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## HOUSING MATTERS

# Congress Must Move to Unlock Pandemic Aid's Housing Potential

## Fix Needed to Make ARPA Money Compatible with LIHTC Funding

BY SUSAN GITTELMAN  
SPECIAL TO BANKER & TRADESMAN



**T**he need for affordable housing in a high-cost-of-living region like New England is well understood. We also understand the high expense of building new homes and the scarcity of funds for bringing rents down to affordable levels. The last two years of the Covid pandemic have exacerbated these problems.

But one small silver lining to a difficult period that has stressed so many families' budgets is financial relief on a large scale. The American Rescue Plan Act (ARPA) provided billions of dollars to states to alleviate the effects of the pandemic, and some states set aside significant amounts of money for support of the production of affordable housing.

Many states want to use ARPA funds to leverage increased housing production efforts. But there's a problem. There is a basic incompatibility between the statutory requirements of these funds and the programmatic requirements of the federal Low Income Housing Tax Credit program. The LIHTC program is by far the largest housing production program in the United States over the last 40 years.

Because of the complex way many affordable

housing projects are financed, the money made available to housing producers comes in the form of long-term subordinate loans. However, ARPA relief funding must be in the form of direct grants or short-term loans, with the provision that it has to be used before 2026.

### Deadline Looms to Spend Funds

Here's the issue: A grant given to fund an affordable housing project reduces the cost basis for developers and thereby reduces the amount that can be raised in private funds through the

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LIHTC program. Employing the relief funds as a loan on a project is far more favorable, with the welcome effect of making a larger portion of the project cost eligible for the investment of private capital.

A fix is needed. Housing leaders from across the country have been working on a solution for months to address this issue. The goal is to find a way to allow money that has already been allocated to states to be used as loans instead of grants.

What's at stake here? The ability to apply massive amounts of relief funds for housing prior to 2026 deadline. Affordable housing financial specialists say about \$8 billion was made available nationwide. In Massachusetts, the Baker administration and the legislature earmarked several hundred million dollars for affordable housing.

The goal is that this high level of investment can allow the state to fund more of the housing developments in the pipeline and to assist projects that are seeing unprecedented construction cost increases and inflation spikes that threaten viability.

The impact on any particular development project varies. But the financial impact of using versus not using these funds is dramatic: a loss of millions of dollars that would otherwise be available.

### Congress' Next Steps

Accessing ARPA funds to leverage and expand housing production requires some action from Congress itself.

At first, housing advocates and the real estate community targeted changes in federal Treasury Department guidelines that they thought would solve the problem. But Treasury, though sympathetic, determined that only Congress could make the required change. It is reported that more than 20 states, like Massachusetts, planned

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to use substantial pandemic relief money to support affordable housing. Nationwide, advocates and the real estate community have turned to Congress for a solution.

The result is that last month U.S. Representatives Alma Adams (D-NC) and David Rouzer (R-NC) introduced the aptly-titled LIFELINE Act, short for LIHTC Financing Enabling Long-term Investment in Neighborhood Excellence, to make ARPA funds available as loans for affordable housing developments using low-income housing tax credits. A parallel bill was

proposed in the Senate.

“Ensuring access to affordable housing has been a crucial piece of the federal, state, and local response to the health and economic threats of the coronavirus pandemic,” said House Committee on Oversight and Reform Chairwoman Carolyn Maloney (D-NY). She added that “This common-sense bill” was “as Congress and the Administration intended” and noted its particularly timeliness given the dramatic rise in construction costs.

As this money is already voted and available,

the hope is that this legislative fix can be enacted as soon as possible to enable states to put ARPA resources to work. It is a simple solution with the promise of enormous impact in Massachusetts and beyond. In light of the pandemic recovery and the cost challenges ahead, its impact could not come at a better time. ◀

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**Susan Gittelman** is the executive director of B'nai B'rith Housing, a nonprofit affordable housing developer currently working in Boston, Sudbury and Swampscott.