UNITED STATES SENATE
COMMITTEE ON FINANCE

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Wyden Outlines Affordable Housing Priorities For Next COVID-19 Relief Package

Washington, D.C. – Senate Finance Committee Ranking Member Ron Wyden, D-Ore., today outlined policies to preserve and expand affordable housing that he will push to include in the next COVID-19 relief bill.

"The pandemic and resulting economic crisis have laid bare the fact that millions of Americans are one or two missed paychecks away from not being able to pay their rent or mortgage. This country needs more affordable housing, not less, and Congress can't allow this crisis to foster homelessness and further reduce the supply of affordable housing," Senator Wyden said. **"My priorities for the next COVID-19 relief bill include common sense policies that would help preserve existing affordable housing and create new affordable housing by ensuring projects in the pipeline are not abandoned."**

A summary of Wyden's policy priorities follows:

- **Suspend "red tape" compliance for 12 months so LIHTC projects can continue:** The LIHTC industry is following social distancing recommendations to safeguard the health of LIHTC residents, property management staff, state and local inspectors, and builders. While needed to protect public health, these actions have resulted in shortages of construction materials, delays in permitting and local approvals, and severe interruption of property managers' ability to interact with residents and key partners to continue regular property operations. Moreover, state housing agencies have limited ability to complete development approvals and regular compliance monitoring while the crisis is ongoing. This provision would delay a number of compliance deadlines so that existing LIHTC housing can continue to function and new LIHTC housing can be developed with fewer obstacles.

- **Expand LIHTC incentives for new production of affordable housing:** Current LIHTC deals are at risk of falling apart. Setting a minimum floor under the value of the 4% credit will expand subsidies for existing LIHTC properties, reducing the need for additional gap financing. These provisions would also expand incentives for new production of affordable housing, when state economies reopen for business.

    - Set a floor under the value for the 4% credit
    - Increase the amount of 4% credits that can be paired with tax-exempt bonds
    - Allow 4% credit projects to receive the 30% difficult-to-develop basis boost
    - Allow LIHTC projects in rural areas to claim the 30% difficult-to-develop basis boost
    - Allow LIHTC projects in Indian areas to claim 30% difficult-to-develop basis boost

- **Close the LIHTC "Qualified Contract" loophole to keep affordable housing affordable:** LIHTC properties must ordinarily remain affordable for 30 years. However, the "Qualified Contracts" loophole allows LIHTC operators to sell their properties after 15 years to private developers who will rent units at market rate. This loophole results in the loss of 10,000 affordable housing units per year. While many states, including Oregon, have rules in place preventing LIHTC operators from exercising this loophole, many other states do not. This provision, introduced as standalone legislation by Senators Wyden and Young, would eliminate the loophole.

- **Provide emergency assistance to help LIHTC tenants stay housed:** Treasury would provide tens of billions in one-time, emergency LIHTC grants to state housing finance agencies (HFAs). HFAs in turn sub-grant these funds to LIHTC projects that have seen rent payments drop at least 10% below their 2019 monthly average. LIHTC owners will receive a grant worth 50% of the rent shortfall in exchange for agreeing not to evict current residents, except for good cause.

- **Provide incentives to LIHTC properties that have not fully leased up to preserve financial support and keep properties open:** Owners of LIHTC properties cannot claim LIHTC credits until enough units are leased by low-income tenants. Due to the COVID-19 outbreak, lease-up has slowed or ceased, putting many new LIHTC properties in danger of not receiving the tax credits that financed their construction. If these LIHTC apartments remain unoccupied for too long, investors will walk away and developers will go underwater or even fail. This provision would allow LIHTC developers and investors to begin receiving LIHTC credits for those buildings that have not leased up due to the pandemic.

- **Provide additional support for LIHTC properties that house people experiencing homelessness:** This provision would significantly enhance the generosity of the LIHTC credit for properties that house individuals below 30 percent of median income, including tenants who were formerly homeless. The enhanced credit would be based on not only the cost of construction but also the ongoing costs of supportive housing services necessary to provide a stable living environment for very low-income or formerly homeless tenants.

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