



Federal Housing Policy and Budget Update FY 2018 and FY 2019

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MFA Act Legislative Oversight Committee

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Why Care about Policy?

MFA would not have been created and would not exist today without federal and state policy. Policy allows MFA to exist as a unique, quasi-governmental agency that works in the public interest (like a nonprofit) but generates its own revenue for operations (like a business).

Federal

Housing Bonds (PAB)

- Low Income Housing Tax Credit (LIHTC)
- Federal Affordable Housing Programs & Funding

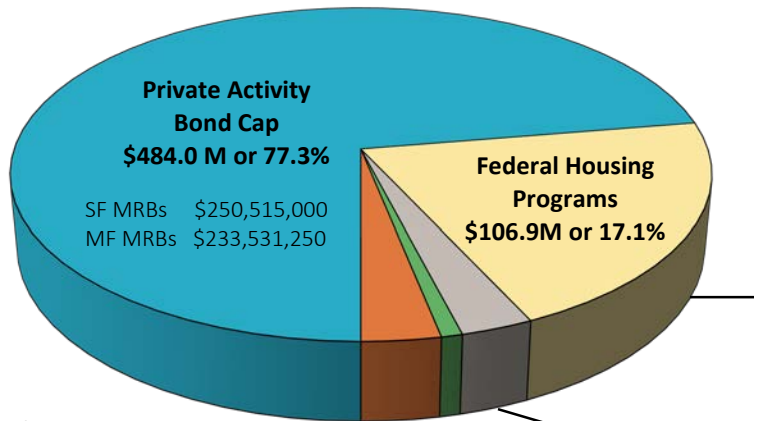
State

MFA Act (enabling legislation)

- New Mexico Housing Trust Fund Act
- Land Title Trust Fund Act
- Affordable Housing Act
- Affordable Housing Tax Credit Act
- Regional Housing Law

MFA Universe of Funding Sources, 2018

Estimated Total: \$626.5 million



SF MRBs \$250,515,000
MF MRBs \$233,531,250

LIHTCs (9%)	\$43,477,210
LIHTCs (4%)	\$11,500,000
Project based Section 8	\$32,847,559
HOME (incl. carryover)	\$8,021,768
Nat'l Housing Trust Fund	\$3,000,000
DOE WAP	\$2,125,643
LIHEAP	\$2,500,000
ESG	\$1,122,034
PRLF	\$990,270
HOPWA	\$808,226
CDBG	\$500,000

NM Gas	\$1,298,734
PNM	\$206,225
Electric Co-ops	\$35,000
Land Title Trust Fund	\$441,013
Tax Credit Donations*	\$9,135,372
Local Gov't Contributions	\$5,370,000

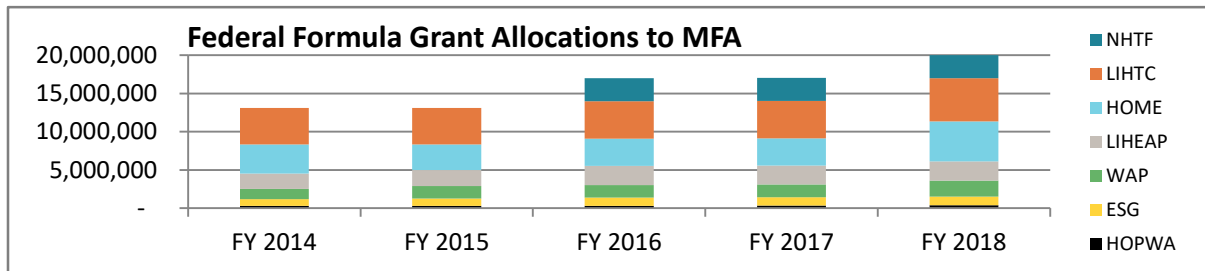
NM HTF	\$3,410,602
Linkages	\$1,400,000
State Homeless	\$1,215,700

Primero	\$2,978,561
Partners	\$410,860
DPA	\$4,920,922
ACCESS	\$3,934,486
Cap Build/Training	\$866,100

*The New Mexico Affordable Housing Tax Credit incentivizes up to \$9 million in private donations for affordable housing.

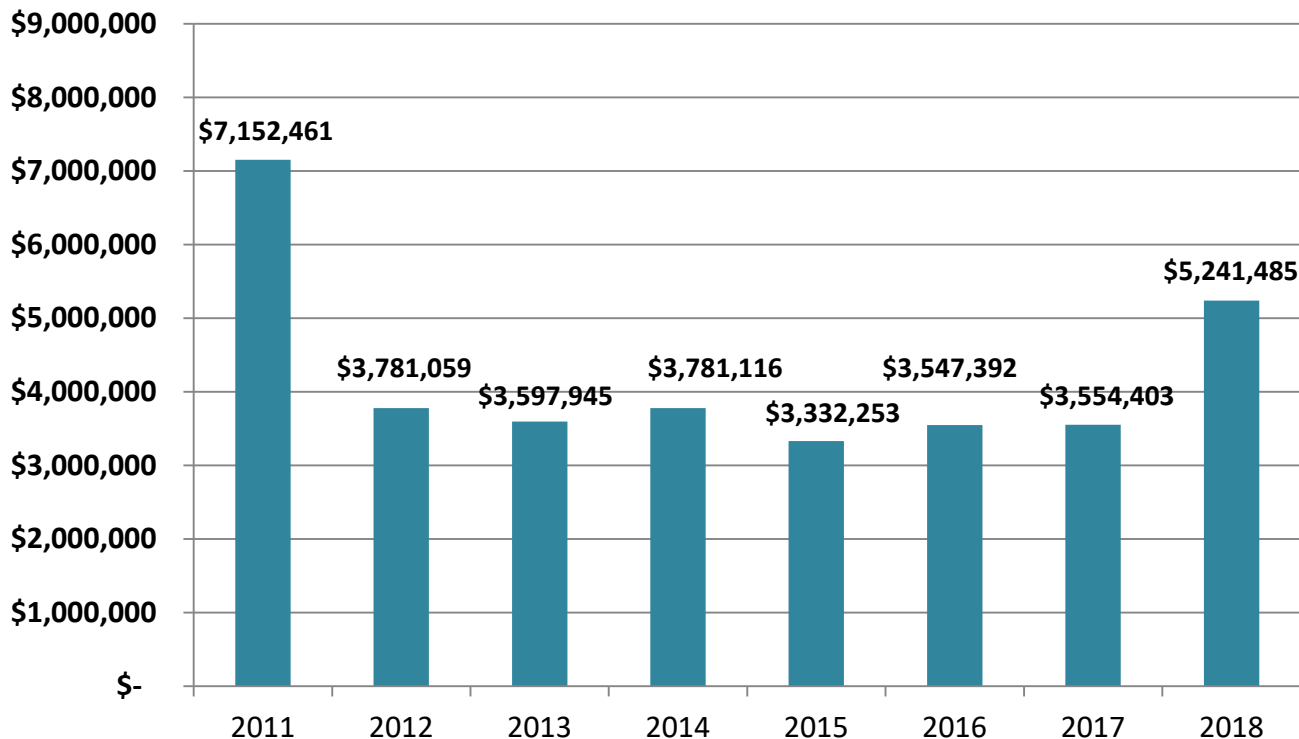
Grant Allocations to MFA

Federal Formula Grant	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
National Housing Trust Fund (NHTF)--New	-	-	3,000,000	3,000,000	3,000,000
Low-Income Housing Tax Credits (LIHTC)	4,796,160	4,796,737	4,901,094	4,890,385	5,637,789
HOME Investment Partnerships (HOME)	3,781,116	3,332,253	3,547,392	3,554,403	5,241,485
Low Income Home Energy Assistance Program (LIHEAP)	2,000,000	2,100,000	2,500,000	2,500,000	2,500,000
Weatherization Assistance Program (WAP)	1,352,532	1,623,996	1,646,802	1,646,802	2,125,643
Emergency Solutions Grant (ESG)	897,007	989,566	1,105,350	1,112,839	1,122,034
Housing Opportunities for Persons w/AIDS (HOPWA)	288,945	285,515	290,238	330,717	374,630
Federal Competitive Grant	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Capital Magnet Fund--New				\$3,600,000	Up to \$3,000,000 request
Veteran's Home Rehab and Modification Program--New					\$1,000,000 request



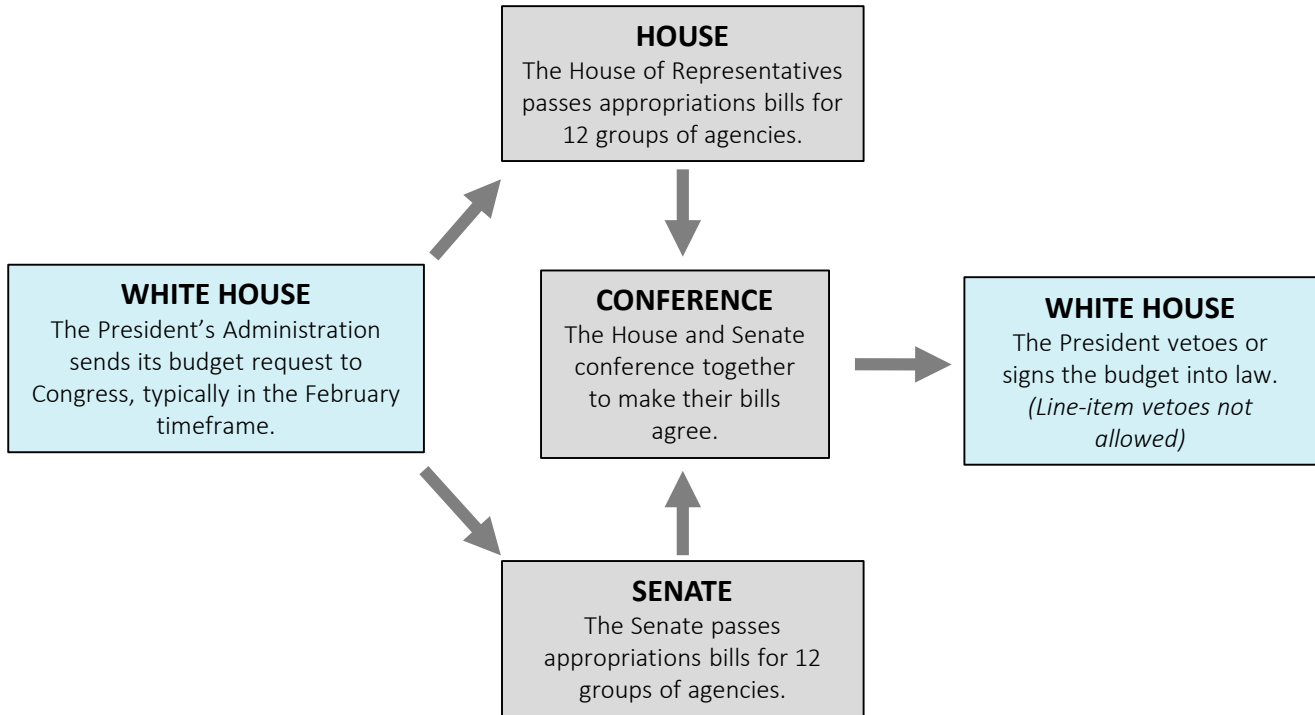
HOME Funding Recovering

Used for MFA home rehab, development gap financing



The Budget or Appropriations Process

Regular Order



In recent years, Congress has not followed “regular order.” Instead, it has passed “continuing resolutions” or “CRs” that essentially flat-fund programs at their previous level or with small modifications.

FY 2018 and FY 2019 Appropriations Bills

FY 2018 Omnibus

- Despite the President's budget blueprint, which continues to propose cuts to and elimination of numerous programs, the FY 2018 appropriations bill maintained and increased funding for affordable housing programs.
- On the tax side, the bill included a 12 percent increase to the federal low-income housing tax credit (LIHTC) volume cap for five years and added the income averaging provision from the Affordable Housing Credit Improvement Act.
 - Income averaging allows properties to serve households earning as much as 80% AMI, and receive tax credits for those units, so long as the average income and rent limit in the property is 60% or less of AMI.

FY 2019 "Minibus"

- On August 1, 2018, the Senate approved a "minibus" spending package for four agencies that includes THUD (Transportation and Housing and Urban Development) and Agriculture. The minibus sustains FY 2018 funding levels with a few increases.
- The House has not yet passed its THUD and Agriculture bills. The House could:
 - Adopt a "CR" using FY 2018 funding levels
 - Adopt its own bills, then conference them with the Senate bills
 - Vote on the Senate version of the package (unlikely)

The Bipartisan Budget Act of 2018 (H.R. 1892) enabled higher spending levels in FY 2018 and 2019. The Act raised the caps for non-defense spending to \$579 for FY 2018 and \$597 billion for FY 2019.

Budget Updates

Federal Housing Programs (in millions)	FY 2017 enacted	FY 2018 enacted Omnibus	FY 2019 Budget Request (President)	Senate FY 2019 Budget (Minibus)	\$ Difference between FY 2017 Enacted & FY 2018 Omnibus	\$ Difference between FY 2018 Enacted & FY 2019 Minibus	Program Impact
Community Development Block Grant (CDBG)	3,060	3,365	0	3,365	305	0	Community development through DFA
HOME	950	1,362	0	1,362	412	0	MFA rehab, gap financing
Project- Based Section 8	10,816	11,115	11,147	11,747	299	632	MFA administration
Public Housing Operating and Capital Fund	6,341	7,300	3,279	7,531	959	231	PHA budgets and housing stock
Homeless Assistance Grants	2,383	2,513	2,383	2,612	130	99	MFA/partner Homeless Assistance Programs
Housing Opportunities for Persons with AIDS (HOPWA)	356	375	330	375	19	0	MFA HOPWA program
Weatherization Assistance Program (WAP)	228	251	0	N/A	23	N/A	MFA: NM EnergySmart
Low-Income Home Energy Assistance Program (LIHEAP)	3,390	3,640	0	N/A	250	N/A	MFA: NM EnergySmart

Beyond the Budget

Federal Legislation that Affects MFA

Tax Cut and Jobs Act, H.R. 1



- Signed into law on December 22, 2017
- First comprehensive rewrite of the U.S. tax code since 1986
- Retains primary affordable housing tools, including private activity bonds (PABs) and the federal low-income housing tax credit (LIHTC)
- Cuts the corporate tax rate from 35 to 21 percent, which reduces the attractiveness and value of LIHTC
 - Novogradac and Co. estimates that this change would mean a loss of affordable rental units of 235,000 nationally and 3,120 in New Mexico, over 10 years.*
- “Tax reform 2.0” is expected from Ways & Means Chairman Kevin Brady (R-TX) this fall to make some temporary tax cuts permanent. It is possible that this legislation could propose to cut PABs to offset those tax cuts.

Economic Growth, Regulatory Relief, and Consumer Protection Act, S. 2155

- Signed into law on May 24, 2018
- Rolls back banking regulations imposed by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 for smaller institutions and community banks

Affordable Housing Credit Improvement Act (S. 548/H.R. 1661)

Stand-alone legislation to expand and improve the LIHTC program. The Senate version includes a permanent 50% increase to LIHTC allocations in addition to program improvements. The 50% increase is important because:

- Various sources cite a shortfall of 3 million affordable rental homes and 11 million families paying more than half their income on rent. As far back as 2013, the Bipartisan Policy Commission recommended a 50% increase to address these needs.
- An increase is needed to sustain existing production due to impacts of the Tax Cut and Jobs Act.

*Source: <https://www.novoco.com/notes-from-novogradac/see-how-many-jobs-affordable-rental-homes-each-state-would-lose-under-final-tax-reform-bill>

Beyond the Budget

Other Policy Issues that Affect MFA

Reform of Government-Sponsored Entities Fannie Mae and Freddie Mac

The Administration's proposal "Reform Federal Role in Mortgage Finance" aims to end the conservatorship of Fannie and Freddie and privatize the GSEs. The GSEs' mission would shift away from lending to low- and moderate-income borrowers to focus on "qualified borrowers." HUD would take over "primary responsibility for affordable housing objectives by providing support to low- and moderate-income families that cannot be fulfilled through traditional underwriting and other housing assistance grants and subsidies."

Infrastructure Bill

Rep. Bill Shuster, R-Pa., is leading an effort in the House to introduce a spending bill for infrastructure this year, a move that comes after the White House recently signaled that the issue is on the back burner. Shuster, chairman of the House Transportation and Infrastructure Committee, is working with other members of the committee to release legislation later this summer, according to the committee.

Beyond the Budget

Opportunity Zones

Investing in Opportunity Act, S. 293/H.R. 828

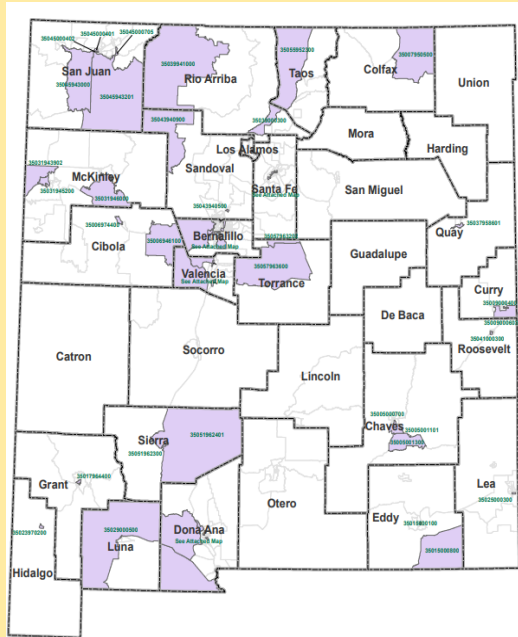
- Signed into law as part of the Tax Cut and Jobs Act on December 22, 2017
- Bipartisan legislation that creates tax advantages for private investment located in Opportunity Zones. The intention is to attract capital investment into economically distressed areas.
- Funds invested in Opportunity Zones must be certified by the Treasury Department.
- Investors can defer taxes on gains if they invest in Opportunity Zones within six months of realizing the gain. Investors can invest in any zone, and their tax benefit will depend on the length of time of their investment.

Investments in Opportunity Funds

Minimum 5 years	10 percent increase in tax basis of original gain
Minimum 7 years	15 percent increase in tax basis of original gain
Minimum 10 years	Exempt from any additional gains beyond that which was previously deferred

Opportunity Zones in New Mexico

Process for Designation



- The Tax Cut and Jobs Act provides for the governor of each state to nominate up to 25 percent of each state's low-income census tracts as Opportunity Zones.
- New Mexico had 249 eligible tracts, of which 128 were considered for designation via the following process:
 - NMEDD asked county governments to collaborate with local stakeholders and submit a detailed questionnaire on eligible tracts they wanted designated as Opportunity Zones.
- On April 19, 2018, Governor Martinez submitted 63 tracts to the U.S. Department of the Treasury for approval, all of which were approved on May 18, 2018.
- New Mexico's Opportunity Zones are located in rural, tribal and urban communities in 22 counties.
- Qualified Opportunity Zones retain their designation for 10 years.

Rent Increases & Work Requirements

Reducing Poverty in America by Promoting Opportunity and Economic Mobility Executive Order 13828

- Signed by President Trump on April 10, 2018
- Orders several federal agencies, including HUD, to review their public assistance programs and propose new policies and regulations to enhance self-sufficiency and economic mobility.
- Calls on agencies to strengthen work requirements, eliminate or consolidate federal programs that are duplicative or ineffective, and give states more flexibility in administering welfare programs.



Making Affordable Housing Work Act Administration Legislative Proposal

- Released on April 25, 2018 as HUD's response to Executive Order 13828. Proposes to:
- Eliminate deductions for childcare and medical care
- Raise rent
 - Rent based on 35% of the family's income or 35% of wages working 15 hours per week at the federal minimum wage, regardless of actual employment
- Make changes to elderly and disabled households
 - Age raised from 62 to 65
 - Rent based on 30% of income or a \$50 minimum rent. Elderly households currently have a minimum rent of \$25 and disabled households do not have a minimum rent requirement.
- Implement work requirements
 - Would require set number of hours (possibly 32), types of employment and other activities that would satisfy work requirements.