

Emergency Affordable Housing Act of 2020

Sponsored by Senators Wyden and Cantwell

Since it was created in 1986, the Low-Income Housing Tax Credit (LIHTC) has financed 3.2 million affordable apartments, providing homes to roughly 7.4 million low-income households. The Emergency Affordable Housing Act of 2020 expands LIHTC to house more families, including the most vulnerable; secures current LIHTC deals that are now on shaky ground due to the pandemic and faltering economy; and preserves tens of thousands of affordable housing units by closing a key loophole. The Act draws from proposals in the Affordable Housing Credit Improvement Act of 2019 (S. 1703) and the Save Affordable Housing Act of 2019 (S. 1956), and also includes new provisions. These proposals would produce 500,000 new affordable housing units over the next ten years.

Expanding LIHTC production. As the economy reopens and homebuilding resumes, the Act would expand the 9% housing credit by 50%, ramped up over two years. The Act would also set a minimum value under the 4% housing credit, and would temporarily allow more 4% credits to be paired with bond-financed affordable housing projects. The Act would allow 4% credit projects built in difficult or costly development areas to benefit from a “30 percent basis boost”. The Act would similarly extend this 30% basis boost to 4% and 9% housing credit projects in rural and Indian areas, reflecting the higher costs and fewer units built in these areas.

Increasing LIHTC credits for projects that target deeper affordability. The Act would provide a 50% larger housing credit for projects that house extremely low income families (those with incomes below 30% of median). The larger credit would be funded from a set-aside that doesn’t count against existing spending caps. The Act would also create a separate credit within LIHTC to fund ongoing supportive housing services, including health and mental health services, benefit coordination, job training, financial counseling, and other services needed to keep extremely low-income families in permanent housing.

Helping LIHTC developers and operators stay afloat. Due to the pandemic, construction has been halted, lease-up of finished buildings has been delayed, and LIHTC deals that were once solid, are now on shaky financial ground. The Act extends key compliance deadlines, front-loads the LIHTC credit into the first year, and expands the 4% housing credit for current deals, in order to keep developers afloat and prevent LIHTC investors from walking away.

Closing loopholes to preserve and promote affordable housing. The Act repeals the “qualified contract” option that allows LIHTC owners to convert properties to market rate after just 15 years. The Act also prohibits the consideration of local support or opposition, or local government contributions in deciding where to build affordable housing.

The coronavirus is threatening the housing security of tens of millions of lower-income Americans. The Act would strengthen LIHTC to weather the current storm by preserving and protecting current LIHTC properties, dramatically expanding production, and extending housing to those at extremely low incomes.