



Federal Affordable Housing Policy

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Federal Landscape

- The government is funded through February 15
 - Shutdown 2.0?
- FY 2020 Appropriations:
 - President's FY 2020 Budget request – delayed
 - Budget Caps – present serious threats for affordable housing funding
- Divided government


Low-Income Housing Tax Credit Advocacy

- Housing Credit advocacy in 2018:
 - The Affordable Housing Credit Improvement Act had the support of more than 40% of Congress
 - Enacted the first expansion of the Housing Credit in a decade – temporary 12.5% increase for four years
 - Enacted the new option for income averaging

Low-Income Housing Tax Credit Advocacy

- Housing Credit advocacy in 2019
 - Identify new lead sponsors in the House and Senate
 - Re-introduce the Affordable Housing Credit Improvement Act
 - Build on last year's strong bipartisan support


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AFFORDABLE RENTAL HOUSING ACTION
A Call To Invest in Our Neighborhoods

THE LOW-INCOME HOUSING TAX CREDIT'S IMPACT IN THE UNITED STATES


THE LOW-INCOME HOUSING TAX CREDIT'S BENEFITS FOR U.S. FAMILIES & ECONOMY 1986 – 2016




3 million
homes developed or preserved




3.5 million
jobs supported for one year



7.2 million
low-income households provided affordable homes



\$333 billion
local income generated




\$131 billion
tax revenue generated


Sources: National Council of State Housing Agencies 2016 Facebook, National Association of Home Builders

THE NEED FOR AFFORDABLE HOUSING

Though the Housing Credit has had a tremendous impact across the country, much more affordable housing is still needed to meet the growing demand.



11 million households
pay more than half of their monthly income on rent, leaving too little for other expenses like health care, transportation and nutritious food.



And nationwide, a minimum wage worker has to work **90 hours per week** in order to afford a modest one-bedroom apartment.


ADDRESSING OUR NATION'S SEVERE SHORTAGE OF AFFORDABLE HOUSING

A 50 percent increase in Housing Credit allocation authority would allow **264,247 additional affordable housing units** to be built nationwide over the next ten years.

Sources: 2010 American Community Survey, National Low Income Housing Coalition's Out of Reach 2016, Navigant & Co.

The ACTION Campaign represents over 2,200 organizations and businesses working to address our nation's severe shortage of affordable rental housing by supporting the Low-Income Housing Tax Credit.

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The Housing Credit is a proven solution to help address the affordable housing crisis.

The Housing Credit is our nation's most successful tool for encouraging private investment in affordable rental housing. It has financed over 3 million apartments nationwide since 1986, providing about 7.2 million low-income families, seniors, veterans, and people with disabilities homes they can afford.

Without the Housing Credit, it would be financially infeasible for the private sector to build affordable homes for the families that need them most.

The ACTION Campaign calls on Congress to:

- **Expand** the Housing Credit to make a meaningful dent in our nation's severe shortage of affordable housing.
- **Strengthen** the Housing Credit by making it more streamlined and flexible.
- **Preserve** multifamily Housing Bonds, which provide critical financing to about 50 percent of Housing Credit developments.



Opportunity Zones

The Tax Cuts and Jobs Act of 2017 created Opportunity Zones – *a tax benefit designed to incent long-term equity investments in businesses and real property located in designated underserved communities.*

Terms:

- **Opportunity Zones** – the tax benefit (not a program)
- **Qualified Opportunity Zone** – designated census tract
- **Qualified Opportunity Fund** – investment vehicle
- **Qualified Opportunity Zone Property** – stock, partnership interest, business property

Tax Benefits for Investors



Temporary Deferral

A temporary deferral of taxes on capital gains if the gains are reinvested into an Opportunity Fund. The deferred gain must be recognized on the earlier of the date on which the opportunity zone investment is disposed or December 31, 2026.



Step-Up In Basis

A step-up in basis for capital gains reinvested in an Opportunity Fund. The basis is increased by 10% if the investment in the Opportunity Fund is held by the taxpayer for at least 5 years and by an additional 5% if held for at least 7 years, thereby excluding up to 15% of the original gain from taxation.



Permanent Exclusion

A permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in an Opportunity Fund if the investment is held for at least 10 years. This exclusion only applies to gains accrued after an investment in an Opportunity Fund.

Source: Economic Innovation Group

Investment Example

- **10 Year Scenario - \$800,000 invested in 2019**
- Sell property/stock with a tax basis of \$200,000 for \$1 million, \$800,000 of capital gain can be deferred if reinvested in an Opportunity Fund.
 - **2019** (Day 1): immediate deferral of eligible investment
 - **2024** (Year 5): 10% of deferred gain permanently eliminated
 - \$720,000 of deferred gain is taxable at exit or 12/31/2026
 - **2026** (Year 7): 15% of deferred gain permanently eliminated
 - \$680,000 of deferred gain is taxable at exit or 12/31/2026
 - **2029** (Year 10): Appreciation of investment is fully tax-exempt
 - Sold interest in fund after 10 years; no gain taxed after 2026.

Implementation

⑩ Opportunity Zone Nominations:

⑩ Approved in 50 states, 5 territories, Washington, D.C.

⑩ Guidance on Opportunity Funds:

⑩ IRS published FAQs (April and June 2018)

⑩ Implementation of Law: Q4 2018 – Q2 2019

⑩ First proposed rule issued in October

⑩ Public hearing on February 14

⑩ Second proposed rule expected in the “near future”

⑩ State and Local Efforts: Ongoing

⑩ Convenings, community engagement and investor engagement, identifying projects, aligning capital with other incentives

⑩ Creation of / Investment in Opportunity Funds: Ongoing

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