

# THE SPOKESMAN-REVIEW

## House GOP tax plan could jeopardize thousands of affordable housing units in Spokane County

Nicholas Deshais

November 10, 2017

The House Republican tax reform plan could eliminate a financing method used to construct the lion's share of the nation's affordable housing, confirming worries and drawing ire from low-income housing advocates and developers.

By one estimate, the tax reform legislation – called the Tax Cuts and Jobs Act – would lead to a loss of 1 million affordable housing units over 10 years nationwide. Nearly 3,000 affordable apartments in Spokane County, and 76,000 statewide, were built using tax-exempt private-activity bonds since the state began issuing them more than three decades ago.

The tax plan offered by Republican senators, which was released this week, would maintain the financing method. It's just one of many differences between GOP tax reform plans proposed by the House and Senate.

On Wednesday, Rep. Cathy McMorris Rodgers said she had just recently heard about the proposed elimination of the tax-exempt bonds and had instructed the House's Ways and Means Committee to look into its effect on affordable housing construction. She said review of the bond will be part of the negotiations on the Republicans' tax plan. "There's a lot of these detailed questions that are continuing to be addressed during this legislative process," said McMorris Rodgers, a member of the House leadership team. The San Francisco-based international accounting firm Novogradac & Co. said the bill would reduce, by as much as two-thirds, the number of affordable renting units provided by the Low-Income Housing Tax Credit program, the federal government's primary vehicle for encouraging private development of affordable housing.

While the bill doesn't specifically target the tax credit program, the proposed elimination of a tax-exempt private-activity bond would devastate the program, which relies on the bonds for financing. The bonds also are used by hospitals, universities, museums and other nonprofits to build, expand or renovate their facilities.

Compounding the loss of the bonds is the proposal to cut the corporate tax rate rate from 35 percent to 20 percent. Currently, corporations, banks and wealthy individuals receive a dollar-for-dollar reduction in federal income tax payments for years if they donate to affordable housing development projects. If corporate tax rates are cut, housing advocates fear there will be little incentive to seek out tax credit savings.

Supporters of eliminating the financing method, including the Cato Institute, a libertarian think tank, argue that the program is overly complex, prone to corruption and “masquerades as an antipoverty program, but it mainly subsidizes developers, investors and the financial industry.” It recommended simplifying local zoning rules, arguing that doing so would lead to an increase in affordable housing.

Sen. Maria Cantwell, D-Wash., took to the Senate floor Wednesday to speak in favor of a bill she is sponsoring alongside Sen. Orrin Hatch, R-Utah, which would expand affordable housing tax credits.

“We need to make sure that our tax code works to ensure people are purchasing homes, and also finding affordable housing. We need a very big systematic investment in affordable housing all across the United States. And expanding the Low Income Housing Tax Credit is one way to do that,” Cantwell said from the Senate floor. “The most damning part of the housing crisis is that we know how to solve it. We just need the courage to act.”

The National Association of Home Builders calls the tax credit program “the most successful affordable rental housing production program in U.S. history,” and estimates that affordable housing development under the program creates 95,700 jobs a year, with \$9.1 billion in wages and business income. Cantwell and Hatch’s proposal would create an additional 452,000 jobs over the next decade, according to Cantwell’s office.

The Joint Committee on Taxation estimates the federal government would save \$38.9 billion if the private-activity bond program is eliminated. By comparison, the committee estimates the tax reform bill will raise the federal deficit by \$1.7 trillion over 10 years.

The affordable housing tax credit program provides two types of credits for developers, the 4-percent credit and the 9-percent credit. The 4-percent program requires that 50 percent or more of the project is funded through tax-exempt private-activity bonds. If the private activity bonds are eliminated, so is the 4-percent program.

According to the Washington State Housing Finance Commission, without tax-exempt private-activity bonds, 2,088 affordable apartments currently in the works by developers statewide would not be built in the next two years. These projects seek \$295 million in tax-exempt multifamily private-activity bonds.

One of the at-risk projects is in Spokane Valley. Called Winter Heights, it has 119 affordable units for families.

In all, private-activity bonds have built 2,992 affordable apartments in Spokane County, according to the housing commission, using \$174 million from the bonds, and \$95 million in Low-Income Housing Tax Credits.

Catholic Charities, Transitions, Volunteers of America and Community Frameworks are the region’s top developers of affordable housing.

The recent purchase of low-income senior housing complexes, St. Andrews Court and Coventry Court apartments, by California-based Preservation Partners was made possible with more than \$12 million in tax-exempt revenue bonds dedicated to the purchase and improvements. These project would not be possible under the terms of the House tax reform bill.

Across the state, private-activity bonds brought more than 76,000 affordable apartments, as well as more than 46,000 home loans for first-time home buyers, totaling more than \$7.7 billion in affordable housing since 1983.

“We are gravely concerned because these developments would allow more than 4,000 people in Washington to move into decent, affordable housing that is so desperately needed in our state,” said Karen Miller, chair of the WSHFC, in a statement.

Kim Herman, executive director with the commission, said the Republican bill would eliminate affordable housing for 190 large households, 1,014 elderly households and 307 people with disabilities.