

EXECUTIVE SUMMARY - FEBRUARY 2021

# Building a Better Ladder of Housing Opportunity in the United States

## A Framework for a Holistic, Equitable, and Sustainable Approach to Federal Housing Policy

Effective housing policy should foster a ladder of opportunity, where government policies help people at each rung and facilitate their ability to advance along that ladder. But the ladder we have today has multiple rungs missing, others spaced too far apart, and many rungs only accessible to certain people or communities.

As the Biden administration works to advance its robust priorities around reining in COVID-19, redressing racial inequities, stimulating an inclusive economic recovery, and responding to climate change, it has the opportunity to rethink and realign how the federal government approaches housing policy to help achieve those goals. In **Building a Better Ladder of Housing Opportunity in the United States**, the Turner Center recommends a framework for how to reshape the way the federal government deploys financial resources and regulatory authority in order to provide a range of rental and homeownership options that make good on the 1949 Housing Act's promise of "safe and affordable housing for all." This framework hinges on three core objectives:

- Right sizing and better targeting subsidies directed to households,
- Expanding and harmonizing housing supply-oriented resources and tools to support increased production and a broader array of housing choices, and
- Strengthening incentives and accountability for localities and private market actors to ensure they are advancing fair housing, rooting out systemic racism, and supporting climate resilience.

As a candidate and in the early days of his administration, President Biden has laid out a nuanced and ambitious housing agenda consistent with these broad goals. The recommendations summarized here offer an organizing framework to not only advance that agenda but lay a foundation for larger-scale, longer-term systemic reform.

## Priority Action Areas to Right Size and Better Target Assistance for Households:

**Recognizing the likely long path to full recovery, expand COVID-19 relief to protect against evictions and potential loss of affordable stock.** Further augmenting emergency rental assistance—something President Biden has included in his proposed \$1.9 trillion package—and strengthening eviction protections in a subsequent round of federal COVID-19 relief is critical to keeping millions of households stably housed, given the length of time it will take to administer vaccines to the general public and for the economy to recover to pre-COVID conditions. Assistance directly to struggling landlords on behalf of tenants unable to pay the rent could also guard against foreclosures and/or evictions spurred by owners unable to maintain their properties given mounting arrears. To further protect against foreclosures for vulnerable homeowners facing the eventual expiration of forbearance, relief should also include expanded investments in the Hardest Hit Fund created during the Great Recession, along with standardized and uniform post-forbearance loan modifications, counseling, and legal aid support.

**Beyond pandemic response, expand and better target rental assistance for households with very low incomes.** To ensure that vulnerable and at-risk populations receive access to critical housing assistance, make housing assistance “universal” for extremely and very low-income households who need it. This assistance could take the form or make use of an expanded and modernized housing voucher.

**Reorient housing-related tax expenditures to better support low- and moderate-income households, including renters.** Create a targeted renter’s tax credit for those phasing out of eligibility for rental assistance as their incomes rise. This could help mitigate unintentional work disincentives as earnings increase. It would also allow low- and moderate-income renters to shift some of their budget from overly burdensome housing costs to other priorities that could encourage economic stability and upward mobility, such as investing in education or in savings for a down payment on a home purchase. Reforming the Mortgage Interest Deduction could also make housing-related tax expenditures more progressive and do more to support access to affordable homeownership.

## Priority Action Areas to Expand and Harmonize Supply-Oriented Resources and Tools:

**Create flexible supply-side subsidies that operate at a multi-jurisdictional scale, and invest in capacity to administer those funds.** Adapt, combine, and augment a subset of existing federal funding sources to create a flexible pool of subsidies that would enable production and preservation of a more diverse set of housing options than the status quo. That subsidy source should be deployed through entities working at a regional level. While the definition of “region” may vary in different places, adopting a multi-jurisdictional lens would better align housing policy with the scale at which housing markets function, facilitate efforts to dismantle racial segregation, and allow closer coordination with economic development, transportation planning, and climate mitigation goals.

**Harmonize and better allocate existing production-oriented resources.** Revisit and rationalize allocation formulas for key existing funding sources, such as the Low-Income Housing Tax Credit program, to address diverse housing supply needs in different markets and advance equity, sustainability, and efficiency goals. Those sources should also be better coordinated to reduce administrative burden and costs associated with the complexity of funding housing construction and preservation.

**Align other financing tools in support of unsubsidized housing production that advances broader affordability.** The missing rungs that make it difficult for assisted households to transition to unsubsidized options emerge in part from treating affordable housing policy and market rate strategies as separate issues. To rebuild those rungs, other federal tools (like Federal Housing Administration, the Federal Home Loan Banks, Fannie Mae, and Freddie Mac financing products) should be leveraged to support moderate- and middle-income housing options that are affordable without subsidy, and offer a more seamless and intentional approach to federal mortgage credit guarantees than the siloed structure currently in place.

### **Priority Action Areas to Strengthen Incentives and Accountability:**

**Reactivate and strengthen the federal regulatory framework to support housing goals.** Reinstate and strengthen key regulatory mechanisms to enforce fair housing and fair lending obligations, guard against racist policies and market practices, and hold localities accountable for executing on pressing housing, equity, and climate imperatives.

**Condition existing funding to support adoption of pro-housing policies.** Regardless of participation in a new regionally-oriented funding program for housing production, existing block grant funding sources should be conditioned on a jurisdiction documenting a baseline slate of policies that allow—and do not actively bar—a level and mix of housing types that support a range of affordability and advance fair housing and sustainability principles of existing law.

**Tie new funding to regional housing goals and provide performance incentives.** To be eligible for new or expanded housing infrastructure funding streams, regions would need to conduct an assessment of regional housing needs—which could build from the parameters of the Assessment of Fair Housing included in the 2015 Affirmatively Furthering Fair Housing Rule—to set holistic production and preservation goals that advance economic inclusion, racial justice, and climate resilience, and track their progress toward achieving those goals.

In the coming months, the Turner Center will be exploring these issue areas, among others, to further articulate how near-term and concerted action on housing policy at the federal level can advance policy change in keeping with the intent of President Biden's platform and in service of a re-imagined—and more holistic and better-functioning—federal housing playbook.