Congress of the United States
Washington, DC 20515

February 28, 2012

Dear Colleague:

We are writing to invite you to join as a cosponsor of H.R. 3661, legislation that would prevent a significant reduction in the amount of investor equity that that can be used to build affordable housing. This legislation would extend a temporary provision enacted in 2008 which establishes a minimum tax credit rate for newly constructed or substantially rehabilitated property in the Low-Income Housing Tax Credit (LIHTC) program. In addition, it establishes a minimum tax credit rate for the acquisition of existing property in the LIHTC program.

The Low-Income Housing Tax Credit is the principal means by which the federal government supports the construction and preservation of affordable rental housing in this country. Today it builds about 100,000 units of affordable housing annually and accounts for about the same number of jobs in the economy, largely in the construction industry. As enacted in the Tax Reform Act of 1986, the amount of Low-Income Housing Tax Credits that are awarded to development projects is based on a formula which uses the federal cost of borrowing to determine the credit rate. As the federal cost of borrowing declines, the amount of tax credits that can be used to build a LIHTC project also declines. The extraordinarily low cost of federal borrowing in recent years led Congress to change the formula in 2008 so that there is a minimum credit amount, based on the original credit rate when the program was created. Unfortunately, the minimum credit rate expires for properties placed in service after 2013, which is now beginning to impact developments receiving allocations from state agencies.

In the next few weeks, affordable housing developers will have to begin assuming about an 18% reduction in the amount of investor equity they will be able to access to build affordable housing. When combined with budget cuts at the local, state and federal level, this further cut in resources for affordable housing will make it even more difficult to build and preserve affordable housing, even as the shortage of affordable housing is greater than ever.

This legislation is widely supported by the housing industry. Over 350 national, state, and local organizations in all 50 states, representing all participants in the industry—from investors and developers to affordable housing advocates—strongly support H.R. 3661.

Since this legislation only affects the amount of tax credits that a housing finance agency may award a particular development, and does not affect the overall amount of state allocations of credit, we expect the revenue cost to be minimal. The 2008 legislation cost $7 million over the ten year budget period. For further background, we have attached a summary of the legislation for your review. Please contact either Brad Bailey with Congressman Tiberi (5-5355) or Kara Getz with Congressman Neal (5-5601) if you would like to cosponsor this legislation or if you have any questions.

Sincerely,

Pat Tiberi

Patrick J. Tiberi
Member of Congress

Richard E. Neal

Richard E. Neal
Member of Congress