December 8, 2017

The Honorable Orrin Hatch
Committee on Finance
U.S. Senate
Washington, DC 20510

The Honorable Ron Wyden
Committee on Finance
U.S. Senate
Washington, DC 20510

The Honorable Kevin Brady
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Richard Neal
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

To Chairman Hatch, Ranking Member Wyden, Chairman Brady, and Ranking Member Neal:

On behalf of the Disaster Housing Recovery Coalition, I write to express our deepest concerns about the impact of tax reform legislation on disaster recovery efforts in Puerto Rico, Texas, Florida, Georgia, and the Virgin Islands after Hurricanes Harvey, Maria, and Irma and in California after recent and ongoing wildfires. These disasters have damaged or destroyed nearly 1 million homes, many of them affordable to low income people. The decreased supply, along with the displacement of people from Puerto Rico and the Virgin Islands to the mainland, has led to rent spikes in communities that faced some of the most severe shortages of homes for the lowest income people even before the storms. In these communities, affordable housing will be the key to recovery for families to resettle, as well as creating jobs and spurring the economy. Tax reform legislation, however, could eliminate or weaken critical tools – including private activity bonds, New Markets Tax Credits, Low Income Housing Tax Credits, the national Housing Trust Fund, and federal housing programs administered by the U.S. Departments of Housing and Urban Development (HUD) and Agriculture (USDA) – that are used by states and local communities to rebuild affordable rental housing and community development projects that benefit low income people and families after devastating disasters. As the conference committee finalizes its tax reform bill, we urge you to ensure that any legislation offered for a final vote by the House and Senate not harm current or future disaster recovery efforts.

The Disaster Housing Recovery Coalition is led by the National Low Income Housing Coalition and includes more than 250 national, state, and local organizations, including many working directly with disaster-impacted communities and with first-hand experience recovering after disasters. We work to ensure that federal disaster recovery efforts reach all impacted households, including the lowest income seniors, people with disabilities, families with children, veterans, people experiencing homelessness, and other at-risk populations who are often the hardest-hit by disasters and have the fewest resources to recover afterwards.

Eliminating private activity bonds would create significant barriers to communities as they recover from disasters and would directly harm the low income people who rely on these investments. Because private activity bonds generate roughly half of all financing for the Low Income Housing Tax Credit each year, eliminating this resource would result in higher borrowing costs for disaster-impacted state and local governments, significantly less investment in rebuilding and repairing affordable housing, and fewer jobs. As a result, nearly 880,000 fewer affordable rental homes would be built or preserved over the next ten years, including in disaster-impacted areas.

The elimination of the New Markets Tax Credit would also undermine private investment in disaster-impacted businesses and communities. After past disasters, the tax credit played an important role in rebuilding and strengthening communities that were already struggling with poverty and unemployment before the storm by helping to rebuild homes, community health centers, food banks, and schools that serve low income people and their communities.

Both versions of the tax bill would reduce the impact of the Low Income Housing Tax Credit, one of our nation’s most successful tools for encouraging private investment in the production and preservation of affordable rental housing and a critical tool for rebuilding affordable rental homes that were damaged or destroyed during a disaster. Without an adjustment to the program, reducing the corporate tax rate will lower the value of the Low Income Housing Tax Credit and undermine its ability to generate equity investments. Moreover, both tax bills fail to include bipartisan-supported improvements to the program, as provided in the Hatch-Cantwell Housing Credit Improvement Act, that would have streamlined the program and made it easier for developers to better serve the lowest income people who have the greatest housing needs. This will have far-reaching effects in disaster-impacted communities and beyond by reducing the number of affordable rental homes that can be built or renovated to the federal government’s health standard, increasing the severity of the affordable housing crisis that impacts every state and community, and making it more difficult for properties to serve residents with the lowest incomes.

Tax reform legislation will also trigger automatic funding cuts to the national Housing Trust Fund, according to the nonpartisan Congressional Budget Office. The Housing Trust Fund makes rental homes affordable for people with the greatest and most acute housing needs – the same people who face the biggest obstacles to recovery after a disaster. The program is the first and only federal housing resource that is exclusively targeted to serve people with the lowest incomes. It provides a lifeline to struggling families who are forced to choose between paying their rent and buying groceries, visiting their doctor, paying for medications, or saving for a rainy day.

By greatly increasing the debt, the tax bill also puts federal discretionary housing investments – administered by the U.S. Departments of Housing and Urban Development (HUD) and Agriculture (USDA) – at risk of significant funding cuts in future years. Federal housing programs have lifted millions of families out of poverty by providing them with the resources they need to thrive, especially after disasters. Without these investments, many of these families would be homeless, living in substandard or overcrowded conditions, or struggling to meet other basic needs because too much of their limited income would go to paying rent. Despite their proven track record, HUD and USDA affordable housing programs have been chronically underfunded. Today, of the families who qualify for housing assistance, only a quarter will get the help that they need. Further budget cuts will continue to undermine this critical piece of the federal safety net.

While the road ahead for recovery after recent disasters will take many years, we urge you to ensure that tax reform legislation will not undermine the recovery for low income households and communities.

Sincerely,

Diane Yentel

Diane Yentel
President and CEO
National Low Income Housing Coalition