



Expanding and Reforming the Low Income Housing Tax Credit

The Low Income Housing Tax Credit (LIHTC) is the federal government's primary policy tool for leveraging private investment in affordable housing, helping finance the development of 100,000 affordable homes nationwide each year, and has leveraged over \$100 billion in private capital since its creation. However, due to increased demand, in 2013, state housing finance agencies across the country received applications for three times the number of LIHTCs they had available to allocate, leaving many worthy affordable housing projects unfunded. Nationwide, there are 3.9 million extremely low income households who do not have access to affordable housing.

Senator Cantwell is developing legislation to provide a robust expansion of the LIHTC to help meet this need. The Cantwell proposal will also include many technical improvements and simplifications to the LIHTC program, including the following provisions:

PROPOSAL: Expand the annual LIHTC allocation by 50 percent

Senator Cantwell will be proposing a 50 percent increase in the annual amount of 9 percent credits available to states, allowing the creation or preservation of an additional 400,000 affordable rental units over the next 10 years. This proposal has been endorsed in the Bipartisan Policy Center's Housing Commission report: "Housing America's Future," as well as by over 1300 groups through the A.C.T.I.O.N. Campaign.

In the past ten years, the 9 percent credit funded over 8,500 affordable housing units in Washington state, nearly half of which were reserved for the extremely low income or homeless households. This proposal would allow Washington state to develop about 35,215 new affordable housing units using the LIHTC over the next 10 years, including 8,850 in King County.

PROPOSAL: Promote broader income mixing in LIHTC projects

LIHTC encourages states to give preference to developments that set aside units affordable to the lowest-income populations, including the homeless, but

these projects are the most difficult to make financially feasible, especially in high-cost markets like Seattle. Senator Cantwell will be proposing reforms to the LIHTC's income limitation formulas to promote greater income mixing, allowing developments to maintain financial feasibility while providing a deeper level of affordability.

PROPOSAL: Allow states more flexibility in financing projects targeting homeless individuals or extremely low income families

Under current law, certain areas and developments are eligible to receive up to a 30 percent basis boost (resulting in more Housing Credit equity) if the state Housing Credit allocating agency determines the boost is needed to make development financially feasible. Senator Cantwell will be proposing that state Housing Credit allocating agencies be allowed to provide up to a 50 percent basis boost for properties targeting extremely-low income or homeless families and individuals, allowing these projects to achieve greater financial feasibility and eliminate the need for debt financing.

