Opening Doors to Housing Security

2022 NCSL Legislative Summit

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NCSHA
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Current State of Housing Insecurity

- Highly visible housing needs throughout the country
  - Many people cannot buy or rent affordable housing
  - Growing numbers of people experiencing homelessness
  - Threat of more evictions, foreclosures
- Covid exacerbated a serious multi-year affordable housing crisis
  - Demand shifts, supply chain problems, construction delays, price increases, and labor shortages
- Inflation, supply shortage, and other economic forces squeezing more and more renters, homeowners, and potential home buyers
NCSHA Mission & Priorities

• Represents State Housing Finance Agencies (HFAs)
  • Public and quasi-public agencies responsible for federal and state affordable housing programs
  • Self-sustaining, entrepreneurial, capable
  • Administer Tax-Exempt Bonds, the Low Income Housing Tax Credit, the HOME Investment Partnerships program, Section 8, Covid emergency programs, Fiscal Recovery Funds, and others

• Seeks Resources and Flexibility for States and HFAs
• Facilitates Education and Communication
  • Meetings, publications, online information and interaction
In 2020, HFAs provided more than $33 billion for more than 152,000 single-family home purchases…

And more than $14 billion to create and preserve more than 160,000 affordable rental apartments.

HFAs are administering more than $20 billion in Covid-19 emergency funds through new and existing programs—including Emergency Rental Assistance, Homeowner Assistance Fund, and HOME-ARP.

HFAs in 31 states use or plan to use at least $9.6 billion in Coronavirus State and Local Fiscal Recovery Funds for affordable housing.
HFA Single-Family Programs and Activities

• HFAs have remained financially strong and accessed the capital markets efficiently throughout the pandemic.

• 48 HFAs use Federal Housing Administration (FHA) single-family mortgage insurance. In 2020, 62% of state HFA-financed mortgages were FHA-insured.

• Most of the rest financed with Fannie Mae and Freddie Mac.

• 19 HFAs are HUD Housing Counseling program intermediaries.

• 17 HFAs support 203(k) acquisition and rehab program financing.
HFA Multifamily Programs and Activities

• Virtually all HFAs administer the Low Income Housing Tax Credit and issue tax-exempt multifamily bonds.

• 28 HFAs participate in multifamily risk-sharing with FHA — supporting more than 180,000 units through 2020.

• 33 HFAs serve as Project-Based Contract Administrators for HUD — covering 860,000 units in 9,800 properties.
State HFAs Have Increased Their Impact

HFA Single-Family and Multifamily Financing

Source: NCSHA
State HFAs Are More Central Than Ever
Single-family borrowers and bond volume

2020 avg. borrower income: $56,114
2020 avg. purchase price: $187,841
State HFAs Are More Central Than Ever
Rental units financed and MF bond volume

![Bar graph showing units produced and rental financing from 1980 to 2020. The graph illustrates a significant increase in both categories over the years.]
State HFAs Are More Central Than Ever

State HFAs administering select federal programs

* = Number of HFAs administering the Homeowner Assistance Fund as of June 6, 2022. Totals include HFAs of the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.
State HFAs Reach Underserved Borrowers and Markets

Median Income of Single-Family Borrowers in 2020

<table>
<thead>
<tr>
<th>Income Level</th>
<th>HFA Home Buyers</th>
<th>All Home Buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>$47,991</td>
<td></td>
<td>$102,000</td>
</tr>
</tbody>
</table>

Sources: NCSHA, HUD, and National Association of Realtors
State HFAs Reach Underserved Borrowers and Markets

Median Income of Renters in 2018

Sources: NCSHA, HUD, and National Association of Realtors
Coronavirus State and Local Fiscal Recovery Fund

- $350 billion to states and localities as part of ARPA
- Approximately half of states and numerous local governments already using a portion of FRF for affordable housing purposes
- Considerable interest in using FRF to fill financing gaps in Housing Credit developments facing challenges due to COVID-19-related cost increases
- Still time to allocate and use FRF for housing
States Are Using FRF $ for Affordable Housing

- Recovery funds dedicated or proposed for affordable housing use
- More information forthcoming
Various State Agencies are Using FRF Dollars for Housing

HFA Administration of Fiscal Recovery Funds for Affordable Housing

- 33%: HFA will administer all FRF funds for affordable housing
- 22%: FRF funds will be administered by another agency in conjunction with HFA programs
- 20%: HFA will administer a portion of FRF funds for affordable housing
- 17%: FRF funds will be administered by another agency not in conjunction with HFA programs
- 9%: Not applicable or to be determined
## Nearly $10 Billion in Affordable Housing Investment

<table>
<thead>
<tr>
<th>State</th>
<th>FRFs Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>$4.75 billion</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>$595 million</td>
</tr>
<tr>
<td>Colorado</td>
<td>$550 million</td>
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<tr>
<td>District of Columbia</td>
<td>$531 million</td>
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<tr>
<td>Nevada</td>
<td>$500 million</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>$425 million</td>
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<tr>
<td>New Jersey</td>
<td>$345 million</td>
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<tr>
<td>Rhode Island</td>
<td>$250 million</td>
</tr>
<tr>
<td>Illinois</td>
<td>$225 million</td>
</tr>
<tr>
<td>North Carolina</td>
<td>$205 million</td>
</tr>
<tr>
<td>Vermont</td>
<td>$159 million</td>
</tr>
<tr>
<td>Michigan</td>
<td>$130 million</td>
</tr>
<tr>
<td>Delaware</td>
<td>$104 million</td>
</tr>
<tr>
<td>Washington</td>
<td>$102.7 million</td>
</tr>
<tr>
<td>Utah</td>
<td>$100.3 million</td>
</tr>
<tr>
<td>Georgia</td>
<td>$100 million</td>
</tr>
<tr>
<td>Iowa</td>
<td>$100 million</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>$100 million</td>
</tr>
<tr>
<td>Maine</td>
<td>$61.5 million</td>
</tr>
<tr>
<td>Connecticut</td>
<td>$50 million</td>
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<tr>
<td>Idaho</td>
<td>$50 million</td>
</tr>
<tr>
<td>South Dakota</td>
<td>$50 million</td>
</tr>
<tr>
<td>Nebraska</td>
<td>$39.5 million</td>
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<tr>
<td>Minnesota</td>
<td>$27 million</td>
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<tr>
<td>New Mexico</td>
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<tr>
<td>Kansas</td>
<td>$20 million</td>
</tr>
<tr>
<td>Hawaii</td>
<td>$16.3 million</td>
</tr>
<tr>
<td>Montana</td>
<td>$15 million</td>
</tr>
<tr>
<td>Tennessee</td>
<td>$15 million</td>
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<tr>
<td>Oregon</td>
<td>$13.9 million</td>
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Anticipated Affordable Housing Uses

Fiscal Recovery Funds Affordable Housing Activities

- Housing Credit gap financing: 54%
- Capital resource for other rental housing: 33%
- Permanent supportive housing: 41%
- Capital resource for new for-sale housing: 30%
- Workforce housing: 28%
- Homeless assistance: 26%
- Down payment assistance: 24%
- Other: 20%
- Home repair: 20%
- Rental assistance: 17%
- Eviction prevention: 15%
- Equitable housing finance: 13%
- TBD: 9%
- Other preservation: 9%
- Veterans housing: 7%
- Foreclosure prevention: 2%

Source: NCSHA Fiscal Recovery Funds Survey
Last Updated July 19, 2022
State Are Leveraging Other Resources with FRF

- Housing Credit: 52%
- Housing Trust Fund: 37%
- State funds: 35%
- Tax exempt bonds: 35%
- HOME: 30%
- HOME-ARP: 22%
- Other: 11%

Source: NCSHA Fiscal Recovery Funds Survey
Last Updated July 19, 2022
Challenges Using FRF with the Credit

- Regulations limited use of FRF dollars for loans with maturities beyond 2026. After that point, FRF could be used only for “the cost of the loan.”

- For practical purposes, FRF generally designed be used as a grant.
  - Grants reduce eligible basis in Housing Credit developments — essentially the Housing Credit equity for which the property is eligible is reduced proportionately to the grant
  - Grants are taxable income to for-profit developers
  - Grants must follow OMB rules, such as procurement processes
New Administration Policy Solves These Problems

• Allows long-term FRF loans for affordable housing
  • Loan terms of 20 years or more
  • At least 20 years of housing affordability (targeted to households of 65 percent or less of area median income)

• Governmental entities that provide such loans may use the repayments flexibly for other housing purposes in the future.

• Provides strong incentives to use FRF for affordable housing.
NCSHA Legislative and Regulatory Priorities

• Increase each state’s Housing Credit authority
• Expand ability to issue tax-exempt bonds for rental housing
• Boost how much Housing Credit goes to properties serving extremely low-income households and in Indian areas
• Preserve existing affordable housing
• Create a single-family housing production tax credit
• Increase federal funding for state-administered housing programs
Federal Legislative and Regulatory Environment

- Gridlock on several major bills
- Annual appropriations advancing
- Administration pursuing independent actions
- Uncertainty going into midterms and post-election session
- Heightened concern about housing affordability and supply shortage problems
- ERA and HAF
 Legislative Vehicles and Opportunities

- Reconciliation legislation
- End of year tax and spending bill
- Tax extenders legislation
- Omnibus appropriations bill
- Independent legislation
Major Proposals Under Consideration

• Affordable Housing Credit Improvement Act
• Housing Credit preservation legislation
• FY 2023 Appropriations Bills
• Fiscal Recovery Fund legislation (LIFELINE Act)
• HOME reauthorization and improvement
• MRB and MCC reform bill – Affordable Housing Bond Enhancement Act
• Community Reinvestment Act regulations
• Down payment assistance and FHA-insured mortgages regulation
The Affordable Housing Credit Improvement Act

S. 1136: 35 Cosponsors (25 Ds and 10 Rs) | H. 2573: 171 Cosponsors (110 Ds, 61 Rs)

- Expands states’ Housing Credit allocations
- Provides “4 percent” Credits on deals with less tax-exempt bonds
- Allows states to award more Housing Credits to Housing Bond-financed developments
- Provides more Housing Credit equity to deeper income-targeted units
- Expands multifamily Housing Bond recycling authority
House-Passed FY 2023 Appropriations Bill Would Increase Funding for Several HUD, USDA Programs

- HOME (Up 12 percent)
- Rental assistance, including new vouchers (Up 7-13 percent)
- Homeless assistance (Up 12 percent)
- Choice Neighborhoods (Up 30 percent)
- Section 502 guaranteed and direct loans (*Up 25 percent*)
- Section 538 multifamily guaranteed loans (*Up 9 percent*)
- Rural vouchers and preservation (*Up 13-21 percent*)
Possible State Actions

- Use FRF for affordable housing
- State tax credits
- Allocate tax-exempt bonds to housing
- Increase housing supply (SF and MF)
- Support affordable housing programs
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