

Biden Administration Unveils Housing Supply Action Plan

Industry leaders react to a broad plan that aims to close the housing supply gap in five years.

By Donna Kimura, Affordable Housing Finance, May 15, 2022

The Biden administration has released a sweeping [Housing Supply Action Plan](#) to increase the amount of affordable housing across the country.

The proposal includes a mix of both administrative and legislative actions aimed at closing the housing supply shortfall in five years.

Under the plan, the administration says it will expand existing forms of federal financing for affordable multifamily development preservation. This includes working with Fannie Mae to explore the feasibility of making construction-to-permanent loans, where one loan finances the construction but is also a long-term mortgage, more widely available. In addition, Fannie Mae and Freddie Mac are looking at how to expand and better market their forward commitment programs for multifamily development and rehabilitation.

The administration also plans to reward jurisdictions that have reformed zoning and land-use policies with higher scores in certain grant processes, for the first time at scale. In another step, officials want to help fill financing gaps for manufactured housing, accessory dwelling units, and smaller multifamily developments.

The administration says it will also further integrate affordable housing into Department of Transportation programs, including increasing financial support for Transportation Infrastructure Financing and Innovation Act program projects that include residential development.

The Housing Supply Action Plan also acknowledges the severe supply chain disruptions that plagued developers over the past year. The proposal calls for working with the private sector to address these challenges.

The plan also has news for low-income housing tax credit (LIHTC) developers. The administration notes that the Treasury Department will have guidance on the “income averaging” option by the end of September. Income averaging allows LIHTC property owners to elect to serve households with incomes up to 80% of the area median income (AMI) so long as the average income in a project is no more than 60% of the AMI. While this creates new opportunities for developers, investor interest in this option chilled after the Internal Revenue Service released proposed rules that many in the industry feel limit utilization of the income averaging flexibility and increase risk.

Although there are steps that the administration can make on its own, several of the key proposals require the support of Congress.

“The Biden administration is working to find solutions within their control that would address the housing crisis,” says David Gasson, partner in MG Housing Strategies. “We are appreciative of these efforts but also call on Congress to pass legislation to increase LIHTC resources.”

Increasing the stock of affordable housing would go a long way to addressing inflation, which is being driven by high housing costs and lack of supply, he says.

“To fight inflation, Congress should increase the housing supply by immediately passing the bipartisan Neighborhood Homes Investment Act and expanding low-income housing tax credits,” agrees Benson “Buzz” Roberts, president and CEO of the National Association of Affordable Housing Lenders. “We already know what works. We just have to do it.”

The new proposal urges Congress to pass legislation that will expand and strengthen the LIHTC program as well as other resources for people with the lowest incomes. Earlier, the House passed a reconciliation that that would have increased tax credit allocations and increased capacity for private-activity bonds, but the Senate did not. “David [Gasson] and I applaud this effort to fix zoning and land-use reforms and lower loan costs,” adds Bob Moss, partner at MG Housing Strategies. “While this plan recognizes the need for action on both affordable single-family and multifamily, we need to continue to push for a placed-in-service extension for LIHTC developments underway, which are delayed by supply chain and labor issues. The administration has done a comprehensive job at creating solutions, but let’s not forget the current pipeline of LIHTC projects.”

Bob Broeksmit, president and CEO of the Mortgage Bankers Association, also praised the administration for working to alleviate the shortage of single-family and multifamily housing.

“Eliminating the regulatory barriers to new construction, including manufactured housing, in underserved markets; expanding affordable financing for multifamily development and rehab projects; and a commitment to more private and public sector partnerships will help address the housing supply and affordability challenges that continue to burden families,” he said in a statement. “As the administration focuses on ways to improve the financing of multifamily projects, MBA strongly encourages the Department of Housing and Urban Development (HUD) to focus on the issues that continue to lead to significant lending pipeline delays in its Multifamily Accelerated Processing (MAP) program, which is a primary financing option for producing more affordable rental housing.”

The National Apartment Association and the National Multifamily Housing Council also issued a joint statement.

“The administration’s thoughtful proposal rightly acknowledges that there is no single magic bullet that can solve our housing shortage,” said the organizations. “It is the result of decades of policy failures to address a growing shortage of housing production that has resulted in today’s crisis. In fact, research conducted by Hoyt Advisory Services has found that through 2030, the U.S. will need to build an average of 328,000 apartments every year. That mark has only been achieved five times since 1989.

“This crisis predates the pandemic, and therefore it is critical that local, state, and federal governments, along with the private sector, do all they can to reduce regulatory burdens and encourage the development and rehabilitation of housing of all types and price points.”