LEGISLATIVE PRIORITIES

HUD SECTION 108

The Section 108 Program allows grantees of the Community Development Block Grant (CDBG) Program to borrow Federally-guaranteed funds for community development purposes. Section 108 borrowers obtain up to five times the amount of their annual CDBG grants by pledging to repay Section 108 loans with future CDBG grants in the event of a default. Section 108 thus enables grantees to undertake substantially larger community development projects than CDBG grants alone would support.

The Section 108 program guarantees loans that offer variable- and fixed-rate financing for up to 20 years to finance certain CDBG eligible activities, including economic development activities, public facilities and improvements, housing rehabilitation, land acquisition, and related activities. Several states have applied directly for Section 108 funding to be distributed to communities in non-entitlement areas to create a loan portfolio of job creation projects.

Since 1977, HUD has issued 1,933 commitments totaling more than $9.3 billion (through September 30, 2015). When HUD guarantees a Section 108 loan, it provides a full faith and credit guarantee to the lender, thereby ensuring timely payment of principal and interest and favorable interest rates. HUD has never paid a claim from a holder of a guaranteed obligation as a result of a default due in part to the availability of CDBG funds for repayment if planned repayment sources are insufficient. The loans guaranteed under Section 108 are privately financed. HUD has developed a productive partnership with financial institutions who implement a flexible financing structure while providing states and local governments with low-cost financing.

Communities across the country turn to the Section 108 loan guarantee as a source of funds for these crucial projects. Currently, Section 108 is supporting 683 outstanding loans in communities across the country, with a total loan balance of $1.66 billion. Section 108-assisted projects approved in 2014 and 2015 are projected to create 5,187 jobs based on $233 million in loan guarantees revenue generating activities (e.g., economic development) with Community Development Loan Guarantee. In 2014 HUD proposed and Congress enacted a proposal to finance the credit subsidy for Section 108 loans through a fee of 2.59% to borrowers, which made Section 108 a zero-subsidy program. The Fiscal Year (FY) 2016 authorization for section 108 is $300 million.

Policy Recommendations for Section 108

Increase Section 108 to $500 million in annual loan volume. This authorization will produce an estimated 10,000 jobs in communities across America at no cost to the US Treasury.

LEGISLATIVE PRIORITIES

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

The Community Development Block Grant (CDBG) Program grows local economies and improves the quality of lives for low- and moderate-income citizens. CDBG provides direct formula grants to nearly 1,200 State and local governments to provide decent housing, a suitable living environment, and economic opportunities within their communities. Communities use CDBG to respond to current and emerging community development needs, including the creation of jobs, development of affordable housing, improvement of existing housing stock, the delivery of vital services, and the development of important infrastructure improvements.

Since 1974 the CDBG has invested $149.4 billion in communities nationwide, assisting states and localities to achieve the kinds of infrastructure investment, job creation, and poverty elimination. Between FY06 and FY15, CDBG created/retained 369,565 jobs. CDBG leverages other funds. For every $1.00 of CDBG investment, another $4.07 in private and public dollars is leveraged. CDBG provides safe, decent, affordable housing.

Other outcomes (FY06 to FY15):

- CDBG assisted nearly 1.3 million low- and moderate-income homeowners rehabilitate their homes, provided down payment and closing cost assistance to qualified home buyers, and assisted homeowners with lead-based paint abatement. CDBG provides crucial public improvements to communities.
- CDBG public improvements benefitted nearly 40 million low- and moderate-income people nationwide. These public improvements included senior centers, child care centers, group homes for persons with disabilities, shelters for victims of domestic violence and homeless veterans, health clinics providing vaccinations and dental care to low-income children, sanitary water and sewer systems, safe streets, and improved drainage systems, among others.

Policy Recommendations for CDBG

Support $3.3 billion in formula funds for the Community Development Block Grants (CDBG) program.

LEGISLATIVE PRIORITIES

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

The Community Development Financial Institutions (CDFI) Fund was established within the U.S. Department of Treasury in 1994 to promote community development in economically distressed urban and rural communities by investing in and growing Community Development Financial Institutions (CDFIs) across the country. There are currently well over 1,000 Treasury certified CDFIs.

CDFIs are mission-driven financial institutions that deliver affordable credit, capital, and financial services to residents and businesses in minority and economically distressed communities. In addition to overseeing CDFI certification, the CDFI Fund administers a range of innovative programs designed to strengthen the ability of CDFIs to provide financial products and services in underserved communities.
The CDFI Fund administers the following core programs and each program awards funds annually through an independent and competitive application process for financial assistance that provides lending capital to CDFIs in urban and rural areas; technical assistance to build the capacity of CDFIs; assistance to CDFIs located in and serving Native Communities; and Bank Enterprise awards to Federal Deposit Insurance Corporation (FDIC) insured banks and thrifts that increase investment activity in communities with high rates of poverty and unemployment.

Since 2003, CDFIs receiving awards from the Fund have loaned and invested more than $26 billion to underserved businesses and individuals. In FY 2016, CDFIs receiving a financial award made over 39,000 loans or investments, totaling over $3.6 billion, and financed over 11,000 small businesses and more than 33,000 housing units.

CDFIs have added nearly 2 million square feet of grocery stores, farmers' markets, and other facilities and amenities designed to fight food insecurity since 2008. CDFIs are increasingly investing in some of the poorest communities in America – where poverty is over 30 percent or median incomes are under 60 percent of the area median.

Policy Recommendations for CDFI

Provide at $250 million in annual CDFI Fund appropriations as approved by the House in the FY 2017 Financial Services and General Government Appropriations Bill (H.R. 5054).

LEGISLATIVE PRIORITIES

SMALL BUSINESS ADMINISTRATION GUARANTEEED LENDING

Since its founding in 1953, the Small Business Administration provided access to capital, contracting and counseling for thousands of entrepreneurs.

The SBA is the world's largest business loan guarantor. Its flagship lending vehicles, the SBA Advantage Loan Program (or 7(a)) and the SBA Grow Loan Program (or 504), offer loan guarantees for small businesses that may not qualify for traditional bank loans. As reported in Administrator Contreras-Sweet's exit memo, since 2009, the SBA guaranteed $179 billion in small business loans. Annual SBA lending in its largest program is up more than 160 percent since the depths of the recession. Last year, SBA guaranteed more than 70,000 loans, for a total of $28.9 billion, and supported more than 694,000 jobs across the country. As a result of fees paid by borrowers calculated under the Fair Credit Reporting Act, at present both of these loan programs operate without any subsidy from the American taxpayer. The program is a true public private partnership with over 2000 lenders across the country.

NDC Grow America Fund, NDC's small business lending arm, operates as a certified CDFI providing community development lending to support the creation of jobs and the expansion of eligible small business in underserved areas, particularly minority and women-owned businesses. NDC loaned over $214M to over 550 small businesses creating or retaining 13,400 jobs.

The SBA reports annually by department progress on meeting the federal goals for contracting with women and minority owned businesses. For the past three fiscal years in a row, the federal government has met or exceeded its statutory goal of awarding 23 percent of federal contract dollars to small businesses. And last year, the SBA led the government to an all-time high of 25.75 percent. In 2015 the federal government met, for the first time, the goal for women (just 5 %). NDC provides technical assistance to Women Impacting Public Policy, the premier advocate for women in business, who has been leading the effort to include women in federal contracting.

Policy Recommendations for SBA

The SBA loan guarantees should continue as a no subsidy investment in small business. The authorization level should be at least $24B and should be adjusted to account for the needs as small businesses develop enough confidence in the future to invest. The fee calculation should continue to use the Fair Credit Reporting Act standards built on the experience of loss.

The SBA should continue to report on federal contracting in order to highlight progress toward meeting the goals for doing business with women and minority contractors. Often the experience with government contracting provides the vital step to growth in a small business.

LEGISLATIVE PRIORITIES

RURAL HOUSING

Renters in rural areas are among the worst housed individuals and families in the country (American Housing Survey, 2011). Thirty-five percent of rural renters are cost-burdened, paying more than 30% of their income for housing costs. Almost one million rural renter households suffer from multiple housing problems, 60% of whom pay more than 70% of their income for housing. The preservation of affordable rental housing in rural areas is another crucial issue that needs to be addressed.

The U.S. Department of Agriculture (USDA) Section 515 Rural Rental Housing Program is an invaluable tool for rural rental housing production, repair, and preservation. Of the tenants residing in USDA multifamily housing, 94% have very-low incomes, earning no more than 50% of the area median income; 61% of all Section 515 households are headed by an elderly or disabled tenant, 30% are headed by persons of color, and 72% are headed by women. For many small rural communities, the rental housing financed by USDA is the only affordable rental housing available.

Current section 515 funding is less than $50 million per year. While USDA has devoted more resources to preservation activities and vouchers, that amount is nonetheless de minimis and there is essentially no new construction program at USDA. Because of this low level of funding approximately 100 developments per year, exit the section 515 program.

USDA faces challenges in simply maintaining its current portfolio:

1. The average age of the rural rental-housing portfolio is 28 years. A 2004 report indicated a 20 year, $2.6 billion cost for maintaining and preserving existing rural rental housing developments the approximately 400,000 units of existing rural rental housing In FY 15, USDA financed the revitalization of 3544 units of rental housing. There has not been an adequate level of resources aimed at preserving the existing portfolio;
2. A rising tide of maturing mortgages. Under current law, rural rental assistance is limited to developments that are financed under section 515 and farm labor units financed under section 514. As section 515 and 514 loans have matured, those developments and their tenants are no longer eligible for rental assistance. USDA has already lost a substantial number of units and the Fiscal Year 2017 federal budget estimates that many more projects will exit the programs in future years; and
3. A shortfall in Low Income Housing Tax Credit Resources. The funding level of rural LIHTC units leveraging section 515 has decreased by 85% from 1987 to 2010. This is because section 515 plays an important role in attracting other housing resources to rural America. A recent ABT report commissioned by HUD indicates a low rate of non-metro participation in the Low-Income Housing Tax Credit. During 1995-2004, non-metro communities had 25% of the projects but only 13% of the units financed by LIHTC.

Policy Recommendations for Rural Housing

- ***Preserve LIHTC as a permanent part of the federal code;***
- ***Provide $40 million for the Section 515 Rural Rental Housing Loan program;***
- ***Provide $1 billion for the Section 502 direct homeownership program;***
- ***Provide $23.9 million for Section 514 (loans) and $8.4 million for Section 516 Farm Labor Housing Grants; and***
- ***Provide $30 million for the Self-Help Housing program.***

Lincoln Senior Housing

NDC Corporate Equity Fund XII facilitated the financing of Lincoln Square, a LIHTC project involving $5.5 million in rehabilitation and consolidation of three projects, totaling 52 affordable senior units. The project was completed in partnership with Carefree Living Caliente, American Covenant Senior Housing Foundation and Oakleaf, LLC.

Lincoln Square is in the southeastern portion of the state of Nevada in a rural census tract. All units receive Rural Development Rental Assistance, and are set aside for seniors that are 30%, 40% and 50% of the AMI. Until recently, the properties were operating at about 63% occupancy due to poor management, the development team stepped up, vastly improving tenant relations and investing nearly $60,000 from September 2014 to March 2015 to address general maintenance issues. The property currently operates at 100% occupancy.

Three rural projects will be consolidated into one Lincoln Square property; the rehabilitation will address a sewer line repair to restore one unit that is currently not leasable. The units will be updated with new cabinetry, appliances, bathroom fixtures, flooring and lightening. Additionally, the open parking lots will become covered, with structures serving as racks for solar panels.

Permanent financing for the project included a USDA 515 Loan, USDA 538 Loan proceeds, HOME funds, LIHTC equity and Renewable Tax Credit investment.

LEGISLATIVE PRIORITIES

NEW MARKETS TAX CREDIT (NMTC)

The NMTC was authorized in the Community Renewal Tax Relief Act of 2000 (PL 106-554), as part of a bipartisan effort to stimulate investment and economic growth in low income urban neighborhoods and rural communities that lack access to the patient capital needed to support and grow businesses, create jobs, and sustain healthy local economies. Between 2003 and 2015, $42 billion in direct NMTC investments were made in businesses and these NMTC investments leveraged over $80 billion in total capital investment to businesses and revitalization projects in communities with high rates of poverty and unemployment. Between 2003 and 2012, the NMTC generated about 750,000 jobs , at a cost to the federal government of less than $20,000 per job. By law, all NMTC investments must be made in economically distressed communities. However, more than 72 percent of all NMTC investments have been in communities exhibiting severe economic distress, including unemployment rates more than 1.5 times the national average, a poverty rate of 30 percent or more, or a median income at or below 60 percent of the area median. The New Markets Tax Credit generates economic activity, providing a return on investment to the federal government. In 2012, NMTC-financed businesses generated $984 million in federal tax revenue which more than covered the estimated $800 million cost of the Credit in terms of lost tax revenue in 2012.

In 2015, Congress enacted the PATH Act (PL 114-113), which extended NMTC for five years (2015-2019) at $3.5 billion in annual credit authority. Recently, the Community Development Financial Institutions Fund (CDFI) of the Treasury Department awarded a total of $7 billion in allocations. This will spur an estimated:

- $14 billion in total investments in economically distressed communities including $2.8 billion in rural America;
- 166,000 construction jobs;
- $2.8 billion for investments in rural communities;
- Financing for 139 industrial and commercial facilities;
- Investments for 350 vital community facilities included schools, hospitals and clinics;
- Financial assistance to 38 grocery stores and 84 mixed-use developments; and
- A variety of other projects prioritized by local leaders.

Policy Recommendations for the New Markets Tax Credit (included S.384 NMTC Extension Act by Sens. Blunt and Cardin):

- ***Make the NMTC a permanent part of the Internal Revenue Code;***
- ***Increase the annual NMTC allocation to $5 billion annually, indexed to inflation in future years; and***
- ***Provide Alternative Minimum Tax (AMT) relief for NMTC investments, thereby ensuring NMTC investors the same consideration under the AMT as is currently provided to investors in many other federal tax credits.***

NDC NMTC

Since the inception of the program, NDC used the NMTC to support economic and community development. We not only provide tax credit equity to our client communities' projects, but we also help communities structure their NMTC transactions, find the necessary additional financing, and develop relationships with other organizations that receive allocations of the investment tax credits to provide NMTC equity when we cannot.

To date, NDC has:

- Invested in 87 projects located in 25 states, received $704 million in NMTC allocation; and.
- Generated over $1.7 billion in total other public and private investment creating or retraining 14,508 jobs.

For example, NDC used the NMTC to finance the Abilene Life Sciences Accelerator in the small town of Abilene, Texas. The laboratory and biotech incubator works with Texas Tech University Health Sciences Center through its Center for Immunotherapeutic Research and Product Development, the main focus of which is developing new drugs. The project created 40 construction jobs and 8 new permanent jobs.