Rebuild Our Prosperity by Making Rental Homes Livable and Efficient

Big cities and small towns in America can be more prosperous with the jobs that come from necessary investments in making homes well-repaired, safe, and energy efficient. Stable, quality jobs and long-lasting skills will grow from our people performing this necessary work, as will savings in bills and in energy, leading to increased American energy independence. Now, COVID-19 has made home a central focus for work, school, and social life during the crisis. Investments that help every American participate better during any crisis that has us spending more time at home are critical, helping us to be safe as we live and age in place. We can rebuild our economy while making these important investments, building on already existing policies. This, the second part of our policy proposal, focuses on rental properties.

Fahe supports investment to create construction jobs through needed energy efficiency and home repair upgrades addressing substandard housing.

Jobs. Fahe's plan creates jobs and improves quality of life by renovating residential low-density rental units. Fahe's plan creates jobs and improves quality of life through a new policy and program expanding on central tenets of existing polices wisely enacted in the past but traditionally targeted to homeowners: United States Dept. of Energy Weatherization Assistance Program and the Dept. of Health and Human Services Low Income Home Energy Assistance Program (LIHEAP), and Dept. of Ag Single Family Repairs (known as Section 504). At least 140,000 jobs would be created then sustained over 10 years via a national investment of $7 billion/year to repair the rental homes of lower income people in the United States, for health, safety, and energy efficiency. We base our estimates on American Council for an Energy Efficient Economy (ACEEE) estimates that every $1M spent on construction yields 20.3 jobs.

In this policy, we focus on low-density rental housing in buildings with 1-4 units on the property. The majority of these are rented single-family homes, but also includes duplexes and other low-density, but still multi-unit, rental properties.

- 19.3% of housing units are in rural areas, 18.9% of those units are non-owner-occupied, and we extrapolate to all rural areas our data showing

50% of homes in Appalachia will need major repairs over the next 10-20 years.

- 80.7% of housing units are in urban areas, 40.2% of units are non-owner-occupied, and approximately 35.8% will need repairs.
- 50.2% of rented housing units in the country are low-density, with less than five units on the property; of these, the largest share of people (71%) live in rented single-family homes.

Investment. Fahe Member experience in the field leads us to estimate $15,000 and $20,000 for the average urban and rural repair, respectively. We cap repairs at $40,000 for this program. $40,000 is necessary to address not only homes with deferred maintenance, but also to cover the additional costs of repairing pre-1978 homes with lead abatement issues.

Poverty Level	Housing Units	% Urban	% Urban Rentals	% Low Density	% Urban Repair	Average Repair	Estimated Investment
<100%	15,197,000	x 0.807	x 0.402	x 0.5	x 0.358	$15,000	$13.2 B
101-200%	19,873,000	x 0.807	x 0.402	x 0.5	x 0.358	$15,000	$17.3 B
201-400%	31,462,400	x 0.807	x 0.402	x 0.5	x 0.358	$15,000	$27.4 B

Poverty Level	Housing Units	% Rural	% Rural Rentals	% Low Density	% Rural Repair	Average Repair	Estimated Investment
<100%	15,197,000	x 0.193	x 0.189	x 0.5	x 0.5	$20,000	$2.8 B
101-200%	19,873,000	x 0.193	x 0.189	x 0.5	x 0.5	$20,000	$3.6 B
201-400%	31,462,400	x 0.193	x 0.189	x 0.5	x 0.5	$20,000	$5.7 B

The total investment from this proposal going into communities is $70 billion over ten years, creating nearly 1.4 million jobs nationwide and repairing more than 4.4 million homes.

Repairs funded under this proposed investment will meet the allowable repairs definitions for the USDA Section 504 program (7 C.F.R. §3550.102) and/or the DOE Weatherization program (10 C.F.R. §440). The repairs will address weatherization, and health and safety, repairs and improvements while maintaining the modest nature of the property.

Fahe believes in creating these jobs from necessary repair and upgrades in a way that is financially sustainable for our country and our neighbors.
We propose a tiered investment structure with forgivable loans, extended to property owners who pledge to maintain a unit affordability period for five years

upon completion of the repairs to that unit. The property owner must be the applicant for the loan, and the current or most-recent tenants of the property must meet the income eligibility criteria below.

- Units' affordability periods will be set based on the first year's Fair Market Rent for the unit's size and location, as determined by the U.S. Department of Housing and Urban Development.
- In order to qualify for loan forgiveness, property owners must enter into annual lease agreements with tenants and agree to increase rents by no more than 5% per year.
- For the first seven years of the investment, disbursements will only be made to property owners who own fewer than five units overall. This will ensure the targeting of the investments to those small "mom and pop" property owners who have the least access to capital for improvements.
- The amount of loan forgiveness will be determined by the income of the current or most-recent tenant. The following table outlines the percentage of the total cost of the repairs to be financed via loans and forgivable loans for different tenant income brackets, based on percentages of the Federal Poverty Level.

Income Limits (Federal Poverty Level)	**Real income dollars, family of four in 2020**	**Proposed Forgivability on Loan Financing Model**	**Forgivable Loan/Loan mix for example project, total cost $20,000**
0-100% FPL	Up to $26,200	90% Forgivable	$18,000/ $2,000
101-200% FPL	Up to $52,400	75% Forgivable	$15,000/ $5,000
201-300% FPL	Up to $78,600	50% Forgivable	$10,000/ $10,000
301-400% FPL	Up to $104,800	25% Forgivable	$5,000/ $15,000

While the total investment seen in communities will be $70 billion, the estimated forgivable portion would be $42.5 billion. The remainder of the investment would be delivered through repayable, fixed rate, and low-interest loans totaling $27.5 billion. The projection of real costs to government agencies that deploy subsidized loans is a complex calculation beyond our purposes here but, if we take the subsidy rate for the USDA 515 Multi-Family Housing program in 2020 as a rough metric, we estimate the cost to the government of the loans proposed here as $8 billion. This does not include the forgivable loan portion, whose cost would be slightly under the face value of $42.5 billion due to a five-year repayment period.

Fahe believes protecting tenants is a critical piece of any federal investment into rental housing repair

The policy proposed here is principally designed to create jobs across America via an investment in home repair for low-income Americans. With subsidy for rental properties however, comes a need to safeguard the tenants' interests too.

- While the incomes of current unit tenants must be certified to meet the application criteria, and the incomes of new tenants must be certified to ensure the affordability period is met, annual re-certifications should not be conducted once a tenant occupies the property. This is a burden on administration, and on the tenant, and discourages the growth of family incomes due to "benefits cliffs."

- Increased tenant income shall not be cause for eviction, nor non-renewal of lease, nor shall it negatively impact the forgiveness application of the property owner – as long as the rent-increase limits, and any other controls on affordability, are met.
- In order to protect the interests of the government and of the tenants, auditing of repair expenses vs. loan amounts should be conducted, and recapture provisions should be written into the law to ensure compliance.

Fahe believes that job creation depends upon adoption that requires investment in marketing and outreach tools.

- Fahe supports $40 million for direct marketing and community outreach programs, through a mixture of state-level marketing, and direct marketing by community nonprofits.
- Grants to local community housing non-profits are particularly important, as effectiveness is higher and costs are lower when they operate through their local networks.

Fahe believes that without greater overall economic prosperity, regional disparities will persist

We recognize there is a risk that the varying levels of property value and rental income potential across geographies will lead to a disproportionate level of adoption in growing and gentrifying areas, where landlords can expect a greater return-on-investment from the repairs. While we regret this possibility, the proposal made here is primarily a jobs proposal and cannot, on its own, solve the larger economic forces in struggling parts of urban and rural America. We plan to address additional systemic economic conditions in future Fahe policy proposals.