

NEW YORK HOUSING CONFERENCE

Private Activity Bonds: Critical Affordable Housing Financing

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The Tax Cuts and Jobs Act, H.R. 1, eliminates tax-exempt Private Activity Bonds, including both multifamily and single-family housing bonds, for bonds issued after 2017. Private Activity Bonds must be restored in an amendment or **affordable rental housing and homeownership, public housing preservation and disaster recovery efforts will be at risk.**

Affordable Housing

Private Activity Bonds generate as-of-right 4% Low Income Housing Credits (LIHTC), when used for multifamily affordable rental housing. This program finances nearly half of LIHTC developments across the nation (the other half are in the 9% LIHTC program allocated to States on a per capita basis). While the bill maintains LIHTC, it includes no provisions to make up for the loss of annual LIHTC production that would result from the elimination of tax-exempt PABs, which would end all bond-financed 4% LIHTC activity. Nor does the bill compensate for the impact of the 20% corporate tax rate the bill establishes, which will reduce the value of the credits due to lower corporate tax liability.

The elimination of Private Activity Bonds will undermine State's tools to encourage homeownership opportunities for many first-time homebuyers. The Mortgage Revenue Bond Program (MRB), enabling affordable financing, would be terminated with the elimination of Private Activity Bonds. With the national homeownership rate in decline, termination of MRB would further exacerbate this trend.

- Nationwide, the future supply of affordable rental housing is estimated to be reduced by **nearly 1 million units**, according to analysis by Novogradac & Company LLP.
- **New York Will Lose \$4.1 Billion in Affordable Housing Investment, 17k Affordable Homes & 28,000 Jobs Annually**

Public Housing

The repeal of Private Activity Bonds will impede implementation of HUD's Rental Assistance Demonstration (RAD) program. RAD is a critical preservation tool that converts public housing to a rental assistance platform to leverage private investment. It is the only program that can raise sufficient capital to bring public housing into a state of good repair. For large conversion projects, RAD works with Private Activity Bonds, which generate as-of-right 4% Low Income Housing Tax Credits.

- In addition to thousands of units slated for RAD across the U.S, the New York City Housing Authority (NYCHA) has plans to reduce their capital backlog by **\$3 billion** by preserving **15,000 apartments** in this program over a decade, improving living conditions for **34,000 residents**.

Disaster Recovery

Any large scale affordable multifamily housing rehabilitation or redevelopment for low-income communities will rely on tax-exempt Private Activity Bonds. In the aftermath of a series of unprecedented natural disasters destroying homes and neighborhoods in Texas, Florida, California, Puerto Rico, the US Virgin Islands and several other states, it is important to maintain Private Activity Bonds to allow communities to have access to the resources necessary to rebuild. Both multifamily and single family uses will be needed for disaster-impacted areas as was proven to be the case in rebuilding after Hurricane Katrina and Superstorm Sandy.