POLICY BRIEF
Sept 2017

NEW YORK HOUSING CONFERENCE

THE AFFORDABLE HOUSING CREDIT IMPROVEMENT ACT OF 2017 (H.R. 1661): HOW IT CAN HELP NEW YORK'S HOUSING CRISIS

PROMOTING INCOME DIVERSITY

Current LIHTC Rules create housing for families at the very top of the eligible income range (54–60% AMI) unless paired with additional capital subsidies or rental assistance, which are needed to serve extremely low-income individuals like seniors and low-income working families. Section 101 proposes LIHTC Income Averaging Rules to offer a cost-neutral solution to better serve households across the low-income spectrum in buildings with mixed incomes. By raising the household Income Limit from 60% AMI to 80% AMI, cross subsidization of rents can be achieved within buildings. This allows deeper affordability at lower income levels such as 30% AMI, while maintaining an average income of all tax-credit units in a building of 60% AMI.

- Section 101 - Average income test - Under current law, Housing Credit apartments serve renters with incomes up to 60 percent of area median income (AMI) and rents are comparably restricted. This section creates a new test that would allow the 60 percent of AMI ceiling to apply to the average of all apartments within a property rather than to every individual Housing Credit apartment. The maximum income to qualify for any Housing Credit apartment would be limited to 80 percent of AMI. The higher rents that households with incomes above 60 percent of AMI could afford have the potential to offset the lower rents that households below 40 or 30 percent of AMI could afford, allowing developments to maintain financial feasibility while providing a deeper level of affordability.

INCENTIVIZING DEEPER AFFORDABILITY

Current LIHTC Rules create housing for families at the very top of the eligible income range (54–60% AMI) unless paired with additional capital subsidies or rental assistance, which are needed to serve extremely low-income individuals like seniors and low-income working families. Section 209 allows for up to a 50% basis boost to generate more private equity for projects serving extremely low-income households and allow underwriting to lower rents without additional subsidy.

- Section 209 - Increase in credit for certain projects designated to serve extremely low-income households – Provides flexibility for state housing credit agencies to increase by up to 50 percent the basis of projects in which 20 percent of the units are designated for occupancy by households with incomes that are 30 percent of area median income or lower, if it is necessary to make the project financially feasible.

PROVIDING MORE EQUITABLE GEOGRAPHIC INCENTIVES FOR DEVELOPMENT

Current LIHTC Rules allow for basis boosts for additional housing credits (which yield additional private investment) in high-cost Difficult to Develop Areas ("DDA") and high-poverty Qualified Census Tracts ("QCT"). Federal policy has encouraged this dual strategy to create housing opportunities for low-income families in "high-opportunity" neighborhoods and also to incentivize needed investment to high-poverty communities. Due to DDA formula constraints and caps on QCTs, many New York zip codes and census tracts are ineligible for the basis boost even though construction costs are high throughout the region, warranting the additional credits and even if QCT criteria is met due to population caps.

- Section 206 - Repeal of qualified census tract (QCT) population cap - Remove the aggregate QCT population cap, enabling properties in more areas to receive a 30 percent basis boost, if necessary to make the project financially feasible.
- Section 210 - Increase in credit for tax-exempt bond-financed projects designated by State agency – Provides parity for bond financed projects to be eligible for the 30 percent basis boost available to non-bond 9% credit financed projects.
- Section 213 – Increase of population cap for DDAs- Raises the current law 20 percent cap on DDAs with a 30 percent cap.

MAXIMIZING PRIVATE EQUITY RAISED / REDUCING PUBLIC SUBSIDY

A minimum rate for the 4% housing credit will allow localities to ensure developers maximize private equity in projects while potentially reducing public subsidy in housing credit market downturns. ~40% of NY production utilizes 4% credits.

- Section 201 - Minimum credit rate – Establishes a minimum 4 percent rate for credits used to finance acquisitions and in tax-exempt Housing Bond-financed developments (the "30%" credit). A minimum 9% rate now exists for non-bond financed housing. This program modification would provide more predictability and flexibility in Housing Credit developments and in the current interest rate environment potentially result in an increase in equity to projects allowing developers to target more units to very- and extremely-low income households at rents they can afford and make more types of properties financially feasible.