

HOUSING MATTERS

COVID-19 Could Make the Affordable Housing Crisis Worse

Safeguarding the Delivery System Protects Vulnerable People Today and Tomorrow

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These are difficult days. And it is particularly difficult for those who are homeless or whose housing is unstable. And also, those who have other economic, social or health related vulnerabilities and are extremely threatened by the Covid-19 disease.

With primary responsibility to house independent low- and moderate-income seniors, we are particularly focused on how to keep these individuals out of harm's way. In this environment, we must consider not only the directives of the state and local governments but also what more can be done. As one law firm advised, "Properties that house elderly and senior populations, whether market-rate or affordable housing, are likely to experience the most significant impacts of the virus."

Ironically, for those of us whose goal has been to build community and fight the social isolation of seniors, this requires a complete reversal. Now, the goal is to achieve social distancing and to do it quickly.

While our primary focus is preserving the welfare of residents, we like others build much needed new housing. Safeguarding the delivery pipeline of affordable housing construction in this present situation presents some unique challenges and risks.

Initially the commonwealth did not suspend work on construction projects – but Boston and Cambridge did.

"The thing to remember about shutting down construction is you're not just shutting it down for a few days," Gov. Charlie Baker said in the Boston Globe. "In many cases, you may be shutting it down permanently."

Affordable housing advocates, groups and coalitions are springing into action to ensure our

important housing creation does not stumble and stop.

Today, subsidized or modest-priced housing is largely financed from the sale of federal and state tax credits allocated to private market investors. In short, government gives businesses a tax break if they finance affordable housing. But those agreements come with extremely strict deadlines for performance. If a project is delayed not only can costs increase, as prices for materials rise, but project funds can actually disappear.

Even delays of a few weeks trigger these adjustments, and the result can be a total loss of scheduled funds needed to complete construction.

Among the many requirements, new construction projects have to be 10 percent complete by the end of the first year after the tax credits were allocated. Buildings have to be open and in service by the end of the second year.

"The housing tax credit program has stringent rules and deadlines," said a lawyer familiar with the industry. "When there's an unexpected delay, it throws all of those rules into question, so we need to get flexibility."

The rules governing tax credits are many and intricate, governed by the Internal Revenue Service and also by the U.S. Congress. At the outset of the national crisis there are at least three that automatically trigger penalties.

Among the many requirements, new construction projects have to be 10 percent complete by the end of the first year after the credits were allocated. Buildings have to be open and in service by the end of the second year. And, for projects involv-

ing rehabilitation instead of new construction, the completion deadline is two years from allocation. Those rules, or some of them, can be changed by the Internal Revenue Service.

What Must Be Done

In March, the Affordable Housing Tax Credit Coalition and its partners recommended to Congress that it provide emergency relief that would give one-year extensions to each of those deadlines. Some in the housing community are optimistic about passage in a fourth round of virus-response emergency legislation expected in May.

But that's not all that is needed. Thom Amdur, president of NH&RA, a lobbying group for the low-income housing tax credit industry, noted that there are cascading effects that won't be wiped away by extending deadlines.

"The labor markets for construction and global supply chain have been already been disrupted," he said. "If housing agencies delay a funding round, purchase contracts will have to be extended. As departments defer zoning, permitting and inspections, additional loan costs accrue. These delays are problematic."

But getting deadlines extended is essential in the short term.

"There is precedent for extending deadlines, as in past disasters," said Emily Cadik, executive director of the Affordable Housing Tax Credit Coalition.

One thing is certain. As a result of this health emergency, more affordable housing resources will be needed. We must safeguard the current pipeline of projects as a way to buoy the housing delivery system and provide the seed for an economic recovery. By making these investments, we help to protect the welfare of residents today and those in need once the emergency is over. ◀

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