Introduction

On February 9, President Obama released his Fiscal Year (FY) 2017 Budget Request to Congress, outlining his spending priorities and policy proposals for the coming year. This is the final budget request of his presidency.

Overall, the budget request provides a $2.1 billion increase in funding for affordable housing and community development programs. The budget proposes additional resources for the U.S. Department of Housing and Urban Development (HUD) to expand the number of Housing Choice vouchers for homeless families with children, increase funding for Homeless Assistance Grants, as well as to help revitalize distressed communities throughout the country. Moreover, the budget fully funds the U.S. Department of Agriculture (USDA) rural rental housing assistance program.

The budget request also contains a number of proposals related to tax policy and other federal agencies that directly impact housing and economic opportunities for low-income families.

Tax Policy

**Low-Income Housing Tax Credit**

The administration’s budget request includes six proposals to expand and strengthen the Low-Income Housing Tax Credit (Housing Credit). There is only one new proposal for FY 2017 is related to affirmatively furthering fair housing, and the remaining five were carried over from previous budget requests.

The administration’s new proposal would require state Qualified Allocation Plans (QAPs) to include affirmatively furthering fair housing as an explicit fourth allocation preference. Currently, states must include allocation preferences for developments 1) serving the lowest income tenants, 2) serving qualified tenants for the longest periods, and 3) which are located in Qualified Census Tracts (QCTs) and the development of which contributes to a concerted community revitalization plan. For more information, see the Fair Housing section of this overview.

The other five proposals would:

1. Allow states to increase their Housing Credit authority by up to 50 percent by converting a portion of their private activity bond volume cap into Housing Credit allocations. The administration notes that the “agencies in charge of allocating [Housing Credits] are often confronted with a larger number of deserving projects than they can support, and that “increasing the volume of higher rate credits would allow the development of some projects for which the current supply is insufficient.” Buildings would also qualify for 30 percent present value Housing Credits without issuing bonds if they receive an adequate allocation of tax-exempt volume cap.

2. Encourage income-mixing by using an income-averaging rule to determine a project’s compliance with income eligibility guidelines. This proposal would also include a provision that would permit some non-income qualified tenants
to remain in residence during rehabilitation.

3. Add preservation of federally assisted affordable housing as a selection criterion in state QAPs.

4. Remove the cap on the number of census tracts that can be designated as QCTs. HUD would be permitted to declare any census tract that meets the current statutory criteria related to poverty and area median income as a QCT, thus making it eligible for the 30 percent QCT basis boost. Currently, the population living in QCTs cannot exceed 20 percent of the population of a metropolitan area.

5. Require protections for victims of domestic abuse in Housing Credit properties.

**New Markets Tax Credit**

The budget proposes extending the New Markets Tax Credit (NMTC) permanently with an allocation of $5 billion per year, and allowing the NMTC to offset Alternative Minimum Tax (AMT) liability. The budget request notes the NMTC’s role in supporting “private-sector partnerships and investments that play a key role in strengthening communities,” and that permanent extension of the NMTC would “create greater certainty for investment planning purposes” while generating more investments in low-income communities.

**Tax Reform**

President Obama continues to call on Congress to enact corporate tax reform that helps create jobs and spur investment while eliminating loopholes. As in previous years, the President’s FY 2017 budget proposes lowering the top corporate rate to 28 percent (25 percent for manufacturing) while improving incentives for research and clean energy and simplifying and cutting taxes for small businesses. The budget also includes a plan to reform and modernize the international business tax system by imposing a minimum tax on foreign profits and preventing corporate “inversions.”

The administration’s individual tax reform proposal would expand the Earned Income Tax Credit, reform and simplify tax incentives that help families save for retirement and pay for college and child care, create a “second earner” tax credit, and reform the capital gains tax. For more information, see the Minimum Wage and Earned Income Tax Credit section of this overview.

**Housing and Community Development Resources**

**U.S. Department of Housing and Urban Development (HUD)**

Overall, President Obama proposes a more than $2.1 billion increase in funding compared to FY 2016 for affordable housing and community development programs administered by HUD and other federal agencies.

This includes significantly more resources to fund Housing Choice Vouchers ($1.23 billion or 6.2 percent increase) and Homeless Assistance Grants ($414 million or 18.4 percent increase) that support the administration’s $11 billion, 10-year, mandatory spending Opening Doors proposal to end family homelessness by 2020. For more details, see the Opening Doors section of this overview.

The budget also proposes more robust funding for Project-Based Rental Assistance ($194 million or 1.8 percent increase), Choice Neighborhoods ($75 million or 60 percent increase), Housing for the Elderly ($72.3 million or 16.7 percent increase), and the Public Housing Operation Fund ($69 million or 1.5 percent increase).

HUD programs with the largest proposed cuts include Community Development Block Grants ($180 million or 5.9 percent decrease), Policy Development and Research ($20 million or 23.5 percent decrease), and the Public Housing Capital Fund ($35 million or 1.8 percent decrease).
Public and Assisted Housing

Housing Choice Vouchers

The single largest increase in proposed funding is for HUD’s Housing Choice Vouchers program at $20.84 billion.

With an additional $1.23 billion in proposed funding, the administration seeks to add 10,000 new vouchers ($88 million) that will be targeted to homeless families with children, to create a new $7 million set-aside for new Tribal Veteran Affairs Supportive Housing (VASH) vouchers, and to increase funding for contract renewals ($765 million increase). The budget does not propose any new Veteran Affairs Supportive Housing (VASH) vouchers, but will renew all existing VASH vouchers.

The increase in funding for the Housing Choice Vouchers program represents 57 percent of the total $2.1 billion of additional funding proposed by the administration for all housing and community development programs in FY 2017.

This new funding complements the administration’s $11 billion, 10-year, mandatory spending Opening Doors proposal to end family homelessness by 2020. For more details, see the Opening Doors section of this overview.

The FY 2017 budget also support the administration’s $15 million Housing Choice Voucher Mobility Demonstration to provide housing counseling to help families with Housing Choice Vouchers (HCV) locate to higher opportunity neighborhoods. For more information, see the Fair Housing section of this overview.

Project-Based Rental Assistance

The budget proposes to fund Project-Based Rental Assistance (PBRA) at $10.8 billion, a $194 million or 1.8 percent increase compared to FY 2016. This amount would continue to support fully funding for all existing contracts.

Public Housing

Under the President’s proposal, the Public Housing Operating Fund would receive a modest $69 million increase compared to FY 2016 rates to bring total program levels to $4.57 billion. In comparison, the Public Housing Capital Fund ($1.87 billion) would receive a $35 million cut in funding.

Rental Assistance Demonstration

The FY 2017 budget request reaffirms the administration’s commitment to expanding and strengthening the Rental Assistance Demonstration (RAD). HUD again proposes to remove the 185,000 unit cap on the number of public housing units that can be preserved under RAD. Though RAD itself does not require any additional subsidy, HUD is requesting $50 million to facilitate the conversion of some high-priority developments that would otherwise not be feasible, including developments in high-poverty neighborhoods, in designated Promise Zones, in areas where the administration is supporting comprehensive revitalization and in areas where there is a limited supply of affordable housing. This funding is expected to make possible the conversion of approximately 25,000 units.

The administration’s proposal would also allow Section 202 Housing for the Elderly developments to convert under RAD; currently, only developments financed by the public housing, Moderate Rehabilitation, Rent Supplement and Rental Assistance Payment programs are eligible to convert.

The administration also proposes to eliminate the 2018 deadline on the submission of RAD applications, to standardize ownership and control requirements in RAD-converted properties that use Low-Income Housing Tax Credits or where foreclosure, bankruptcy or default occurs, and to further protects tenants’ rights to continue occupancy in certain types of conversions.
Moving To Work
The administration proposes to rescind the language authorized in the FY 2016 omnibus spending bill that significantly expands the Moving To Work (MTW) public housing demonstration program. The legislation, enacted in December 2015, directs HUD to admit 100 new public housing agencies to the MTW program over the next seven years—a major increase over the current 39 participating agencies. In previous budget requests, the administration proposed a more modest expansion of MTW to only 15 new agencies. The legislation also directs HUD to extend all of the existing MTW contracts without changes unless mutually agreed to by the public housing agency and HUD.

HOME Investment Partnerships (HOME)
The President’s budget proposes to fund HOME at $950 million. This renews the $50 million increase in funding that HOME supporters and Congressional champions secured in the FY 2016 budget after Congress initially proposed to deeply cut—or even essentially eliminate—the program altogether.

The budget also proposes a number of policy changes aimed at improving the targeting and effectiveness of HOME. Specifically, the administration is requesting legislative language to eliminate the 24-month commitment requirement, eliminate the 15 percent Community Housing Development Organization (CHDO) set-aside, establish a single qualification threshold of $500,000 irrespective of the appropriation amount, revise the current “grandfathering” provision so that participating jurisdictions that fall below the threshold three years out of a five-year period are ineligible for direct formula funds, and allow recaptured HOME CHDO technical assistance funds to be reallocated as HOME technical assistance funds.

The administration’s Upward Mobility Project would allow up to ten communities, States or consortia of States and communities to combine funds from four existing block grant programs designed to promote opportunity and economic development and reduce poverty. The administration intends for this initiative to test promising approaches to help families become more self-sufficient, improve children’s outcomes, and revitalize communities so they can provide more opportunities for their residents. Approved projects must utilize evidence-based strategies, track program performance, and evaluate intervention effectiveness. For more information, see the Upward Mobility Project section of this overview.

Capacity Building
President Obama’s budget request includes a proposal to combine all capacity building and technical assistance programs—including the Section 4 Capacity Building for the Community Development and Affordable Housing (Section 4) program—into a Research and Technology (R&T) account. The R&T account would have the authority to transfer up to $120 million from other HUD programs, however this funding is not guaranteed. This would essentially eliminate the Section 4 program as it operates today. When the administration proposed a similar change in FY2016, it was soundly rejected by Congress.

Broadband Connectivity
The administration is seeking to narrow the digital divide for students and families in HUD-assisted housing through actions that include a strategic investment of $5 million for the ConnectHome initiative. This investment would support the provision of competitive grants to increase broadband access and adoption. Though ConnectHome is an administration priority, there is currently no funding available.

Other Federal Agencies
Community Development Financial Institutions
The President’s FY 2017 budget requests $246 million for the Community Development Financial Institution (CDFI) Fund or $12.4 million above the FY 2016 enacted level. This is in line with the upward trend in appropriations for the CDFI Fund in recent years.

The budget request includes level funding for the CDFI Program ($153.4 million), level funding for the Healthy Food Financing Initiative (HFFI, $22 million), and $15.5 million for the Native American CDFI Assistance program. After proposing to eliminate funding for the Bank Enterprise Award (BEA) Program in last year’s budget request, the administration proposed level funding ($19 million) in FY 2017.

In response to the CDFI industry’s desire for improved technology and data tools, the budget proposes funding that would allow the CDFI Fund to develop a new modeling tool—the Community Development Impact Measuring Estimator—to improve the data quality of reported social impact measures.

Moreover, the administration proposes a one-year reauthorization of the CDFI Bond Guarantee Program (BGP) through September 30, 2017, with a guarantee level of $1 billion. Similar to FY 2016, the budget proposes reforms to the BGP to balance the simultaneous goals of increasing CDFI participation and maintaining protections against credit risk. BGP does not require direct appropriations and is therefore not included as part of the top level CDFI Fund budget request.

**Housing Trust Fund and Capital Magnet Fund**

For the first time, the National Housing Trust Fund and the Capital Magnet Fund will receive funding in 2016 through a mandatory assessment from Fannie Mae and Freddie Mac. The budget estimates that $170 million will be allocated to the Housing Trust Fund in 2016, while $98 million will be allocated to the Capital Magnet Fund. For a summary of how those resources will flow to communities, see Enterprise’s recent blog post.

**Rural Housing**

Overall, USDA’s Rural Housing programs received a net increase of $5.2 million compared to FY 2016. USDA’s Section 521 Rural Rental Assistance program received a $15.3 million increase in funding to ensure that all current contacts are renewed. This increase was offset by a $9 million cut to the Section 523 Mutual Self-Help Housing program ($18.5 million) and the elimination of Section 533 Rural Housing Preservation Grants.

**Holistic Community Development Policies**

**Fair Housing**

The Administration proposes a new $15 million Housing Choice Voucher (HCV) Mobility Demonstration program to assist families with vouchers to move to higher opportunity neighborhoods. The resources would be used to help families evaluate neighborhoods and find available resources. Up to $3 million of the proposed funds would be used to evaluate the program. In addition, the budget would increase PHA voucher administrative fees to $2.1 billion to provide PHAs with the resources to promote mobility. For more information, see the Housing Choice Vouchers section of this overview.

The budget notes that one of the Administration’s top priorities is implementation of the Affirmatively Furthering Fair Housing (AFFH) rule. The Administration proposes reallocated and new staff for technical assistance, training, and review of newly required Assessments of Fair Housing (AFH). The proposed budget includes $1.5 million for the AFFH user interface tool that grantees will use to submit their AFH plans electronically.
The Administration proposes $70 million for the Office of Fair Housing and Equal Opportunity (FHEO), a $4.7 million increase from the enacted FY 2016 level. The majority of FHEO funds support Fair Housing Assistance Program (FHAP), at $21.9 million, and Fair Housing Initiatives Program (FHIP), at $46 million. Compared to FY 2016, this represents a $2.9 million decrease for FHAPS and a $6.8 million increase for FHIPs.

**Social Impact Bonds (SIBs)/ Pay-for-Success (PFS)**

The FY 2017 budget proposes a one-time mandatory appropriation of $300 million for a new Pay for Success (PFS) fund within the Department of the Treasury. The new fund would support state and local PFS contracts—also called Social Impact Bonds and Social Impact Partnerships—that are expected to save federal dollars. A similar fund has been proposed in bipartisan legislation before the House and Senate.

**Green Housing**

The budget request includes legislative language to provide the HUD Secretary with the authority to create a utilities conservation pilot program to incentivize public housing authorities (PHAs) to undertake energy and water conservation measures in order to reduce federal costs. Under the initiative, PHAs would be eligible to use reduced utility cost savings to support operating expenses and capital improvements.

The budget highlights HUD’s announcement last month that the Federal Housing Administration (FHA) will reduce upfront and annual premiums for affordable and energy efficient rental housing. For loans insured under FHA’s three signature programs—the new construction, substantial rehabilitation, and refinance programs—the annual premium will be reduced by 10 to 40 basis points. For more information, see the Federal Housing Administration section of this overview.

The President’s budget also lays out the administration’s goal of doubling investments in Clean Energy Research and Development from current levels to $12.8 billion by 2021. For FY 2017, the budget requests $7.7 billion of discretionary funding for clean energy programs across 12 agencies with nearly 80 percent going to the Department of Energy for critical clean energy development activities. This includes over $2 billion for energy efficiency and renewable energy technologies.

**Equitable Transportation-Oriented Development**

The 2017 budget request sets a topline number for the Department of Transportation (DOT) of $98.1 billion in budget authority and proposes a 21st Century Clean Transportation Plan. As part of this proposal, several programs administered by DOT would be continued under a new National Infrastructure Investments Trust Fund account as mandatory spending. The Clean Transportation Plan would provide highway, transit and rail programs a boost in investments by introducing a $10.25-per-barrel fee on domestic and imported oil. The administration estimates that this initiative will generate $32 billion annually for transportation programs over the next ten years.

As a result of this new investment in transportation, the budget provides a robust increase in funding to a number of programs.

For example, the budget proposes a more than $10 billion annual increase to the FTA New Starts, Small Starts and Transit Formula Grant programs to invest in safety, performance and efficiency of existing and new transit systems.

It also provides $525 million for the Rapid Growth Area Transit program, which aims to help fast-growing areas implement multi-modal solutions, and nearly $1.5 billion annually in Clean Communities competitive grants to support transit-oriented
development, brownfield clean up and complete streets policies. Moreover, the administration would provide $750 million annually for Resilient Transportation competitive grants that support transportation projects that incorporate resilience strategies, including adaptive materials, risk-sensitive design, and next-generation transportation and logistics technology. The administration’s request nearly doubles the amount of grant funding available through the TIGER program to support investments in infrastructure.

Anti-Poverty Proposals

President Obama’s budget request includes a number of proposals aimed at combating poverty and homelessness.

Opening Doors

The President’s FY 2017 Budget Request proposes a new Opening Doors initiative aimed to help reach and maintain the goal of ending family homelessness by 2020. Opening Doors is a 10-year, mandatory spending proposal that would provide an additional $8.8 billion for Housing Choice Vouchers and $2.2 billion for short-term assistance, including rapid re-housing to stabilize and house homeless families. HUD estimates that the proposal would serve 550,000 families with children over the 10-year period.

According to the New York Times, family homelessness is often a more persistent challenge because “low wages fail to keep pace with skyrocketing housing costs in many cities.” To complement this initiative, the budget proposes additional discretionary spending to provide 10,000 new Housing Choice Vouchers targeted to homeless families with children (in the Housing Choice Voucher account), 25,500 new units of permanent, supportive housing to end chronic homelessness, $25 million to test innovative projects that support homeless youth, and 8,000 new units of rapid rehousing (in the Homeless Assistance Grants account). For more information, see the Housing Choice Vouchers section of this overview.

Local Housing Policy Grants

The FY 2017 budget request proposes $300 million in mandatory spending for a new Local Housing Policy Grant program. Under the initiative, localities would compete for competitive, flexible grants to demonstrate how coordinated efforts across housing markets can significantly expand the supply and
affordability of housing. In addition to supporting activities necessary for new affordable housing actions at the local level, the funds would be used to establish a learning network to provide ongoing capacity building to facilitate shared learning opportunities and disseminate best practices. This initiative was originally proposed by the administration in FY 2016, but was not enacted by Congress.

**Minimum Wage and Earned Income Tax Credit**

The budget includes a proposal to increase the federal minimum wage and expand the Earned Income Tax Credit. The proposal would double the maximum credit for childless workers to approximately $1,000 and expand EITC eligibility to workers ages 21-24 and 65-66 to match scheduled increases in the Social Security retirement age. For more information, see the Tax Reform section of this overview.

**Emergency Aid and Service Connection Grants**

The budget requests $2 billion over five years to support a new Emergency Aid and Service Connection initiative to test and scale state and local approaches to aid families facing financial crisis. The new program, which would be overseen by the Department of Health and Human Services (HHS), would pilot new approaches for providing emergency aid for low-income families, including both short-term financial assistance and connection to longer-term supports for those who need them.

**Financial Innovation for Working Families Fund**

The budget requests $100 million for the Department of the Treasury to encourage the development of effective financial products that would help low- to moderate-income workers build up "rainy day" reserves. Funds will be awarded to financial institutions and intermediaries with proven models, such as split retirement accounts with rainy day access features, matched-savings and reward-based savings accounts, or payment set-aside accounts to prefund monthly financial needs.

**Promise Zones**

The FY 2017 budget request includes a proposal for new Promise Zone tax incentives, including tax credits for hiring workers and incentives for capital investment within a Promise Zone.

**Upward Mobility Project**

The budget proposes an Upward Mobility Project, which would allow up to 10 communities, states or consortiums to pool existing block grant resources through the Social Services Block Grant, the Community Development Block Grant (CDBG), the Community Services Block Grant and the HOME Investment Partnerships Program (HOME) to more effectively promote opportunity and reduce poverty.

The administration intends for this initiative to test promising approaches to help families become more self-sufficient, improve children's outcomes, and revitalize communities so they can provide more opportunities for their residents. Approved projects must utilize evidence-based strategies, track program performance, and evaluate intervention effectiveness. The funding streams that States and communities can apply to use—including the Department of Health and Human Services' Social Services Block Grant and Community Services Block Grant, and the Department of Housing and Urban Development's Community Development Block Grant, and HOME Investment Partnerships Program—share a common goal of promoting opportunity and reducing poverty.

In addition to these funds, participating communities will be eligible to receive a total of $1.5 billion in new funding over five years, to combine with the added flexibility with currently provided resources. For more information, see the HOME Investment Partnerships...
For More Information

If you have any questions about the President's budget request--or how you can help protect funding for affordable housing programs--please contact:

Diane Yentel, Vice President, Public Policy and Government Affairs
dyentel@enterprisecommunity.org
twitter.com/dianeyentel

Sarah Mickelson, Senior Analyst, Project Manager
smickelson@enterprisecommunity.org