



Council for Affordable and Rural Housing

Serving the Affordable Housing Needs of Rural America

Housing Credit and Housing Bond Programs and Rural Housing

Background

The Council for Affordable and Rural Housing (CARH) represents the interests of builders, developers, managers, owners and suppliers of affordable rural housing throughout the country. Affordable rental housing issues affect residents and a broad array of local government, non-profit and for-profit participants working together in partnership. The need for affordable housing persists and it cannot be adequately addressed except through current delivery mechanisms, developed and made more efficient over decades of providing affordable housing. In rural areas throughout the country, there continues to be an even more acute need for affordable and decent housing. Rural renters are more than twice as likely to live in substandard housing compared to people who own their own homes. With lower median incomes and higher poverty rates than homeowners, many renters are simply unable to find decent housing that is also affordable. While the demand for rental housing in rural areas remains high, the supply, particularly of new housing, has decreased.

Rural housing is dependent on several sources of funding for construction and preservation of the existing housing stock. The Low-Income Housing Tax Credit (Housing Credit) program as well as Private Activity Housing Bonds, are vital sources for this important housing. The Housing Credit program has worked successfully since its creation in 1986. It bridges the gap between what the market provides and what the market demands. In short, America's elderly, working families, civil servants, and working poor seek to live in or near their jobs, families and communities. In most of America this need cannot be met. Homeownership is out of reach or not financially viable. Indeed, the cost of providing any new housing or rehabilitating existing housing to current standards without public-private assistance is too expensive for most low-income Americans. The Housing Credit program allows multi-family housing providers to utilize cost effective, energy-efficient housing developments to meet this need. The program also allows non-profit and for-profit companies to work together with local and state governments to raise private equity and put it to use bridging the financial gap. The savings are passed on to the residents in the form of affordable rental housing.

When the Housing Credit program was enacted as part of the Reagan-era Tax Reform Act of 1986, it did not create a large new bureaucracy. Instead, it uses a small policy-setting staff at the Internal Revenue Service to coordinate funding to states which, in turn, works with either state Housing Finance Agencies or local agencies, depending on the local choices. These state and local agencies rigorously inspect and asset-manage, but their job is made easier by the private investment system. Housing Credit investors are strongly motivated to require project operators and managers to comply with housing requirements, even before government inspections. Housing Credits may be awarded through certain tax-exempt Private Activity Bonds for housing (Housing Bonds) or separately as a direct award.

Issues and Recommendations

Since its inception, the Housing Credit program has created homes for approximately 2.4 million families. For each 100 apartment units, 116 jobs are created, generating more than \$3.3 million in federal, state and local revenue. This important housing resource creates a positive, broad-based economic benefit that includes jobs (particularly construction jobs), income and taxes in industries such as manufacturing, trade, and services, in addition to construction. Income includes business profits as well as wages and salaries paid to workers. Affordable housing not only creates jobs directly, but facilitates job growth. Affordable housing shortages prevent workers from meeting job demand in rural areas with limited housing options.

Rural housing construction and preservation projects have access to only a few funding sources. The Housing Credit and Housing Bond programs are vital sources for this important housing. The Housing Credit is narrowly targeted and represents the best of the public-private partnership between government, local communities, and the private sector. The program is the most successful affordable rental housing production program and its place in the tax credit code is an essential part of its long-term success. Indeed, the Housing Credit program has been so successful that it has become the model for subsequent programs.

While the Housing Credit and Private Activity Housing Bonds survived Tax Reform, it remains unclear how tax reform will impact both programs in the long term. However, the reduction in the individual and corporate rates, the value of credits and bonds will no doubt be less, putting further pressure on the need for direct spending programs to increase. **CARH believes that legislative proposals which would make enhancements to the Housing Credit and Housing Bond programs (see [S. 548](#) introduced by Senators Maria Cantwell (D-WA) and Orrin Hatch (R-UT) and [H.R. 1661](#) introduced by Representatives Carlos Curbelo (R-FL) and Richard Neal (D-MA)) would both strengthen and expand these two important programs so that rural housing preservation and new construction can take place. There has been overwhelming bi-partisan support for the programs.**