, proposed doubling the LIHTC, and saving 1 million existing units of affordable housing by alleviating the federal income taxes due on sale that blocks aging buildings from being sold to rehabilitation groups.

Schumer's proposal would double the current LIHTC - from the fiscal year 2005 level of \$1.85 per capita to \$3.70 in FY 2006. Schumer pledged to use his new position as a member of the Senate Finance Committee and his current post on the Housing and Banking Committee to help in his fight for housing and particularly new funding for housing.

In a candid discourse, Schumer noted that he was not reticent to go after all the money his state of New York could get from Washington but that he was not the kind of lawmaker who believed that all government programs were "equally good."

"But low-income housing programs are some of the best things our government has ever done to help families, mothers, the elderly, and the disabled," Schumer told his audience.

Last month in this column it was noted that in the 20 years of the LIHTC program's existence, it has helped house millions of families in more than one million LIHTC units. It's hard to deny the significance of those facts or that even more money would help even more families in the ever growing deficit of affordable housing that this nation faces.

Unfortunately, as Schumer pointed out, the housing climate in the United States has reached a crisis point and the good that has been done, in his words, is no longer enough.

Those in the LIHTC industry have more than a nodding acquaintance with Schumer's numbers:

- In 2001, 95 million people — or one-third of the nation — had housing problems: ranging from

high cost burden, to overcrowding, to poor quality, or worse to homelessness.

- In the same year, 41 million people, or 14.6 percent of the U.S. population, were without health insurance.
- 12 percent of all people in the country, or 33.6 million, lacked food security.
- 65 million Americans with housing problems are low income, and 87 percent of them face high housing cost burdens.

Housing issues do not attract the same level of public concern and political attention as other programs and housing programs have been cut back by more than just about any other program over the last decade, Schumer said. "The administration has made it abundantly clear that funding for low income housing programs is not a priority."

As evidence, he pointed to:

- Repeated attempts to cut the Section 8 Voucher Program, "one of the most successful and free-market based programs we have," this year by a billion dollars.
- Cutting the Community Development Block Grant Program by more than \$200 million.
- Slashing the HOME program by another \$200 million;
- Reducing Section 202 funding by \$27 million; and
- Trimming Section 811 by another \$9 million.

To accomplish more, Schumer proposed the housing industry undertake a new strategy. "What we need right now is a good offense," he said,

"Today I am proposing that we bring this fight to the Administration's own playing field and that we focus on tax incentives rather than new spending to expand the number of affordable housing units," said Schumer. "This has two advantages: First tax cuts are far more palatable to this Republican dominated Congress

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than are spending programs. Second, tax break programs garner greater support from both the real estate and financial communities and they can give us some of the clout we've been missing when we fight for affordable housing funds."

Schumer would focus first on the LIHTC, "one of the most successful programs for providing housing for low income people."

"Today, the tax credit is responsible for nearly 40 percent of all multifamily apartment development. Its success and reach have been immeasurable," he said. "This is a program that works and what's more — it's a program that enjoys broad support across party lines and it's the second option for the housing community."

So popular is the LIHTC program that in 2000, 85 senators voted overwhelmingly to increase the state allotments by 40 percent - from the original \$1.25 to the current \$1.80 per capita. "But now that the housing situation has reached a crisis point - we need to do more," Schumer said. "If we can't beef up funding for housing programs—then we should beef up the low-income housing tax credit."

Schumer hopes the expansion of the LIHTC will "take us further and hopefully attract more developers than ever before to the affordable housing market." He estimates the cost over a 10- to 16-year period for this expansion of the LIHTC program would be \$7.5 billion.

Under normal circumstances, developers of affordable housing built in the '60s and '70s that own this housing and have no interest in rehabilitating it themselves would sell it to another developer that would refinance and rehabilitate it for affordable housing. But a so called "exit tax" is placed on any developer that plans to sell its subsidized property and more and more are deciding to sit on the property until they die.

The Local Initiatives Support Coalition estimates that there are one million housing units held in this manner because owners are unwilling to sell and take on the new tax burden. Schumer's plan would waive exit taxes for aging owners who sell their properties to buyers who agree to keep the properties affordable for no less than 30 years. "It's a simple fix - and one that could save one million affordable housing units," he said. He estimates that waiving the exit taxes represents a \$422 million incentive program over a 10-year period.

Schumer concluded his remarks, expressing hope that he would not be alone in calling for action in Congress and now that he will be able to fight for the rights of low-income families from both the Housing and Banking Committee and the Finance Committee. (See related story on page five.) The LIHTC industry must assure Sen. Schumer that he indeed will not be alone in his efforts and that we will help him "keep hearing the drum beat." ❖