NALHFA
National Association of Local Housing Finance Agencies

NALHFA 2018 Talking Points

Below is a summary and description of federal housing and community development programs of key concern to local governments and NALHFA's official 2018 policy recommendations.

Private Activity Bonds:

Request: NALHFA urges Congress to preserve and enhance Private Activity Tax Exempt Bonds.

Tax-exempt private activity bonds (PABs) 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 go unbuilt in 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 US Economy. The US 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 Private Activity Tax Exempt Bonds.

Low Income Housing Tax Credits:

Request: NALHFA urges Congress to increase the allocation of Low Income Housing Tax Credits (LIHTCs) by 50 percent, enact a permanent 4 percent credit rate floor for acquisition and bond-financed projects and allow for income averaging in LIHTC projects to encourage the creation and preservation more affordable homes in the United States. Additionally, Congress is urged to increase funding levels and to make improvements to all programs aimed at increasing the supply of affordable housing.

Background

The 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.**

Tax Reform and LIHTC

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.

> **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.**
>
> **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.**

FY 19 HUD Appropriations

Requested Funds: No less than–

CDBG: $3.5 Billion (FY2018 $3.3 billion)

HOME: $1.5 Billion (FY2018 $1.362 billion)

Homeless Housing Assistance Grants: $2.6 Billion, including at least $270 million for the Emergency Solutions Grant program (FY2018 $2.513 Billion, $270 million for ESG)

Section 108 Loan Guarantee Authority: $500 Million (FY2018 $500 million)

CDBG and HOME

The CDBG and HOME 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, CDBG funding has declined by 49% and HOME by 55% since 2000 which has severely hampered local governments' ability to foster sustainable and economically resilient communities.

CDBG
Building Better Neighborhoods

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 infrastructure 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 decline, however, at a time when the nation's 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 infrastructure and economic development needs at the local level.

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.

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> **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.

Homeless Housing Assistance Grants

The Homeless Assistance Grant appropriations go into two programs: The Competitive Continuum of Care (CoC) program and the Emergency Solutions Grant (ESG) block grant program.

> **The CoC program funds proven interventions like cost-effective permanent supportive housing for chronically homeless people.**
>
> **The ESG grants fund emergency shelter and focus on cost-efficient homelessness prevention and rapid re-housing programs.**

With the consistent cuts in housing and safety-net programs over the years, if Congress fails to act, there is a high risk that homelessness will increase. Congress needs to invest in proven solutions to homelessness and provide $2.6 billion for Homeless Assistance Grants in FY2019.

Section 108 Loan Guarantee Program

This program provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and other physical development projects—including improvements to increase their resilience against natural disasters.

It offers state and local governments the ability to transform a small portion of CDBG funds into a federally guaranteed loan. This helps spur public investment by inspiring private economic activity, providing initial resources, or simply providing the resources private firms and individuals need to invest in distressed areas. Loans typically range from $500,000 to $140 million depending on the scale of the project.

Project costs can be spread over time with flexible repayment terms and borrowers can take advantage of lower interest rates than could be obtained from private financing sources.

Housing as Infrastructure:

Request: NALHFA urges Congress and the Administration to include a robust expansion of the affordable housing resources available to local governments in any infrastructure package.

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.**