



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 also 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.

Affordable Housing Credit Improvement Act:

The Emergency Coronavirus Legislation and Omnibus Appropriations Act (P.L. 116-220) provided for a flat rate for the 4% Housing Bond program. **However, CARH believes that legislative proposals to modernize the Housing Credit and Housing Bond programs ([S.1136, the Affordable Housing Credit Improvement Act of 2021](#), introduced by Senator Maria Cantwell (D-WA) and [H.R. 2573](#), a companion bill introduced by Representative Suzan DelBene (D-WA-1)) should also be considered because the legislation would further strengthen and expand the two programs so that rural housing preservation and new construction can take place. The legislation would increase the housing credit authority by 50 percent, phased in over two years. In addition, states would have the ability to provide up to a 30% basis boost to properties in rural areas if needed for financial feasibility by qualifying rural areas as Difficult Development Areas (DDAs). Both provisions are integral to furthering preservation for the rural housing portfolio.**

Furthermore, should Congress consider legislation that would focus on bringing the high rate of inflation down, the legislation should contain provisions of the Affordable Housing Credit Improvement Act as outlined above. CARH is hearing reports from members across the country that the pandemic has caused construction costs for multifamily transactions to increase due to increased shipping costs, worker-protection measures, delays in accessing building offices to obtain work permits and inspections, and delays in shipping materials. This, in turn, is resulting in delayed starts and completion of construction and rehabilitation work. Any measure that can allow more financing to cover emerging financing gaps is important

Community Reinvestment Act:

The Housing Credit's efficacy is at risk today due to two well-meaning changes currently contemplated. One change is the modernization of the Community Reinvestment Act (CRA). There is a general notion in the housing and banking industries that the 1970s era CRA needs a 21st Century makeover. As fair as that may be, the current proposed changes issued jointly by the banking Agencies on May 5, 2022, present certain problems. The proposed CRA rules convert the existing three-part test for large banks (50% lending, 25% investments, 25% services) to a combination of retail and community development tests.

Large banks are the key purchasers of Housing Credits. Along with this shift is a de-emphasis on community development investing. It would appear that banks can meet the community development test purely through lending, leaving out community development investment such as purchasing Housing Credits. That would steer a large core of Housing Credit purchasers away from Housing Credits to other products. **CARH seeks a restoration of the community development investment test that preserves the importance of participation in the Housing Credit.**

Global Minimum Tax:

The other well-intentioned change is the implementation of a 15 percent global minimum tax. Clearly, the financial benefit to investors in the Housing Credit is the avoidance of tax. If the 15 percent global minimum tax applied even if Housing Credits were used, it would remove a major portion of the value of the Housing Credit. We understand that Treasury Assistant Secretary for Tax Policy, Lily Batchelder, shared in remarks to the DC Bar Association that "...because of the way [general business credits] are structured and accounted for, the income or loss and the income tax consequences of those investments typically will be excluded from the effective tax rate calculation — so those credits generally should not be impacted." This is good news, but it is an informal policy statement only. **CARH supports a formal codified position that the Housing Credit, which creates a public benefit of affordable housing will not be impacted by the Global Minimum Tax.**

S. 1136 - Affordable Housing Credit Improvement Act of 2021

Introduced by:

Sen. Cantwell, Maria [D-WA] 04/15/2021

Cosponsors:

Sen. Young, Todd C. [R-IN]* 04/15/2021
Sen. Wyden, Ron [D-OR]* 04/15/2021
Sen. Portman, Rob [R-OH]* 04/15/2021
Sen. Leahy, Patrick J. [D-VT] 05/27/2021
Sen. Sinema, Kyrsten [D-AZ] 05/27/2021
Sen. Cardin, Benjamin L. [D-MD] 05/27/2021
Sen. Stabenow, Debbie [D-MI] 05/27/2021
Sen. Whitehouse, Sheldon [D-RI] 05/27/2021
Sen. Graham, Lindsey [R-SC] 05/27/2021
Sen. Capito, Shelley Moore [R-WV] 05/27/2021
Sen. Collins, Susan M. [R-ME] 05/27/2021
Sen. Sullivan, Dan [R-AK] 05/27/2021
Sen. Moran, Jerry [R-KS] 05/27/2021
Sen. Van Hollen, Chris [D-MD] 06/10/2021
Sen. Cramer, Kevin [R-ND] 06/10/2021
Sen. Brown, Sherrod [D-OH] 06/10/2021
Sen. Marshall, Roger W. [R-KS] 06/10/2021
Sen. Bennet, Michael F. [D-CO] 06/24/2021
Sen. Murkowski, Lisa [R-AK] 06/24/2021
Sen. Padilla, Alex [D-CA] 08/03/2021
Sen. Smith, Tina [D-MN] 08/03/2021
Sen. Hickenlooper, John [D-CO] 08/03/2021
Sen. Menendez, Robert [D-NJ] 08/03/2021
Sen. Murphy, Christopher [D-CT] 08/03/2021
Sen. Casey, Bob [D-PA] 09/14/2021
Sen. Cortez Masto, Catherine [D-NV] 09/14/2021
Sen. Coons, Christopher [D-DE] 09/14/2021
Sen. Hassan, Maggie [D-NH] 09/28/2021
Sen. Carper, Thomas R. [D-DE] 11/03/2021
Sen. Kelly, Mark [D-AZ] 12/02/2021
Sen. Peters, Gary C. [D-MI] 12/14/2021
Sen. Warnock, Raphael G. [D-GA] 04/05/2022
Sen. Heinrich, Martin [D-NM] 04/06/2022
Sen. Ossoff, Jon [D-GA] 05/19/2022
Sen. Rosen, Jacky [D-NV] 11/30/2022
Sen. Blackburn, Marsha [R-TN] 11/30/2022
Sen. Klobuchar, Amy [D-MN] 12/19/2022
Sen. Kaine, Tim [D-VA] 12/19/2022
Sen. Feinstein, Dianne [D-CA] 12/19/2022
Sen. Blumenthal, Richard [D-CT] 12/19/2022
Sen. Gillibrand, Kirsten E. [D-NY] 12/19/2022
Sen. Lujan, Ben Ray [D-NM] 12/19/2022
Sen. Murray, Patty [D-WA] 12/21/2022

**Denotes Original Cosponsor*

H.R. 2573 - Affordable Housing Credit Improvement Act of 2021

Introduced by:

Rep. DelBene, Suzan K. [D-WA-1] 04/15/2021

Cosponsors:

Rep. Beyer, Donald S., Jr. [D-VA-8]* 04/15/2021
Rep. Walorski, Jackie [R-IN-2]* 04/15/2021
Rep. Wenstrup, Brad R. [R-OH-2]* 04/15/2021
Rep. Panetta, Jimmy [D-CA-20] 05/07/2021
Rep. Reed, Tom [R-NY-23] 05/07/2021
Rep. Murphy, Stephanie N. [D-FL-7] 05/07/2021
Rep. Blumenauer, Earl [D-OR-3] 05/07/2021
Rep. Fitzpatrick, Brian K. [R-PA-1] 05/07/2021
Rep. Suozzi, Thomas R. [D-NY-3] 05/07/2021
Rep. Moore, Gwen [D-WI-4] 05/07/2021
Rep. LaHood, Darin [R-IL-18] 05/07/2021
Rep. Posey, Bill [R-FL-8] 05/07/2021
Rep. Bucshon, Larry [R-IN-8] 05/07/2021
Rep. Kildee, Daniel T. [D-MI-5] 05/18/2021
Rep. Evans, Dwight [D-PA-3] 05/18/2021
Rep. Davis, Rodney [R-IL-13] 05/18/2021
Rep. Chu, Judy [D-CA-27] 05/18/2021
Rep. Balderson, Troy [R-OH-12] 05/18/2021
Rep. Hudson, Richard [R-NC-8] 05/18/2021
Rep. Sanchez, Linda T. [D-CA-38] 05/18/2021
Rep. Katko, John [R-NY-24] 06/04/2021
Rep. Ferguson, A. Drew, IV [R-GA-3] 06/04/2021
Rep. Budd, Ted [R-NC-13] 06/04/2021
Rep. Reschenthaler, Guy [R-PA-14] 06/04/2021
Rep. LaMalfa, Doug [R-CA-1] 06/04/2021
Rep. Kim, Young [R-CA-39] 06/04/2021
Rep. Phillips, Dean [D-MN-3] 06/04/2021
Rep. Axne, Cynthia [D-IA-3] 06/04/2021
Rep. Carbajal, Salud O. [D-CA-24] 06/04/2021
Rep. Swalwell, Eric [D-CA-15] 06/04/2021
Rep. Brownley, Julia [D-CA-26] 06/04/2021
Rep. Levin, Mike [D-CA-49] 06/04/2021
Rep. Miller, Carol D. [R-WV-3] 06/04/2021
Rep. McKinley, David B. [R-WV-1] 06/04/2021
Rep. Doyle, Michael F. [D-PA-18] 06/04/2021
Rep. Craig, Angie [D-MN-2] 06/04/2021
Rep. Pressley, Ayanna [D-MA-7] 06/04/2021
Rep. Bergman, Jack [R-MI-1] 06/17/2021
Rep. Walberg, Tim [R-MI-7] 06/17/2021
Rep. Emmer, Tom [R-MN-6] 06/17/2021
Rep. Zeldin, Lee M. [R-NY-1] 06/17/2021
Rep. Kustoff, David [R-TN-8] 06/17/2021
Rep. Tenney, Claudia [R-NY-22] 06/17/2021

H.R. 2573 - Continued

Rep. Rose, John W. [R-TN-6]	06/17/2021	Rep. Cohen, Steve [D-TN-9]	07/30/2021
Rep. Young, Don [R-AK-At Large]	06/17/2021	Rep. Gallego, Ruben [D-AZ-7]	07/30/2021
Rep. Costa, Jim [D-CA-16]	06/17/2021	Rep. Lawrence, Brenda L. [D-MI-14]	07/30/2021
Rep. Neguse, Joe [D-CO-2]	06/17/2021	Rep. Auchincloss, Jake [D-MA-4]	07/30/2021
Rep. Perlmutter, Ed [D-CO-7]	06/17/2021	Rep. Clark, Katherine M. [D-MA-5]	07/30/2021
Rep. Escobar, Veronica [D-TX-16]	06/17/2021	Rep. Garcia, Jesus G. "Chuy" [D-IL-4]	07/30/2021
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Rep. Carson, Andre [D-IN-7] 09/09/2022
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Rep. Gibbs, Bob [R-OH-7] 09/09/2022
Rep. Johnson, Dusty [R-SD-At Large] 09/09/2022
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Rep. Kaptur, Marcy [D-OH-9] 09/09/2022
Rep. Stanton, Greg [D-AZ-9] 09/20/2022
Rep. Meijer, Peter [R-MI-3] 09/20/2022
Rep. Gonzalez, Vicente [D-TX-15] 09/20/2022
Rep. Harshbarger, Diana [R-TN-1] 11/17/2022
Rep. Titus, Dina [D-NV-1] 11/17/2022

Rep. Johnson, Henry C. "Hank," Jr. [D-GA-4] 11/17/2022
Rep. Turner, Michael R. [R-OH-10] 11/17/2022
Rep. Wittman, Robert J. [R-VA-1] 11/22/2022
Rep. Kuster, Ann M. [D-NH-2] 12/14/2022
Rep. Moore, Blake D. [R-UT-1] 12/14/2022
Rep. Long, Billy [R-MO-7] 12/14/2022
Rep. Bishop, Sanford D., Jr. [D-GA-2] 12/22/2022
Rep. Carter, Earl L. "Buddy" [R-GA-1] 12/22/2022
Rep. Jacobs, Sara [D-CA-53] 12/22/2022
Rep. Finstad, Brad [R-MN-1] 12/23/2022
Rep. Garamendi, John [D-CA-3] 12/23/2022
Rep. Blunt Rochester, Lisa [D-DE-At Large] 12/23/2022

**Denotes Original Cosponsor*