



BIPARTISAN POLICY CENTER

Housing America's Future: New Directions for National Policy

Report of the Bipartisan Policy Center
Housing Commission

WWW.BIPARTISANPOLICY.ORG

About the Housing Commission

- **Created by the Bipartisan Policy Center, a non-profit organization founded in 2007 by former Senate Majority Leaders Howard Baker, Tom Daschle, Bob Dole and George Mitchell**
- **Launched in October 2011 with four co-chairs:**
 - Christopher S. “Kit” Bond – Former U.S. Senator; Former Governor of Missouri
 - Henry Cisneros – Former Secretary, U.S. Department of Housing & Urban Development
 - Mel Martinez – Former U.S. Senator; Former Secretary, U.S. Department of Housing & Urban Development
 - George J. Mitchell – Former U.S. Senate Majority Leader
- **Composed of 21 members drawn from diverse political and professional backgrounds**
- **Report, *Housing America’s Future: New Directions for National Policy*, issued February 25, 2013**

Housing Commission Principles

- **A healthy, stable housing market is essential for a strong economy and a competitive America.**
- **The nation's housing finance system should promote the uninterrupted availability of affordable housing credit and investment capital while protecting American taxpayers.**
- **The United States should reaffirm a commitment to providing a decent home and a suitable living environment for every American family.**
- **The primary focus of federal housing policy should be to help those most in need.**
- **Federal policy should strike an appropriate balance between homeownership and rental subsidies.**

Principal Areas of Recommendations

- **The Continuing Value of Homeownership**
- **Reforming Our Nation's Housing Finance System**
- **Affordable Rental Housing**
- **The Importance of Rural Housing**
- **Aging in Place: A New Frontier in Housing**

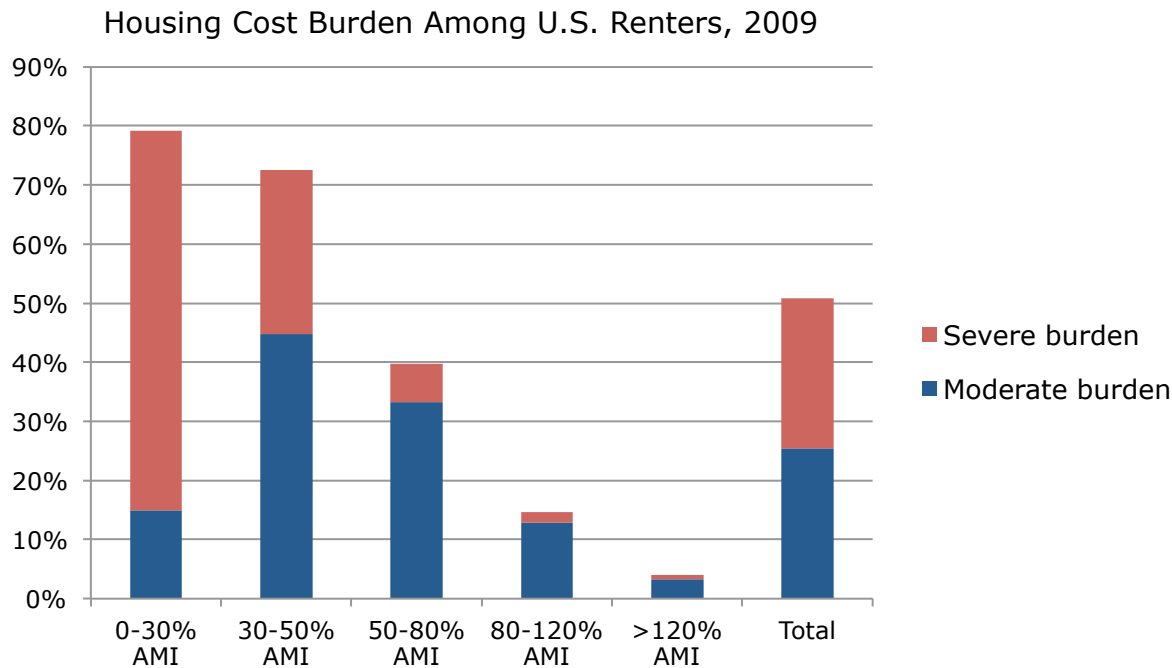
Aim of BPC Report - A Call to Action

- **Provide guidance on how best to respond to challenges, such as -**
 - **Homeownership remaining out of reach for far too many families;**
 - **Limited access to credit impeding the nation's economic growth;**
 - **Rising rental housing costs as demand continues to increase;**
 - **Desire to age in place in one's own home through senior years.**
- **Serve as a catalyst for bipartisan action**
- **Visit www.bipartisanpolicy.org/housing to download the report**

Affordable Rental Housing

Challenges for Affordable Rental Housing

- **A majority of our nation's most vulnerable renter households spend unsustainable amounts of their income on housing**



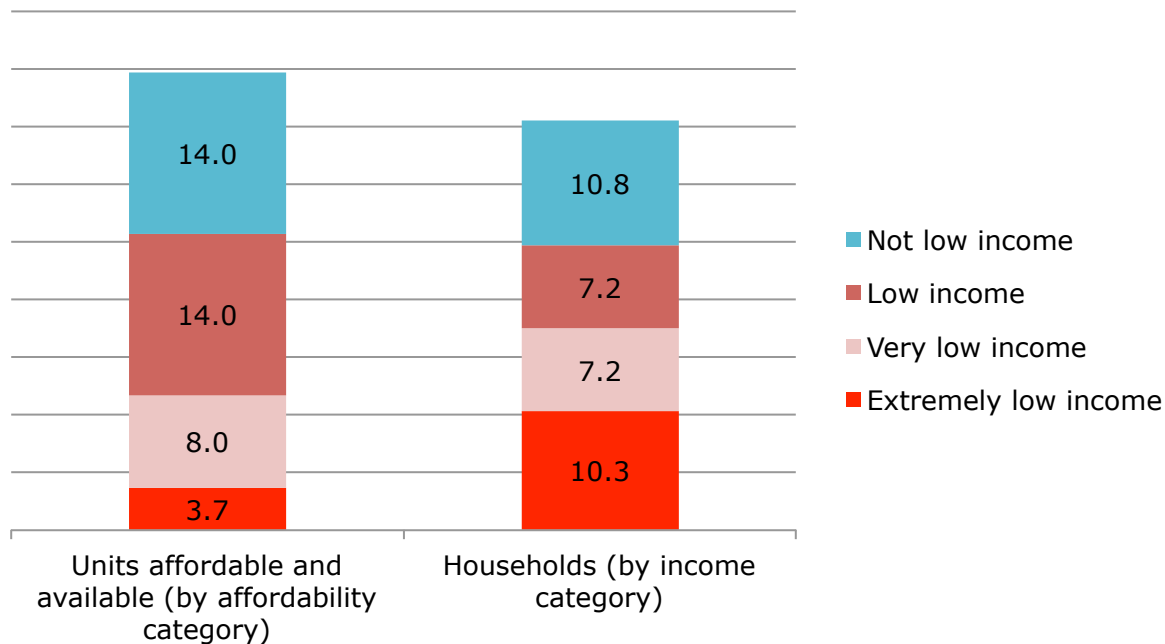
Source: Steffen, Barry et al. *Worst Case Housing Needs 2009: Report to Congress*. (Washington, DC: U.S. Department of Housing and Urban Development, Office of Policy Development and Research, 2011), 28.

- **Nearly 80 percent of extremely low income renters report a rent burden, with 64 percent reporting a severe rent burden**
- **Federal housing assistance only meets a fraction of the need: only about one in four renter households eligible for assistance actually receives it**

Challenges for Affordable Rental Housing

- **Extremely low income renters face disproportionately high housing cost burdens**

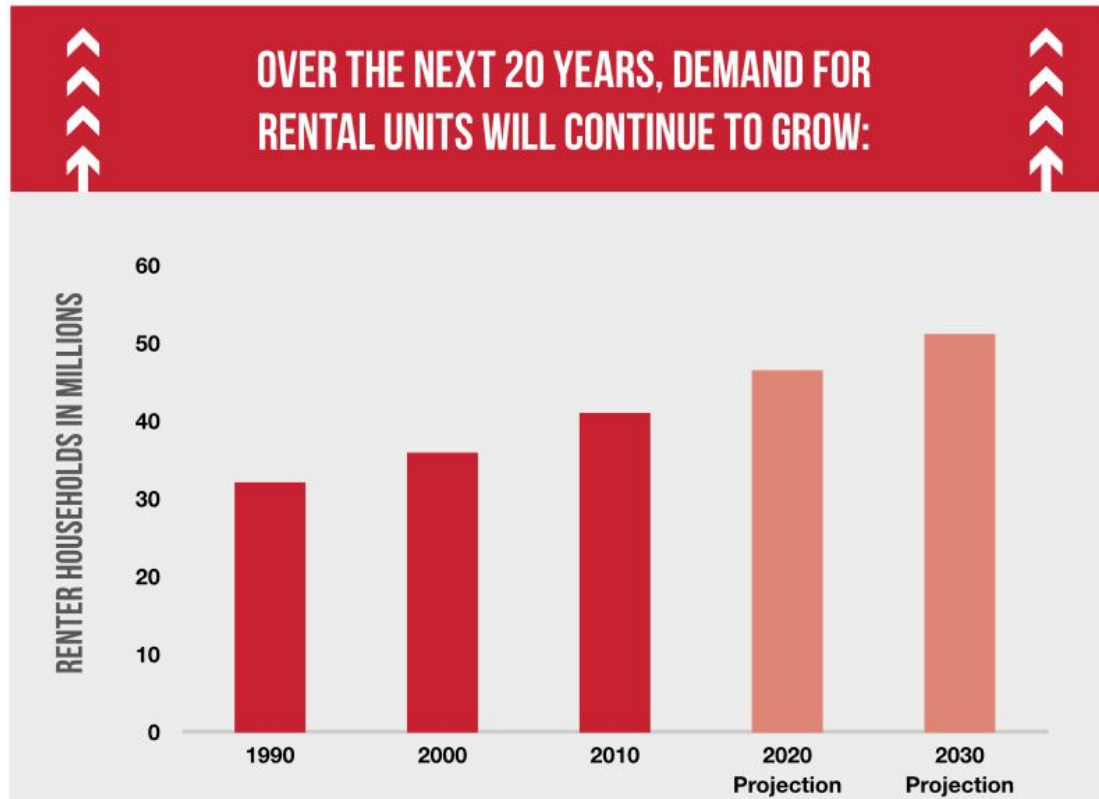
Rental Units and Renters by Affordability and Income Categories (in millions)



- **In 2009, only 3.7M rental units were affordable and available to the nation's 10.3M extremely low income renter households**
- **There is a mismatch between the number of extremely low income renters and the number of affordable units available**

Context: Demand for Rental Housing is Increasing

- The slowdown in new construction during the downturn, coupled with growing demand means rental market conditions are tight
- It is estimated that at least 5 to 6 million new renter households will form over the next ten years



Source: *America's Rental Housing: Meeting Challenges, Building on Opportunities* (Cambridge, MA: 2011).

Principal Recommendations for Affordable Rental Housing

- **Reform delivery of HUD rental assistance programs to increase impact**
 - Improve accountability and flexibility within the delivery system
 - Devolve housing investment decisions to states and localities
- **Reprioritize housing assistance to target existing resources on the most vulnerable households (those at 30 percent of AMI and below) and increase funding to end the current “lottery” of coverage and serve all eligible households**
- **Stabilize and increase the supply of affordable and decent rental homes to help meet current and projected demand**
 - Preserve and expand the Low Income Housing Tax Credit by 50 percent
 - Address the capital backlog and ongoing accrual needs in public housing
- **Provide short-term emergency assistance to minimize harmful housing instability among low-income renters (those with incomes between 30 and 80 percent of area median income) who suffer temporary setbacks**

Consensus on How to Make it Work

- **A more targeted approach to providing rental assistance that directs scarce resources to the lowest-income renters while insisting on a high level of performance by housing providers**
- **Evaluate federal housing programs on a forward-looking basis, with attention to how effectively responds to housing needs of tomorrow**
- **Leverage resources of the private and nonprofit sectors with state and local government funds**
- **Offset any increased spending with reductions in federal outlays in other areas, savings from system reforms, and/or through the adoption of new revenue sources**

Structure of a Reformed Rental Assistance Program

- **Establish a new performance-based system for delivering federal rental assistance that focuses on outcomes for participating households, while offering high-performing providers greater flexibility to depart from program rules**
- **This strengthening of HUD's rental assistance programs will require a fundamental shift in the incentives' structure for HUD-funded housing provider**
- **This new system would be marked by the following characteristics:**
 - a focus on outcomes, rather than process
 - expanded deregulation for high performers
 - increased accountability through competition
 - a real-time learning environment
 - greater focus on interagency partnerships
- **Providers achieving a high level of performance across outcome areas would be rewarded with increased flexibility to depart from programs rules, while substandard providers would be replaced**
- **A dynamic, flexible transition period is essential to appropriately identifying and phasing in the relevant metrics for measuring the desired outcomes**

Performance-Based System for Delivering Assistance

Outcome-Based Performance Standards

1. Improve housing quality

2. Increase the efficiency with which housing assistance is delivered

3. Enable elderly and persons with disabilities to live independent lives

4. Promote economic self-sufficiency for households capable of work

5. Promote the de-concentration of poverty and access to neighborhoods of opportunity

Increased devolution for high performers

Substandard performers replaced through competition

Improved outcomes

Rigorous experimentation and promising practices

Reprioritize housing assistance to the most vulnerable

- **Nearly 80 percent of extremely low-income renters spend more than 30 percent of their income for housing, and almost two-thirds spend more than half of their income for housing**
- **Recommend making federal rental assistance available to all eligible households with incomes at or below 30 percent AMI who apply**
- **Families currently enrolled in the housing voucher program would not lose assistance, but as they turn back their subsidies due to rising household income or other factors the newly available voucher would be issued to an extremely low-income household**

Stabilize and increase the supply of rental housing

- **With adequate funding for maintenance and modernization the existing affordable housing stock of nearly 5 million units can provide decades of additional service**

Preserve and expand the Low Income Housing Tax Credit

- Successfully administered at the state level where investments can be tailored to meet evolving housing needs, competitive program, minimizing risk to federal government, and leverages private sector investment
- Recommend 50 percent increase in program credits to support the preservation and construction of 350,000 to 400,000 units over a ten-year period

Address the capital backlog and ongoing accrual needs in public housing

- Incentivize public private partnerships and facilitate access to private sources of capital by public housing authorities
- As part of maintenance and modernization of the existing stock, improve the energy efficiency of existing public housing structures

Provide short-term assistance to minimize instability

- **Recommend dedicating supplemental funding to the HOME program to for the delivery of short-term, one-time emergency assistance to households between 30 – 80 percent AMI experiencing – job loss, death or departure of a working household member, or major medical crisis**
- **Targeted funding to be used for security deposits, back rent payment, temporary rental assistance, and other limited forms of assistance – utility payments**
- **Estimated assistance level up to \$1,200 per household**

Consensus on How to Make it Work

- **The commission supports the continuation of tax incentives for homeownership, but as part of the ongoing debate over comprehensive tax reform and budget priorities, also recommends consideration of modifications to these incentives to allow for increased support for affordable rental housing**
- **Any changes to current tax incentives should be made with careful attention to their effects on home prices and should be phased in to minimize any potential disruption to the housing market**