WASHINGTON WIRE

Variety of Affordable Housing Programs Needed for Nation's Well-Being

By Michael J. Novogradac, CPA

With the passage of the fiscal year 2003 omnibus spending bill on February 13, the U.S. Department of Housing and Urban Development (HUD) found itself with $1.8 billion more than it had in 2002. H.J. 2's $397.4 billion price tag, which covers 11 of the 13 appropriations measures that Congress failed to pass last session, provides HUD with a total $36.3 billion. (See details on page three.)

President George W. Bush's proposed budget for fiscal year 2004 presents a different picture, cutting overall HUD funding by about $5 billion and ending programs like the HOPE VI program for severely distressed public housing. Responsibility for Section 8 vouchers would be turned over to states under a new state block grant program.

Responding to the proposed 2004 budget, the National Association of Housing and Redevelopment Officials (NAHRO) characterized it as another step in the "trend of eliminating programs that transform blighted communities and neighborhoods throughout America." A growing industry concern is the lack of commitment to housing programs in favor of homeland security. HUD has stated publicly that its budget acknowledges that defense and homeland security are making greater claims to federal discretionary spending for 2004, leaving less for investment in housing programs.

At issue too is the administration's emphasis on increasing homeownership while cutting back its support of multifamily production and renter assistance. Some, like the Housing Assistance Council, see that trend having serious consequences. While acknowledging the importance of support for families that are buying their first homes, Moises Loza, executive director of the HAC, warned that renters in both rural and urban areas are facing "some of the worst housing problems" in the country.

Additionally, a report released by Ernst & Young the last week of February estimates that 35 percent fewer LIHTC units, or 40,000 fewer apartments serving about 100,000 residents, would be produced annually if the president's dividend exclusion proposal were enacted today. E&Y's analysis shows that LIHTC investors would limit the amount of capital they would invest or lower the amount they are willing to pay for the credits, reducing the amount of equity available to produce tax credit housing. The National Council of State Housing Agencies believes the impact could be even greater because E&Y did not take into account the higher interest rates on tax-exempt bond financed housing that would result from passage of the proposal.

A coalition of nine national housing organizations, including the National Housing Conference (NHC), The Enterprise Foundation, Fannie Mae, Freddie Mac, the Local Initiatives Support Corporation (LISC), the Mortgage Bankers Association of America (MBA), the National Association of Home Builders (NAHB), the National Association of Realtors (NAR), and the National Council of State Housing Agencies (NCSHA), recommends implementing the proposed homeownership tax credit while calling for a new multifamily production program to expand and preserve the supply of affordable rental units. It also recommends enhancements to the low-income housing tax credit (LIHTC), HOME Investment Partnerships program (HOME) and the mortgage revenue bond (MRB) program. (See related story on page 10.)

The coalition in its belief that additional annual production of tens of thousands of apartment units is an essential response to the overwhelming demand for this type of housing deserves the support of the industry and the administration. The nation and its low-income citizens need new construction and substantial rehabilitation of affordable, multifamily housing, including necessary operating assistance for units helped under the programs.