SAN DIEGO HOUSING COMMISSION
SDHC

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PUBLIC URGED TO CONTACT CONGRESS TO OPPOSE FEDERAL TAX REFORM BILL THAT WOULD DEVASTATE FINANCING FOR AFFORDABLE HOUSING

SAN DIEGO, CA — State and local elected officials and affordable housing advocates urged the public today to contact their U.S. Representatives and U.S. Senators to oppose proposed federal tax reform legislation that would devastate financing that creates and preserves affordable rental housing.

H.R. 1, the "Tax Cuts and Jobs Act," would effectively eliminate 4 percent Low-Income Housing Tax Credits (Housing Credits) and Multifamily Housing Revenue Bonds, which are essential sources of funding for affordable housing developments.

"There would be over 10,000 families in the City of San Diego that would be without a home today had it not been for this program that's about to be cut. This is a tragedy, and we need everybody's help out there to lift their phone and call your congressperson and demand for them not to support this measure," California State Senator Ben Hueso said at a news conference organized by the Local Initiatives Support Corporation (LISC) San Diego.

More than 10,500 affordable rental housing units have been created or preserved in the City of San Diego since 1997 with 4 percent Housing Credits, according to the California Tax Credit Allocation Committee.

"San Diego faces a critical shortage of both affordable and market-rate housing. While confronting homelessness head-on, any reform or reduction to these programs would devastate affordable housing production, which is critical for working families, seniors, Veterans and so many other disadvantaged communities. And it could further exacerbate San Diego's homelessness crisis," San Diego City Councilmember Chris Ward said.

The Housing Credits program encourages public-private partnerships to create affordable rental housing units, including units set aside to address homelessness. For example, the San Diego Housing Commission (SDHC) partnership development Celadon, where the news conference was held, provides 248 affordable rental apartments, of which 76 units are for formerly homeless San Diegans.

"The City Council and the Mayor are unifying to streamline and simplify regulation to promote production, preserve precious housing stock, and to address our homeless crisis. Now we receive a potential crushing blow from Washington that will all but eliminate private investment in dearly needed developments that have a proven success rate," San Diego City Councilmember Barbara Bry said.

The Low-Income Housing Tax Credit Program was enacted by previous tax reform legislation in 1986.

"If this program were to be lost because of this ill-advised provision of the current tax reform proposal, the nation would lose 1 million affordable rental housing units nationwide over the next 10 years," SDHC President & CEO Richard C. Gentry said.

The Housing Credits program provides affordable housing developers with federal tax credits that are sold to private investors, who contribute equity to the development in exchange for the tax benefits. Developers use the equity provided by the investors to acquire, construct and rehabilitate affordable housing developments.

Multifamily Housing Revenue Bonds make 4 percent tax credits available to developers. The Multifamily Housing Revenue Bond program provides lower interest rate financing to developers of affordable rental housing. The below-market financing is possible because the interest on the bonds is exempt from federal income tax. H.R. 1 would eliminate this tax exemption.

Multifamily Housing Revenue Bonds are repaid with private sources, such as project revenues. SDHC, the City of San Diego and the Housing Authority of the City of San Diego are not financially liable for the bonds.

"Both of these programs are crucial to funding supportive housing and affordable housing in our communities. If we cannot build more supportive and affordable housing in our communities we will see increases in homelessness in our neighborhoods and the spillover effects from that," said Ricardo Flores, LISC San Diego's Executive Director.

Creating permanent housing is essential to addressing homelessness through the national "Housing First" model, which provides housing to homeless individuals as quickly as possible, with supportive services as needed.

"Certainly, this change in the tax code will affect the housing that we can use to provide housing for the 'Housing First' model that we're using here in San Diego. Without this, problems will get worse because we will not be able to have the housing that is necessary for this sector of our society," said Gordon Walker, CEO of the San Diego Regional Task force on the Homeless.

Also participating in the news conference were the Deacon Jim Vargas, President & CEO of Father Joe's Villages; Simonne Ruff, Director of the Corporation for Supportive Housing in San Diego; Greg Anglea, CEO of Interfaith Community Services; and Kiera C. Galloway, from the office of U.S. Representative Scott Peters. Additional supporters in attendance included SDHC Commissioner Margaret Davis; San Diego Housing Federation Executive Director Stephen Russell; and Alpha Project President & CEO Bob McElroy.

The U.S. House of Representatives approved H.R. 1 by a vote of 227-205 on November 16, 2017. The U.S. Senate is expected to vote on its version of a tax reform bill this week. If the Senate approves its bill, the full Congress would then work to address the differences in the bill under the process known as reconciliation.

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