

Action needed on affordable housing

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Thousands of Massachusetts families and seniors depend on a limited supply of affordable rental housing, but unless Congress acts soon, the affordable housing inventory in our communities may drop to even lower levels.

While the economic crisis lowered prices for people with the money and good credit to buy a home, it has made things worse for low-income renters. This fall, Secretary of Housing and Urban Development Shaun Donovan testified to Congress that: "The soft housing market doesn't necessarily mean that housing is more affordable at the low end of the economic spectrum where the recent hits to income have been the biggest."

"Indeed, the number of people facing high rental cost burdens remains extremely high in light of weaker incomes and higher rents due to increasing demand for the most affordable housing."

In the Pioneer Valley, Northampton's recently released Housing Needs Assessment concluded that we need more affordable rental housing just to keep pace with changing demographics and in-



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comes in the area. Low-income renters face something of a perfect storm when it comes to housing - declining wages, the expiration of some Section 8 contracts, incentives on landlords to convert affordable units to market-rate housing and a dearth of investors willing to create new affordable housing.

For two decades, Congress has used the tax code to implement federal housing policy, encouraging private investors - working with non-profit organizations and public agencies - to use the federal Low Income Housing Tax Credit to create and rehabilitate affordable homes for more than two million Americans. Preservation of Affordable Housing has used this resource to stabilize and modernize more than 6,000 homes, including

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the Meadowbrook Apartments in Northampton, Eastgate Apartments in Springfield and the Dom Narodowy Polski Apartments in Chicopee, while HAP Housing has used it to rehabilitate 368 units in the Springfield region alone.

With the economic crisis, the system hasn't been working. Housing tax credits have gone begging because fewer investors need the tax benefit. Many shovel-ready affordable housing projects are on hold. Congress passed stop-gap measures - such as the opportunity to exchange Low-Income Housing Tax Credits for cash - to restart developments that were in the pipeline before the market crash. In Springfield, Gov. Deval L. Patrick has already resuscitated two developments with \$15,790,000 in tax credit exchange funds. Unfortu-

nately, the recovery has been slow and Congress needs to do more, acting on three key initiatives in the next few weeks:

■ **Extend and expand the Housing Credit Exchange Program.** The temporary exchange of tax credits for cash needs to be extended into 2010. It also needs to cover all affordable housing tax credits, including those associated with tax-exempt multifamily housing bonds, not just those projects supported by commercial debt. This will give each state the resources to continue funding affordable rental housing while the investment market recovers. As we write this, Congress is considering a bill to implement part of this recommendation and we applaud this initial step while hoping for a more complete solution.

■ **Increase the Low Income Housing Tax Credit carry-back period.** Since the system relies on the connection between profits and the tax credits, Congress should stimulate demand for the tax credit by allowing investors to use the credits to cover profits they earned over the last five years. For existing credits, this carryback should only apply if the taxpayer immediately reinvests in new affordable rental housing transactions.

■ **Expand the investor base.** Currently, only certain types of corporations can participate in the housing tax credit program, with the result that most of the tax cred-

its have historically been bought by large banks and financial institutions. Congress should broaden the market, increasing the demand for the credit. This proposal would stimulate investment in small towns and rural areas, with companies investing in housing close to home. This change would also diversify the investor base to protect the program from future economic downturns.

Implementing federal housing policy through the tax code has worked well for 20 years, but the crash has put the affordable housing industry on ice. The demand keeps increasing, and unless new construction and the preservation of existing affordable housing keeps pace, we'll be on track for an even bigger crisis in homelessness. Congress needs to keep the affordable housing industry moving through this crisis with discrete, affordable changes to the tax credit. The clock is ticking.

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