

Build Back Better Housing Provisions

The Build Back Better House reconciliation package would provide roughly \$320 billion for affordable housing and community development investments—more than six times the entire annual Department of Housing and Urban Development (HUD) budget. The House bill would also make several transformational changes to the federal low-income housing tax credit (LIHTC) program—the single most important affordable housing production tool in California—and create a new homeownership-targeted tax credit to subsidize production and preservation of affordable owner-occupied homes. The LIHTC updates alone could enable California to more than double affordable housing production over the coming years. These housing financing changes paired with the proposed direct HUD investments would establish the federal government as a much stronger partner in affordable housing production, preservation, and protection efforts in the Bay Area and across the country and could help close the significant affordable housing funding gaps identified in Plan Bay Area 2050. A funding chart is below and summaries of MTC and ABAG-priority programs and policies follow.

Build Back Better Housing Funding Chart

Category/Program Name	Funding Amount* (\$ in billions)
Affordable Housing Production, Preservation and Community Development	\$ 91
<i>Housing Trust Fund Formula</i>	\$ 37
<i>HOME Investment Partnerships Formula</i>	\$ 35
<i>Community Development Block Grant (CDBG) Formula</i>	\$ 7
<i>Housing Investment Fund (new) (U.S. Treasury-run competitive grants for CDFIs and non-profit developers)</i>	\$ 10
<i>Other CDBG (manufactured housing, colinias, technical assistance)</i>	\$ 2
Fair Housing and Community Restoration Discretionary Grants	\$ 25
<i>Unlocking Possibilities Program (new)</i>	\$ 5
<i>Community Revitalization and Restoration (new)</i>	\$ 8
<i>Lead-based Paint & Other Health Hazard Mitigation (new)</i>	\$ 10
<i>Choice Neighborhoods Grants (revised)</i>	\$ 3
Homeownership Programs (new)	\$ 11
Public Housing, Rental Assistance, and Capital Improvements for HUD-assisted Properties	\$ 188
<i>Public Housing Capital Improvements</i>	\$ 77
<i>HUD Rental Assistance (Section 8 Housing Choice Vouchers- \$75B, Project Based Rental Assistance - \$15B, Housing for Seniors & Persons with Disabilities - \$3.5B)</i>	\$ 94
<i>Energy & Water Efficiency, Climate Resilience and Preservation of HUD-supported Multifamily Housing</i>	\$ 10
<i>Other (Rural, Indian and Native Hawaiian housing)</i>	\$ 7
Other (FEMA Flood Insurance Program, HUD administration, etc.)	\$ 7
Total	\$ 321

*Total may not sum due to rounding

Federal Housing Tax Credits

The Build Back Better housing-related tax provisions could help transform the affordable housing landscape in the Bay Area by unlocking financing for a long pipeline of affordable housing projects that are ready to go but await federal tax credit financing. The Low Income Housing Tax Credit (LIHTC) program—a unique federal-state-local-private partnership—is California’s most important affordable housing financing tool. In 2020 the tax credit helped finance 23,700 apartments for low-income California households, up nearly 20 percent from 2018. This increase is in large part because California has been so effective at leveraging LIHTCs, and for some years now the state has been the unusual position of having hit the ceiling on federal tax credit affordable housing financing capacity. Consistent with our top housing advocacy priorities, the Build Back Better plan would make several changes that would lift that ceiling, including increasing the state’s annual LIHTC allocation by 74 percent over four years and—most importantly for California—revising the bond-financed LIHTC threshold to 25 percent from 50 percent to make more projects feasible. These and the other tax credit changes could translate to an increase of 230,000 affordable homes in California over 10 years according to an analysis by the real estate tax consulting firm Novogradac.¹ The bond-financing threshold provision alone could *double* California’s annual affordable housing production financing capacity until the state’s bond-financed project pipeline—20,000 units as of April 2021—has been built.

The plan would also create a new Neighborhood Homes Tax Credit (NHTC) to finance construction or rehabilitation of owner-occupied homes in distressed neighborhoods. State housing agencies would administer this tax credit—just as they do with LIHTC—providing affordable housing developers with tax credits to build or preserve homes in distressed areas (census tracts with high poverty rates, low median incomes, and a median value for owner-occupied homes at or below the area median). Given that this would be a new funding tool, impact estimates are less refined than those for the LIHTC, but some have estimated that the NHTC could build or preserve 500,000 homes nationwide.²

Rental Assistance and Investments in HUD-assisted Housing

The proposal includes more than \$320 billion in housing and community investment. As shown in the chart on page 1, nearly 60 percent of the housing funding would fund expanded rental assistance (both tenant-based rental assistance (i.e., housing vouchers) and project-based rental assistance), public housing repair, and other capital improvements for HUD-assisted properties. For the Bay Area and California, the \$94 billion rental assistance is particularly important. Federal rental assistance currently helps 530,000 low-income California families, seniors and individuals with disabilities afford rent every month, but the need is much greater; according to the California Housing Partnership, more than 1.3 million low-income households lack access to affordable housing. Build Back Better investments could help close this gap both by subsidizing rent for more low-income households so more families can afford to live in existing housing units and/or by ensuring that rental subsidy can be available to help fill units in those much-needed new affordable housing developments that the tax credit improvements and other investments can help accelerate.

¹ Source: [Novogradac analysis](#) published September 16, 2021

² Source: [Novogradac analysis](#) published September 13, 2021.

Affordable Housing, State and Local Government Funding

Roughly 30 percent (\$91 billion) of the Build Back Better housing investments would be available to states, local governments, and affordable housing developers to create and preserve affordable housing and invest in community development. Nearly half these funds would be allocated to the HOME Investment Partnership Program (HOME) and Community Development Block Grant Program (CDBG)—which are distributed via formula to eligible local governments and states—and roughly half would fund affordable housing projects and programs, with \$37 billion directed according to the National Housing Trust Fund formula to states for project selection and \$10 billion in competitive grants administered by the U.S. Treasury Community Development Financial Institution (CDFI) Fund to certified CDFIs and nonprofit affordable housing developers.

Bay Area local governments would receive an estimated \$810 million in HOME and CDBG formula funds if the funds are distributed consistent with fiscal year 2021 allocations. The California Department of Housing and Community Development would additionally receive an estimated \$1.1 billion to award to local jurisdictions and other eligible recipients that are not direct HUD formula recipients.³ Additionally, California would receive an estimated \$6.7 billion to supplement the state's National Housing Trust Fund allocations, which have been prioritized for housing investments to support persons experiencing homelessness since 2018.⁴

New Discretionary Grant Funding Opportunities

Unlocking Possibilities Program

The Build Back Better proposal would fund \$25 billion in new or revised competitive program grants to support fair housing, neighborhood revitalization, and housing-related health and safety improvements. Importantly, a new Unlocking Possibilities Program—which has been the target for the Bay Area's regional efforts to secure grant opportunities for the Bay Area Housing Finance Authority (BAHFA) initiatives within the Build Back Better Plan—would receive \$4.5 billion for both planning and implementation components. Planning grants could fund zoning updates and regulatory changes to eliminate barriers to affordable housing; local housing strategies to equitably increase affordable housing supply; and local or regional plans to increase availability and access to affordable housing, access to public transportation, and location-efficient housing, among other items. Unlocking Possibilities implementation grants would be available to *implement* the plans as well as implementing projects to affirmatively further fair housing. States, counties with populations of at least 200,000, and cities with populations of at least 50,000, and/or census-designated “principal” cities of metropolitan areas are eligible grant recipients.⁵ Regional planning agencies are eligible for planning grants but not yet the

³ These are rough estimates based on Bay Area and California fiscal year 2021 shares of HUD HOME, CDBG and Housing Trust Fund formulas. Though the legislation provides that funds are distributed via existing programs, the bill would revise select set-asides for CDBG, formula inputs can change year-over-year and direct recipients of CDBG and HOME can change periodically due to CDBG population thresholds (results from the 2020 census may impact Bay Area direct recipients) and HOME's allowance for eligible local governments to opt-in to be direct recipients.

⁴ California's share of National Housing Trust Fund (HTF) formula funds ranged from 13.1 percent in 2019 to 18.3 percent in 2021. The bill provides that the funds be distributed pursuant to the HTF grantees that received funds pursuant to that same formula in 2021, so staff assumed that 18.3 percent formula share in our estimate.

⁵ Grant eligibility is restricted to local governments that qualify as metropolitan cities and urban counties, the same designation that qualifies a local government as an “entitlement” jurisdiction eligible to directly receive CDBG

implementation grants. MTC and ABAG—in close coordination with our regional and national partners—are seeking an amendment to make regional agencies also eligible for implementation grants as an additional funding tool for BAHFA.

Community Restoration and Revitalization Fund

The bill would also create a new \$7.5 billion Community Restoration and Revitalization Fund, of which \$5.7 billion would be awarded as competitive grants to local partnerships—local governments of all sizes are eligible joint applicants—that are led by nonprofits to develop and implement plans to preserve and create affordable housing, increase access to opportunity, and conduct neighborhood stabilization activities in communities experiencing cycles of blight and limited access to opportunity. The remaining funds would be reserved for HUD technical assistance and to support existing residents preserve equity in their homes and offset displacement, as well as HUD administrative costs. MTC and ABAG, in close coordination with our regional BAHFA coalition and national partners, are seeking to add regional planning agencies as eligible joint applicants.

Other discretionary grant opportunities for local governments include a new \$10 billion program to address housing-related health hazards (primarily lead) in housing serving low-income families (the bulk of this is reserved for non HUD-assisted housing) and \$2.8 billion to fund community development in neighborhoods surrounding public housing and other HUD multi-family housing developments. These grants are structured to be similar to the Choice Neighborhoods Initiative Program.

Homeownerships Programs

Regarding homeownership, the bill would invest \$10 billion to provide first-time, first-generation homebuyers with down payment assistance of up to \$20,000 or 10 percent of the home's purchase price, whichever is less, though HUD has discretion to lift this cap for economically disadvantaged home buyers. In high-cost areas—which would almost certainly include the San Francisco Bay Area—assistance is limited to homebuyers earning up to 140 percent area median income (AMI).⁶ In San Francisco, for example, this would cover four-person households earning up to \$186,500 per year.⁷ Nearly \$7 billion of these funds would be distributed to states as a block grant via a needs-based formula that is yet-to-be-determined. CDFIs and other qualified nonprofits could compete for \$2.3 billion, and the remaining funds would be reserved for financial counseling and HUD technical assistance.

In addition, the bill would create a \$500 million program to subsidize 20-year mortgages for first-generation homebuyers to accelerate wealth-building and a \$100 million pilot program targeted at helping homebuyers purchase low-cost (\$100,000 or less) homes.

funds. The Bay Area's 38 CDBG entitlement grantees as of fiscal year 2021 can be found thorough [the HUD FY 2021 Community Development Program office funding page](#).

⁶ The bill does not define "high-cost area," but in [in 2020 the Federal Housing Administration reconfirmed all of California as a "high-cost area" for the purposes of determining mortgage assistance caps](#).

⁷ HUD's AMI and California's AMI limits as determined by the Department of Housing and Community Development (HCD) for the purposes of implementing state programs can vary. For example, in 2021 HUD's four-person household AMI for San Francisco County is \$133,200 while HCD's is \$149,600. [This example utilizes San Francisco's income limits using HUD's 2021 AMI threshold](#).