

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Housing Supply Fund (Mandatory Request)

HOUSING SUPPLY FUND

(Dollars in Millions)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023-2032
Budget Authority	---	7,000	7,000	7,000	7,000	7,000	---	---	---	---	---	35,000
Outlays	---	700	2,800	4,900	6,300	7,000	6,300	4,200	2,100	700	---	35,000

PROGRAM PURPOSE

Housing production has lagged compared to population growth for decades, largely due to regulatory barriers and lack of affordable financing options. The estimated shortage of 3.8 million homes has resulted in rental units and homeownership being unaffordable, and often unattainable, for millions of Americans. Housing costs have increased sharply over the last year; the price of single-family homes and the cost of renting a home both increased by double digits in 2021. Lack of housing supply, especially housing affordable to families with low- to moderate- incomes, is a major contributor to high housing costs. Demand for housing has increased without an adequate supply to meet people's needs.

To address the critical shortage of affordable housing in communities across the Nation, the Budget proposes \$50 billion in mandatory funding and additional Low-Income Housing Tax Credits to address market gaps, increase housing supply, and help to stabilize housing prices over the long term. This proposal will provide \$35 billion for a Housing Supply Fund at HUD for State and local housing finance agencies and their partners to provide grants, revolving loan funds and other streamlined financing tools, as well as grants to advance State and local jurisdictions' efforts to remove barriers to affordable housing development. The Department of the Treasury will administer approximately \$10 billion in additional investments of Low-Income Housing Tax Credits and \$5 billion for Community Development Financial Institutions to finance new construction or substantial rehabilitation that results in a net increase in available high-quality of both rental and single-family housing.

BUDGET OVERVIEW

The 2023 President's Budget requests \$35 billion in mandatory funding over 10 years for a Housing Supply Fund to increase housing development. This is a new program for 2023, and would have two components:

- Grants for Affordable Housing Production – \$25 billion
- Grants to Reduce Affordable Housing Barriers – \$10 billion

Grants for Affordable Housing Production. These flexible formula grants will be distributed to State and local housing finance agencies and their partners, territories, and Tribes, to produce streamlined financing tools for multifamily and single-family housing units of modest density (up to 100 units per site). These resources will be used to support housing for renters and homebuyers with low to moderate incomes, including families with up to 150 percent of AMI in high-cost areas as determined by HUD.

Grants to Reduce Affordable Housing Barriers. These grants will support states and local jurisdictions that have adopted housing-forward policies and practices to remove barriers to the development of affordable housing. The grants will provide additional funding to incentivize and increase the production of affordable units and housing-related infrastructure to support increased housing development, such as environmental planning and mitigation, road infrastructure, and water/sewer infrastructure. This program will also be used to provide resources for jurisdictions to take active steps towards becoming a housing-forward community, such as meeting housing production goals.

To address housing supply needs on Tribal lands, a portion of the funds will be set aside for HUD to design programs that can be directly accessed by Tribal governments and Tribal Designated Housing Entities (TDHEs).

The proposal will allow a portion of the funds to be used for additional HUD staff, new and upgraded information technology systems, research, and technical assistance to effectively administer and advance implementation of this program.

JUSTIFICATION

While the pace of housing development is growing, the estimated shortage of roughly 3.8 million homes has resulted in rental units and homeownership being unaffordable, and often unattainable, for millions of Americans.¹ Too often, new development, especially income-restricted housing development, is slow because developers must secure multiple sources of financing to build the housing. This results in higher transaction costs that may make it financially infeasible to build smaller developments. Over time, the average number of units in properties developed through federal Low-Income Housing Tax Credits has increased.² Many rural and midsize jurisdictions need a path for development that includes smaller building footprints to better integrate with existing communities and meet the demand for affordable rental housing. This program will create a streamlined source of local and state housing financing to enable these smaller projects to more easily get funding. Similarly, affordable development for homeownership faces substantial financing gaps when it comes to the production of starter homes, duplexes or small multi-unit buildings, accessory dwelling units, or modular construction. Given the changing fabric of communities after the pandemic, funding to build or rehabilitate single and multi-unit housing will not only generate housing stability, but also reduce vacancies and encourage thriving communities.

Local regulations, zoning policies, and insufficient infrastructure are also barriers to increased housing supply. This proposal would encourage and support communities that improve (or want to improve) their local regulations and zoning policies designed to allow for increased housing supply. This funding can also be used to finance housing-related infrastructure investments so that housing development projects can move forward. These may include street improvements, traffic control measures, and higher capacity or extended water and sewer lines.

The types of housing constructed or rehabilitated will be driven by housing gaps determined by local demographic need. HUD will encourage grantees to develop housing that directly meets identified local needs, especially housing that is not currently incentivized by the market such as intergenerational housing and investments that place vacant or underutilized properties back into productive use. Recognizing the varied needs of communities, these funds can be used to support a

¹ Freddie Mac Research Note; “Housing Supply: a Growing Deficit. May 2021.
<https://www.freddiemac.com/research/insight/20210507-housing-supply>

² [LIHTC 2019 Tables.xlsx \(huduser.gov\)](#)

HOUSING SUPPLY FUND

range of housing types, including accessory dwelling units and small- to moderately-sized multifamily development.

This program will be designed to streamline financing tools in order to reduce transactional costs and increase housing supply. States and localities will have flexibility to design their programs as loan products, grants or other financial tools to meet local needs. As appropriate to the grantee, these programs could support:

- Development, rehabilitation of one or multi-unit housing up to 100 units;
- Reconstruction, adaptive reuse, or conversion of vacant residential or commercial properties, or development of vacant lots; and
- Novel and non-traditional development techniques for one or multi-unit housing, including but not limited to accessory dwelling units and modular, panelized, or advanced manufactured housing factories, providers or developers.

Direct recipients of Grants for Affordable Housing Production will include State and local housing finance agencies, or their partners. In order to more directly address local housing needs, funds may be further distributed to subrecipients to include Community Development Block Grant (CDBG) entitlement grantees, non-profits, Community Development Financial Institutions (CDFIs), and other eligible entities. A portion of funds will be reserved for research, technical assistance, and program administration for grantees. Finally, a portion will be set-aside for direct access by Tribes and Tribally Designated Housing Entities.

Direct recipients of Grants to Reduce Affordable Housing Barriers will include State and local jurisdictions, territories, and Tribes.