



National Association of
Affordable Housing Lenders

Producing and Preserving Affordable Rental Housing: A Brief History of Federal Policy

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Four Generations of Policy

- Generation One: Public Housing
 - Generation Two: FHA Plus
 - Generation Three: Tax Credits
 - Generation Four: Preservation
- Note: In addition, 2.2M renters (average income of \$13,568) receive portable Housing Choice Vouchers for use wherever an owner accepts them.

Generation 1: Public Housing

- Built 1930s – 1960s
- 1.1M units currently
 - Median renter income: \$14,312
- Federal government paid for construction and still (inadequately) subsidizes operations to ensure affordability
- Local public agencies build, own, manage
 - Too often poorly built, maintained, managed
 - Poor public image; some projects demolished
- \$26B rehabilitation backlog

Generation 2: FHA Mortgage Insurance + Section 8 Rent Subsidies

- Late 1960s-early 1980s
- Currently 1.2M apartments
 - Mean renter income: \$12,539
- Privately built, owned, and managed
- HUD/FHA insures (guarantees) mortgage up to 90% of building cost – above market value
- Section 8 rent subsidies cover mortgage payment and ensures affordable rents
- Private owners can opt out and go to market⁺

Generation 3: Tax Credits

- 1987-current
- Privately built, owned, and managed
- Currently 3M units
 - 30% of all comparably affordable U.S. apartments
 - Median renter income: \$17,152
- Tax credits generate equity investments
 - Mostly banks per Community Reinvestment Act
- Private mortgage and public gap funds complete financing
- Exposure to market risk adds discipline
- <1% cumulative foreclosures over 30 years

Generation 4: Preservation

- Often use tax credits to rehabilitate/redevelop Gen 1 (public housing) and Gen 2 (FHA/Sec 8)
- Public housing
 - Rental Assistance Demonstration (RAD) converts public housing to Section 8 rent assistance
 - Redevelopment as mixed-income with broader revitalization and services (Choice Neighborhoods)
- FHA/Section 8
 - Retains private owner participation by raising rents to market levels (Mark-Up to Market)
 - Transfer of rent assistance to other properties can deconcentrate poverty