March 7, 2019

Testimony in Favor of Maryland SB715: Affordable Housing Tax Credit

Chairman and Esteemed Committee Members,

As the eighth most expensive state in the nation, many Marylanders cannot afford to live in the communities in which they work. Housing is considered "affordable" when a household spends less than 30 percent of their income on shelter and utilities; Households that spend more than this are considered cost-burdened, and are frequently forced to make difficult financial tradeoffs with other basic necessities. For every 100 low-income families in Maryland, there are only 35 affordable housing units available[1]. Many working professionals such as teachers, police officers, and construction workers do not earn Maryland's housing wage. The "housing wage" needed to afford a two-bedroom apartment at fair market rent in Maryland is $29.04, while the average wage of a renter is a mere $17.56[2]. The state housing prices are pushing out the working citizens who contribute to Maryland society, both socially and economically.

For the last 40 years, the Federal Low Income Housing Tax Credit (LIHTC) has provided a partial solution to this affordable housing crisis. Each year, the Feds allocate each state tax credits or "LIHTCs" based on the number of citizens in a state, in the form of 9% and 4% tax credits. Developers apply to DHCD each year to receive credits to build their projects, and in return promise to maintain a certain number of lower rent units in the buildings for 15 years. The 9% credits help developers pencil out about 60% of affordable housing projects are each year dozens of developers apply. With the federal LIHTC money alone in Maryland, which is about $16 million annually, only 1 in 4 developers are receiving funding for their projects.

With the amended version of SB715, there is a tremendous opportunity for Maryland to help extend the 9% credits so more affordable units will be built in the state. The legislation creates a three year pilot during which the state would match up to $5M of the 9% Federal tax credits per year. This is another tool in the toolbox for MD developers to create more affordable housing, allocated the same way as the federal credits so there is no additional administrative burden. The Federal compliance period of 15 years still applies to projects so the state is protected and tenant quality of life ensured.

Maryland is taking little risk by implementing a state tax credit match for affordable housing—this is a proven model of success across the country. Programs Colorado, Wisconsin, Georgia, Missouri and Nebraska have all created state matches for the Federal LIHTC dollars coming into their states. Colorado, most similar to Maryland in current population size and growth, has had a thriving state match program since 2013. So successful, in fact, that they extended an additional eight years from its initial pilot and doubled the program size in 2019. Their program, which is now $10M per year in state credits, has directly supported 15,312 affordable rental units. Over the course of the program, the state credit has raised $534 million in new private sector investment and has had $1.9 billion in economic impact in the state.

Five million more of 9% LIHTC dollars could build hundreds of more affordable units each year in Maryland, and really move the needle in terms of addressing this pressing challenge. With this program, Maryland has the opportunity to not only increase the number of affordable housing units being built, but also to increase jobs, tax revenue and the general welfare of its citizens. That is why we urge the committee to support SB715 as amended.

Sincerely,
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[1] The Affordable Rental Housing Gap Persists, National Low Income Housing Coalition, http://nlihc.org/sites/default/files/HS_4-1.pdf
[2] http://nlihc.org/oor/maine