AFFORDABLE RENTAL HOUSING A.C.T.I.O.N.
A Call To Invest in Our Neighborhoods

Recommendations to Congress for COVID-19 Relief Package
Related to the Low-Income Housing Tax Credit

March 18, 2020

The Low-Income Housing Tax Credit (Housing Credit) finances more than 90 percent of all affordable housing production and preservation. The health of the program is critical for the housing stability of millions of low-income families.

The Housing Credit program has a number of programmatic deadlines required under the Internal Revenue Code that we expect could be difficult or impossible to meet as the pace of development is being slowed down due to the COVID-19 crisis and various response measures. COVID-19 almost certainly will lead to consequential disruptions in transactions and construction for a variety of reasons including understaffed lenders, suspended site inspections, supply chains for materials being broken, and in some cases already, local suspensions on construction. As a result, Housing Credit developers would experience unprecedented difficulties meeting the normally-applicable timing requirements. The lack of confidence in being able to do so could prevent many properties from moving forward at all.

There are several simple federal actions that can provide timing relief and prevent projects from losing their tax credits due to COVID-19's impact, some of which are statutory and others that are regulatory. For immediate ***statutory*** actions, ACTION partners are advocating for **an immediate one-year extension for three key deadlines: 10 percent test deadlines, placed in service deadlines, and rehabilitation expenditure deadlines.**

Section 42 of the Internal Revenue Code sets three deadlines for Housing Credit developments to meet: (1) expending at least 10 percent of the anticipated basis within a year of the allocation, (2) placing the buildings in service by the end of the second year after the calendar year of allocation, and (3) placing in service rehabilitation expenditures within 24 months. Under the current circumstances, many Housing Credit projects are in jeopardy as meeting these deadlines requires closing on financing and making steady progress in building. Congress must provide relief from these standard deadlines. We urge Congress to:

- Amend Section 42 to temporarily extend the placed in service deadline to the end of the third year after the calendar year of allocation for properties that received Housing Credit allocations between December 31, 2016 and January 1, 2022; and
- Amend Section 42 to temporarily extend the 10 percent rule to be met within the second year of the allocation for properties that received Housing Credit allocations between December 31, 2016 and January 1, 2022; and
- Amend Section 42 to temporarily extend the rehabilitation expenditures deadline to be met at the close of any 36-month period.

The above recommendations would provide immediate assistance to Housing Credit properties in the development process; however, Congress should also consider measures to bolster future production and preservation of affordable housing. The "4 percent" Housing Credit is a critical component of the Housing Credit program. Paired with Housing Bonds, the 4 percent Housing Credit is used to finance roughly half of all developments financed each year with the Housing Credit. The 4 percent Housing Credit subsidizes approximately 30 percent of the present value of eligible depreciable costs for new construction or substantial rehabilitation. However, the 4 percent Housing Credit rate is much lower than Congress originally intended because the 4 percent Housing Credit rate fluctuates monthly based on a formula tied to federal borrowing rates.

With federal borrowing rates effectively zeroed out in response to COVID-19's economic impacts, the 4 percent Housing Credit rate is at an all-time low of 3.12 percent, and will likely dip even further next month. This would provide parity to the 9 percent Housing Credit rate, for which Congress enacted a minimum rate as part of the response to the 2008 economic collapse in recognition of the critical role of affordable housing in the recovery. In light of the historically and unusually low federal borrowing rates, Congress should similarly stabilize the value of the 4 percent Housing Credit to ensure that sorely needed affordable housing developments are able to move forward. **ACTION partners urge Congress to enact a minimum 4% Housing Credit rate.**

We respectfully request the above items for immediate consideration as they are critical to ensuring stability in the program. Additional statutory modifications will likely be necessary as we adapt to this crisis, and we look forward to working with Congress to ensure we continue to have a strong affordable housing delivery system.

The ACTION Campaign is a coalition of over 2,300 national, state, and local organizations and businesses working to address our nation's severe shortage of affordable rental housing by protecting, expanding and strengthening the Low-Income Housing Tax Credit. Learn more at www.rentalhousingaction.org.

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