

# ELIZABETH WARREN'S HOUSING POLICY

American Housing and Economic Mobility Act

**S.3503 Full Bill Text**

*First proposed - September, 2018*



## DATA FOR **PROGRESS**

**Data for Progress is keeping a running tab of housing policy proposals for announced or likely 2020 Presidential contenders.** This is not a horse race, process-story exercise - we'll be providing play-by-play policy analysis, ideological context, and suggestions to improve candidates' policies, to help both campaigns and voters get to the best American housing policy.

We will roll out analyses in order of when the candidates announce and as they provide more detailed proposals, beginning with Elizabeth Warren's housing policy. During the early stages of the race, before the candidates have shared policy proposals from their official presidential campaigns, we will analyze high profile housing legislation from the candidates.

## OVERVIEW

Warren's housing proposal has three major focuses: Funding the construction of more private affordable housing for extremely low-income households, combating local restrictive zoning laws, and addressing decades of racism in federal housing policy.

### Key Points:

- ▶ **Dedicates \$470 billion** to provide states with funding to build, rehabilitate, or preserve affordable housing for extremely low-income (ELI) households over the next ten years through the Housing Trust Fund, a program started by the Obama Administration in 2016 and the Capital Magnet Fund, a private capital matching program.<sup>1</sup>
- ▶ **Creates incentive fund** for local cities and towns to remove zoning restrictions that prevent affordable and workforce housing (aka apartment bans), to encourage building more homes with better transit accessibility.
- ▶ **Extends Fair Housing Act protections** to LGBTQ communities, low-income families of color, Native American populations, and Section 8 (housing assistance) recipients.
- ▶ **Creates a new down-payment assistance program** to help first-time homebuyers in low-income communities and communities of color in historically red-lined neighborhoods and expands Community Reinvestment Act powers of enforcement and institution eligibility.
- ▶ **Restores estate tax rates** to Bush Administration levels and increases rates for \$10 million estates. Moody's estimates that this would cover the cost of the bill.

## WHAT IT REVEALS ABOUT WARREN

This bill is vintage Elizabeth Warren - deadly serious about economic inequality, displaying nerdy insights into the origins of stagnation and poverty, and ultimately inclined to rewrite the rules of capitalism to make it work, rather than replace it root-and-branch. The focus on increasing homeownership rates for low-income families of color reflects Warren's pre-politics academic focus on bankruptcy and inequality. Her focus on racial and social justice in housing indicates an earnest interest in the unique economic plights of people of color and other oppressed groups. And her interest in using current structures of public-private partnership to fund affordable housing conveys reformist instincts.

## WHAT'S GOOD

- ▶ **Faces the core problems head-on.** Warren's proposal offers serious, thoughtful efforts to address the core problems facing the American housing supply - a shortfall of affordable homes, especially to the poorest Americans; widespread, persistent housing discrimination; and yawning racial gaps in access to homeownership and the economic security and mobility it has historically provided.
- ▶ **Throws real money, real measures, and real accountability at the problems.**
  - ▶ \$470 billion would be a serious infusion of money for low-income housing, resulting in over 3 million new homes.
  - ▶ A \$10 billion incentive program to end apartment bans offers a good-faith attempt at ending exclusionary zoning practices that could further produce significantly more workforce housing.

- ▶ Expanding Fair Housing Act protections is the most time-tested way to address long-standing discrimination, and Warren’s bill thoughtfully includes communities most often facing housing discrimination in 2018.
- ▶ The bill’s focus on racial homeownership gaps is quietly one of the most radical proposals of the bill. The racism built in directly and indirectly to 20th-century federal housing policy is well documented and has had a massive impact on racial and wealth inequality. Very few previous proposals have attempted to meaningfully address this and help communities that have been impacted by it.
- ▶ **Earnestly attempts to pay for itself - with winning politics.** Warren’s pay-for is both serious and poetic – taxing the estates of the extremely wealthy to pay for homes for the middle class and poor.

the deeply entrenched exclusionary zoning in more affluent cities and suburbs, the incentives she has created may prove insufficient to change the behavior of the worst offenders. When spread across the country, \$10 billion in incentive block grants may simply not be enough to compel communities to confront their powerful NIMBY elements. This is especially true of the most exclusionary communities - who seldom struggle to fund their parks or schools.

- ▶ **Down-payment assistance program may yield some perverse effects.** Much like her attempt to unwind exclusionary zoning, Warren’s down-payment program is a smart response to a pervasive problem and yet may suffer from flawed construction. It is fantastic that Warren is focusing on corrective measures for formerly redlined areas yet by establishing a last-four-years residency qualification, the proposal may unintentionally exclude families that have already been displaced from gentrifying communities.

## WHAT NEEDS WORK

- ▶ **Affordable housing investment is still too small.** Although Warren’s proposal presents a marked expansion in state-funded low-income housing, it still falls short of America’s housing needs. As of 2018, the U.S. lacks some 7.2 million homes needed to house low-income individuals and families.<sup>2</sup> A growth of 3 million new homes for this population would go a long way toward addressing the problem, but it still would meet only half the need (not even accounting for likely growth in the low-income population).
- ▶ **Incentives to undo exclusionary zoning may be too soft.** While Warren deserves massive credit for attempting to unravel

## WHAT WE WOULD ADD

- ▶ **More funding for affordable housing.** Doubling the \$470 billion investment would likely offer enough financial backing to adequately address the housing shortfall.
- ▶ **Tie highway funding to ending apartment bans.** In addition to (or instead of) the carrot approach of the Warren bill, a stick approach like Gavin Newsom is employing in California may prove effective.<sup>3</sup> Many of the most affluent communities can readily bypass a few million in school remodeling funds but would be much less inclined to miss out on federal highway dollars. Because sprawling communities with apartment bans burden transportation infrastructure

more than dense communities, this is both effective to trigger action and well-warranted.

- ▶ **Offer down payment support for displaced residents of once-redlined, now-gentrifying neighborhoods.** In addition to the 4-year residency recent requirement, Warren should offer down payment assistance to individuals who can provide evidence that they previously lived in the neighborhood for a prolonged period before gentrification.
- ▶ **Rent payment assistance - Most of Warren's proposal, while impressive and impactful, will take years to provide a tangible benefit to Americans.** Experience suggests that sweeping reforms prove more popular when they come with immediate relief. Rent payment assistance to cost-burdened renters could provide some of that relief. Other proposals from 2020 contenders include this, which suggests that Warren must, at the very least, have an explanation about why she has not.<sup>4</sup>
- ▶ **Support local rent control efforts - Federal support for local rent control measures, which are gaining steam across the country, could compliment rental assistance.**<sup>5</sup> If rental assistance is made available only by enacting rent control measures, it would create an incentive for municipalities to pass strong tenant protections while removing the perverse incentive for landlords to inflate rents if they receive guaranteed payments.

- ▶ **Considering tying the Mortgage Interest Deduction to rent control and rental assistance - Another carrot/stick option is to remove the default availability of the mortgage interest deduction (MID) and only make it available it to municipalities that enact rent stabilization measures.** While we do not yet know how many homeowners will use the MID instead of the higher standard deduction, this could prove an effective and politically potent tool by wedding housing payments for wealthier people to rents for poorer communities.
- ▶ **Invest in expanding public housing in addition to (or instead of) publicly funded private affordable housing.** No candidate has offered a plan for public housing yet, but the public supports it broadly and it would be an immediate economic stimulus, which incidentally, was the original selling point for public housing during the Great Depression. As a baseline, Warren should support protecting and upgrading the existing stock by passing Rep. Maxine Waters bill (now part of the Better Deal for Public Housing plank) that calls for full funding for public housing authorities.<sup>6</sup> But we would like to see her, and every other candidate, call for expanding the construction of publicly owned homes as part of the housing trust. Since addressing the national housing shortfall would require twice what she is proposing for new buildings, a fund to build new public housing would be an appropriate home for those additional dollars.

## Endnotes

<sup>1</sup> US Department of Housing and Urban Development, Housing Trust Fund, accessed 02/01/19

<sup>2</sup> National Low Income Housing Coalition, "The Gap: A Shortage of Affordable Rental Homes," March 2018

<sup>3</sup> Henry Kraemer, "What Democratic Presidential Candidates Can Learn From Gavin Newsom's Housing Hardball," Data for Progress, 01/29/19

<sup>4</sup> Diana Bubbs, "Two senators are proposing national rent relief bills. Here's why it matters," Curbed, 08/10/19

<sup>5</sup> Peter Harrison, "Tenants are forcing the Democratic Party to wake up to rent control," Data for Progress, 01/28/19

<sup>6</sup> US Congress, H.R. 3160, accessed 02/01/19