August 15, 2017

The Honorable Orrin Hatch
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

Re: Affordable Housing Crisis: Challenges and Solutions

Dear Chairman Hatch and Ranking Member Wyden:

The National Trust for Historic Preservation ("National Trust"), the National Trust Community Investment Corporation ("NTCIC"), and the Historic Tax Credit Coalition ("HTCC") are pleased to submit joint comments to the Senate Finance Committee noting the role the federal Historic Tax Credit ("HTC") plays in the production of affordable housing for inclusion in the record for the hearing titled, "Affordable Housing Crisis: Challenges and Solutions" that occurred on August 1, 2017.

The National Trust is a private, nonprofit organization chartered by Congress in 1949 to facilitate public participation in the preservation of our nation's heritage. With headquarters in Washington, D.C., nine field offices, 27 historic sites, more than one million members and supporters, and a national network of partners in states, territories, and the District of Columbia, the National Trust works to save America’s historic places and advocates for historic preservation as a fundamental value in programs and policies at all levels of government.

NTCIC is a wholly owned for-profit subsidiary of the National Trust and enables tax credit equity investments that support sustainable communities nationwide. NTCIC places qualified tax credits for federal and state historic (HTC), new markets (NMTC), solar (ITC) and low-income housing (LIHTC). Since its inception in 2000, NTCIC has provided tax credit financing of over $1 billion in capital for HTC, NMTC, ITC, and LIHTC investments for 142 transactions with over $4 billion in total development costs.
The HTCC is a nonprofit organization comprising 78 member firms including leading historic tax credit developers, investors, syndicators, tax attorneys, accountants and preservation consultants who came together in 2009 to advocate for the modernization of the HTC. It works to educate Congress, engage with the IRS and the National Park Service on regulatory issues and conduct research on the economic impact of the HTC.

Communities throughout the nation demonstrate time and again the value of historic buildings and neighborhoods in community-strengthening efforts, whether it be producing homes for low-income residents or housing small businesses that are important to a neighborhoods economic vitality. Old and historic buildings are resources that already exist in many communities and can serve as a foundation for an area’s housing program. Rehabilitation and maintenance of existing building stock is a key factor in breaking the cycle of deterioration, disinvestment, and loss that reduces our affordable housing supply. Outlined below are several ways of analyzing the value the HTC adds to existing programs that seek to address the lack of affordable housing for too many Americans.

**Twinning the HTC with the Low-Income Housing Tax Credit (LIHTC)**

A primary way of measuring the impact the HTC has on the production of affordable housing is to examine data on how often the HTC and LIHTC are used together to make an affordable housing transaction feasible when the building is historic. According to the most recent National Council of State Housing Agencies ("NCSHA") statistical report (2014), approximately 95,000 affordable units were completed that year with 5.5 percent of those transactions also utilizing the HTC. That equates to 5,525 affordable units created in historic buildings in 2014.

While statistics on the types of historic properties that are repurposed as affordable housing are not readily available, we know anecdotally that many of these projects involve the rehabilitation of vacant historic schools. These schools are often located in the heart of their communities. The effect of rehabilitating historic schools into affordable housing, as one example, is not only that these residential units are in high demand because of their unique character, but also because of the memories that community residents have of attending these schools. Developers take advantage of these factors to market these properties to local residents while creating a sense of renewal and continuity for the surrounding communities.

It is important to note that twinning the HTC with the LIHTC helps make historic affordable housing developments possible that likely would not occur using just one of the credits. If only the LIHTC were available, historic properties would likely be passed over or razed in favor of new construction, while if only the HTC
were available, most of the housing in historic properties would be unaffordable to low-income families. Each tax credit advances an important public policy objective in its own right, but the ability to twin tax credits enables communities to preserve their heritage and provide needed affordable housing on the same property resulting in reduced NIMBY opposition.

**Rutgers University Research on the HTC and Affordable Housing Outcomes**

Another way of understanding the HTC’s impact on the nation’s affordable housing supply is to look the annual analysis conducted by Rutgers University Center for Urban Policy Research for the National Park Service. The FY16 report on the economic impact of the HTC indicates that over the life of the federal historic tax credit, roughly half of all HTC transactions produced housing. From 1978 through 2016, the HTC was used to create 549,005 housing units. Of the total units, 153,255, or 28 percent, were affordable to low- and moderate-income families. Further, the 2017 report reflects an increase in the number of affordable units created with HTC financing. Of the 21,139 housing units created utilizing the HTC in 2017, 7,181, or 34 percent, were affordable.

**National Park Service Statistical Reports**

Another key source of information about the role of the HTC in producing affordable housing comes from NPS’s Statistical Reports. The above data indicates the average annual affordable housing production by the HTC is roughly 4,400 units over the past 39 years. However, this number is less than the NCSHA estimate of 5,525 for 2014 alone, which only includes twinned HTC/LIHTC transactions. A look at the National Park Service’s statistical reports over the last five years shows that the amount of affordable housing units produced in buildings that utilize the HTC is trending up significantly. The NPS data is summarized in the graph below.

![Housing Production - Federal Historic Tax Credit](image-url)
The graph indicates that annual affordable housing units associated with the HTC is now in the 7,000-8,000 range. Some of these units result from combining the HTC and LIHTC. Others, however, are financed through a combination of federal and state HTCs and the twinning of historic tax credits with the New Markets Tax Credits in mixed-use buildings.

In summary, historic buildings are well-suited to help meet the nation’s affordable housing needs. The units produced are highly attractive in the market place due to the special historic features that are retained as part of the National Park Service’s program requirements. As older structures, they are typically found in communities well-served by existing public transit, job centers, utilities and local schools - benefits that are essential for low- and moderate-income households. These developments spur a cycle of renewal in communities that have been left behind. Links to three illustrative case studies from the National Park Service’s website can be found below:

https://www.nps.gov/tps/tax-incentives/case-studies.htm#riverside-plaza

https://www.nps.gov/tps/tax-incentives/case-studies.htm#toms-brook-school

https://www.nps.gov/tps/tax-incentives/case-studies.htm#rockville-mill

Thank you for the opportunity to submit these comments. For further information, please contact us at ssprague@savingplaces.org, jleith@ntcic.com, or mhoopengardner@ntcic.org

Sincerely,

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