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## Infrastructure Plans Should Invest in Affordable Housing

By Will Fischer

As policymakers consider measures to address the nation's infrastructure needs, they should include resources for development and rehabilitation of public and other affordable housing, which can reduce hardship and expand opportunity for low-income families, seniors, and people with disabilities while also generating construction activity and jobs. The Trump Administration, however, has moved in the opposite direction, omitting affordable housing from its infrastructure plans while seeking deep cuts to existing federal housing programs.<sup>1</sup>

### Affordable Housing Investment Would Meet Pressing Unmet Needs

Eleven million American households pay over half of their income for rent.<sup>2</sup> Most of these households have incomes below the poverty line, and high housing costs can force them to divert resources from other basic needs and place them at risk of housing instability and homelessness — problems linked to serious adverse effects on children's health and development. Some families can afford housing only by living in overcrowded, substandard, and sometimes unsafe housing arrangements. Investing in affordable housing through an infrastructure package would help address these pressing unmet needs, preserving or building safe, decent, affordable homes for some of the nation's most vulnerable people.

Affordable housing is particularly effective at expanding opportunity for low-income children if it provides families access to low-poverty neighborhoods with low crime and strong schools. Research shows that poor children who grow up in low-poverty neighborhoods earn considerably more as adults, are more likely to attend college, and are less likely to become single parents.<sup>3</sup>

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<sup>1</sup> For discussion of other concerns raised by the Administration's statements regarding its infrastructure plans, see Jacob Leibenluft, "Three Key Questions About the Trump Infrastructure Plan," Center on Budget and Policy Priorities, January 30, 2018, <https://www.cbpp.org/research/federal-budget/three-key-questions-about-the-trump-infrastructure-plan>.

<sup>2</sup> Joint Center for Housing Studies of Harvard University, "America's Rental Housing 2017," December 2017, <http://www.jchs.harvard.edu/americas-rental-housing>.

<sup>3</sup> Raj Chetty, Nathaniel Hendren, and Lawrence F. Katz, "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment," National Bureau of Economic Research Working Paper No. 21156, May 2015.

Affordable housing investment also plays a vital role in providing accessible housing to low-income elderly people and others with physical limitations that might otherwise compel them to live in institutional settings such as nursing homes.<sup>4</sup>

Like other infrastructure investments, funding for affordable housing creates construction activity and jobs. Many projects funded through the Department of Housing and Urban Development (HUD) have the added benefit of requiring that a portion of the resulting jobs and small business opportunities go to public housing residents and other low-income people — groups that often miss out on opportunities created by other infrastructure projects.

Policymakers could address housing infrastructure needs in a number of ways, such as:

- **Public housing renovation and repairs.** The nation’s public housing developments provide stable, affordable homes to close to 1 million households, the majority of which include seniors or people with disabilities.<sup>5</sup> Local public housing agencies generally own the developments, and the federal government is responsible for providing adequate funds to operate and periodically renovate them. Federal funding has long fallen short of the amount needed, however, and a 2010 HUD-sponsored study found that public housing developments had accumulated a backlog of \$26 billion in unmet renovation needs. That figure is likely higher today.

Additional funding for renovation of public housing would enable local agencies to address unsafe and unhealthy conditions, for example by fixing or replacing aging heating systems like those that failed in New York City and elsewhere this winter, exposing residents to severe cold.<sup>6</sup> Investments in public housing could also reduce future federal costs, for example through energy efficiency improvements that lower the need for utility subsidies. Agencies could likely put \$8 billion or more in capital funding to use promptly and effectively to address pressing renovation needs. Those funds would also leverage large amounts of private financing, since many major public housing renovation projects are carried out through partnerships with private investors or lenders.

- **National Housing Trust Fund.** The National Housing Trust Fund supports development and preservation of housing affordable to the lowest-income families, but the funding it currently receives — about \$200 million a year — meets only a small fraction of the need for such housing. A series of proposals have called for the trust fund to be expanded to several billion dollars a year, but these have not yet been enacted. Infrastructure legislation would provide an opportunity to scale up the trust fund while policymakers work to identify a permanent funding source.

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<sup>4</sup> Ehren Dohler *et al.*, “Supportive Housing Helps Vulnerable People Live and Thrive in the Community,” Center on Budget and Policy Priorities, May 31, 2016, <https://www.cbpp.org/research/housing/supportive-housing-helps-vulnerable-people-live-and-thrive-in-the-community>.

<sup>5</sup> Center on Budget and Policy Priorities, “Policy Basics: Public Housing,” updated November 15, 2017, <https://www.cbpp.org/research/policy-basics-public-housing>.

<sup>6</sup> James Barron, “For Many Public Housing Residents, It’s Cold Inside, Too,” *New York Times*, January 5, 2018, <https://www.nytimes.com/2018/01/05/nyregion/for-many-public-housing-residents-its-cold-inside-too.html>.

- **Low-Income Housing Tax Credit.** The Low-Income Housing Tax Credit (LIHTC) is the nation’s largest affordable housing development subsidy, but because the amount of credits it provides each year is capped, it too falls short of meeting demand. In addition, LIHTC rarely makes housing affordable to families with incomes around or below the poverty line, unless they also receive other rental assistance. Senator Maria Cantwell has introduced legislation, co-sponsored by Senate Finance Committee Chair Orrin Hatch and Ranking Democrat Ron Wyden, that would expand LIHTC while also instituting reforms that would make the credit somewhat more effective at assisting the lowest-income families and make it easier to build LIHTC developments in a wide range of communities, including low-poverty areas.
- **Renters’ Tax Credit.** Congress should also enact a new renters’ tax credit specifically targeted on making a portion of the units in LIHTC developments or other buildings affordable to the lowest-income families.<sup>7</sup>

## Trump Administration Has Sought to Cut Housing Investment Deeply While Omitting It from Infrastructure Plans

Despite the widespread need for affordable housing among low-income Americans, the Trump Administration has sought to sharply cut funding for federal housing programs, as well as key infrastructure programs in other areas, such as transportation, water and wastewater, and flood control. The Administration’s 2018 budget proposed to cut HUD funding by \$7.4 billion below the 2017 level, including a 68 percent cut to the public housing capital fund. It also sought to eliminate funding for the National Housing Trust Fund.<sup>8</sup> In addition, the recently enacted tax legislation not only failed to provide new resources for affordable housing, but is expected to reduce the number of LIHTC units developed over the next ten years by as much as 16 percent (mainly because the bill’s corporate tax cut will reduce the value of the credits to private investors).<sup>9</sup>

Secretary of Housing and Urban Development Ben Carson has suggested that the Administration’s infrastructure plan would provide resources to offset the proposed budget cuts. While discussing the cuts in April 2017, for example, Secretary Carson stated that “The part that people are not hearing even though I’ve said it several times is that this Administration considers housing a significant part of infrastructure in our country. And as such, the infrastructure bill that’s being worked on has a significant inclusion of housing in it.”<sup>10</sup>

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<sup>7</sup> Will Fischer, Barbara Sard, and Alicia Mazzara, “Renters’ Credit Would Help Low-Wage Workers, Seniors, and People with Disabilities Afford Housing,” Center on Budget and Policy Priorities, March 9, 2017, <https://www.cbpp.org/research/housing/renters-credit-would-help-low-wage-workers-seniors-and-people-with-disabilities>.

<sup>8</sup> Douglas Rice, “Trump Budget Would Increase Homelessness and Hardship in Every State, End Federal Role in Community Development,” Center on Budget and Policy Priorities, May 23, 2017, <https://www.cbpp.org/blog/trump-budget-would-increase-homelessness-and-hardship-in-every-state-end-federal-role-in->

<sup>9</sup> Michael Novogradac, “Final Tax Reform Bill Would Reduce Affordable Rental Housing Production by Nearly 235,000 Homes,” Novogradac and Company, December 19, 2017, <https://www.novoco.com/notes-from-novogradac/final-tax-reform-bill-would-reduce-affordable-rental-housing-production-nearly-235000-homes>.

<sup>10</sup> Jose A. DelReal, “Carson assures advocates that White House will include housing funding in infrastructure bill,” *Washington Post*, April 3, 2017, [https://www.washingtonpost.com/news/post-politics/wp/2017/04/03/carson-assures-advocates-that-white-house-will-include-housing-funding-in-infrastructure-bill/?utm\\_term=.3dc662f19ebf](https://www.washingtonpost.com/news/post-politics/wp/2017/04/03/carson-assures-advocates-that-white-house-will-include-housing-funding-in-infrastructure-bill/?utm_term=.3dc662f19ebf).

Other information available about the Administration’s plans does not support this assertion, however. President Trump did not mention housing while discussing infrastructure during his 2018 State of the Union address, and a draft of the Administration proposal leaked January 22 does not provide for investment in affordable housing. Moreover, even if housing were eligible, the approach proposed in the leaked draft — which would limit most federal grants under the plan to 20 percent of the project cost — would be ill-suited to supporting housing for the lowest-income households, which would not be able to afford rents high enough to generate more than a small share of the revenue needed to cover the remaining costs.<sup>11</sup>

Leaving housing out of an infrastructure package would miss an important chance to expand opportunity and improve low-income Americans’ well-being. Policymakers who wish to craft legislation that addresses the nation’s most pressing infrastructure needs should include robust funding for development and rehabilitation of affordable housing.

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<sup>11</sup> Jonathan Swan, “Scoop: Read the draft White House infrastructure plan,” Axios, January 22, 2018, <https://www.axios.com/draft-white-house-infrastructure-plan-1516644555-0d43f417-6ccd-43f7-9cae-3cbe711314d.html>.