NALHFA 2018 POLICY AGENDA
About NALHFA

The National Association of Local Housing Finance Agencies (NALHFA), founded in 1982, is the national association of professionals working to finance affordable housing in the broader community development context at the local level. As a non-profit association, NALHFA is an advocate before Congress and federal agencies on legislative and regulatory issues affecting affordable housing and provides technical assistance and educational opportunities to its members and the public. Members are city and county agencies, non-profits, and private firms, such as underwriters, consultants, financial advisers, bond counsel, and rating agencies, which help in producing housing from concept to completion.

Contact NALHFA

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Dear Policy Makers,

As Congress and the White House work to find solutions to the affordable housing crisis, the National Association of Local Housing Finance Agencies (NALHFA) stands poised to work with policymakers on legislation and regulations that will provide communities with the tools necessary to connect households across the nation with safe and decent affordable housing options.

Access to affordable housing improves numerous aspects of a family’s quality of life. Research shows that when a family has access to affordable housing, there is an increase in their economic mobility. Additionally, children receive numerous benefits from living in an affordable housing community in high opportunity areas. These children earn more as adults, live in better neighborhoods as adults, and are less likely to become a single parent. These children also do better in school and have greater opportunities to learn outside the classroom. Furthermore, affordable housing helps local economies and creates jobs by leveraging public and private funds to increase earnings, increase tax revenue, and put people to work. Building just 100 affordable rental homes can generate $11.7 million in local income, $2.2 million in taxes and other revenue, and can create 611 local jobs in the first year of construction.

According to HUD, an estimated 12 million renter and homeowner households now pay more than 50 percent of their annual incomes for housing. A family with one full-time worker earning minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States. While NALHFA is pleased by recent efforts to increase affordable housing resources, it is imperative that these tools are further strengthened and expanded to help American families access the housing they need to succeed. NALHFA looks forward to working with Congress and the White House to expand, strengthen and preserve affordable housing resources in 2018.

Sincerely,

Jonathan Paine, CAE
Executive Director
National Association of Local Housing Finance Agencies
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Private Activity Bonds (PABS)/Municipal Bonds

Past tax reform and budget proposals put forth by Congress have pursued the elimination of Private Activity Bonds (PABs), as well as capping the value of the deduction on interest earned on municipal bonds. These tax-exempt housing bonds provide a critical source of funding for projects including infrastructure, economic development, affordable housing and more. PABs include Single-Family Mortgage Revenue Bonds, which local agencies use to support homeownership opportunities nationwide. PABs also generate 4% Low-Income Housing Tax Credits, which finance approximately 50% of all Housing Credit developments. Without PABs nearly 1 million affordable homes would go unbuilt over the next ten years.

PABs and the 4% Housing Credits they generate are among the most successful models of public-private partnerships because they:
- Leverage additional public and private resources for housing;
- Create tens of thousands of jobs every year; and
- Help address the affordable housing crisis ravaging every city and state in the country.

One in four American renters pay over half of their income on housing costs. The lack of affordable housing means holding back families, communities, and the U.S. Economy. The country cannot afford to eliminate this critical housing resource. At a time when our country is facing an affordable housing crisis, NALHFA urges Congress to preserve and enhance all tax-exempt housing bonds. Tax exempt housing bonds are a critical tool in the local HFA affordable single- and multi-family housing finance tool box. NALHFA will additionally seek opportunities to promote the expanded use of tax-exempt housing bonds to better serve local HFA housing finance needs and programs.
Low-Income Housing Tax Credit Program

The low-income housing tax credit (LIHTC) program was created by the Tax Reform Act of 1986, and is our nation’s most successful tool for encouraging private investment in affordable rental housing. It has financed over 3 million apartments nationwide since 1986, providing roughly 7 million low-income families, seniors, veterans, and people with disabilities homes they can afford. Despite the success of this and other housing programs, there are still millions of families struggling to find affordable housing.

According to HUD, an estimated 12 million renter and homeowner households spend more than 50 percent of their annual incomes on housing. Families who pay more than 30 percent of their income for housing are considered cost burdened and will likely have difficulty paying for necessities such as food, clothing, transportation and medical care.

The Tax Cuts and Jobs Act that was signed into law in December 2017 will have a significant impact on the production of affordable housing. This tax overhaul legislation reduces the corporate tax rate from 35 to 21 percent. This substantial drop in the corporate tax rate will make investment in LIHTC less appealing. When an investor purchases tax credits from a developer under the LIHTC program, the investor can use those credits to lower their annual federal tax bill. If an investor has a lower tax bill, they will not be willing to pay as much for these tax credits. Developers will need to sell more credits in order to gain the equity needed for their low income housing projects.

Novogradac & Company estimates the Tax Cuts and Jobs Act will reduce affordable rental housing production by nearly 235,000 homes over the next ten years. Therefore, in order to maintain the production of affordable housing with the LIHTC program under a corporate tax rate cut, more tax credits will need to be allocated.
The LIHTC program has been one of the most successful tools for rental housing production, but the current authority available is not enough to adequately respond to affordable housing needs and increasing demands on the program.

NALHFA urges Congress to increase the allocation of LIHTC by 50 percent and enact a permanent 4 percent credit rate floor for acquisition and bond-financed projects to allow for the creation and preservation more affordable homes in the United States. An increase in the allocation of LIHTC by 50 percent will allow the program to create and preserve approximately 400,000 more affordable homes over the next decade. Furthermore, a permanent 4% credit rate floor for acquisition and bond-financed projects will empower states to allocate more credit equity to properties, provide more efficiency to program administration, and offer more predictability to the program.

HOME Investments Partnerships (HOME) and the Community Development Block Grant (CDBG) Programs

The HOME and CDBG programs have been model federal block grant programs for improving the nation’s crumbling infrastructure, expanding affordable housing opportunities, and undertaking neighborhood revitalization. Despite the success of these programs, HOME funding had declined by 55% and CDBG by 49% since 2000 which has severely hampered local governments’ ability to foster sustainable and economically resilient communities. The HOME and CDBG programs recently received increased funding levels for Fiscal Year (FY) 2018 at $1.362 billion and $3.3 billion respectively. These increased funding levels are a huge win for the local governments across the country, but due to the chronic underfunding of both programs, there is still more work to be done to restore funding for these essential programs.
For communities across the nation, the HOME program is vital to increasing home ownership and expanding the availability of affordable rental housing. Since 1990, over one million units of housing have been produced with HOME funds. Despite the program’s performance, HOME funding has been cut in half since 2010. HUD indicates that each dollar of HOME funding leverages an additional $4 in other public and private funding. Every $1 billion in HOME funding creates or preserves more than 17,000 jobs.

According to HUD, an estimated 12 million renter and homeowner households now pay more than 50 percent of their annual incomes for housing. A family with one full-time worker earning minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States. It is imperative that the HOME program is strengthened and expanded to help American families access affordable housing.

Local governments use CDBG funds for critical community development activities including, infrastructure improvements such as roads, water and sewer systems; expanding homeownership opportunities; eliminating slum and blight; employment training; business and job creation; transportation services; services at libraries, community centers, adult day care and child and after school care facilities; homeless housing assistance; and crime awareness programs.

Every $1 million in CDBG funding supports nearly 26 jobs and since 2005 CDBG program resources have created over 300,000 jobs. This important housing and community development program has been a catalyst for economic growth and has helped local officials leverage funds for community needs. CDBG allocation continues to be underfunded, however, at a time when the nation’s housing infrastructure is ailing and is in dire need of improvements. It is more important now than ever to increase CDBG funding to give communities the ability to address their housing and development needs at the local level.

NALHFA requests Congress fund HOME at $1.5 billion and CDBG at $3.5 billion in FY 2019.
Housing Choice Vouchers

Housing Choice Vouchers are an important resource for low-income Americans in need of affordable housing options. Also known as tenant-based Section 8, the Housing Choice Voucher program provides reimbursement to landlords for the difference between what a household can afford to pay in rent and the actual market rent of a housing unit. Assisting more than five million people in 2.2 million low-income households, the program is HUD’s largest rental assistance program and it serves those in the most need of rental assistance due to income targeting guidelines.

NALHFA supports the protection and expansion of the Housing Choice Voucher program and urges Congress to reject any reform of the program that increases minimum rent requirements without improvements to hardship exemptions.

Project-Based Rental Assistance

Project-based Section 8 rental assistance (PBRA) is a public-private partnership between HUD and private owners of multifamily rental housing. Through this program, HUD helps more than 1.2 million extremely low-, low- and very low-income families obtain decent, safe and sanitary housing by making up the difference between what families can afford for rent and market rents.

HUD provides multifamily housing owners a long-term PBRA contract or a subsidized mortgage to make units affordable. These contracts are administered by HUD and state and local housing authorities. Eligible tenants must pay the highest of 30 percent of adjusted income, 10 percent of gross income, or the portion of welfare assistance designated for housing or the minimum rent established by HUD. PBRA has a long history of serving populations most in need of housing, and preservation of this program is an effective means of investing in housing infrastructure. NALHFA urges Congress to fully fund renewals on all project-based contracts for 12 month terms and to reject any increases to the mandatory monthly minimum rent charged to project-based tenants.
Housing as Infrastructure

Enhancements to infrastructure resources, specifically, improvements to private activity bonds, will provide communities with the necessary resources to support homeownership opportunities and to facilitate low-income housing tax credit developments. Additional housing resources will address the growing need for more affordable housing and provide economic growth and opportunity across the country.

When communities do not have adequate affordable housing for their workforce, wages and productivity will suffer. The affordable housing access obstacle prevents families from increasing their earnings and causes a slower GDP growth. The shortage of affordable housing in major U.S. cities costs our economy $2 trillion a year in lower wages and productivity and prevents low-income households from moving to areas with more economic opportunities.

Access to affordable housing improves numerous aspects of a family’s quality of life. Research shows that when a family has access to affordable housing, there is an increase in their economic mobility. Additionally, children receive numerous benefits from living in an affordable housing community in high opportunity areas. These children earn more as adults, live in better neighborhoods as adults, and are less likely to become a single parent. These children also do better in school and have greater opportunities to learn outside the classroom.

Furthermore, affordable housing infrastructure helps local economies and creates jobs by leveraging public and private funds to increase earnings, increase tax revenue, and put people to work. Building just 100 affordable rental homes can generate $11.7 million in local income, $2.2 million in taxes and other revenue, and can create 161 local jobs in the first year of construction. NALHFA urges Congress and the Administration to include a robust expansion of the affordable housing resources available to local governments in any infrastructure package.
Fair Housing

The Fair Housing Act of 1968 requires HUD grantees to promote fair housing and equal opportunity. The law not only prohibits discrimination, it also directs HUD program participants to take significant actions to overcome historic patterns of segregation, achieve truly balanced and integrated living patterns, promote fair housing choice, and foster inclusive communities that are free from discrimination.

In July 2015, HUD published its Affirmatively Furthering Fair Housing (AFFH) Final Rule. The rule was developed in response to recommendations from the Government Accountability Office (GAO) and stakeholders that HUD enhance its fair housing planning obligations. Prior to this rule, HUD directed participants to affirmatively further fair housing by undertaking an analysis of impediments (AI) that was generally not submitted to or reviewed by HUD. This approach required program participants, based on general guidance from HUD, to identify impediments to fair housing choice within their jurisdiction, plan, and take appropriate actions to overcome the effects of any impediments, and maintain records of such efforts.

HUD’s AFFH rule requires grantees to analyze their local/regional fair housing landscape and establish fair housing priorities and goals through the completion of a new Assessment of Fair Housing (AFH). The AFH planning process is intended to help communities analyze challenges to fair housing choice and establish their own goals and priorities to address the fair housing barriers in their community.

On January 5, 2018, HUD published a notice in the Federal Register announcing that it has delayed the deadline for local governments to submit an AFH to the next AFH submission date that falls after October 31, 2020. In the interim, local governments will revert back to the AI process and are expected to otherwise fully comply with the AFFH rule.
NALHFA urges Congress and HUD to take this opportunity during the rule delay to provide dedicated resources to enhance the ability of local governments to comply with the HUD AFFH Final Rule and complete the AFH planning process. Such resources could include increased flexibility to utilize Community Development Block Grant (CDBG) funds beyond existing statutory and regulatory caps for fair housing planning and program implementation, and dedicated funds for local governments to offset the increased costs associated with undergoing the AFH planning process. HUD is urged to provide enhanced technical assistance to local governments to aid them in developing comprehensive AFHs, such as best practice guides, toolkits and sample agreements for regional or multi-jurisdictional collaboration, fair housing program implementation guidance, and specialized assistance for public housing authorities.

Housing Finance Reform and Duty to Serve

In 2008, as a result of deterioration in the housing market and Fannie Mae and Freddie Mac’s inability to raise new capital, Congress and the Administration—through enactment of the Housing and Economic Recovery Act of 2008 (HERA; P.L. 110–289)—placed the government-sponsored enterprises (GSEs) into conservatorship under the control of the Federal Housing Finance Agency (FHFA). During the 113th, Congress, policymakers began developing proposals to establish a new secondary market mechanism and wind down of Fannie Mae and Freddie Mac. However, none of these measures received consideration by the full House or Senate. In 2018, Congress and the Administration will continue discussions over the need to reevaluate the ongoing status of the GSEs.

However, many outstanding details must be agreed to by Congress and the White House before any action modifying or eliminating the GSEs would be approved. Related to this, the FHFA released a final rule implementing Duty to Serve (DTS) provisions of the Housing and Economic Recovery Act (HERA) of 2008, in December 2016.
The provisions require Fannie Mae and Freddie Mac to serve three specified underserved markets: manufactured housing, affordable housing preservation, and rural markets.

The rule requires the Government-Sponsored Enterprises (GSEs) to adopt plans that improve “the distribution and availability of mortgage financing in a safe and sound manner for residential properties that serve very low-, low-, and moderate-income families” in the three underserved markets. DTS credit will be conveyed for eligible GSE activities that facilitate a secondary market in the specified underserved markets. GSEs will be required to submit to FHFA an Underserved Markets Plan covering a three-year period that describes the activities and objectives it will undertake to meet its DTS.

FHFA published the GSE’s final Underserved Markets Plans in December of 2017 which describe specific activities each Enterprise will undertake from 2018-2020 to fulfill their DTS obligations in each underserved market. These Underserved Market Plans included support of the following activities:

Manufactured Housing: Support manufactured homes titled as real property, manufactured homes titled as personal property, and blanket loans for certain categories of manufactured communities.

Affordable Housing Preservation: support the preservation of affordable rental housing and affordable homeownership opportunities including activities under the programs specified in the Safety and Soundness Act, supporting small multifamily rental properties, energy efficiency improvements on multifamily rental and single-family first-lien properties, shared equity homeownership programs, purchase or rehabilitation of certain distressed properties, and activities under the U.S. Department of Housing and Urban Development’s (HUD’s) Choice Neighborhoods Initiative and Rental Assistance Demonstration (RAD) program.
Rural Housing: support housing in high-needs rural regions and for high-needs rural populations, financing of housing by small rural financial institutions, and activities related to small multifamily rental properties in rural areas.

NALHFA continues to work to ensure the needs of local HFAs and the role they play in financing affordable housing are fully served. This includes ensuring that any successor entity to the GSEs acts as a viable secondary market outlet for affordable single- and multi-family housing finance; provides credit enhancement, insurance programs; and liquidity support for local HFA programs. NALHFA will continue to collaborate with FHFA and GSEs to strengthen and expand local HFA-GSE collaborations and partnerships, including as part of the GSEs DTS requirements.

**Housing Trust Fund (HTF)**

In 2014, FHFA announced it was lifting the suspension on GSE-required payments to the Housing Trust Fund (HTF) and Capital Magnet Fund (CMF). The two programs administered by HUD, are authorized as part of the Housing and Economic Recovery Act of 2008 (HERA; P.L. 110-289) to fund affordable housing activities. However, shortly after HERA’s enactment FHFA suspended the mandatory payments to the Funds.

Fannie Mae and Freddie Mac are assessed 4.2 basis points (.042 percent) on new business purchases. These fees are directed to the HTF and CMF—65 percent to the HTF and 35 percent to the CMF. FHFA ordered the GSEs to begin setting aside these funds beginning in January 2015 for distribution in 2016. In 2016, the first $174 million in HTF dollars were allocated to states, and $219 million was allocated in 2017. Congressional Republicans have expressed opposition to the programs and President Trump proposed the removal of the program in his FY 2018 and FY 2019 budget proposals.
States and state-designated entities are eligible grantees for the HTF. States are required to submit an allocation plan to HUD, which must describe intended distribution methodology and provide the opportunity for public feedback. States may distribute funds through sub-grantees. Eligible sub-grantees include state agencies or units of general local government that have filed an approved consolidated plan with HUD. However, there is no requirement that funds be sub-allocated locally.

HTF funds may be used for the production or preservation of affordable housing through the acquisition, new construction, reconstruction, and/or rehabilitation of non-luxury housing with suitable amenities. All HTF-assisted units will be required to have a minimum affordability period of 30 years. Eligible activities and expenses include: real property acquisition; site improvements and development hard costs; related soft costs; demolition; financing costs; relocation expenses; operating cost assistance for rental housing (not more than 20 percent of each annual grant); and, “reasonable” administrative and planning costs.

The HTF statute requires that 75 percent of funds for rental housing must benefit extremely low-income households (30 percent of AMI) or households with incomes below the federal poverty line. All funds must benefit very low-income households (50 percent of AMI).

The HTF is an incredibly important resource to communities across the country as local governments fight the affordable housing crisis. The program also serves a vulnerable population as it is exclusively targeted building and preserving affordable housing for families with the lowest incomes. NALHFA continues to urge HUD and Congress to provide resources directly to local jurisdictions, either through a minimum set-aside, formula sub-allocation, or alternative regulatory/statutory direction.