

Summary of Housing Finance Provisions in H.R.1

OVERVIEW

The new law enacts policy and funding changes to key housing development financing tools: the Private Activity Bonds (PABs) and 4% Low Income Housing Tax Credit (LIHTC) Program and the 9% LIHTC Program.

The exact number of new units and the income targeting of these units will be impacted by various factors including credit pricing, decisions made by the LIHTC-allocating agencies and bond issuers, and the availability of gap financing.¹ As H.R.1 addresses only some of the capital sources, supportive housing developers will still need to secure other capital sources, a rental assistance source, and supportive services funding to create new units.

LIHTC 9% Provisions:

States will receive a permanent increase in allowable 9% LIHTC credits, which is the primary funding source of affordable housing production in the United States and covers 50%-70% of a multifamily development's cost.

LIHTC 4% Credits and Private Activity Bond Cap:

Changes to the aggregate basis requirements will impact individual states differently, given their volume cap positions prior to the law's enactment, but all states will have the ability to fund significantly more projects with 4% credits.

¹ For the names and websites of each LIHTC allocating agency, see [LIHTC Database: List of LIHTC-Allocating Agencies and Web Addresses](#)

What supportive housing allies should consider:

Champion the use of new resources to incentivize preservation activities that address the capital needs of aging supportive housing buildings.

Focus new LIHTC 9% resources on developing and preserving housing for those with the lowest incomes.

Encourage state and local funders to align the timing of gap financing, supportive services, and rental subsidy applications to reduce project costs and delays.

POLICY AND ADVOCACY CONSIDERATIONS FOR SUPPORTIVE HOUSING ALLIES:

States are already starting to make changes to their Qualified Allocation Plans or Tax Exempt Bond program rules in response to the legislation and could elect to pursue the following approaches.

- **Incentivize preservation activities** through points or set-asides of credits to improve financial performance of older supportive housing units.
- Prioritize the use of additional 9% credits for **deeper affordability and income targeting**, while focusing the 4% resources on more traditional affordable and mixed income housing production.
- **Align gap financing tools and rental subsidies** to pair with the 9% program, including State Housing Tax Credits and HOME/CDBG and state-administered rental assistance programs to ensure the additional resources can achieve deeper (i.e. extremely low) income targeting by minimizing or eliminating debt.

Translating 4% credit and PAB changes into new housing or preserving existing supportive housing can be challenging.

- **Additional gap sources need to be secured**, as the 4% program only covers 30% of the total development cost of a project.
- The timing and competition for other capital and operating sources typically required before closing financing can be challenging for supportive housing developers and owners.

CSH recommends advocacy with state housing finance agencies, rental assistance funders, and recipients of HOME and CDBG.

Consolidate funding applications or align the timing of these sources to minimize the complexity and reduce costs incurred when layering various capital sources.

