

# Ben Carson's public housing plan would be crippled if the GOP's tax bill passes

HUD Secretary Carson has touted a program that would be severely restricted by the House's tax bill.

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THE ROBERT TAYLOR HOMES, SHOWN FRIDAY, MAY 28, 1999, ARE ONE OF THE PUBLIC HOUSING DEVELOPMENTS THAT WILL ONCE AGAIN COME UNDER CONTROL OF THE CHICAGO HOUSING AUTHORITY. AFTER BEING TAKEN OVER BY THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT IN 1995 FOLLOWING A SERIES OF CHAOS SCANDALS, HUD RETURNED CONTROL TO THE CITY THURSDAY. (AP PHOTO/CHARLIE BENNETT)

The GOP's tax bill would severely curtail its own administration's plan to solve the country's [\\$49 billion backlog](#) of public housing repairs. That estimate doesn't include repairs related to damage from the recent hurricanes — repairs that could also face serious slowdowns if the House GOP's plan passes.

The House tax plan would tax private activity bonds — a tax-exempt funding mechanism that allows developers to borrow money for a host of projects, including affordable housing projects, at low-interest rates. Lawmakers claim eliminating the exemption would [save \\$38.9 billion](#) (even as the tax bill would grow the deficit by an estimated [\\$1.7 trillion](#)). But housing advocates warn taxing those bonds would make it unnecessarily difficult to [rebuild affordable housing](#), including housing destroyed by the

recent hurricanes, and severely cripple the only program that has effectively addressed the backlog of essential repairs for America's [1.1 million public housing units](#).

Thanks to [funding cuts](#) in Congress over the years, public housing authorities are not receiving enough money to make important repairs and renovations for their decades-old public housing apartment complexes. In some places, public housing facilities have fallen into such a state of disrepair that they are [are almost uninhabitable](#).

The loss of tax-exempt private activity bonds would mean a greater number of public housing units would remain neglected and eventually uninhabitable, further reducing America's affordable housing stock, according to Jessica Cassella, a staff attorney with the National Housing Law Project.

"That's the difference between tenants living in safe and sanitary conditions and not," said Cassella. "We would continue to see serious and drastic needs of low-income tenants that are living in properties that have no opportunity to be repaired."

### **The new administration hampering its own agenda**

[In 2012](#), the Obama administration created the [Rental Assistance Demonstration](#) (RAD), a program that incentivizes housing authorities to renovate or rebuild public housing complexes in partnership with developers, financed in part through low-interest, tax-exempt bonds and tax credits. While the program is [far from perfect](#), it has been used to rebuild or renovate more than [79,000 public housing units](#) since its inception and has garnered bipartisan support from Congress and the Trump administration.

Housing and Urban Development Secretary Ben Carson told the [House Financial Services Committee on Oct. 12](#) and explained during other [interviews](#) and appearances before [Congress](#) he wanted to expand RAD even further, and he claimed the Republican tax plan would recognize the importance of housing tax credits.

Carson praised RAD during an interview in June with the Baltimore Sun: "We need to improve upon that program, maybe lift the cap that exists... those are the kinds of models that are going to help us not to continue to create blight."

Private activity bonds allows state and federal governments to complete needed infrastructure projects that serve a public purpose by partnering with partner private entities that [would stand to benefit](#). Such bonds have helped redevelop damaged areas following [previous devastating storms](#), including Katrina, and the Council of Development Finance Agencies have [called for a special class](#) of private activity bonds dedicated specifically for disaster relief.

But the proposed House tax bill would essentially eliminate private activity bonds by taxing it — a move that so far sparked outcry [by members of Congress](#) on both sides of the aisle and housing advocates. The [Senate version of the tax reform bill](#) released on Thursday does not tax those bonds.

Housing groups in Texas and Florida are warning the loss of private activity bonds would make it difficult to repair and rebuild affordable housing in areas affected by Hurricanes Harvey and Irma, [according to the Hill](#). This [would likely also include](#) Puerto Rico, [still reeling](#) from Hurricane Maria.

The Florida Housing Coalition and the Texas Affiliation of Affordable Housing Providers wrote in a letter to House Speaker Paul Ryan (R-Wisc.): “This bill, as currently written, would make it significantly more difficult to repair and rebuild affordable housing in areas affected by Hurricanes Harvey and Irma.”

Housing groups also worry that Carson’s favored plan to tackle the \$49 billion backlog of leaky roofs and mold removal using RAD would be significantly diminished, according to Cassella.

“There have been many groups that have come forward to educate members of congress about the value of private activity bonds and four percent low income housing tax credits,” Cassella said. “So we hope that the tax exempt status will be maintained.”

### **Neglecting the public housing backlog**

Developers that partner with housing authorities through RAD own and sometimes manage the public housing properties once they are completed. Those developers are required to keep each renovated unit affordable, both for the existing and for future tenants.

Due to the low rents at those complexes, there is little financial incentive for developers to take on such a project. So RAD often relies on several financial mechanisms that make the project economically viable for the private sector.

This includes private activity bonds that allow developers to borrow money for the public housing project at low-interest rates. When receiving private activity bonds, developers become eligible to receive low-income housing tax credits, which they can exchange for borrowed money from other investors such as banks.

While acknowledging RAD is the only program that has effectively addressed the [capital repair backlog](#) — which HUD estimates is growing by about \$3.4 billion each year, not including the hurricane damages — housing advocates have expressed some concerns about the implementation of the program, according to National Housing Law Project Executive Director Shamus Roller in an [Oct. 11 letter to HUD](#).

HUD, for instance, hasn’t evaluated how the program has impacted tenants; units with the greatest need for repairs are often put on the backburner; there’s often limited information given to tenants of units being revitalized about the project and their temporary relocation during construction; new managements prevent tenants from organizing to address quality of life issues; and tenants are sometimes illegally rescreened after a RAD conversion, among a host of other other concerns expressed in the letter.

“RAD cannot be a complete substitute for adequate funding of the public housing program, and it must be adequately implemented, monitored, and evaluated before further expansion occurs,” Roller wrote. “HUD must take a more proactive role to enforce tenants’ rights and prevent the loss of affordable housing.”

Regardless, RAD has expanded dramatically since its first year in 2013 when [60,000 public housing units](#) were allowed to be rebuilt or renovated. HUD has since raised the cap on the number of units that could be completed through the program to [185,000 in 2015](#) and [225,000 in 2017](#).

And the program so far has been one of the few existing HUD programs that the Trump administration has embraced. Carson told the House Financial Services Committee on Oct. 12 he wanted to expand RAD even further, and claimed the Republican tax plan would recognize the importance of housing tax credits.

But in reality the House version of the tax bill, which will likely be up for a vote later this week, would tax private activity bonds as of Jan. 1, making them far less desirable and essentially eliminating [four percent low-income housing tax credits](#)— a type of tax credit that is responsible for a large number of RAD projects, according to Cassella. That would impact the most financially distressed housing authorities with the most dire repair needs, according to Richard Larsen, a partner at the Toms River, NJ-based accounting firm Novogradac & Company LLP that works on affordable housing projects and [analyzed the impact](#) the tax bill would have on affordable housing.

“This tax bill will have a greater impact on housing authorities that are financially weaker because they cannot get conventional financing,” said Larsen. “They need tax credits and private activity bonds to do their improvements and to fund their capital needs.”