Building Homes During This Extraordinary Time

NAHB Legislative Priorities 2020
Home, More Essential Than Ever

The importance of home has never been as obvious as it is now during the time of the novel coronavirus – COVID-19.

Home is much more than a place to spend the night. For many, it’s also a workplace, a school, a playground and more. During the coronavirus pandemic, home has been our refuge.

The pandemic did not slow housing demand or ease the nation’s severe housing affordability problem. We still need to produce homes that are affordable to families across the economic spectrum.

The Department of Homeland Security has designated construction of single-family and multifamily housing as an "Essential Infrastructure Business.” This designation enabled construction to continue in most jurisdictions, even under stay-at-home orders. As a result, residential construction is well prepared to respond to demand as the nation reopens from distancing requirements.

A sound policy environment can help the housing industry be an engine of job growth as America seeks a return to normal. The nation’s home builders are asking federal policymakers to move forward on several key issues, including:

- Promoting policies and job training programs that will help ensure an ample supply of well-trained workers to build the nation’s homes;
- Strengthening the Low-Income Housing Tax Credit (LIHTC);
- Reducing regulations that harm small businesses;
- Preventing federal intrusion into the energy codes development process;
- Revising small business lending programs during the COVID-19 crisis to make those loans available to more home builders; and
- Providing rental assistance to struggling families during the coronavirus-caused economic downturn.

To help policymakers and housing industry professionals better understand consumer sentiment and the factors shaping the market, NAHB has created an economics-oriented website, NAHBHousingPortal.org. Users can generate a detailed profile of housing and homeownership in every state and in each of the nation’s 435 congressional districts.

As the nation responds to COVID-19, a robust housing market will be key to getting the economy back on track. NAHB looks forward to working with lawmakers to create a policy environment in which home builders, remodelers and other housing industry professionals can thrive.

Let’s work together to get America back to work.
Economic Indicators Suggest a Housing-Led Rebound

While most housing indicators are down year-over-year, housing stands poised to lead an economic recovery, provided businesses can reopen as the virus slows its growth and lawmakers put the right policies in place. As the housing sector enters this recession underbuilt, it is an industry with both pent-up housing demand and sensitivity to low interest rates, which places it in a good position to recover more quickly than other sectors of the economy. Policymakers can foster these improvements with support for housing and homeownership.

Housing’s Impact on the Economy

Positive momentum for housing data is key for a rebound. Housing’s share of GDP is currently 15%, but the operation and construction of single-family homes, multifamily buildings, and remodeling have an outsized impact on the economy. For example, the construction of 1,000 single-family homes sustains 2,900 jobs per NAHB economics research. And historically, housing has led the economy out of downturns, with the major exception being the Great Recession itself. Housing markets enter this recession underbuilt, with the nation facing a shortfall of about 1 million homes, creating pent-up demand for home building.

But for this economic engine to operate, credit must flow to home buyers, as well as builders and developers. A lesson of the aftermath of the Great Recession was a sluggish rebound for single-family construction due to tight lending conditions for builders. Unfortunately, during the first quarter of 2020, NAHB survey data found lending for AD&C loans declined to conditions comparable to 2011. By placing an emphasis on lending for building and land development, policymakers can help a housing-led rebound.

Supply-chain disruptions, made worse by tariffs, threaten the availability and cost associated with building materials. Construction projects cannot be completed if materials are not available, and they cannot begin if costs price out potential new home buyers due to housing affordability constraints. Ensuring the material supply chain operates efficiently and reducing tariffs will help builders to meet growing housing demand.

Housing affordability will remain a key challenge as the economy recovers from the recession of 2020. As was true before the recession, increasing labor productivity in the home building and remodeling sector will be required in order to “build more with less” and help bend the cost curve to offset the rising burden of development and regulatory burdens. Congress can help in this effort by promoting job training programs to prepare individuals for careers in home building.

Given the outsized role that housing plays in the economy, it is imperative that Congress supports policies that will increase the production of quality, affordable housing to meet market demand and keep the economy strong.

Home building packs an economic punch. Building 1,000 single-family homes creates 2,900 full-time jobs.
A Workforce that Promotes Prosperity

The housing industry is critical to the American economy, and a skilled and capable workforce that is adequate to meet demand is vital to the nation’s home builders and to housing affordability.

NAHB supports domestic workforce development through its affiliate educational arm, the Home Builders Institute (HBI), and student chapters that encourage young people to pursue careers in residential construction.

The construction industry had been experiencing a severe skilled labor shortage long before the federal government and states issued their respective guidelines for reducing the spread of COVID-19. No industry has been immune to the economic and labor force disruptions of the pandemic, but housing is well positioned to lead our nation’s recovery from the pandemic. For us to do so, we need to have an available, trained workforce of skilled construction professionals.

Individuals who have lost their jobs during the COVID-19 crisis will need new opportunities for employment, and residential construction businesses and related trades are hiring. But our workforce requires specialized skills training to safely and effectively carry out responsibilities on the job site.

Federal investment in workforce development and career education have long lagged behind traditional education, contributing to a widening skills gap and a shortage of workers across all skilled trades. Now is the time for Congress to make meaningful investments in our nation’s education system to prepare students for careers in the construction industry, better fund federal workforce development programs that serve our most vulnerable jobseekers, and explore opportunities to provide new funding and incentives for workforce education.

TAKE ACTION:

• Pass H.R. 6646 or S. 3659, the Relaunching America’s Workforce Act (RAWA), which makes bold investments in education, training, and employment services to equip workers with the skills they need for in-demand jobs.

• Prioritize the inclusion of additional workforce training and career and technical education funding in subsequent economic stimulus legislation.
Expand Eligibility for the Paycheck Protection Program

As Congress considers legislation to expand and ease access to the Paycheck Protection Program (PPP), it is important that lawmakers consider the countless small businesses and trade organizations who are desperately in need but who are currently ineligible for PPP loans.

The PPP is operated through the Small Business Administration’s existing 7(a) loan program. Under the existing rules of the program, many small home building firms as well as all land developers and multifamily property owners are ineligible for the PPP. This is resulting in dire consequences for the home building industry. These businesses have qualified payroll expenses, mortgage and rent obligations, utility payments and other allowable costs that should ensure their eligibility for this emergency program.

This exclusion is unwarranted, and precluding home builders and other housing industry participants from these funds to help them remain financially healthy will limit their ability to contribute to the economic recovery when the outbreak abates. Housing can help lead the economy out of recession. Sustaining housing economic activity should be a priority for Congress.

Congress also needs to allow 501(c)(6) nonprofits now experiencing their own financial challenges brought on by COVID-19 to be eligible for PPP small business loans. Ensuring that trade associations that serve the residential construction industry have access to the PPP will allow them to provide critical resources and support to the small home building firms that are on the front lines working to provide sorely needed housing for Americans as the nation moves forward during this pandemic.

The PPP guidelines should align with congressional intent.

TAKE ACTION:

Make the legislative changes necessary to provide a waiver from eligibility restrictions in the existing 7(a) loan program to allow single-family and multifamily home builders, land developers, multifamily property owners and 501(c)(6) organizations access to the PPP.
Strengthen the Low-Income Housing Tax Credit (LIHTC)

The need for affordable rental options remains acute. More than one in four renters spends more than half of their monthly income on rent. And without federal assistance, it is financially infeasible to construct new, unsubsidized affordable rental units.

The best solution to our affordability crisis is to ensure adequate supply. But the current COVID-19 economic crisis is imperiling production, and urgent action is needed.

Establish a 4% Minimum Floor

Due to the current economic climate, certain LIHTC projects are at risk for postponement or cancellation, particularly projects financed through the 4% credit.

The LIHTC comprises two subsidies – a 70% subsidy typically used for new construction and a lower 30% subsidy generally used to purchase or renovate a building. These credit rates float and are determined by a formula based on how much it costs the government to borrow money.

Originally in 1986, the credit rate was 9% for the 70% subsidy and 4% for the 30% subsidy. In 2008, in response to the economic downturn, the Housing and Economic Recovery Act established a minimum floor for the 9% credit. This rate continues to float but cannot fall below 9%. Congress did not address the 4% credit rate.

Due to the COVID fiscal policies implemented to stabilize the economy, the floating 4% credit rate has hit all-time lows. In April, the rate fell to 3.12%; in May, the rate declined to 3.08%; and in June, the rate reached a new record low of 3.07%. This translates into a reduction of nearly 25% of equity flowing into a 4% LIHTC project. And these unprecedentedly low rates will not materially change anytime soon.

Extend LIHTC-Related Deadlines

Construction is occurring at a much slower pace in order to accommodate CDC guidelines on workplace safety during the coronavirus pandemic. In light of this extraordinary environment, the Internal Revenue Service and Department of Treasury should immediately issue guidance to extend all LIHTC-related deadlines due to project and other related delays.

TAKE ACTION:

• Establish a minimum 4% credit floor as already exists for the 9% credit rate.

• Ask the Treasury and IRS to extend LIHTC-related deadlines, including deadlines related to the 10% test for carryover allocations, placed-in-service dates, and rehabilitation expenditures.

• Pass S. 1703 or H.R. 3077, the Affordable Housing Credit Improvement Act. This bipartisan legislation would provide the LIHTC with the tools necessary to meet the nation’s affordable housing needs.
Rental Assistance Needed to Keep America on Track

Renters have been some of the hardest financially hit during the COVID-19 crisis. The rental industry is expecting that due to the increasing unemployment numbers, more tenants will find it difficult to pay their rent, particularly when federal unemployment assistance ends.

It is essential that Congress includes funding for rental assistance for those who have had complete or significant loss of income due to the pandemic. This funding would not only help tenants, but also multifamily property owners who are financially obligated to pay their mortgages. Even with mortgage forbearance, the bills will eventually come due, and without rental income, small business property owners will be drastically impacted.

The House passed a proposal that includes $100 billion of funding for rental assistance. NAHB supports the goals of the draft rental assistance program and has been working with the House and Senate to ensure that funding is approved in a final package, the funding is available for those directly impacted by COVID-19, and states have flexibility, such as through state and local housing agencies, to efficiently distribute funds to the property owners.

Any expansion of the eviction moratorium must be specifically tied to non-payment due to income loss from COVID-19. Congress previously approved a 120-day moratorium on evictions to all properties with federally insured mortgages. However, this protection was not limited to those impacted by COVID-19. Congress must swiftly address this discrepancy by clarifying that the national eviction moratorium is limited to those impacted by COVID-19 and require residents to officially notify the property owner.

Additionally, while the intent of the CARES Act was to maintain the ability of property owners to move forward with evictions for criminal activity, there is confusion among residents and housing providers. NAHB urges Congress to strengthen this language to specifically identify the ability of property owners to move forward with necessary evictions for the safety of their tenants and rental communities.

TAKE ACTION:
Support funding for rental assistance. Funding must be tied to those affected by COVID-19, and Congress must ensure there is flexibility at the state level to distribute funds efficiently.
Oppose the Portman-Shaheen Amendment to Energy Legislation

Home builders across the country are building more energy-efficient and resilient homes. Along with other stakeholders, they participate in the code development process that sets the minimum energy efficiency requirements that ultimately are adopted by state and local governments.

Historically, the Department of Energy, the Environmental Protection Agency, and the Department of Housing and Urban Development (the Agencies) served as technical advisors during the development of energy codes. But over the last few years, the Agencies have advocated for a prescriptive approach that favors certain products and technologies, and they have pursued expensive and aggressive new requirements. Builders have limited flexibility to meet these requirements, even if other products may achieve the same energy use reductions. This forces home buyers to pay for expensive upgrades that may never repay their initial costs.

Earlier iterations of the energy codes sometimes brought cost-effective revisions. By using energy-efficient windows or lighting, consumers saw a big "bang for their buck." But now, changes to the code often include very expensive requirements that drive up costs and could force lower-income families into older existing homes that often use far more energy than newly constructed houses.

TAKE ACTION:

Oppose the Portman-Shaheen amendment to the comprehensive energy legislation, S. 2657, The American Energy Innovation Act of 2020. This amendment mandates a leadership role for the Department of Energy, usurping the well-established consensus-based codes and standards development process.
Oppose Efforts to Draft a New Waters of the U.S. Rule

Our nation’s home builders construct neighborhoods, create jobs, strengthen economic growth, and help create thriving communities while maintaining, protecting and enhancing our natural resources. Under the Clean Water Act (CWA), home builders must obtain and comply with section 402 stormwater and 404 wetland permits to complete their projects. What is most important to these compliance efforts is a permitting process that is consistent, predictable, timely and focused on protecting true aquatic resources.

In September 2019, the Trump administration repealed the 2015 Waters of the U.S. (WOTUS) Rule and proposed the Navigable Waters Protection Rule (NWPR) that puts in place a WOTUS definition that is a vast improvement and more faithfully implements the CWA, draws clearer jurisdictional lines, and preserves states’ authority over local land and water use.

The NWPR narrows the extent of federal jurisdiction over water and land use by excluding isolated water bodies, “ephemeral” waters that only form in response to rain, and most ditches. This means that builders and developers should require fewer CWA permits. It will also allow many builders and developers to determine for themselves whether they will need federal permits for construction activities.

Unlike the 2015 rule, the NWPR recognizes that waters that do not fall under the WOTUS definition are nevertheless protected by robust state and local laws as well as numerous other federal statutes such as the Safe Drinking Water Act. The NWPR also adheres to key principles articulated by the Supreme Court regarding the limits of CWA reach while exerting federal jurisdiction over features that have the strongest influence on major downstream bodies of water. The NWPR strikes a necessary balance between environmental protection and regulatory certainty, and will give the public long overdue clarity.

This is in sharp contrast to the 2015 rule, which dramatically expanded federal overreach by regulating man-made ditches and isolated ponds.

Reps. Peter DeFazio (D-Ore.) and Grace Napolitano (D-Calif.) introduced H.R. 6745, which would overturn the NWPR and direct the EPA and U.S. Army Corps of Engineers to draft a new WOTUS rule.

**TAKE ACTION:**

Oppose H.R. 6745 and refrain from signing on to the bill as a co-sponsor.
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