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## HOUSING MATTERS

# There's a Bipartisan Bill That Will Boost Housing

The Affordable Housing Credit Improvement Act Will Make a Good Thing Even Better

BY SUSAN GITTELMAN

SPECIAL TO BANKER & TRADESMAN



**M**ore rental housing for those with low and moderate incomes is desperately needed in Massachusetts as well as elsewhere nationwide, but housing has become so expensive to build that even

in a booming economy we are losing ground.

According to a recent study done by Harvard's Joint Center for Housing Studies, despite normal household growth across the country and except for a 10-year recovery period tied to the 2008 recession, last year yielded the lowest annual production of housing in 37 years.

The predominant tool used to finance affordable housing is the very effective Low Income Housing Tax Credit. Since its inception in 1986, the program has helped more than 10 million families put roofs over their heads.

Housing tax credits are allocated to each state, based on its population, which the states in turn award to developer applicants that they believe have the best proposals for building new or rehabilitating existing buildings.

Developers then sell the credits to companies, banks or others who owe federal taxes. Thus, developers can generate equity that allows them to produce new homes for families, seniors, veterans and others.

In this way the federal government induces needed housing production without having to build and manage the housing itself.

"In many respects, it's a perfect model," said David Gasson, vice president and director at Boston Capital, a multifamily housing investment company, and executive director of the Housing Advisory Group, a national advocacy organization that promotes affordable housing.

Now, there is a broad-based effort in Congress to expand the credit significantly to make a good thing

even better.

Among more than two dozen specific changes designed to increase affordable housing nationwide, the Affordable Housing Credit Improvement Act of 2019 would increase the amount of funding that would go to newly built housing by 50 percent over five years. At the end of five years, every state would receive about twice the \$2.70 per citizen rate that each receives now.

According to the ACTION Campaign, a coalition of 2,000-plus groups working to address housing needs, the new bill would "make significant strides towards addressing our nation's severe shortage of affordable housing." One estimate is that it could add more than half a million or more new affordable units over the next decade.

**The Low Income Housing Tax Credit program has been remarkably effective. Across the country, the lion's share of below-market-rate housing has utilized these tax credits.**

The bill would also establish a fixed rate for what is commonly known as the 4 percent credit, which along with housing bonds is an effective tool to create and support existing affordable housing.

The 4 percent credit has had a value of less than 4 percent because its actual rate fluctuates tied to federal borrowing rates. A fixed, 4 percent rate allows these credits to access additional equity.

"The idea behind the bill is to expand resources," Gasson said. This bill does a lot to expand what can be built. It's significant, because this generates so much revenue."

### Housing Tax Credits a Proven Winner

The program has been remarkably effective. Across the country, the lion's share of below-market-rate housing has utilized these tax credits. So, it has had enormous bipartisan support – 40 percent of all members of the 115th Congress are cosponsoring legislation.

Advocates note that tax revenue lost to the federal government to pay for affordable housing is more than returned in other ways. In that 30 years in Massachusetts, ACTION says 20,245 jobs have been supported, \$760 million in tax revenue generated and \$1.9 billion in wages and business income generated.

The legislation also has other notable elements, including giving state housing agencies more tools to boost the credit and to maximize bond financing; curbing the ability of municipalities to "veto" tax-credit use on projects; and ensuring that the credit is able to serve high-need populations.

The commonwealth is taking advantage of the federal assistance. Just a few weeks ago, Gov. Charlie Baker announced this year's Affordable Rental Housing Awards supporting 1,581 rental units, the

majority of which – 1,349 – will be affordable.

In this annual funding round, there were 28 funding awards overall, the highest number in recent memory. This can be attributed at least in part to the 12.5 percent boost in the available credit allocation that got approved in 2018 and that will continue through 2021 under current law.

The federal housing tax credit program is a proven winner. The proposed improvements allow us to strengthen what is working to provide housing for families and elders in need. With congressional support on both sides of the aisle – rare in our current political times – there should be nothing standing in our way. ◀

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