NEW YORK HOUSING CONFERENCE

New York Impact: Affordable Housing Investment in Reconciliation & Infrastructure Bills

Congress is prepared to make historic investments in affordable housing centered on President Biden's vision of investing in communities to address racial inequity, climate change and economic recovery in his Build Back Better Plan. A two-track approach is underway to pass both a **$1.2 trillion bipartisan infrastructure bill**, the Infrastructure Investment and Jobs Act (IIJA) and a **$3.5 trillion Build Back Better reconciliation bill**. The reconciliation bill includes NYHC's top priorities: rental assistance to combat homelessness and housing insecurity; full funding for public housing repairs; and resources to expand affordable housing supply.

If enacted into law, this package will help to combat New York's affordable housing crisis over the next decade in transformative ways by 1) providing rental assistance to **69,000 households**; 2) funding repairs for NYC's nearly **170,000 public housing units**; and 3) expanding affordable housing supply with at least **$9 billion** in new HUD funding and by at least **82,200 units financed by the Low Income Housing Tax Credit**.

1. Build Back Better: A Historic Investment in Affordable Housing

The **House Financial Services Committee** passed reconciliation legislation that includes NYHC's top policy priorities, representing the most significant expansion of housing resources that we have seen in decades. It would transform the affordable housing landscape in New York. The bill would substantially increase rental assistance, fully fund repairs needed in public housing, significantly increase affordable housing supply and creates new affordable homeownership opportunities. You can find a full analysis of the bill from NLIHC here.

Rental assistance will be expanded over five years, serving as a down payment on President Biden's campaign promise to provide rental assistance to every eligible household.

- $90 billion for rental assistance, including **$75 billion for Housing Choice Vouchers** and $15 billion for Project-Based Rental Assistance:
  - *750,000 new vouchers nationally with **69,000 going to New York, serving over 150,000 people** according to estimates by the Center on Budget and Policy Priorities.*
  - *It would not only significantly reduce homelessness and housing instability in New York, but stimulate New York's economy, creating:*
    - *6,000 jobs*
    - *$314 million in earnings*
    - *$916 million in additional economic activity*

Public housing capital funding will fund the majority of outstanding repair need across the US. It has taken decades of deteriorating housing conditions for public housing needs to be on Washington's radar.

- **$80 billion for public housing**, including $66.5 billion in allocations to public housing authorities (PHAs) which will be based on a formula determined by HUD for "priority investments". It is expected that this new formula will benefit NYCHA.
  - ***This could fully fund New York City Housing Authority (NYCHA) repairs** which total $40 billion and grow with each passing day that they are unaddressed. This would improve living conditions for the more than **365,000** residents of NYCHA.*

Expansion of funding for low income rental housing would give NY significant tools to expand housing supply and address the severe shortage of affordable housing for those with the lowest incomes and greatest need.

- **$37 billion for the National Housing Trust Fund (HTF)** will be allocated using the HTF formula, directed through the HOME program, triggering Davis-Bacon prevailing wages.
  - ***$4.54 billion** will go to New York according to estimates from [NLIHC]*
- **$35 billion for HOME** Investment Partnerships.
  - *We expect **$3.32 billion** will go to New York*

New homeownership tools will help New York close address racial disparities in homeownership and wealth and support efforts to preserve and strengthen communities.

- **$10 billion** is dedicated to a new HUD program for first-generation down payment assistance and housing counseling.
- **$7.5 billion** is for a Community Restoration and Revitalization Fund for "community-led projects that create civic infrastructure to support a community's social, economic, and civic fabric, create fair, affordable and accessible housing opportunities, prevent residential displacement, acquire and remediate blighted properties, and promote quality job creation and retention." $500 million is set aside to support community land trusts and shared equity homeownership.
- **$10 billion** for a new "Housing Investment Fund" within the Community Development Financial Institutions (CDFI) Fund. This funding will go to CDFIs and nonprofits and will make grants to increase investment in the development, preservation, rehabilitation, financing, or purchase of affordable, accessible housing "primarily" for low-, very low-, and extremely low- income families, and for homeowners with incomes up to 120% of AMI.

Provides a historic level of funding to support and preserve the existing HUD portfolio through sustainability upgrades and healthy housing measures.

- $10 billion to address lead hazards and ensure healthy housing
- $6 billion for green preservation of HUD multifamily housing including improving energy or water efficiency, implementing green features and addressing climate resilience
- $4 billion to address health and safety concerns in HUD homes

Creates new housing opportunities for our aging population and people with disabilities

- $2.5 billion for Section 202 Housing for the Elderly
- $1 billion for Section 811 Housing for Persons with Disabilities

Funding for many existing HUD programs is more than doubled

- $8.5 billion for Community Development Block Grants (CDBG)
  - *We expect NYS would receive $819 million*
- $5.1 billion for rural housing
- $2 billion for tribal housing

Invests in fair housing and aims to reduce impediments

- $4.5 billion to address zoning barriers to affordable housing
- $1.25 billion for fair housing activities

The **House Ways and Means Committee** introduced reconciliation legislation that includes a significant expansion of the **Low Income Housing Tax Credit (LIHTC)** program, one of the most important subsidies for affordable housing in New York. Novogradac estimates over 10 years, the below LIHTC provisions would generate the following in New York:

82,000 affordable units | 124,000 jobs | $14 billion in business income | $5 billion in revenue

Reduces 50% Test for 4% LIHTC

- Temporarily reduces the 50% test for private activity bond (PAB) financing to 25%. This would be effective for buildings financed by PABs from 2022-2028.
    - *This would allow **twice** as many 4% LIHTC projects to be financed in NY. Revisit our policy brief on the impact of the 50% test in New York.*

50% Expansion of 9% LIHTC

- Increases the 9% housing credit and the small state minimum by 50%, phased in over 4 years at an increase of 12.5% annually, with annual inflation adjustments in 2022-28.
    - *Increasing 9% allocation will allow for expansion of supportive and senior housing.*

ELI Basis Boost

- Provides a 50% basis boost for Extremely Low Income (ELI) households until December 31, 2031. The boost is for LIHTC buildings that designate at least 20% for ELI tenants. A 10% set-aside of state allocations would be used specifically for these buildings. The 50% basis boost option for 9% LIHTC properties would be limited to no more than 15% of the state ceiling and for properties financed by 4% LIHTC, no more than 10% of a state's annual cap.
    - *Incentivizing ELI housing will lead to the development of more deeply affordable housing.*

Ensures Basis Boost for 9% LIHTC Projects Regardless of QCT or DDA Designation

- Allows for discretion for state housing agencies to provide a max 30% basis boost as needed for the financial feasibility of 9% LIHTC properties.

Closes Loopholes to Ensure Preservation of Affordable Housing

- Changes the right of first refusal safe harbor into an option safe harbor. For existing agreements, it clarifies that, for purposes of the safe harbor, the right to acquire the building includes the right to acquire all of the partnership interests relating to the building. It clarifies that the right to acquire the building includes the right to acquire assets held for the development, operation, or maintenance of the building.
- Closes the qualified contract loophole that allowed owners to take properties out of the program and affordability restrictions after just 15 years for allocations after January 1, 2022.

Cases such as Riseboro's illustrate the need to codify protections to continue preservation of affordable housing.

The bill would also establish the Neighborhood Homes Investment Act (NHIA)

- Establishes a new federal tax credit to encourage the rehabilitation of deteriorated homes in distressed neighborhoods and promote home ownership. Credits would be used to cover the gap between development costs and sales prices, up to 35% of eligible development costs. Homeowner income must be 140% AMI or below and qualifying neighborhoods must have elevated poverty rates, lower incomes, and modest home values.

2. Infrastructure Investment and Jobs Act (IIJA): Impact on Housing

IIJA could bring hundreds of millions of dollars to New York to support efficiency and resiliency for housing. However, it introduces new competing uses for private activity bonds (PABs), potentially posing a threat to affordable housing production, if this bill should advance outside of the promised two-track approach.

Competing Uses for Private Activity Bonds

- The legislation adds two new uses eligible for PABs: broadband and carbon dioxide capture projects. Both would be 75% exempt from volume cap, with 25% of the project costs counting towards a state's volume cap.
    - *NY uses its bonds for affordable housing so new uses may compete with production. See NYHC analysis.*

Broadband Infrastructure

- $42.45B for the Broadband Equity, Access, and Deployment Program. States may use these funds to competitively award sub-grants for unserved and underserved locations with little to no access to broadband. Funds will be available to eligible institutions such as public housing and community organizations and can be used for multifamily residential buildings, with a preference for those housing families below 150% of the poverty line.
    - *We estimate NY will receive **$100M**.*

Energy Efficiency and Building Infrastructure

- **$3.5B for Weatherization Assistance Program**. This program reduces energy costs for low-income households, particularly those that are elderly or handicapped, by increasing the energy efficiency of their homes, while ensuring their health and safety.
    - *We expect NY will receive **$175M** for FY2022. This is a major expansion to the program NYS currently runs.*

- **$225M to update and implement building energy codes for efficiency & resilience.** Awards competitive grants to state agencies and partners to enable sustained, cost effective implementation of updated building energy codes.

- **$250M for the Energy Efficiency Revolving Loan Fund Capitalization Grant Program**. A new program would provide grants and loans for commercial and residential energy efficiency. Funds can be used for energy audits, energy upgrades and retrofits. Eligible residential recipients include single family homes, condominium or duplex or a manufactured housing unit, or businesses that own or operate multifamily housing facilities.

- **$550M for the Energy Efficiency and Conservation Block Grant Program (EECBG)**. This section allows EECBG funding to be used in programs that finance energy efficiency and other clean energy capital investments, projects, loan programs, and performance contracting programs.
    - *We estimate **$27.5M** would go to NY.*

- **$100M per year from FY2022 to 2026 to reduce lead in drinking water**. IIJA would expand the Safe Drinking Water Act to help replace lead service lines, with priority for disadvantaged communities, low-income homeowners, and landlords or property owners providing housing to low-income renters.

- **$3.5B for the National Flood Insurance Fund**. Expands uses to provide flood mitigation assistance up to 90% of all eligible costs for properties located within qualifying census tracts or that serves as a primary residence for individuals with a household income of not more than 100 percent of the applicable area median income.