

NEVADA WATCHDOG

Legislature to address Nevada's housing crisis in 2019; debate over low-income tax credits continues

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Nevada's housing situation has significantly changed since the 2008 Great Recession.

In 2010, Fernley, Nevada, a city 32 miles east of Reno, had the highest foreclosure rate in the nation, with 3,500 foreclosure filings over a 12-month period out of 17,900 housing units, according to a report by Realty Trac, an online foreclosure data service. Today, the Reno area, and Nevada, is facing a different kind of housing crisis.

Mike Kazmierski, president and CEO of the Development Authority of Western Nevada (EDAWN), has been publicly warning officials about the need for housing, including affordable housing. If Nevada anticipates adding 50,000 new jobs by 2020, he argued, more homes are needed. And, 4,000 new housing units could not sustain workers filling 20,000 new jobs, he asserted. In February 2017, and again this year, he maintains that Nevada's biggest challenge in 2018 is housing.

The National Low Income Housing Coalition (NLIHC) reports that, "the supply of rental housing has not kept pace with demand over the past decade" and the shortage is worst among those with the lowest incomes. "In no state can a minimum wage worker afford a one-bedroom rental home at the average Fair Market Rent, working a standard 40-hour work week, without paying more than 30 percent of their income."

NLIHC notes that Nevada's overall number of affordable housing units is 15 out of every 100 households compared to the national average of 35. County records reveal that roughly 20 percent of Clark County families are able to receive affordable housing; 25 percent in Washoe County.

According to NLIHC data, Las Vegas has the largest shortage of affordable and available rental homes in Nevada. For every 100 households classified as "extremely low income," 12 affordable rental units are available. About 83 percent of Las Vegas' extremely low-income households are "severely cost burdened."

Since 1986, state governments have relied on federal assistance through the Low-Income Housing Tax Credit program (LIHTC). The LIHTC offers private investors tax credits for every dollar they spend on building or renovating affordable rental units or housing. In 2017, the program financed 1,150 rental homes and apartments in Nevada.

According to a 2016 Housing Division report, available LIHTC units in Nevada had a wait list of nearly 9,500 households, an increase of 18 percent from 2015.

Nevada housing officials point to the "Tax Cuts and Jobs Act" recently signed into law by President Donald Trump as contributing to even less available affordable housing units.

Reducing the corporate tax rate could devalue tax credits that would otherwise incentivize private investors to help fund affordable housing projects, they argue.

With a lower tax rate comes a lower demand for affordable housing tax credits, the Nevada Housing Division Chief Financial Officer Michael Holliday said. He told the Review Journal, “It’s by far the single-biggest program across the country to generate affordable housing units. It’s going to be marginal, but it’s going to be repetitively marginal. If it weren’t for the fact that interest rates are going up, cost of [construction] materials are going up, land prices are going up, it would be easier to overcome the change in tax credit pricing. ... Combined with those other pressures, it’s a big deal.”

Prior to the new tax law, the federal government also reduced financial resources for low-income Nevadans seeking housing choice vouchers or government-owned housing.

While community organizations like the Rural Housing Coalition maintain that the LIHTC is “widely considered one of the nation’s most successful housing programs,” others do not.

Mark Calabria, Director of Financial Regulation Studies at the Cato Institute, has questioned its effectiveness. He proposed at a bipartisan commission housing forum that “evidence [reveals] that the LIHTC ‘crowds-out’ private production,” and that many LIHTC units would have been constructed anyway without the federal subsidy. He also points to similar conclusions made by the Congressional Research Service and the Congressional Budget Office, and concerns expressed by the Tax Policy Center (of the Urban Institute and the Brookings Institute).

Opponents of the LIHTC favor ending it altogether and reallocating federal resources to tenant-based assistance. Calabria notes that, “the LIHTC has been a massive boon to developers, lawyers and syndicators;” adding, “renters have gotten crumbs.”

To address the housing crisis and LIHTC the Nevada Legislature’s interim affordable housing committee held their first meeting of the year on Jan. 23. The bipartisan committee is comprised of six members and chaired by Sen. Julia Ratti, D-Sparks.

Ratti stated that the committee was studying the affordable housing crisis and remarked that, “All these numbers are abysmal. Obviously affordable housing is one of the top critical needs for the state of Nevada, and the resources we have to finance affordable housing projects are already insufficient.”

The committee has until June 30 to prepare up to five bill draft requests to submit for consideration during the 2019 legislative session.