

Federal Housing Policy and Budget Trends

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MFA's Federal Priorities

1. Protect Housing Bonds and the Housing Credit in tax reform
2. Expand the Low-Income Housing Tax Credit (LITHC) program
 - Increase the program by 50 percent
 - Fix the nine and four percent credit rates
 - Give states the option to convert private activity bonds authority into tax credits
3. Allow Ginnie Mae Securitization of multifamily Risk Sharing loans
4. Restore funding for the HOME Investment Partnership program
5. Support weatherization programs
6. Sustain funding levels for affordable housing programs

Comprehensive Tax Reform

MFA Priority

Protect Housing Bonds and the Housing Credit in tax reform

Relevant Issues

- No expectation of comprehensive tax reform in the short term
 - Legislation on international finance reforms possible
- Senate Finance Committee bipartisan tax reform working groups released reports on July 8
- Community Development and Infrastructure report
 - Describes Housing Credit and Bond programs, but offers no recommendations
 - Includes long-term alternatives for the Highway Trust Fund which Congress must authorize by July 31

Tax Extenders

MFA Priority

Fix the nine and four percent rates for the Low-Income Housing Tax Credit program

Relevant Issues

- Fixed rates provide stability and predictability for owners and investors of housing credit developments and eliminate risk of current floating rate system
- The nine percent rate has been fixed retroactively for a number of years through Tax Extenders legislation
- Tax Extenders legislation expected soon
 - Senator Maria Cantwell (D-WA) will likely attempt to include a fixed rate for the four percent credit as well as the nine percent credit
 - Tax extenders bill will likely be for a two-year period (not permanent)

Tax Credit Legislation

MFA Priorities

- *Fix the nine and four percent rates for the Low-Income Housing Tax Credit program*
- *Give states the option to convert private activity bonds authority into tax credits*

Relevant Issues

- Legislation has been introduced to permanently establish a minimum nine percent housing credit rate and a minimum four percent credit rate for acquisition.
 - H.R. 1142, introduced on February 26 by Reps. Pat Tiberi (R-OH) and Richard Neal (D-MA). Has 63 co-sponsors.
 - S. 1193, introduced on May 5 by Senators Maria Cantwell (D-WA) and Pat Roberts (R-KS). Has 28 co-sponsors.
- Senator Sherrod Brown (D-OH) drafting a bill to allow states to convert 18 percent of private activity bond cap to low-income housing tax credits. Looking for co-sponsors.

Appropriations Process

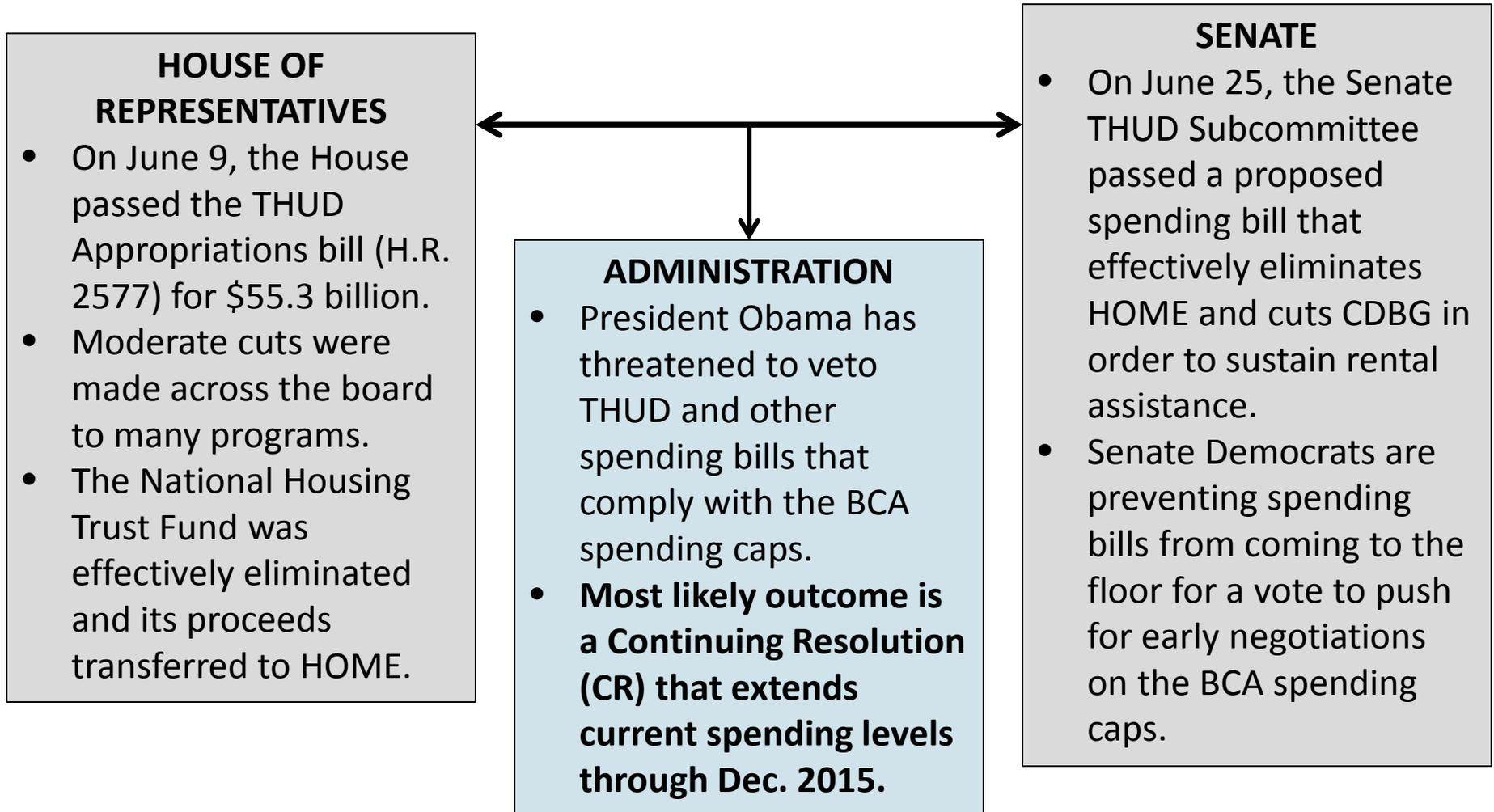
MFA Priorities

- *Sustain funding levels for affordable housing programs*
- *Restore funding for the HOME Investment Partnership program*

Relevant Issues

- Federal funding consistently makes up a substantial part (20 percent) of MFA's resources.
- The Budget Control Act (BCA) of 2011 set caps on federal spending that make it difficult to sustain existing federal programs.
- National increases in rental costs are eating into the HUD budget, forcing Congress to make difficult decisions about what programs to cut.

Appropriations Process: Status

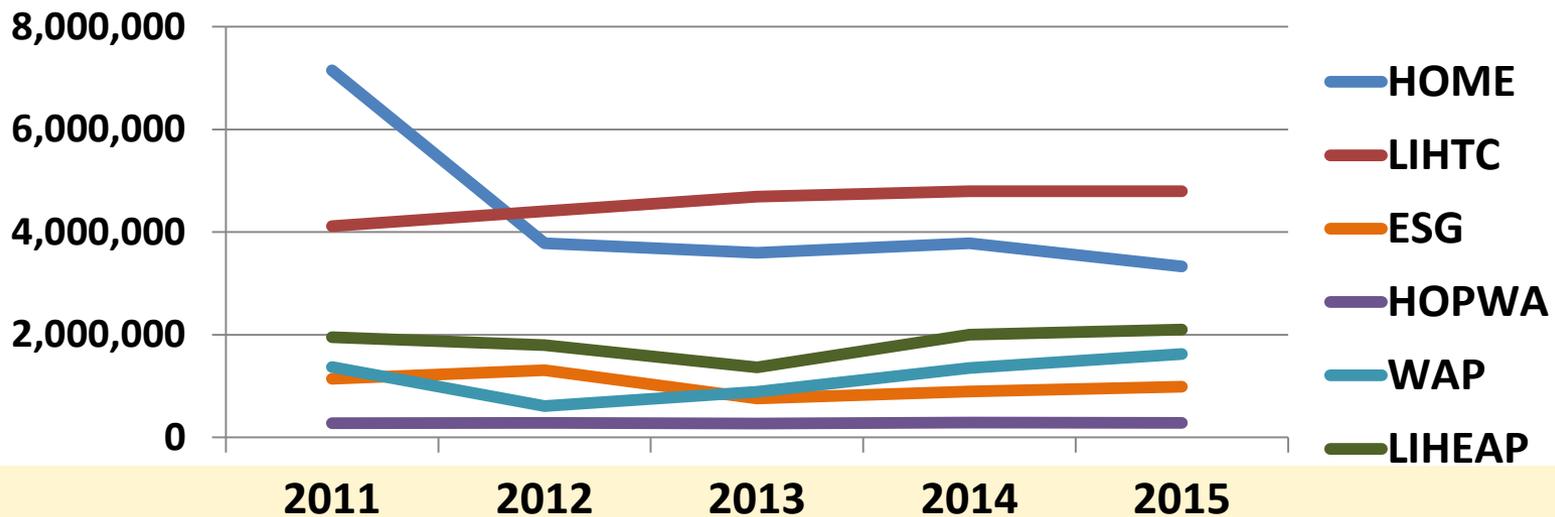


Federal Funding for Key Programs

Federal Program (\$ in millions)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 (House)
HOME Investment Partnerships	1,607	1,000	948	1,000	900	767
Homeless Assistance Grants	1,901	1,901	1,933	2,105	2,135	2,185
Housing Opportunities for People with Aids	334	332	315	330	330	332
Project-Based Section 8 Renewals	8,932	9,051	8,577	9,652	9,520	10,504
Project –Based Section 8 Administration	325	289	274	265	210	150
Weatherization Assistance Program	174.3	68	68	184	190	190

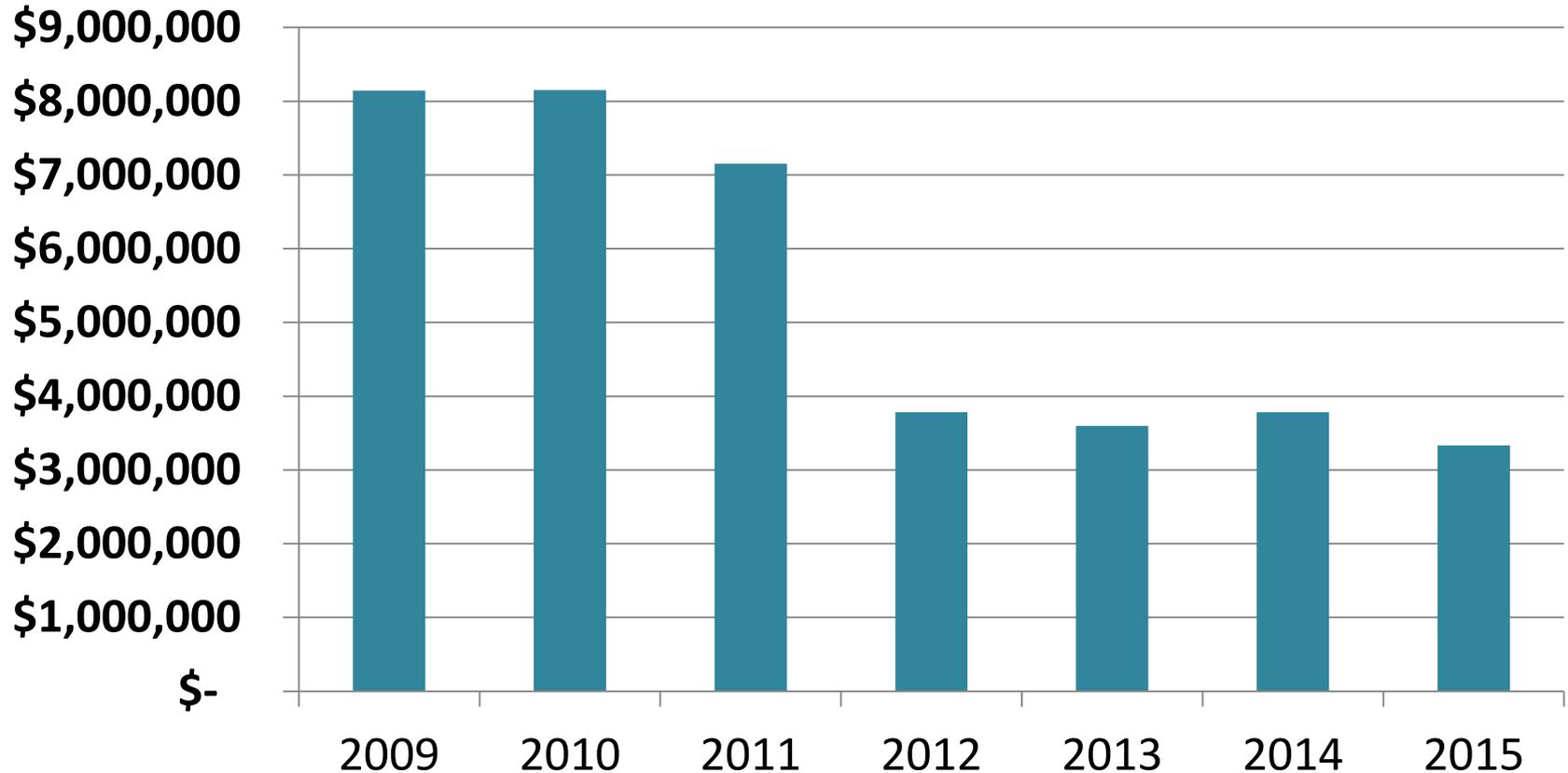
Allocations to MFA

Federal Program	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
HOME Investment Partnerships	7,152,461	3,781,059	3,597,945	3,781,116	3,332,253
Emergency Solutions Grant	1,142,522	1,311,996	757,993	897,007	989,566
Housing Opportunities for People w/Aids	280,246	281,585	273,934	288,945	285,515
Weatherization Assistance Program	1,369,544	610,245	889,637	1,352,532	1,623,996
Low Income Housing Energy Assistance	1,951,805	1,800,577	1,368,000	2,000,000	2,100,000
Low-Income Housing Tax Credits	4,113,403	4,404,920	4,692,461	4,796,160	4,796,737
Project-Based Section 8 (contract)	25,813,429	26,019,329	26,360,457	29,156,636	25,547,564



HOME Funding Cut 59% Since 2010

Used for MFA rehab, down payment assistance, development



Disparate Impact

U.S. Supreme Court

Decision (5-4) : Disparate impact claims may be used to support plaintiff's claims of alleged Fair Housing Act Violations

- The Inclusive Communities Project (Plaintiff) claimed that Texas Department of Housing and Community Affairs has caused continued segregated housing patterns by allocating a disproportionate amount of the state's housing credits to developments in predominantly black inner-city areas
- The Supreme Court remanded the case and placed limits on disparate impact liability :
“the theory of liability may be seen simply as an attempt to second-guess which of two reasonable approaches a housing authority should follow in allocating tax credits for low-income housing. An important and appropriate means of ensuring that disparate impact liability is properly limited is to give housing authorities and private developers leeway to state and explain the valid interest their policies serve...It would be paradoxical to construe the FHA to impose onerous costs on actors who encourage revitalizing dilapidated housing in the Nation's cities merely because some other priority might seem preferable.”

Project Based Rental Assistance

U.S. Court of Appeals

U.S. Court of Appeals decision rejected HUD's use of a Notice of Funding Availability (NOFA) process for the Project Based Contract Administration (PBCA) program, and required HUD to use a competitive contract procurement to determine the awards. U.S. Supreme Court denied review of the Appeal's Court decision.

- All selections made through the 2011 PBCA NOFA are invalidated, and HUD will continue to extend the current temporary agreements until it can prepare a procurement, estimated to take 18 months to accomplish.
- It remains unclear as to whether HUD will or may continue to utilize an in-state PHA preference in the planned procurement, which was a point of contention in the plaintiffs' lawsuit, but which was not addressed specifically by the Court of Appeals.