From Crisis to Transformation:

A Federal Housing Policy Agenda

NATIONAL HOUSING CRISIS TASK FORCE

NOVEMBER 2024

DREXEL UNIVERSITY
Nowak Metro Finance Lab
Lindy Institute for Urban Innovation

ACCELERATOR FOR AMERICA

NATIONAL HOUSING CRISIS TASK FORCE

A FEDERAL HOUSING POLICY AGENDA

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LETTER FROM CO-CHAIRS

The housing crisis in America has been growing for years and has reached an inflection point. Home prices have doubled in the last decade, homelessness has reached a record high, and nearly half of all renters in the U.S. are now cost-burdened. Our housing policies cannot keep up with the need, and the private sector alone is not satisfying all the housing demand.

That's why we—a bipartisan, public-private sector group composed of a Republican governor, two Democratic mayors, and the president of a bank-based Community Development Corporation—came together to launch the National Housing Crisis Task Force: **We strongly believe it's time we started treating the Housing Crisis like the true crisis it is.**

In Utah, Cleveland, Atlanta, and many other parts of the country, state, local, and private-sector leaders are mobilizing and taking action to address the crisis head-on. But we can't do it alone: we need the federal government to marshal its resources to address this national problem with the same seriousness as it had in addressing other recent challenges, including those posed by COVID-19.

That's why the Task Force is calling for a new commitment from the federal government to act quickly to address the housing crisis. This Federal Housing Policy Agenda lays out a blueprint for how the next presidential administration and Congress can leverage federal resources and policies to begin to address this crisis.

Among the four co-chairs and twenty-four task force members, we do not all agree on every policy laid out within this document. But we do agree that the housing crisis has reached a point where policymakers from both sides of the aisle can work together to put forward common sense solutions that address the acute and structural causes of the housing crisis. Though we are releasing this federal policy agenda before an election, we withhold comment on existing policy proposals from campaigns, preferring to raise up policy recommendations from across the country.

Most of our recent presidents have successfully passed a major legislative accomplishment in their first year in office. No Child Left Behind, the Affordable Care Act, the Tax Cuts and Jobs Act, and the Infrastructure Investment and Jobs Act were all signed into law in the first year of the presidencies of George Bush, Barack Obama, Donald Trump, and Joe Biden, respectively. The National Housing Crisis Task Force believes that the next President must make housing the top priority of his or her first year in office.

We hope that these ideas will spark further conversations and welcome further collaboration and discussion to improve them. The time to act is now—all of us must start working together to address this crisis.

Sincerely,

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Members' professional and lived experience is equally valuable and important to their participation in the Task Force. Although all the individuals formally affiliated with the Task Force may not agree completely with every statement noted, they are committed to working together to find solutions to the housing crisis. All Members represent themselves and not their organizations or professional affiliations.

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RESEARCH ADVISORY COMMITTEE

In crafting its policy recommendations, the Task Force convened a group of leading housing policy experts from across the academic and research communities. These experts provided valuable feedback and advice, and some also provided written recommendations that are incorporated into this report. We are deeply grateful for their time and expertise. We acknowledge that their participation does not imply endorsement in whole or in part of the final policy agenda. The following members of the Research Advisory Committee were consulted and provided feedback:

- **Ingrid Gould Ellen**, Paulette Goddard Professor of Urban Policy and Planning, and Faculty Director of the Furman Center, New York University (Chair of Research Advisory Committee)
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EXECUTIVE SUMMARY

The National Housing Crisis Task Force is a bipartisan task force composed of practitioners and policymakers convened to identify the most promising innovations to address the housing crisis. Its mandate is broad, including interventions that address both supply and demand, ensuring consideration across homeownership, rentals, market-rate housing, subsidized and unsubsidized affordable housing, and permanent supportive housing. It builds on the remarkable energy and commitment that is already emerging from states, communities, and networks of public, private, non-profit, and philanthropic entities across all parts of the housing ecosystem.

From rural communities and legacy cities to suburbs and large metros, there is a housing crisis. Homeownership should not cost half a million dollars, nor should monthly budgets be so burdened by housing costs that they crowd out other essentials. But that's where we are headed, absent serious action by the federal government to correct market failures and invest in the workforce and American innovation for the housing industry. We must expand the housing supply to overcome the current deficit and increase annual net new housing production long-term, returning price appreciation to a stable market equilibrium, and bringing an equality of opportunity to the American Dream.

To address the housing crisis, the Task Force puts forward 40 policy recommendations. We call on the federal government to immediately organize itself differently to address the housing crisis,[1] triage the current crisis with immediate actions to combat homelessness and help renters and homeowners,[2] spur the near-term construction of market-rate and affordable housing,[3] reduce barriers that prevent the development of housing or increase its cost,[4] preserve our existing housing stock,[5] and expand and create new pathways to homeownership.[6] We also recommend that the federal government invest in the structures that will bring down the cost of housing production over the long term by investing in innovation,[7] reducing market uncertainty,[8] investing in workforce, including skilled trades,[9] and and encouraging states and local communities to allow housing in their communities.[10]

1 Recommendations A.1, A.2, A.4, A.6, B.4, D.1
2 Recommendations A.5, B.3, E.1, E.2, E.3, E.8
3 Recommendations C.1, C.2, C.4, C.5, C.6, C.7, C.8, and C.9
4 Recommendations B.1, B.2, B.5, B.8, B.9, E.5
5 Recommendations C.3, E.4, E.6
6 Recommendations B.6, B.7, E.7
7 Recommendations D.2, D.3
8 Recommendations D.4, D.7, D.8
9 Recommendations D.5, D.6
10 Recommendation A.3

Through this Federal Policy Agenda, the Task Force recommends that the next administration and Congress enact these recommendations through numerous channels: day-one executive orders, governance and administrative changes within the first 100 days, and emergency appropriations and authorization legislation. Thematically, these recommendations fall into five categories:

- Lead and Focus the Nation
- Reduce Barriers to Production and Eliminate Complexity
- Mobilize Federal Capital and Assets
- Innovate with an Industrial Policy Lens
- Provide a Housing Safety Net

Treating the housing crisis like a crisis means the federal government must fundamentally restructure the way it is organized, substantially boost the production and preservation of housing, and take bold action to provide a housing safety net. Taken together, the Task Force's recommended actions will reduce regulatory barriers and provide sufficient support and incentives to produce more than 750,000 new housing units per year, protect and preserve our existing housing stock, and create the institutions necessary to fundamentally transform the housing sector for the twenty-first century.

Some of these policy recommendations propose substantial new appropriations, either one-time (e.g., rehabilitating the existing housing stock) or ongoing (e.g., providing housing choice vouchers to all who are eligible). Other recommendations will require appropriations for new programs (e.g., creating a Housing Innovation Unit, capitalizing HUD to provide below market rate loans, or providing grants for adaptive reuse.) Many policy recommendations identify pathways for improving, streamlining, or modernizing existing programs that would require no appropriations from Congress, and still more are administrative actions that the next administration can take without Congressional action. Several recommendations affect the treatment of housing in the federal tax code, which currently provides the primary incentives for new housing production. Our recommendations are presented within a one-year roadmap, delineated by type of action.

This Federal Housing Policy Agenda also explores the factors driving the U.S. housing crisis, including a massive undersupply of homes, rising rents and home prices, increasing rates of housing cost burden and homelessness, and an aging and at-risk housing stock. Individuals, families, and communities are hurting from the housing crisis, and its broad impact demands a national response.

The Task Force has identified numerous causes of the crisis. Many causes are structural: stagnant renter incomes, a rental market that has become more professionalized and sophisticated with a new set of investors focused on maximizing revenues, severe weather, federal programs that are in desperate need of modernization, and a safety net that does not provide sufficient housing support. A second set of causes are dynamic: the COVID-19 pandemic and its knock-on effects, supply chain shortages, and interest rate increases. A third set of causes are self-imposed: land use regulations that exclude certain types of homes and households, lengthy permitting and review processes, and cumbersome regulations that may be well intentioned but do not serve the eventual inhabitants of new or preserved housing. Taken together, these causes have driven up the cost of preserving and constructing housing units. While the acute causes that have turned the nation's attention to housing may abate, the structural and self-imposed causes will remain, absent intentional transformation.

The far-reaching magnitude of the challenge exceeds the capacity of local communities and states to respond. These challenges cross jurisdictional boundaries, exceed the spending power of state and local governments, and require the force of the federal government to lead the nation toward a clear vision of how to create the housing market we need nationwide. Private actors are constrained by interest rates and federal, state, and local regulations, and are often focused on minimizing risk rather than producing the necessary interventions, thus creating market failures. We know the federal government can intervene in the case of a crisis. We have a playbook from the COVID-19 crisis for the set of responses available from the federal government. We owe many of our federal housing programs to past housing crises—including our current system of the Federal Housing Administration, Public Housing Authorities, Low-Income Housing Tax Credits, and more. Today calls for a new commitment from the federal government to act, quickly, to address the housing crisis.

The National Housing Crisis Task Force also recognizes that there needs to be a permanent commitment from the federal government to address the housing crisis. Though we are in a crisis moment, the federal government cannot just deal with the acute crisis and move on. Beyond the first 100 days, the nation must address the structural issues that have brought us to market failures, underproduction, and lack of opportunity in the housing market and create the institutions and practices to modernize the housing industry. As a broad, practitioner-led Task Force, we are also committed to acting within our geographies and purviews to address the housing crisis in our communities.

THE NATIONAL HOUSING CRISIS TASK FORCE

The National Housing Crisis Task Force originated from a belief in *The New Localism*[11]—that local governments and local actors were facing the housing crisis head-on in a vacuum of national policy change. Faced with rising homelessness, skyrocketing housing costs, and a lack of new housing development, cities, states, and public and private actors began looking for solutions that they had the power to implement. Hundreds of communities have passed local housing trust funds. Tens of states have passed housing bonds to construct and preserve affordable housing. Developers are seeking out new sources of funding, from concessionary capital to federal dollars that heretofore have not been used for housing development. Public housing authorities and redevelopment authorities are flexing “public developer” muscles not used in 40 years, developing new projects through revolving construction funds and mezzanine debt. Cities and states are setting production targets, relaxing regulatory requirements, upzoning around transit corridors, and increasing the pace for permit approval.

From these myriad actions, questions arise: what is the most impactful thing that communities do with their land, capital, and power? Are there economies of scale where best practices can be identified, routinized, and scaled? What is the proper role of the different sectors of the American economy regarding housing production, finance, and preservation?

For these reasons, the Task Force came together to identify state and local innovations that can be abstracted, normed, and federalized. Some of these innovations can be diffused through knowledge sharing via existing intermediaries and associations. Others would be more effectively replicated with shared infrastructure, such as new national financial products, new platforms, and markets, or new clearinghouses of technical guidance. Finally, some, owing to the type of innovation, may best be suited to national policy or regulatory change to create the incentives, infrastructure, or requirements for uptake.

The Task Force first convened in July of 2024 and plans on delivering a *Report on the U.S. Housing Crisis* and a *State and Local Housing Playbook* by July 2025. In the interim, we are releasing this Federal Housing Policy Agenda to meet the moment where the housing crisis has reached such a critical point to become a key part of the campaign for President of the United States and requires immediate action by the incoming administration and next Congress.

RECOMMENDATIONS FOR ACTION

Our recommendations are laid out thematically throughout this agenda: Lead and Focus the Nation; Reduce Barriers to Production and Eliminate Complexity; Mobilize Federal Capital for Production & Preservation; Innovate with an Industrial Policy Lens; and Provide a Housing Safety Net. These policy recommendations range in scale, time horizon, and intended area of impact. Recognizing that lack of supply is a root cause of our current crisis, we **bold** items below that would lead to increased production of housing and decreased cost in the nearer-term after their enactment. Beyond the crisis-focused immediacy prioritization of the bolded items, all recommendations hold equal importance and are not otherwise ranked or prioritized. All of these recommendations can have a meaningful impact addressing America's housing crisis.

A. Lead and Focus the Nation

1. Create a Housing Crisis Council in the White House
2. Task the Council of Economic Advisors to Create a Housing Production Goal
3. **Incentivize States to Meet Regional Housing Needs**
4. Commit to Measuring Real-time Data on the U.S. Housing Market
5. Act to Stabilize and Modernize the Property Insurance Market
6. Ensure Compliance with the Fair Housing Act

B. Reduce Barriers to Production and Eliminate Complexity

1. **Modernize HUD Programs for More Rapid Housing Production**
2. **Unlock and Scale DOT and DOE Programs for Housing Production**
3. **Support Reforms for Greater Utilization of Housing Choice Vouchers**
4. **Authorize Emergency No-Cost Disposition of Federal Land and Buildings for Development into Affordable Housing**
5. **Modernize the Historic Tax Credit**
6. **Maintain and Expand Support for Manufactured Housing Residents and Communities**
7. **Review Changes to Current Mortgage Underwriting Criteria to Stimulate Homebuilding**
8. **Unlock Unused Faircloth Units and Raise Faircloth Limits**
9. **Categorically Exempt Infill Housing from NEPA**

C. Mobilize Federal Capital for Production & Preservation

1. **Authorize Fannie and Freddie Purchase of Construction Loan Mezzanine Debt**
2. **Provide Low-Cost Debt for Mixed-Income Housing Developments and During Periods of Stalled Housing Construction**
3. Provide a New Source of Low-Cost Financing to Preserve Existing Affordable Housing
4. **Streamline and Expand Access to Low-Cost Financing for Housing Finance Agencies and CDFIs**
5. Expand FHLB Capital Access and Improve Terms Offered for Affordable Housing Projects
6. **Provide Grants for Adaptive Reuse Development**
7. **Expand Opportunity Zones for Affordable & Workforce Housing**
8. **Expand and Reform the Low-Income Housing Tax Credit**
9. Invest in Tribal Housing

D. Innovate with an Industrial Policy Lens

1. Craft a National Housing Industrial Strategy
2. Create a Housing Innovation Unit Within HUD
3. Create a National Performance-Based Building Code for Modular Housing
4. **Create a First Loss Pool for Modular Housing**
5. Support Effective Programs that Train and Place Young Adults in the Construction Trades
6. Launch a Housing Fellowship Program to Encourage the Next Generation of Housers
7. Develop an Evidence-Based Model Multifamily Building Code for Adoption by States and Localities to Reduce Construction Costs
8. Study Cross-National Differences in Building Code Efficacy and Cost

E. Provide a Housing Safety Net

1. **Provide Housing Choice Vouchers to All Who Are Eligible**
2. **Invest in Solutions to Homelessness While Housing Crisis Investments Take Effect**
3. Create a Federal Tax Credit for Moderate-Income Rent-Burdened Tax Filers
4. Provide $100 Billion to Rehabilitate and Update Existing Subsidized Affordable Housing Stock
5. Pilot New Affordability Measures that Are More Holistic than the 30 Percent Rules
6. Create a New Initiative to Invest in Neighborhood-Wide Revitalization
7. **Pilot a Lease-to-Own Mortgage Program to Broaden Homeownership Opportunities**
8. Enable the Scaling of Housing Command Centers for Housing Navigation

A ONE-YEAR ROADMAP

This policy agenda lays out 40 policies for action. How will the next administration and Congress get this done? Here, we lay out how we envision each action being taken.

Day One Executive Actions

1. Create a Housing Crisis Council in the White House
2. Authorize Emergency No Cost Disposition of Federal Land and Buildings for Development into Affordable Housing
3. Order the Creation of a National Housing Industrial Strategy
4. Task the Council of Economic Advisors to Create a Housing Production Goal
5. Ensure Compliance with the Fair Housing Act

Day One Appropriations Proposals

1. Provide Housing Choice Vouchers to All Who Are Eligible
2. Invest in Solutions to Homelessness
3. Provide $100 billion to Rehabilitate and Update Existing Subsidized Affordable Housing Stock
4. Provide Low-Cost Debt for Mixed-Income Housing Developments and During Periods of Stalled Housing Construction
5. Provide a New Source Of Low-Cost Financing to Preserve Existing Affordable Housing
6. Provide Grants for Adaptive Reuse Development
7. Create a First Loss Pool for Modular Housing
8. Support Effective Programs that Train and Place Young Adults in the Construction Trades

Day One Legislative Priorities

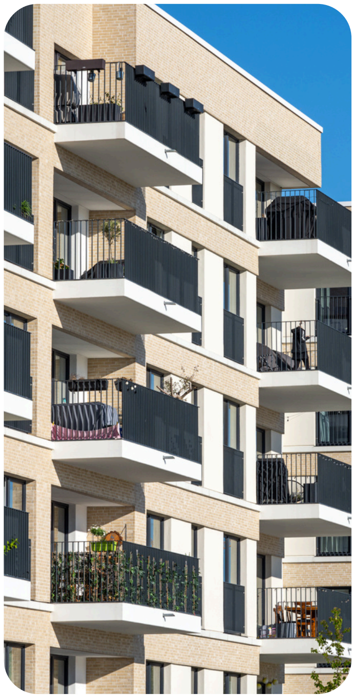
1. Act to Stabilize and Modernize the Property Insurance Market
2. Modernize HUD Programs for More Rapid Housing Production
3. Unlock and Scale DOT and DOE Programs for Housing Production
4. Support Reforms for Greater Utilization of Housing Choice Vouchers
5. Incentivize States to Meet Regional Housing Needs
6. Unlock Unused Faircloth Units and Raise Faircloth Limits
7. Categorically Exempt Infill Housing from NEPA
8. Create a Housing Innovation Unit within HUD
9. Create a National Performance-Based Building Code For Modular Housing
10. Invest in Tribal Housing
11. Develop an Evidence-Based Model Multifamily Building Code
12. Create a New Initiative to Invest in Neighborhood-Wide Revitalization
13. Enable the Scaling of Housing Command Centers for Housing Navigation
14. Streamline and Expand Access to Low-Cost Financing for Housing Finance Agencies and CFDIs
15. Launch a Housing Fellowship Program to Encourage the Next Generation of Housers

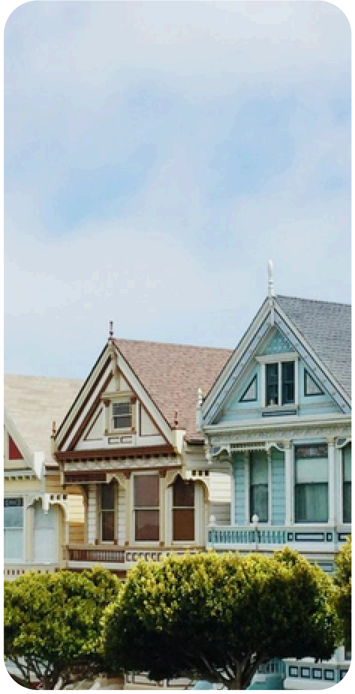
Year One Tax Priorities

1. Expand Opportunity Zones For Affordable and Workforce Housing
2. Expand and Reform the Low-Income Housing Tax Credit
3. Create a Federal Tax Credit for Moderate-Income Rent-Burdened Tax Filers

Year One Administrative Actions

1. Authorize Fannie and Freddie Purchase of Construction Loan Mezzanine Debt
2. Expand FHLB Capital Access and Improve Terms Offered for Affordable Housing Projects
3. Modernize the Historic Tax Credit
4. Commit to Measuring Real-time Data on the U.S. Housing Market
5. Review Changes to Current Mortgage Underwriting Criteria to Stimulate Homebuilding
6. Maintain and Expand Support for Manufactured Housing Residents and Communities
7. Study Cross-National Differences in Building Code Efficacy and Cost
8. Pilot New Affordability Measures that Are More Holistic than the 30 Percent Rules
9. Pilot a Lease-To-Own Mortgage Program to Broaden Homeownership Opportunities





INTRODUCTION

The housing crisis in the United States affects all of us, from seniors who own their home, but cannot afford rising maintenance costs, insurance, and property taxes, to young adults who cannot afford rent, to the hundreds of thousands of Americans who are unhoused or experiencing housing instability. The rising cost of housing means that people cannot live where and how they want to live, and harms households in areas much broader than just housing. High housing costs stifle household spending in other critical areas, like healthcare and education, and housing instability has direct negative health impacts.[12] Rapidly rising housing costs are a driving contributor of inflation, stifling economic growth, and must be addressed. Furthermore, they exacerbate homelessness, displace individuals from their communities, and perpetuate widespread social and economic disparities.

The housing crisis, however, is not one thing, but many things. The housing system in the United States is governed by a blend of federal, state, and local policies and regulations. Housing is provided mostly by the private market, an overarching term to describe the many players necessary to create new housing: architects, developers, engineers, general contractors, investors, the trades, and more. This complex system is made more complicated by the fact that housing is, more often than not, rooted to one place—meaning that external factors like regional economic shifts can affect entire regional housing markets at once.

To address the housing crisis, then, requires a multifaceted approach. There is no silver bullet. But there are actions that the federal government can take now to treat the housing crisis like a crisis, just like the many communities that have already started to act. The National Housing Crisis Task Force believes that this moment calls upon the nation to transform the housing ecosystem in the U.S. so that people of all incomes can afford to live in the places they wish to call home. The nation must address the housing crisis with the urgency it deserves, recognizing that this is a structural crisis that has worsened over time. Solutions need to be created to serve every geography: urban, rural, growing, shrinking, and everywhere in between. Housing is uniquely both a place of shelter, and a nexus for opportunity.

The next President and Congress must address *both* the housing crisis at hand and implement new tools and policies that can transform the housing system in the United States, by creating the right set of tools and institutions to treat housing as an industry and invest in long-term housing production, protection for households, and new models of housing delivery.

HOUSING IN THE FIRST YEAR OF THE PRESIDENCY

Most presidents have one major legislative accomplishment in their first year in office. No Child Left Behind, the Patient Protection and Affordable Care Act, the Tax Cuts and Jobs Act, and the Infrastructure Investment and Jobs Act were all signed into law in the first year of the presidencies of George Bush, Barack Obama, Donald Trump, and Joe Biden, respectively. The National Housing Crisis Task Force believes that the next President must make housing the top priority of his or her first year in office.

We are in a housing crisis, and the next President should respond with a series of immediate initiatives. Some should be executive orders on his or her first day in office, some presented to Congress within the first 100 days with a Housing Act of 2025 that contains both legislative and appropriations priorities, some as tax proposals to be considered for the tax legislation that is expected in 2025, and others as regulatory changes that can take place during his or her first year.

Some of these proposals respond to the acute crisis we are in, while others create the structures and institutions to address the structural dynamics that brought us to the current moment. To deal with just the crisis and not address the structural issues will sell the country short. The next President must make housing the top priority of his or her first year in office to address both the acute needs of the current crisis and create the institutions to enable a fairer, more stable housing market in the future. Importantly, these structural changes must be additive to the current environment, ensuring that our proposals do not siphon support or funding from the current programs that receive critical federal support. This *Federal Housing Policy Agenda* includes specific recommendations for first-day executive actions, legislative and appropriations priorities, tax legislation priorities, and year-one administrative actions.

Addressing the housing crisis in the next administration's first 100 days will **treat the housing crisis like a true crisis**.[13] The housing sector is approximately one-sixth of the entire U.S. gross domestic product,[14] was among the top contributors to the inflation of the post-COVID period, and is among the top financial concerns for Americans today. Making housing the first major legislative and policy push of the administration will ensure that real progress is made to address both the acute and structural causes of the housing crisis. This federal action will follow the lead of many states and cities.

A 100-Day Emergency Response also holds up the federal government's half of the grand bargain on the housing crisis. States—such as California, Montana, Oregon, and Utah—have enacted major housing reforms and set serious objectives to address housing production, homelessness, and more. Cities, too, have set production targets, created new revenue streams, and are reforming the building process to deliver units more quickly and affordably. To a great extent, the federal government can use these innovative policies and practices to reverse engineer federal action—scaling or adopting state and local innovations where possible and taking actions that only a national government can take where necessary. While not all states and localities have acted sufficiently, the federal government can use this moment to push the nation in the right direction. Those states and localities that have acted to address the crisis in their communities deserve an active and willing partner in the federal government.

Addressing housing challenges in the first year must encompass the whole of the federal government, as we have seen in responses to other recent crises. There must be governance changes to ensure that the priorities of the President are acted upon by the whole of the federal enterprise. In the pages that follow, we lay out specific recommendations for housing priorities in the first year of the presidency. We organize the policies into the following organizing objectives:

Lead and Focus the Nation

The federal government is the only entity in the United States that can wholly address the depth and breadth of the housing crisis. Housing is impacted by nearly every federal department and related agency: HUD, USDA, HHS, DOE, DOT, DOL, Treasury, VA, DOD, CFPB, DOJ, the GSEs, and the Federal Reserve all have programs or policies that directly finance, regulate, or otherwise influence the price and delivery of housing. No one entity is in charge. This whole-of-government approach must be organized to be more effective. These policy recommendations encompass both new roles for the federal government, direct the focus of the federal government on key challenges, and call on the federal government to take immediate actions. As the federal government acts, it must also communicate the elements of the housing agenda boldly and clearly. The federal government must both play the inside game of Washington, D.C. investments and reforms and the outside game of harnessing the full energies and resources of a federated system.

Reduce Barriers to Production and Eliminate Complexity

Many federal tools and programs inadvertently increase the cost of the housing that is produced with those subsidies. During a time of crisis, the federal government should consider unclogging, fast-tracking, and waiving some requirements to ensure that much-needed housing gets built—as it often does in a crisis. Existing programs and incentives across the federal government can be streamlined and reoriented to direct the whole of the federal government toward housing production. These policy recommendations include both regulatory and legislative changes to existing programs that have the potential to expand housing production nationwide.

Mobilize Federal Capital for Production & Preservation

The federal government is the only source of capital large enough to meet the current housing crisis. It must increase funding for the existing programs that work—and those that have worked in the past but have been underfunded in recent years. It must also deliver capital through new sources to more appropriately deliver the range of units and the range of affordability that the American people need. Federal capital can be used to unlock and leverage private, philanthropic, and state and local capital sources. Supplementing the primary housing production reforms that are needed to address a chronic housing shortage, a major infusion of various financial resources and financing tools is needed to facilitate the development of deeper levels of housing affordability. Some of these recommendations address acute funding needs, while others form the basis of a new way of thinking about federal involvement in housing finance. Additionally, there is a need to strengthen relations with Tribal governments and increase housing investments in Tribal communities.

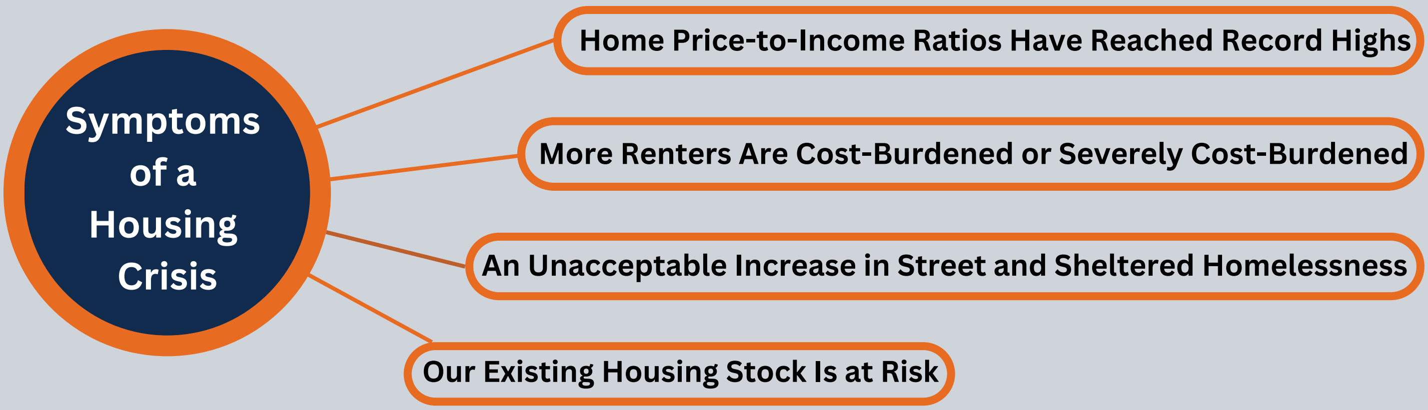
Innovate with an Industrial Policy Lens

The federal government must treat the production of housing as an industry, not just a set of consumers of existing financial products, and spur innovation across that industry. For climate, artificial intelligence, and manufacturing, the federal government has created entire ecosystems to bring ideas from prototype to product, to invest in the necessary technologies and infrastructures to build the things we need for the future of America. We must treat housing in the same way: investing in future technologies, simplifying every step of the supply chain, training more workers to build, and increasing efficiencies to ensure that we continue to innovate in housing production and preservation. Taken together, these policy recommendations would create new institutional mechanisms to address many of the structural issues of our housing crisis.

Provide a Housing Safety Net

There are millions of Americans whose incomes are too low to afford private market rents without significant subsidy. We know that fewer people become homeless when structural conditions are favorable and there is a strong safety net. In 2022, a record-high 22.4 million renter households spent more than 30 percent of their income on rent and utilities.[15] For these households whose incomes are too low, or whose needs are too great, the federal government must strengthen the social safety net by providing sufficient subsidy and navigation to ensure that they can find decent, stable, affordable housing. For those households who do find housing in the private market, the government must make sure that tenants have adequate protections and support within the power dynamics of the landlord-tenant relationship. The federal government must ensure that all households can experience wealth creation and stability in the long term, even without homeownership. These policy recommendations ensure that households that fall on hard times are never without a stable place to call home.

THE U.S. HOUSING CRISIS AND THE FEDERAL ROLE



Home Price-to-Income Ratios Have Reached Record Highs

It's the old rule of thumb: your home should cost no more than three times your income. In 1990, over 75 percent of metro areas had home price-to-income ratios of under three, meaning that homes were generally affordable to the people living there. By 2022, only 10 percent of metro areas had home price-to-income ratios indicating affordable home prices. Nationally, the median home price-to-income ratio is approaching six, meaning that the median home costs six times more than median household income.[16] In rural counties, home prices have jumped by 50 percent in the five years between 2017 and 2022.[17]

More Renters Are Cost-Burdened or Severely Cost-Burdened

When a household spends a disproportionate amount of its income on rent, it can crowd out other expenses, including groceries, medical spending, and other household essentials. When a household spends over 30 percent of its income on rent, it is considered cost-burdened while when a household spends over 50 percent of its income on rent, it is considered severely cost-burdened. Today, more renters are cost-burdened and severely cost-burdened than ever before. In 2022, 50 percent of all renter households were cost-burdened or severely cost-burdened, while 27 percent of all renter households were severely cost-burdened. These alarming trends are mirrored in rural America as well, where nearly 50 percent of renter households are cost-burdened or severely cost-burdened.[18] Among households making less than $30,000, 83 percent of households were cost-burdened or severely cost-burdened. Even among renter households making over $75,000, more than 1 in 10 are cost-burdened.[19] The rental market is working for fewer and fewer Americans.

An Unacceptable Increase in Street & Sheltered Homelessness

The rising cost of homes and rents across the United States has led to a staggering rise in homelessness. Nationally, the number of individuals who are homeless—living in shelters or otherwise—was higher in 2023 than at any point since 2007.[20] States of all types and sizes have seen large increases in their unhoused populations, including Alaska, California, Idaho, Maine, Montana, and New York. Cities with higher median rents have higher rates of homelessness.[21] While homelessness is often considered an "urban" problem, approximately 1 in 5 homeless individuals live in a rural county,[22] and more than 50 percent of suburban communities saw an increase in homelessness in 2023.[23] With a dwindling supply of affordable rentals and a surge in home prices and rents over the past decade, it is no surprise that homelessness has risen nationwide.

Our Existing Housing Stock Is at Risk

Today, the median house in the United States is 45 years old. In 2000, the median house in the United States was only 29 years old.[24] Our small apartment buildings are even older—the median medium-sized apartment building in the United States today is 56 years old.[25] Older buildings often need substantial rehabilitation. It is estimated that the public housing stock in the United States—which represents only 2 percent of the rental housing in the United States—may have $70 billion in unmet capital needs. Rising insurance costs threaten existing owners of homes and apartments — threatening to take housing out of the market. At the same time, many of our affordable housing programs, such as the Low-Income Housing Tax Credit, Section 8 Project-Based Rental Assistance, and USDA Section 515 mortgages—are time-limited. At the end of a contractually obligated period, buildings are not required to maintain affordability, and owners may choose to demolish, renovate, or convert these properties. It is estimated that hundreds of thousands of affordable properties may be lost in the coming years.[26]

TAKING STOCK OF THE RESPONSES TO A HOUSING CRISIS

The current presidential administration has proposed legislation,[27] action plans,[28] and blueprints,[29] to address the housing crisis. The Pathways to Removing Obstacles to Housing (PRO Housing) Program, funded by Congress for the first time in fiscal year 2023, provided $85 million to local governments and consortia to identify barriers to local housing production and design implementation pathways to remove or mitigate those barriers. The program was incredibly oversubscribed, with over 175 applicants, 31 of whom received funding. In 2024, HUD opened a new round of applications for PRO Housing, with $100 million in potential funding.

Federal funds have started to flow to address housing through nontraditional channels. For instance, the Bipartisan Infrastructure Law expanded eligibility for Department of Transportation loan programs for transit-oriented development, and the Inflation Reduction Act has provided billions of dollars for climate change adaptation where housing could be an eligible use. At the height of the COVID-19 pandemic, the Emergency Rental Assistance Program, eviction moratorium, and foreclosure moratorium were new forays by the federal government into housing protections.

Nonetheless, three-quarters of low-income households who are eligible for a housing choice voucher receive no housing subsidy from the federal government.[30] Construction productivity is down compared to 1970.[31] The cost to build housing is rising, particularly for affordable housing built with federal subsidy, where affordable units can often cost more than comparable market rate construction. Restrictions on federal funds, and restrictions of public housing authorities and actors who receive those funds, hamstring actors trying to address the housing crisis in their communities. Our existing affordable housing stock is at risk, from decades of deferred maintenance, and the rising cost of operations, especially insurance; much of it will naturally evolve out of the affordable stock because the commitment period of its affordability will expire unless action is taken to keep it affordable.

A divided government, a big price tag, and a fragmented advocacy field has meant that the federal government has not provided the resources necessary to address the structural depth of the housing crisis. Some advocates have largely focused on expanding or tinkering with existing programs without addressing the underlying structural issues causing the housing crisis. While there are some novel proposals, they represent a drop in the bucket. The response to this crisis, so far, has been inadequate, yet the next President has an opportunity to harness the moment for transformation.

CAUSES OF A HOUSING CRISIS

The housing system in the United States exists in its present form because of decades of policies enacted in response to various crises: the mortgage interest deduction from the origin of the federal income tax in 1913; model zoning codes from the U.S. Department of Commerce in the 1920s; the Federal Housing Administration, Federal Home Loan Banks, Fannie Mae, and local Public Housing Authorities from the 1930s; HUD in the 1960s; Freddie Mac and Housing Choice Vouchers from the 1970s; Low Income Housing Tax Credits from the 1980s, which followed massive changes to how real estate was treated under the tax code earlier in the decade; HOPE VI, Choice Neighborhoods, and RAD from the 1990s and 2000s. The list goes on and on.

This is a system that has built up over decades in response to crises. From the Great Depression to the Great Recession, the United States has responded to crisis after crisis with new programs, new policies, and new regulations. At the same time, the federal government contributes less funding to critical housing programs today than it did even at the start of the century, with significant reductions in funds for CDBG,[32] HOME Investment Partnership, the public housing capital fund, and Section 202, which provides housing for the elderly. USDA's Section 515 program has not funded new projects since 2011, and many units are exiting the program altogether.[33]

One set of causes is structural. Renter incomes today are only 2 percent higher than median renter household incomes in 2000, in inflation-adjusted dollars. During that same time period, rents increased by 27 percent, again, on an inflation-adjusted basis.[34] New homes sold today are, on average, 37 percent more expensive per square foot than they were in 2000.[35] Land costs have soared and are a major driver of costs for new homes.[36] Material and labor, too, are more expensive than ever before, further driving up the cost. Weather disasters are increasing in frequency, leading to spikes in insurance premiums for single-family homeowners and apartment buildings alike. In some states, insurers are exiting the market altogether.

A second set of causes is dynamic. The COVID-19 pandemic dramatically impacted the housing market in myriad ways—from a surge in homebuying activity as households sought more space, to a huge accumulation of rental arrears, especially in affordable housing developments. Interest rates have risen drastically in the last two years to cool inflation—while simultaneously freezing the housing market. Funding from the federal government to address the impacts from COVID-19, including funding to cities via the American Rescue Plan and Emergency Rental Assistance Program are running out, causing further disruptions. The rental market has become more sophisticated, with new investors and new technologies disrupting a delicate balance in local rental markets. The residential housing sector in the United States has become increasingly financialized, with housing, as an asset class, prized for its high returns for investors. The transfer of many homes from homeowners to investors during the recession and subsequent recovery, and the continued attractiveness of single-family rentals as an investment asset class, has contributed additional demand to undersupplied single-family markets. This financialization of the housing market has changed the logic and behaviors that many actors in the housing market follow.

A final set of causes is self-imposed by officials at all levels of government. There is a longstanding history of unwise housing policies that have caused deep rooted issues that continue to manifest themselves today. Land use and zoning regulations restrict the types of housing that can be built. These land use regulations directly drive up the cost of housing by making buildable land scarcer, while empowering NIMBYs and lowering certainty for developers over project success.[37] Overly strict building codes are out of step with modern building technologies and market standards. Discretionary permitting processes delay construction. Development fees can add tens of thousands of dollars to the cost of new construction. Extensive federal regulations add time and cost to the construction for projects that use federal funding. An increasingly distributed set of financial tools increase the coordination costs such that developers need to turn to local, public, private, and numerous federal sources to make projects pencil. And, we have inadequate funding for public housing operations and the continued abandonment of public housing developments.

This has culminated in a massive shortage of homes, with chronic underbuilding going back decades. Between 1968 and 1977, the U.S. built over 16 million new homes. In the 1990s, we built only 13 million new homes, and in the 2010s, we built fewer than 10 million new homes.[38] Homebuilding is down 60 percent, all while our population has grown by 65 percent. Estimates for our total housing shortage vary: Freddie Mac claims a shortage of 3.8 million, the National Association of Home

Builders a shortage of 1.5 million, the National Association of Realtors a shortage of 5.5 million,[39] Up For Growth 3.9 million.[40] The National Low Income Housing Coalition identifies a shortage of 7.3 million rental homes available and attainable to low income renters.[41] At the same time, we have 400,000 fewer units of public housing today than we did in 1994, a 30 percent reduction.[42] This shortage of homes distorts the housing market, driving up rents and home prices. Furthermore, it exacerbates homelessness, displaces individuals from their communities, and perpetuates widespread social and economic disparities.

THE ROLE OF THE FEDERAL GOVERNMENT IN CRISIS

In the past decade, the federal government has confronted two major crises: one structural, and one acute. The structural crisis of climate change led the federal government to pass a $1 trillion spending plan, incentivizing the mass restructuring of the American energy ecosystem toward carbon-free electricity and the reduction in use of fossil fuels. The Inflation Reduction Act followed decades of incremental progress and some setbacks: a proposed, but failed, carbon tax in 2009, the creation of ARPA-E to speed up the commercialization of climate technologies, the creation, and injunction, of the Clean Power Plan, and more. The White House elevated John Kerry as the Presidential Special Envoy for Climate and included him on the National Security Council.

With the acute COVID-19 crisis, we saw an immediate mobilization of the federal government in a short period of time upon declaration of a public health emergency. Operation Warp Speed, which helped produce the COVID-19 vaccines in record time, required close collaboration between the Department of Defense and the Department of Health and Human Services, including the National Institutes of Health. The government spent huge sums of money to protect residents and businesses through the CARES Act and American Rescue Plan. A White House COVID-19 Response Coordinator was established to organize a federal response.

The federal response to past housing crises has largely focused on financial tools and products. The 30-year mortgage and creation of the Federal Home Loan Banks and Government Sponsored Enterprises are all broad financial interventions that undergird our existing housing system, which were developed out of past financial crises. During the Great Recession, the federal government provided billions of dollars to help homeowners, renters, and communities through the HOPE for Homeowners and Neighborhood Stabilization Program, among others, and brought the government sponsored enterprises into the government through conservatorship.

These past federal responses to housing also show us that we must pay special attention to intentionally building housing in the geographies that best benefit occupants and neighborhoods, and to the incentives that determine those locational decisions. Twentieth-century federal interventions spurred housing production and yielded a substantial number of units, without a doubt. However, these policies also encouraged exurban sprawl, concentration of poverty, and the destruction of low-income communities and communities of color. Housing interventions require special attention to the interplay of housing production and economic opportunity.

What the federal responses to the COVID-19 crisis teaches us is that when the government wants to fully address a crisis, it can. It has the tools in its toolkit to create federal policy that can be implemented locally to meet local needs, incentivize the private market to meet the moment, strengthen the social safety net, and smartly partner with the non-profit sector to further opportunity and growth.

A PERMANENT COMMITMENT

The housing crisis is a structural crisis compounded by periods of acuity, and thus, even though we believe the actions we propose the next administration should take during the first 100 days will address many of the acute pressures facing the housing market today, there must be a longer-term commitment to address the structural dynamics underlying the problems in housing.

This includes tackling underlying issues facing the housing market today, such as the insurance crisis, which may require fundamental changes to current conceptions of acceptable risk for both single-family and multifamily owners. It also includes holding the federal government accountable for their role in advancing unwise housing policies and committing to do better for the American people. The federal government must commit to stewarding its assets responsibly, including preserving or redeveloping existing affordable housing that was built with federal government subsidies. And it includes continuing to set the rules of engagement within housing markets to ensure that everyday Americans have a level playing field and can always find a decent place to live. Our hope is not just that the next administration responds to a crisis, but that it can fundamentally reframe the role of housing in American life.

THE STATE & LOCAL COMMITMENT

If the federal government implements the policies that we lay out in the rest of this document, we know that the nation's housing shortage will ease. But the federal government is a partner, not a commander. Many states and communities have been leading the response to the housing crisis. But the time is now for all states and local governments to commit to enacting fairer land use and building codes, to ensure that the housing that must be built can get built. As local partners, they must work to build high quality and affordable housing choices in every community, furthering the dream for Americans to build a better life. They must further fair housing and commit to ending segregation and discrimination in their local housing markets, as the law requires. And they must work with local partners, including philanthropy and the private sector, to create a diverse set of housing options for all residents, current and future.

The National Housing Crisis Task Force is composed of leading practitioners from across the nation who are committed to upholding their side of the bargain. The Task Force's Mayors' Implementation Committee represents a diverse set of cities from across the country—from Phoenix to Fort Worth, Kansas City to Lansing, and San Diego to Scranton. Task Force members and the Mayors' Implementation Committee are committed to upholding our part of the bargain. We await our federal partner.

THE PRIVATE & CIVIC SECTOR COMMITMENTS

Housing production in the United States is driven by private industry—from home builders to developers to housing providers. Banks and private equity provide most of the funding for housing development in the country, undergirded by a public system of finance. Additionally, philanthropy has always played a role in the housing ecosystem, from the origins of the Local Initiatives Support Corporation (LISC) and Enterprise Community Partners, to the outsized role community foundations play today in piloting and experimenting with new models of housing development and delivery.

The National Housing Crisis Task Force calls on the finance industry, housing providers, developers, and philanthropy to consider their role in addressing the housing crisis. They must commit to using their outsized influence to support the recommendations herein. They must be willing to take risks, try new development models, and invest in communities throughout the country.

POLICIES TO ADDRESS A HOUSING CRISIS

A LEAD AND FOCUS THE NATION

The federal government is the only entity in the United States that can wholly address the depth and breadth of the housing crisis. Housing is impacted by nearly every federal department and related agency: HUD, USDA, HHS, DOE, DOT, DOL, Treasury, VA, DOD, CFPB, DOJ, the GSEs, and the Federal Reserve all have programs or policies that directly finance, regulate, or otherwise influence the price and delivery of housing. No one entity is in charge. This whole-of-government approach must be organized to be more effective. These policy recommendations encompass both new roles for the federal government, direct the focus of the federal government on key challenges, and call on the federal government to take immediate actions. As the federal government acts, it must also communicate the elements of the housing agenda boldly and clearly. The federal government must both play the inside game of Washington D.C. investments and reforms and the outside game of harnessing the full energies and resources of a federated system.

A1 CREATE A HOUSING CRISIS COUNCIL IN THE WHITE HOUSE

Harnessing a sufficient federal response means first recognizing that housing is an interdisciplinary, cross-department, public-private problem. The federal government urgently needs a central node in the White House, reporting directly to the President, where multiple federal departments, state and local governments, and the private sector all meet. A new, Housing Crisis Council in the White House would constitute the crisis-level response that is necessary to truly begin leading on the housing crisis. The director of the Housing Crisis Council, the Housing Czar, would need to be a Senior Advisor to the President and directly report to both the President and the White House Chief of Staff.

Housing is affected by more departments than just HUD. DOE funds pursue carbon reduction in housing stock. DOT funds incent transit-oriented housing development. DOL sets standards for safe working conditions, regulates fair and prevailing wages, and oversees apprenticeship programs. HHS supports homelessness services and supportive housing programs. DOD has a massive military housing responsibility and drives innovation. USDA is the main provisor of rural housing assistance, including construction loans and direct tenant assistance. HUD/FHA and VA provide home loan guarantees and offers homeless prevention programs for veterans and people experiencing homelessness.

The Housing Crisis Council would be responsible for translating between these departments, local governments, and the private and civic sectors. The council would also be responsible for drafting and promotion of Legislative and Regulatory priorities. This type of council has precedent, such as the White House COVID-19 Response Team, the head of whom was an Assistant to the President.

Relevant Agencies: The White House
Type of Action: Day One Executive Action

A2 TASK THE COUNCIL OF ECONOMIC ADVISORS TO CREATE A HOUSING PRODUCTION GOAL

The federal government does not have an unbiased estimate for the housing shortage; numbers are instead sourced from government-sponsored enterprises, industry professionals, advocacy organizations, and academic researchers. The Council of Economic Advisors (CEA) should develop an unbiased methodology for assessing the number of housing units by income level that the nation and all states and territories must produce and preserve, with an annual report of progress delivered to the President, Congress, and the Housing Crisis Council.

There is both domestic and international precedent for this sort of enumeration. In 1967, President Lyndon Johnson created a *Committee to Rebuild America's Slums*, in response to the Watts Riots and Civil Rights Movement, which worked closely with the Council of Economic Advisors to come up with a target for housing production. That committee recommended a staggering goal of 26 million units to be built or preserved over 10 years, with 6 million devoted to low- and moderate-income families.[43] In the United Kingdom, the Ministry of Housing recently developed a "standard method" for identifying regional housing needs, which suggests that the UK needs to build 300,000 homes per year in order to reduce housing appreciation to run level with inflation.[44]

We are in a similarly generation-defining moment once again. **The housing unit production goal identified by the CEA should produce an estimated number of *net new* housing units that are necessary to reach a market equilibrium, such as the number of housing units necessary to make housing price appreciation commensurate with overall inflation targets**, accounting for both production of new housing units and preservation and rehabilitation of the existing stock. It should also identify the number of subsidized and unsubsidized housing units that are necessary for low-income households. Additionally, such production estimates at the state level should be tied to measurable outcomes, such as the ratio of median house price or rental prices to median wages.

Relevant Agencies: The White House, Council of Economic Advisors
Type of Action: Day One Executive Action

A3 INCENTIVIZE STATES TO MEET REGIONAL HOUSING NEEDS

Moving from production goals to actual production will require capacity and infrastructure building. Most states are not currently equipped to facilitate regional housing development. Housing production mechanisms typically sit at the local level, driven by counties' and cities' decisions on zoning, land use, and permitting. Hyperlocal planning has failed to deliver sufficient housing units and can run counter to other state and federal policy priorities. However, federal transfers to local governments are relatively small, while federal funding to states can be quite substantial.

The federal government should thus incentivize states to reform state-level land use enabling legislation or work with their local governments to adopt land use reforms that can demonstrably lead to housing production, meet future housing demand, and ensure smart and equitable distribution of market rate and affordable housing throughout metropolitan regions and rural areas.[45] In order to do so, the federal government should condition eligibility for competitive grants for housing, infrastructure, and transportation to states and metropolitan planning organizations (MPOs) based on states' implementation of land use and regulatory reforms that lead to measurable outcomes related to housing production and preservation.[46] States should be required to allocate their housing production targets for market rate and affordable housing across regions in their states, such as those bounded by MPOs or similar area development organizational units.

There is some precedent for these types of actions. HUD targeted funding from the Neighborhood Stabilization Program to areas based on a foreclosure risk score. New Jersey's affordable housing scheme, the Mt. Laurel doctrine, requires local governments to allow for affordable housing development, while Massachusetts's state law 40B requires local governments to allow for at least 10% of their land to be used for affordable housing development. The federal government has also historically used its funding powers to encourage uniformity among practices that meet societal needs, as in the conditioning of transportation funding on the raising of the drinking age.[47]

At the same time, many local communities may not have the capacity to change their land use regulations in ways that enable housing production. As such, we also call on the federal government to continue to fund and support the Pathways to Removing Obstacles to Housing (PRO Housing) program to ensure that there are sufficient resources to amend local regulatory regimes. HUD and DOJ should also be sufficiently funded to enforce federal Fair Housing Act provisions against discrimination in land use and zoning.

Relevant Agencies: The White House, HUD, DOT
Type of Action: Day One Legislative Priorities

A4 COMMIT TO MEASURING REAL-TIME DATA ON THE U.S. HOUSING MARKET

To measure and meet national housing production targets and affordability goals, the federal government must collect better data related to building permits, construction, prices, and rents. The Building Permit Survey and Survey of Construction, administered by the U.S. Census Bureau, have well-known data-quality issues[48] and are administratively burdensome.[49] The American Community Survey, Rental Housing Finance Survey, and American Housing Survey provide important sources of data, but do not cover all geographies, and have severely delayed data releases.

The Housing Crisis Council must work with the Census Bureau, HUD, and other relevant federal agencies to identify administrative improvements and propose legislative reforms to the measurement systems used to track the housing industry in the United States. For instance, the Survey of Construction should be expanded to include features of the permitting process, impact fees, and exactions, with an enlarged sample size to allow for data at more granular geographic levels released on a monthly level.

The federal government must commit sufficient funding to help states and local governments to bring their housing data into the twenty-first century, with modern tools to track housing starts, zoning and land use, local development fees, housing completions, actual rent prices through local rental registries, housing prices, house price appraisals, and foreclosures/evictions.

Relevant Agencies: The White House, U.S. Census Bureau, HUD
Type of Action: Year One Administrative Actions; Day One Legislative Priorities

A5 ACT TO STABILIZE AND MODERNIZE THE PROPERTY INSURANCE MARKET

The insurance market for single-family and multifamily dwellings is facing unprecedented stress. Nationally, home insurance premiums have increased by 34 percent since 2018, and as much as 60 percent in states heavily impacted by natural disasters.[50] Multifamily insurance rates increased an average of 12.5% annually 2020 to 2023, a 40 percent total increase,[51] and premiums have more than doubled since 2018.[52] Multifamily insurance stress extends beyond property insurance, including large increases to liability insurance and builders risk insurance. This problem is particularly acute for providers of affordable housing, who are unable to increase operating revenue to pay for increased operating costs, and who may face higher insurance costs given their residents.

The causes of these insurance price increases are manifold. The increased cost of materials and labor is driving up the total replacement cost of buildings, leading to increased policy amounts and associated premiums. More frequent and larger weather-related claims are putting stress on insurers, with many losing money for the past several years.[53] Insurers' use of "crime scores" and other nontraditional metrics for underwriting are driving up insurance costs for multifamily owners in a variety of geographies.[54]

For homeowners in many high-risk regions, private insurance companies are refusing to renew premiums or are pulling out of markets entirely, with an increasing share of homeowners reliant on state insurance programs of last resort, such as Florida's Citizens Property Insurance Corporation.[55] However, insurance marketplaces for commercial real estate such as multifamily apartment buildings do not have insurers of last resort, and generally have fewer protections for purchasers than the homeowner market.

We recommend that the next Congress charter a Blue Ribbon Commission on Property and Casualty Insurance to study and recommend specific policy fixes to reform and modernize the Property Insurance market to ensure it functions effectively well into the future. The Commission should include representatives from the insurance industry, developers and operators of single- family, multifamily and affordable housing developments, state insurance regulators, civil rights professionals, and experts in modeling the costs and impacts of climate events.

Insofar as property insurance increases, and losses, are tied to increased weather disaster claims, the Blue Ribbon Commission should consider policies or programs that harden and protect buildings from weather-related impacts. However, hardening buildings takes time and significant cost, and the acute stresses on the property insurance market must be addressed as soon as possible. Particularly for affordable multifamily buildings, the federal government has an explicit interest in ensuring that these properties remain solvent so that the country does not lose additional affordable housing at a time of a housing shortage. The Blue Ribbon Commission should consider various models to ensure that there is sufficient, affordable, insurance and reinsurance capital in the market so that affordable multifamily operators can continue to operate. These models could include a federal reinsurance capital source for affordable housing developments; creating an expanded federal Home Insurance program similar to the National Flood Insurance program as an insurer of last resort; or implementing an FDIC-like model wherein affordable housing providers spread risk across the entire affordable housing ecosystem and provide sufficient last-resort coverage to drive down premium costs.

Relevant Agencies: Congress, Treasury, Federal Housing Finance Agency
Type of Action: Day One Legislative Priorities

A6 ENSURE COMPLIANCE WITH THE FAIR HOUSING ACT

It is long-established law and public policy that housing needs to be accessible to people without the impediments of illegal discrimination. Congress passed the Fair Housing Act with strong bipartisan support in 1968. The Act recognized that the federal government and all of its agencies that directly or indirectly touch the production, financing, insuring, and general accessibility to housing function in furtherance of fair. Under the Fair Housing Act, the HUD Secretary has the responsibility to ensure that "all executive departments and agencies" operate their programs in a manner that is supportive and affirmatively in furtherance of the purposes of the Fair Housing Act. <u>The Director of the Housing Crisis Council must therefore have as an operating principle that all the federal agencies, their programs and funding streams, including the financial regulatory agencies, are critical resources and vehicles to support a fair and functioning housing market</u>. Only in this way will we be able to work our way out of this housing crisis in a manner that benefits us all, including those who are all-too-often left out.

Relevant Agencies: The White House, HUD, Treasury, DOT, and all agencies that affect housing
Type of Action: Day One Executive Action

B REDUCE BARRIERS TO PRODUCTION AND ELIMINATE COMPLEXITY

Many federal tools and programs drive up the cost of the housing that is produced with those subsidies. During a time of crisis, the federal government should consider unclogging, fast-tracking, and waiving some requirements to ensure that much-needed housing gets built—as it often does in a crisis. Existing programs and incentives across the federal government can be streamlined and reoriented to direct the whole of the federal government toward housing production. These policy recommendations include both regulatory and legislative changes to existing programs that have the potential to expand housing production nationwide.

B1 MODERNIZE HUD PROGRAMS FOR MORE RAPID HOUSING PRODUCTION

HUD's programs are in desperate need of modernization. Congress must change FHA's 203(K) program to allow for "residences" instead of "structures" to allow that program to fund Accessory Dwelling Units (ADU) that are not attached to primary dwelling units. Congress must strike the word "chassis" from Section 603(6) of the National Manufactured Housing Construction and Safety Standards Act of 1974 to allow for better-quality manufactured housing and expanded applicability of the HUD Code. Section 206(A) of the National Housing Act must be changed to re-baseline FHA's mortgage limits for multifamily housing programs, which are currently based on out-of-date studies that limit the impact of the program. HUD's Multifamily Office must receive increased appropriations to hire enough underwriters and asset managers to expedite the processing of HUD-insured construction loans. The HOME Investment Partnerships Program hasn't seen major congressional revisions since 1994, leading to cumbersome and out-of-date requirements. Congress must streamline and update these and other important HUD programs to facilitate the financing of affordable housing for cities and private-sector developers. Taken together, these actions could spur a construction boom for ADUs, manufactured housing, and multifamily buildings insured with HUD loans such as 221(d)(4), and preserve thousands of affordable housing units supported by project-based tenant assistance.

Relevant Agencies: HUD
Type of Action: Day One Legislative Priorities

B2 UNLOCK AND SCALE DOT AND DOE PROGRAMS FOR HOUSING PRODUCTION

The Bipartisan Infrastructure Law expanded eligibility for DOT TIFIA and RRIF Loans[56] to include transit-oriented development by private companies, with $35 billion in loan authority. The Inflation Reduction Act expanded loan authority to DOE's Loan Program Office, which has over $65 billion in loan authority that can also be used for housing production. However, TIFIA loans cannot be guaranteed or insured by HUD, and DOE's LPO loans are too large for most housing projects.

<u>Federal agencies must be directed to align federal programs towards accessibility and availability for housing.</u> Congress should appropriate sufficient funds to ensure housing expertise is adequately available in these agencies, either by sending HUD staff to DOE and DOT, or by establishing a joint HUD-DOE-DOT office to administer these programs as they relate to housing.

The Bipartisan Infrastructure Law unlocked significant funding for transit-oriented housing development, but changes are needed to make the funding efficient and accessible for housing. TIFIA's investment grade credit rating requirement is the most substantial impediment to using the funds for housing. This could be addressed by either waiving the requirement for housing-related projects or by allowing Federal Housing Administration (FHA) multifamily mortgage insurance to credit-enhance the loans. Allowing for direct underwriting of projects by FHA could also reduce loan execution timelines. TIFIA loan executions take nearly 18 months, in part due to the limited underwriting experience DOT has for housing development. DOT should be enabled to partner with FHA to use existing underwriting standards and capacities.

DOE Title 17 loans must be reformed to allow a more efficient flow of capital to housing related projects. DOE should allocate larger pots to national pipeline lenders who can then make loans smaller than $100 million. DOE should also help reduce risk for the pipeline lenders, by either "flowing through" with a pipeline lender top-up or by taking first loss risk. DOE could even get creative about issuing loans at lower rates tied to carbon reduction. Title 17 loans can also be made more efficient for housing production by allowing prequalification and issuing at a more market-oriented pace (approximately 3 months). DOE should begin to explore lending against the total carbon (embodied and operational) in adaptive reuse and new construction projects.

Relevant Agencies: HUD, DOT, DOE
Type of Action: Day One Legislative Priorities

B3 SUPPORT REFORMS FOR GREATER UTILIZATION OF HOUSING CHOICE VOUCHERS

The Housing Choice Voucher Program is the most important source of rental assistance for low-income households seeking housing. However, it is estimated that nearly 4 in 10 households who receive a voucher must return the voucher because they are unable to find a unit to rent.[57] This low "success rate" is driven by several factors, including landlord disinterest in participating in the program, high housing costs, landlord challenges dealing with local housing authorities, and more.

The federal government can do more to increase the success rate of voucher holders. First, Congress should ban "source of income discrimination," which would prevent landlords from renting to voucher holders *simply because they are voucher holders.* Today, when a household with a housing choice voucher wants to rent a unit that is not currently housing a voucher holder, the landlord must submit to an inspection by the public housing authority, increasing the burden on landlords and reducing their participation. Second, Congress should authorize additional flexibility for Public Housing Authorities to streamline the process for landlords who wish to participate in the Housing Choice Voucher program, such as allowing for pre-inspection of units. The federal government should also ease inspection requirements where there is low risk of severe housing quality issues and encourage local housing/permitting/inspection agencies to work in partnership with housing authorities to reduce or consolidate their inspection process. Third, the federal government should also grant greater flexibility for the use of VA funds to be allocated to Public Housing Authorities to function as Designated Service Providers.

Relevant Agencies: HUD, VA
Type of Action: Day One Legislative Priorities

B4 AUTHORIZE EMERGENCY NO-COST DISPOSITION OF FEDERAL LAND AND BUILDINGS FOR DEVELOPMENT INTO AFFORDABLE HOUSING

The federal government owns 28 percent of the country's land. While much of that land is far from population centers, a considerable percentage is located in urban areas with housing shortages and could be redeveloped to increase housing supply.[58] Indeed, the Lincoln Institute of Land Policy estimates that the federal government owns more than 5,000 acres of potentially buildable land near public transit nationwide, which could be used to develop between 35,000 and 135,000 housing units.[59]

Additionally, the federal government owns 511 million square feet of office space nationwide, much of it managed by the General Services Administration.[60] GSA currently allows for surplus federal buildings to be acquired by eligible public entities for a variety of approved uses, including homeless assistance and self-help housing.[61] The federal government has tried to right-size its portfolio in recent years, with the creation of the temporary and limited Public Buildings Reform Board.[62] However, the federal disposition process is lengthy, overly burdensome, and does not allow for disposition for a broad enough range of affordable housing related uses. <u>The Housing Crisis Council should implement an internal audit of all land holdings that could be disposed of and used for housing development. The next administration must streamline the process for transferring federally owned assets and land to for the purposes of building housing.</u>

Federal lands disposition from the Department of Interior and the U.S. Forest Service should follow the process laid out by the HOUSES Act, S. 3117 of the 118th Congress. Federal building disposition, such as that through the GSA, should broaden the below-market conveyance of surplus federal property. The use of federal land and buildings to create housing units affordable to households at or below 80 percent AMI should be conveyed at no cost. The use of federal land and buildings to create housing units affordable to households at 100 percent AMI should be conveyed at a reduced market price, while federal land and buildings conveyed for market-rate housing should be expedited but not discounted.

The federal government should also explore retaining ownership in its land parcels for the purpose of exempting those parcels from local zoning regulations, to expedite housing development. The federal government could lease the land to local governments or developers, retaining ownership, generating revenue, and remaining exempt from local zoning. The GSA's Good Neighbor Program[63] should be directed to expand the definition of a "Good Neighbor" to include the development of housing during a housing shortage.

The Postal Service deserves special attention; it owns 8,500 facilities throughout the nation, many of which are located in areas suitable for and in desperate need of housing. USPS must investigate the use of its properties for the construction of housing, while maintaining a post office presence at that location. Creation of a special property unit dedicated to spurring redevelopment, as entities like Transport for London have done, could be a win-win: generating much-needed revenues for USPS while expanding the supply of housing.

Relevant Agencies: White House, GSA, USPS, all federal agencies that own surplus property
Type of Action: Day One Executive Actions, Day One Legislative Priorities

B5 MODERNIZE THE HISTORIC TAX CREDIT TO FACILITATE CONVERTING UNDERUTILIZED OFFICE SPACE INTO APARTMENTS

The Federal Historic Preservation Tax Incentives program encourages private-sector investment in the rehabilitation and re-use of historic buildings. Currently, however, the enforcement and interpretation of federal historic preservation standards by the National Park Service are much stricter than necessary, limiting the usability of the credit for converting underutilized commercial buildings into multifamily housing. This strict guidance diminishes builders' willingness to use the program and can even impede preservation efforts when historic buildings are instead demolished or sit vacant. NPS should allow greater flexibility in rehabilitating the upper, non-public floors of multi-story buildings while emphasizing historic preservation of the exterior and ground floor. Updating the tax incentive guidance would facilitate the conversion of underused commercial buildings, such as office buildings and hotels, into much-needed, well-located housing.[64]

Relevant Agencies: National Park Service
Type of Action: Year One Administrative Actions

B6 MAINTAIN AND EXPAND SUPPORT FOR MANUFACTURED HOUSING RESIDENTS AND COMMUNITIES

Manufactured housing represents a large portion of the existing housing stock in the United States, especially for low-income households. There are over 6 million occupied manufactured homes in the U.S., and approximately 1 in 3 of those homes are sited in dedicated manufactured home communities.[65]

However, there are significant barriers to expanding and sustaining manufactured housing in the U.S. First, most manufactured home buyers cannot use a mortgage due to the titling of their home (not based on home quality or consumer creditworthiness). Personal property "chattel" loans are the next-best option. However, without federal or Government-Sponsored Enterprise (GSE) programs like those for mortgages, it is an uncompetitive market with insufficient loan supply for qualified borrowers. This credit shortage stifles supply because builders need customers to purchase the homes. FHA, with Ginnie Mae, has taken steps to correct this via initial updates to Title I, but additional steps to align policies with their successful mortgage program will be necessary.[66] Freddie Mac has proposed a program, but the Federal Housing Finance Agency is still evaluating it. The Federal Housing Finance Agency should require the GSEs to start purchasing personal property loans to reduce barriers to entry for new lenders and improve loan supply, and thereby increase housing supply.[67]

Second, manufactured home parks have become attractive investment vehicles for private equity.[68] When new owners enter manufactured home communities, ground lease payments can increase dramatically, as can fees associated with basic services required by residents, such as water. However, there are steps taken by the federal government that should continue to ensure that residents of manufactured home communities can receive support for infrastructure upgrades, for the opportunity to purchase the land in their communities, and expand access to funding for community owners to repair and replace aging infrastructure in exchange for commitments to affordability. In addition, the next administration should continue to support the Preservation and Reinvestment Initiative for Community Enhancement (PRICE) Program from HUD for preservation and infrastructure upgrades, and must ensure that the changes to the FHA 223(f) program for preservation are actually working to help residents of manufactured home communities purchase them.

Relevant Agencies: Federal Housing Finance Agency, HUD
Type of Action: Year One Administrative Actions

B7 REVIEW CHANGES TO CURRENT MORTGAGE UNDERWRITING CRITERIA TO STIMULATE HOMEBUILDING

In the aftermath of the Great Recession, mortgage underwriting criteria became much stricter. As a response to the predatory practices of the late 1990s and early 2000s, this was undoubtably the right move; the subprime crisis and predatory lending harmed too many individuals and communities across the country.

However, for much of the twentieth century, underwriting criteria were more lenient than they are today, while still adequately ensuring that borrowers could safely and securely afford the house they were purchasing. The White House should direct the Federal Housing Finance Agency and the Consumer Financial Protection Bureau to review what the projected housing supply impact would be of allowing households with near-prime credit scores who qualified for mortgages in the twentieth century to obtain them again. Some analysts have estimated enabling this large group to qualify for mortgages as they did in the twentieth century would spur the construction of large amounts of starter homes because builders would have buyers again for them.[69] If such lending can be conducted safely, as it was throughout most of the twentieth century, it could boost housing construction as renters with near-prime credit scores become eligible to buy again. Lenders could then adjust eligibility criteria, and starter home construction could increase.

At the same time, it is crucial to ensure that homeownership and mortgages are not predatory. As such, HUD must continue to invest in homebuyer education and counseling that improves credit scores and financial literacy for home purchasers. Positive Rent Reporting[70] should be expanded to ensure that those who live in federally regulated housing can continue to build positive credit scores as a result of on-time rental payments. And supports should be in place, such as post-sale counseling and support for first generation and first-time homebuyers, to ensure that post-purchase expenses do not result in financial hardship for new homeowners.[71]

Relevant Agencies: Federal Housing Finance Agency, Consumer Financial Protection Bureau, HUD
Type of Action: Year One Administrative Actions

B8 UNLOCK UNUSED FAIRCLOTH UNITS AND RAISE FAIRCLOTH LIMITS

Faircloth units refer to the total cap on public housing units allowed under the Faircloth Amendment. Among large Public Housing Authorities (PHAs), there are numerous so-called 'Faircloth' public housing units available to be deployed. But very few have been utilized. This is primarily because the Faircloth units pay much less than other project-based vouchers and often well below 50 percent of fair market value.

Last year, HUD issued new guidance to convert Faircloth units to units under the Rental Assistance Demonstration (RAD) program,[72] which made unused Faircloth units a more viable tool for many. The new rule allows certain PHAs to supplement Faircloth rents for 12 months with other sources. After the 12 months, the units convert to RAD and HUD gives new budget authority to the local PHA for the Faircloth amount, plus the amount the local PHA has paid to boost the rent subsidy. Under this rule, a $600 Faircloth unit with a $600 boost converts to $1200 in monthly HUD subsidy after 12 months. This is major progress.

However, the number of RAD units remain limited by Congress, and not all Public Housing Authorities can afford to convert their Faircloth units to RAD. Indeed, on the one hand there are 70,000 "Faircloth units" still unutilized by the original 39 "Moving to Work" agencies (which were excluded from the recent HUD action noted above), while on the other hand there are over 2,000 public housing authorities, many of them rural, that have no Faircloth units available.[73]

Congress must raise the Faircloth cap for the cities that have no Faircloth units left, and must commit to finding a source of funding to ensure that all Public Housing Authorities can bring units into the market with new rents appropriately baselined to current construction and operating costs. Other recommendations in this document, such as "Streamline and expand access to low-cost financing for housing finance agencies and CDFIs" and expanding Housing Choice Vouchers may serve as sources of funds for Public Housing Authorities looking to utilize their Faircloth units.

Relevant Agencies: HUD
Type of Action: Day One Legislative Priorities

B9 CATEGORICALLY EXEMPT INFILL HOUSING FROM NEPA

When development occurs on public land, the National Environmental Protection Act (NEPA) requires an extensive environmental review process. The Environmental Impact Statement (EIS) process has grown in length and complexity in recent years, with statements hundreds of pages long that take years to complete, and often concluding that there is no serious impact.[74]

There are efforts to reform NEPA for other high-impact activities. For instance, permitting reform efforts have been introduced in Congress for energy-related projects.[75] In order to expedite the construction of housing, there should be a categorical exemption from NEPA for infill housing development. This is especially important for the redevelopment of public housing, as well as land disposed of by GSA and other federal agencies. To preserve the integrity of NEPA and the environmental review process, the categorical exemption should be limited to multifamily housing developments located within an incorporated municipality where the site already adjoins developed urban uses and the site is already zoned for residential mixed-use development. To prevent environmental degradation, the NEPA exemption should not include parcels in or adjacent to coastal zones, wetlands, on prime agricultural land, on prime farmland, in areas of high fire hazard or flooding risk, or in areas designated as habitat for endangered species.

Relevant Agencies: EPA
Type of Action: Day One Legislative Priorities

C MOBILIZE FEDERAL CAPITAL FOR PRODUCTION & PRESERVATION

The federal government is the only source of capital large enough to meet the current housing crisis. It must increase funding for the existing programs that work—and those that have worked in the past but have been underfunded in recent years. It must also deliver capital through new sources to more appropriately deliver the range of units and the range of affordability that the American people need. Federal capital can be used to unlock and leverage private, philanthropic, and state and local capital sources. Supplementing the primary housing production reforms that are needed to address a chronic housing shortage, a major infusion of various financial resources and financing tools is needed to facilitate the development of deeper levels of housing affordability. Some of these recommendations address acute funding needs, while others form the basis of a new way of thinking about federal involvement in housing finance. Additionally, there is a need to strengthen relations with Tribal governments and increase housing investments in Tribal communities.

C1 AUTHORIZE FANNIE AND FREDDIE PURCHASE OF CONSTRUCTION LOAN MEZZANINE DEBT

Housing is dependent on debt for development, and therefore very sensitive to changes in interest rates. They vary and have been relatively high over the past two years. Combined with long development timelines, this means housing financing is insufficiently matched with the construction time. Government Sponsored Entities (GSEs) exist to ensure that housing and mortgage markets function efficiently, but right now they lack the right tools for a country where development takes a long time and costs change over this time period. This creates a problem for supply of new housing when developers cannot afford to develop projects, given the interest rates charged for construction loans and construction mezzanine debt.

GSEs typically only enter the picture for housing developments once they are fully built (i.e., stabilized) but they could play a stronger role in the housing construction space as well. The GSEs could create a product where they purchase secondary debt (i.e., mezzanine debt) for construction of new housing developments. A GSE-backed mezzanine debt infrastructure could lower the overall cost of financing housing. The GSEs would purchase the mezzanine debt from banks, CDFIs, and housing financing authorities that issue the debt to construct housing developments. The program would focus on mixed-income and affordable housing outcomes. The Federal Housing Finance Agency should create a capital rule to allow Fannie Mae and Freddie Mac to purchase construction mezzanine debt. Since construction debt recycles quickly, this fund can recycle in a matter of years, allowing for a significant source of new construction capital. The Center for Public Enterprise estimates that a $10 billion initial capitalization could yield the construction of 300,000 new units per year.[76]

Relevant Agencies: Federal Housing Finance Agency, Treasury
Type of Activity: Year One Administrative Actions

C2 PROVIDE LOW-COST DEBT FOR MIXED-INCOME HOUSING DEVELOPMENTS, AND DURING PERIODS OF STALLED HOUSING CONSTRUCTION

Debt is the primary source of capital used to finance housing construction. Given the importance of debt for both new construction and for acquisition of housing by individuals and landlords, rising interest rates tend to stall new housing developments. This leads to decreased homebuilding during periods of economic growth, and a structural shortage of homes over a business cycle. This sensitivity to interest rates decreases housing production during interest rate tightening, resulting in housing shortages even after interest rates have cooled.

Low-cost debt is one of the primary ways countries around the world subsidize housing development, and especially affordable housing. The Affordable Housing Fund offered by the Canadian Mortgage and Housing Corporation offers loans below the Canadian treasury rate for housing developments that have at least 30 percent of units affordable at 80 percent of the median market rent.[77] In Denmark, developers of affordable housing can access loans that have zero interest for 40 years.[78] Indeed, the United States has offered low-cost debt as a way to subsidize affordable housing in the past, through the now-defunct 221(d)(3) Below Market Interest Rate (BMIR) Program and Section 236 Program at HUD.[79] The U.S. still offers low-interest debt for housing development in rural areas through the USDA Section 515 program, but USDA Section 515 has not issued a new mortgage since 2011.[80]

FHA currently provides construction and permanent financing through its 221(d)(4) program for multifamily developments. It is only a small part of the multifamily market, less than 10 percent of market share, but it is an important and popular program, serving as a generous source of financing only 250 basis points above U.S. 10-Year Treasury Rates.

Congress should authorize and fund HUD and FHA to issue 221(d)4 loans at below-market interest rates. Congress must substantially increase the appropriations for the Section 515 program at USDA to bring new properties into the program. These new loans should serve two purposes: to provide low-cost debt for mixed-income housing developments, and to be made available to market-rate developments during periods of stalled housing supply.

FHA already treats affordable housing developments differently for 221(d)(4) programs, defined as properties that have 20 percent of units available at rents for 50 percent AMI. We propose that FHA be authorized and funded to offer 221(d)(4) loans at 200 basis points below Treasury rates for mixed income housing developments that have 20 percent of units available at rents for 50 percent AMI. This reduction in debt costs will offset the losses from affordable rents. This program must also learn from the mistakes of past programs, and ensure that affordability covenants be tied to the land, not to the mortgage note. Recipients of these below-market rate loans should be encouraged to work with tenant associations and housing cooperatives to encourage tenant participation.

Additionally, we propose that during periods of stalled housing supply—where the number of permitted, but not under construction units rises precipitously—FHA should be authorized and capitalized to offer 221(d)(4) loans at only 100 basis points above Treasury rates, instead of the 250 basis point spread typically used today. Such an authorization should be automatically triggered by economic indicators from Treasury, the Federal Reserve, and the U.S. Census Bureau.

Relevant Agencies: HUD, FHA, USDA
Type of Activity: Day One Appropriations Proposal

C3 PROVIDE A NEW SOURCE OF LOW-COST FINANCING TO PRESERVE EXISTING AFFORDABLE HOUSING

Practitioners in the housing field have long held that a key component of the nation's housing shortage is the ability to keep people in their homes. This is especially true at a moment when rising prices for construction inputs over the last few years have driven the average cost up to well over $150 per square foot, not including the cost of land. Reported costs vary dramatically by location and the presence of public subsidy in the transaction.[81]

The nation is constantly losing units, especially modestly priced units, to disrepair and other market forces. For example, experts at the National Low Income Housing Coalition and Public and Affordable Housing Research Coalition estimate that over the next 5 years, the nation could lose more than 340,000 subsidized (through various means) affordable rental units owing to expiring restrictions.[82] Losing those units could greatly impair the national effort to create millions of net new homes.

Undoubtedly, many of these 340,000 units will be lost; the markets within which they exist would make it cost-prohibitive to keep them in the ranks of the affordable stock. Others may be functionally obsolete and should not be preserved. But an untold number of the 340,000, with the right financial incentives, could be upgraded/modernized and recapitalized with an owner's promise of ongoing affordability.[83] <u>As with our recommendation to provide a below-market interest rate for FHA 221(d)(4) programs, we propose the expansion of FHA's authority to provide below-market interest rates for 223(f) loans, at 200 basis points below Treasury rates, in order to provide a new source or capitalization and rehabilitation of existing affordable housing developments.</u> As with the programmatic changes to the 221(d)(4) program for affordable housing developments, properties recapitalized with 223(f) loans should be required to maintain affordability through deed restrictions that run with the property separately from the mortgage note.

Congress should also pursue modifications of LIHTC and related activities to allow for additional sources of funding relating to affordable housing preservation. Specifically, Congress should consider eliminating the "ten-year rule" related to the use of LIHTC for acquisition of housing constructed within the last ten years.[84]

Relevant Agencies: HUD, FHA
Type of Activity: Day One Appropriations Proposal

C4 STREAMLINE AND EXPAND ACCESS TO LOW-COST FINANCING FOR HOUSING FINANCE AGENCIES AND CDFIS

FHA currently allows for risk sharing with state and local Housing Finance Agencies (HFAs), with qualifying HFAs allowed to underwrite FHA loans in exchange assuming up to 50 percent of the risk of loss. This credit enhancement allows for many participating HFAs to finance projects at a lower interest rate than they would be able to achieve on their own. This program has been complemented by a joint HUD-Treasury program wherein the Federal Financing Bank (FFB) can purchase these loans once insured, further reducing borrowing costs. The Biden administration indefinitely extended this program earlier in 2024.[85] In August of 2024, the FFB Risk Share program was modified to allow for more interest rate certainty for lenders.[86] While this program has been successful, especially at supporting rehabilitation and preservation projects, it could be more impactful if the forward commitments would be available on a realistic timeframe for construction and stabilization of new housing development. This would allow it to partner with HFAs to increase the liquidity and volume of Construction to Permanent financing and provide a lower cost source of capital for the new construction of affordable multifamily units.

FHA and HUD must streamline access to the program, allowing more local housing financing authorities access to this program. FHA and HUD must explore pathways to approve new HFAs more quickly, including joint-venture partnerships between HFAs in the risk-share program and applicants. The next Congress must permanently extend the FFB program through legislative action so it is not subject to review by future presidential administrations. Additionally, the 542(b) risk sharing program for CDFIs should be reinstated as another source of important liquidity, especially for small multifamily projects.

Relevant Agencies: HUD, FHA, Treasury
Type of Action: Day One Legislative Priorities

C5 EXPAND FHLB CAPITAL ACCESS AND IMPROVE TERMS OFFERED FOR AFFORDABLE HOUSING PROJECTS

The Federal Home Loan Bank (FHLB) system provides community-focused lenders with some of the lowest-cost capital available, making it a valuable resource for medium-term or permanent financing of multifamily affordable housing projects. However, the current structure limits its use in this critical area, and several changes are recommended to unlock its full potential for affordable housing financing.

First, while banks can pledge assets and borrow for terms up to 30 years, CDFIs are often limited to borrowing for only 5 to 7 years. Extending the borrowing terms available to CDFIs would enable these community-focused institutions to better serve the smaller multifamily and non-LIHTC affordable housing markets, which are often underserved by traditional banks.

Second, the advance rate currently provided by FHLB for multifamily affordable housing projects is typically around 60 percent of the restricted value of the property. This limited advance rate reduces the effectiveness of FHLB capital in financing affordable housing. Establishing a government-backed guarantee for multifamily affordable housing projects with long-term affordability restrictions could increase the advance rate up to 80 percent. For LIHTC projects in particular, which are sufficiently below market to ensure low vacancies and strong performance across markets, FHLBanks could treat these loans as a distinct asset class due to their lower risk of loss. FHLBanks should provide better collateral valuations, longer-term fixed-rate advances (over 16 years would be required to lend alongside LIHTC equity), and forward rate commitments for long-term, deed-restricted multifamily affordable housing loans. These actions would ensure that both affordable housing and LIHTC-backed projects can access more substantial financing to address capital gaps and improve long-term project viability.

Relevant Agencies: Federal Housing Finance Agency, Federal Home Loan Banks
Type of Action: Year One Administrative Actions

C6 PROVIDE GRANTS FOR ADAPTIVE REUSE DEVELOPMENT

Thousands of downtown office buildings remain empty, as do hotels and motels. Many of these properties could be converted to housing, whether market-rate, subsidized affordable, or permanent supportive housing. Gensler, the largest architecture firm in the world, analyzed 1,300 office buildings throughout North America and found that approximately 25 percent of those buildings have the potential to be converted into housing, and that these conversions can be completed at a cost of 30 percent less than new construction.[87] Adaptive reuse projects for housing in employment centers, inside or outside of metropolitan areas, are an important option for creating high-quality housing near jobs, revitalizing those employment centers and tax bases. If cities waive zoning approval processes for buildings that won't undergo changes to building shape, housing can go to market more quickly than traditional construction.

In addition to the recommended changes to the historic tax credit outlined above, we recommend that the federal government create a new, temporary grant to unlock adaptive reuse conversions that are near financial feasibility but fall short. This grant program should be provided to housing developments that: 1) are located in or near major employment centers, and 2) are not financially feasible with existing financial products. The federal grant should fill the gap, allowing these projects to move forward. The amount of financing provided by the federal government should correlate with the amount of affordability required in these buildings—no less than 10 percent of units should be affordable to households making less than 80 percent AMI as a condition of this grant. The grant should not provide more than $10 million per project, with a total authorization of $10 billion, similar in scale to the proposed tax credit in the Revitalizing Downtowns Act.[88]

Relevant Agencies: HUD
Type of Action: Day One Appropriations Proposal

C7 EXPAND OPPORTUNITY ZONES FOR AFFORDABLE & WORKFORCE HOUSING

Opportunity Zones were included in the 2017 tax bill, originating from a bipartisan effort led by Senators Tim Scott and Cory Booker, and have stimulated billions of dollars in investment throughout the United States. Opportunity Zones play a more significant role than is generally understood in the context of housing development, with an estimated 20 percent of new housing developments taking place within them.[89]

However, Opportunity Zones were a broad tool with few guardrails on the types of investments eligible for the preferential tax treatment. Congress should extend Opportunity Zone incentives but limit the types of projects eligible to receive preferential capital gains tax treatment to housing developments that include 20 percent of affordable and workforce housing for residents earning less than 120 percent of the Area Median Income (AMI)—in line with other workforce housing tax credits, such as Florida's Live Local Act. This expansion should also come with enhanced transparency requirements, including public reporting of the census tract location of housing investments, the aggregate value of the investment, the total number of residential housing units developed, and the number of housing units occupied by households making less than 120 percent of AMI and making less than 50 percent of AMI, such that it is clear which housing projects are being developed to take advantage of the Opportunity Zone incentive.

Relevant Agencies: IRS
Type of Action: Year One Tax Priorities

C8 EXPAND AND REFORM THE LOW-INCOME HOUSING TAX CREDIT

LIHTC remains an essential tool for the development and preservation of affordable housing across the country. In many states, LIHTC is the primary source for creating affordable housing. In the context of a supply shortage, the increased need for affordable housing, and rising construction costs, LIHTC needs to comprehensively adapt and expand to meet the moment. LIHTC should be reevaluated and improved across five key areas: expanding the 9 percent credit, exempting affordable housing from the state private activity bond cap, increasing the "basis boost" for Difficult Development Areas, streamlining income verification, and strengthening cost oversight provisions. The Affordable Housing Credit Improvement Act, currently moving through Congress, supports much of the substance of these recommendations.

The 9 percent LIHTC credit is essential, especially for new construction in high-cost environments. It is allocated annually to all states based on population and utilized to finance affordable housing. Because the allocation has lagged behind rising housing costs, many areas can build less today than 10 years ago. The amount of 9 percent LIHTC available nationally should be meaningfully expanded—restoring the 12.5 percent increase from 2018, paired with a further increase of allocations by 50 percent, would result in over 200,000 more affordable homes over 10 years.[90]

Private Activity Bonds (PABs) are allocated annually to all states based on population and used to finance eligible activities, including airports, schools, and affordable housing. When utilized to finance at least 50 percent of the basis of an affordable housing project, the debt unlocks 4 percent LIHTC tax credits. The federal government, however, artificially limits the number of tax-exempt PABs that can be issued in each state to finance qualified activities. This barrier should be lifted to allow more bonds to be issued and foster greater financing for affordable housing projects. The PAB requirement to fund at least 50 percent of a project should also be reduced to 25 percent.

LIHTC currently provides an increase ("Basis Boost") in the eligible cost basis for projects in "Difficult Development Areas (DDAs)," as defined by HUD. However, the DDA Basis Boost is insufficient to meet the current housing demand given rising labor and construction costs. Congress should authorize an increase in the Basis Boost for DDAs, Native American housing, Extremely Low-Income housing, and rural areas from 30 percent to 50 percent.[91] Additionally, a 30 percent Basis Boost should be provided for any development within 15 miles of a qualifying military installation,[92] allowing for streamlined capital stacks and quicker delivery of LIHTC units.

The income verification requirements for prospective tenants of deed-restricted affordable units can be onerous for both applicants and landlords. These requirements can exclude qualified applicants who cannot collect the necessary documentation for verification and increase income verification costs for developers and landlords. The federal government should streamline verification requirements to the extent possible while ensuring that the process can still distinguish qualified from unqualified applicants for deed-restricted units. To ensure that servicemembers are able to qualify for housing assistance, the Basic Allowance for Housing (BAH) should also be excluded from income calculations for LIHTC.[93]

To contain costs, LIHTC should strengthen state oversight capacity related to development costs. States should be required to consider cost reasonableness as part of their selection criteria when determining which developments will receive allocations each year.[94] These efforts combined will leverage LIHTC's strengths while adapting it to meet our current crisis.

Relevant Agencies: Treasury, IRS, HUD
Type of Action: Year One Tax Priorities

C9 INVEST IN TRIBAL HOUSING

One-third of Native households on Tribal lands live in poverty, compared to 18 percent of households nationwide.[95] Furthermore, in 2015, the annual median household income among Native Americans and Alaska Natives was 33 percent lower than the national median income and 15 percent lower than households in non-metro areas.[96]

Funding for Tribal housing development and assistance programs has remained relatively flat since the passage of the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA). Annual IHBG appropriations have not kept pace with inflation and housing needs.

NAHASDA provides annual formula funding to Indian tribes so they can provide affordable housing-related opportunities for low-income families residing on reservations and in other Tribal areas. The last reauthorization of NAHASDA, however, expired in 2013. Despite the growing need for investment in Tribal housing, the government has failed to fill the gap.

Congress should reauthorize NAHASDA, make Tribal HUD-VASH permanent and available to all tribes, and ensure ongoing funding for ICDBG.

Relevant Agencies: HUD
Type of Action: Day One Legislative Priority

D INNOVATE WITH AN INDUSTRIAL POLICY LENS

The federal government must treat the production of housing as an industry, not just a set of consumers of existing financial products, and spur innovation across that industry. For climate, artificial intelligence, and manufacturing, the federal government has created entire ecosystems to bring ideas from prototype to product, to invest in the necessary technologies and infrastructures to build the things we need for the future of America. We must treat housing in the same way: investing in future technologies, simplifying every step of the supply chain, training more workers to build, and increasing efficiencies to ensure that we continue to innovate in housing production and preservation. Taken together, these policy recommendations would create new institutional mechanisms to address many of the structural issues of our housing crisis.

D1 CRAFT A NATIONAL HOUSING INDUSTRIAL STRATEGY

Resolving the housing crisis will require the production or preservation of millions of homes within the next half decade. This reality naturally raises structural questions of organization and delivery. Which entities—private, public or nonprofit, actually produce housing? What constraints do they currently face around capital, workers, materials, technologies, and supply chains? What innovation is occurring in the sector and by whom? How does the building of homes and multifamily apartments comport with other critical challenges like transportation and reindustrialization?

The housing crisis necessitates that policymakers do something that they have not done for decades: treat housing like an industry. The nation needs to invest in an entire ecosystem to bring housing production and preservation ideas from prototype to product. This means sparking innovation, enabling supply chains, and supporting a strong workforce.

<u>We propose that the Housing Crisis Council, with support from HUD, craft a National Housing Industrial Strategy to guide this effort within the first year of the next presidency.</u>

Models for such a strategy already exist in other parts of the federal government. In January, for example, the DOD released its inaugural National Defense Industrial Strategy (NDIS).[97] The NDIS prioritizes four key areas critical to building a modernized defense industrial ecosystem: resilient supply chains, workforce readiness, flexible acquisition, and economic deterrence. For each priority, the NDIS walks through a series of actions, illustrative outcomes and outputs, and, chillingly, the risks of not achieving clearly set objectives.

The NDIS also recognizes that addressing national security imperatives requires mobilizing the market energies of cities, metros, and states, in addition to networks of public, private, and civic entities that make up our decentralized and distributed economic development system.

To be sure, the housing industry is quite different from the military-industrial complex. It is more atomistic, distributed, and federated, requiring an intricate coordination between levels of government, sectors of society, and the financial system. But the overarching notion of delivery, and of meeting national production targets with focus and discipline, bears notable similarities.

The National Housing Industrial Strategy would focus on three logical and linear elements—innovation, supply chain, and workforce—with important crosscutting leadership needed including production goals and capital enablement. It would provide a compelling framework for the proposals contained in this section and others that would be developed over the course of 2025.

Relevant Agencies: HUD
Type of Action: Year One Administrative Priorities

D2 CREATE A HOUSING INNOVATION UNIT WITHIN HUD

Affordable housing programs such as the LIHTC and HUD-funded developments consistently aim for the highest levels of energy efficiency, which typically increase the cost of development. Hundreds of start-ups form every year promising a building revolution with new technologies or processes. However, these new technologies are expensive and difficult to bring to market given the fragmented nature of the building industry, with nearly one million construction firms nationwide.

Congress should create a Housing Innovation Unit at HUD, to sit within the Office of Policy Research & Development (PD&R). The Housing Innovation Unit should be modelled after the Defense Innovation Unit at the DOD, with the power to invest in companies that can bring down housing production cost. The Defense Innovation Unit currently has annual appropriations of $1 billion, and the Housing Innovation Unit should be similarly capitalized. Additionally, the Housing Innovation Unit should draw insights from the Green Proving Ground Program at the GSA,[98] which utilizes the government's vast real estate portfolio to help building-related technologies overcome the technological valley of death between proof-of-concept and adoption.

To support and accelerate the growth of companies to meet urgent supply needs, the federal government should invest in the entrepreneurship and innovation ecosystem using tools similar to those used to support the green energy transition. The Housing Innovation Unit should be empowered to invest in new housing developments, or redevelop existing housing developments, with the aim of testing the building technologies and processes that can bring down costs and create a market for private, market-rate builders to follow. This unit should provide funding for technological advances that reduce the cost of housing production, including modular construction, 3-D printing, panelized construction methodologies, mass timber, and more. Similar to DOE and DOD investments in incubators and other programs that support clean energy entrepreneurs, investment could provide a mix of programmatic, regranting, and investment capital to a group of intermediary or academic entities that strengthen early-stage and growing businesses by supporting business planning, fundraising, and piloting efforts. Additional funds could be used to support companies in these programs in securing their first one or more pilot projects to demonstrate their potential impact. The Housing Innovation Unit should be staffed jointly by HUD and DOE.

These investments must have the potential to reduce the cost of producing new housing, through the reduction of time of development and reduction in the cost of building. They also have the potential to ensure that the highest levels of energy efficiency and building resiliency grow more affordable over time. In other words, these investments should yield a reduction in future expenditures. Additionally, the Housing Innovation Unit should augment PD&R policy development expertise, iterating and scaling on local policy proposals that could be scaled nationally.

Relevant Agencies: HUD, DOE
Type of Action: Day One Legislative Priorities

D3 CREATE A NATIONAL PERFORMANCE-BASED BUILDING CODE FOR MODULAR HOUSING

HUD has had the authority to regulate the manufactured housing industry through the “HUD Code” since Congress passed the National Manufactured Housing Construction and Safety Standards Act in 1974. However, the HUD Code only applies to single-family houses up to four units.[99] Factory-built housing that does not meet the strict definition of the HUD Code can be stymied by the fragmented local building codes and inspection regimes across the nation, even when using largely the same quality-controlled assembly methods and standards.

Congress must authorize HUD, and appropriate sufficient funds, to develop an efficient, national, performance-based building code for modular housing regardless of unit count. Such legislation must address important issues relating to building inspections for panelized, volumetric, and kit-of-parts construction that is manufactured off-site and finalized on-site. In 1974, HUD was directed to create the HUD Code for manufactured housing and was completed by 1976; similarly, HUD should be directed to finalize the building code by 2028. Given EPA’s and DOE’s involvement in setting energy standards and energy efficiency codes, they must also be included in the process. HUD’s modular housing code must either preempt state and local building codes or provide a pathway and incentive structure to get broad adoption nationwide, such as creating a network of HUD-code approved inspectors whose inspections would be reciprocally recognized by jurisdictions.

The creation of a national performance-based building code for modular housing would have numerous benefits. It would lower the cost of developing modular housing nationwide, create an easier pathway for offsite construction to scale, and provide more flexibility for developers in creating new housing through off-site building techniques. Lowering the cost of new development could make housing affordable and available to new homebuyers, and address systemic issues such as the new-build appraisal gap in weaker markets.

Relevant Agencies: HUD, EPA, DOE
Type of Action: Day One Legislative Priorities

D4 CREATE A FIRST LOSS POOL FOR MODULAR HOUSING

Modular construction has the potential to generate significant upfront cost savings over traditional construction methods, especially given the time saving potential through decreased on-site construction time. However, only 1 percent of new multifamily units (and 2 percent of single-family units) produced in the U.S. are generated using modular constructed methods, well behind other developed economies, where it accounts for up to 45 percent of new housing production.[100]

Two key financing challenges are slowing the growth of off-site modular housing production, particularly in the affordable housing sector. The first challenge is the need for upfront deposits, typically paid by project developers to allow factories to purchase materials and secure production slots for affordable housing developers. These deposits are often required before a construction loan closes but are generally too large to be covered by typical predevelopment funding sources. While guaranteed or bulk purchase contracts may reduce the need for such deposits over time, the industry will likely require a three- to five-year ramp-up period during which larger predevelopment loans will be necessary to cover these deposits.

The second challenge is that many off-site manufacturers have not yet achieved the scale, track record, or balance sheet strength required to obtain the insurance or performance bonds typically mandated by construction lenders.

<u>To address these financing barriers, a government-seeded or backed Letter of Credit (LOC) or Guarantee Pool could provide a backstop for bank or CDFI lenders issuing larger predevelopment loans for modular projects, contingent on sound underwriting standards that align incentives across all parties.</u> Additionally, a first-loss bond or guarantee pool could help fill the current gap in the payment and performance bond/insurance market, which prevents newer or scaling factories from offering performance bonds to project sponsors. This top-loss pool would function as the first layer of bonding capacity/insurance and could attract other insurers at a more market-driven level above the top-loss layer. Over time, as the pool grows and diversifies, it could revolve and expand or serve as a bridge until traditional insurance markets begin offering performance bonds for modular housing.

The goal of this initiative is to provide a proof of concept for financial products that can be replicated by public and private funding mechanisms, benefiting both affordable and market-rate housing development. Additionally, it would support the growth of modular housing companies, enabling them to self-finance these products as they expand into new markets across the country.

Relevant Agencies: HUD, FHA
Type of Action: Day One Appropriations Proposals

D5 SUPPORT EFFECTIVE PROGRAMS THAT TRAIN AND PLACE YOUNG ADULTS IN THE CONSTRUCTION TRADES

Exiting the Great Recession, one of the largest challenges was the drastic decline in the homebuilding industry. There are approximately one million fewer workers in the construction trades today than there were prior to the Great Recession,[101] and approximately 300,000 job openings in the construction sector at any given time.[102] To meet the demand for housing production—especially missing-middle housing—the United States must expand the number of workers who can produce new, small-scale housing.

<u>$100 million should be appropriated annually for the next 10 years to the Department of Labor to encourage the expansion of technical construction career programs, curricula, and apprenticeship and pre-apprenticeship programs, in high schools and community colleges, with the goal of placing an additional 100,000 workers in the construction trades, with a particular focus on expanding access to these careers from historically underrepresented groups.</u> Additionally, the Department of Education should explore pathways to encourage high schools to place students into apprenticeship and pre-apprenticeship programs, much as secondary schools today are rewarded for placing students into four-year college programs.

Relevant Agencies: DOL, Department of Education
Type of Action: Day One Appropriations Proposals

D6 LAUNCH A HOUSING FELLOWSHIP PROGRAM TO ENCOURAGE THE NEXT GENERATION OF HOUSERS

The Pathways Program and the Presidential Management Fellowship program are training programs designed to encourage outstanding citizen-scholars to enter public service. In recent years, several philanthropies have also funded the placement of experts in local government, such as the innovation team,[103] and chief resiliency officers.[104] The federal government should launch a housing fellowship program that aims to recruit 1,000 exemplary mid-career housing fellows from diverse backgrounds with expertise in development, economics, and public sector process to work at state and local housing authorities and state housing agencies each year. These housing fellows would provide the technical expertise and knowledge to help public housing agencies operate on equal footing with the private sector.

Relevant Agencies: HUD
Type of Action: Day One Legislative Priorities

D7 DEVELOP AN EVIDENCE-BASED MODEL MULTIFAMILY BUILDING CODE FOR ADOPTION BY STATES AND LOCALITIES TO REDUCE CONSTRUCTION COSTS WHILE MAINTAINING SAFETY AND ACCESSIBILITY

HUD should develop a model multifamily building code, or model amendments to current widely used building codes, designed to reduce construction costs without compromising safety, accessibility for people with disabilities, or climate resiliency. States and localities could use this code in lieu of widely used building codes today, or integrate them as amendments to existing building codes, to reduce costs associated with adding multifamily housing. Recent research has identified numerous areas where elements of multifamily construction in the U.S. cost far more than in peer countries without providing clear safety benefits.[105] The priority should be to focus on small multifamily buildings of 3 to 50 units, which have been built less often in recent years as building code compliance has become more costly, and to explore establishing a framework and certification system to implement performance-based codes.

Relevant Agencies: HUD
Type of Action: Day One Legislative Priorities

D8 STUDY CROSS-NATIONAL DIFFERENCES IN BUILDING CODE EFFICACY AND COST

Building codes for multifamily housing differ sharply in the U.S. from those in most high-income countries on basic elements like the type and size of elevators, and how many stairways are required.[106] The building code process in the United States is largely driven by non-governmental organizations, which develop model building codes that are in turn adopted by states and other jurisdictions with authority. However, there is a lack of research on building-code best practices and efficacy. The National Institute of Standards and Technology (NIST) and HUD should assess whether the much higher construction costs for multifamily building resulting from existing building codes are justified or whether lower-cost codes used in peer countries provide similar or better safety and resiliency. Congress should appropriate $10 million per year to NIST and HUD, such that these agencies can expand their current research to study cross-national differences in building code efficacy, providing an independent assessment of the current best practices. This action would be in line with past efforts.[107]

Relevant Agencies: HUD, NIST
Type of Action: Year One Administrative Actions

E PROVIDE A HOUSING SAFETY NET

There are millions of Americans whose incomes are too low to afford private market rents without significant subsidy. We know that fewer people become homeless when structural conditions are favorable and there is a strong safety net. In 2022, a record-high 22.4 million renter households spent more than 30 percent of their income on rent and utilities.[108] For these households whose incomes are too low, or whose needs are too great, the federal government must strengthen the social safety net by providing sufficient subsidy and navigation to ensure that they can find decent, stable, affordable housing. For those households who do find housing in the private market, the government must make sure that tenants have adequate protections and support within the power dynamics of the landlord-tenant relationship. The federal government must ensure that all households can experience wealth creation and stability in the long term, even without homeownership. These policy recommendations ensure that households that fall on hard times are never without a stable place to call home.

E1 PROVIDE HOUSING CHOICE VOUCHERS TO ALL WHO ARE ELIGIBLE

Today, only 25 percent of eligible low-income households receive housing choice vouchers. It is the only entitlement that we ration, unlike food stamps, Medicaid, and unemployment insurance, yet it remains a critical element of the housing social safety net. These vouchers ensure that households can afford rent, can be used by some households to buy a home,[109] and, when converted to project-based vouchers, can be used to subsidize the development of new housing.

Housing choice vouchers are particularly important given the increasing cost-burden of renter households. Today, 83 percent of households earning under $30,000 per year pay more than 50 percent of their income on rent.[110]

<u>The federal government should commit to expanding funding for housing choice vouchers so that all tenants who are eligible for the program can receive one. The program should be made mandatory so that it can expand and contract with the needs of the population, rather than subject to annual discretionary appropriations</u>. In expanding the program, priority should first go to households making less than 30 percent of Area Median Income (AMI). It is estimated that a universal voucher would cost approximately $168 billion under current market conditions, roughly a five-time expansion compared to the size of today's program. Given the large price tag, housing choice voucher expansion could phase in over time with a focus first on certain groups such as veterans, foster youth, or extremely low income families, such as those earning under 30 percent AMI.[111]

However, such an expansion of a demand-side subsidy will accomplish too little without substantial expansion of supply, especially supply with rents at or below the fair market rent. Congress should ensure that the increase in housing choice vouchers comes with a sufficient increase in the available number of project-based vouchers, allowing public housing authorities to use vouchers to subsidize added supply of new affordable housing developments. Additionally, the federal government should prioritize the expanded voucher authority to public housing authorities in jurisdictions that have shown an ability to expand housing supply, through the mechanisms we suggest elsewhere in this federal policy agenda.

Relevant Agencies: HUD
Type of Action: Day One Appropriations Proposals

E2 INVEST IN SOLUTIONS TO HOMELESSNESS WHILE HOUSING CRISIS INVESTMENTS TAKE EFFECT

Homelessness is fundamentally a result of the shortage and lack of affordability of housing. While the preceding strategies are implemented, investments need to be made in proven solutions to homelessness.

Prevention: Emergency Rental Assistance to assist about 3 million severely cost-burdened renter households. This need will decrease over time as the housing supply and affordability challenges are ameliorated. Estimated annual first-year cost is $15.5 billion.

Crisis Response: We recognize shelter solutions only provide temporary housing for 6 to 12 months. Therefore, there is a need for a well-integrated series of solutions and a plan to permanent housing. Increase shelter capacity to not only to provide a sleeping refuge, but the staff to help people develop a housing plan. Estimated annual first-year cost is $9 billion.

Short- and Medium-Term Rental Assistance: An estimated half of all people who experience homelessness can be helped with lighter touch Rapid Re-Housing with housing navigation assistance. Estimated annual first-year cost is $2.5 billion.

Permanent Supportive Housing: Increase the supply of permanent supportive housing units for people experiencing chronic homelessness and a portion of non-chronically homeless with high-service needs. If we create an adequate supply of permanent supportive housing, it won't be necessary to ration through coordinated entry among those who need it. Estimated annual first-year cost is $25.5 billion.

Invest in the Professional Skills of the Homeless Services Workforce: Those working in homelessness agencies[112] and in Continuum of Care are essential to getting resources to those who need them[113] effectively and efficiently. However, there are significant workforce challenges in the homelessness industry. $4.8 billion is needed to bring homelessness service salaries into the modern era.

Create a Model Medicaid Benefit and Reimbursement Method: Building on the evidence of the HUD-VA Supportive Housing program, create and fund the case management and support services needed to help people attain and retain supportive housing, achieve recovery, and access mainstream healthcare, behavioral healthcare, employment, and other services.

Taken together, these investments would represent a cost of approximately $57 billion in the first year and could end homelessness in the United States.

Relevant Agencies: HUD, HHS, VA
Type of Activity: Day One Appropriations Proposal

E3 CREATE A FEDERAL TAX CREDIT FOR MODERATE-INCOME RENT-BURDENED TAX FILERS

The federal tax code heavily rewards real estate ownership, while providing minimal direct support for renters, despite renters being more likely to be low-income than homeowners. This direct federal support includes the mortgage interest deduction (generally, interest paid on a mortgage of up to $750,000 for a married couple) and state and local tax (SALT) deduction (up to a $10,000 limit under recently enacted tax laws).

A tax credit for renters can provide significant benefits. First, renters typically have lower incomes than homeowners, rendering a tax credit more progressive than a tax deduction. Second, a tax credit can provide support for households not receiving other forms of support but may be eligible for affordable housing programs or housing choice vouchers. Massachusetts currently offers a renter tax deduction, but its effects are limited, with the tax benefit capped at a maximum of $200.[114] Washington, D.C. provides a renter's tax credit of up to $1,325 for renters with incomes less than $61,300.[115]

<u>The federal government should provide a tax credit to low- and moderate-income renters.</u> While there are many design considerations that the federal government might consider,[116] the next administration should create a renter's tax credit that provides support directly to tax filers, lowers rental cost-burden, and is administratively simple to ensure broad uptake of this credit. Further, this credit could allow for simultaneous filing with the Earned Income Tax Credit. For example, one could design the federal tax credit to apply to renters making less than $100,000. Renters could self-report their total rent paid for the tax year and be able to claim a credit for the difference between 30 percent of their gross income and their rent paid, up to 120 percent of the Fair Market Rent for their zip code (also known as the small area fair market rent). Such a system would allow for broad-based uptake, reduce housing cost-burden, while not encouraging housing consumption beyond a reasonable rental cost in a given region. The Terner Center estimated that a similar proposal would cost $76 billion on an annual basis, a similar expenditure to the mortgage interest deduction prior to the 2017 Tax Cuts and Jobs Act.[117] With the expiration of the 2017 Tax Cuts and Jobs Act next year, a renter tax credit should be on the table. If the federal government were to make housing choice vouchers universal for those who qualify, then this tax credit would apply instead to moderate-income households, as low-income households would receive a direct subsidy, lowering the cost of this proposal.

Relevant Agencies: Office of Tax Policy, IRS, Treasury
Type of Activity: Year One Tax Priorities

E4 PROVIDE $100 BILLION TO REHABILITATE AND UPDATE EXISTING SUBSIDIZED AFFORDABLE HOUSING STOCK

At a time of a severe housing shortage, preserving housing stock is critically important. Today, there are approximately 1 million units of public housing, 1.3 million units of project-based rental assistance, and 350,000 units of housing for the elderly and people with disabilities with deep subsidies provided by the federal government. Together, these deeply subsidized units represent nearly 6 percent of the U.S. rental housing stock.[118] Many of these units were built in the 1980s or earlier, with some nearly 90 years old. They are in need of rehabilitation and repair, and estimates suggest that there is a $70 billion backlog of capital repairs to the public housing stock.[119]

Congress should authorize a one-time $100 billion appropriation for the rehabilitation and updating of the public housing and HUD-assisted stock, ensuring the necessary deferred maintenance is finally accounted for, and that our public and subsidized housing stock is resilient and safe for the next generation of inhabitants.

Relevant Agencies: HUD
Type of Action: Day One Appropriations Proposals

E5 PILOT NEW AFFORDABILITY MEASURES THAT ARE MORE HOLISTIC THAN THE 30 PERCENT RULES

Historically, the federal government's measures of housing affordability have only considered the costs of housing and associated utilities to determine whether a household is cost-burdened. HUD and other federal stakeholders should invest in research around a new set of affordability measures, which take into account other location-based factors, including transportation, the potential costs of climate resiliency (including higher insurance premiums), access to employment and services, and residual income.[120]

A model for this exists: in 2013, HUD and DOT jointly piloted the Location Affordability Index (LAI), a nationwide database of modeled housing and transportation costs, to provide greater understanding of the interplay between these two factors.[121] The LAI was intended to provide a more comprehensive estimate of the potential costs a household would experience if they were located in a specific geography, taking into consideration household size, access to various transportation options, and distance to employment and service centers. These costs could have implications for the decision-making of individual households as well as HUD stakeholders (such as local governments and affordable housing providers) in choosing where and how to invest in supporting affordable housing.

<u>We propose that HUD and its stakeholders examine the applicability of the LAI and residual income measures in determining the affordability of housing, specifically by identifying whether households receiving federal subsidy would be “cost burdened” based on metrics derived from the LAI, and whether these households have sufficient residual incomes after paying for rent.</u> These in-depth measures could set a new basis for determining housing cost burden, beyond the current metric of 30 percent of income spent on housing costs.

Relevant Agencies: HUD, DOT, DOE, EPA
Type of Action: Year One Administrative Actions

E6 CREATE A NEW INITIATIVE TO INVEST IN NEIGHBORHOOD-WIDE REVITALIZATION

The federal government has a long history of promoting housing investments in distressed neighborhoods, directly through government programs (e.g., HOPE VI, Choice Neighborhoods) and indirectly through incentives or mandates for private capital (e.g., Opportunity Zones or the Community Reinvestment Act). The goal of these disparate interventions is to use investments to drive broader community regeneration that serves existing residents. The lessons from successful efforts have been analyzed for years and can inform future legislative and administrative action.

We propose the creation of a new Thriving Neighborhoods Initiative to invest in distressed communities. Unlike existing programs like HOPE VI or Choice Neighborhoods (which are mostly tied to public or assisted housing projects built with federal subsidies), this program would enable federal resources to fit a broad array of community and housing types. The federal government needs to be intentional when choosing where to build more housing. People want to live in high-resource areas with access to public transit, green space, grocery stores, jobs, good schools, clean air, and healthcare, and a Thriving Neighborhoods program can create these areas. The goal would be to encourage federal housing investments to be part of broader regenerative strategies that include investments in customized workforce development, quality schools, parks, community health centers, and thriving commercial corridors.

Federal housing investments would be designed to leverage other public, private, and philanthropic capital in efficient and effective ways, spur the growth of locally owned small businesses that produce or renovate housing or provide needed goods and services (e.g., quality groceries) to residents, and align with the hiring and procurement strategies of major anchor institutions (e.g., universities, hospitals) that often are located in or nearby the community.

The Initiative would enable a range of interventions aligning with market realities and community visions. One community might focus on the acquisition and restoration of housing, including scattered-site single-family homes and small multifamily properties in need of capital upgrades, such that these assets can be returned to functioning use and can revitalize the neighborhoods in which they are located. This could help counter the hoarding of single-family homes by absentee landlords and prevent displacement in pockets of cities. Another community might use infrastructure investments funded through the Department of Transportation's Reconnecting Communities or other programs to spur large scale home building by locally owned developers, given the proximity of many of these communities to anchor institutions.

The Initiative would enable a broad cross-section of applicants and would aim to leverage public, private and civic investments, particularly locally generated, to the greatest extent possible, and should be funded initially at an investment of $250 million per year.

Relevant Agencies: HUD
Type of Action: Day One Legislative Priorities

E7 PILOT A LEASE-TO-OWN MORTGAGE PROGRAM TO BROADEN HOMEOWNERSHIP OPPORTUNITIES

Homeownership remains out of reach for too many households. Saving for a down payments and poor credit scores prevent numerous households from accessing traditional mortgages. In this federal policy agenda, we have proposed policy measures that, if enacted, would drive down the cost of housing and therefore make homeownership more attainable for many households, and we have recommended that the federal government explore returning to twentieth century underwriting standards.

Lease-purchase and rent-to-own programs have proliferated in recent years. When designed effectively, they provide an important pathway to ownership for renters seeking housing stability but lack sufficient credit scores or savings to enter homeownership. When designed poorly, they can become predatory, locking consumers into poorly priced purchase agreements or confusing fees. The FHA should incentivize quality lease purchase programs by piloting a program to provide mortgages to tenants transitioning to homeownership from lease-purchase programs.[122] This program could have a lower credit score requirement if aspiring homeowners have made on-time mortgage payments for two years and have worked with a certified housing counselor, decreasing credit barriers to conversion for people seeking home ownership. As proposed by the Terner Center, an FHA lease-to-own mortgage program would allow non-profit and other qualified entities to work with low-income homeowners on an assumable mortgage product, within the current bounds of FHA authorizing statute. A lease-to-own homeownership program would also position entities to transition investor-owned single-family rentals to homeownership opportunities, a likely crucial issue in the coming years. Alternatively, GSEs could create an assumable mortgage option in their Home Possible and Home Ready programs, and FHA could increase the usability of the 203(b) assumable mortgage program for people in lease-purchase programs.

Additionally, GSEs could expand term financing at favorable rates to companies to acquire single-family homes for use in certified lease-purchase programs, allowing these programs to provide tenants with better pricing. The Federal Trade Commission could also establish rules increasing transparency and limiting the predatory aspects of some lease-purchase programs, including requiring recording of lease-purchase arrangements and limiting deceptive marketing, high exit fees, and holding the tenant responsible for a disproportionate share of maintenance.

Relevant Agencies: FHA, FHFA, FTC
Type of Action: Year One Administrative Actions

E8 ENABLE THE SCALING OF HOUSING COMMAND CENTERS FOR HOUSING NAVIGATION

Nationally, cities have successfully housed unsheltered residents by focusing on a housing central command model with expanded outreach, engagement, and housing placement capacity. For example, the Way Home in Houston[123] works through a combination of systems advocates, coordinated outreach, partnerships across housing authorities and landlords. The Command Center model develops partnership with local nonprofits, and is moving those who are currently unsheltered as quickly as possible to permanent housing with necessary supports needed to end their homelessness and ensure they remain stably housed.

The housing central command structure is one of housing-focused outreach and rehousing that is actively managed to support rapid housing placement goals. It supports basic health and safety needs while intentionally focusing on rapidly connecting people to permanent housing, and includes services such as housing assessments, obtaining ID, obtaining social security cards, obtaining homeless verification documents, obtaining a security deposit, obtaining application fees, providing necessary financial assistance if needed, assisting participants in navigating any challenges related to the housing process, participating in case conferences, providing transportation to tour available units, and other supportive services that assist a participant to achieve the stability to secure housing. Congress should amend the HEARTH Act to institutionalize the housing command center model as an eligible activity for Continuum of Care funding.

Relevant Agencies: HUD
Type of Activity: Day One Legislative Proposal

ENDNOTES

Notes 1-10 can be found on page X, in the Executive Summary

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