

December 8, 2022

Senator Ron Wyden (D-OR)
221 Dirksen Senate Office Building
Washington, D.C., 20510

Representative Richard Neal (D-MA)
372 Cannon House Office Building
Washington, D.C., 20515

Senator Mike Crapo (R-ID)
239 Dirksen Senate Office Building
Washington, D.C., 20510

Representative Kevin Brady (R-TX)
1011 Longworth House Office Building
Washington, D.C., 20515

Dear Senators and Representatives,

The affordable housing crisis is worsening by the day, driving up homelessness and creating a mounting cost burden for families in every state. Nationally, median asking rents surpassed \$2,000 for the first time¹. Nowhere in the country can a full-time minimum-wage worker afford a two-bedroom rental. And they cannot afford a one-bedroom in 91 percent of U.S. counties². The root of the problem lies in a lack of available affordable housing stock. In fact, the U.S. is short 3.8 million homes according to Freddie Mac³.

This is not an insurmountable problem. Congress right now has the opportunity to unlock vital financing for affordable housing developments that will produce and preserve high-quality, below-market-rate homes for years to come.

As leaders from housing coalitions across the country, we advocate for creating and preserving more affordable housing in each of our states and for all Americans. We are writing to urge you to include in any year-end tax package – 1. an extension of the 12.5 percent increase to the 9 percent Low-Income Housing Tax Credit (LIHTC) that expired in 2021 and 2. lower the “50 percent test” to 25 percent to decrease the amount of private activity bonds (PABs) needed to access the 4 percent Housing Credit. These seemingly small changes can make a big difference, as it will help states secure new resources to build the affordable housing their respective residents need – a task they simply cannot accomplish without federal support.

As you are aware, LIHTC is the most significant federal resource available to build and preserve affordable housing. The program was temporarily expanded in 2018 to meet growing demand. However, Congress failed to extend this increase, effectively causing every state to face a 12.5 percent cut to Housing Credit resources during an affordable housing shortage. PABs automatically qualify a project for Low-Income Housing Tax Credits, providing a critical funding source for affordable housing development for low-income households. They are one of the most crucial financing tools available to build this type of housing - a process that inherently operates on tight margins to ensure rents remain affordable.

PABs can only be distributed towards projects using the bonds to cover 50% of eligible costs, known in the affordable housing industry as the “50 percent test.” The percentage is arbitrary and limits the number of projects that can be approved, constructed, and opened. This creates an unnecessary barrier to future development, and Congress should lower it as soon as possible to increase the number of projects that qualify.

A volume cap on these bonds further limits the number of PABs states can issue. The cap has not increased to keep up with the growing demand for affordable housing, rising roughly 16 percent over the past decade⁴ – even as the nation produced 5.5 million fewer homes in the last 20 years than it did in the previous 20⁵.

As communities all across the country face rising costs due to housing supply shortages, more states are reaching their maximum allowable PAB issuance. In recent years, states like Maine, North and South Carolina, Utah, and Montana issued

¹ Redfin, “Rental Market Tracker: Typical U.S. Asking Rent Surpassed \$2,000 for First Time in May,” June 9, 2022, <https://www.redfin.com/news/redfin-rental-report-may-2022/>

² NLIHC, “Out of Reach: The High Cost of Housing,” 2022. <https://nlihc.org/or>

³ Freddie Mac, “Housing Supply: A Growing Deficit,” May 7, 2021, <https://www.freddiemac.com/research/insight/20210507-housing-supply>

⁴ NYHC, “Exempting Housing from Private Activity Bond Volume Cap to Expand Affordable Housing Supply,” May 4, 2022. <https://thenyh.org/2022/05/04/exempting-housing-from-private-activity-bond-volume-cap-to-expand-affordable-housing-supply/>

⁵ RCG, “Housing is Critical Infrastructure: Social and Economic Benefits of Building More Housing,” June 2021. <https://cdn.nar.realtor/sites/default/files/documents/Housing-is-Critical-Infrastructure-Social-and-Economic-Benefits-of-Building-More-Housing-6-15-2021.pdf>

record levels of PABs for housing in 2019 and 2020. Many others have reached or exceeded their volume cap in recent years including⁶:

California	Minnesota	New York	Utah
Georgia	Nebraska	Oregon	Washington
Kansas	Nevada	Rhode Island	Washington DC
Maryland	New Mexico	Tennessee	
Massachusetts	North Dakota	Texas	

Clearly, the demand for PABs is strong and increasing. Lowering the 50 percent test to 25 percent would free up volume cap and provide relief to all of these states. It is time for Congress to step up and ensure that states that want to use this funding method for affordable housing development can, in fact, do so to the greatest extent possible.

These simple tax tweaks are a direct pipeline toward creating a more robust housing safety net for the millions of households across the country struggling to maintain a roof over their heads. Congress must invest in this long-term solution to create a pathway for greater creation and preservation of affordable housing projects, which will not only address the affordable housing crisis but create jobs and boost economic vitality in the process.

We hope you will consider the urgency and necessity of this recommendation. We would be happy to discuss the next steps with you and delve more deeply into the specifics of how PABs can transform communities across the country.

Sincerely,

California Housing Consortium	Network for Oregon Affordable Housing
Florida Housing Coalition	New York Housing Conference
Illinois Housing Council	Housing Alliance of Pennsylvania
Indiana Affordable Housing Council	Texas Affiliation of Affordable Housing Providers
Homeless and Housing Coalition of Kentucky	Housing Development Consortium of Seattle-King County, Washington
Kentucky Affordable Housing Coalition	Washington Low Income Housing Alliance
Citizens' Housing and Planning Association, Massachusetts	

Point of Contact: Rachel.Fee@thenyhcn.org - Rachel Fee, Executive Director, New York Housing Conference

Cc: Senate Majority Leader Charles Schumer
Speaker of the House of Representatives Nancy Pelosi
Chairman of the House Democratic Caucus Hakeem Jeffries
Members of Senate Finance Committee
Members of House Ways and Means Committee

⁶ CDFA, "CDFA Annual Volume Cap Report," November 2021,
<https://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=VolumeCapReport-2019-2020.html>