



# 2019 CAHEC Partners Conference

## Federal Policy Discussion

JUNE 5, 2019

GREENSBORO, NORTH CAROLINA

ROBERT ROZEN

# Extent of Affordable Housing Crisis

---

- ▶ Nearly half of all U.S. renters spend 30 percent or more of their income on housing.
- ▶ More than 11.4 million low-income renter households spend over half of their income on rent.
  - ▶ This number increased by 42 percent between 2001 and 2015.
- ▶ More than 70 percent of the nation's extremely low-income renter households spend more than half of their incomes on rent and utilities. Almost 8 million households,
- ▶ Only one in four households who qualify for federal housing assistance receive it.

# Federal Policy Response to Crisis

---

- ▶ New Production
  - ▶ Low-Income Housing Tax Credit
  - ▶ HOME and CDBG
- ▶ Rental Assistance: HUD Section 8
- ▶ GSE financed Affordable Housing Trust Fund

# Low-Income Housing Tax Credit

---

- ▶ Since 1987, LIHTC has been the primary means of financing new and rehabilitated affordable housing
- ▶ Produced more than 3 million units
- ▶ Serving more than 7.2 million households

# But LIHTC Resources are Stained

---

- ▶ LIHTC called upon to serve multiple housing goals
  - ▶ Rebuilding economically distressed areas
  - ▶ Moving housing to areas of high opportunity
  - ▶ Recapitalizing public housing
  - ▶ Creating special needs housing
  - ▶ Transit oriented development
  - ▶ Serving urban, suburban and rural areas
- ▶ Credit values declined by almost 15% following 2017 tax bill
- ▶ Demand for housing credits greatly exceeds supply
- ▶ Significant number of units are converting after year 15

# Affordable Housing Credit Improvement Act of 2019

---

- ▶ Senate

- ▶ Cantwell (D-WA), Isakson (R-GA), Wyden (D-OR), Young (R-IN)

- ▶ House

- ▶ DelBene (D-WA), Marchant (R-TX), Beyer (D-VA), Walorski (R-IN)

# AHCIA – Main Provisions

---

## ▶ More Resources:

- \* Make permanent 12.5% cap increase  
(scheduled to expire in 2022)
- \* 50% cap increase, phased-in over 5  
years

# Amount of Increased Resources\* from Cap Increase Over Ten Years

---

- ▶ National Total 384,000 units
- ▶ North Carolina 14,344 units
- ▶ South Carolina 5,478
- ▶ Georgia 14,471
- ▶ Tennessee 16,599

\* Novogradac estimates



# More Development Through Multifamily Bond Program

---

- ▶ Minimum 4% credit
- ▶ State discretion to add 30% basis boost
- ▶ Bond refinancing
- ▶ Extension of average income rule to bonds
- ▶ Extend general public use rule
- ▶ Apply rural income rules to bond deals
  - ▶ Higher of area or national nonmetro

# Preservation

---

- ▶ Right of First Refusal

- ▶ Change to purchase option
- ▶ Clarify that purchase of property can be accomplished by purchase of partnership interests
- ▶ Clarify property includes all assets of partnership
- ▶ Offer can come from related party without approval of LP

- ▶ Planned Foreclosure

- ▶ HFA determination whether “arrangement”

# Miscellaneous Issues

---

- ▶ 50% basis boost for ELI households
- ▶ Prohibition of local approval and contribution requirements
- ▶ Modification of ten-year acquisition rule
- ▶ Replacement period after casualty loss
- ▶ Reform of student rules
- ▶ Elimination of basis reduction for energy credits

# Additional LIHTC Legislation: Qualified Contracts

---

- ▶ Repeal of qualified contract provision in Code
  - ▶ Deals after 2018
- ▶ Modification of statutory offer price
  - ▶ Existing properties

# Additional Issues Affecting LIHTC

---

- ▶ CRA regulations
- ▶ GSE reform
- ▶ FY 2020 Appropriations

# CRA Regulations

---

- ▶ Treasury Report
- ▶ OCC ANPR
- ▶ Federal Reserve and FDIC
- ▶ Proposed rule

# GSE Reform

---

- ▶ WH Memo
- ▶ FHFA Director
- ▶ Senate Banking outline
- ▶ Issues in play for LIHTC
  - ▶ Multifamily loans
  - ▶ Affordable Housing Trust Fund
  - ▶ GSE investments in LIHTC

# Appropriations

---

- ▶ 2011 budget agreement
  - ▶ 10-year caps
- ▶ 2017 budget agreement
  - 2-year deal significantly increased HUD budget
- ▶ 2019 discussions
  - ▶ Possible 2-year deal?



# HUD Proposed Rule on Mixed-Status Families

---

- ▶ Proposes evicting families that include undocumented immigrants from public and other subsidized housing
- ▶ Would affect LIHTC properties with tenants receiving HUD rental assistance subsidies
- ▶ Under current rules, federal housing subsidies cannot assist undocumented or otherwise ineligible immigrants
- ▶ Mixed-status families - those in which family members who are ineligible for HUD assistance live with eligible family members – receive subsidies that are strictly prorated to cover only the eligible family members. Such households pay more rent out of pocket.