

NAHMAanalysis

NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION

Ensuring NAHMA Members Receive the Latest News and Analysis of Breaking Issues in Affordable Housing

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Update to the Housing Supply Action Plan

The White House recently announced key progress on implementing the Housing Supply Action Plan, a set of President Biden's [administrative and legislative priorities](#) first announced in May, aimed at closing the housing supply shortfall in five years. The President is seeking to boost the supply of affordable housing, critical to easing the burden of rising housing costs for renters and aspiring homeowners while also addressing near-term housing affordability and fair housing challenges. This NAHMAanalysis examines the new steps recently announced by the White House to further reduce barriers to affordable housing construction and preservation and make it easier to build affordable housing.

Updates provided by the Administration on efforts to improve federal financing for affordable housing production and preservation through the Housing Supply Action Plan include:

Finalizing LIHTC Income Averaging Rule and Extended Deadlines for Placed-in-Service Rules for LIHTC Projects: As NAHMA has previously shared with members, Treasury and the IRS finalized the [LIHTC income averaging rule](#), (NSCHA has a side by side chart on credits) and [provided an extension](#) for the deadlines when an affordable housing project seeking to earn LIHTCs must be placed-in-service. The IRS also announced several additional deadline extensions to ensure that affordable housing projects delayed by public health, economic, and supply-chain issues can be built as expeditiously as possible and still qualify for LIHTCs. The National Council of State Housing Agencies created a [matrix providing more detail](#) on the current state of COVID-19 relief provided by the IRS.

Providing \$30 million for Thriving Communities Program: The Department of Transportation (DOT) and HUD are partnering to launch a new \$30 million Thriving Communities Program Notices of Funding Opportunity (NOFO) to help communities plan and develop transformative infrastructure projects. Through Thriving Communities, HUD and DOT will support technical assistance to improve the coordination of housing and transportation planning, increase housing supply, increase affordable transportation options, enhance economic opportunity, reduce environmental burdens, and improve access and quality of life. Both agencies released NOFOs to select technical assistance providers and capacity builders. Applications for the [HUD NOFO](#) are due to HUD by November 22, 2022. Applications for the [DOT NOFO](#) are due to DOT by November 29, 2022. DOT also issued a call for [Letters of Interest](#) from communities interested in receiving Thriving Communities technical assistance.

Utilizing the Federal Financing Bank’s Risk Sharing Program to Build More Affordable Rental Housing: Last September, the Administration announced that Treasury and HUD finalized an agreement to restart the [Federal Financing Bank’s Risk Sharing program](#). The program provides loans at reduced interest rates to state and local housing finance agencies to create and preserve high-quality, affordable homes. Since the relaunch, HUD has committed more than \$1.6 billion to create and preserve more than 9,000 rental homes.

Reforming Forward Commitment Programs to Facilitate Creating More Long-term Affordable Housing: The Federal Housing Finance Agency (FHFA) has expanded Fannie Mae’s and Freddie Mac’s (the Enterprises) Forward Commitment programs, which allow developers to secure financing to pay off a construction loan when construction has been completed and the housing project has been approved for occupancy. Specifically, the Enterprises are now permitted to provide \$3 billion in Forward Commitments per year—above and beyond the multifamily purchase cap. In addition, FHFA has approved [Freddie Mac’s expansion](#) of its non-LIHTC Forward Commitment program, requiring that financed projects are at least 20 percent affordable over the life of the loan. These projects often align with other state and local incentives (such as inclusionary zoning requirements, property tax abatements, or interest rate buy-downs) to create affordability without additional federal subsidies.

Enabling more affordable housing development and preservation with State and Local Fiscal Recovery Funds (SLFRF) under the American Rescue Plan: In July, Treasury took [new steps](#) to increase the affordable housing supply through American Rescue Plan funds. The expanded list of presumptively eligible uses of funds for affordable housing allows recipients to use SLFRF to make long-term loans to finance certain affordable housing projects, including projects expected to be eligible for LIHTCs. To further encourage state and local governments to make use of these increased flexibilities, Treasury and HUD jointly published a [“How-To” Guide](#) to help governments use American Rescue Plan funds with other sources of federal funding, with several cities, counties, and states having already indicated that they expect to use additional funds for affordable housing development and preservation.

Analyzing the Impact of Institutional Investors: The Administration is also seeking to determine the impact of institutional investors (investors with 1,000 or more properties) on the housing market. Their investment activities have increased since the start of the pandemic and the Administration believes that such increased activity limits homeownership opportunities for prospective first-time homebuyers and contributes to the racial wealth and homeownership gaps. HUD’s Office of Policy Development and Research will feature the topic of institutional investors in the housing market as part of its upcoming [PD&R Quarterly Update on December 6, 2022](#). HUD will highlight research on this issue and explore actions that various levels of government, along with nonprofits and other mission-driven entities, can take to drive supply to owner-occupants and mission-driven entities.

Conclusion

President Biden’s Housing Supply Action Plan includes dozens of measures meant to sharply boost housing production: expanding the use of manufactured housing, accessory dwelling units (ADUs), small-scale developments, improving supply chain issues, streamlining federal financing and funding sources in order to lower housing costs and speed up housing development, budget hikes for federal housing and rental assistance programs, including the

Housing Credit to spur construction, and greater scrutiny of large investors. Many of the measures sought to ease the burden of housing costs by boosting supply relied on Congress passing the Build Back Better Act. But, due to numerous political disputes, the Build Back Better Act was never taken up by the Senate for a vote. The ultimate success of President Biden's Housing Supply Plan now largely depends on the outcome of the 2022 midterm elections. NAHMA will continue to urge Congress to act on a bipartisan basis to support the construction and preservation of affordable housing, expand rental assistance, and help create a more equitable housing market.