

COVID-19 4th Federal Stimulus Housing Priorities

April 15th, 2020

The COVID-19 pandemic requires additional federal support to combat the health and economic impacts of COVID-19. New York and other localities will need more funding to help vulnerable populations, including people experiencing homelessness, through the health crisis.

While the third stimulus provided funding for ESG, CDBG and select HUD programs, this funding was not sufficient to match the scale of COVID-19 housing impact. Congress should monitor shortfalls for Section 8 and HUD programs and be prepared to appropriate more funding to ensure the programs remain whole.

Additional housing and homeless assistance is critical to provide additional emergency relief and to also stimulate recovery. We recommend that Congress include the following housing budget and policy priorities in the next coronavirus stimulus package.

EMERGENCY RELIEF

- **Emergency Solutions Grants (ESG):** At least \$11.5 billion. Congress provided \$4 billion in ESG funds in the CARES Act; additional funds are needed to respond to coronavirus among people experiencing homelessness. Shelter providers and supportive housing operators are experiencing extraordinary increases to operating costs, especially related to hazard pay for staff who are working in high-risk circumstances, in order to serve vulnerable populations, and to pay for isolation hotels to spread out at-risk people in congregate settings. People who are homeless and contract coronavirus are twice as likely to be hospitalized, two to four times as likely to require critical care, and two to three times as likely to die than others in the general public. The legislation authorizing the additional funding should allow some of the funding to be used for hazard pay, like the ESG funding in the CARES Act allowed. Homeless prevention funding should also be flexible and cover other necessities beyond back-rent that will help keep families housed. Emergency housing assistance is also critical for individuals being released from jail in an effort by local government to reduce crowding and prevent the spread of COVID-19. The fund should also be available to support victims of domestic violence. New York state has seen a 15-20 percent increase in calls to the police reporting domestic violence as households are asked to shelter in place. For some victims, they will be forced into shelter if emergency rental assistance is not made available. Federal resources are critical to providing safe housing alternatives to congregate shelter.
- **A national, uniform moratorium on evictions and foreclosures.** In the CARES Act, Congress instituted a temporary moratorium on new filings for foreclosures and evictions due to nonpayment for renters and homeowners in all federally subsidized housing. Congress should implement a uniform policy that assures that no renter in the US be evicted during this pandemic and federal law should prohibit rent arrears accumulated during the period covered by the moratorium, from forming the basis of an eviction. Congress should include a moratorium and forbearance for homeowners to protect reverse mortgage borrowers, many of whom are seniors, vulnerable to penalties relating to nonpayment of local property taxes and homeowner insurance.
 - **Establish loan modification program.** The federal government must establish a uniform loan modification program for COVID-19 that will be available to homeowners at the end of a COVID-19-related forbearance.

Modifications should make payments affordable based on the homeowner's ability to repay. The same relief should be available to all homeowners regardless of who owns their loan, and should include homeowners whose loan work-outs were disrupted by the crisis.

- **Emergency rental assistance and eviction prevention: \$100 billion.** A moratorium on evictions, on its own, is not enough. Congress must provide renters with assistance to avoid widespread evictions and prevent homelessness when the moratoria are lifted and back-rent is owed. In order to cover a range of needs, the funding should go to programs that provide assistance for the following:
 - Emergency housing assistance- this short term funding for rent arrears is needed to help households whose income has been impacted by COVID-19 closures or illness but are able to return to employment following the loosening of social distance rules or coronavirus recovery.
 - CDBG-Disaster Recovery TDAP Vouchers- For households who face unemployment due to COVID-19 closures or illness who require more than a few months to attain employment, a medium term rental assistance solution is required such as CDBG-DR funded Temporary Disaster Assistance Program (TDAP), which provided housing vouchers for up to two years to low-income residents displaced by Hurricane Sandy in New York using CDBG-DR funding;
 - Section 8 Housing Choice Vouchers. Many households will be impacted by COVID-19 and suffer a substantial loss of income with a longer term impact on their ability to pay rent or attain housing. This may occur due to the death of a family member, impact of illness or shutdown of business. Section 8 rental assistance will be critical in assisting these families.

- **New CDBG Funding should provide direct assistance to impacted residential property owners and renters through a National Rental Housing Stabilization Program**

As renters experience loss of income due to the COVID-19 emergency, building owners face challenges maintaining properties and paying bills due to diminished rental income. A new federal program providing assistance to building owners should be established with eligibility under CDBG to stabilize the rental housing stock while providing needed relief for renters. This program is particularly needed for affordable housing funded through the Low Income Housing Tax Credit program and through Homeless Grants funded through HUD's Continuum of Care program in subsidies such as Shelter Plus Care or SRO Mod Rehab, Building owners would apply for funding through a local housing agency to cover building operations and/or debt service obligations.

- The program should:
 - Have limited front-end admin hurdles to speed delivery and ease burden on those most-in-need and least able to meet admin burden
 - Be targeted to stabilize buildings most in need due to this crisis but include affordable housing, supportive housing, condo/co-op buildings in which a significant minority of occupants are renters, rent regulated buildings
 - Assistance is considered building income covering tenant rent losses
 - 3-month program to be renewed as needed
- Owners who accept assistance:
 - Cannot evict rental tenants during the benefit term
 - Cannot penalize tenants that are in arrears
 - Cannot increase rents during period of the benefit term

Provide \$5B in Public Housing Operating funds- Public Housing Authorities are working to keep families safe and stably housed throughout the COVID-19 crisis, including ramped up cleaning protocols requiring additional staff time and equipment, all while facing the realities of lost revenue due to tenant loss of income. Nationally, PHAs are facing a

need of \$5 billion for public housing operations which includes \$2 billion for lost revenue, \$1.5 billion for short term mitigation/operation costs, and \$1.5 billion to cover emergency staffing, communications and retrofits. Funding included in the CARES Act only partially meets the needs of housing authorities such as NYCHA.

- **Fund CDFIs to Expand Community Investment & Protect Homeowners.** \$1 billion fund for loan loss reserves for first mortgage refinancings for CDFIs to help make refinancing available to people impacted and facing the greatest needs.
- **Reduce Barriers for Nonprofits to Access SBA.** The CARES Act provides \$350 billion in loans for impacted businesses including nonprofits to stabilize the economy and promote job retention. Congress should adopt a retroactive statutory amendment to allow all nonprofits to access Small Business Administration grants/loans regardless of size.
- **Access to legal services, housing counseling and benefits assistance:** At least \$700 million. Resources for legal services are needed to protect tenants and owners from unlawful evictions/foreclosures that may occur after any moratoriums are lifted, or if moratoriums are not put into effect. Housing counseling can help renters and homeowners manage financial hardships from the COVID-19 crisis and remain stably housed during and after a Coronavirus outbreak. Nonprofits will need additional funding to increase staffing to help people access the new benefits that have been set up and will be set up under federal assistance.
- **Enact the COVID-19 Heroes Fund.** Premium payments for essential frontline workers and recruitment incentives for health and home care workers and first responders is one very important way we can recognize the essential work so many people have provided while many others are sheltering in place. They are putting themselves at risk while delivering services that protect and support so many people. The Heroes Fund, proposed by Senate Democrats, would provide \$25,000, essentially a \$13 per hour pay increase, to essential workers and a \$15,000 recruitment incentive. "Essential workers" should be defined by state and local governments to ensure inclusion of housing, shelter and building service worker staff, construction workers and building security staff.
- **Stabilize the 4% the Low Income Housing Tax Credit by Establishing a Minimum Rate.** The Housing Credit is the single most powerful federal tool to finance the creation and preservation of affordable housing, an activity that generates jobs, local tax revenue, and additional economic benefits to communities. Setting the 4% permanent minimum rate would add certainty for investors and developers over the current floating rate, and bring additional private equity to affordable housing projects. This would also provide parity with the corresponding permanent minimum 9 percent Housing Credit rate. Recent market fluctuations have impacted the ability to finance housing with the 4% LIHTC program because of the floating rate – hitting an all-time low in March.

RECOVERY

Preservation and development of affordable housing is a smart countercyclical tool, with a successful track record during economic downturns. Investment in our community infrastructure should be a central priority in economic recovery with proven benefits to local economies in spending and job creation.

- **Provide \$70B in Public Housing Capital funds.** Investing in Public Housing infrastructure will spur job creation, generate economic growth, and address necessary capital repairs to ensure this housing is safe, sanitary, and healthy for the more than 2.2 million Americans who call public housing home. Nationally, Public Housing faces an estimated

\$70 billion in capital repair needs, including repairs and replacements in critical building infrastructure like heating systems, plumbing, roofs and facades. There has been increased support for a massive infusion of Capital funds for Public Housing Authorities nationally as evidenced by the Public Housing Emergency Response Act of 2019 (H.R. 4546, S. 3212) and the Housing is Infrastructure Act of 2019 (H.R. 5187). Investments in capital repairs and jobs to maintain the housing stock will be felt for generations to come.

- **Increase investments in the national Housing Trust Fund.** An estimated \$45 billion in funding for the national Housing Trust Fund can help address the market failure which has resulted in the severe shortage of rental homes affordable to people with the lowest incomes, including people experiencing homelessness. An independent analysis estimates that investment of \$45 billion in the HTF would create more than 231,000 rental homes targeted to people with the greatest needs, creating 928,000 jobs in the process. Funding for the HTF is also a priority in the “Housing is Infrastructure Act,” introduced by House Financial Service Committee Chair Maxine Waters (D-CA).
- **Expand rental assistance.** Despite the growing gap between wages and housing costs, only one in four families gets the housing assistance it needs because of chronic underfunding. A major expansion of Housing Choice Vouchers and/or the creation of a targeted renters’ tax credit is needed help families keep more of their incomes for other essentials like food, medicine, education, and transportation. Rental assistance is critical component of affordable housing production, leveraging financing while provided needed assistance to low-income households. It is especially needed to develop supportive and senior housing.
- **Prevent evictions by creating a new emergency assistance fund.** To help prevent evictions in the future, Congress should enact legislation to create an emergency assistance fund, like the one proposed by Senators Michael Bennet (D-CO) and Rob Portman (R-OH) in the bipartisan Eviction Crisis Act, to provide short-term financial assistance and housing stabilization services. Providing short-term assistance to stabilize individuals is far cheaper than allowing households to become homeless.
- **Expand and reform the Low Income Housing Tax Credit.**

Increase the annual Housing Credit allocation by 50 percent, phased in over two years at 25 percent per year, and adjusted for inflation, beginning in 2021. Enact additional basis boost provisions proposed in the Affordable Housing Credit Improvement Act for other types of properties already identified as needing additional equity in many circumstances:

- A 30 percent basis boost for Housing-Bond financed properties
- A 50 percent basis boost for developments serving extremely low-income tenants
- A 30 percent basis boost for properties in rural areas, and/or
- A 30 percent basis boost for properties in Native American communities
- **Increase Private Activity Tax-Exempt Bonds for housing.** Private Activity Tax-Exempt Bonds are needed to generate 4% LIHTCs. Allocating additional bonds would be a straightforward way to spur additional economic activity in an efficient program. Ideas include:
 - Creating a special allocation of Private Activity Tax-Exempt Bonds - Creating a special, increased allocation of tax-exempt bonds for affordable and public housing will help create a public good and support our country’s infrastructure needs.
 - Lowering the 50 percent test – Currently, Private Activity Tax-Exempt bonds must be used to finance 50 percent of a development to generate 4% Low Income Housing Tax Credits. Lowering that threshold to 25%

would allow states to stretch their volume cap over more projects while still generating the 4% Housing Credits needed to finance low income housing.

- Exempting Public Housing preservation transactions from volume cap – The preservation of our country’s existing affordable and public housing infrastructure is a pressing need, as is the creation of new housing to meet the growing demand. The Rental Assistance Demonstration (RAD) is an effective program, promoted by HUD, to leverage private resources for preservation. But without additional volume cap, states and localities are limited in what they can accomplish with RAD. Exempting RAD transactions from volume cap would allow for the preservation of HUD-supported properties for the long term, while still allowing states and localities to utilize Private Activity Tax-Exempt bonds to create new housing.
- Given uncertainty in construction and anticipated delays, deadlines for recycling prepayments should be extended.

- **Revive the US Treasury Federal Financing Bank & HUD Risk-Sharing partnership**

The Federal Financing Bank (FFB) partnered with HUD’s Federal Housing Administration – Housing Finance Agency Multifamily Loan Risk-Sharing Program has proven to be a highly successful model for affordable housing production. Low cost capital, distributed through a strong network of state and local Housing Finance Agencies (HFAs), is an efficient way to leverage private investment as well as state and local government resources, with little risk to the federal government. More than a dozen states participated in FFB & Risk-Sharing, and interest was growing among other states as well. Nearly 25,000 affordable homes were financed with FFB Risk-Sharing nationwide between 2015 and when the program lapsed at the end of 2018. Benefits of FFB & Risk-Sharing to affordable housing include increased efficiency in financial executions, which leads to more affordable homes, lower rents, and more renovations. Benefits to HUD include reduced risk at the transaction level (50-50 vs. 90-10 under traditional risk-sharing), and Housing Finance Agencies take on staffing and asset management. The lower cost capital through FFB & Risk-Sharing provides additional financing for affordable housing preservation and development at no cost and reduced risk to HUD.

- **Re-authorize the U.S. Department of the Treasury (“Treasury”) to purchase securities issued by Fannie Mae and Freddie Mac**

In an effort to assist state and local housing finance agencies provide low cost capital for the construction and preservation of affordable housing, Congress should re-authorize the U.S. Department of the Treasury (“Treasury”) to purchase securities issued by Fannie Mae and Freddie Mac. This can be done by amending the Fannie Mae charter act and Freddie Mac act by reinstating 12 USC 1719(g) and 12 USC 1455(l) (originally part of the Housing and Economic Recovery Act of 2008) providing temporary authority for Treasury to purchase Fannie Mae and Freddie Mac securities. Such authority previously permitted Treasury’s “New Issue Bond Program” with HFA’s in 2009.