

## Potential Changes Coming to Affordable Housing Legislation

By Ravi Melwani, CPA

A bipartisan group in Congress has introduced the Affordable Housing Credit Improvement Act of 2023 (AHCIA) to address the shortage of affordable housing. The AHCIA would help incentivize private investments in affordable housing, provide state funding to finance affordable housing and potentially offer boosts for certain types of projects in rural developments, tribal communities and for extremely low-income tenants.

### Potential Terms

Some of the key provisions of the AHCIA in its proposed form include:

- Additional funding for housing credits by extending the temporary increase of 9% tax credits allocated to each state that had been in place from 2018 and expired in 2021. Additionally, the AHCIA sets forth increases in these allocations on an annual basis.
- For an entity to receive the 4% current housing credit at least 50% of property development costs must be financed with tax-exempt multifamily bonds. The proposed AHCIA lowers the bond requirement to 25% which should incentivize more private investment and allow states to finance more affordable housing projects.
- Currently there is in place a 30% basis boost for properties that serve extremely low-income tenants (below 30% of the area median income or below the federal poverty line). The AHCIA proposes that these properties may receive a basis boost up to 50% at the discretion of the credit awarding agency.
- Difficult Development Areas (DDA) historically receive a 30% basis boost. Upon review by members of Congress, it was noted that many rural and tribal regions do not meet the stringent standards to be considered a DDA. The AHCIA proposes to expand the definition of a DDA to be more inclusive of rural and tribal areas to allow for basis boosts for many of these properties and incentivize additional investments in these areas.

### If AHCIA Becomes Law

The passage of this Act is estimated to have the ability to create approximately 3 million jobs and an additional \$100 billion in additional tax revenue, while significantly addressing the housing shortage facing the nation and strongly incentivizing private investment into affordable housing.

### Contact Us

If you require accounting, auditing, tax or consulting assistance with your HUD or affordable housing property, please contact your PKF O'Connor Davies client engagement team or:

Ravi Melani, CPA  
Director  
[rmelani@pkfod.com](mailto:rmelani@pkfod.com) | 240.534-.807

Jennifer M. Galasso, CPA  
Partner  
[jgalasso@pkfod.com](mailto:jgalasso@pkfod.com) | 914.341.7067

Our Firm provides the information in this e-newsletter for general guidance only and it does not constitute the provision of legal advice, tax advice, accounting services, or professional consulting of any kind.