



A Bold, Bipartisan Response to the Housing Affordability Crisis

THE AMERICAN HOUSING ACT OF 2023

Every American deserves to live in a decent home at an affordable price. Stable housing in a safe neighborhood is essential for families' physical and mental wellbeing—and the cost of affording a place to live should not be an overwhelming burden.

However, steadily rising housing costs outpacing wage growth have put affordable housing out-of-reach for far too many Americans. Millions of low- and moderate-income families pay unsustainable rents, often in excess of 50% of their monthly paychecks. Millions of other households, frequently working multiple jobs, simply cannot afford to buy their first home—the primary means for families to build wealth. Each day, hundreds of thousands of Americans live on the streets as part of a growing homeless population.

The affordable housing crisis demands bipartisan legislative action. Housing policy is one of the most powerful tools to drive economic prosperity for families and communities, yet ambitious housing measures have not been a top bipartisan legislative priority in recent years. Congress has a historical legacy of bipartisan collaboration to advance housing solutions: in 1949, members of both political parties came together to pass the Housing Act, setting forth a clear national objective to provide “a decent home and a suitable living environment for every American family.” Today, more than 70 years later, it is time for Congress to make that powerful aspiration a reality.

BPC Action has identified the key elements of a comprehensive, evidence-based piece of housing legislation that builds on the best ideas from both Republicans and Democrats. This plan is a departure from the Build Back Better Act—which recognized the severity of the nation’s housing affordability crisis but did not embrace a politically feasible, bipartisan agenda to address it. We believe these are the contours of a bipartisan deal that will provide a meaningful and effective response to the current crisis.

The first section of the proposed bill includes policy solutions to increase the supply of affordable homes, addressing the housing shortage that is a key driver of high housing costs. The second section features measures to preserve, enhance, and transform our nation’s existing housing stock. The third section highlights key demand-side proposals, including enhanced assistance for families burdened by high housing costs.

GOAL #1: INCREASE PRODUCTION OF AFFORDABLE HOMES

Although estimates vary, the United States has “underbuilt” housing by millions of homes since the Great Recession, failing to keep pace with new household formations and rising demand. This structural deficit of homes affects both the rental and homeownership segments of the U.S. housing market. There are simply too few rental homes available and affordable to low- and moderate-income households, while millions of other families cannot afford to purchase a home for the first time because of a lack of entry-level options. Encouraging greater private investment in the production of new homes through the federal tax code and partnerships with the public sector will be essential to overcoming the housing supply deficit. The provisions in this section would finance the construction and rehabilitation of more than 2.5 million homes over the next ten years in addition to the many new affordable housing units that would be facilitated through land use and zoning reforms.

Strengthen the Low-Income Housing Tax Credit (LIHTC) Program

- Increase LIHTC allocations by 50% over current levels to help meet the vast and growing need for affordable rental housing in cities of all sizes as well as in rural and Native American communities.

- For LIHTC properties developed with private activity bonds, reduce the amount of bond financing needed to access credits by lowering the so-called “50 percent test.” This proposal alone could finance nearly 1.5 million more affordable homes than otherwise possible by removing an impediment to affordable housing development and allowing for a more efficient use of limited private activity bond resources.
- Provide up to a 50% basis boost for developments serving extremely low-income households in at least 20% of the apartments, thereby facilitating more affordable housing for populations with special needs, such as formerly homeless veterans.
 - This recommendation is reflected in the Affordable Housing Credit Improvement Act, introduced in the House by Reps. Suzan DelBene (D-WA), Jackie Walorski (R-IN), Don Beyer (D-VA), and Brad Wenstrup (R-OH) and introduced in the Senate by Sens. Maria Cantwell (D-WA), Todd Young (R-IN), Ron Wyden (D-OR), and Rob Portman (R-OH). If enacted, the legislation would finance more than two million affordable rental homes over the next decade.

Create a Tax Credit to Support Building and Rehabilitating Owner-Occupied Homes in Distressed Communities

- Revitalize distressed urban, suburban, and rural areas with federal income tax credits, mobilizing private investment to build and rehabilitate 500,000 homes for lower- and moderate-income homeowners over the next 10 years.
- The tax credits would cover the gap between the cost of building or renovating homes and the price at which they can be sold, thus making renovation and new home construction possible.
 - This recommendation is reflected in H.R. 2143/S. 98, the Neighborhood Homes Investment Act, sponsored in the House by Reps. Brian Higgins (D-NY) and Mike Kelly (R-PA), and in the Senate by Sens. Ben Cardin (D-MD) and Rob Portman (R-OH).

Help Communities Remove Restrictive Regulations

- Create a Competitive Grant Program – Establish a competitive grant program, administered by the U.S. Department of Housing and Urban Development (HUD), to help states and localities develop and implement comprehensive strategies to eliminate harmful barriers to affordable housing production, and to encourage innovations in home construction using modern building products and practices, such as modular and manufactured homes.

- This recommendation is reflected in H.R. 2126/S. 902, the Housing Supply and Affordability Act, sponsored in the House by Reps. Lisa Blunt Rochester (D-DE), Jaime Herrera Beutler (R-WA), and Joyce Beatty (D-OH), and in the Senate by Sens. Amy Klobuchar (D-MN), Rob Portman (R-OH), and Tim Kaine (D-VA).
- Track Discriminatory and Restrictive Land Use Policies – Require Community Development Block Grant program recipients to submit information regarding their implementation of certain land-use policies, such as policies for expanding high-density single-family and multifamily zoning.
 - This recommendation is reflected in H.R. 3198/S. 1614, the Yes in My Backyard Act, sponsored in the House by Reps. Derek Kilmer (D-WA) and Trey Hollingsworth (R-IN), and in the Senate by Sens. Todd Young (R-IN) and Brian Schatz (D-HI).

Direct the Government Accountability Office, in consultation with HUD, the U.S. Department of Energy, the National Institute of Standards and Technology and other Relevant Agencies, to Assess Regulatory and Other Barriers to Innovation in Residential Construction.

- Identify and issue recommendations to address barriers to the deployment of new technologies and processes that can lower costs and increase productivity in the home construction sector. These barriers can include zoning and land-use restrictions, home financing, property titling and outdated or overly prescriptive building codes.
- Innovations in modular housing, 3D printing, manufactured housing, panelized construction, and other areas offer the potential to significantly increase the supply of homes, both for rent and sale, and improve housing affordability.

GOAL #2: PRESERVE THE EXISTING AFFORDABLE HOUSING STOCK

With the demand for affordable housing far exceeding available supply, the preservation of the existing affordable housing stock, particularly when combined with repairs and rehabilitation, is more critical than ever before. Preserving a home that is currently affordable to a low- or moderate-income household is generally less expensive and more cost-effective than new construction. It also prevents the displacement of households that otherwise would be forced to relocate.

Strengthen the Long-term Affordability Requirements in the LIHTC

- The LIHTC, the nation’s largest and most significant affordable housing development program, requires that rental homes built under the program remain affordable to residents for at least 30 years. Several states and localities have established affordability periods that are significantly longer than the federal requirement. These extended affordability periods range in duration from 40 years to “in perpetuity.”
- Evidence suggests that extended affordability periods have had a negligible impact on investor interest in the LIHTC program. To help preserve the stock of affordable LIHTC homes and enable a greater share of resources to be used to support a net increase in affordable housing, Congress should establish an “in perpetuity” affordability standard for new LIHTC units. In taking this action, Congress should ensure there is sufficient funding or additional tax credits available to recapitalize and re-syndicate properties as needed. One option would be to exclude preservation activities like re-syndication from counting against the multifamily bond cap.

Preserve Access to Federally-Assisted Housing by Permanently Authorizing the Rental Assistance Demonstration (RAD) Program and Eliminating Its Cap

- Lift the cap to allow more of the 958,000 units in HUD’s Public Housing program—with an estimated capital needs backlog of \$81 billion—to undergo conversion to a Section 8 platform with a long-term assistance contract and receive needed upgrades.
- Under current law, the number of allowed conversions of public housing units to a Section 8 platform with a long-term assistance contract through RAD is capped at 455,000 public housing units.
 - The RAD program was authorized by Congress and signed into law by President Obama in 2011 in order to give PHAs a powerful tool to preserve and improve public housing properties and has enjoyed bipartisan support by subsequent presidential administrations and congresses.

Preserve Affordable Rental Housing in Rural America

- Expand the authorities of the U.S. Department of Agriculture (USDA) to preserve USDA-financed affordable multifamily rental housing by restructuring existing Section 515 loans, extend incentives for owners to stay in the program, and provide properties with additional resources to repair and restore homes, while ensuring residents have rental assistance.

- This recommendation is reflected in H.R. 1728, the Strategy and Investment in Rural Housing Preservation Act, sponsored by Rep. Cindy Axne (D-IA) and was passed unanimously by the House in the 116th Congress.
- Refocus federal programs to better prioritize and coordinate economic development, housing, and other investments in rural communities by reauthorizing the Economic Development Administration with sufficient resources to advance its capacity-building, planning, and interagency coordination efforts.

Meet the Housing Needs of Native Americans

- Reauthorize the Native American Housing Assistance and Self-Determination Act (NAHASDA) whose programs are the main source of federal assistance to ensure American Indians, Alaska Natives, and Native Hawaiians have access to safe, accessible, and affordable housing and authorize the Tribal HUD-VA Supportive Housing (VASH) program, which is currently a demonstration.
- With exceptionally high poverty rates, low incomes, overcrowding, lack of basic utilities, and unique barriers to development, tribal lands experience some of the severest unmet housing needs in the United States.
- This recommendation is reflected in S. 2264, the Native American Housing Assistance and Self-Determination Act (NAHASDA), sponsored by Sens. Brian Schatz (D-HI), Lisa Murkowski (R-AK), Jon Tester (D-MT), and John Hoeven (R-ND).

Support the Preservation and Affordability of Manufactured Housing

- Provide support for residents of manufactured housing, including manufactured home communities via grants for infrastructure, planning, resident and community services, resiliency, and other assistance, including land and site acquisition.
- There has been historic and continued disinvestment in America's manufactured housing stock which has created a significant burden on residents of manufactured housing and owners of manufactured home communities.
- This recommendation reflects the inclusion of the Preservation and Reinvestment Initiative for Community Enhancement Program, sponsored by Rep. Mario Diaz-Balart (R-FL), in H.R. 8294, the Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2023, sponsored by Rep. David Price (D-NC).

GOAL #3: HELP FAMILIES AFFORD AND ACCESS HOUSING

Federal rental assistance programs are an essential source of housing stability for millions of low-income families. Yet, fewer than one in four households eligible for rental assistance receives this support. With for-sale home prices rising faster than incomes in many regions of the country, purchasing a home for the first time is becoming increasingly out of reach for millions of families, particularly Black and Hispanic households. Barriers to first-time homeownership are a leading cause of the widening racial wealth gap.

Boost Landlord Participation in the Housing Choice Voucher (HCV) Program

- Increase the number of rental units that accept HCVs in high-opportunity neighborhoods by 1) offering a signing bonus to a landlord with a unit in a low-poverty area, 2) providing security deposit assistance, and 3) providing a financial bonus to public housing authorities (PHAs) that retain a dedicated landlord liaison on staff.
- This recommendation is reflected in H.R. 6880/S. 1820, the Choice in Affordable Housing Act, sponsored by Reps. Emanuel Cleaver II (D-MO) and John Katko (R-NY) in the House, and Sens. Chris Coons (D-DE) and Kevin Cramer (R-ND) in the Senate.

Help Families with Young Children Through Targeted Mobility Housing Vouchers and Counseling

- Fund 500,000 new housing vouchers, allocated incrementally over five years, through which PHAs can help unstably housed or at-risk families with children move to areas with access to high-performing schools, childcare, and other critical resources.
- Research shows that moving to a lower-poverty neighborhood significantly improves college attendance rates and earnings for children who relocated to these neighborhoods at an early age.
- This recommendation is reflected in S. 1991, the Family Stability and Opportunity Vouchers Act, sponsored by Sens. Chris Van Hollen (D-MD) and Todd Young (R-IN).

Preserve the Nation's Eviction Prevention Infrastructure

- Establish a permanent emergency rental assistance and housing stability program providing one-time assistance to families facing eviction as well as grants to support landlord-tenant community courts and eviction diversion programs.
- During the COVID-19 crisis, Congress provided \$46 billion for emergency rental and utility assistance programs to prevent evictions and help low-income renters sustain financial shocks caused by the pandemic. According to one estimate, this funding helped prevent 1.36 million eviction filings.
 - This recommendation is reflected in S. 2182, the Eviction Crisis Act, sponsored by Sens. Michael Bennet (D-CO) and Rob Portman (R-OH).

Ensure All Homeless Veterans Are Connected with Permanent and Affordable Housing

- Remove barriers on funding for construction of transitional housing for veterans experiencing homelessness and provide nationwide homelessness organizations with the funding and flexibility to provide adequate services to unhoused veterans.
- Allow the U.S. Department of Veterans' Affairs (VA) to supply ending-homelessness organizations with the education and support to best serve our nation's veterans and direct VA to evaluate increased flexibilities and funding to combat the affordable housing shortage crisis.
 - This recommendation is reflected in S. 2172, the Building Solutions for Veterans Experiencing Homelessness Act, sponsored by Sen. Jon Tester (D-MT) and passed unanimously out of the Senate Committee on Veterans Affairs. Several of the provisions within S. 2172 are bipartisan proposals from the House, including: H.R. 240, the Homeless Veterans with Children Reintegration Act; H.R. 5301, the Combating Veteran Homelessness Act; and H.R. 5606, the Return Home to Housing Act.
- Establish a new pilot program within the VA Grant and Per Diem (GPD) program that can create more individualized transitional homes and provide more affordable housing options for veterans. Funding for this pilot would not draw from existing GPD programs.
 - This recommendation is reflected in H.R. 6307, the Tiny Homes for Homeless Veterans Act, sponsored by Reps. Derek Kilmer (D-WA) and Nancy Mace (R-SC).
- Direct HUD and VA to ensure full utilization of HUD-VASH vouchers.

Support Local Innovation, Self-Sufficiency, and Opportunity

- Reform and Expand HUD's Moving to Work (MTW) Demonstration – Remove the cap on the number of PHAs that can participate in MTW and change the status of MTW from a demonstration to a program. Currently, there are 109 MTW PHAs nationwide and HUD plans to increase that number by an additional 30 PHAs in 2022.
 - This recommendation is reflected in H.R. 5137 (114th Congress), the Moving to Work Reform and Expansion Act, sponsored by Rep. Kevin McCarthy (R-CA).
- Provide for the Continuation of Assistance for Public Housing Residents – Allow residents of properties that have been converted to project-based subsidy contracts through the RAD program to continue to receive assistance through HUD's Resident Opportunities and Self-Sufficiency grant program and the Jobs Plus Initiative program.
 - This recommendation is reflected in H.R. 3006, the Promoting Resident Opportunities and Self-Sufficiency Act, sponsored by Rep. Alma Adams (D-NC).

Provide Additional Resources for Fair Housing Enforcement

- Incrementally increase appropriations to HUD's Fair Housing Initiatives Program and Fair Housing Assistance Program so that HUD's Office of Fair Housing and Equal Opportunity, and the many national, state, and local fair housing agencies supported by its fair housing grant programs, have the resources needed to provide education on fair housing laws and quickly, effectively investigate and adjudicate complaints of housing discrimination.
- In 2020, HUD, fair housing agencies and non-profits, and the U.S. Department of Justice received 28,712 fair housing complaints—a majority of which alleged discrimination because of disability. This number may also significantly understate the problem as housing discrimination often goes undetected and unreported, being difficult to identify and document and because of lack of awareness of fair housing protections.

Create a New Wealth-Building Loan Program to Support Safe, Sustainable Homeownership for Low-Income Borrowers

- Establish a program to sponsor low, fixed-rate 20-year mortgages for first-time, first-generation homebuyers who have incomes equal to or less than 120% of their area median income. Working through Ginnie Mae, the Treasury Department would subsidize the interest rate and origination fees associated with these 20-year mortgages such that the monthly payment would be in line with a 30-year FHA-insured mortgage.
- This recommendation aligns with S. 2797, the LIFT Homebuyers Act, sponsored by Sen. Mark Warner (D-VA).

Convert the Mortgage Interest Deduction to a Tax Credit to More Effectively Support Homeownership

- Three bipartisan blue-ribbon panels—BPC’s Domenici-Rivlin Debt Reduction Task Force, the National Commission on Fiscal Responsibility and Reform (Bowles-Simpson), and the President’s Advisory Panel on Federal Tax Reform (Mack-Breaux)—have recommended converting the mortgage interest deduction to a tax credit. The National Association of Home Builders has also made a similar suggestion.
- By doubling the standard deduction, the 2017 Tax Cuts and Jobs Act significantly reduced the number of taxpayers who itemize, resulting in the mortgage interest deduction primarily benefiting wealthier households. Converting the mortgage interest deduction to a tax credit will benefit a much larger pool of tax filers, particularly lower-to-moderate income households seeking to purchase a home for the first time. The tax credit should be nonrefundable and the acquisition debt limit, currently at \$750,000, should be adjusted for inflation.

Conclusion

Left unaddressed, the housing affordability crisis will worsen, weighing on America's families and our economy. Importantly, the key provisions in this plan all have a strong history of broad ideological and bipartisan support and—in most cases—are reflected in related bipartisan legislation.

We recognize that this plan could be strengthened by building bipartisan consensus on other key priorities for which there is currently no clear, bipartisan legislative agenda:

- Confronting the extensive backlog of capital needs in public housing
- Improving credit access and affordability in a reformed housing finance system
- Better supporting first-time homebuyers and closing the racial gap in homeownership
- Addressing the shortage of skilled home construction workers

We also believe that both political parties should work together, building on the Biden Administration's "House America" initiative, to prevent and end homelessness nationwide, a long-time, bipartisan objective. Many of the provisions in this plan will further that goal—by addressing housing supply constraints, providing new assistance to families and veterans, preventing evictions, and more—but it is likely that additional resources and policy changes will be needed to make homelessness in the United States a rare, brief, and one-time occurrence.

WHILE WE HAVE NO EXPECTATION THAT A FINAL NEGOTIATED PACKAGE WILL PRECISELY TRACK ALL THESE RECOMMENDATIONS, WE OFFER THIS PLAN AS PROOF OF THE POSSIBLE AND TO STIMULATE A CONSTRUCTIVE DEBATE ON WHAT IS NECESSARY TO MEET THE HOUSING NEEDS OF EVERY AMERICAN FAMILY.



Learn more about BPC Action's
Housing Initiative at:

bpcaction.org