Private Activity Bonds: Critical Affordable Housing Financing

The Tax Cuts and Jobs Act, H.R. 1, eliminates tax-exempt Private Activity Bonds (PABs), including both multifamily and single-family housing bonds, for bonds issued after 2017. PABs for affordable housing must be restored in an amendment or affordable rental housing and homeownership, public housing preservation and disaster recovery efforts will be at risk.

Impact of PAB Elimination

PABs generate as-of-right 4% Low Income Housing Credits (LIHTC), when used for multifamily affordable rental housing. This program finances nearly half of LIHTC developments across the nation (the other half are in the 9% LIHTC program allocated to States on a per capita basis). While the bill maintains LIHTC, it includes no provisions to make up for the loss of annual LIHTC production that would result from the elimination of tax-exempt PABs, which would end all bond-financed 4% LIHTC activity.

PAB elimination will also undermine State’s tools to encourage homeownership opportunities for many first-time homebuyers, exacerbating the trend of declining homeownership in the U.S. The Mortgage Revenue Bond Program (MRB), enabling affordable financing, would be terminated with the elimination of PABs.

- **U.S. Impact:**
  - Decrease in Affordable Housing Supply by ~1 Million Units Over 10 Years

- **New York Annual Impact:**
  - $4.5 Billion in Affordable Housing Investment | 17k Homes | 28,000 Jobs

- **NY-1 Congressional District Impact***:
  - $383 Million in Affordable Housing Investment
    - $115 Million Multifamily (Tax-exempt bonds + LIHTC equity)
    - $268 Million SONYMA Mortgages
  - 1,593 Affordable Homes
    - 358 Renter Households*
    - 1,235 Homebuyers

- **PAB 4% LIHTC Projects Financed 2011-2016**

<table>
<thead>
<tr>
<th>Developer</th>
<th>County</th>
<th>Municipality</th>
<th>Apartments*</th>
</tr>
</thead>
<tbody>
<tr>
<td>St. Michael’s Windmill Housing</td>
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<td>Town of East Hampton</td>
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<td>Wincoram Commons Phase II</td>
<td>Suffolk</td>
<td>Town of Brookhaven</td>
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<td>Concern Middle Island Apartments</td>
<td>Suffolk</td>
<td>Town of Brookhaven</td>
<td>123</td>
</tr>
</tbody>
</table>

- **At-Risk PAB 4% LIHTC Projects with 2017 Financing**

<table>
<thead>
<tr>
<th>Developer</th>
<th>County</th>
<th>Municipality</th>
<th>Apartments*</th>
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</thead>
<tbody>
<tr>
<td>Riverview Lofts</td>
<td>Suffolk</td>
<td>Riverhead</td>
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</table>

* Includes 2011-2017 projects. Mixed-income developments include affordable and market rate units.
** Even for projects that successfully close on construction financing in 2017, they are in jeopardy of financial risk as they convert to permanent financing.