Improvements to Deeply Target the Housing Credit

The Low Income Housing Tax Credit (Housing Credit) is the primary source of financing for the construction and preservation of affordable housing. While it is an important resource, it alone cannot serve those families with the greatest, clearest needs. Any expansion of the Housing Credit must include reforms to ensure that the Housing Credit better serves our nation’s most vulnerable families.

The Affordable Housing Credit Improvement Act, introduced by Senators Maria Cantwell (D-WA), Todd Young (R-IN), Ron Wyden (D-OR), and Johnny Isakson (R-GA) would expand and improve the Housing Credit. The bill includes a 50% expansion of the Housing Credit and important reforms to more deeply target these resources to those families who need it most. Congressmembers Suzan DelBene (D-WA) and Kenny Marchant (R-TX) introduced a House companion bill.

Key Reforms

1. Incentives to Serve Homeless and Extremely Low Income Families

According to NLIHC’s report, The Gap: A Shortage of Affordable Rental Homes, there are just 37 affordable and available rental homes for every 100 of America’s poorest seniors, people with disabilities, families with children, and other individuals. Extremely low-income renters are more likely to be severely housing cost-burdened – paying more than half of their limited incomes on housing – than any other income group, accounting for 73% of all severely housing cost-burdened renters in the U.S. An additional half a million people experience homelessness on any given night. To help increase the supply of deeply affordable housing for America’s poorest families, the bill provides a 50% basis boost—thereby increasing the investment of Housing Credits—for developments that set aside at least 20% of units for households with extremely low incomes or those experiencing homelessness.

2. Encourage Development in Native American Communities

Native Americans in tribal areas have some of the worst housing needs in the United States. They face high poverty rates and low incomes, overcrowding, lack of plumbing and heat, and unique development issues. Despite the growing need for safe, decent homes, federal investments in affordable housing on tribal lands have lagged for decades, particularly in more rural and remote areas. This bill designates tribal communities as “Difficult To Develop Areas,” making housing developments automatically eligible for a 30% basis boost to increase the investment of Housing Credits. The bill also requires states to consider the needs of members of Indian tribes when allocating Housing Credits.

3. Facilitate development in rural America

Rural communities face unique barriers to developing affordable rental homes, including lower incomes, higher poverty rates, and lack of access to private capital. As a result, far too many rural families live in rental homes that are unaffordable or are in substandard condition. This bill designates rural communities as “Difficult To Develop Areas,” making housing developments automatically eligible for a 30% basis boost to increase the investment of Housing Credits.

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