A More Equitable Future Beginning at Home: Service-Enriched Affordable Housing and Thriving Communities

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The COVID-19 pandemic has made clear what advocates and affordable housing providers have long known: **housing *is* health**. Impactful housing policy and investments can create healthy, environmentally sustainable and affordable homes that support the health and well-being of residents and our communities; but the pandemic has illustrated how the opposite is also true. Short-sighted, unjust housing policy and disinvestment hurt communities and have exacerbated racial inequities. People of color who were already more likely to have unaffordable housing costs are now experiencing higher rates of job loss, greater difficulties paying rent and higher risk of evictions. These long-standing inequities are taking a health toll too. Unhoused people and people living in crowded conditions are at greater risk of COVID-19 infection and related health and economic impacts.

Now is the time for the federal government to seek **practical strategies, innovations and partnerships for quality housing in healthy communities**. We have an opportunity and a duty to ensure that people across the country- especially people and communities of color- do not fall further behind, or just get back to how they were struggling pre-COVID, but to advance a more prosperous and equitable future. We must do so by addressing the unjust policies that created deep racial inequities, supporting responsible and just policies that are guided by a commitment to lifting up residents' voices and responding to their complex needs.

With its practice-driven approach, SAHF plays a pivotal role between practitioners, policymakers, and partners in the affordable rental housing industry and other sectors to identify, develop and foster effective and innovative strategies for sustainability, affordability and positive resident outcomes in rental housing communities for low-income families, seniors and persons with disabilities. With this lens, we have identified key policy recommendations that are grounded in practice with the ability and offer the opportunity to make significant progress. It is simply not enough to reverse course or reinstate old policies. This moment requires bold ideas that recognize the connection between quality rental housing and positive outcomes for people and communities *and* strategies for practical implementation. This document offers specific statutory, regulatory and administrative actions for a comprehensive approach that includes:

- **Expanding access to affordable homes**, including investing in project-based rental assistance to ensure families can secure homes in high opportunity areas, eliminating barriers to fair housing, creating meaningful opportunities in all communities through place-based investments, providing targeted resources to the growing population of low-income seniors, and making rental assistance universal for all eligible households.
- **Creating choice and opportunity by preserving affordable rental homes,** incentivizing private owners to preserve affordable rental homes, preserving and extending expiring rental subsidies to owners committed to providing affordable homes as a platform for resident opportunity, improving and expanding the Low Income Housing Tax Credit (Housing Credit), and ensuring federal resources are well used and tenants are protected.
- **Using affordable rental homes as a fulcrum for improving resident health & well-being** by expanding access to service-enriched housing, promoting digital inclusion and wealth-building, and supporting housing stability and improved health outcomes through healthcare partnerships.
- **Creating healthier communities and combating climate change through quality design & operations of affordable rental housing** by retrofitting homes to address efficiency, renewable energy, health, and resilience; aligning incentives among HUD, owners and residents in support of energy efficiency and renewable energy, and encourage the use of renewable energy sources in affordable housing.

These **comprehensive strategies must also be coupled with immediate action to ensure the housing stability of households across the country, and the viability of many critically needed properties** under rehabilitation or development. Thus, we also provide a list of priorities that Congress and the Administration must take on at the earliest possible moment, including providing emergency rental assistance, flexible resources for housing providers to meet increased operating expenses and other emerging housing needs, and to enact a minimum four percent rate for Housing Credit buildings.

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A Comprehensive COVID-19 Response is Overdue: Recommendations for Immediate Action

The economic crisis resulting from the COVID-19 pandemic is having a disproportionate impact on people of color, people of limited economic means and the organizations that serve them. As a collective of leading nonprofit developers and operators of affordable housing, SAHF urges a robust federal policy response to address emergency needs, and support people and communities on the path to economic resilience. The CARES Act, federal eviction moratoriums, and regulatory relief provided through the pandemic have provided interim relief but additional, strategic action is needed to ensure the housing stability for millions of households across the country, and to protect the viability of needed affordable housing resources. Congress and the Administration must act together to provide:

- **Emergency Rental Assistance,** which is critical to ensure that residents and owners are not burdened by mounting debt from which they cannot recover when moratoriums end. Congress should provide significant investments in emergency rental assistance through proven programs with fast delivery systems in place, including options for residents to apply directly or through their landlord. Without such support, renters could owe $25 – $34 billion by January 2021, when the CDC eviction moratorium expires, and more than 20 million renters could face an eviction filing.

- **Flexible housing resources to meet operating expenses and other emerging needs:** Congress should empower states and localities to create tailored responses to emerging housing needs with robust resources for HUD's HOME Investment Partnerships (HOME) Program. This funding should be subject to additional flexibilities to target funding to affordable multifamily owners in order to meet operating costs directly related to the pandemic, and for states and localities to address the full array of short and long-term affordable housing needs. A survey this summer found that lower-income housing providers were facing a 15% increase in operating expenses with a 12% reduction in rents received, creating potentially untenable gaps. Months have passed without support and these gaps grow, threatening the viability of these properties.

- **A minimum 4 percent rate for Low Income Housing Tax Credit (Housing Credit) buildings** placed in service after January 20, 2020 (per the COVID-19 "incident period" for states per FEMA). Preserving and expanding the supply of affordable rental housing is more important than ever, but a volatile economic climate is challenging development. With federal borrowing rates recently slashed in response to the crisis, the "4 percent" Housing Credit rate is at an all-time low of 3.07 percent, and could decline even further, threatening the viability of many critically important properties currently under rehabilitation or development.

- **Paycheck Protection Program (PPP) expansion or a similar program for nonprofits** focused on creating and preserving homes or community development. The PPP, established and funded through the CARES Act, provided assistance to some housing providers during the pandemic, but limitations in its size and program requirements have left out far too many. Congress should expand this type of assistance to ensure the continuity of mission-driven affordable housing providers who are responding to emergency needs and committed to housing stability.

- **Allowing developments to access 4 percent Housing Credits by lowering the "50 percent test" to 25 percent** (for buildings placed in service after January 20, 2020). This will stimulate additional affordable housing production by allowing developments to access credits, while also allowing for more flexibility around issues triggered by the crisis that have impacted the availability of bond financing, including delays and increased costs.

- **Investing in the Capital Magnet Fund** to give mission-driven developers and lenders flexible funding to help them respond to a rapidly changing economic environment to ensure that affordable homes are preserved and produced and that vital investments in communities continue.

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Expanding Access to Affordable Homes

COVID-19 has highlighted this country's lack of homes that are affordable and accessible to households of limited economic means, and that far too many households are just one financial shock away from losing their homes. Even before the pandemic, there was a gap of seven million units affordable to the lowest income people, and more than 11 million renters were paying over 50% of their income towards rent, meaning they often couldn't afford child care, decent transportation, healthy food, and medicine. Race-based gaps in access to affordable and healthy housing also existed before the pandemic. People of color, especially Black households, are disproportionately renters and are more often cost burdened. Black renters had the highest burden rate in 2018, at 55 percent, 12 percentage points higher than white renter households.

Without a significant investment in expanding access to affordable housing, the share of lower-income households competing for an insufficient number of rental properties will continue to accelerate. We are experiencing some of the lowest annual housing production rates since 1982, with current levels of development only about half of what is at risk of loss in the coming years, falling far short of rising demand.

For low-income families, seniors, and persons with disabilities, the gap between what they can afford and what is available is severe. Rental assistance has not kept up with this need, as only one-in-four who currently qualify for federal rental assistance receive it. And while there have been modest increases to some federal housing assistance programs in recent years, this is only compared to years of disinvestment.

Expanding access to affordable housing is not only a critical response to the pandemic, but also an investment in the country's infrastructure, providing a long-term asset of safe, quality homes that connect people to communities and resources to thrive. Production and preservation of rental housing also provide important jobs for economic recovery. For a typical 100-apartment unit development, the National Association of Home Builders estimates that more than 1,100 jobs are created and more than $4 million in tax revenue is generated.

To expand access to housing and create a more racially equitable future, we need new capital for developing affordable housing, local land use policies that facilitate the creation of this housing, long-term flexible financing and rental subsidies, all the while ensuring preservation so we don't lose any more critical housing stock. These investments must be made in ways that give residents a voice in the process and connect them to what they need to thrive.

Key Priorities to Expand Access to Affordable Housing:

- **Ensure low-income households can access private housing stock***:* Federal rental assistance only reaches one in four eligible households, and use of the Housing Choice Voucher (voucher)— intended to allow people choice in the where they live— has been stymied by programmatic flaws, landlord discrimination, and other systemic factors. The lack of affordable multifamily rental housing in many communities excludes low-income households and perpetuates patterns of segregation. Expanding rental assistance, especially project-based assistance, is key to breaking these patterns.

  Legislative Actions:
  - **Expand the supply of affordable rental homes** by increasing the allocation of Low Income Housing Tax Credits (Housing Credits) by 50%.
  - **Ensure rental assistance is available for project-based contracts** to promote production of new affordable rental homes and preservation of existing rental homes where they are needed most. This includes, but isn't limited to, allowing PHAs to forward commit project-based voucher contracts so that they can be used to support the development of new, healthy homes.
  - **Make vouchers available to all eligible households** up to 50% AMI, and allow a percentage of these to be project-based to allow families to secure homes where it may be hard to use vouchers.

- **Expand the mobility demonstration** first authorized and funded in 2019 to provide all voucher recipients with additional support and information to facilitate moves to high opportunity communities.

Legislative and Administrative Actions:

- Encourage landlords to take vouchers by strengthening financial incentives for first-time participants or landlords in low-poverty neighborhoods, setting more competitive rents, and extending the time voucher holders are allowed to search for a unit from 60 days to 120 days.
- Require all public housing agencies to transition to the use of Small Area Fair Market Rents for tenant-based vouchers, with appropriate hardship protections, to ensure that voucher payment standards support access across local rental markets instead of concentrating assisted households in lower-rent areas.

➢ **Provide targeted resources for senior housing:** The number of households aged 65 and over is expected to grow by 20 million in the next fifteen years, and near 50 million in 2035. Senior households are growing older, are more likely to be single renters, more likely to be persons of color, are increasingly likely to have disabilities related to mobility and selfcare, and often have lower incomes than ever before. In fact, 5 million older adult households aged 65 and over are severely cost burdened, spending more than half of their incomes on housing. The COVID-19 pandemic has exacerbated some of these trends as older adults experience job loss, use up limited savings, and experience increased health risks.

Legislative Actions:

- Provide at least $600 million in **new annual Section 202 construction and operating funds**. The Section 202 Supportive Housing for the Elderly program allows seniors to age in place and avoid unnecessary, unwanted, and much costlier institutionalization. This amount is in line with historic funding of this critical program prior to the program being zeroed out after FY 2011. Additional funds should be provided for capital repair grants for current Section 202 properties in connection with RAD for PRAC conversions.
- **Expand Service Coordinator support** to ensure access for all seniors. Service Coordinators at affordable housing properties play a vital role in connecting residents with resources and leveraging their connectivity to improve health and well-being. However, only half of Section 202 properties currently have Service Coordinators. As seniors also represent a high percentage of other HUD-assisted housing, Congress should expand Service Coordinator funding to all federally-assisted communities.

Administrative Actions:

- Explore regulatory and administrative improvements to the Section 202 program that allow seniors, especially seniors who are people of color, to age in place in their own neighborhoods while connecting them to supports needed for health and well-being.

➢ **Create meaningful opportunities for lower-income families and seniors in all communities** through place-based investments. Decades of racially discriminatory housing policy have contributed to persistent racial segregation and the concentration of people of color in high-poverty, low-opportunity neighborhoods that have suffered underinvestment. One way to begin addressing racial inequities while preserving and creating rental homes is through place-based investments. With lessons learned from Promise Zones, Choice Neighborhoods and other place-based work, this is an opportunity to break down silos and attract private investment, preserve and develop affordable housing while also improving safety, facilitating access to healthy food and exercise, supporting job creation and strengthening access to high-performing schools.

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Legislative Actions:

- Pursue **new rounds of federal place-based investments**. Lessons learned from previous federal placed-based initiatives demand that these rounds of investments be robust to get to needed scale, not rely on housing resources to meet all community needs, and be flexible to facilitate cross-sector work. Resident engagement is a critical component of this work, maximizing impact and stewardship of these resources and should be funded as part of these initiatives. Place-based initiatives must include deliberate strategies to prevent economic or physical displacement of existing residents.

➢ **Eliminate barriers to fair housing to ensure communities of choice and opportunity for all people.** The Fair Housing Act established a statutory duty for HUD to not merely promote compliance, but to further the purposes of the statute. By terminating the Affirmatively Furthering Fair Housing rule in 2020 and returning to decades-old failed processes, HUD has not only failed this statutory obligation, it has failed communities across the country by remaining complicit in decades of policies and decisions that preclude fair and meaningful housing choices for people of color.

Administrative Actions:

- **Rescind the July 2020 released Preserving Community and Neighborhood Choice rule and utilize the previous AFFH rule** to make progress on eliminating barriers to fair housing. The AFFH regulations provide a clear framework for program participants to assess the fair housing issues in their jurisdiction, and can be further improved through subregulatory action by refining assessment tools, facilitating engagement amongst covered participants, and supporting technical assistance to ensure that localities are furthering fair housing opportunity and reducing housing discrimination.

➢ **Provide resources dedicated for rental housing for the lowest-income households.** Deeper income targeting requires lower cost capital, but federal resources have not kept pace with demand. Without resources to build, preserve, *and* operate, developing affordable housing for the lowest incomes is not financially feasible. The National Housing Trust Fund (HTF) is the first new housing resource since 1974 targeted at building, preserving and operating rental housing for extremely low-income people. Operating assistance and reserves allow housing providers to make up for the deficit between rents received and a unit's share of operating costs, including maintenance, insurance, and taxes. The Capital Magnet Fund (CMF) provides critical enterprise level capital enabling the kind of affordable, accessible housing that is desired, especially in high opportunity areas.

Legislative and Administrative Actions:

- **Continue and expand funding for HTF and CMF**, which are not subject to appropriations but instead, Fannie Mae and Freddie Mac (the GSEs) transfers a modest percentage of their new business to finance them. Congress and the Administration must ensure the GSEs continue contributions to HTF and CMF, and should increase the assessments on the GSEs to support more affordable housing.
- The COVID-19 pandemic has caused delays throughout the pipeline but both HTF and CMF have statutory 24-month commitment deadlines. Congress should temporarily suspend these deadlines in response to the pandemic, and consider making them regulatory instead so grantees can get waivers when needed in the future. Both programs have additional deadlines, including program completion deadlines, to ensure accountability.

Administrative Actions:

- The HTF Interim Final Rule allows up to one-third of a state's annual allocation to be used to provide for operating assistance and reserves, but HTF grantees have not utilized operating assistance and reserves because the interim rule is overly restrictive. The Final Rule should expand operating assistance definitions to meet with industry standards, and the time limits on assistance should be eliminated to give grantees flexibility when faced with underwriting or feasibility concerns.

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Other Proposals to Expand Access to Affordable Housing

Legislative Actions:

- **Protect and expand on a permanent basis the HOME Investment Partnership program; seeking program improvements modifications to ease burdens for nonprofit developers**.
- Make permanent and expand the New Markets Tax Credit.

Legislative and Administrative Actions:

- Ensure that the housing finance system continues to provide liquidity, favorable terms, and reasonable interest rates for affordable rental housing, including through the GSE's Affordable Housing Goals and Duty to Serve program.
- Increase HUD's staff capacity to efficiently manage housing resources and effectively engage with state housing finance agencies and their programs including the Housing Credit.
- Efficiently manage housing resources by ensuring that HUD programs work as effectively as possible with state housing finance agencies and their programs, including the Housing Credit. This should include building off of the National Interagency Physical Inspection Alignment Program by eliminating duplicate physical inspections and streamlining compliance monitoring.
- Reinstate the Federal Financing Bank Initiative for the FHA-HFA Risk-Sharing program, and expand the program to CDFIs.

Administrative Actions:

- **Reverse OCC's Community Reinvestment Act final rule, and pursue a consensus approach among all regulators that restore the investment test to encourage Housing Credit/NMTC investment.**
- Encourage CRA Investors and GSEs to adopt policies that encourage mixed income, mixed use properties, even if their financing cannot be used across the entire property.
- Extend and improve the Federal Home Loan Banks' Affordable Housing Program to better support service-enriched housing.
- Use the Multifamily Accelerated Processing (MAP) Guide to provide more flexibility in the approval process and expedite closings by delegating the underwriting process for straightforward deals.
- Seek opportunities to advance source of income discrimination legislation.
- Modify HUD's noise analysis regulations to expedite the development process, particularly for transit-oriented and mixed-use developments and existing HUD assisted properties.
- Better matching for FHA- insured loan percentage limitations on commercial square footage with mixed use communities.
- Encourage HUD to streamline its own parking requirements in a manner that recognizes the costs of providing parking, the needs of the individual property, and the availability of public transportation.
- Make updates to the MAP guide that would expedite the production of quality affordable housing that connects residents to opportunity.

Create Choice and Opportunity by Preserving Affordable Rental Homes

We are losing affordable housing at an alarming rate: for every new affordable apartment created, two are lost due to deterioration, abandonment, or conversion to more expensive rental housing. Without preserving existing subsidized and "naturally occurring" (unsubsidized) affordable housing, we fall two steps back for every step we take forward in addressing the affordable housing needs in this country. The COVID-19 pandemic threatens to worsen this crisis, as rising cost burdens and an economic crisis for renters is now coupled with economic pressure on property owners when residents can't pay rent. The threat is even greater for Black and Hispanic people who are more likely to be renters and low-wage earners, and therefore impacted by a loss of affordability.

The lessons of the last financial crisis tell us that we must act now to create strategies for preservation. During the Great Recession, many affordable homes were foreclosed upon or otherwise sold to institutional investors that sought to maximize rents or to redevelop properties for uses that didn't include the same affordable rents. Other affordable homes were lost to disinvestment or neglect.

To support healthy and equitable communities, preservation must not only keep rents low but keep the housing stock well-maintained, which can mean improvements to remediate health risks. Preservation can be a cost-effective way to avert an even deeper affordability crisis and racial inequities but a federal strategy will require collaboration, sound policy and a range of financing tools.

Key Priorities to Preserve Affordable Housing:

- **Incentivize private owners to preserve properties that are naturally affordable, especially those in high opportunity neighborhoods, to ensure permanent or long-term affordability.**

  Legislative Actions:

  - **Establish a preservation and stabilization fund, built on past models like the Neighborhood Stabilization Act**, where capital would flow to organizations with capacity to acquire and manage rental housing. This fund must have the scale to make a long-term impact, be nimble enough for nonprofits to compete against private investors, and provide a "first look" or right of first refusal for purchase before properties go to market. Properties preserved through this model should have a required affordability period, and should have access to project-based rental assistance.

- **Preserve and extend expiring rental subsidies in existing properties by facilitating the transfer of project-based Section 8 properties to owners committed to providing quality affordable housing as a platform for resident opportunity.**

  Legislative and Administrative Actions:

  - HUD should require that a copy of the **Section 8 opt-out notices** required in advance of terminating a project-based rental assistance contract be sent to the local government and state housing finance agency in addition to the tenants to help inform preservation strategies and resources for at-risk tenants.

  Administrative Actions:

  - **HUD's Section 8bb transfer authority** provides a path to ensure that all available project-based rental assistance is maximized, however HUD's protocol has created barriers to use this authority. Guidance must be substantially redesigned to maximize its utility and avoid the unnecessary loss of budget authority. New guidance should address timing and quality challenges by prequalifying Property B owners, prioritizing those who provide high quality housing and services and are dedicated to long-term affordability and positive outcomes for residents.

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- HUD should support the transfer of contracts to properties in high-opportunity areas by allowing sponsors to terminate and renew such contracts at new local-market rents immediately after transfer, instead of requiring a 5-year freeze which disincentives these transfers.

➢ **Improve and expand preservation of affordable homes with the public private partnerships facilitated through the Low Income Housing Tax Credit.** In the next decade approximately 500,000 affordable rental homes financed with the Housing Credit will reach the end of their federally required 30-year affordability periods and many will be at risk of being lost as affordable homes. Given uncertain rent collections in the past six months, owners of these properties may become more hesitant to further preserve them as affordable unless rental assistance or other relief is made available. This risk could be higher in high opportunity or high cost areas. Housing credit resources are critical not only for preserving existing Housing Credit properties, but are also the key vehicle for preserving critically needed subsidized homes through RAD.

Legislative and Administrative Actions:

- **Expand the supply of affordable rental homes** by increasing the allocation of Low Income Housing Tax Credits (Housing Credits) by 50 percent.
- Set a **permanent four percent rate for Housing Credit properties**, increasing financial predictability and restoring the originally intended value of Housing Credits. With federal borrowing rates recently slashed in response to the crisis, the "4 percent" Housing Credit rate is at an all-time low of 3.07 percent, threatening the viability of many critically needed properties currently under rehabilitation or development. Enacting a permanent four percent rate could finance 126,000 affordable rental homes over the next decade.
- Make Housing Credit financing easier to use and available to a broader range of properties by **lowering to 25 percent the "50 percent test" threshold** for Housing Bond-financed properties
- Use HUD's research capacity to **identify year 30 preservation threats**, time horizons and available tools.
- Include a **clear option for nonprofit sponsors to purchase the property** at the end of its tax credit period to ensure affordability.

➢ **Strengthen the Rental Assistance Demonstration (RAD) program to preserve aging housing stock and facilitate financially feasible transactions.** RAD has provided a transformative opportunity to leverage private capital and expertise to preserve public and multifamily housing. Current funding and program limitations however make some projects unable to participate. RAD is a vehicle to facilitate public private partnership to help address a $70 billion backlog in physical needs in the public housing portfolio. By asking PHAs and their partners to convert to project based rental assistance with very limited future adjustments to rental revenue, the program has created barriers to preservation in many communities. Sophisticated PHAs and nonprofits have pursued complex approaches to creatively leverage investment, but as implemented the public commitment to the partnership is insufficient to provide a solution that scales to all communities.

Legislative Actions:

- Expand and make permanent the Rental Assistance Demonstration (RAD); enact modest appropriation to facilitate preservation transactions that are not viable at current funding levels.

Administrative Actions:

- Work with stakeholders to identify a rent setting mechanism that will allow RAD project-based contracts to increase rents to the level needed to support long term preservation and repairs.
- Improve implementation of the Section 202 RAD for PRAC program by centralizing activities within the Office of Recapitalization, allowing mark up to market in Housing Credit conversions, and emphasizing external deadlines, including the Housing Credit.

- ➢ ***Ensure that federal resources are well used and tenants are protected by improving coordination of HUD's systems to monitor property safety and quality and make enforcement more effective, predictable, and consistent.*** Most federally assisted housing is in good physical condition and provides tenants with safe, healthy and affordable homes. However, there are outliers that that threaten the health and safety of tenants, and the long-term viability of the properties. Those outlier properties must be improved and future problems prevented.

  Legislative and Administrative Actions:

  - Develop **feasible strategies to engage residents** in the design and implementation of HUD processes for physical inspection and asset management. HUD's **NSPIRE demonstration** is one opportunity to pilot new systems.
  - Early identification of problems and intervention are essential. HUD has a variety of tools to address distressed properties but it is often stymied by low staff capacity. Congress and the Administration needs to improve coordination and execution of these tools, strengthen HUD capacity and oversight of assisted properties, streamline and strengthen inspection protocol to more accurately assess issues, and ensure there are resources for repair and reinvestment in distressed properties.

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Other Proposals to Preserve Affordable Housing for a More Equitable Future

Legislative Actions:

- Housing Credit
    - Eliminate the qualified contract option from the Housing Credit program so owners cannot opt out of affordability requirements early.
    - Delegate to the state Housing Credit Agency the responsibility of determining when a foreclosure is undertaken for the express purpose of terminating affordability restrictions.
- USDA Rural Development
    - Expand and fully fund Housing Preservation & Revitalization Demonstration Loans & Grants for multifamily rural rental housing.
    - Continue rental assistance for USDA Section 515 properties, supporting extending mortgages or decoupling from mortgage when it's paid off.
- HUD
    - Facilitate preservation of affordable housing and allow mission-driven affordable housing providers to respond to community needs and support economic mobility by providing portfolio-level flexibilities, similar to the Moving to Work demonstration.

Administrative Actions:

- Housing Credit
    - Strengthen efforts to monitor Housing Credit properties and ensure compliance with affordability restrictions throughout the restricted use period.
- USDA Rural Development
    - Simplify the process for preserving properties, including combining RHS financing for multiple properties for more cost-effective recapitalization.
    - Strengthen management of the RHS portfolio and create a culture that facilitates and supports preservation by ensuring that the Section 515 program works effectively with the Housing Credit and that RD streamlines their processes and timelines to be compatible with the Housing Credit and state HFAs.

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USE AFFORDABLE RENTAL HOMES AS A FULCRUM FOR IMPROVING RESIDENT HEALTH & WELL-BEING

Having a quality affordable, stable home is a critical element for ensuring health equity and resident well-being, but home remains out of reach for far too many. Cost-burdened renters face painful tradeoffs, often sacrificing healthcare and nutritious food to pay rent, further exacerbating chronic conditions like diabetes and obesity. The COVID-19 crisis has underscored how housing insecurity increases stress, negatively impacting both short-term and long-term mental health. Housing instability and unaffordability disproportionately impact people of color and exacerbate health inequities on those groups; a reality also highlighted in the COVID crisis.

The pandemic has also spotlighted the essential nature of internet connectivity for access to food, healthcare, education and employment, as well as opportunities to remain connected and fight social isolation. But for millions of people of limited economic means, a disproportionate number of whom are people of color, little or no connectivity has furthered health and economic inequities. This includes many residents of affordable housing, who are nearly twice as likely to lack high-speed internet connections as the general population.

Residents of properties with service coordination can more easily connect with the supports that they need to thrive and the presence of resident services often provides a platform for collaboration with school systems and healthcare actors. Resident service coordination can help address the gaps in access to community resources that have been created or exacerbated by decades of racially unjust policies. Yet funding streams and regulatory structures fail to support service coordination.

More can be done to ensure that federally assisted affordable homes provide an effective platform to promote opportunity – by facilitating partnerships with the healthcare sector; by providing enhanced resident supports; by promoting digital inclusion; and by supporting financial stability, and access to high-opportunity communities.

Key Proposals to Advance Health & Well-Being in Affordable Housing

- ***Improve Access to Service-Enriched Housing:*** Investments in enhanced resident services at affordable properties have shown critical benefits to resident's housing stability and well-being as well as property performance but funding is extremely limited.

  Legislative and Administrative Actions:
  - Increase **resident access to services by supporting funding as an above the line item expense** in properties financed through HUD and the Housing Credit.
  - Create a demonstration program that provides **resident service coordination grants** to pay for coordinators at family assisted housing properties.

  Administrative Actions:
  - Ensure that HUD project based rental subsidies can support high-quality resident services by clarifying that Rent Comparability Studies should reflect the full cost of such programming and by permitting service coordination in budget-based rents.
  - Improve the consistency and effectiveness of resident service coordination by clarifying standards and performance measures in a way that centers resident needs.

- ***Support well-being, economic and educational opportunity by promoting digital inclusion:*** Local initiatives and national pilots, especially since the onset of the COVID crisis, have sought to address systemic barriers to getting low income people connected, but a scaled solution is still needed. Federally-assisted housing represents a scalable opportunity to extend this essential link to large numbers of low-income households.

  Legislative and Administrative Actions:
  - Include **internet in the definition of utilities** in all affordable properties (subsidized and Housing Credit) to facilitate connection to services, and include broadband costs in the calculation of utility allowances, making it feasible for either landlords to include service or residents to afford it.

Administrative Actions:

- HUD
  - Update guidance to ensure owner-provided broadband is appropriately reflected in rent-setting and clarify that broadband provision is an eligible property expense. Providing broadband connection for all units in the building can be the most cost-effective way for a property owner to ensure that residents are connected. However, the current guidance around owner provided internet in multifamily properties is unclear.
  - Given the wide range of operational efficiencies and the deep services that can be unlocked with property-wide broadband, HUD should create a demonstration program to couple property-wide broadband access with operational efficiencies (such as online tenant portals and Wi-Fi enabled sensors to help control utility costs) and online resident services enabled by property-wide access and track resident and property performance outcomes to make the case for further investment by public and private actors incentivized by outcomes. This **demonstration would build on the work done under ConnectHome** and help expand connectivity into multifamily assisted housing.
  - Training is a crucial element of digital inclusion. HUD should support digital skill building for residents through funding for training and connections to training resources in the community.
- Interagency Partnerships:
  - Seek national partnerships or federal assistance that provides free or very inexpensive internet access for all residents of HUD-assisted housing. Households need affordable computing devices – not just smartphones – to realize the benefits of broadband access for work, school, health, and more. Federal agencies should promote provision of affordable laptops for low-income families through partnerships with the public and private sector. HUD should engage with other federal agencies and with state housing finance agencies to explore cross-sectoral partnerships that may be facilitated when residents have in-home connectivity and fully-featured devices.

➢ ***Support Residents' Wealth Building and Well-Being:*** By using housing as a platform for the delivery of evidence-based supportive services and resources targeted to residents' needs, such as onsite after-school programs to boost educational achievement, job training, and credit and saving building programs, we can support residents becoming more financially stable, building assets and improving their well-being. This can include creating a bridge from affordable rental homes to affordable homeownership. Homeownership remains the principal way to build wealth, and yet black homeownership rates are 30 percentage points below white homeownership rates. Increasing access to rental homes that are affordable and connecting interested residents to resources that support employment, income and wealth building is one strategy to begin closing that gap.

Legislative Actions:

- **Expand the use of HUD's Family Self Sufficiency** (FSS) program through increased appropriations. FSS is a proven model to promote earnings and savings for HUD-assisted households, combining personalized support with a financial incentive. The program is relatively small, but is ready to go to scale and a bold federal investment in its expansion could help catalyze new partnerships

Administrative Actions:

- Interagency Partnerships:
  - **Rent reporting for credit building** has the potential to allow low-income residents build or rebuild their credit scores, improve access to needed financial services and reduce reliance on predatory lenders. However, costs associated with rent reporting have been prohibitive, and pilot programs have been unable to lower costs at scale. Federal agencies should use their regulatory power to drive down costs for these transactions, provide financial training that accompanies credit reporting, provide resident opt-outs, and expand the use of the coding, like the natural disaster code, to credit reports to ensure low-income households are not penalized.

- HUD:
    - Reduce compliance burdens for PBRA FSS programs and encourage broader program adoption by implementing the long-delayed version 2.0.3.A of TRACS, its voucher payment system software, to allow PBRA FSS programs to automatically calculate tenant rent payments and escrow deposits.
    - Federal means tests programs include asset caps and income recertifications to ensure that these limited resources go to families and seniors in need, but inconsistency across programs and asset caps can deter earnings and savings for these households. Recent legislation authorized limited triennial income recertifications for those with fixed incomes. Similar flexibility should be made broadly available to eliminate disincentives for residents to increase their income and barriers to growing assets.

➢ **Support Housing Stability and Improved Health Outcomes through Health Care Partnerships:** Healthcare actors, including hospitals and insurers, have demonstrated appetite for creative partnerships that leverage stable affordable homes to improve health outcomes both for their clients and the broader population, however, siloed approaches to data and funding are often hurdles to realizing these partnerships. Although many residents of affordable housing are covered by Medicare and/or Medicaid, partnerships with payors are often hindered by the fact that residents of a given property may be covered by several plans.

Legislative and Administrative Actions

- Support testing and implementation of innovative payment and service delivery models, including those that broadly address the social determinants of health and mitigate the long-term consequences of poverty on health by **continuing to fund the Center for Medicare and Medicaid Services Innovation Center.**
- Authorize the Center to collaborate with HUD on pilots that incentivize managed care organizations to support resident services in affordable rental housing properties in collaborative structures among MCOs or partnerships that equally serve residents without regard to the plan membership.
- Better leverage existing programs and authorities to improve the health and well-being of those participating in Medicaid, through interagency collaboration between HUD and HHS; by funding grants to states, including state housing finance agencies, and community based organizations to help them devise innovative, evidence-based approaches to coordinate services and improve outcomes and cost-effectiveness**,** including approaches that fully leverage affordable rental homes to improve social determinants of health.

Administrative Actions

- Improve and expand broad scale data sharing between HHS and HUD to **scale data matching for dual eligible households** and to identify Medicaid eligible households. Both services and capital partnerships are often facilitated where there is a concentration of residents likely to be covered by Medicaid. This data can help facilitate partnerships, but it also critical for demonstrating the resulting outcomes and savings.
- Section 1115 Medicaid Innovation waivers are broadly used to facilitate new approaches that improve health outcomes, however unclear guidance regarding acceptable housing related waivers has left many states and health care actors hesitant about new approaches. Building on lessons from existing waivers, CMS should issue clear guidance in the form of principals or model waivers that will help spur future innovation in health and housing partnerships.
- Health insurers seeking to invest in affordable housing are stymied by understanding the impact of these investments on their regulated reserves and other funds. The Administration should establish a **task force of State health insurance regulators** to provide greater clarity and consistency on how housing investments will impact Risk Based Capital ratios and address uncertainty about how specific types of housing investments would be evaluated.

Other Proposals to Ensure Health and Well-Being in Affordable Housing

Administrative Actions:

IRS:

- Encourage the use of hospitals' Community Benefit requirement to support housing and services, and foster integration of health strategies in communities.
- Create greater transparency, accountability and flexibility in Community Benefit requirements.

Interagency Partnerships:

- Explore lessons learned from COVID-19 waivers to permit broader use of telemedicine in a wider array of originating sites, including a patient's home or other institutional facilities like an affordable housing rental property, and initiate demonstration programs in affordable rental housing.
- Expand use of federal Medicaid waivers for housing and housing stability supports.

HUD:

- Co-Locating Housing and Health Care services: The presence of a strong, long-term commercial tenant can help offset the cost of mixed-use affordable housing communities. HUD should consider any necessary waivers to FHA limitations on commercial space to facilitate health and housing colocation.

State HFA Partnerships:

- Work with HFAs to incorporate quality services in QAP and allow underwriting of service expenses and explore incentivize for partnerships between HFAs and Medicaid programs.

CREATE HEALTHIER COMMUNITIES AND COMBAT CLIMATE CHANGE THROUGH QUALITY DESIGN & OPERATIONS OF AFFORDABLE RENTAL HOUSING

The built environment, particularly the buildings that we call home, is critical to the health of our nation, and sustainable design and operations play a key role in preserving affordability and securing our housing stock for the long term. *Energy and water bills are significant costs for any homeowner, tenant or property owner and are a large share of operating costs in affordable rental housing.* Energy efficiency, renewable energy, and water management drive down costs and reduce exposure to price fluctuations. For affordable housing residents in particular, alleviating cost burdens is a critical move in support of racial equity, as the reality that households of limited economic means spend a larger share of their incomes on utilities is even more pronounced for Black, Hispanic, and Native American households. *When utility cost burdens are reduced, residents have more money available for food, healthcare and other elements essential for well-being.*

The COVID-19 pandemic had underscored the importance of preparedness for and resilience from systemic disruptions. From the pandemic, we are learning the vital importance of the built environment, including filtration and ventilation, as people shelter in place. The changing climate and increasingly frequent extreme weather events are a growing source of disruption. Low-income communities and communities of color are often the most impacted from threats such as heat waves and flooding, and lack of resources makes it hard for individual households to respond. Climate disruptions threaten the viability of a portion of the housing stock itself. In the face of this threat, it is crucial that we reduce greenhouse gas emissions from the built environment, including multifamily rental housing, while at the same time strengthening our housing infrastructure to withstand the impacts of climate change. A bold strategy should begin by harnessing data and mapping capabilities of HUD and EPA to identify communities most at risk from the cumulative impacts of the multiple stresses of climate change, economic and racial inequality, and pollution and using that information to target broad interagency resources.

Recommendations:

- **Retrofit homes to address efficiency, renewable energy, health, and resilience**: While the past decade has seen substantial progress in addressing energy and water efficiency in affordable housing, significant opportunities to improve building performance remain. At the same time, growing awareness around the need to retrofit properties for health (e.g., ventilation, asthma mitigation) and resilience (e.g., floodproofing, urban heat island reductions) points to the need for more holistic retrofits. At the same time, building retrofits are a proven strategy for creating well-paying green jobs. In order to swiftly address the spectrum of retrofit opportunities across all types of affordable rental homes, a comprehensive set of tools is needed. Retrofit programs should be grounded in the lived experience of residents, with their input on property needs and solutions integrated into the decision-making process and with robust processes for sharing back information on program outcomes and impacts

  Legislative and Administrative Actions:
  - Launch a **retrofit program modeled on the HUD Green Retrofit Program** that addresses an expanded range of measures that reduce utility costs, lower emissions, and advance health and resilience in all affordable multifamily rental homes. This would include an evaluation of fuel switching as well as measures that facilitate energy management and environmental monitoring. A portion of retrofit funds should be available to cover health and resilience measures. By allowing intermediaries, including affordable housing sponsors, to receive program funds and administer retrofits across a portfolio of properties, the program can more rapidly achieve scale and efficiency and address capacity gaps at the owner level.
  - Expand the Department of Energy's **Weatherization Assistance Program** (Weatherization), including a requirement that portion of funds be used in multifamily affordable rental housing. The Weatherization program has an existing infrastructure for delivering home energy retrofits across the U.S. and offers an

alternative retrofit approach to a HUD program that may be more accessible to owners without existing relationships to HUD or for landlords with a small number of units/properties. During the ARRA era, several states successfully expanded their multifamily Weatherization programs. A newly expanded program should build on lessons from the ARRA programs by updating income qualification to facilitate whole property qualification of affordable housing, allowing fuel switching, supporting energy management technologies and by designing the subsidy program to offer deeper incentives for longer-term affordability.

- **Align incentives among HUD, owners and residents in support of energy efficiency and renewable energy**. In many HUD properties, the "split incentive" adds an additional challenge to reducing utility costs. On the one hand, when residents pay their utility bills directly, the property owner has no expected economic return or incentive to invest in more efficient energy and water systems. On the other hand, when all utilities are included in rent, residents do not have incentive to conserve energy in their homes. Housing subsidy program constrain the owner's ability to reflect efficiencies and lower utilities in the rent.

  Administrative Actions:
  - Allow rents to increase in proportion to utility allowance decreases that are the result of energy savings from a recapitalization/retrofit event. This approach is used in the RAD program during PBRA conversion and should be expanded to all recapitalization events.
  - Pilot utility budgeting in HUD-assisted multifamily housing. Within the Public Housing portfolio, owners are allowed to implement a "utility budget" approach wherein units are submetered and residents have a monthly utility consumption budget. Utility costs up to the "utility budget" amounts are covered by rent, but residents are charged when consumption exceeds the allowance. This model addresses the split incentive by maintaining an incentive for owners to invest in efficient equipment while simultaneously incentivizing residents to stay within a budget and providing real time data that helps them do so.

- **Encourage the use of Renewable Energy Sources in Affordable Housing:** Renewable energy, and solar energy in particular, is a key strategy for reducing utility costs, decreasing carbon emissions, and improving properties' resilience. On-site solar is a recognized solution feasible today in many markets, and a growing number of community solar programs allow solar credits to be allocated to a utility account without the solar panels being physically connected to that account holder's meter. Changes in the market and community solar programs point to expanding opportunities for affordable housing owners and residents alike to use solar with the right policy supports.

  Administrative Actions:
  - Allow residents in properties with rental assistance to benefit from community solar subscriptions by updating HUD utility allowance guidance to allow community solar credits to be excluded from utility allowance calculations.
  - Encourage HUD engagement on policy solutions that arise in the National Community Solar Partnership Multifamily Affordable Housing collaborative.
  - Recognize and reward use of renewable energy within the Better Buildings Challenge.

COLLABORATE. INNOVATE. ACCELERATE.

Other Proposals to Create Healthier Communities and Combat Climate Change through Quality Design & Operations of Affordable Rental Housing

Legislative Actions:

- Expand the availability of the Low Income Home Energy Assistance Program (LIHEAP) through supplemental funding and streamlined administration across states, including around income qualification.
- Extend tax credits that support renewable energy
- Invest in placed-based initiatives connecting housing and transportation to reduce greenhouse gas emissions

Legislative and Administrative Actions:

- Promote the use of healthier building and lower global warming potential materials in retrofit programs where cost- and operationally-effective alternatives are available by including preferred materials guidance as part of retrofit programs.

Administrative Actions:

- Support building upgrades that address resilience for new construction properties and during rehabilitations by incentivizing resilience through an FHA Mortgage Insurance Premium reduction.
- Issue guidance for addressing resilience and health in Capital Needs Assessments and encourage the use of Health Action Plans and Resilience Assessments in properties receiving HUD mortgages. Explore a vehicle for incorporating resident voice and input in the analysis of Capital Needs Assessments.
- Benchmarking data can identify savings opportunities and guide decision making at the property-level and at the portfolio-level. HUD should call on owners to report through the free Energy Star Portfolio Manager benchmarking on all energy consumption on owner-paid accounts and on whole-building energy use for properties served by utilities that offer aggregated data. HUD should also provide technical assistance for carbon tracking linked with benchmarking.
- Ensure any changes to utility allowance policy acknowledges different data access levels and limits the burden on property owners.
- Extend the management add-on fee permitted for Better Building Challenge partners for certain energy management functions that are considered best practices to all properties to encourage adoption of energy management practices.
- Encourage HUD and DOE to work together to identify opportunities for assisted housing to participate in DOE's Grid-Interactive Efficient Buildings programs
- Issue guidance to field offices on eligible efficiency and sustainability uses of reserve funds, including energy management devices as well as health and resilience measures.