October 15, 2024

The Honorable Jason Smith
Chairman, Committee on Ways & Means
U.S. House of Representatives
1139 Longworth House Office Building
Washington, DC 20515

The Honorable Mike Kelly
Tax Subcommittee Chairman, Committee on Ways & Means
U.S. House of Representatives
1139 Longworth House Office Building
Washington, DC 20515

RE: Tax Teams Comment on Community Development

Dear Chairman Smith, Subcommittee Chair Kelly, and Members of the Committee,

Please find the following comment submitted on behalf of the Community Preservation Corporation (CPC), a nonprofit community development financial institution (CDFI) specializing in multifamily housing finance. Currently in our fiftieth year, CPC was founded in 1974 as a direct response to the chronic issues of property abandonment and blight facing New York City's multifamily housing stock, and we began to provide financial and technical resources to stabilize and revitalize underserved communities. Since its founding, CPC has invested $15 billion to finance the creation and preservation of more than 230,000 units of housing. CPC is proud to be the largest community development finance institution in the nation solely focused on investing in multifamily housing. Leveraging 50 years of expertise in housing finance, public-private partnerships, and public policy, CPC effectively expands access to affordable housing across the country.

We thank you for the opportunity to provide input on tax priorities for the upcoming Congressional session and we urge the Committee to include the Neighborhood Homes Investment Act[1] and key provisions from the Affordable Housing Credit Improvement Act[2] (the "Housing Credit provisions") in forthcoming tax legislation.

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[1] Congress.gov. "H.R.3940 - 118th Congress (2023-2024): Neighborhood Homes Investment Act." June 9, 2023.
[2] Congress.gov. "H.R.3238 - 118th Congress (2023-2024): Affordable Housing Credit Improvement Act of 2023." May 11, 2023.

As an affordable housing lender, CPC appreciates the Committee's attention to the national shortage of affordable housing. Access to safe, affordable, and quality homes is crucial to the financial stability of Americans and their neighborhoods. Inclusion of the Neighborhood Homes Investment Act and Housing Credit provisions in a 2025 tax package will allow lenders to manage these rising costs, invest in our existing housing stock, and increase the supply of housing.

The Neighborhood Homes Investment Act is a bipartisan and bicameral legislative proposal authorizing the nation's first ever federal tax credit to invest in the creation and renovation of 1-4 family housing in distressed urban, suburban, and rural neighborhoods. Introduced by Senators Ben Cardin (D-MD) and Todd Young (R-IN) in the Senate (S. 657) and Representatives Mike Kelly (R-PA) and John Larson (D-CT) in the House (H.R. 3940), the Neighborhood Homes Investment Act could build or rehabilitate 500,000 homes, spur $125 billion in total development activity, create over 800,000 jobs in the construction and related industries, drive $56 billion in wages, and generate $38 billion in federal, state, and local tax revenues and fees.

Over its 50-year history of lending in support of affordable housing projects, nearly 70 percent of CPC's investments have been in small building projects. Preserving small buildings, especially in areas outside of New York City where owners are recovering from decades of economic disinvestment, is essential to the health and vibrancy of neighborhoods. If passed, the Neighborhood Homes Investment Act's tax credit would allow CPC and other affordable housing lenders to continue supporting small buildings amidst our national housing crisis. A 1-4 family housing tax credit is especially important in non-metro areas where the cost of building or rehabilitating a home often exceeds the value of the home and Area Median Income (AMI). By covering this "value gap," the Neighborhood Homes Investment Act will spur the creation and rehabilitation of small buildings in disinvested areas, attract and retain working families, and invest in the communities that need it most.

The Low-Income Housing Tax Credit (LIHTC), or the Housing Credit, is the nation's most successful financing incentive for the development and preservation of affordable housing. For nearly 40 years, the Housing Credit has been a model public-private partnership program, bringing to bear private sector resources, market forces, and state-level administration. Every year the Housing Credit supports 6.33 million jobs, $257 billion in tax revenue generated, and $716 billion in wages and business income generated. To strengthen the Housing Credit, the Affordable Housing Credit Improvement Act, sponsored by Representative LaHood (R-IL) in the House (H.R.3238) and Senator Cantwell (D-WA) in the Senate (S.1557), contains key provisions that we urge the Committees to include in upcoming 2025 tax legislation package. Among others, these key provisions include:

1. **Expanding the 9 Percent Housing Credit to boost affordable housing supply.** States receive annual allocations for their 9% Housing Credits based on a per-capita formula. Until 2021, states could leverage a 12.5% increase over this base allocation, allowing states to fund more affordable housing development. This 12.5 percent cap increase should be restored, and allocations should be further increased by 50 percent over two years to meet the demand for affordable housing.

2. **Lowering the bond financing threshold to enable 4 Percent Housing Credits to produce and preserve affordable housing supply.** The current bond-financing threshold of 50 percent limits a state's ability to produce affordable housing. Allowing the full amount of 4 Percent Credits to properties that finance at least 25 percent of eligible land and building costs with tax-exempt multifamily bond authority will enable states to more efficiently use Private Activity Bond financing.

3. **Boosting affordable housing supply in rural communities.** The definition of "difficult to develop areas" (DDAs) should be modified to automatically include properties located in rural areas. This basis boost would make rural properties eligible for increased Housing Credit equity if needed to make them financially feasible.

The Neighborhood Homes Investment Act and the key Housing Credit provisions of the Affordable Housing Credit Improvement Act deliver practical, bipartisan solutions to address the needs of our nation's buildings and the neighborhoods they form. CPC urges the Committees to consider these Acts a priority in forthcoming tax legislation and thanks Representatives Kelly (R-PA), Larson (D-CT), and LaHood (R-IL), and Senators Cardin (D-MD), Young (R-IN), and Cantwell (D-WA) for their leadership on these topics. We look forward to the opportunity to contribute to the impact of these affordable housing policies, please do not hesitate to reach out to us directly in the event of any follow up questions or desire for more information.

Sincerely,

Rafael E. Cestero, Chief Executive Officer
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