



All I want for Christmas is affordable housing

BY RICHARD BURNS, OPINION CONTRIBUTOR — 12/25/17 01:00 PM EST



Most of us have been worried lately about the possible demise of the extraordinary funding tool known as the Low Income Housing Tax Credit (LIHTC). The result of bipartisan legislation in 1986, LIHTC has allowed the public and private sector to fund millions of units of affordable housing that are desperately needed by low-

income renters. At the same time, the investment is beneficial for participating businesses, making affordable housing a true public/private partnership.

The need is acute. According to Harvard University's Joint Center for Housing Studies in The State of the Nation's Housing 2017, the number of U.S. renter households has been steadily rising. Sadly, more than a quarter of the growth is represented by households subsisting on less than \$15,000 in annual income. These are Americans for whom the operating margins to keep a roof over their heads are unspeakably tight. One missed paycheck could spell homelessness.

Happily, the GOP tax plan is expected to maintain programs for the preservation and construction of affordable housing. However, it does nothing to soften the impact of a 21 percent corporate tax rate, which will result in a 15 percent decline in the value of the credit. This translates into 300,000 fewer units of affordable housing over the next 10 years.

Meanwhile, the affordable housing industry faces an additional challenge: It must continue to seek funding to create and preserve what is known as service-enriched affordable housing. This important component of affordable housing provides residents an array of services that improve the quality of their lives, offering much more than a clean, safe affordable unit.

To that end, one new and very exciting opportunity is Pay For Service (PFS) contracts. These private-public partnerships work to foster innovative and preventive social services while mitigating financial risks for governments. At the same time, PFS offers philanthropic donors and impact investors a fresh new concept. The key to these contracts is "cost avoidance" over "cost savings."

Cost-avoidance allows funders to do the right thing today so that governments can spend less money on government services tomorrow. This approach doesn't result in savings to an existing budget, since the anticipated problems don't yet exist, but it does avoid the future cost, thereby promoting innovation and public sector responsibility.

By using private-impact investors to capitalize social service providers at the outset, PFS contracts help not-for-profit and for-profit organizations begin immediate social service interventions. Because the government does not reimburse services investors until successful completion of the contract, taxpayers are insulated from inefficient spending and governments can save future costs in the process. PFS also appeals to philanthropies and mission-based groups because, as successful

projects are reimbursed, they can reinvest their initial contributions into more projects, catalyzing more innovation.

Pay for Success financing is an innovative source of capital for developers of service-enriched affordable housing. This housing offers onsite programs ranging from financial literacy, to children's afterschool programs, to job training to social service referrals. By encouraging proactive investment in these proven preventive services, the model tackles social problems early and consistently. The most promising of these services is preventive health care for low-income families and seniors. The Surgeon General Report on the Economic Benefits of Preventing Disease finds that prevention offers economic benefits as well as humanitarian ones. "Prevention policies and programs often are cost-effective, reduce health care costs, and improve productivity."

The PFS model not only enhances collaboration between governments and private service providers, it promotes what Stefano Rumi calls the "double-bottom" line of social good and profitable impact investing. Rumi, a fellow at the University of Virginia Pay-for-Success Lab, writes of PFS that it "increases the impact of philanthropic and charitable capital through entrepreneurial solutions."

There are several current examples of PFS success stories around the country, particularly involving housing the homeless and other related social services. But the affordable housing industry needs to develop discrete PFS strategies that will prove successful for all stakeholders.

What we in the industry would most like to see today is a Congress that not only leaves the highly successful, current tax credit programs in place, but also improves those programs with new legislation such as the bipartisan Cantwell Hatch Bill, which is designed to encourage preservation and construction of thousands of rental housing units by boosting LIHTC allocations. This measure goes a long way to ease America's lack of affordable housing.

We and our colleagues will continue to explore other innovative solutions to complement existing programs. But today, while our government has not eliminated the programs that are the very lifeblood of the affordable housing industry, we ask lawmakers to help breathe new life into these programs. We urge members to consider a legislative version of the Hippocratic Oath — "First do no harm" — and consider all of their constituents in addressing the critical and growing shortage of affordable housing in the U.S.

Richard Burns is president and CEO of The NHP Foundation; its mission is to provide quality, affordable, rental housing and resident services for low- and moderate-income families and seniors.