

North Carolina's Federal Advocacy Paves Way for \$14 Billion Investment in Affordable Housing

North Carolina Housing Finance Agency

Legislative Advocacy: Federal Advocacy

HFA Staff Contact

Quanisha Tabron

qctabron@nchfa.com

NORTH CAROLINA

HOUSING
FINANCE
AGENCY

North Carolina's Federal Advocacy Paves Way for \$14 Billion Investment in Affordable Housing

2023 NCSHA AWARD SUBMISSION

NC Housing Finance Agency
ADVOCACY CATEGORY | FEDERAL ADVOCACY

Introduction

Like the entire housing industry, North Carolina's awarded LIHTC deals and their sponsors were reeling from the repercussions of the COVID-19 pandemic. A crisis emerged as supply chains strained, labor became even more scarce and material costs skyrocketed, creating significant funding gaps in uncompleted projects. North Carolina, with an already surging population, became the third highest state for in-migration, adding further pressure on an already struggling rental market. Dedicated to preserving the deals already in the pipeline without sacrificing future funding, NC Housing Finance Agency (the Agency) teamed up with partners to launch a state campaign to secure an allocation of State and Local Fiscal Recovery Funds (SLFRF) to plug the gaps.

A successful legislative campaign in the state legislature resulted in an historic \$170 million SLFRF appropriation to address funding shortfalls and keep deals moving, but unfavorable guidelines issued by the U.S. Department of the Treasury (Treasury) brought these efforts to a grinding halt. Seeking a federal solution, a partnership formed across the aisle between Congresswoman Alma Adams (D-NC12) and Congressman David Rouzer (R-NC7) to work on a solution. Adams, whose district was almost entirely comprised of North Carolina's largest city, and Rouzer, whose district spans the state's old tobacco belt, quickly wrote and co-sponsored the LIFELINE Act. This act ultimately contributed to new Treasury guidelines issued in July 2022 that thus far, have resulted in at least \$14 billion of SLFRF being directed nationally for affordable housing.

Insights and Analysis

Treasury extensions of LIHTC deadlines bought some time, but as the pandemic wore on, costs did not abate and the crisis continued to grow. As part of the stimulus efforts introduced by Congress to aid in health and economic recovery, President Biden signed the \$1.9 trillion American Rescue Plan Act (ARPA) on March 11, 2021. The plan included \$350 billion in emergency funding for state, local, territorial and tribal governments, known as the Coronavirus State and Local Fiscal Recovery Funds.

In June of 2021, the University of North Carolina School of Government posted guidance based on Treasury's Interim Final Rule that SLFRF can and should be committed to affordable housing, including LIHTC gap funding. Several local governments committed SLFRF funding to LIHTC developments and the Agency, joined by a coalition of stakeholders, launched a campaign to secure SLFRF funding in the state budget. The goal was to secure \$200 million for the state's Workforce Housing Loan Program (WHLP), a loan pool that provides subordinate financing to LIHTC developments, to address the funding gaps that threatened the delivery of 6,000 affordable rental homes stalled in development.

The campaign was a resounding success, resulting in \$205 million of SLFRF appropriated to a special Housing Reserve Fund, of which \$170 million was earmarked for WHLP, and the remaining \$35 million for affordable housing along the state's Outer Banks. This was the most money appropriated for housing in the state's history.

Unfortunately, the celebration was short lived. Treasury issued the Final Rule for SLFRF in January, 2022 and the guidelines proved inconducive for use with LIHTC.

Campaign Tactics

As the Agency and other industry stakeholders sought a workaround and engaged Treasury officials to find a solution, the Agency's government relations staff began meeting with members of the state's Congressional delegation seeking assistance.

Due to the Agency's efforts to forge effective relationships with our legislative audience, Congresswoman Alma Adams (D-12) and her staff were immediately receptive and determined to help resolve the issue. Congresswoman Adams' position on the Financial Services Committee, her strong support of housing, and co-sponsorship of the Affordable Housing Credit Improvement Act (AHCIA) made her the perfect champion. Her district was comprised almost entirely by Charlotte, North Carolina's largest city, which had seen some of the most rapid housing cost escalations of the pandemic.

The Agency has been fortunate in that housing affordability has been viewed as an issue of bipartisan concern among North Carolina's delegation. In North Carolina, housing is not seen as an urban issue or a rural issue—it is an issue across the state at every price point. Congressman David Rouzer (R-7) and his staff were also interested in identifying a solution. Congressman Rouzer was also a long time AHCIA co-sponsor and he had heard similar concerns from some local governments from his district that covered rural southeastern North Carolina.

While seemingly unlikely partners, especially in an election year, the strong bipartisan support for housing bridged the aisle for Congresswoman Adams and Congressman Rouzer to forge a partnership for the introduction of the LIHTC Financing Enabling Long-term Investment in Neighborhood Excellence (LIFELINE) Act.

As the 2022 legislative session began in Raleigh, the Agency pursued a dual-track legislative strategy. On one track, the Agency sought an additional appropriation of general funds from the NC General Assembly to blend with and unlock the SLFRF we had in hand through the "Vermont Proposal." Simultaneously, the Agency sought a federal solution through the LIFELINE Act.

As HFAs gathered in Washington at the NCSHA Legislative Conference for the first time since the pandemic began, attendees were addressed by Congresswoman Adams as she announced the introduction of the LIFELINE Act and shared efforts to change Treasury guidelines to ensure SLFRF funds can be used efficiently with LIHTC. While the Agency met with members asking them to support the measure, Congresswoman Adams, Congressman Rouzer, and their staff were tireless champions for the bill. They recruited co-sponsors, spoke with committee staff, and administration staff.

Evaluation and Results

Ultimately the bill yielded 44 co-sponsors, 7 of whom were North Carolinians. Support came from as far north as New York, as far west as California, as far south as Texas and Florida, and more.

In July, 2022 Treasury issued “The Affordable Housing How-To Guide” incorporating the provisions of the LIFELINE Act and removing all doubt that SLFRF could be used to finance a broad range of affordable housing. The momentum and conversation stirred by the LIFELINE Act undoubtedly led to action and the new guidelines for affordable housing.

As a result, \$14 billion and counting of SLFRF has been allocated nationally for affordable housing. The value that this will bring to families, small businesses and communities across the country is priceless. North Carolina has a long-held reputation for its strong economy and resilience. NC Housing Finance Agency is proud to contribute to that legacy with its state and federal advocacy efforts. This campaign is just one example of how the Agency's federal advocacy efforts are innovative, replicable and forge effective relationships with legislators to anticipate, identify and prioritize legislative issues to advance the overall mission of the Agency.