

# ELIZABETH WARREN'S HOUSING POLICY

American Housing and Economic Mobility Act

[Full Bill Text](#)

*Reintroduced - March 13, 2019*

*(See our blog about it [here](#))*



## 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.

## OVERVIEW

Warren's updated housing proposal retains the three major focuses from her 2018 plan and adds an important fourth focus - cracking down on institutional investors' ability to buy single-family homes backed by the federal government. The three original focuses - funding the construction of more private affordable housing for extremely low-income households, combating exclusionary zoning that racially and economically segregates communities, and addressing decades of racism in federal housing policy - remain largely intact with some promising additional details added.

### Key Points:

- ▶ **Dedicates \$470 billion over ten years to provide states with funding to build, rehabilitate, or preserve private 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. The updated bill retains the same basic funding structure, which has become the benchmark for the 2020 race.
- ▶ **Cracks down on real-estate owned (REO) mortgages and speculation.** Calls for the Federal Housing Administration to provide new assistance for keeping families in distressed homes and to sell no less than 75% of single-family properties that it acquires through foreclosure to owner-occupant buyers or to

community groups that will rehab and sell to owner-occupants.

- ▶ **Adds \$3.6 billion in new capital funding for public housing authorities** – this is a key addition from the previous bill and is an amount intended to fully fund public housing preservation for one year.
- ▶ **Creates incentive fund for local cities and towns to remove exclusionary zoning policies that prevent affordable and workforce housing** (also known as apartment bans), to encourage building more homes with better transit accessibility.
- ▶ **Adds renter protections to the incentive funds for local cities and towns**, including rent stabilization, bans on no-cause evictions, and right to counsel for tenants facing eviction.
- ▶ **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 for first-time homebuyers in low-income communities and communities of color** 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 updated 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. She also demonstrates the ability to respond to feedback and to grow from it. This bill includes several tweaks that we called for in our original analysis and it has particularly embraced our call to crack down on Wall Street speculation in single-family homes.

## 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.
- ▷ **The biggest update in the bill is the focus on cracking down on real-estate owned (REO) mortgages.** It calls for the FHA to sell no less than

75% of single-family properties that it acquires through foreclosure to owner-occupant buyers or to community groups that will rehab and sell to owner-occupants. It goes as far as giving these types of entities right of first refusal at any housing auction. Another key section guarantees new assistance to keeping families in distressed homes in the first place.

- ▶ **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. The updated bill has added stronger renter protections as qualifying policies to earn those incentives. These include rent control/stabilization, eviction prevention, and right-to-counsel as qualifications to receive the additional funding.
- ▷ **By including some funding for public housing that was absent from her 2018 proposal, Warren is at least acknowledging the importance of publicly owned homes.** \$3.6 billion in new capital funding for public housing authorities is not a lot of money (the New York City Housing Authority, the nation's largest collection of publicly owned homes at 176,000 has a capital budget gap of \$32 billion alone) but it offers the program a foothold on the national stage for much needed attention.

- ▷ **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 today.
- ▷ **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.
- ▷ **The updated bill importantly outlines new categories of eligibility for homeownership assistance that more explicitly target homeowners of color who experienced contemporary racial discrimination.** They now include victims of subprime mortgages, residents displaced through natural disasters, and HUD-defined areas of high poverty, high-minority populations.
- ▶ **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.

## 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. The U.S. currently lacks some 7 million homes needed to house low-income individuals and families.<sup>1</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 less than 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 credit for attempting to unravel 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 - affluent places that seldom struggle to fund their parks or schools.
- ▶ **Down-payment assistance program risks excluding already-displaced people.** Much like her attempt to unwind exclusionary zoning, Warren’s down-payment program is a smart response to a pervasive problem but could be partly

undermined by imperfect 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. The updated bill addresses some of this by targeting a wider set of victims that are likely to be minorities, but still doesn't have a clear answer for those displaced by gentrification.

- ▶ **Public housing authority funding still too little.** Warren's original bill received pushback (including from us) about ignoring publicly owned homes, so she gets some credit for including the \$3.6 billion in capital funding. Still, this falls dramatically short of the needed funding and puts into question the senator's interest in having public housing play a central role in solving the crisis. Under Warren's bill, the controversial Rental Administration Demonstration (RAD) program presumably remains the main source of funding for PHAs, which keeps in place the slow privatization of publicly owned homes in America.
- ▶ **Support for local rent control efforts needs to be expanded** - While Warren's 2018 proposal lacked any attention to renter protections, her new bill includes some good-faith effort to encourage local action. That said, her proposals could go much further. One possibility would be to only offer the Mortgage Interest Deduction (MID) for states or localities that include protections for renters.

## WHAT WE WOULD ADD:

- ▶ **More funding for affordable housing.** Doubling the \$470 billion investment would likely offer enough financial backing to adequately address the total housing shortfall. We were hoping to see more funding included in the updated proposal, but Warren still gets credit for creating the benchmark that others are catching up to.
- ▶ **More sticks to go with the carrots.** Getting wealthier communities to end exclusionary zoning has been a thorny issue for all of the candidates tackling land-use (though Castro and Booker have made real strides). We remain unconvinced that the carrots in Warren's bill will be enough to change this behavior. We continue to suggest limiting the availability of highway and other transportation funds to communities that retain exclusionary zoning policies. We would also like to see Warren make the MID available only to municipalities that enact strong rent stabilization measures. There are other policy ideas to consider, but Warren's plan has not evolved here.
- ▶ **Explicitly encourage states and localities to adopt both equitable zoning and renter protections simultaneously.** As currently written, localities could qualify for new incentive funding by adopting a variety of policies to help middle class and working class people afford housing – including equitable zoning and rent stabilization – but there is nothing to encourage them to adopt multiple good policies at the

same time. Since renter protections and equitable zoning are regularly pitted against one another at the local level, it is important to incentivize that these mutually beneficial policies be adopted together. The most straightforward way to accomplish this would be to prioritize funding for localities that adopt both types of reforms, or offer increased funding for localities that do so.

- ▶ **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 they previously lived in the neighborhood for a prolonged period before gentrification. Creating requirements for landlords to share previous rents and maintain records for tenants as part of their federal tax filings could be a way to start this process.
- ▶ **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, but Warren has yet to offer an explanation about why she has not.<sup>2</sup> We would like to see Warren come around on rental assistance at least until her building program starts to produce material results in bringing down rents.

- ▶ **Invest in expanding public housing in addition to (or instead of) publicly funded private affordable housing.**

No candidate has offered a bold vision for public housing yet (Julián Castro is the first to call for new public housing), 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>3</sup> But we would like to see her, and every other candidate, call for expanding the construction of publicly owned homes by repealing the Faircloth Amendment, which bans new public housing construction, and ending the RAD program, which privatizes public housing.

## ENDNOTES

1. National Low Income Housing Coalition, "The Gap: A Shortage of Affordable Homes 2019," 2019, accessed 06/26/19
2. Diana Bubbs, "Two senators are proposing national rent relief bills. Here's why it matters," Curbed, 08/10/19
3. US Congress, H.R. 3160, accessed 02/01/19