

THE BOND BUYER

Bipartisan housing bill would increase use of multifamily PABs

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The use of tax-exempt private activity bonds for multifamily housing would receive new economic incentives under the bipartisan Affordable Housing Credit Improvement Act of 2019 introduced in the House and Senate on Tuesday.

The legislation expands the federal Low-Income Housing Tax Credit that has been widely used for bond-financed multifamily housing construction and rehabilitation.

About half of the multifamily housing units built nationally that use the federal 4% Low Income Housing Tax Credit are financed with tax-exempt PABs. The other half use a 9% federal tax credit that does not allow PAB financing.

Multifamily housing advocacy groups estimate the legislation would increase affordable rental housing production by 384,000 units over 10 years with 66,000 of that coming from projects that use tax-exempt multifamily PABs.

"As housing costs continue to rise throughout the country, the proposed changes will enable communities to more effectively develop affordable housing," Jonathan Paine, executive director of the National Association of Local Housing Finance Agencies, said in a press statement.

Stockton Williams, executive director of the National Council of State Housing Agencies, said in an interview Wednesday that bill would increase the purchasing power of the program and also make the housing tax credits more efficient and responsive to the market's needs.

"They are all important," Williams said. "They've been thought through. They are backed by the affordable housing industry."

The 4% tax credit used for multifamily PABs often ends up being 15% to 20% less than advertised because of current borrowing formulas which the legislation would replace with a standardized 4% rate that is expected to boost the use of multifamily PABs.

Most of the other gains in housing units would come from gradually raising state volume caps for using the 9% credit by 50% over five years.

States have been exhausting all of their 9% credits, which are capped nationally, and are increasingly using the 4% program in tandem with multifamily bonds.

There were 54,517 multifamily housing units either constructed, acquired or rehabilitated with tax exempt PABs in 2017, up from 36,485 units in 2014, according to the National Council of State Housing Agencies.

The lead sponsors of the bill are Washington state Democrats Suzan DelBene in the House and Maria Cantwell in the Senate.

The House bill, [H.R. 3077](#), has as original cosponsors Democratic Rep. Don Beyer of Virginia and Republican Reps. Kenny Marchant of Texas and Jackie Waloski of Indiana.

The Senate version, [S. 1703](#), has as original cosponsors Democratic Sen. Ron Wyden of Oregon and Republican Sens. Todd Young of Indiana and Johnny Isakson of Georgia.

Williams said housing groups are focusing their lobbying efforts on gaining additional cosponsors in both chambers.

He said it's hard to handicap the bill's chances for passage this year but it could be included in tax extenders legislation or a year-end omnibus appropriations bill.

"We just have to be ready," Williams said. "That's the name of the game. It's so hard to predict the legislative environment."

One important cosmetic change is that the current Low Income Housing Tax credit would be renamed the Affordable Housing Tax Credit as part of an effort to avoid local opposition to housing projects that use the program.

States that have limited allocations of multifamily PABs would be able under the legislation to "recycle" these bonds to issue Mortgage Revenue Bonds for single-family homebuyers. Recycling already is allowed for new multifamily developments.

Other proposed changes include allowing multifamily projects to take up to 25 months to repair casualty losses instead of the current deadline for completing repairs by the end of the calendar year and adding exceptions for full-time college students if they are single parents, formerly homeless, aging out of foster care or victims of domestic abuse.