

Biden's Housing Supply Action Plan Garners Measured Support

By Monica Hogan, Inside Mortgage Finance, May 19, 2022

The mortgage and housing industries largely endorsed an ambitious White House action plan to close the housing supply gap in five years, but some worry it relies too heavily on congressional support.

The Biden administration this week proposed incentivizing local zoning and land-use reforms, aligning federal policies to lessen regulatory burdens and expanding funding for manufactured housing, accessory dwelling units, affordable multifamily housing and rehabilitation programs.

The action plan would also seek to ensure more government-owned housing supply goes to owner-occupants or non-profits rather than large investors.

While some of the proposals are funded through previous legislation, such as the Bipartisan Infrastructure Bill and the American Rescue Plan, the action plan also relies on as-yet-unfunded proposals from the bill previously known as Build Back Better and President Biden's 2023 budget proposal.

BTIG analyst Isaac Boltansky said nine of the 28 points in the action plan called for congressional action and the document repeatedly referenced the House-passed reconciliation bill.

"Many of these proposals enjoy some degree of bipartisan support, but with the budget reconciliation effort seemingly on ice, there is no clear legislative vehicle for these items, and we are bearish on them accordingly," Boltansky said.

Leslie Rouda Smith, president of the National Association of Realtors, said a 2021 NAR report showed a shortage of 5.5 million homes in the U.S., "a gap so large it would take more than a decade to dig out of, even with accelerated new construction."

She said NAR supports the proposal encouraging states and local communities to explore high-density zoning and new grant programs for localities to enact pro-housing policies.

National Low Income Housing Coalition CEO Diane Yentel called on Congress to "quickly enact Build Back Better's transformative and badly needed housing investments."

She said, "Only through a combination of administrative action and robust federal funding can the country truly resolve its affordable housing crisis."

Buzz Roberts, CEO of the National Association of Affordable Housing Lenders, said Congress should immediately pass the bipartisan Neighborhood Homes Investment Act,

which would create a tax credit to build and rehabilitate homes for low- to moderate-income homeowners.

Habitat for Humanity, in addition to advocating for NHIA, pushed for the Unlocking Possibilities Program, which would create a \$1.75 billion grant program to localities for zoning reforms to increase affordable housing production.

Congressional support of the programs, Habitat said, “Will allow us to not only bring swift housing relief, but also begin to dismantle decades of discriminatory housing policies, which have long been the engine of American inequality.”

As part of the action plan, the administration also expressed its intention to “work with the private sector to address supply chain challenges and improve building techniques to finish construction in 2022 on the most new homes in any year since 2006.”

Jerry Howard, CEO of the National Association of Home Builders, suggested the Biden administration accelerate trade negotiations with Canada to ease the timber shortage to help alleviate homebuilding supply constraints.

More than 10,000 NAHB members recently sent a letter to President Biden, requesting “immediate actions” to address the housing affordability crisis.

“Rising costs stemming from historically high price levels for lumber and other building materials, supply chain bottlenecks, surging interest rates, excessive regulations and a persistent lack of construction workers have significantly decreased housing affordability conditions, particularly for entry-level buyers and renters,” they said.

Congress too should acknowledge the housing supply crisis, Howard said, noting potential fixes that were spelled out in the now-abandoned Build Back Better legislation.

Because Congress is so polarized, Howard said, he’s less than optimistic that such a bill would pass during a midterm election year. If it doesn’t, he added, housing could become a midterm campaign issue.

Meanwhile, the Mortgage Bankers Association commended the White House on its efforts to reduce the shortage of both single-family and multifamily housing for renters and prospective homebuyers.

As the Department of Housing and Urban Development looks to improve financing for multifamily projects, it should “focus on the issues that continue to lead to significant lending pipeline delays in its [Multifamily Accelerated Processing] program, which is a primary financing option for producing more affordable rental housing,” said MBA CEO Bob Broeksmit.

While promoting the White House plan this week in Columbus, OH, HUD Secretary Marcia Fudge said FHA will offer home loans of less than \$100,000 to help rebuild

neighborhoods that have been reduced to rows of vacant homes. “We’re hoping our banks and other lenders will come along with us,” she said.

Industry has built fewer new homes since the great recession, Fudge noted. “Building affordable housing isn’t profitable, so builders don’t want to do it.” She said the administration is addressing the issue through gap funding and low-income tax credits.

In a separate announcement this week outlining \$10.3 billion in grants for community development programs, HUD said it is investing \$1.5 billion in the HOME Investment Partnership program to fund community nonprofit activities, including building, buying and rehabilitating affordable housing for renters or homebuyers.