



September XX, 2023

The Honorable Charles Schumer
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Speaker
United States House of Representatives
Washington, DC 20515

The Honorable Hakeem Jeffries
Minority Leader
United States House of Representatives
Washington, DC 20515

Dear Leader Schumer, Speaker McCarthy, Leader McConnell, and Leader Jeffries:

As XX mayors, county executives, and county board chairs representing communities across the country, we write to urge Congress to enact the Affordable Housing Credit Improvement Act (AHCIA) of 2023, S. 1557 and H.R. 3238, which would strengthen and expand the Low-Income Housing Tax Credit (Housing Credit). The Housing Credit is our nation's primary tool for encouraging private investment in affordable rental housing. While rental assistance is critical for keeping renters in their homes during this time of financial instability, the need for more affordable housing production and preservation in cities, towns, and counties preceded the recent turbulence.

Since its creation in the Tax Reform Act of 1986, the Housing Credit has been the primary financing source for the production and preservation of affordable rental housing. It has financed over 3.7 million apartments since 1986, providing affordable homes to over 8 million low-income households, including families, seniors, veterans, and people with disabilities. The Housing Credit brings together private-sector resources and oversight by state agencies, resulting in a durable solution to the need for affordable housing.

The AHCIA of 2023 includes a number of provisions that would enhance the program and enable cities and counties like ours to better serve the affordable housing needs in our communities. Specifically, the legislation would:

- **Lower the "50 percent test" bond financing threshold for 4 percent Housing Credit developments.** The "4 percent" Housing Credit is available for developments that receive 50 percent or more of their financing from Private Activity Bonds, and such developments are responsible for roughly half of all Housing Credit developments. However, unexpected and increased project development costs due to delays still stemming from the pandemic, inflation, material and labor issues, and skyrocketing insurance premiums are jeopardizing properties' ability to assemble enough bond financing to meet the "50 percent test," which puts their access to Housing Credit equity at risk. Lowering the 50 percent threshold would allow more developments to move forward despite these disruptions. It would also increase affordable housing production by allowing more developments to access 4 percent Housing Credits. This fix would increase affordable rental housing production and preservation by over 1.39 million more homes over 2023-2032 than we are able to finance under present law.
- **Expand the 9 percent Housing Credit.** The AHCIA of 2023 would increase the annual Housing Credit allocation authority by 50 percent, phased in over two years (25 percent in 2023 and 2024, plus an inflation adjustment in 2024). It would also restore and make permanent a 12.5

percent cap increase in the baseline, that expired at the end of 2021. This additional allocation would increase affordable rental housing production and preservation by 232,500 more homes over 2023-2032 than we are able to finance under present law.

- **Allow for basis boosts to better serve hard-to-reach communities.** The legislation includes provisions that would allow basis boosts for extremely low-income tenants, bond-financed Housing Credit properties, Difficult Development Areas, tribal areas, and rural communities. By allowing certain projects a “boost” on their eligible basis, this would make more projects financially feasible for these harder-to-serve groups. It is estimated that together, the basis boosts in the AHCIA of 2023 would finance an estimated 320,400 affordable rental homes over 2023-2032. These enhancements to the Housing Credit would allow states to more effectively address the unique affordable housing needs in cities, towns, and counties across the country.

We, as mayors, county executives, and county board chairs see firsthand the need for affordable rental housing among families in our communities. Together with our partners at the ACTION Campaign, Mayors and CEOs for U.S. Housing Investment, the National Association of Counties, and National League of Cities, we urge Congress to enact the bipartisan, bicameral AHCIA of 2023 to expand and strengthen the Housing Credit, a proven public-private investment in our nation’s housing infrastructure. Thank you for your consideration.

Sincerely,