Advocates and Congressional Champions Secure Increased Affordable Housing Funding for 2018

The final fiscal year (FY) 2018 spending bill – released yesterday, March 21, by Congressional leaders – includes a significant increase in funding for affordable housing and community development programs at HUD and USDA, along with an increase in Low Income Housing Tax Credits and an important reform to the tax program. This successful outcome is due to the hard work of advocates across the nation and strong Congressional champions, including Senators Susan Collins (R-ME) and Jack Reed (D-RI) and Representatives Mario Diaz-Balart (R-FL) and David Price (R-NC) – the chairs and ranking members of the House and Senate Transportation-HUD Appropriations Subcommittees – as well as Senator Maria Cantwell (D-WA) and others.

The bill provides HUD programs with $4.6 billion in additional funding overall compared to FY17, or more than $12 billion above the president's FY18 request. With a 10% one-year increase to HUD, many programs were funded at levels significantly above what was proposed in either the House or Senate draft bills. The spending bill renews all Housing Choice Vouchers and provides new vouchers to veterans and people with disabilities, allocates nearly $1 billion in additional funding to repair and operate public housing, and boosts funding for the HOME Investment Partnerships program (HOME) to the highest level in seven years. Moreover, the final bill includes none of rent increases proposed by the president in his budget request. See NLIHC's updated budget chart for more details.

The final FY18 spending bill is a clear repudiation of the president's budget request, which would have cut funding for HUD by nearly 15%, or $7.4 billion, compared to FY17 levels, provided the HUD secretary with the authority to increase the financial burden on current and future tenants, eliminated 250,000 Housing Choice Vouchers, and slashed or zeroed out funding for public housing, the national Housing Trust Fund, HOME, and Community Development Block Grants.

The House is expected to vote on the bill as soon as today, March 22, followed by the Senate soon thereafter. Congress must enact the spending bill before the current stop-gap spending measure expires on Friday, March 23. Congressional leaders could turn to a short, day-long continuing resolution to provide enough time to overcome procedural hurdles. Once the bill is enacted, NLIHC and our partners in the Campaign for Housing and Community Development will turn our full attention to defeating the president's FY19 budget request, securing the highest allocation possible for affordable housing and community development programs, and defeating harmful benefit cuts. For more details, see NLIHC's analysis of the president's FY19 budget request and a factsheet on why cutting housing benefits would lead to increased homelessness and housing poverty.

Housing and Urban Development

Tenant-Based Rental Assistance:
The spending package provides $22.015 billion for tenant-based rental assistance (TBRA), $19.6 billion of which is to renew previous contracts. This is a significant increase over President Trump's $19.318 billion request for TBRA in FY18.

The bill allocates $40 million for Veterans Affairs Supportive Housing (VASH) and $5 million in new vouchers to serve Native American veterans. The bill also provides $20 million to support new Family Unification Program (FUP) vouchers and $505 million for Section 811 mainstream vouchers, a significant increase over the FY17 funding level of $120 million.

Project-Based Rental Housing:
The bill provides $11.515 billion to renew project-based rental assistance contracts for calendar year 2018, an increase of $699 million from the FY17 funding level.

Public Housing:

The bill provides significant new resources to public housing to help address the large backlog in capital repairs and to maintain operations. The capital fund received a $800 million increase in funding from $1.942 billion in FY17 to $2.75 billion in FY18. This increase will enable housing agencies to make critical repairs, such as fixing leaky roofs and replacing outdated heating systems, that will improve living conditions for tens of thousands of residents and help preserve this essential part of the nation's affordable housing infrastructure for the future.

Funding for the public housing operating fund also increased from $4.4 billion in FY17 to $4.55 billion.

President Trump had proposed slashing funding for both accounts in his FY18 budget.

Rental Assistance Demonstration:
The bill increases the number of public housing units that can convert under the Rental Assistance Demonstration (RAD) program from 225,000 to 455,000 and extends the program's sunset date to 2024. Under RAD, public housing agencies are able to leverage public and private debt and equity, largely through the Low Income Housing Tax Credit, in order to rehabilitate public housing stock and make capital improvements. NLIHC will continue to work to ensure that tenants are fully engaged in and protected during RAD conversions.

Homelessness:
The bill increases funding for homeless assistance programs to $2.513 billion from $2.383 billion in FY17. The bill targets $80 million to address youth homelessness. The bill extends the authorization for the U.S. Interagency Council on Homelessness (USICH), which is set to expire this year, for two years.

The bill allows the HUD secretary to establish a pilot program to help improve outcomes for "disconnected youth" through Continuums of Care.

Other Housing Programs:
The bill provides $678 million to the Section 202 Housing for the Elderly program, enough to renew all existing contracts and provide $105 million for capital advance and project-based rental assistance awards. The bill also increases funding for the Section 811 Housing for People with Disabilities program to $230 million, $84 million more than the FY17 level. Of that amount, $82.6 million would go to capital advance and project rental assistance awards. The bill includes language allowing Section 202 Project Rental Assistance Contract (PRAC) properties to convert under RAD.

The bill would increase funding for the HOME program by $412 million and the Community Development Block Grant program by $305 million. Overall, HOME would be funded at $1.362 billion, while CDBG would receive $3.365 billion. President Trump had proposed to eliminate both programs in FY18.

The bill also extends the suspension of the 24-month funding commitment deadline under the HOME program. Because of the additional requirements on project selection, underwriting standards, and developer capacity under the HOME program, many communities have struggled to meet the two-year commitment deadline, which led to funding being lost. This language removes this barrier while keeping in place other, more meaningful deadlines.

Funding for the Housing Opportunities for People with AIDS (HOPWA) program was increased to $375 million.

The Choice Neighborhoods Initiative saw a funding increase when compared to last year's allocation, from $138 million to $150 million.

The bill provides $655 million to the Native American Housing Block Grant program, while the Native Hawaiian Housing Block Grant program received $2 million in FY18.

Healthy Homes:
The bill provides $230 million to the Office of Lead Hazard Control and Healthy Homes' grants, a $85 million increase over FY17.

The bill also takes steps to address the physical conditions of HUD-assisted housing to ensure residents are living in decent and safe homes. It requires HUD to take action against property owners receiving rental subsidies that do not maintain safe properties. The language authorizes the HUD secretary to replace the property's management agent with one approved by HUD, impose civil monetary penalties, change HUD's contract with the property owner until the program is resolved, transfer the property or contract to a new owner, and relocate tenants, among other actions.

Fair Housing:
The bill flat-funds HUD's office of Fair Housing and Equal Opportunity. The bill also prohibits HUD from directing local governments to change their zoning laws under the agency's Affirmatively Furthering Fair Housing (AFFH) rule or with the AFFH assessment tool.

USDA Rural Housing
The FY18 spending bill provides flat funding or modest increases to rural housing programs.

The bill provides $1.35 billion for USDA's Section 521 Rural Rental Assistance program, which the agency suggests is sufficient to fully renew all vouchers. It also provides a modest increase to USDA's Section 515 Rural Rental Housing Loan program and the Multifamily Preservation and Revitalization demonstration – two programs that are necessary for preserving rental homes in the agency's portfolio.

The bill also directs the USDA secretary to incentivize nonprofit organizations and public housing authorities (PHAs) to take over ownership of rental housing properties and to ensure that they remain affordable by allowing these entities to receive a return on investment and asset management fee up to $7,500 per property. USDA rental homes are at risk due to the prepayment or maturity of Section 515 loans. When that occurs, tenants are no longer eligible for USDA's rental assistance program and may be subject to rent increases. These incentives are aimed at making it more financially feasible for nonprofit organizations and PHAs to maintain these properties as affordable for the long term.

Low Income Housing Tax Credit
The omnibus includes a 12.5% increase in Low Income Housing Tax Credits for four years and the permanent authorization of income averaging, which could increase the ability of the tax credit to reach the lowest income households.

These changes could help offset the impact of the lowered corporate tax rate from 35% to 21%, which effectively reduces the value of Housing Credits to corporate investors. Some experts estimate that the lowered corporate tax rate will significantly reduce investor demand for the Housing Credit and could result in 20,000 fewer homes being built under the program annually.