

# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

## Mandatory Affordable Housing Programs

### [OUTLAY TABLE]

Housing Supply and Demand (mandatory outlays, \$ billions)		2024-2033
Supply	<b>Extremely Low-Income Housing Supply Subsidy</b>	<b>\$15</b>
	<i>New Project-Based Rental Assistance</i>	\$7.5
	<i>Preserve Distressed Public Housing</i>	\$7.5
	<b>Grants to Reduce Barriers to Affordable Housing Production</b>	<b>\$10</b>
Demand	<b>Housing Vouchers for Vulnerable Low-Income Populations</b>	<b>\$22</b>
	<i>Vouchers for All Youth Aging out of Foster Care</i>	\$9
	<i>Vouchers for Extremely Low-Income Veterans</i>	\$13
	<b>First-Generation Homebuyer Down Payment Assistance</b>	<b>\$10</b>
Eviction Prevention	<b>Sustainable Eviction Prevention Reform, including Diversion, Representation, and Relief</b>	<b>\$3</b>

Note: The 2024 Budget also proposes \$28 billion in Low-Income Housing Tax Credits and \$16 billion in Neighborhood Homes Tax Credits. For more information on the tax credits, please refer to the "General Explanations of the Administration's Revenue Proposals" at: <https://home.treasury.gov/policy-issues/tax-policy/revenue-proposals>

## PROGRAM PURPOSE

America faces a longstanding and nationwide shortfall in affordable housing that has built up for more than a decade. That shortfall, combined with shifts in housing demand during the pandemic, has led to rapid rent increases that have worsened longstanding affordability challenges for low-income renters. Those factors, combined with recent increases in mortgage rates, have made homeownership out of reach for many first-time, first-generation homebuyers who have not benefited from the generational wealth building that is associated with homeownership.

To address these challenges, the 2024 Budget complements discretionary funding with a package of mandatory funding and tax expenditures that makes a historic investment in lowering housing costs and making the economic security of stable, safe housing a reality for millions of Americans. First, the Budget invests in building affordable homes and reducing barriers to housing production – from restrictive zoning and land use policies to practices that foster discrimination and disparate treatment in the housing market. Second, the Budget makes long-term investments in housing accessibility and affordability for low-income populations that are vulnerable to homelessness, as well as down payment assistance for first-time, first-generation homebuyers to help address racial and ethnic homeownership and wealth gaps. Third, the Budget includes resources to help renters avoid eviction.

## BUDGET OVERVIEW

The 2024 President's Budget requests over \$100 billion in mandatory funding over 10 years for programs at HUD as well as tax credits to provide affordable housing. This is a new proposal for 2024, and would have the following HUD components:

- Extremely Low-Income Housing Supply Subsidy - \$15 billion
  - *New Project-Based Rental Assistance Contracts - \$7.5 billion*
  - *Preserve Distressed Public Housing - \$7.5 billion*
- Grants to Reduce Barriers to Affordable Housing Production - \$10 billion
- Housing Vouchers for Vulnerable Low-Income Populations - \$22 billion
  - *All Youth Aging Out of Foster Care - \$9 billion*
  - *Extremely Low-Income Veterans - \$13 billion*
- First Generation Homebuyer Down Payment Assistance - \$10 billion
- Sustainable Eviction Prevention Reform - \$3 billion

### **Extremely Low-Income Housing Supply Subsidy**

Funding to produce and preserve housing affordable to extremely low income (ELI) households is critical to fostering inclusive communities with opportunities for all. While high housing costs impact millions of families throughout the country, the pressures are most severe for ELI households – 70 percent of whom are moderately or severely cost burdened. Our Nation’s lowest income households are also exposed to deteriorating conditions of affordable housing. This funding would provide critically needed new project-based rental assistance (PBRA) to support housing production that is affordable to the lowest-income households, as well as funding to preserve existing, distressed public housing.

- **\$7.5 billion in New Project-Based Rental Assistance (PBRA) for ELI households.** An injection of \$7.5 billion of new PBRA rental assistance would allow more housing to serve ELI households. PBRA contracts would combine with capital sources like the LIHTC, the Housing Trust Fund, and FHA-insured mortgages to enable the development of new affordable housing sustainable over the long term. Funding for new PBRA contracts would attract development capital and community engagement for the creation of new affordable homes, supplying sorely needed rental housing for America’s neediest families. HUD would allocate new contracts to encourage mixed income housing in places of greatest need, prioritizing properties in resource-rich urban, suburban, and rural neighborhoods.
- **\$7.5 billion investment in funding to preserve distressed public housing through rehabilitation and redevelopment.** This one-time investment will address the capital needs of the most severely distressed and troubled public housing properties nationwide. Properties would be modernized, substantially rehabilitated, and/or completely rebuilt depending on the varied property needs. A section of funds would be available for pre-development grants to help Public Housing Agencies (PHAs) that need additional capacity building to complete a physical needs assessment, apply for financing, and complete other development activities required to put together a successful development proposal. Additional funds would be available to proposals that demonstrate that, as a complement to redevelopment plans, there is funding committed to investing in the surrounding neighborhoods and making services available to public housing residents.

### **Grants to Reduce Barriers to Affordable Housing Production**

Across the country, communities are facing an affordable housing crisis with an estimated shortage of at least 1.5 million units of housing nationwide. As a result, rental units and homeownership are both unaffordable and unattainable for millions of Americans. New development is often delayed or deterred by barriers to affordable housing production and preservation. There are limited resources for addressing harmful barriers such as archaic land use policies, restrictive zoning, outdated processes, and lack of financing opportunities, especially for innovative housing and community development strategies.

The Budget includes \$10 billion to help States and local jurisdictions expand supply and increasing housing choice by reducing barriers to the development of affordable housing through planning and housing capital grants.

Planning grants will help jurisdictions identify and remove the barriers to affordable housing in their communities, such as restrictive zoning and burdensome permitting processes, and develop housing plans and strategies. Housing capital grants will help jurisdictions take advantage of such reforms and increase supply by financing affordable housing construction, rehabilitation, and preservation. For grantees with the most ambitious plans for removing barriers and boosting housing supply, capital grants can provide additional flexible funding for community development priorities that complement the additional housing supply, such as neighborhood amenities, public facilities, schools, parks, and similar complementary activities eligible under the Community Development Block Grant (CDBG) program. These funds can be combined with other Federal, State, and local resources for affordable housing and transit-oriented development to support efforts to build equitable communities with more affordable housing supply and access to local services and economic opportunities.

In addition, the funding would support research and evaluation of the “housing forward” policies implemented by grantees to share evidence-based model codes and reforms and further expand the impact of the grants. Research could identify which reforms to restrictive zoning and other land-use regulations and processes are effective at expanding housing choices for low- and moderate-income households, and suggest how to align reforms with subsidies, financing, and incentives to achieve the deeper affordability necessary to meet the needs of cost-burdened renters and improve access to homeownership.

Grants will be made directly available to States, metropolitan cities, urban counties, and insular areas eligible for CDBG and Tribes eligible for Indian CDBG. Funds may be further distributed to subrecipients such as units of local government, metropolitan planning organizations, multijurisdictional entities, and nonprofit organizations that have the capacity to carry out eligible activities. Funding would also be set aside for rural communities and Tribes, respectively.

### **Rental Assistance for Vulnerable Low-Income Populations**

According to the most recent data from HUD’s report on “worst-case housing needs,” nearly eight million households in the United States with the lowest incomes are severely rent burdened (pay more than half of their income towards rent), live in severely inadequate conditions, or both.<sup>1</sup> Annually, over 1.2 million households experience homelessness sometime during the year.<sup>2</sup> Over a million people are estimated to be precariously housed in doubled-up situations due to a lack of money. Tenant-based rental assistance, specifically in the form of HUD’s Housing Choice Voucher Program, has been demonstrated to be an effective means of increasing housing stability, preventing or resolving homelessness, and supporting economic success among the lowest income families. Housing vouchers have helped to bring about a 55 percent decrease in homelessness among veterans, have prevented homelessness among youth exiting foster care, help people with disabilities avoid institutional care settings, and have been demonstrated to be the most effective intervention to help families with children exit homelessness. Despite their proven effectiveness, Housing Choice Vouchers have been severely underfunded: in most communities, only one housing voucher is available for every four or five qualifying households. Families remain on waiting lists for housing vouchers for years, and many agencies that administer housing vouchers have had to close their waiting lists to new applicants.

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<sup>1</sup> HUD’s Worst Case Housing Needs Report, 2021 Report to Congress (<https://www.huduser.gov/portal/sites/default/files/pdf/worst-case-housing-needs-2021.pdf>)

<sup>2</sup> Department of Housing and Urban Development. The 2022 Annual Homelessness Assessment Report to Congress, Part 1

To address this severe shortfall in rental assistance, the Budget provides \$22 billion in mandatory funding to create housing voucher programs for two targeted populations that are particularly vulnerable to homelessness – veterans with extremely low incomes and youth exiting the foster care system. Within this proposal, HUD will explore adopting program flexibilities and improvements to streamline access to, and use of, these new vouchers, as well as providing funds to increase access to housing through landlord incentives and security deposit assistance. Between discretionary funding, program reserves, and these mandatory proposals, the Budget proposes enough funding to provide vouchers to well over 200,000 additional households—a down payment on the President’s long-term goal of providing housing vouchers to all eligible households.

- **\$13 billion to make housing vouchers available to all veterans with extremely low incomes.** An estimated 450,000 veteran renter households with extremely low incomes currently do not receive rental assistance and have what HUD terms “worst-case housing needs.” These veterans: 1) have incomes that do not exceed the higher of the Federal Poverty Line or 30 percent of the Area Median Income; 2) either pay more than half of their income for rental costs or live in housing with severe problems such as faulty heating or plumbing; and 3) receive no housing assistance. Over a ten-year period, HUD will expand rental assistance to extremely low-income (ELI) veteran families, starting with an allocation of 50,000 targeted vouchers in 2025 and paving a path to guaranteed assistance for all veterans in need by 2033.
- **\$9 billion to make housing vouchers available to all youth aging out of foster care.** Approximately 20,000 youth exit foster care annually, typically between the ages of 18 and 21, and these young people face greater obstacles to maintaining housing and experience higher rates of homelessness and housing instability compared to the general population. To ensure these young people are stably housed and better able to focus on their education or building a career during this difficult transition, HUD will provide guaranteed housing voucher assistance for all youth aging out of foster care beginning in 2025.

### **First-Generation Homebuyer Down Payment Assistance**

Homeownership is the primary way that American families build wealth and create economic security. However, it is difficult for many renters to access homeownership because of the difficulty in accumulating sufficient savings to pay for a down payment and closing costs; it takes the median renter 10 years of saving 5 percent of their income to do so. This challenge is particularly acute for renters whose parents are unable to provide financial support through intergenerational wealth because they too are not homeowners. The lack of opportunities that first-generation homebuyers face exacerbates racial disparities in homeownership rates and family wealth, creating a cycle that makes improvements in both more difficult to accomplish.

To help break this cycle, the Budget includes \$10 billion for a First-Generation Down Payment Assistance (DPA) program to enable approximately 400,000 Americans to purchase new homes, while addressing racial and ethnic wealth gaps by creating generational wealth through homeownership.

The program would target down payment assistance to first-time homebuyers whose parents do not own a home and are at or below 120 percent of the area median income or 140 percent of the area median income in high-cost areas. The assistance would be allocated via formula grants to States and eligible CDBG grantees (\$8 billion), and competitive grants to eligible entities that have demonstrated capacity to carry out down payment assistance programs (\$2 billion). Eligible activities would include costs in connection with acquisition such as down payment costs, closing costs, and costs to reduce the rates of interest on eligible mortgage payments. In addition to the homebuyers assisted directly by the program, this funding may improve homebuyers’ access to other sources of down payment assistance by creating a standardized Federal offering which could serve as a model for other available down payment assistance programs. Such standardization could, in turn,

prompt greater participation in down payment programs by mortgage lenders, increasing credit availability and choice for consumers.

### **Sustainable Eviction Prevention Reform, including Diversion, Representation and Relief**

In the nearly two decades before the pandemic, an average of 3.6 million evictions were filed against tenants every year, which led to a broad range of negative consequences for affected households and communities. State and local governments leveraged Federal Emergency Rental Assistance, a key American Rescue Plan program, to encourage lasting reform at all levels of government to reduce eviction filings to far below their historic levels through the COVID-19 pandemic.

This budget includes \$3 billion to solidify long-term State, local, tribal, and territorial efforts to reform eviction policies and programs to ensure renters access to resources that help them avoid eviction, a fair legal process, and supports to prevent future housing instability. Aligned with the principles outlined in the Biden-Harris Blueprint for a Renter Bill of Rights, this funding can be used to develop or implement policy reforms and program improvements such as, but not limited to, eviction diversion, emergency rental assistance or other forms and new models of rent relief, and expanding access to legal counsel, housing counselors, and court navigators. Funds can be used to launch new programs or strengthen existing efforts.

More specifically, grants will be made directly available to States, metropolitan cities, urban counties, and insular areas eligible for CDBG and Tribes eligible for Indian CDBG. Funds may be further distributed to subrecipients such as units of local government, state and local court systems, and nonprofit organizations that have the capacity to carry out eligible activities. Funds would be offered on a competitive basis and encourage recipients to leverage local resources and coordinate across sectors and institutions (e.g., local courts, community groups, legal services), to advance local policies that sustain ongoing reforms and solutions after Federal funding expires.