

# Addressing Affordable Housing Challenges in the Midst of COVID-19

The impact of COVID-19 has been immediate and severe, on low-income residents and people of modest economic means and the mission-driven groups that develop and operate the housing for this population, and it will get worse. Many tenants face job and income loss that will prevent them from paying rent, buying food and accessing health care. Additionally, the needs of families, seniors with acute health issues, people with disabilities and at-risk populations require significant services, and those needs are even greater during this challenging time. While the economic impacts in federally assisted properties can be mitigated by increasing existing federal assistance, the majority of tenants in LIHTC financed developments and in naturally occurring affordable housing are unassisted and bear the full share of rental payments. Since many of these residents have service or hourly jobs that can't be performed remotely, the loss of income for tenants and owners is immediate and dramatic. Many of these properties will experience a 50% or more reduction in revenue, making them unable to service mortgages, fund operations and provide resident services, let alone pay for the increased costs for cleaning, sanitizing and securing properties when residents are quarantined and/or are at extremely high risk.

Affordable housing owners are working to address the immediate health and safety needs of their residents while also managing the increased costs associated with this COVID-19 response. Their staff have become "first responders" and essential employees on the front lines of this crisis, but they don't have the resources to perform this vital role. Additionally, the longer term economic impacts of this pandemic threaten to further weaken our communities by making it even harder to create and sustain affordable places to live.

Impacts on the production of affordable housing units already underway include construction delays as a result of supply chain interruptions, worker absence, construction slowdowns, and the inability to get local inspections. These delays will keep affordable housing developers from meeting critical deadlines and will increase costs, keeping badly needed housing units from being completed and causing serious business sustainability issues for the organizations developing the homes. Challenges created by cost increases will be further exacerbated by an uncertain economic environment, with other funding sources likely not flowing as freely. Resources will be needed to ensure that the impact of a slowdown in construction will be minimized, and that the affordable housing development community will be able to deliver these critically needed affordable housing units.

Congress is considering many important relief and stimulus measures to address these immediate and short term impacts, which we strongly support. Residents may benefit from short term cash assistance, but they will understandably need those funds for food, medical or other pressing expenses. Rent, mortgage payment, eviction and foreclosure moratoriums will help residents in the short term but will leave owners unable to support residents and manage properties. As leading intermediaries and networks of affordable housing owners, we believe additional housing-specific assistance is urgently required to address the critical challenges facing low and moderate-income residents and the affordable housing operators impacted by the COVID-19 pandemic. The measures described below will also mitigate the disruption to the production of affordable housing units currently in construction and scale up the response to a worsening affordable housing crisis in the face of economic uncertainty. This will help the country recover from the crisis by stimulating affordable housing production that both supports the construction sector and addresses the need for affordable housing across the country.

In order to expedite the delivery of funding to those in the field, we offer the following recommendations on how existing and proven programs can be deployed quickly to deliver investments to our communities.

## I. Address Immediate Affordable Housing Needs

### Use HOME to Empower States and Localities to Support Housing Stability and Stimulate Production

States and localities need tools to help them support housing stability, operations and the production of affordable housing. The Home Investments Partnership Program (HOME) provides flexible grants to state and local governments to produce and preserve affordable homes. By appropriating additional funds to the HOME program, Congress can give localities the tools they need to address the specific market needs in their communities to keep people safely in their homes and to expand the supply of affordable homes. This will address both the immediate needs on the ground and continue to support the long-term needs of communities. The HOME program's flexible funding can be used for short term rental assistance to provide housing stability for all low-income people – not just those fortunate enough to already receive housing assistance, and for grants and loans to address both short-term operational needs and continue the production of affordable housing. HOME can also be used for homeownership and homeowner rehab, which can assist people who are facing economic hardship, unsafe conditions and/or are at risk of losing their home.

#### Recommendation: \$10 billion appropriation to the HOME program

Funds shall be administered with a focus on flexibility to respond to the crisis immediately, to help stabilize low and moderate-income families, to cover increased operating costs associated with addressing COVID-19 related expenses, and to stimulate the preservation and production of affordable homes. Funds would be allocated through the existing formula to support state and local efforts. In particular these funds should be targeted towards emergency rental assistance to tenants who don't already have a rental subsidy such as Section 8, for grants or flexible debt funding to support both immediate and longer term housing needs, and/or assistance to landlords for operating costs directly related to the COVID-19 pandemic. Operating costs may include expenses such as assistance for cleaning, tenant health and safety, resident security and other extraordinary costs resulting from a landlord's response to COVID-19. Residents of units assisted under the LIHTC program should be automatically eligible for assistance. Properties restricted under the LIHTC program should be eligible for assistance in proportion to the percentage of units restricted.

- The HUD Secretary should be given broad waiver authority to expedite the use of these funds and ensure resources can be directed in a manner that meets the critical needs identified. This includes enabling projects that already have HOME to access these funds; using HOME to cover operating expenses; providing expansive definitions as needed; and other waivers as may be required. In addition, the matching requirement for the participating jurisdictions should be waived with respect to this emergency funding.
- A portion of the funding shall be available to provide technical assistance to recipients to ensure that all jurisdictions can deploy these funds quickly and responsibly.
- The Secretary should also extend expenditure deadlines for existing HOME dollars due to construction slowdowns, and suspend the 24 month commitment deadline.

### Allow for Appropriate Flexibility in Deadlines and Other Statutory/Regulatory Requirements

In order for owners, operators and developers to remain in compliance with crucial federal programs that support affordable housing, some changes are needed to current law.

- Adopt recommendations to protect the LIHTC program including an immediate one-year extension for three key deadlines: 10 percent test deadlines, placed-in-service deadlines, and rehabilitation expenditure deadlines.
- Enact a minimum 4% Housing Credit rate for bond financed properties.
- Change the 2008 HERA statute to extend the commitment deadline for the Capital Magnet Fund for awards made in FY17 and FY18 to three years rather than the current two.

## II. Longer Term Resources Needed to Recover from the Economic Impacts of COVID-19 Crisis

In addition to the emergency housing needs of impacted residents and owners, we believe a longer term stimulus package should include additional HOME funding and also a significant boost to the Capital Magnet Fund.

### Invest in the Capital Magnet Fund to Meet The Challenges of Recovery

The Capital Magnet Fund (CMF) is a public-private partnership that uses flexible federal funds to attract private investment into communities for affordable housing and economic development. CMF provides funding that non-profit developers and lenders cannot find elsewhere—funding to do pre-development work, create revolving loan funds, establish loan loss reserves, and provide loan guarantees—all critical pieces of affordable housing and community development. CMF recipients use these funds as pre-development capital, gap funds and enhancements to help them create affordable homes and invest in communities. While CMF is typically funded by a small annual assessment on new business purchases by Fannie Mae and Freddie Mac, a one-time appropriation would give mission-driven developers and lenders, including state housing finance agencies, flexible funding to help them respond to a rapidly changing economic environment to ensure that affordable homes are preserved and produced and that vital investments in communities continue.

### Recommendation: \$2.5 billion appropriation to the Capital Magnet Fund to provide flexible solutions for housing and community development in a rapidly changing economic environment.

- Funds need to flow quickly to communities, for this reason, all existing Capital Magnet Funds recipients that are in material compliance should be eligible applicants for an expedited award.
- Congress should extend all CMF reporting and commitment deadlines by one year to provide additional flexibility as mission driven developers and lenders navigate the impacts of the coronavirus pandemic.
- In order to ensure the expeditious use of this resource the matching 10:1 requirement should be waived with respect to this emergency funding to ensure that resources can flow into communities even as capital from other sources is likely to become less readily available.
- Awards of funding through the CMF should be streamlined and allow for maximum flexibility with regard to geography and AMI targets.
- A larger percentage of funds should be used for operating expenses or community development in order to allow for maximum flexibility in the award.

