



April 15, 2013

Real Estate Tax Reform Working Group
House Committee on Ways and Means
1101 Longworth House Office Building
Washington, DC 20515

Dear Chairman Johnson, Vice Chairman Pascrell and Members of the Working Group,

The National Housing Trust (NHT) is a 26 year old national nonprofit organization dedicated to the preservation and improvement of existing affordable rental housing. Through our work in real estate development and affordable housing finance, the Trust has helped save and improve more than 25,000 apartments in 41 states, leveraging more than \$1.5 billion in investment for affordable housing. The majority of these apartments have HUD subsidized mortgages or project-based rental assistance contracts. NHT also engages in substantial policy development and analysis examining the allocation of the Low Income Housing Tax Credit (LIHTC) for preserving existing affordable rental housing across the country.

As the Real Estate Tax Reform Working Group considers changes to existing tax law, we urge you to protect and strengthen the Low Income Housing Tax Credit (LIHTC). According to HUD's *Worst Case Housing Needs 2011*, there are 8.5 million very-low income households that are spending more than half of their income for rent or live in substandard housing conditions, representing a 43.5% increase since 2007. The need for affordable rental housing is more critical than ever.

The Low Income Housing Tax Credit is the nation's largest affordable housing development program. It accounts for 90% of all affordable housing created across the country and provides substantial funding for the preservation of existing affordable apartments. More than 105,000 affordable apartments are placed in service through this tax credit each year. Through the creation and preservation of affordable housing, the credit supports 95,000 local jobs annually and has leveraged nearly \$100 billion in private equity capital since its inception.

On average, approximately 10,000 affordable apartments that are supported by HUD's multifamily housing programs are lost due to physical deterioration or owner opt-outs each year. Properties located in strong housing markets may be converted to market-rate apartments, displacing families as rents outpace incomes. The LIHTC provides the necessary equity to rehab properties and ensures long-term affordability, allowing households to remain in their communities.

National Housing Trust

1101 30th Street, N.W., Suite 400 ■ Washington, D.C. 20007 ■ 202-333-8931 ■ FAX: 202-833-1031

Only a decade ago, states were allocating less than 20% of their competitive LIHTCs to the preservation and improvement of both federally assisted and other affordable housing. Now, the average is over 30%, with many states allocating over 50% of their credits to existing affordable housing. Many states prioritize preservation projects when allocating LIHTCs by awarding points to these projects during the competitive scoring process; some states even set aside a portion of their total LIHTCs specifically and solely for preservation projects. As a result of these incentives, 16 states allocated over 40% of their tax credits to preservation projects in 2011, and six states – Alaska, Arizona, Delaware, Michigan, New Mexico and Rhode Island – allocated over 70% towards preservation. Over 40 states have some sort of priority for the preservation of existing housing.

We would also call to the Working Group's attention the importance of tax exempt bonds and 4% credits to the preservation of existing affordable housing. According to the National Council of State Housing Agencies, in 2011, more than 25,000 apartments were preserved and improved with 4% housing credits and tax exempt bonds.

Requiring states to include preservation of existing federally supported and other affordable housing in their qualified allocation plan makes sense in a cost constrained environment. It is less expensive to preserve existing housing than to build new housing units. A recent working paper by the National Housing Conference shows that rehabbing existing multifamily housing units for a 50-year lifecycle can be 25-45% cheaper than new construction¹.

The housing credit is a flexible tool that allows state, cities and local communities to address their specific affordable housing needs. The housing credit serves a wide range of populations, including families, elderly, persons with disabilities and people who are homeless.

The National Housing Trust urges you to protect the Low Income Housing Tax Credit a private sector job creating tool and provides appropriate shelter for seniors and families.

Sincerely,



Michael Bodaken
President

¹ *Comparing the Costs of New Construction and Acquisition-Rehab in Affordable Multifamily Rental Housing: Applying a New Methodology for Estimating Lifecycle Costs.* By: Maya Brennan, Amy Deora, Anker Heegaard, Albert Lee, Jeffrey Lubell and Charlie Wilkins. February 2013.

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