Community Revitalization and Development Committee
July 17, 2013
DISCUSSION AGENDA

The Community Revitalization and Development Committee met on July 17, 2013 in Denver, CO. The Committee did not achieve a quorum and submits the following statements expressing the Sense of the Committee.

1. NAHRO Legislative Network

Background: The Committee believes that the work of the Legislative Network is strengthened when the Network includes members of standing committees, particularly those committees that focus on legislative and regulatory matters.

Sense of the Committee: The Board of Governors should explore ways to ensure that the Community Revitalization and Development, Housing, and Commissioners Committees are guaranteed representation on the Legislative Network.

2. The Administration's Proposals to Alter Community Development Block Grant and HOME Investment Partnerships Program Entitlement Eligibility

Background: The Administration's FY 2014 budget asserts that "CDBG funds represent a significant expenditure that is not optimally targeted based on community need or used most effectively in many cases." The FY 2014 budget includes proposals intended "to better target funds based on community need and ensure that communities receive grants large enough to be more effective in advancing the goals of the program."

The budget proposes to establish a minimum CDBG grant threshold and eliminate the current entitlement community "grandfathering" provision. Entitlement communities would essentially need to continue to receive an allocation equal to at least 0.0125 percent of the annual appropriation (approximately $385,000 for FY 2013) in order to maintain their entitlement status. Newly qualified entitlements would need to be eligible for at least $500,000 in annual formula funding to begin receiving a CDBG formula allocation.

Similarly, the Administration's budget proposes a statutory change to "establish a single qualification threshold of $500,000 irrespective of the appropriation amount" for entitlement eligibility under the program. A related proposal would revise the HOME program's "grandfathering" provisions in a manner that would make an existing Participating Jurisdiction ineligible for continued entitlement funding if its allocation falls below the new $500,000 threshold for three years or more out of a five year period.

Sense of the Committee: NAHRO should oppose these proposals.

3. Integrated Planning and Investment Grants

Background: The Administration's FY 2014 budget proposed to set aside $75 million from the Community Development Fund for Integrated Planning and Investment Grants. These grants would essentially take the place of the Sustainable Housing and Communities Initiative, which was not funded for either FY 2012 or FY 2013. The newly proposed grant program, to be administered by HUD's "Office of Economic Resilience" within the Office of Community Planning and Development, would support HUD's partnership with the Department of Transportation and the Environmental Protection Agency aimed at "expand[ing] job opportunities and improv[ing] the quality of life for families by providing incentives to regions and communities to align planning efforts, invest public and private resources to attract businesses, modernize land use and building codes, attract private capital for community revitalization efforts, and sponsor robust community engagement efforts." The Senate's version of the FY 2014 HUD appropriations bill sets aside $50 million for these purposes.

NAHRO has a longstanding policy in opposition to set-asides under the Community Development Fund, since these set-asides reduce the funding available for CDBG formula allocations. NAHRO has only expressed support for funding for the Administration's sustainability initiative once: for FY 2012, when the Administration proposed to fund the initiative as a separate line item in the budget.

Sense of the Committee: NAHRO should support funding for Integrated Planning and Investment Grants, but only if those resources are provided as incremental, stand-alone appropriations and do not reduce the CDBG formula allocation.

4. The Administration's Low-Income Housing Tax Credit Reform Proposals

Background: The President's FY 2014 budget includes several LIHTC reform proposals:

Preservation: The budget proposes to make the preservation of federally assisted affordable housing a required selection criterion for all state Qualified Allocation Plans.

Income Averaging: This proposal (earlier versions of which appeared in the FY 2012 and FY 2013 budgets) would allow for a development to qualify for credits by choosing from three income averaging options:

- At least 20 percent of the units have rent restrictions in place and will be occupied by households with income at or below 50 percent of area median income (AMI); or
- At least 40 percent of the units have rent restrictions in place and will be occupied by households with incomes at or below 60 percent of AMI; or
- At least 40 percent of the units must be occupied by households whose incomes average no more than 60 percent of AMI. This option would preclude renting rent-restricted units to households with incomes over 80 percent of AMI, while households tenants with incomes below 20 percent of AMI would be treated as having incomes equal to 20 percent for the purpose of calculating the average.

Credit Rates: The budget proposes to alter the formulas used to set the actual values of the so-called 9 percent credits and 4 percent acquisition credits. This proposal would result in rates that are slightly higher than the rates calculated under the current formula and would apply to allocations made after December 31, 2013.

Bond Conversion: The budget would authorize states to convert a portion of their private-activity-bond volume cap into authority to allocate additional tax credits.

Real Estate Investment Trusts (REITS): This proposal would make the LIHTC program more beneficial to REITS by allowing a REIT that receives Housing Credits to designate as tax-exempt some of the dividends that it distributes.

Sense of the Committee: NAHRO should support the Income Averaging, Bond Conversion, and Real Estate Investment Trusts proposals as put forward by the Administration. Regarding the Credit Rates proposal, NAHRO prefers its existing position in favor of fixing the 9 percent credits and 4 percent acquisition credits at a true 9 percent and 4 percent, respectively. Regarding the Preservation proposal, NAHRO takes no position at this time but suggests that making preservation a mandatory criterion could inadvertently disadvantage projects focused on expanding the affordable housing inventory through production.

5. NLIHC's Housing Trust Fund Lawsuit

Background: On July 9 the National Low Income Housing Coalition (NLIHC), along with three individual plaintiffs and the Right to the City Alliance, filed a lawsuit against the Acting Director of the Federal Housing Finance Agency "for failing to uphold Fannie Mae and Freddie Mac's statutory obligations to make contributions to the National Housing Trust Fund." From NLIHC:

"When the National Housing Trust Fund was established in the Housing and Economic Recovery (HERA) Act of 2008, the identified source of dedicated funding was contributions from Fannie Mae and Freddie Mac. The law requires that Fannie Mae and Freddie Mac transfer a portion of the value of their new business to the National Housing Trust Fund. The financial crisis of 2008 hit and the companies' regulator, the Federal Housing Finance Agency, temporarily suspended this requirement. Fannie Mae and Freddie Mac were taken into conservatorship.

"Fannie Mae and Freddie Mac have been highly profitable for six consecutive quarters and the conditions that warranted the suspension no longer apply. The 2012 Securities and Exchange Commission's filings show that new business activity for Fannie Mae and Freddie Mac in 2012 was approximately $1.4 trillion. Thus in 2012, approximately $382 million of that amount should have gone to the National Housing Trust Fund."

Sense of the committee: NAHRO staff should investigate whether there are ways to express support for NLIHC's efforts that do not involve incurring significant organizational expense.

6. New Markets Tax Credit Act of 2013

Background: The New Markets Tax Credit Act of 2013 (S. 1133) would amend the Internal Revenue Code to: (1) make permanent the New Markets Tax Credit, (2) provide for an inflation adjustment to the limitation amount for such credit after 2013, and (3) allow an offset against the alternative minimum tax (AMT) for such credit (determined with respect to qualified equity investments initially made before January 1, 2014).

Sense of the committee: NAHRO should support the enactment of the New Markets Tax Credit Act of 2013.