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The Voice of Affordable Housing

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April 17, 2020

Speaker Nancy Pelosi
Speaker of the House of Representatives
United States Capitol
Washington, D.C. 20515

Re: California's Affordable Housing Priorities for Federal Stimulus Assistance

Dear Speaker Pelosi,

The COVID-19 pandemic has underscored the importance of safe and secure homes are to our communities' ability to remain healthy. Now more than ever we must unite behind policies that ensure access to stable housing for all Californians. **We write to you today to respectfully request a range of specific inclusions in a federal stimulus package to provide relief for households unable to pay rents or mortgages as a result of COVID-19, and the designation of affordable housing as essential infrastructure in any future Infrastructure Stimulus package.**

NPH is a membership organization made up of 750 affordable housing developers, advocates, community leaders, and businesses working, since 1979, to make the Bay Area a place where everyone has an affordable and stable home. We are grateful for the relief provided in the March 27th CARES Act, and given the urgent crisis we know that more must be done to ensure housing security for all vulnerable people. We strongly urge you to provide additional swift and sweeping rental/debt relief for **all** households which are no longer able to pay rent or mortgages as a result of COVID, and emergency housing investments for those who are currently experiencing homelessness.

We need to ensure that no one loses their home while the pandemic is raging. At the same time, we must also look to the future at what promises to be a long-term recovery from the devastating economic impacts of COVID-19. Having a safe, stable, place to live is the key to recovery and halting the spread of the disease; now is the also the time to lay a strong foundation for building affordable homes for everyone who needs them.

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We respectfully ask that the federal government provide the following in a future stimulus package in order to ensure that all Americans have access to safe and affordable homes, jobs are created and infrastructure is supported, and the economic recovery is sustainable:

- **Provide Direct Rental Assistance**
 - **Support the inclusion of \$100 billion in rental assistance funds as proposed in H.R. 6314 (Heck-WA)** to provide rent relief to millions of Californians and households nationally who can no longer pay their rents as a result of COVID. It is critical that this relief be made available to all households regardless of immigration status.
 - **Provide rental assistance for rent-restricted properties** by providing \$10 billion of the proposed direct rental assistance specifically to states for the purpose of keeping affordable housing developments at break-even cash flow to ensure that no one will be evicted or become homeless and that no properties or housing providers will go bankrupt.
 - **Establish a \$35 billion homeowner assistance fund** for low-income homeowners who can no longer afford to pay their mortgages per Chairwoman Maxine Waters' proposal, H.R. 5187.
 - **Provide \$11.5 billion for Emergency Solutions Grants (ESG), and \$3 billion for emergency Section 8 vouchers** for people experiencing homelessness per the National Low Income Housing Coalition.

- **Enact Immediate Changes to Protect Financial Feasibility and Continue Affordable Housing Production**
 - **Establish a Minimum Rate for the 4% LIHTC.** Low interest rates – slashed in response to the COVID crisis – have reduced the value of the 4% LIHTC to a historic low of 3.12%, meaning that the effective impact of the 4% credit is now 22% below its intended value. The precipitous drop in value jeopardizes the economic viability of each low income housing project that uses the 4% tax credit. We request that Congress enact a minimum 4% rate now before the rate drops any further than it already has to shore up the financial feasibility of tens of thousands of affordable homes in the pipeline.
 - **Lower the Threshold for Bond Financing Required to Access the 4% LIHTC.** We request that Congress reduce the current tax-exempt bond “50% test” to 25%, permanently. Alternatively, we request that Congress exempt 100% affordable housing from requiring an allocation of tax-exempt bonds in order to access 4% Low Income Housing Tax Credits for the calendar years 2020-21. California, like a dozen other states, suffers from an acute oversubscription of federal tax-exempt bond financing authority, which serves as the gateway to accessing 4% LIHTC



- equity. The 4% LIHTC is critical to the financial feasibility of thousands of shovel-ready affordable rental homes. This shortage of tax-exempt bonds is now being worsened by delays in construction caused by COVID-19 limitations that continues to drive up the cost of construction (on a daily basis), therefore requiring more bonds for each home produced. Lowering the threshold would immediately stimulate additional affordable housing production.
- **Extend Key LIHTC Deadlines due to COVID-19 to Continue Progress on Affordable Housing Development.** Many housing developments are in jeopardy of missing program deadlines due to delays in construction or financing caused by COVID-19 impacts. We specifically request that three key program deadlines be extended in order to ensure that approved projects may continue: (1) 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; (2) 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 (3) Amend Section 42 to temporarily extend the rehabilitation expenditures deadline to be met at the close of any 36-month period.
 - **Reconstitute the Tax Credit Exchange Program to Support Production of New Affordable Homes.** It is becoming clear that the economic impacts of COVID-19 on the national and state economies is leading banks to pull back from making new investments at a time when we can least afford any delays in the production of new affordable homes. We request that Congress reconstitute the Tax Credit Exchange Program (created by the American Recovery and Reinvestment Act of 2009) to allow state agencies to approve the conversion of LIHTC allocations to soft loans during 2020-21 when there is evidence investors are not available at reasonable rate of return.

Long Term Economic Recovery Initiatives

We also request that the federal government classify affordable housing as infrastructure and invest at a scale to meet the actual need for permanent affordable homes at the national scale – around \$500 billion. Specifically, we are calling for an expansion of the Low-Income Housing Tax Credits, project-based section 8 vouchers, and the HOME and CBDG programs that can also be used for the acquisition of homes off of the speculative market so that we can build and preserve the affordable homes

Californians and households throughout the country desperately need now and into the future. We will be in touch with you as we develop these proposals further but we wanted to bring to your attention several priority investments below:

- **Increase the Annual Housing Credit Allocation by 50%.** We recommend that Congress increase the annual Housing Credit allocation by 50%, phased-in over two years, beginning in 2021. This will support economic recovery by spurring a significant increase in new production of affordable, multi-family rental housing – an existing need that has been exacerbated by the current economic crisis.
- **Provide Additional Basis Boosts to Allow Access to More Equity if Needed.** We recommend that Congress enact additional basis boost provisions for other types of properties identified as needing additional equity in many circumstances, including: a 30% basis boost for bond-financed projects, a 50% basis boost for developments serving Extremely Low Income (ELI) tenants, a 30% basis boost for projects in rural areas, and a 30% basis boost for properties in Native American communities.
- **Fix an Unintended Consequence of the 2017 Tax Act that is Undermining the Value of LIHTCs.** The Balanced Budget Act of 2017 eliminated most partnerships' ability to file amended tax returns starting in 2018. Instead, they are only able to file Administrative Adjustment Requests (AAR) with the IRS. This significantly delays the stream of tax credit delivery compared to the timelines on which the credits were originally projected, and results reduced equity payments in many cases, jeopardizing project financing. That is due to the fact that LIHTC partnerships can no longer claim tax credits for prior years by filing amended returns once 8609s are issued. Because 8609s are typically issued 1-2 years after the placed-in-service year, LIHTC's for those early years may now only be claimed in the year in which the AAR is filed. We request that Congress allow limited partnerships to estimate LIHTCs and amend returns when 8609s are issued to maximized tax credit pricing and equity.

Thank you for the opportunity to weigh-in on critical needs from a federal stimulus package. We look forward to engaging with you further and appreciate your attention to the pressing issues highlighted in this letter that impact the ability of our members to develop and support high-quality affordable housing development in the immediate and future term.

Sincerely,

Amie Fishman

Executive Director