Time to Support a Housing Program that Works

In 2017, President-Elect Trump and the new Congress will most likely attempt a major overhaul of the federal tax code. A similar overhaul of the code by President Reagan and Congress in 1986 created a tax incentive that is viewed as one of the most effective federal housing programs ever. Known as the Low-Income Housing Tax Credit Program (housing credit), this tax incentive reduced the federal government’s long-term risk to fund housing.

Because its name is a misnomer, the Low-Income Housing Tax Credit Program is sometimes confused with less successful efforts. In actuality, the housing credit serves working and retired Pennsylvanians whose incomes do not exceed 60 percent of the area median income. Many families, veterans, people with special needs, seniors and first responders meet the income requirements of the program. Rents are made more affordable because the equity investment from the sale of the credit reduces any mortgage necessary. With a smaller mortgage, operating costs are reduced and the development is economically feasible.

Sacred Heart Residences, located in Allentown, is one such development made possible through the housing credit. This development offers 61 new, one and two-bedroom affordable apartments for seniors age 62 and older. To ensure reduced energy costs to residents and lower building consumption, the design conforms to Passive House requirements, a high-efficiency energy standard. Onsite amenities include a community room, game room, library, lounge and roof terrace. Additionally, through collaboration with Sacred Heart Hospital, residents have access to healthcare both on site and at the hospital located just one block away. The development is only a few blocks from restaurants, activities, the Allentown Arts Walk and PPL Center.

Sacred Heart Residences is not an isolated example of the positive impact the housing credit continues to have on residents and communities. Throughout Pennsylvania the credit has spurred nonprofit and private developers to build or rehabilitate more than 84,000 affordable apartments serving more than 200,000 Pennsylvanians. These privately owned and managed developments reduce blight, help spur economic development and generate billions of dollars of local and state tax revenues. There is considerable empirical evidence that investment in affordable housing actually enhances the value of nearby housing and stabilizes communities.

The Pennsylvania Housing Finance Agency is the state entity that administers this federal credit in the Commonwealth. Each year PHFA distributes about $30 million in credits. Those credits generate about a $300 million investment in housing. The competition by developers is intense with two out of three proposals being rejected each year. In most cases rejections are based solely on the limited amount of credits available, rather than the merits of the proposal or needs within the community.

Recognizing the success of the program, bipartisan legislation to increase the credit by 50 percent has been introduced by Senators Maria Cantwell, a Democrat from Washington State, and Orrin Hatch, a Republican from Utah. A similar bipartisan proposal is expected to be introduced in the House of
Representatives in 2017. If approved, Pennsylvania’s credit authority would rise from $30 to $45 million a year. Such an increase would bring $150 million more investment capital to Pennsylvania each year and allow for the preservation or development of approximately 1,000 affordable workforce and senior apartments.

This expansion of the credit will have an immediate impact on the lives of many Pennsylvanians looking for more affordable housing options in 2017. In that regard, I will be calling on our new president and the Commonwealth’s congressional delegation to work together to expand a program that has proven its value over the past 30 years. Calls or emails from concerned citizens to their congressional representatives can help us get this done and make a great housing program even better.

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