

JULIÁN CASTRO'S 2020 HOUSING PLAN

People First Housing Announced on June 17th

DATA FOR **PROGRESS**

Data for Progress is keeping a running tab of housing policy proposals for announced or likely 2020 Presidential contenders. This is not a horse race, process-story exercise - we'll be providing play-by-play policy analysis, ideological context, and suggestions to improve candidates' policies, to help both campaigns and voters get to the best American housing policy.

OVERVIEW

Castro's plan is split into three focuses: Solving the affordability crisis and ending homelessness; enforcing Fair Housing laws and incorporating new climate rules for housing; and boosting affordable homeownership over Wall Street speculation.

Key Points:

- ▶ **Expands direct financial assistance to cost-burdened renters** by making the Housing Choice Voucher Program (Section 8) a fully-funded entitlement program and by providing a tax credit for renters paying above 30% of their income towards rent.
- ▶ **Commits over \$50 billion a year for new affordable housing construction**, including new publicly owned homes, non-profit housing, and other permanently affordable development.
- ▶ **Promotes equitable zoning to combat economic and racial segregation** through incentive grants to local government and by creating a Presidential Commission on Zoning Reform to tackle racial, geographical, and environmental injustices in local zoning.
- ▶ **Expands funding for federal homelessness services and prevention efforts** and streamlines the systems that support stable housing and wraparound services for Americans experiencing homelessness.
- ▶ **Recommits to enforcing Fair Housing laws** for LGBTQ community, seniors, the disabled, low-income renters, and other vulnerable populations
- ▶ **Requires 'carbon scoring' and density planning for federal housing construction** as part of \$200 billion Green Infrastructure Fund.
- ▶ **Establishes a National Housing Stability Fund to assist struggling homeowners** at risk of eviction and requires that distressed mortgages be sold to local non-profit groups instead of private equity or other financial institutions.
- ▶ **Reforms multi-departmental federal oversight of large real estate investment companies** to measure impact on the communities where they invest.

WHAT IT REVEALS ABOUT CASTRO

Former Housing and Urban Development (HUD) Secretary Julián Castro is perhaps best positioned among his competitors to lead on housing given his previous positions (he was also mayor of San Antonio, a city that has grappled with both gentrification and sprawl). At the same time, Castro is also uniquely vulnerable to progressive complaints over the lack of transformative action on housing during his time in the Obama Administration. This proposal mostly threads the needle between embracing worthwhile parts of the Obama legacy while laying out a much larger vision of housing than the president was willing or able to pursue. Deeply versed in the mechanics of HUD, Castro's plan gives nitty gritty attention to enforcing Fair Housing laws, reforming financing of affordable housing construction and homeownership, and creating more renter and homeowner protections that could be called "Obama Plus." He also lays out a "Post-Obama" vision for new, green, and deeply affordable housing by expanding the Housing Choice Voucher Program, the National Housing Trust Fund and creating a housing component to his Green Infrastructure Fund. Castro is clearly aware of the tension between "Obama Plus" and "Post-Obama" in housing; how successfully he is able to navigate it could serve as a fascinating proxy for litigating the Democratic Party's recent legacy and defining its future.

WHAT'S GOOD

- ▶ **Embraces the good technocratic stuff from the Obama era.** The term isn't trading high right now, but Castro is at heart a technocrat. This is useful when

dealing with the complexity of the federal government, particularly in housing, which can quickly get bogged down. This plan clearly represents a wish list of things Castro could have done while at HUD.

- ▶ **Recommits to Affirmatively Furthering Fair Housing.** Adopted at the end of his time at HUD and abandoned by the Trump administration, it would quickly make a meaningful difference for Americans who typically suffer in the housing market from overt discrimination (people of color, Native Americans, the LGBTQ community) and more subtle discrimination (low-income renters, seniors, the disabled, and single mothers.)¹
- ▶ Reorganizes the federal government's response to homelessness around a single definition. This is another instance of Castro harnessing less flashy but extremely impactful bureaucracy, in this case by improving coordination between departments and funding sources with the goal of ending chronic homelessness by 2028. Castro has provided the most detail for solving chronic homelessness, which affects over 500,000 Americans, so far in the campaign.
- ▶ Creates a National Housing Stability Fund for struggling homeowners. The best foreclosure policy is to avoid them altogether, which often can mean micro-interventions for small expenses. This plan sets up a system to aid homeowners avoid losing their homes by suring up these types of payments.

▷ Reforms the Low-Income Housing Tax Credit (LIHTC). It expands funding and federal oversight, includes local zoning and income-level reforms to promote deeper affordability, and includes incentives to extend the 15-30 year affordability cycle to 50 years. Reforming LIHTC is a major priority in our plan and Castro gets credit for being the only candidate so far to embrace it.

▶ Ditches the bad technocratic stuff and embraces housing as a basic right. Spreadsheets rarely speak to values or vision, but the housing crisis needs all three. Castro has made a sincere departure from the Clinton/Obama era's incrementalism to embrace the growing progressive consensus for more federal intervention in the housing market.

▷ Converts housing choice vouchers into a fully-funded entitlement and expands eligibility for all renters below 50% AMI, and includes provisions to count student loan payments towards eligibility. Currently only 1 in 4 households eligible for vouchers get them, so these two changes stand to help millions of low-income renters in all types of housing markets, not just expensive coastal cities. Rental assistance has been the centerpiece of Senators Harris and Booker, but Castro's plan is the most far reaching and highly targeted approach.

▷ Creates renter tax credit based on Small Area Fair Housing Market Rent that covers low and middle income individuals and family households. It also allows renters to defer credit into a tax-advantaged savings account for a mortgage down payment. We have

long argued that basing any rental assistance program on the current 30% income-to-rent ratio used by HUD to measure rent burdens risks giving disproportionate assistance to wealthier single-person households in high-cost coastal cities at the expense of low-income family households in less expensive cities because it doesn't account for the size and nature of a household. Castro is the first candidate to tackle this issue thoughtfully.²

▷ Commits \$45 billion for new housing construction and rehabilitation through the National Housing Trust Fund, including new publicly owned homes. Castro is currently the only candidate to embrace new public housing construction, which is a major departure from the orthodoxy of his time at HUD.

▷ Calls for a Presidential Commission on Zoning Reform. This doesn't sound revolutionary, but bringing HUD together with the EPA, Department of Justice, and Department of Transportation to iron out new federal guidelines for local zoning could be the most far reaching proposal in this plan if it is given real teeth. Too many American towns and cities have blocked development of dense housing for overtly racist and classist reasons. The legal system has been painfully slow on recognizing the role this has played on economic, racial, and climate injustice and has done next to nothing to offer federal remedies. This commission is much needed step in changing the national conversation on these issues and could be a catalyst for turning it into real action.

- ▶ Links housing policy to climate policy. Castro is the first candidate to articulate a strong connection between the environment and how it is impacted by how and where we build housing.
- ▷ Creates a \$200 billion Green Infrastructure Fund that will decarbonize the housing stock through energy and water efficiency upgrades. Given that electricity and heating of residential and commercial buildings produce 29% of the nation’s carbon emissions, this is an important piece of the climate puzzle that needs to be approached so it doesn’t fall on tenants to pay for necessary environmental upgrades.³
- ▷ Connects climate justice to zoning reforms around public transportation, housing density, and new resilience standards for housing construction. It’s exciting to see attention paid to increasing walkability and public transit ridership over individual vehicle trips. Cars and trucks account for an additional 20% of American carbon emissions but the cost of long commutes on our health and environment is not captured in cheaper housing further from job centers.⁴ This needs to be brought into housing planning. This is a major step in the right direction.
- ▷ Requires “carbon scoring” for all federal housing construction projects to ensure they meet climate goals and resilience standards. Coupled with the Presidential Commission on Zoning Reform, this could create a powerful new standard of how the federal government builds and rebuilds in an era of massive climate insecurity.

WHAT NEEDS WORK

- ▶ More clarity on goals. Castro’s plan is not legislation, unlike the proposals from Kamala Harris and Elizabeth Warren, and significant portions of the proposal from Cory Booker. This has advantages, but Castro hasn’t seized them. He hasn’t included numbers for his goals for housing construction or rehabilitation, which seems like a lost opportunity to lay out a helpful shorthand for his vision. His total of \$40 billion for the Housing Trust Fund is welcome, but it still falls well short of meeting the bare minimum in new housing construction needed. He could have been bolder than other candidates and doubled his funding targets. He is clear about his goal of ending homelessness by 2028, which is reachable, but not knowing how many homes his plan will build makes it harder to talk about on the trail. He also hasn’t talked about funding sources. Senator Warren has raised expectations on this front for all candidates by laying out payfors for all of her proposals, while capturing the populist appeal of increasing taxes on the rich. Castro doesn’t offer any signs of where he falls on this front.
- ▶ More details on specific policy mechanisms. There are very important and very complicated ideas embedded in this plan, but there are few details on how they will work. The Presidential Commission on Zoning Reform could be a significant driver of change, but, like many presidential commissions, it could also easily get bogged down in politics and bureaucracy without a clear mandate. The same could be said for the Home Stability Fund and the Green Infrastructure Fund. These could have a real and lasting impact on renters and homeowners, but could also struggle to get off the ground like the Housing

Trust Fund has before this election cycle. Castro may be banking on his association with technocratic governance to brush off these concerns, but he will need to incorporate details on the trail. There is clearly room for serious policy discussions in this cycle and these ideas warrant more oxygen.

- ▶ Clearer stance on publicly owned homes. It is exciting to see the former HUD Secretary embrace construction of new publicly owned homes, particularly given the controversy over the Obama administration's Rental Administration Demonstration (RAD) program, which is seen by many progressives as a slow-moving push towards privatization.⁵ Building new public housing would by definition require repealing the Faircloth Amendment, but curiously that isn't mentioned here.
- ▶ Still puts an outdated premium on homeownership. This bill speaks of homeownership as a source of economic mobility and generational wealth creation in terms that sound out of place with the current discourse on housing policy. We know that those statements are true for certain (mostly older and white) Americans, but not true for a growing number of other (younger, non-white) Americans. Rather than acknowledge that the rush to warp housing into a wealth generator has caused the housing crisis (and the deep pain and division in our country it represents), this plan looks to repeat some of the same mortgage lending and oversight issues that created this crisis and led to the Great Recession.
- ▶ Bolder reforms of Wall Street landlords. This is where Castro still demonstrates some lingering bad technocratic habits. There are some good ideas about requiring REITs to file impact reports,

restoring the Consumer Financial Protection Bureau, and reforming the Federal Housing Administration, but there is not enough action to meaningfully tackle large scale speculation in the housing market.⁶ We don't see any way out of this crisis without severely restricting speculative behavior and Castro lacks the bite that Senator Warren's bill has.

WHAT WE WOULD ADD

- ▶ Double the proposed funding for new affordable housing. The National Low-Income Housing Coalition says the US is missing over 7 million affordable homes.⁷ Any presidential housing plan must meet this threshold as a bare minimum. We have called for the construction of over 10 million homes while People's Action has called for as many as 12 million.⁸ The crisis calls for bold action and Castro's plan must show that he thinks it can deliver. There are pieces in place to suggest that it could, but even the growing consensus among candidates of adding around \$40 billion to the Housing Trust Fund would only likely build 3.5 million homes through non-profit and other affordable providers. Castro's bill, like the others proposed so far, simply do not meet the nation's needs even if enacted.
- ▶ Explicitly commit to repealing Faircloth Amendment. The Faircloth Amendment bans federal funding for new construction of public housing. Castro is calling for the construction of new public housing. This means Castro is for repealing Faircloth, so he should say so. Our polling shows that support for public housing is high, particularly among likely Democratic primary voters, so it isn't clear why he wouldn't say it.

- ▶ Call for the end of RAD. It's possible that Castro's hesitation to speak more about public housing is also rooted in his loyalty to the Obama-era RAD program, and the awkwardness of attacking a program whose introduction he oversaw. This shows the complexity of addressing public housing for each candidate. Many candidates have not discussed housing, let alone public housing, and there is a considerable cost for ignoring both in progressive circles. But wading into public housing with anything that looks like half-measures has its own risks. As former HUD Secretary, Castro absolutely has to address public housing and he gets points for embracing new construction. But public housing needs much more support and he needs to demonstrate that his plan isn't a half measure that might not last contact with skeptical sub-urban voters.
- ▶ Mechanisms for funding real local zoning changes. Castro's plan for a presidential commission on zoning, climate planning, and CDBGs is unique among candidates, and has the potential to significantly change the behavior of local governments, but without some language about structure and funding, it's hard to gauge their seriousness. This might be where having a plan unrooted in specific legislation comes as a disadvantage to Castro compared to his rivals currently serving in the Senate, so he will need to articulate more over the coming weeks. We don't think there is much political liability for not focusing on funding sources per se, but comparatively on other housing plans in the race, this gap is difficult to ignore.
- ▶ Stronger measures against speculation. This is by far the weakest area of Castro's plan. His proximity to the mortgage industrial complex may have soured his appetite for bolder action in this field, but there is simply no way to make housing a right without fundamentally removing the speculation built into the housing system. Large and small investors should not be able to purchase single-family homes backed by the federal government.

ENDNOTES

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4. "Car Emissions & Global Warming." Union of Concerned Scientists, accessed 6/24/2019
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6. Ben Casselman & Connor Dougherty, "Want a House Like This? Prepare for a Bidding War with Investors," New York Times, 06/20/19.
7. National Low Income Housing Coalition, "The Gap: A Shortage of Affordable Homes 2019," 2019, accessed 06/26/19
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