



**NATIONAL
PRESERVATION
WORKING GROUP**

April 3, 2024

Statement from PWG on President's FY25 Budget Request

We are in the middle of a housing crisis, with a shortage of 7.3 million rental homes affordable and available to renters with extremely low incomes.¹ Meeting this need necessitates a dual pronged approach that includes both preservation and new construction. Without an immediate, coordinated effort to simultaneously preserve existing homes and build new ones, more families will be trapped in poverty and instability. The following comments from the National Preservation Working Group (PWG) are written in response to the Biden administration's Fiscal Year 2025 (FY25) budget request as it relates to preserving affordable rental housing.

About the National Preservation Working Group

The National Preservation Working Group (PWG) is comprised of more than 30 national and state organizations committed to preserving affordable housing. We seek to address threats to our nation's affordable housing stock -- including expiring rental assistance, conversion to market rate use, deteriorating physical and financial conditions, increasing climate risk, and inequitable housing policies -- and advance solutions to protect these homes and the people who live in them. In doing so, we seek to ensure that this housing remains safe, affordable, and accessible to low-income households into the future. We advocate for strong federal, state, and local program administration and increased resources, identify and disseminate best practices, and share information that protects, enhances, and preserves existing multifamily affordable rental homes to create agency for residents. Learn more about the PWG at: <https://nationalhousingtrust.org/our-work/policy-innovation/preservation-working-group>.

Comments on FY25 Budget Request

PWG is pleased to see the strong commitment to affordable housing preservation in the proposed budget and its associated revenue proposals, namely through the following provisions.

- We are glad that the budget provides \$185 billion in mandatory spending (on top of \$72.6 billion in discretionary budget authority for HUD) for affordable housing investments over 10 years,

¹ National Low Income Housing Coalition, The Gap: A shortage of Affordable Homes, March 2024. <https://nlihc.org/gap>



NATIONAL PRESERVATION WORKING GROUP

including \$81.3 billion for HUD programs intended to stimulate housing supply, increase opportunities for homeownership, support low-income renters, and prevent homelessness. The allocation of \$7.5 billion for a one-time investment to address the capital needs of severely distressed and troubled public housing, and the provision of another \$7.5 billion to create new PBRA properties, are important steps forward in preserving existing affordable housing.

- We appreciate the proposed changes that better ensure properties financed with the Low Income Housing Tax Credit (Housing Credit) remain affordable for the full duration of 30 years by repealing the qualified contract (QC) provision for future developments and the inclusion of a safe harbor purchase option that replaces the Right of First Refusal (ROFR) provision.
- We appreciate the proposed increase in the per capita Housing Credit authority and the reduction in the bond financing threshold (to 25 percent from 50 percent) for 4 percent Housing Credit buildings.
- We appreciate the inclusion of "decoupling" for USDA Section 515 mortgages and Section 521 Rental Assistance to give USDA needed tools to help preserve their multifamily portfolio. We urge the continuation of this pilot program to continue providing rental assistance to rural households as Section 515 mortgages mature for the more than 389,000 units in the program. The average age of a Section 515 property is 36 years old and approximately two-thirds of the households served are seniors or individuals with a disability in rural areas.

While we understand the constraints placed on the budget by the spending caps included in the Fiscal Responsibility Act, we regret that the following provisions were omitted or inadequate to help us rise to the challenges of our affordable housing crisis:

- The HOME Investment Partnerships Program was proposed in FY25 at a level less than the President's request in FY24. HOME remains a critical and flexible source of financing to develop and preserve affordable housing, in tandem with other sources.
- RAD conversions remain one of the most effective ways to preserve affordability while leveraging private investment and we are grateful for the flexibility provided for the RAD program (extending the sunset dates) and the identification of \$50 million in Public Housing funding and \$10 million in Section 202 PRAC funds for RAD conversions, but the total funding levels remain insufficient to meet the program needs.
- While PWG appreciates the proposal to authorize and appropriate \$5 million for budget-based rent increases (BBRIs) for certain post mark to market properties that are at risk of distress, thus helping preserve this important stock, this amount is notably lower than the \$25 million the





NATIONAL PRESERVATION WORKING GROUP

Administration proposed in the FY 2024 budget. It also fails to consider BBRIs for other project-based rental assistance properties that are in distress, as the Administration and House proposed in their FY 2023 bills (proposing \$275 million for BBRIs).

- The funding proposed for USDA's 515 Direct Rental Housing and 521 Rural Rental Assistance programs at \$70 million and \$1.728 billion, respectively, fail to account for the full need of rural housing assistance. USDA has estimated that it will cost \$30 billion over the next three decades to preserve their multifamily portfolio, and the proposed funding levels fall far short of that need. Additionally, the budget does not give USDA much-needed direction to preserve properties that are being lost to prepayment.

Beyond these critical and immediate preservation needs, other areas of the proposed FY25 budget present opportunities to provide the resources needed to house people across the county:

- We appreciate that funding levels were maintained or increased for the Public Housing Operating Fund, PBRA, CDBG, the FSS Program, ROSS, and the Jobs Plus Initiative; and the array of Housing Choice Voucher programs including Tenant-Based Voucher Renewals, Tenant Protection Vouchers, and Mainstream vouchers.
- We are disappointed that the proposed budget does not include investment for new Section 202 units for the first time in several fiscal years. With the rapid growth in our aging population (now the fastest growing cohort in the US), the well-documented record high housing cost burdens experienced by older adults, and the growth in the number of older adults among the unhoused, funding for both capital advance and project-based rental assistance contracts is essential to meet the housing needs of older adults and prevent homelessness.
- The Administration's budget also does not include proposed funding for new Section 515 construction, as it has in previous years (which is important given that no new construction has taken place in over a decade).

We appreciate the administration's leadership on increasing housing supply through new construction and preservation, including the recent State of the Union address and the many fact sheets announcing new actions. We respectfully urge you to redouble your efforts to provide the necessary funding and flexibility to enable our industry to more fully meet the mounting challenges of preserving affordable housing for Americans.

