December 7, 2018

The Honorable Kevin Brady
Chair, House Committee on Ways and Means
1102 Longworth HOB
Washington, D.C. 20515


Dear Chairman Brady,

On behalf of the Los Angeles Homeless Services Authority (LAHSA), we write to you in support of House Resolution (H.R.) 1661, a bill which would enact numerous provisions to strengthen the Low-Income Housing Tax Credit (LIHTC). LAHSA is a joint powers authority of the City and County of Los Angeles and serves as the lead agency in the Los Angeles Continuum of Care (LA CoC). LAHSA is responsible for funding a significant portion of the interim housing, permanent housing, and supportive services for individuals and families experiencing homelessness in Los Angeles County and works to ensure safe and stable housing for all.

LIHTC is a program which offers tax credits to investors to create affordable rental units for low-income individuals and families. LIHTC allows for new construction of affordable housing as well as the acquisition and rehabilitation of existing affordable housing. LIHTC is the largest federal source of funding for affordable housing construction in the LA CoC and Los Angeles City and County respectively receive the highest and second-highest geographic apportionment of tax credits in California. Though LIHTC has made a sizable impact in the LA CoC in past years, the need for affordable housing is ever-growing as 57% of Los Angeles County renters are now paying at least a third of their income on rent. Of this number, there are over 400,000 households in Los Angeles County that are extremely low-income or below and paying more than half their income on rent; these households face the immediate risk of falling into homelessness. Affordable housing, and the units financed by LIHTC, are vital as the LA CoC’s strongest tool to prevent homelessness for these households.

Although LIHTC has been a vital resource in the LA CoC, shifting market demands have created the need for changes to LIHTC to remain responsive. When LIHTC was created in 1986, Congress set the credit rates at 9% for new construction and rehabilitation and 4% for the acquisition of affordable and multifamily bond-financed housing. However, LIHTC rates have sunk to historic lows, resulting in a 15% to 20% reduction in available equity and a subsequent decline in the number of units financed by the LIHTC program. In 2015, Congress permanently enacted a 9% minimum rate for the 9% tax credit but currently there is no equivalent minimum rate for the 4% credit.

Los Angeles County currently has a deficit of over 568,000 affordable homes available for extremely and deeply low-income households.\(^4\) Because the current 4% credit rates float and are well below 4%, investors have not provided sufficient equity to ensure that 4% LIHTC production keeps pace with demand. As a result, LIHTC housing production in the LA CoC (where most LIHTC properties use a 4% credit rate) has slowed.

H.R. 1661 recognizes this gap and provides for it by including a minimum 4% rate for credits used to finance acquisitions and housing bond-financed developments. This change would significantly boost the value of the credit and, potentially result in an additional $500 million per year in additional tax credit equity in California.\(^5\)

This legislative proposal serves to make an already strong program even stronger, which can in turn ultimately help more vulnerable individuals and families stay out of homelessness. As Los Angeles works to augment local solutions to its affordability crisis, federal programs and incentives such as the LIHTC program remain indispensable and the need to fortify these programs is essential. Therefore, we support H.R. 1661 and its thoughtful and innovative provisions. We thank you for your continued leadership in addressing housing and homelessness needs in our communities and look forward to working with Congress on future solutions.

Sincerely,

Peter Lynn  
Executive Director