

Cost of Home Federal Policy Agenda

October 2019

Introduction

Habitat for Humanity has a vision of a world where everyone has a decent place to live. But in the U.S., nearly 38 million households cannot afford their home. One in 6 households are paying half or more of their income on housing.

Habitat's five-year Cost of Home campaign has an ambitious goal to improve home affordability for 10 million people. Drawing on the strength of hundreds of Habitat local affiliates and state organizations engaged in the campaign, we will achieve our goal through policy and system changes at the local, state and federal levels that increase access to affordable homes across the housing continuum.

Guided by the campaign's **Policy Platform**—and heavily informed by interviews and consultations with the U.S. Habitat network and external housing organizations and policy experts—the Cost of Home Federal Policy Agenda highlights 10 high-impact, federal policy solutions that will be instrumental in significantly improving affordability nationwide in concert with local and state advocacy efforts.

Cost of Home Federal Policy Priorities

This federal policy agenda recognizes that we will need multiple solutions—not just a single strategy—to solve our nation's housing affordability challenges. Housing challenges vary from region to region and community to community. Housing needs look different based on one's economic situation and one's stage in life. Accordingly, the federal agenda highlights policy solutions that can improve access to safe and affordable homes across the housing continuum, at scale.

Habitat's advocacy under the Cost of Home campaign is organized into four focus areas that are outlined in the Cost of Home Policy Platform:



Supply and preservation



Access to credit



Land Use



Communities of Opportunity

In alignment with these four focus areas, the federal agenda shines a spotlight on policy solutions that can:

- Increase resources for building and preserving safe, affordable homes for people across the economic spectrum;
- Help more low-wealth renters access credit and make the leap into homeownership;
- Spur sensible land use solutions to enable construction of more homes at lower cost to meet diverse local needs;
- Enable more families to access communities with economic and educational opportunities; and
- Revive investment, access to capital, and economic opportunities in distressed communities that have been left behind by economic change or long-term marginalization and under-investment.

TOP POLICY PRIORITIES

Habitat will invest most heavily in the following federal policy solutions through government relations, advocacy mobilization and/or communications support:



Increase and strengthen the HOME program to address housing needs across the continuum. The HOME program, operated by the U.S. Department of Housing and Urban Development (HUD), is a highly versatile resource for improving home affordability at scale. The program provides funds to states and localities that can be used for such purposes as new construction, repair, and rehabilitation of affordable owner-occupied or rental housing. The program also provides funding for down payment assistance programs, provides gap funding for rental properties built using the low-income housing tax credit, and can be used for direct rental assistance to tenants, including emergency rental assistance to avert homelessness. Habitat will work to grow the program significantly while supporting reforms that make it easier to use for affordable housing providers.



Expand down payment and closing cost assistance to give low-wealth households a fair chance at homeownership. The down payment poses a major barrier to homeownership for many credit-worthy renters who lack deep savings or access to inter-generational assistance. Closing costs present an additional barrier. Expanding down payment and closing cost assistance will help low-wealth households of all backgrounds access opportunities to purchase a home and build equity. Crucially, this initiative will help address the racial homeownership and wealth gaps that are the legacy of previous generations of African Americans being excluded from federal homeownership programs and being denied access to mortgages due to federally-sanctioned redlining. Legislative strategies could include expanding grants to state programs to increase down payment and closing cost assistance for low-income, low-wealth households and creating a government-matched savings program to help renters save toward a down payment.



Use federal funding to encourage local governments to improve zoning for housing. Habitat will explore opportunities to use supplemental grants for transportation, infrastructure, parks and schools as incentives to encourage localities and states to remove unnecessarily restrictive zoning and other regulatory barriers that impede new housing, drive up housing costs, and contribute to segregation. Overly restrictive zoning and open-ended land use approval processes can add significant time, risk and cost to home building efforts, impeding the ability of Habitats and other housing providers to meet local needs and address rising affordability challenges. Incentive grants should be limited to jurisdictions or states that have improved their local zoning codes to better accommodate diverse housing types and enable needed supply in areas of high demand. Designed well, these incentives can and should also complement and reinforce existing fair housing law.



Create 500,000 Opportunity Vouchers to help very low-income families access affordable homes in neighborhoods with opportunities to move up the economic ladder. Children benefit significantly and earn more as adults when families have access to low-poverty neighborhoods with good schools and job opportunities. Habitat will support a joint proposal from the Urban Institute and the Center for Budget and Policy Priorities to create 500,000 new housing choice vouchers tied to housing mobility assistance to help families with young kids access high opportunity neighborhoods. The Opportunity Voucher initiative will build on the lessons of highly successful local mobility programs, such as Seattle's *Creating Moves to Opportunity* program that was recently lauded by Raj Chetty, and deploy the best ideas at national scale. It will also increase affordability for families with the greatest housing cost burdens at a time when housing vouchers often entail decades-long waiting lists. To maximize opportunities for renting families seeking to improve their economic circumstances, we will also encourage the new Opportunity Voucher initiative to include expanded resources for HUD's Family Self-Sufficiency Program (FSS), which helps families with vouchers and other forms of federal rental assistance save for such purposes as homeownership or higher education. Several Habitat affiliates have recently helped graduates of the FSS program move from rental assistance into homeownership.

ADDITIONAL POLICY PRIORITIES

Habitat will work with partners and coalitions to support these policy solutions as resources and capacity allow:



Create a comprehensive repair program to increase the livability and affordability of existing homes by addressing health hazards, fall prevention and energy efficiency all at once. Habitat will support efforts by the Green and Healthy Homes Initiative (GHHI) and other allies to broaden HUD's existing Lead Hazard Control Program to include fall prevention, energy efficiency and asthma prevention. Expansion will make it easier for housing providers to address multiple issues at once when performing home interventions. GHHI also proposes: increasing the program's resources; better targeting the funds to communities in need; and reinstating the ability of nonprofits to receive funding directly. Such a program could support inclusive revitalization and safe aging in place while lowering overall housing costs.



Increase and ultimately double the size of the Low-Income Housing Tax Credit program. The Low-Income Housing Tax Credit (LIHTC) is the nation's most successful tool to encourage private investment in the production and preservation of affordable rental housing. To date, it has financed approximately 2.9 million homes for low-income families, seniors and veterans. Habitat will support efforts to significantly increase the tax credit to address the growing need for new affordable rental housing and the urgent need to preserve existing tax credit properties that are reaching the end of their affordability restrictions. Newly introduced legislation (S. 1703 & H.R. 3077) would increase tax credit availability by 50%. Analysts estimate this would support the production of more than 264,200 additional affordable homes over the next ten years. The legislation has generated strong bipartisan support. Habitat will support this legislation as well as allies' efforts to ultimately double the credit's availability to fully address our nation's rental housing needs.



Increase support for building operation expenses to expand the supply of rental homes serving the lowest income families. Deeply affordable apartments (renting for less than \$800/month) are in short supply nationwide, with four million lost since 2011, according to Harvard's Joint Center for Housing Studies. While the Low-Income Housing Tax Credit helps with capital expenses for new construction, a lack of dedicated support for building operations, maintenance and repair expenses is a major factor limiting the creation of rental housing affordable to those with the lowest incomes. Habitat will support policy solutions that significantly increase operating support for deeply affordable rental housing by expanding HUD's existing Project-Based Rental Assistance (PBRA) program, creating a new rental tax credit that supports operating costs as proposed by the Center for Budget and Policy Priorities, or expanding the availability of operating support through the National Housing Trust Fund.



Create a first-time homebuyers tax credit for low-income homebuyers. With the recent doubling of the standard federal tax deduction to \$12,000 for individuals and \$24,000 for married couples, the federal Mortgage Interest Deduction (MID) now only benefits a small share of homeowners with high incomes that continue to itemize deductions. To ensure that lower income homeowners are not left behind and can benefit from this important tax incentive, Habitat will support efforts to convert the mortgage interest deduction into a tax credit for homebuyers with low incomes. Alternatively, Habitat will support efforts to create a one-time tax credit for low-income first-time homebuyers, similar to the highly successful tax credit offered after the recent financial crisis, but targeted to lower-income homeowners who need it the most to overcome barriers to sustainable, affordable homeownership. These tax credits should be "refundable," i.e. capable of generating a tax refund instead of merely limiting a homebuyer's taxes. A refundable credit would increase the effective income of low-to-moderate income households applying for mortgages and help with post-home-purchase maintenance and repair expenses to keep the overall cost of homeownership affordable. Limiting the credit to homeowners earning less than median income would free up scarce federal resources for other affordable housing solutions, including rental assistance for those with the lowest incomes and down payment assistance.



Increase resources for the Community Development Financial Institutions (CDFI) Fund to expand low-interest lending, including micro-loans that help households repair their credit. Post-financial-crash credit standards remain too tight for many homebuyers, and too many low-income borrowers are ensnared by predatory, small-dollar lenders in the absence of safe alternatives, harming their credit for years to come. The CDFI Fund invests federal dollars to help mission-driven financial institutions leverage private sector capital and provide affordable lending to under-served, low-income households and communities. Nationally, half of CDFI lending supports single-family and multifamily housing. Consumer, business and community facility loans comprise the remainder. Habitat will join with allies in advocating for substantial expansion of the CDFI Fund to increase the availability of affordable mortgages and expand lending that can help households repair their credit and join the economic mainstream.



Pass the Neighborhood Homes Investment Act (NHIA) to rehabilitate homes in distressed communities.

In many distressed neighborhoods, depressed property values lead to a downward spiral of property abandonment, disinvestment and continued depreciation. The newly introduced NHIA (H.R. 3316) can help reverse this trend. The bipartisan legislation creates a tax credit to make it economically feasible to rehabilitate distressed homes in areas where the cost of rehabilitation exceeds current homes sales prices. The credit covers the gap between the cost of redevelopment and the final sales price, capped at 35% of total rehabilitation costs. While the credit is mostly designed for redeveloping distressed properties, it could also be used by Habitat affiliates and other housing providers to help current homeowners in low-income neighborhoods improve their homes. Under this scenario, the credit would be simply set to 35% of the cost of rehabilitation. The NHIA proposes \$1 billion in tax credits to rehabilitate 500,000 homes in 10 years. As a tax credit, this program would not require additional spending outlays.

RESPONDING TO NEW OPPORTUNITIES

The Federal Policy Agenda is a living document and will be updated as needed to allow Habitat to act on new opportunities as they emerge or respond to unforeseen roadblocks. In addition to the 10 policy solutions listed above, the campaign will sign on in support of and publicly promote additional federal policy solutions aligned with the Cost of Home Policy Platform as opportunities arise. Important policy developments that we will monitor include: 1) threats to Fannie Mae and Freddie Mac's Duty to Serve and Affordable Housing Goals; 2) changes to the HUD Rule to Affirmatively Further Fair Housing (AFFH); 3) proposals to make credit scoring more inclusive; 4) proposals to use HUD real estate-owned properties for affordable homeownership; and 5) reforms to the Opportunity Zone program that could enable more affordable homeownership.

RELATIONSHIP TO HABITAT'S OTHER FEDERAL POLICY PRIORITIES

In addition to the federal policy priorities of the Cost of Home campaign, GRA will continue to advocate for federal policies and programs that support our ability to serve families in need of safe, decent housing, such as the Section 502 and 504 Rural Loan Programs, SHOP, CDBG and the Corporation for National and Community Service.