Low Income Housing Provisions of Recovery Legislation

The final agreement between the conferees on the American Recovery and Reinvestment Act was filed February 12. The text is available at www.rules.house.gov. The House and Senate are expected to approve the conference report on Friday, and it will be signed this weekend by the President.

The final bill is estimated to cost $787 billion, $30 billion less than the House bill and about $50 billion less than the Senate bill. Yet the bill provides $2 billion more for HUD programs than the Senate –passed bill (but $2.7 billion less than the House-passed version of the bill). We have updated the chart at http://www.cbpp.org/2-3-09hous-prac.pdf with the funding levels in the final bill. The major changes from the Senate bill are the restoration of $2 billion for Neighborhood Stabilization grants the House bill provided $4.2 billion), the inclusion of the House-proposed $1 billion for CDBG formula grants, and the reduction of public housing capital funds from the $5 billion level in both bills to $4 billion ($3 billion to be distributed by formula and $1 billion through a competition). The final bill retains $1.5 billion for homelessness prevention grants to be allocated through the ESG formula. CBPP estimates of the ESG funding each state will receive are available at http://www.cbpp.org/1-22-09bud-es.pdf.

To respond to the sharp reduction in the funding yielded by Low Income Housing Tax Credits, the conference agreement includes $2,25 billion of HOME funds to "fill the gap" on projects awarded LIHTCs (no funding is provided for unrestricted HOME formula grants), and adopts the House-proposed exchange provision. (The exchange provision is explained in our paper available at http://www.cbpp.org/2-2-09hous.htm). The provision allows exchange only of unsold 9% credits from prior years and 40 percent of the 9% credits for 2009, and not 4% credits. The final bill does not include the provision in the Senate bill to "accelerate" the amount of the credit taxpayers can claim in the first three years, or the Senate Finance "credit carryback" provision.

The bill includes an important provision to protect renters (including section 8 voucher holders) in foreclosed properties acquired or rehabilitated with Neighborhood Stabilization funds newly made available or appropriated last year (unless the funds were committed before the bill is signed). Recipients of NSP funds must not discriminate against Section 8 voucher holders. We will post additional information about this provision shortly.

Some of the tax cuts added in the Senate bill were trimmed sharply to make way to restore components of the bill that were priorities for the Administration, such as additional funding for schools and additional benefits for the unemployed.

The final bill does not include the $15,000 homebuyer credit contained in the Senate bill.
Instead, it includes provisions modifying the original homebuyer credit approved last July (increasing the credit from $7,500 to $8,000 and extending it to homes purchased before December 1, 2009)and waives the requirement that the credit by paid back if buyers retain the home as their principal residence for at least 3 years.

Congress is on recess the week of February 16th. The following week Congress is expected to approve the delayed 2009 appropriations bill for HUD and most other agencies. We will provide information on 2009 funding levels for key HUD programs as soon as it is available.

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