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LIHTC [Low Income Housing Tax Credit]

Stack:	Row:	Section:	Shelf:	Position:
S	97	7	7	3

[redacted]

[redacted]. Paul re: cenbanked / EPT99 (for one-year anniversary)
Emil: policy accomplishments doc.

Low-income housing tax credit 5/26/98

Johnson bill (House) + Rangle bill ?) John/Ensign — RNV + Rangle — HR 2990
Sen. Compromise bill (w/50 co-sponsors) Nancy Johnson — HR 3290
D'Amato — S. 1252

traditional opposition of Archer

Roth indifferent to the program
Couple of members pressing ⇒ Bob Graham / D'Amato (to make sure in Finance comm. bill)

Changes

① Preference for projects in low-income census tracts and are part of govt. revitalization effort.
— Johnson likes
Dems. slow to come on to this.
State housing agencies are opposed b/c limits discretion.

This is really more like a provision to preserve an existing non-codified preference for these projects.

Com.: Program is run by states but has lots of federal regs.

National Home Builders
— less happy w/ lots of $ going to non-profit developers.

We are encouraging people to support both bills.

Local Initiative
Support Corp.

(2) Higher credit amt. in high-cost areas
but doesn't apply when have Home funds

(3) Permitting child-care facilities that people
outside the building can use.

None of these are deal breakers. We want the 40% incre

Link betwn this and Home Ownership Week ?)
• Some places use the tax credit
for rent-to-own. (Cleveland, Ohio)

CDFI
Crunch time on authorization and approp.
($125 million)

Event in Baltimore ?) / No. Virginia
(ground breaking w/POTUS).
July ?)

[Converting public housing in Mississippi Delta
to subsidized housing.
Greenville

When ?) July ?)]

NATIONAL GOVERNORS' ASSOCIATION

George V. Voinovich
Governor of Ohio
Chairman

Thomas R. Carper
Governor of Delaware
Vice Chairman

Executive Director

Hall of the States
444 North Capitol Street
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Telephone (202) 624-5300

May 8, 1998

The Honorable Newt Gingrich
Speaker of the House
H-232 Capitol
United States House of Representatives
Washington, D.C. 20515

The Honorable Richard A. Gephardt
Minority Leader
H-204 Capitol
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker and Minority Leader Gephardt:

The nation's Governors urge you to support bipartisan legislation that would restore the ability of states to invest in communities and increase the stock of low-income housing.

Specifically, we urge you to support H.R. 2990/H.R. 3290 which would raise the Low-Income Housing Tax Credit (LIHTC) cap to $1.75 per capita and index the cap for inflation. We also urge you to support H.R. 979, which would raise the annual limit on state issuance of so called "private activity" bonds and index the limits to inflation.

Since 1986, inflation has seriously eroded the value of states' allocations both for tax-exempt bonds and the LIHTC program. Increasing the annual allotment and providing an automatic annual adjustment would help restore the buying power of these important tax provisions. Restoring the value of tax-exempt bonds and the LIHTC program will empower states to continue shrinking the size of government while still providing essential services through partnerships with the private sector.

We hope you will support both of these legislative initiatives and look forward to working with you to achieve this goal. If you have any questions, please do not hesitate to have your staff call Jennifer Lakins Mello of the National Governors' Association staff at 202/624-5390.

Sincerely,

Edward T. Schafer

Governor Edward T. Schafer
Chair
Committee on Economic Development
and Commerce

Paul E. Patton

Governor Paul E. Patton
Vice Chair
Committee on Economic Development
and Commerce

Estimated Distribution of Additional Low Income Rental Housing Units Due to Increase in Low-Income Housing Tax Credit Volume Cap by $.50 per Capita

Estimated Range of New LIHTC Units from Additional Allocations Made During 1999-2003

State	Lower Estimate	Upper Estimate
Alabama	2,340	2,915
Alaska	358	429
Arizona	2,844	3,173
Arkansas	1,436	1,723
California	17,869	21,442
Colorado	2,284	2,741
Connecticut	1,784	2,141
Delaware	419	502
District of Columbia	285	342
Florida	8,364	10,037
Georgia	4,319	5,182
Hawaii	689	827
Idaho	740	888
Illinois	6,553	7,864
Indiana	3,290	3,948
Iowa	1,575	1,890
Kansas	1,455	1,746
Kentucky	2,175	2,610
Louisiana	2,410	2,891
Maine	685	822
Maryland	2,575	3,450
Massachusetts	3,371	4,045
Michigan	5,264	6,317
Minnesota	2,634	3,160
Mississippi	1,534	1,841
Missouri	3,019	3,623
Montana	519	622
Nebraska	929	1,115
Nevada	1,030	1,236
New Hampshire	668	802
New Jersey	4,455	5,346
New Mexico	1,022	1,226
New York	9,852	11,822
North Carolina	4,256	5,107
North Dakota	306	432
Ohio	6,144	7,373
Oklahoma	1,841	2,209
Oregon	1,882	2,234
Pennsylvania	6,616	7,939
Rhode Island	542	651
South Carolina	2,109	2,531
South Dakota	423	508
Tennessee	3,092	3,710
Texas	11,049	13,259
Utah	1,215	1,458
Vermont	336	403
Virginia	3,882	4,586
Washington	3,215	3,858
West Virginia	998	1,197
Wisconsin	2,899	3,479
Wyoming	288	345
Total	**149,839**	**179,997**

Notes:

1. Population estimates for each state are based on extrapolations between Census estimates for 1998 LIHTC allocations (see IRS, Notice 98-13) and Census projections of state populations (see "State Population Projections: 2000 to 2025" in "Statistical Abstract of the United States: 1997," p.35).
2. Estimated range for the number of additional units is based on data from GAO. "Tax Credits: Opportunities to Improve the Oversight of the Low-Income Housing Program." (GAO/GGD/RCED-97-55) March 1997.

Housing Credit Units Created
1987 - 1996

State	Units Created
Alabama	17,118
Alaska	868
Arizona	9,670
Arkansas	10,284
California	68,488
Colorado	10,626
Connecticut	6,446
Delaware	3,471
District of Columbia	2,989
Florida	49,988
Georgia	32,874
Hawaii	1,250
Idaho	4,058
Illinois	34,296
Indiana	18,215
Iowa	11,904
Kansas	11,781
Kentucky	16,518
Louisiana	25,267
Maine	3,607
Maryland	18,738
Massachusetts	17,350
Michigan	32,365
Minnesota	17,783
Mississippi	15,116
Missouri	20,876
Montana	1,925
Nebraska	6,202
Nevada	5,039
New Hampshire	2,083
New Jersey	16,655
New Mexico	5,882
New York	44,957
North Carolina	21,037
North Dakota	2,804
Ohio	51,559
Oklahoma	15,612
Oregon	10,425
Pennsylvania	28,508
Rhode Island	7,579
South Carolina	14,676
South Dakota	3,221
Tennessee	17,068
Texas	109,560
Utah	7,048
Vermont	2,755
Virgin Islands	3,472
Virginia	21,409
Washington	15,563
West Virginia	4,660
Wisconsin	20,578
Wyoming	1,490
Total	**903,713**

Why America Needs Congress to Restore the Purchasing Power of the Housing Credit Cap Cosponsor H.R. 3290 and H.R. 2990 or S. 1252

- **The Housing Credit finances virtually all the apartments produced in the nation for low income working families, the elderly, and people with special needs.** Congress' Housing Credit program, which is really a form of block grant to states to meet their low income rental needs, is a fabulous success story, documented in last year's comprehensive GAO report on it.

- **But the current twelve-year old limit on the Housing Credits available to each state severely shortchanges states' capacity to produce the number of low income apartments badly needed in both their urban and rural areas.** Congress imposed that limit in the context of the 1986 economy and has never increased it, despite rapid growth in the economy, in costs, and in states' low income housing needs. Since 1986, the economy has doubled in size and inflation has increased by half. Demand for Housing Credits nationwide exceeds supply by three to one. Even at current inflation rates, states will soon be able to produce only half the Housing Credit apartments they could when Congress first imposed the limit.

  Three bills—H.R. 3290 and H.R. 2990 in the House and S. 1252 in the Senate—would each restore states' capacity to finance decent, low cost apartments which only the Housing Credit can finance.

- **Raising the Housing Credit limit is consistent with the balanced budget and would pay back much of its own cost.** A cap restoration would cost barely more than one billion of the more than $143 billion surplus the Congressional Budget Office projects during the next five years. The additional Housing Credit apartment construction will create thousands of jobs and generate billions in wages and revenues, paying back much of its cost to the federal Treasury.

Who supports raising the Housing Credit Cap?

National Governors' Association
National Conference of State Legislatures
National Association of Counties
National League of Cities
United States Conference of Mayors
National Council of State Housing Agencies
Council of State Community Development Agencies
Association of Local Housing Finance Agencies
Mortgage Bankers Association of America
National Association of Home Builders
National Association of Realtors
The Enterprise Foundation
Local Initiatives Support Corporation
National Low Income Housing Coalition
AFL-CIO Housing Investment Trust
Affordable Housing Tax Credit Coalition
American Association of Homes and Services for the Aging
American Bankers Association
American Institute of Architects
American Seniors Housing Association
Council for Affordable and Rural Housing
The McCauley Institute
National Affordable Housing Management Association
National Alliance to End Homelessness
National Apartment Association
National Association of Affordable Housing Lenders
National Association of Housing and Redevelopment Officials
National Association of Housing Cooperatives
National Association of Housing Partnerships
National Association of State and Local Equity Funds
National Coalition for the Homeless
National Cooperative Bank
National Cooperative Business Association
National Housing and Rehabilitation Association
National Housing Conference
National Housing Trust
National Leased Housing Association
National Multi Housing Council
National Rural Housing Coalition
National Trust for Historic Preservation

National Council of State Housing Agencies
444 North Capitol Street, NW, Suite 438 Washington, DC 20001
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The Housing Credit

Congress created the Housing Credit because constructing and rehabilitating apartments costs too much to rent at rates low income families can afford. The Housing Credit leverages $7.2 billion in investment each year to produce 75,000 apartments annually that rent at prices affordable to low income families and the elderly.

All are dedicated at restricted rents for 30 years or more to families who earn 60 percent or less of area median income. Currently, 20 percent are dedicated for periods longer than 30 years and one in eight is permanently dedicated to low income use.

In its overwhelmingly positive study of the Credit last year, the General Accounting Office found that average Housing Credit apartment renters earn only 37 percent of area median income. Many earn less than 30 percent.

Housing Credit apartments help stabilize neighborhoods by improving housing quality and supply. They rent up quickly, because the need for them is so much greater than can be met under the present Housing Credit volume limit—$1.25 times state population. This limit has not been adjusted for inflation since the program was created in 1986, so Housing Credits have lost nearly 50 percent of their purchasing power. Every year, another 100,000 low cost apartments—more than the Housing Credit replaces—are demolished, abandoned, or converted to market rate use.

Credit demand exceeds supply by three to one in most states. To get Credits, a development must rank high enough under the plan each state develops for judging competing developments against state housing needs. Those plans must give priority to developments serving lowest income families and low income families for the longest periods of time.

The Housing Credit is one of the most closely regulated provisions in the tax code. Taxpayers can claim other deductions and credits without advance approval, and abuse can only be discovered in random audits. An investor can claim Housing Credits, however, only after a state approves the apartment development and makes sure it has been built as proposed.

The state puts each development through three separate rigorous financial evaluations, to make sure it receives only enough Housing Credits to make it viable as long-term, low income housing. The state evaluates every source and use of funds, any government subsidy, reasonableness of costs, and developer and builder profit. Only investors in properties successfully completing all three reviews can claim Housing Credits.

The state also monitors the Housing Credit apartments' physical condition and compliance with the federally required tenant income and rent restrictions. It reports noncompliance to the Internal Revenue Service, which can recapture Housing Credits from noncompliant owners.

The private sector discipline imposed on Housing Credit developments, from initial site selection through years of upkeep and low income compliance, under threat of severe tax penalty, is an unprecedented departure from all previous federal housing programs and a key element in the Housing Credit's runaway success.

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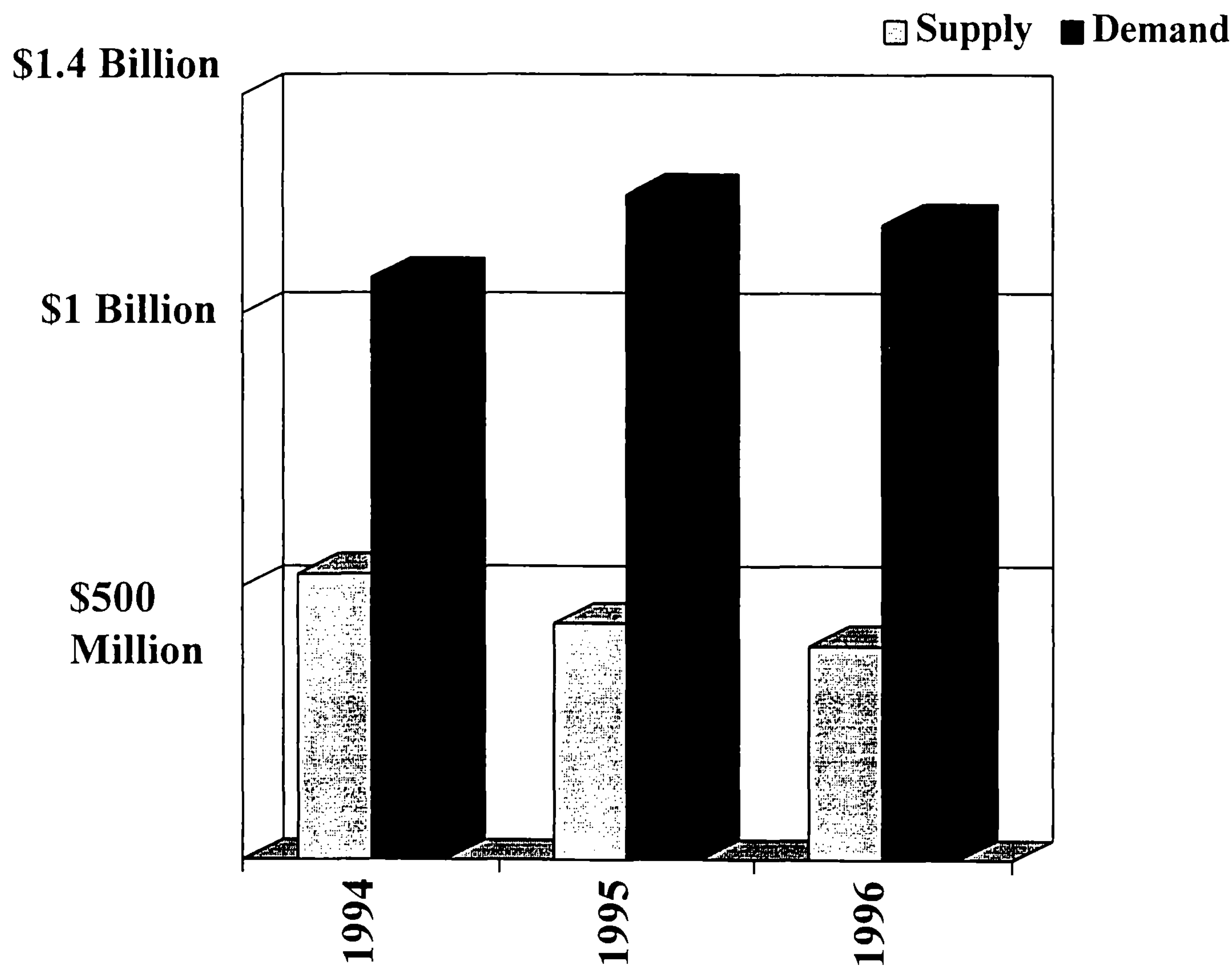
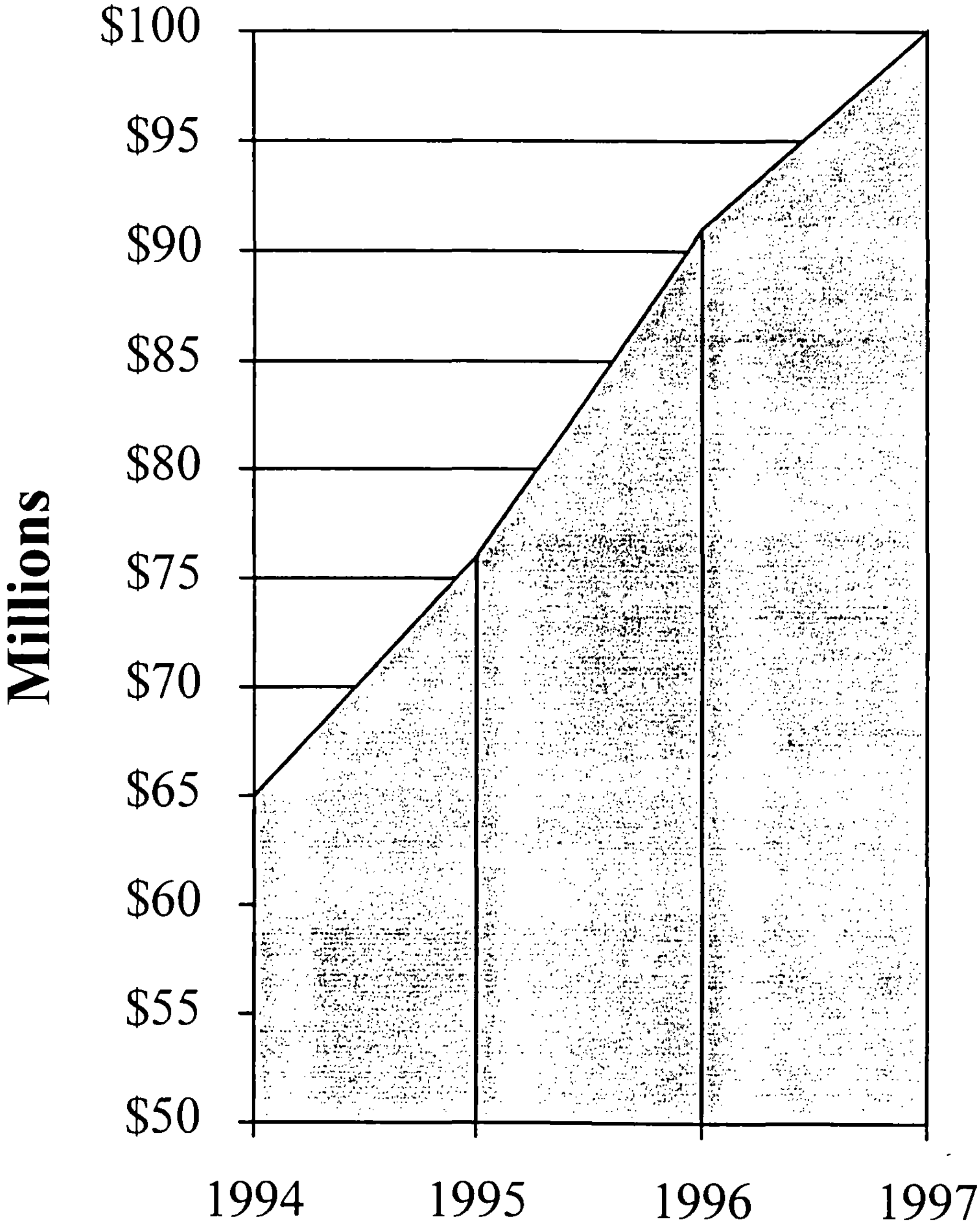
Supply and Demand for Housing Credits Nationwide 1994-1996



Housing Credit Value Lost Due to Inflation Annually



Total Value Lost
1994-1997:
<u>$332 Million</u>

	Total Housing Credits Available	Total Housing Credits Allocated	Total Low Income Apartments	percent allocated
1987	$313,113,750	$62,885,954	34,491	20.08%
1988	$311,487,310	$209,779,916	81,408	67.35%
1989	$314,230,800	$307,182,516	126,200	97.76%
1990	$317,674,673	$213,148,840	74,029	67.10%
1991	$497,170,042	$400,420,875	111,970	80.54%
1992	$488,494,556	$337,032,273	91,300	68.99%
1993	$546,407,023	$424,704,615	106,008	77.73%
1994	$523,275,973	$495,846,892	117,099	94.76%
1995	$432,249,822	$420,838,098	84,205	97.36%
1996	$391,635,156	$379,877,799	77,003	97.00%
Total	$4,135,739,105	$3,251,717,778	903,713	

Source: National Council of State Housing Agencies

H. R. 3290, The Affordable Housing Improvement Act of 1988
Introduced by Congresswoman Nancy Johnson

Section-by-Section Description

This legislation would increase the annual per capita allocation cap on the Low-Income Housing Tax Credit from $1.25 to $1.75 and index the cap for inflation thereafter. The bill also includes some miscellaneous changes to the program, most of which reflect the recommendations of the Oversight Subcommittee in its report to the Chairman in 1997.

Section 1. Title. Affordable Housing Improvement Act of 1998

Section 2. (a) This section increases the per capita allocation cap from $1.25 to $1.75. (b) This section indexes the per capita cap to inflation for calendar years after 1999. (c) This section reduces the allocation cap for a state in the year following a year that the state makes an overallocation of its credit authority. Except in the case of inadvertent allocations, the penalty would be twice the overallocation that occurred in the preceding year.

Section 3. (a) This section adds three new selection criteria for the state to take into account in devising its qualified allocation plan: 1) the use of existing housing developed as part of a community revitalization plan; 2) the treatment of tenant populations of individuals with children; and 3) projects intended for eventual tenant ownership. (b) This section adds a new preference for projects which are located in qualified census tracts and the development of which contributes to a concerted community revitalization plan.

Explanation of Section 3. Under section 42(m), selection criteria are subject matters the state must take into account in devising its allocation plan. There are currently seven criteria, requiring state allocations plans to take into account such factors as project location, sponsor characteristics, tenant populations with special needs, etc. In contrast, under section 42(m) a preference is a quality of the housing which must receive extra credit in the state allocation plan. In effect, a preference in section 42(m) is much more meaningful than a selection criteria. There are currently two preferences in section 42, for projects which serve the lowest income tenants and for projects which are obligated to serve qualified tenants for the longest period of time. These two preferences have been effective in moving the program toward developments serving lower income tenants and for a longer period of time.

Section 4. (a) This section would require state allocating agencies to have a comprehensive market study of each property validating the need for the housing prior to the allocation of tax credits. This section also requires the allocating agency to explain in

writing any decision to award housing credits in a manner inconsistent with the state's qualified allocation plan. (b) This section would require state allocating agencies to make regular site visits to properties to ensure compliance with habitability standards.
(c) This section provides that fees imposed by the allocation agency may not exceed the state allocating agency's costs in administering the Housing Credit.

Section 5. (a) Under current law, projects located in "high cost areas" are eligible to claim a credit up to 130% of the value of the normal credit, except for projects which receive HOME funds. This section would remove the HOME limitation. (b) Under current law, if the common areas of a building are made available to individuals who are not tenants of the building, that space cannot be considered part of the eligible basis of the building for purposes of claiming the tax credit. This section would permit common areas in buildings located within low-income Census Tracts to be part of eligible basis so long as the nontenants using the space meet the income targeting rules of the program. The purpose of the section is to increase the availability of community facilities in low-income neighborhoods which currently have a shortage of such facilities for such things as child care or Head Start activities.