Testimony On
"Tax Policy's Role in Increasing Affordable Housing Supply for Working Families"
Before the
Senate Finance Committee
by
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Mr. Chairman, Ranking Member Crapo, and members of the Committee, thank you for this opportunity to testify on the vital role tax policy—specifically the Low-Income Housing Tax Credit (Housing Credit) and tax-exempt private activity Housing Bonds—play in combatting the housing crisis that low-income working households face. These programs are by far the most important tools we have to increase the supply of affordable housing—both through new production and preservation—and help low- and moderate-income families become home buyers.

I am Steve Walker, executive director of the Washington State Housing Finance Commission (WSHFC), which is the State of Washington's Housing Finance Agency (HFA). HFAs are state-chartered, mission-driven agencies that address the full spectrum of affordable housing need, from homelessness to homeownership. For more than 50 years, HFAs have played a central role in the nation's affordable housing system, delivering more than $700 billion in financing to make possible the purchase, development, and rehabilitation of more than 8.1 million affordable homes.[1]

On behalf of the HFAs' national trade association, the National Council of State Housing Agencies, I want to begin by thanking you, Mr. Chairman, for being a steadfast champion of the Housing Credit and Housing Bonds for many years. We particularly appreciate your vision for solving the affordable housing crisis, as outlined in the Decent, Safe, Affordable Housing for All (DASH) Act. I also want to thank you, Senator Crapo, for always being a supporter of state HFAs, and in particular for your support of tax-exempt Housing Bonds. Lastly, I want to acknowledge Senators Maria Cantwell (D-WA) and Todd Young (R-IL) for their leadership as the sponsors of the Affordable Housing Credit Improvement Act, passage of which is the most important thing Congress could do to address the imbalance between supply and demand for affordable rental housing.

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[1] *State HFA Factbook: 2021 NCSHA Annual Survey Results*, The National Council of State Housing Agencies, 2022.

Insufficient Supply Is Our Nation's Most Significant Affordable Housing Challenge

While the housing crisis is multifaceted, I am pleased this hearing focuses squarely on the biggest driver of that crisis: the inadequate supply of affordable rental and for-sale homes. This is certainly the case in Washington State where every part of our state—especially, but not only, the Seattle area—is experiencing unprecedented housing instability driven by a growing gap between incomes and housing costs. According to the National Low Income Housing Coalition, our state would need to build almost 160,000 apartments just to fulfill today's immediate need for housing for the lowest-income families—to say nothing of those with higher incomes who are struggling to find appropriate housing.

America has been in the midst of a housing crisis for a long time, but never has the need been more acute than it is today. In particular, and especially since the Great Recession when many developers left the industry, our nation has drastically under-produced both rental and for-sale housing. We are currently seeing the repercussions of the extreme mismatch between supply and demand.

Meanwhile, in the two-year period from early 2020 to early 2022, the number of renter households grew by 1.1 million to 44.2 million.[2] With rising interest rates and escalating home prices, would-be homeowners are stuck renting at the same time millennials, many of whom put off household formation, are now entering the rental market.

The sheer number of new renters, without corresponding housing production, has driven historically low vacancy rates and skyrocketing rents, with rents in most major markets spiking by double digits between 2021 and 2022.[3]

Demand-side programs, such as Housing Choice Vouchers, and supply side programs, like the Housing Credit, play different and complementary roles in meeting affordable housing needs. Rental assistance works most effectively in markets with an adequate supply of quality housing and landlords willing to rent to voucher holders. Those well-supplied markets are certainly not to be found in Washington State, or in many areas of the country.

In fact, lack of supply has become a significant problem everywhere in urban, suburban, and rural areas. In Seattle, housing construction has lagged so far behind the growing population that rents have skyrocketed out of reach of all but the highest-paid workers. Families, especially families of color, have been pushed farther and farther out of the metro area in search of affordable rents. Suburban areas in turn are rapidly becoming less affordable, and rural areas also feel the pinch. Every part of Washington is experiencing similar dynamics. Unfortunately, a rental voucher is only helpful if a unit can be found.

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[2] *The State of the Nation's Housing 2022*, Joint Center for Housing Studies of Harvard University, June 2022.

[3] Ibid

Instead, in these areas with tight housing supplies, programs like the Housing Credit are essential. They not only generally expand supply in tight markets, they also produce housing for households with special needs, build properties in areas experiencing job growth, recapitalize and preserve aging properties, and revitalize communities victimized by systemic racism.

Ideally, both supply- and demand-side resources would be available as needed in communities across the nation: supply-side programs to ensure we can build and preserve the housing we need, and demand-side programs so that the most vulnerable among us will not be rent burdened.

The Critical Role of the Housing Credit and Multifamily Housing Bonds

There is a fundamental market failure when it comes to affordable housing supply. It simply costs too much to build housing to rent it at rates low-income people can afford absent a financial incentive such as the Housing Credit. Developers will tell you it is economically infeasible for them to build rental housing without the equity derived from the Credit unless they charge rents that are well out of the reach of low-income families.

The Housing Credit and Housing Bonds are by far the state HFAs' most essential production tools. The Credit is a highly successful public-private partnership that draws on state HFAs' sophisticated underwriting, asset management, and oversight capacity, as well as private-sector experience and investment. It is the most efficient means of increasing rental housing supply, while transferring risk to private-sector investors rather than taxpayers. Since the Credit's establishment in the Tax Reform Act of 1986, it has financed more than 3.7 million affordable rental homes for low-income families, seniors, veterans, and those with special needs.[4]

In recent years, more than half of Housing Credit homes have been financed with the help of multifamily Housing Bonds, which trigger the 4 percent Housing Credit. In Washington State, multifamily Housing Bonds play an even more outsized role as we have maximized this critical resource, partnering closely with both nonprofit and for-profit developers.

Together, Housing Credits and Housing Bonds are helping low-income working families, seniors, people with disabilities, and those who have experienced homelessness. While the Housing Credit program generally serves low-income households earning 60 percent of area median income (AMI) or less, with congressional direction to serve the lowest income households possible, in practice the program reaches families with incomes much lower than its top-most statutory limits. In fact, 53 percent of households living in Housing Credit apartments are extremely low income, meaning they earn 30 percent or less of AMI, and another 31 percent are very low income, earning between 30 and 50 percent of AMI.[5]

[4] *State HFA Factbook: 2021 NCSHA Annual Survey Results*, National Council of State Housing Agencies, 2022.
[5] *Tenants in LIHTC Units as of December 31, 2019*, U.S. Department of Housing and Urban Development, Office of Policy Development and Research.

A study by Freddie Mac found that the average Housing Credit rent payment was 38 percent lower than the market-rate rent for a comparable apartment in an analysis of nine metropolitan areas across the nation. This is certainly indicative of what we see in Washington. In December, we approved financing for several apartment buildings where the proposed rents were up to 60 percent lower than market rents.

Moreover, the benefits of the Housing Credit go beyond the savings it provides to low-income households. Rigorous academic research has quantified many of these indirect benefits.

- Stanford researchers assessed the impact of the Housing Credit and found "an affordable housing development in a low-income area improves welfare by $23,000 per local homeowner and $6,500 per local renter, with aggregate welfare benefits to society of $115 million.[6]
- Cornell analysts studied the Credit and found "low-income housing development in the poorest neighborhoods brings with it significant reductions in violent crime."[7]
- Research from the University of Michigan quantifying the spatial improvement effects of Housing Credit development found "Black high-poverty neighborhoods receiving the [Housing Credit] investment have experienced the most positive change."[8]
- Analysis from a Georgetown University and Joint Committee on Taxation researcher showed "growing up in [Housing Credit] housing has a large positive effect on both education and earnings."[9]
- A review of 16 studies of Housing Credit-financed development found, in part, that the program generally resulted in lower crime and higher property values in distressed neighborhoods.[10]
- Research by the Federal Reserve Bank of Boston found that, at the county level, Housing Credit projects significantly reduce homelessness.[11]

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[6] *Who Wants Affordable Housing in Their Backyard? An Equilibrium Analysis of Low Income Property Development,* Diamond and McQuade, July 2015.

[7] *Low-Income Housing Development and Crime*, Journal of Urban Economics, Freedman and Owens, 2011.

[8] *Low-Income Housing Tax Credit Developments and Neighborhood Change: A Case Study of Miami-Dade County*, Deng, 2011.

[9] *Does Growing Up in Tax-Subsidized Housing Lead to Higher Earnings and Educational Attainment,* Derby, 2021.

[10] *The What, Where, and When of Place-Based Housing Policy's Neighborhood Effects,* Dillman, Horn, and Verrilli, 2017.

[11] *Do Increases in Subsidized Housing Reduce the Incidence of Homelessness? Evidence from the Low-Income Housing Tax Credit,* Jackson and Kawano, 2015.

The Impact of Rising Costs on Development of Affordable Rental Housing

Unfortunately, the economic fallout of the Covid-19 pandemic has made it even harder to produce rental housing. The costs of many commodities necessary for construction have gone up drastically, while supply chain disruptions create development delays that further increase costs, and developers struggle to find skilled workers and subcontractors.

According to the National Association of Home Builders, since Spring 2020, prices have gone up for frame lumber by 25 percent, copper by 187 percent, aluminum by 72 percent, steel mill products by 79 percent, plastic construction products by 55 percent, brick by 25 percent, interior paint by 47 percent, and exterior paint by 62 percent.[12]

Some have criticized the Housing Credit by claiming that upfront costs for the program are higher than those for market-rate housing. However, a 2018 report by Abt Associates found that Housing Credit new construction between 2011 and 2016 averaged $190,804 per unit.[13] Data from Dodge Data and Analytics on the multifamily market as a whole over the same time period suggests that the average per-unit cost for new construction was approximately $188,710.[14]

Furthermore, affordable housing produced with the Housing Credit and other governmental programs has certain upfront development costs that market-rate housing does not have. Unlike market-rate developers, Housing Credit developers do not make a profit by charging high rents or by selling a property once it has appreciated in value. Instead, they are compensated for their work by receiving a developer fee, which is factored into the total development cost on the front end.

Affordable housing developments that have certain HUD financing may also be subject to prevailing wage requirements. Housing Credit investors also require reserves capitalized on the front end so that owners would be able to respond to maintenance and future operational needs over the affordability period. Sadly, neighborhood opposition to affordable housing in some locations can result in delays, leading to increased costs. These factors contribute to why a simple comparison of Housing Credit and market-rate development costs without context is not a reasonable analogy.

Congressional Action Is Needed to Address the Rental Housing Crisis

Despite the vast and growing need and the escalating costs of production, the Housing Credit has suffered a recent cut to resources. A hard-won increase in Housing Credit resources, which Senator Cantwell was instrumental in achieving in 2018, expired at the end of 2021. That

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[12] Data provided by the National Association of Home Builders to the National Council of State Housing Agencies.
[13] *Variation in Development Costs for LIHTC Projects*, Abt Associates, 2018.
[14] *Historical Starts Information: Multifamily Starts – US Summary, Annual Totals*, Dodge Data and Analytics, August 2018.

means state HFAs have fewer Credits to provide to developers now, at a time when their costs have gone up substantially and demand is unprecedented.

Costs are rising so quickly that projects in the pipeline often must be re-underwritten before completion, sometimes several times, to address financing gaps. This has caused tremendous problems as states and their developer partners try to find creative ways of filling these unexpected, gaping holes in project financing.

In some cases, developers of projects that were initially provided Credits in prior years try to fill the gaps by asking for a subsequent allocation of Credits from the state's current-year authority. Even if this is possible, backfilling older deals means the state will have far less Credit authority with which to fund new proposals.

Another reason cost increases are particularly problematic is that bond-financed projects risk missing the 50 percent threshold requirement for maximizing Housing Credit resources (discussed further below). With prices going up quickly, some projects risk failing this threshold test and thus failing to trigger the full amount of critical Housing Credit.

The federal government has delayed far too long in taking the steps our nation needs to address the housing crisis. We are now seeing the repercussions of that delay in rapidly escalating rents, and it is our most vulnerable residents who pay the price.

The good news is, we know what works and we have the right tools in hand. By far, the most impactful thing Congress could do to meet the need is to pass Senator Cantwell and Senator Young's Affordable Housing Credit Improvement Act (AHCIA). More than half of this Committee cosponsored this legislation in the 117th Congress, and I urge all to do so upon its reintroduction this year.

The AHCIA is comprehensive legislation that would expand and strengthen the Housing Credit. While it includes many policy changes—some of which are no-cost, commonsense, good governance improvements based on over three decades of program administration—I'd like to focus on how the bill would expand the Housing Credit, as these are the provisions that add to supply.

The AHCIA would make a significant increase in Housing Credit allocation authority for what we call the "9 percent" Housing Credit. The 9 percent Credit is the component of the program that provides the more substantial subsidy to developments. These Credits are highly competitive, and states often use them to finance the most challenging and needed properties for the highest-risk populations. In Washington, we have prioritized this deeper-subsidy program for supportive housing, which provides both housing and essential services for the homeless and most vulnerable. This kind of housing supports special-need populations not only in Seattle but also in communities of every size across Washington. This is also the program most impacted by

the expiration of the 2018 expansion to the program—which allowed us to build three more of these critically needed properties each year for which it was in place.

The other major provision in this legislation that would substantially increase supply is the reduction of the bond financing threshold, sometimes called the 50 percent test. For Washington, this is probably the most impactful action Congress could take to increase supply.

To maximize the 4 percent Credit equity available to an individual deal, developers must use multifamily bonds to cover at least 50 percent of the development cost. That means to unlock the 4 percent Credits, states need to make a significant investment of our federal Private Activity Bond (PAB) cap in each development.

In Washington State, we have long prioritized our federal PAB cap for housing, using every dollar of this finite resource. Yet in our most recent competitive round for this funding, we received $1 billion in requests for shovel-ready housing projects, while having only $250 million to allocate. This has become typical: Over the past five years, three to four times as much bond authority has been requested as we could fulfill—all viable, fully ready housing projects that must wait on the shelf as construction costs continue to rise. More and more states are like Washington in this regard: According to research by Novogradac and Tiber Hudson, 18 states were oversubscribed for PAB cap as of March 2023.

Covering at least 50 percent of a project's total cost with multifamily bonds, which contribute debt, makes no sense from a financing perspective. Because the project cannot support that much debt over the long run, the developer must refinance the project to pay off the bond debt to put in place permanent financing at a much lower debt level that the project can reasonably support. This practice is inefficient, adds cost, and prevents states from spreading bond resources to more quality affordable housing projects.

If instead this bond-financing threshold was lowered to 25 percent, half the bond cap would be needed to access the same amount of Housing Credits for individual properties—effectively allowing us to double total Multifamily Bond production. According to an estimate by Novogradac, a reduction to a 25 percent threshold would finance 51,800 additional affordable homes in Washington State over the ten10-year period beginning in 2023. It is this type of commonsense reform to the Housing Credit and Multifamily Bond programs that will allow Washington and other states to dramatically scale production to address supply challenges.

The AHCIA also includes other provisions that would increase production by providing basis boosts for properties in rural areas, those benefiting tribal populations, and those housing extremely low-income households, as well as expanding the number of areas where basis boosts are allowed because the area qualifies as a Qualified Census Tract or Difficult Development Area. The AHCIA also gives states discretion to provide a 30 percent boost to 4 percent Credit properties as needed for financial feasibility.

Protecting Taxpayers' Investment by Combatting Threats to Long-Term Affordability

Without question, we need to build more affordable housing. But we also need to preserve the affordable properties in which the taxpayer has already invested through the Housing Credit and Multifamily Bonds. Housing Credit properties are expected to remain restricted for at least 30 years. However, there is a loophole in the law that allows owners to terminate the affordability restrictions any time after the fifteenth year through a process called "qualified contract."

Under the qualified contract provision of the tax code, an owner of a Housing Credit property may, after Year 14, require that the state Housing Credit Agency find a buyer for the property willing to pay the qualified contract price to purchase the property. This request begins a one-year period during which the state seeks a qualified buyer to purchase the property and maintain it as affordable for the duration of the extended use period. The required purchase price for a qualified contract, stipulated by Section 42, was designed in 1989 to prevent backend windfalls to owners and investors by limiting them to an inflation-adjusted return on the original equity contribution at a time when the Housing Credit was an unproven and temporary program.

In practice, qualified contracts have come to function as a nearly automatic affordability opt-out after just 15 years. This is because the qualified contract formula price in nearly all cases significantly exceeds the market value of the property as affordable housing. As a result, it is rare for the state to find a buyer willing to pay the qualified contract price. If the state fails to find a qualified buyer within one year, the property is released from the affordability requirements of the Housing Credit program. At that point, the owner is free to either sell the property at market value without any deed restrictions or continue to own the property and charge market rents after a three-year rent protection period for existing tenants.

NCSHA data indicates that the qualified contract process is resulting in the premature loss of approximately 10,000 units annually. As of 2021, more than 100,000 apartments nationwide had already been lost from the Housing Credit inventory before what would have otherwise been the full affordability period for those homes.

Washington State has long had a policy of requiring owners to waive their right to a qualified contract as a condition of receiving Housing Credits, and thus my state has not lost units to qualified contracts. However, many of my colleagues did not put such policies in place until much later. Waiver requirement policies will not impact qualified contract losses until 15 years after they are adopted, which means many states are still losing Housing Credit properties to early termination due to the qualified contract loophole.

Congress can prevent these losses now by closing this loophole in the law. Senator Wyden's DASH Act has included a provision that would fix this by eliminating the qualified contract provision in Section 42 for properties financed after the date of enactment and modifying the qualified contract price for existing properties such that it would be fair market value of the

property, taking into consideration the property's deed restrictions. We strongly urge all members of the Committee to support this change.

Another essential step Congress can take to ensure long-term affordability of properties is to protect nonprofit sponsors seeking to exercise the right of first refusal in their partnership documents as allowed under Section 42. This right has been challenged in recent years by some investors, primarily outside entities who have obtained control of investor partnerships from the original investors after all tax credits have been claimed. These entities—often called "aggregators"—demand a payoff not contemplated in the partnership agreement as a condition of exiting the partnership. This has led to scores of legal disputes and, in many cases, costly litigation.

Nonprofits that do not have the financial wherewithal to fight the limited partner in court are forced to acquiesce to unexpected investor monetary demands which may undermine the long-term financial viability of the property or force the nonprofit to raise rents, decrease resident services, defer maintenance, or even sell the property to cover the pay-off.

Here in Washington State, because of the significant rise in property values and thus the potential for profits, we represent a prime target for aggregators looking to quickly maximize profit from housing properties at the expense of serving residents and communities over the long term, not to mention protecting the assets our federal investments have created. That's why we call on Congress to protect the nonprofit right of first refusal.

Again, Senator Wyden has been a leader in rectifying this problem. His DASH Act would provide clarity to the tax code by defining "property" to include all partnership assets, not just the physical structure of the development, and stipulating that, unless the partnership agreement provides otherwise, no offer from a third party is required to trigger the right of first refusal; limited partner consent is not required to exercise the right of first refusal; and the right of first refusal may be initiated by an offer from any entity, including a related party. Further, to improve this process in the future, the DASH Act would replace the right of first refusal with a purchase option for projects financed after the date of enactment. Again, I urge all Committee members to support this change.

The Housing Crisis Is Impacting Homeownership Opportunities, Too

Our nation's critical affordable housing shortage is not limited to rental housing. According to a recent analysis by Freddie Mac, the United States would need to construct nearly 3.8 million for-ownership homes to meet demand.[15] Insufficient supply has substantially increased sale prices of single-family homes, pricing many working families out of the market. Moreover, recent dramatic increases in mortgage interest rates have exacerbated affordability

[15] *One of the Most Important Challenges Our Industry Will Face: The Significant Shortage of Starter Ho*mes, Sam Kater, Freddie Mac, April 2021.

challenges. The average home payment for a new home buyer was up 68 percent year-over-year in the fourth quarter of 2022,[16] putting homeownership out of reach for many households.

Another significant challenge facing low- and moderate-income households seeking to become homeowners is the lack of starter homes on the market. For some time, builders have reported that building smaller homes is cost prohibitive, therefore most new construction is of larger luxury homes because that is the only way for developers to make the economy of scale work. The median sale price for a new home in 2022 was $455,800, a nearly 15 percent increase over 2021.[17] Just 15 percent of new homes sold in January 2023 were priced under $300,000, compared to around 30 percent in January 2021.[18] Moreover, development costs for single-family homes are also subject to the same market dynamics as multifamily production, including significant inflation of common construction materials, supply chain delays, and workforce disruptions.

These market developments have made it harder to address the long-standing homeownership gap between white households and households of color. At the end of 2022, 74.5 percent of white households owned their home, compared to 61.9 percent of Asian American households, 48.5 percent of Hispanic American households, and 44.9 percent of African American households.[19]

A recent study found that, in each of the nation's 50 largest metro areas—including Seattle—African American residents own a disproportionately small share of homes compared with their population.[20] One of the biggest factors historically preventing minority families from purchasing a home is a lack of accumulated wealth compared to white households, a legacy of our nation's discriminatory redlining policies.

The current surge in pricing has worsened these disparities by making it even harder for minority households to amass the necessary savings to pay for the upfront costs of purchasing a home. While state HFA down payment assistance programs offer an affordable and sustainable option for such borrowers, we need a more comprehensive solution that helps increase supply and improve other homeownership tools.

A healthy and affordable home purchase market is crucial for economic growth. Homeownership is many working families' primary means of building generational wealth. Further, an active home purchase market would open up more rental opportunities for those wishing to rent as new home buyers leave their apartments.

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[16] *Homeownership Rate Remains High, Despite Ongoing Affordability Pressure*, Hannah Jones, Realtor.Com February 10, 2023.

[17] *Monthly New Residential Sales, January 2023,* US Census Bureau, February 24, 2023.

[18] Ibid

[19] *Housing and Homeownership: Homeownership Rate*, Federal Reserve Bank of St. Louis.

[20] *Black Americans Own Disproportionately Small Share of Homes in 50 Largest U.S. Metros*, Jacob Channel, Lending Tree, April 5, 2022.

Congressional Action to Address the Needs of Home Buyers

While addressing these issues will take concerted and multifaceted action, there are two legislative proposals the Finance Committee can take up in this Congress to expand the supply of affordable homes and improve access to homeownership for low- and moderate-income home buyers. These are the Affordable Housing Bond Enhancement Act and the Neighborhood Homes Investment Act.

I want to thank Committee member Senator Catherine Cortez Masto (D-NV) for introducing the Affordable Housing Bond Enhancement Act (AHBEA) in the last Congress. This important bill would enact simple and impactful improvements to two essential tax incentives that help first-time low- and moderate-income home buyers: the Mortgage Revenue Bond (MRB) and Mortgage Credit Certificate (MCC) programs. NCSHA looks forward to the bill's reintroduction this year.

MRBs historically have been HFAs' primary tool for financing low-interest mortgages for low- and moderate-income home buyers. Investors are willing to accept a lower rate of return for Housing Bonds than they would get on other investments because the interest on the bonds is exempt from federal income tax. The lower rate is then passed on to lower the interest rate paid by lower-income home buyers.

In total, MRBs have helped more than 3.4 million working households become home buyers. The median income of MRB loan borrowers in 2021 was 64 percent of the national median income. WSHFC utilized MRBs to help more than 400 Washington families achieve the dream of homeownership in calendar year 2021, supporting more than $103 million in loans for low- and moderate-income home buyers.[21]

In addition, HFAs can use their MRB authority to issue Mortgage Credit Certificates, which provide a nonrefundable federal income tax credit for part of the mortgage interest qualified home buyers pay each year. State HFAs have used MCCs to provide critical tax relief to more than 386,000 families. WSHFC has issued MCCs to nearly 17,000 home buyers.

AHBEA would improve MRBs and MCCs by, among other changes:

- Increasing the MRB home improvement loan limit;
- Allowing MRBs to be used for refinancing loans;
- Providing HFAs additional flexibility in how they utilize housing bond authority;
- Simplifying how a borrower's MCC benefit is calculated;
- Reducing the time period for the MRB and MCC recapture tax from nine years to five;

[21] *State HFA Factbook: 2021 NCSHA Annual Survey Results*, National Council of State Housing Agencies, 2022.

- Extending the amount of time HFAs can use converted MCC authority from two years to four; and
- Allowing HFAs to reconvert MCC authority back into MRBs two years after the conversion, rather than one.

This legislation is a cost-effective way to improve the MRB and MCC programs. I urge all Committee members to cosponsor this legislation when it is reintroduced.

Lastly, I'd like to express support for the Neighborhood Homes Investment Act (NHIA). In many census tracts and rural areas, developers cannot sell homes for what it costs to construct or substantially rehabilitate them, known as the "value gap." This is a problem for which we currently do not have a solution. We need a new tool in our box.

The NHIA would establish a new tax credit, the Neighborhood Homes Credit, modeled after the highly successful Housing Credit. It would incentivize developers to construct new or substantially rehabilitate housing by closing the value gap, up to 35 percent of eligible development costs. It is estimated that the equity raised by the Neighborhood Homes Credit would finance the building and substantial rehabilitation of 500,000 affordable homes for low- and moderate-income homeowners over the next 10 years.

I encourage the Committee to take up and advance both of these bills as quickly as possible.

The housing crisis will not get better unless Congress acts. Enactment of the bills I've addressed in this testimony—The Affordable Housing Credit Improvement Act, provisions of the DASH Act that would close the qualified contract loophole and protect nonprofit housing credit sponsors, the Affordable Housing Bond Enhancement Act, and the Neighborhood Homes Investment Act—would truly address the affordable housing crisis for both renters and homeowners. WSHFC and all HFAs, through our national association, the National Council of State Housing Agencies, urge the Committee to act on these bills and Congress as a whole to enact them this year.

Thank you for your commendable efforts to support affordable housing. I am honored to have had this opportunity to testify before the Committee.