

MIDDLE INCOME HOUSING TAX CREDIT



Senator Ron Wyden (D-OR) has introduced a Middle Income Housing Tax Credit Act to create a new federal tax credit to incentivize developers to build and preserve rental housing that is affordable to families earning 100% of the Area Median Income (AMI) or below.

The Middle Income Housing Tax Credit is a misguided and wasteful use of federal resources. Evidence shows that nearly all of the need for affordable rental housing is concentrated among families with extremely low incomes (ELI), not households with moderate incomes. The severe shortage of rental homes affordable to ELI households is national in scope — impacting every state and congressional district — while housing challenges for middle income renters are limited to only a few high-cost communities.

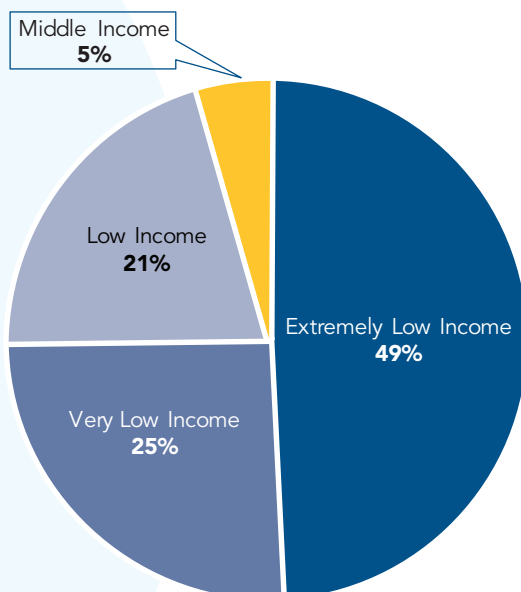
1. The affordable housing crisis primarily impacts families with the lowest incomes, not middle income households.

Of the 20.5 million housing cost-burdened renter households who spend more than 30% of their incomes on rent and utilities, 47% are extremely low income and 25% are very low income. Fewer than 5% are middle income renters. Of the 11 million severely cost-burdened renter households who spend more than 50% of their incomes on rent and utilities, 73% are extremely low income. Fewer than 1% are middle income renters.

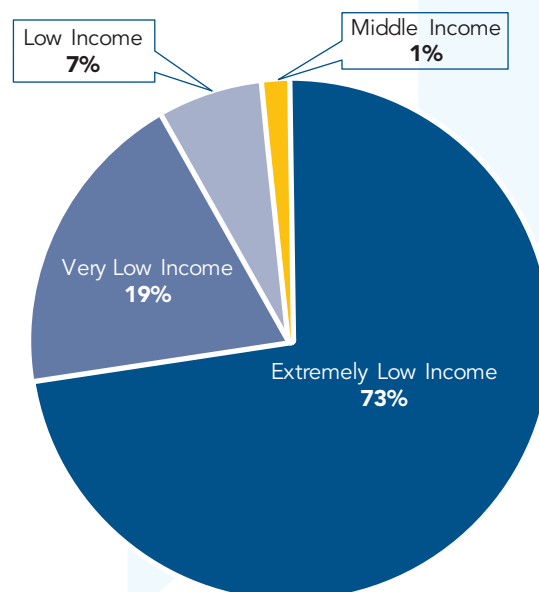
Without an affordable home, far too many of the lowest income seniors, people with disabilities, families with children, and other individuals are forced to make impossible choices between paying rent and meeting their other basic needs, including groceries, medicine, transportation, and childcare.

An additional 427,000 households are experiencing homelessness.

Renter Cost Burdens, 2016



Renter Severe Cost Burdens, 2016

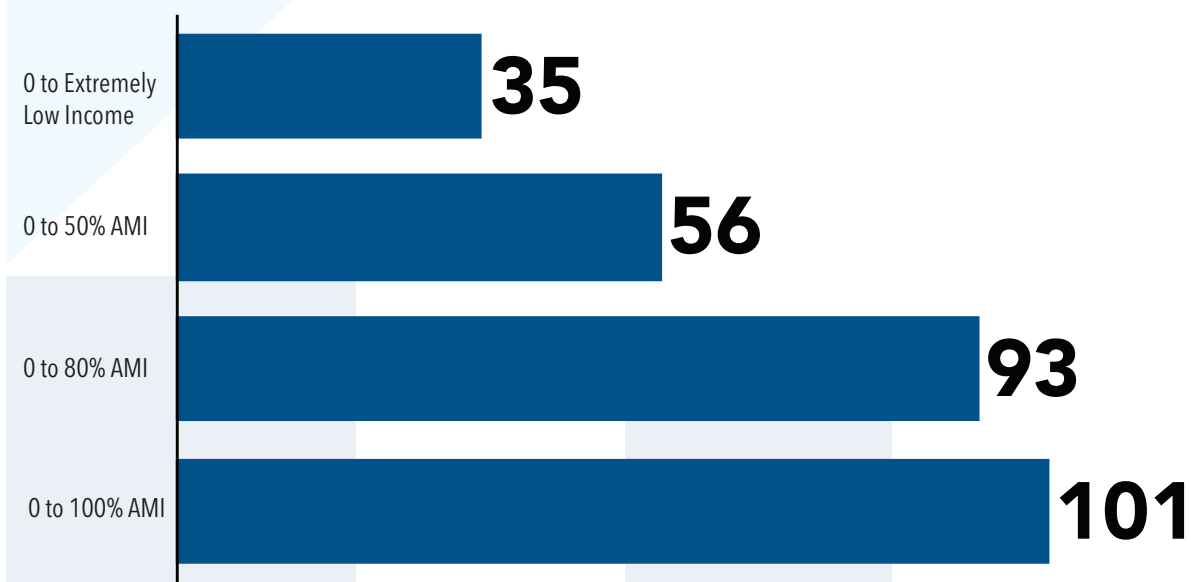


Note: Extremely low income = household income less than poverty guideline or 30% of area median income (AMI), whichever is higher; very low income = ELI to 50% of AMI; low income = 51% to 80% of AMI; middle income = 81% to 100% of AMI. Above median income households excluded. Source: NLIHC tabulation of 2016 ACS PUMS.

2. The severe shortage of affordable rental homes for the lowest income families contributes to rent pressure on middle income households.

America's 11.2 million lowest income families face a shortage of 7.2 million affordable and available apartments. For every 100 of the lowest income households, there are just 35 affordable and available rental homes. The relative supply increases at higher income levels.

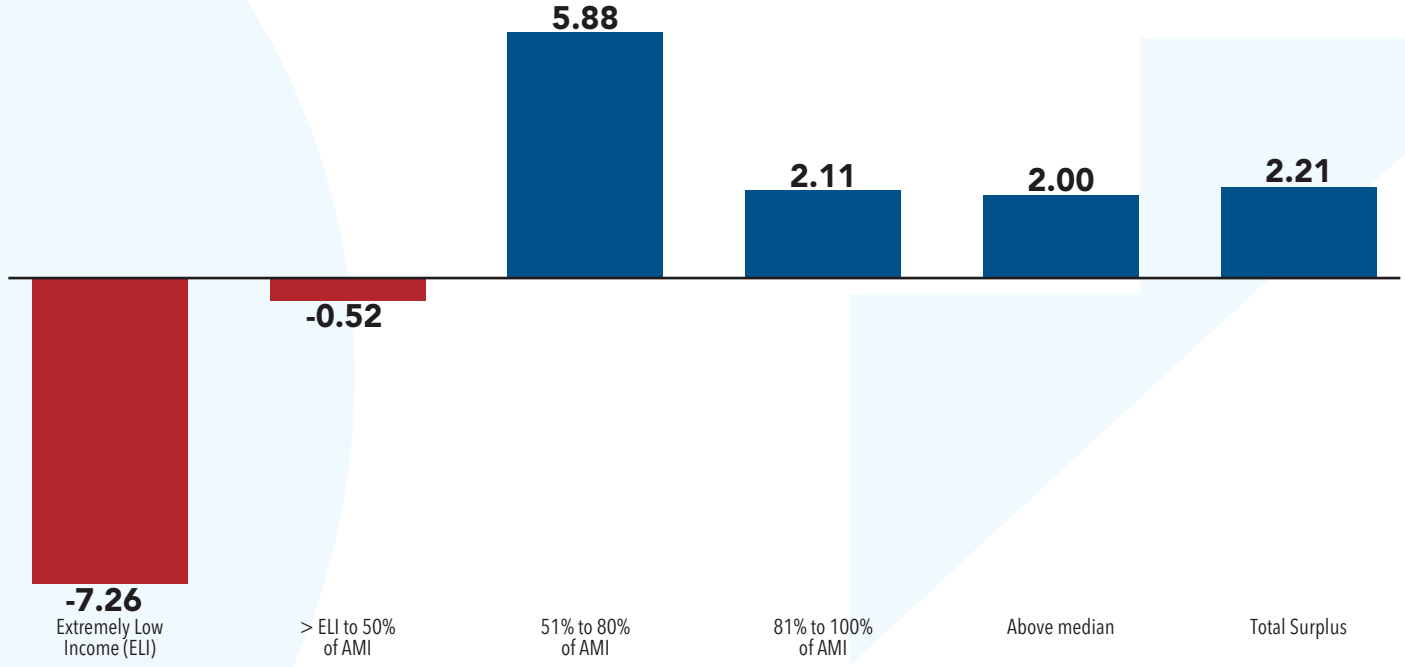
Affordable and Available Rental Homes per 100 Renter Households, 2016



Note: Extremely low income = household income less than poverty guideline or 30% of area median income (AMI), whichever is higher. Source: NLIHC tabulation of 2016 ACS PUMS.

The cumulative shortage of affordable and available rental homes can be explained entirely by the severe shortage for extremely and very low income renters.

Incremental Change to Surplus/Deficit of Affordable and Available Rentals, 2016 (in Millions)



Note: Extremely low income = household income less than poverty guideline or 30% of area median income (AMI), whichever is higher. Source: NLIHC tabulation of 2016 ACS PUMS.

3. There are better, alternative ways to address the housing challenges faced by middle-income households in high-cost cities.

Congress recently enacted legislation to provide additional flexibility, known as “income averaging,” to the Low Income Housing Tax Credit to serve families with both higher and lower incomes than currently targeted. By taking a balanced approach, this legislation may also lead to more affordable rental homes for people with the lowest incomes.

Congress should also expand resources — through solutions like the national Housing Trust Fund – to build and preserve affordable rental homes targeted to the lowest income families. This investment would directly address the severe shortage of affordable rental homes for ELI families, allowing the rental market to become better aligned to meet all of the housing needs in a community, including the needs of middle income renters.

Moreover, the federal government should encourage high cost cities to examine local barriers that prevent the private sector from building more affordable rental homes, including regulations and land use restrictions. These barriers increase costs, resulting in higher rents and reduced supply.

For more information, contact Sarah Mickelson, NLIHC Public Policy Director, at smickelson@nlihc.org or by calling 202-662-1530, ext. 228.