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Affordable Housing Provisions in Omnibus Bill an Important Down Payment, not a Complete Fix.

It's a great down payment, but don't confuse it with paying the full bill.

When Congress approved and President Trump signed the fiscal year 2018 omnibus spending bill Friday, it was good news for affordable housing: the legislation includes a 12.5 increase for 9 percent low-income housing tax credit (LIHTC) allocations over the next four years and an income averaging option for LIHTC properties. This is the first substantial LIHTC allocation increase in a decade, coupled with a highly desired new income targeting option for LIHTC properties.

It's an achievement made even more impressive by the political climate: When President Trump and a Republican-controlled Congress were elected in November 2016, few thought that we could see an increase to LIHTC allocations just 17 months later.

We did get such an increase, though it's a down payment, not a complete solution. The allocation increase will partially offset the drop in affordable housing production caused by changes in tax legislation passed in December 2017.

A Novogradac study estimates that the four-year, 12.5 percent increase in 9 percent allocation would boost production by roughly 28,400 additional homes over the next decade (although the LIHTC allocation increase would be effective over four years only). Unfortunately, the increase applies only to 9 percent LIHTCs, not tax-exempt bond-generated LIHTCs. Novogradac analysis indicates that tax-exempt bond-generated LIHTCs are projected over the decade to finance more than half of affordable housing production. That means the 12.5 percent increase in allocations of the omnibus spending bill helps slightly close the gap for a program that is responsible for less than half of affordable rental housing creation each year. Which means the additional units make up about 12 percent of the roughly 235,000 homes that Novogradac estimates will be lost due to H.R. 1, the tax bill. (Note: The 28,400 doesn't include additional homes that will be built due to income-averaging provisions in the omnibus spending bill, but the increase due to that provision isn't projected to be very significant.)

Nearly 90 percent of the lost production remains. And even if the 12.5 percent LIHTC allocation boost was made permanent–which will take an act of Congress in future tax legislation–the increase in affordable homes would still fall short of filling the gap for 9 percent LIHTC properties and still not cover the 19 percent boost needed to fully cover the gap in 9 percent unit production.

The 12.5 percent LIHTC allocation increase and the income-averaging provisions are very positive developments about which the affordable housing community should be quite pleased. However, they shouldn't be mistaken for a complete fix for affordable rental housing production lost due to last year's tax legislation, not to mention addressing the large unmet need for affordable rental housing that was the case even before tax reform.

They're a down payment.

Published by Michael Novogradac on Tuesday, March 27, 2018

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