

# 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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### Affordable Housing and Community Development Programs: Appropriations for Fiscal Year 2023

#### Background

In late December, Congress released a draft omnibus funding bill, providing \$1.7 trillion for federal government operation for fiscal year 2023 (FY23). The omnibus bill also includes over \$44 billion in emergency assistance for Ukraine and over \$40 billion to assist communities across the country in disaster recovery. At the time of publication of this NAHMAanalysis, Congress has not completed passage of this bill and President Biden has not signed the bill into law. This analysis provides a snapshot of program funding levels and relevant policy provisions for HUD programs ([Summary](#), [Fact Sheet](#), [Explanatory Statement](#)) and Rural Development programs ([Summary](#), [Fact Sheet](#), [Explanatory Statement](#)).

Overall, the funding levels for both HUD and USDA are positive and maintain funding increases from FY22. For HUD, the FY23 bill provides \$58.2 billion, a \$4.5 billion increase from last fiscal year. For USDA Rural Development, the FY23 bill provides over \$2 billion in increases to preserve rural housing and support rental assistance.

#### Funding for HUD's Affordable Housing Programs

The FY23 omnibus provides increased funding levels for nearly all of HUD's affordable housing and community development programs, NAHMA welcomes the much-needed funding for Project-based Rental Assistance (PBRA) and other programs outlined in the following sections:

##### Project-Based Rental Assistance (PBRA)

The omnibus bill provides \$13,938 billion for project-based rental assistance (PBRA), with \$13,594.5 billion to renew contracts. This amount is sufficient to renew all contracts. The bill provides \$343 million for PBCA oversight.

The Committee Report outlines a few policy provisions for troubled properties, Mark-to-Market, and Mod Rehab, and PBCA Re-bid as described below:

**Managing troubled properties.** *The agreement directs HUD to include in the report required by section 219 of this act data on PBRA properties and units that have exited the program as a result of contract abatement from poor physical conditions or for other reasons.*

**Mark-to-market [M2M].** *The bill includes the budget request to extend the M2M program under section 579 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 to October 1, 2027. The bill also provides HUD the authority to make budget-based rent adjustments for PBRA contracts that have been renewed through the M2M program and are distressed or at risk of becoming distressed. The agreement directs HUD to use existing data sources, including PBCA/HUD management and occupancy reviews, as well as REAC inspections, to assess the physical property and operational needs amongst post-M2M properties and other PBRA properties with health and safety deficiencies to better understand the scope of the budget-based rent adjustment needs for PBRA properties. HUD is directed to provide the results of this assessment to the House and Senate Committees on Appropriations within 180 days of enactment of this act.*

**Section 8 moderate rehabilitation [mod rehab] and McKinney-Vento single room occupancy [SRO] sunset.** *The agreement directs HUD to continue outreach to the owners of mod rehab and SRO properties on available conversion options and gather additional data on the potential conversion costs and benefits to these owners, and such data should be included with any proposal from HUD to sunset the programs.*

**PBCA Re-bid:** *NAHMA continues to monitor the PBCA process closely. The Committee Report states, "The bill prohibits HUD from issuing a solicitation or accepting bids on any solicitation that is substantially equivalent to the draft solicitation entitled "Housing Assistance Payments (HAP) Contract Support Services (HAPSS)" issued by HUD on July 27, 2022. The agreement notes that this is the second draft solicitation in five years on the matter of providing PBRA support services, with HUD withdrawing a similar draft solicitation in March 2018. The agreement directs HUD to ensure that any future competition for PBCAs does not impede housing finance agencies or public housing agencies from competing on a state-basis. Should HUD determine that a subsequent draft solicitation that is not substantially equivalent to the July 27, 2022 draft solicitation is not feasible, the agreement 84 directs HUD to include a legislative proposal as part of the fiscal year 2024 budget request. If HUD determines that a legislative proposal is necessary, HUD is directed to work with relevant stakeholders to ensure any potential legislative proposal results in effective and efficient oversight and monitoring of the PBRA program and maintains safe, stable, and affordable housing for the over 1,200,000 households living in PBRA properties across the country. In addition, the agreement urges HUD to assess the effectiveness of using resident surveys as a tool to help PBCAs conduct effective oversight."*

HUD Programs (\$ in millions)	FY22 (Current)	FY23
Tenant-Based Rental Assistance	27,369	27,599
<i>Contract Renewals</i>	<i>24,095</i>	<i>23,748</i>
Project-Based Rental Assistance	13,940	13,938
Housing for the Elderly (Section 202)	1033	1075
<i>Capital Advance</i>	<i>199</i>	<i>110</i>
<i>Service Coordinators</i>	<i>125</i>	<i>120</i>
<i>Intergenerational dwelling units</i>	<i>10</i>	<i>25</i>
Supportive Housing for Persons with Disabilities (Section 811)	352	360
<i>Capital Advance</i>	<i>160</i>	<i>148</i>
Community Development Block Grant	3,300	3,300
HOME	1,500	1,500

### **Tenant-Based Rental Assistance – Housing Choice Vouchers (HCV)**

The omnibus spending bill provides \$27,599.5 billion to renew tenant-based rental assistance (or Housing Choice Vouchers, HCVs). The increased funding provides \$23,748 billion for regular voucher renewals.

### **Housing for the Elderly, Section 202**

HUD Section 202, Housing for the Elderly, received \$1,075 billion, a slight increase over FY22 enacted levels. The bill provides \$110 million for new capital advances and project-based rental assistance contracts, up to \$120 million for service coordinators, \$25 million for intergenerational dwelling units, and \$6 million to support preservation transactions of housing for the elderly originally developed by a capital advance and assisted by a project rental assistance contract (PRAC). Regarding service coordinators, Congress directed HUD “to implement all recommendations from the GAO report entitled "Elderly Housing: HUD Should Do More to Oversee Efforts to Link Residents to Services" [GA0-16-758] and continue to keep the House and Senate Committees on Appropriations updated on the status of the action plan to implement these outstanding GAO recommendations.”

## **Housing for Persons with Disabilities, Section 811**

Similar to the Section 202 program, the Section 811 programs received new capital advance funding (\$148.3 million) under the omnibus bill. Overall, the program funding is increased to \$360 million for FY23.

The Committee Report includes the following language on individuals with intellectual and developmental disabilities:

**Individuals with intellectual and developmental disabilities.** -*The agreement directs HUD to continue to prioritize projects targeting and serving individuals with intellectual and developmental disabilities who have been receiving care through family members when awarding the new PRA funds provided in this act. The agreement directs HUD to coordinate with Federal partners, including HHS, and other public, private, and non-profit stakeholders to review existing programs and regulations to identify gaps in services and existing barriers to stable housing and to provide a briefing to the House and Senate Committees on Appropriations with its findings and recommendations within 280 days of enactment of this act. The agreement further directs HUD to encourage applicants to demonstrate connections with state Medicaid or human services agencies that provide ongoing supportive services for residents with mental disabilities in its NOFO for the section 811 capital advance program.*

## **HOME Investment Partnerships Program and the Community Development Block Grant**

The HOME and Community Development Block Grant (CDBG) programs received flat funding levels under the omnibus spending bill: Funding for HOME remains at \$1.5 billion, and the funding for the Community Development Fund remains at \$3.300 billion, both similar to last year's levels.

The bill does provide funding to combat NIMBYism, which NAHMA and industry partners have also been active in combating. Specifically, the bill provides \$85 million for the Yes in My Backyard incentive grant program. *A new competitive grant program that will reward state, local, and regional jurisdictions that have made progress in improving inclusionary zoning practices, land use policies, and housing infrastructure that will ultimately increase the supply of affordable housing. Improved land use policies may include increasing density, reducing minimum lot sizes, creating transit-oriented development zones, streamlining or shortening permitting processes and timeline, expanding byright multifamily zoned areas, allowing mixed use and multifamily development in retail, office, and light manufacturing areas, allowing accessory dwelling units on lots with single family homes, eliminating or relaxing residential property height limitations, eliminating or reducing off-street parking requirements, and donating vacant land for affordable housing development. The agreement notes with encouragement HUD's existing research on barriers to affordable housing production and directs HUD to issue best practices for local, state, and regional agencies to improve such opportunities.*

## **Funding for USDA Rural Housing Programs**

RHS Programs (\$ in millions)	FY22 (Current)	FY23
Section 521 Rental Assistance	1,450	1,488
Section 515 Rental Housing Direct Loans	50	70
Multifamily Housing Revitalization	34	36
Section 542 Rural Housing Vouchers	45	48
Section 538 Loan Guarantee	250	400

In the FY23 omnibus, some of USDA’s rural housing programs also see an increase over Fiscal Year 2022 enacted levels. The funding levels are sufficient to renew existing affordable housing contracts.

**Section 521 Rental Assistance (RA)**

The omnibus bill provides \$1,488 billion for the Section 521 Rental Assistance (RA) program, which represents a slight increase from the previous year. The Committee Reports states:

*“The Secretary is encouraged to prioritize multi-family housing properties acquired by means of a section 515 loan within the current fiscal year when determining current rental assistance needs.*

*The agreement is concerned the shift of urban population to more rural settings has disproportionately impacted affordable housing for rural residents. Therefore, where practicable, the agreement urges the Secretary to prioritize Rental Assistance to these regions.*

*The Committees are interested in the fiscal year 2023 President's budget request to decouple rental assistance from Section 515 loans but believe additional information is needed. Therefore, the agreement directs the Department to hold at least three listening sessions and stakeholder meetings within six months of enactment of this Act. Furthermore, the Department shall brief the Committees, within 60 days after the final listening session, on how decoupling rental assistance would be implemented.”*

**Section 515 Rental Housing Direct Loans**

Lawmakers continue to pay more attention to the impending number of Section 515 properties that are reaching their mortgage maturity dates. The omnibus provides \$70 million, a slight increase in the funding level from last year’s enacted level.

The bill does mandate smoke detectors in rental housing that is constructed, rehabilitated, or repaired with Section 515 or Section 514/516 funds, or funding from any of several HUD rental programs. The requirement will take effect in December 2024.

## **Multifamily Revitalization and Rural Housing Vouchers**

The omnibus bill provides a slight increase to the Multifamily Revitalization Program. A funding level of \$36 million was provided for the Preservation Demonstration. The Rural Housing Vouchers program is increased to \$48 million.

Lastly, the Section 538 Loan Guarantee received a significant increase to \$400 million.

## **Public and Federally Assisted Housing Fire Safety Act**

The FY23 omnibus bill also includes the Public and Federally Assisted Housing Fire Safety Act ([H.R.7981](#)). This bill requires each unit of federally assisted housing to contain hardwired or tamper-resistant battery-powered smoke alarms. The bill also requires HUD to complete a national campaign to educate the general public about health and safety requirements and how to properly use safety features in housing. The bill applies to all federally assisted programs. Specifically, the bill states: “Each public housing agency (or owner) shall ensure that a qualifying smoke alarm is installed in accordance with applicable codes and standards published by the International Code Council or the National Fire Protection Association and the requirements of the National Fire Protection Association Standard 72, or any successor standard, in each level and in or near each sleeping area in any dwelling unit in public housing owned or operated by the public housing agency, including in basements but excepting crawl spaces and unfinished attics, and in each common area in a project containing such a dwelling unit.” In communication to Congressional committees, NAHMA and many of our industry partners expressed concerns with the limitations of 10-year sealed battery smoke detectors and their inability to comply with NFPA 72 standard. However, our concerns were not addressed and we will continue our advocacy with the future Congress in 2023.

## **Conclusion**

After delay, this year’s funding represents a significant achievement for the affordable housing industry. NAHMA has strongly advocated for program funding included in this bill. We ask that NAHMA members continue to advocate for increased funding for affordable housing, rental assistance, and community development. NAHMA is disappointed that the Biden Administration and Congress did not include a boost for the Low Income Housing Tax Credit program in the omnibus. We look forward to continuing our advocacy efforts in the new Congress.