



March 9, 2023

MEMORANDUM

TO: NCSHA Members

FR: NCSHA's Policy and Government Affairs Team

RE: NCSHA's Analysis of the Administration's FY 2024 Budget Request

Executive Summary

On March 9, the Biden Administration released its \$6.9 trillion fiscal year (FY) 2024 budget request, outlining its fiscal priorities. The budget proposes increases in a variety of federal spending accounts, including certain housing programs, offset by a range of new revenue measures, and projects deficit reduction of approximately \$3 trillion over the 10-year budgetary window.

Overall, the budget provides for \$1.7 trillion in discretionary spending, which represents an increase of 7.3 percent in non-defense discretionary spending and 3.3 percent in defense spending from the FY 2023 funding amounts, respectively. The budget proposes \$73.3 billion in discretionary budget authority for the U.S. Department of Housing and Urban Development (HUD), a \$1.1 billion or 1.6 percent increase from the FY 2023 level, and \$30.1 billion for the U.S. Department of Agriculture (USDA), a \$3.8 billion or 14 percent increase from the FY 2023 level.

The administration proposes several measures related to affordable housing, including a significant expansion of and improvements to the Housing Credit; support for the Neighborhood Homes Tax Credit, which NCSHA has endorsed; a modest increase in funding for the HOME Investment Partnerships program; investments in new project-based rental assistance contracts; new mandatory spending for capital investments in public housing; funding for 50,000 new Housing Choice Vouchers as well as two new voucher programs targeted to youth aging out of foster care and extremely low-income veterans; a First-Generation Down Payment Assistance Program and an initiative for small-balance Federal Housing Administration (FHA) mortgages; and policies related to USDA homeownership and multifamily housing programs.

NCSHA's analysis of the budget's housing proposals and information from HUD's budget briefing this afternoon follow. Supplementary materials, including agency-specific congressional justification documents and other appendices, have not yet been released. NCSHA will update this memo as new information becomes available.

HUD Program Funding Highlights

The Biden Administration's FY 2024 budget requests \$73.3 billion in discretionary authority for HUD programs, \$1.1 billion or 1.6 percent more than the FY 2023 enacted level. In addition, the budget proposes approximately \$1.4 billion in new mandatory spending for a variety of programs related to production of new housing, capital investments in public housing stock, eviction prevention, and targeted voucher programs.

The budget proposes \$1.8 billion for the HOME Investment Partnerships program, an increase of \$300 million from the FY 2023 enacted level of \$1.5 billion but less than the \$1.95 billion proposed in the FY 2023 budget. Nevertheless, if enacted, this would be the highest level of funding for HOME in nearly 20 years.

The budget proposes \$32.7 billion for the Housing Choice Voucher program, an increase of \$2.4 billion over FY 2023, to maintain services for all current participants and expand assistance to an additional 50,000 households, as well as \$13 billion and \$9 billion, respectively, over the 10-year window for new vouchers targeted at extremely low-income veterans and for youth aging out of foster care.

The budget requests \$3.7 billion for Homeless Assistance Grants, an increase of \$116 million over FY 2023; \$505 million for the Housing Opportunities for Persons with AIDS program; \$410 million for the Lead Hazard and Healthy Homes grants; and \$258 million for 2,200 units of new permanently affordable housing for the elderly and persons with disabilities.

The budget contains a number of homeownership initiatives as well, including \$10 billion in mandatory spending for a new First-Generation Down Payment Assistance Program; \$100 million for a HOME down payment assistance pilot (as a set-aside of the overall \$1.8 billion for HOME); and \$15 million for FHA small balance mortgages.

USDA Rural Housing Program Funding Highlights

The budget requests \$30.1 billion for USDA's FY 2024 budget, a \$3.8 billion or 14 percent increase over the FY 2023 enacted budget. The budget highlights increases for programs strengthening food supply chains, providing high-speed internet for rural communities, and improving climate resiliency, including wildfire preparedness, in rural infrastructure. This request also emphasizes the need to reduce housing insecurity in rural America.

USDA's multifamily housing programs would receive an additional \$331 million over FY 2023 enacted levels. The budget proposes to remove a requirement for USDA's Section 502 Single-Family Housing Direct Loan Program in which low-income borrowers must repay subsidy costs under the program. Additionally, the budget includes a provision requiring energy and water efficiency improvements for all USDA housing programs that include construction.

Other Budget Proposals Relevant to Housing

Housing Credit: The budget includes a number of NCSHA's Housing Credit priorities related to increasing production and ensuring preservation of existing Housing Credit developments. According to the administration's estimates, these proposals together would cost approximately \$28 billion over the 10-year budget window. Specifically, the budget would:

- Increase the Housing Credit cap allocation to the greater of \$4.25 per capita or \$4,901,620 in calendar year 2024, rising in 2025 to the greater of \$4.88 per capita or \$5,632,880. The current Housing Credit cap for 2023 is set at \$2.75 per capita or \$3,185,000, thus the increase proposed for 2024 is approximately 55 percent higher than 2023, with 2025 authority approximately 77 percent higher than in 2023. In 2026 and beyond, the cap would be indexed for inflation, as it is under current law.
- Lower the bond financing threshold from 50 to 25 percent. This change is proposed to apply to buildings placed in service in taxable years beginning after December 31, 2023.
- Repeal the Housing Credit qualified contract provision for all properties financed after January 1, 2024. Existing properties that retain the right to a qualified contract could still exercise that right; however, the purchase price would be changed to fair market value of the property taking into consideration the low-income use restriction, rather than the qualified contract formula currently in the tax code.
- Replace the nonprofit right of first refusal (ROFR) with a purchase option for Housing Credit partnership agreements put in place after the date of enactment. The proposal notes that the administration will work with Congress to develop an approach to addressing ROFR controversies for existing partnership agreements.

Notably, this is the first budget in which the administration has included these proposals, though it has iterated support for the cap increase and lowering the bond financing threshold in previous policy documents. The Housing Credit proposals in the budget are similar to provisions of the Affordable Housing Credit Improvement Act and the Decent, Affordable, Safe Housing for All Act.

Neighborhood Homes Investment Credit: The budget proposes that Congress pass legislation establishing the Neighborhood Homes Investment Credit (NHIC) to promote new construction or substantial rehabilitation of affordable, owner-occupied housing located in distressed neighborhoods. This credit is substantially similar to the credit established under the Neighborhood Homes Investment Act (S.657), passage of which is one of NCSHA's legislative priorities. The administration included a similar proposal in its FY 2022 budget request. It was not included in the request for FY 2023, because the administration hoped it would pass as part of the Build Back Better bill.

The NHIC would allow project sponsors to claim a credit to cover the difference between the costs to rehabilitate a home in a distressed neighborhood, or build a new home on an empty lot, and the price for which the home is sold. The tax credit would be provided on the condition

that the home is occupied by low- or middle-income homeowners. The administration projects the credit will cost nearly \$16 billion over 10 years.

Initiatives to Expand Homeownership: The budget includes several proposals for increasing access to homeownership, including increasing access to down payment assistance. Most notably, it proposes the establishment of the First-Generation Down Payment Assistance Program, which would fund down payment assistance for first-time home buyers whose parents do not own a home and who have incomes at or below 120 percent of the area median (140 percent in high-cost areas). The budget requests \$10 billion in mandatory funding for the program. This proposal appears to be substantially similar to legislation, the Down Payment Toward Equity Act, introduced last Congress by then-House Financial Services Committee Chair Maxine Waters (D-CA) and included in the House-passed version of the Build Back Better bill. NCSHA advocated in support of the legislation.

The budget also requests a \$100 million set-aside of HOME Investment Partnerships program funds for a down payment assistance pilot program for first-generation and/or low wealth home buyers, and \$15 million to expand home buyer access to FHA-insured small-dollar mortgages.

New Markets Tax Credit: The budget proposes to make permanent the New Markets Tax Credit (NMTC). The NMTC is currently set to expire at the end of 2025. The same proposal was included in the administration's FY 2022 and 2023 budgets. The administration recommends \$5 billion for NMTCs in 2026 and annual indexation for inflation thereafter.