How Will a Divided Congress Affect the Housing Agenda?

As the smoke settles on Election Day, party intensity, electoral history and the map combined to deliver majority control of the House of Representatives to the Democrats for the first time since 2010, while expanding the Republican Senate majority.

Three weeks after the 2018 election, one seat in the House remained too close to call.

The storyline for the 2018 midterm elections started the day after Donald Trump's general election victory in 2016. Democrats awoke to the realization that the polls showing a Hillary Clinton victory were very wrong and that an election victory they took largely for granted had vanished. Their disappointment on election night 2016, alleged meddling by Russia, and President Trump's brash, take-no-prisoners style fueled a steep rise in energy in the Democratic base.

Electoral history was on the side of the Democrats in 2018. In all but two midterm elections since World War II, the party in the White House has lost congressional seats. A large number of retiring GOP incumbents, many in swing districts and in heavily Democratic states, forced House Republicans to defend close to 100 seats against a building Democratic wave. House Democrats had only 13 “toss-up” seats to defend.

However, the news wasn’t all bad for the GOP. Judge Kavanaugh's confirmation hearings in September rallied the GOP base and provided energy in advance of the elections. And the pre-election map in the Senate favored Republicans, who were able to play offense.

Senate Democrats had to defend 26 seats in the 2018 cycle, including 10 held by incumbents trying to win in states that President Trump carried in 2016. The Senate GOP had to defend only nine seats to maintain its 51-49 seat majority. Senate Republicans expanded their majority by picking up seats in Florida, North Dakota, Indiana and Missouri while losing seats in Nevada and Arizona. The GOP will now have a 53-47 edge when the 116th Congress convenes in 2019.

Going forward, NAHB looks to find common ground with the new Congress. Many of the members-elect and returning members who will take office in January as part of the new Democratic House majority come from swing districts or have supported NAHB in the past. The large membership of the pro-business New Democrat Coalition will be an important bloc for NAHB to engage with on policy issues.

When the 116th Congress is seated in January, we expect the new House majority to exercise its oversight authority to police the administration. Regardless, NAHB will continue its focus on workforce development, lowering the cost of regulation, investing in infrastructure, and refining tax policy and enhancing the Low Income Housing Tax Credit.

The next two years give NAHB an opportunity to forge a new bipartisan coalition among housing advocates in the House and Senate to drive housing affordability, both ownership and rental, to the top of the national agenda.

Jim Tobin
Executive Vice President
Government Affairs and Communications
GOP Expands Senate Majority

Prior to Nov. 6, Republicans held a slim 51-49 majority. With Democrats defending 26 seats to just nine for Republicans, the Republicans achieved a net gain of two seats, leaving the GOP with a 53-47 majority. In 2020, Democrats will be defending 12 seats while 21 Republican seats will be contested.

Democrats Flip the House

Democrats picked up a net gain of 40 seats in the House to give them a majority for the first time since 2010. Prior to the Nov. 6 elections, Republicans held a 235-193 lead, with seven vacancies. The House breakdown now stands at 235 Democrats and 196 Republicans, with one seat still undecided.
BUILD-PAC

BUILD-PAC, NAHB’s Political Action Committee, supports pro-housing, pro-business candidates on both sides of the aisle. This support helps open doors on Capitol Hill and ensures that housing remains a top priority in the nation’s capital.

During the 2017-2018 election cycle, BUILD-PAC supported 370 U.S. congressional candidates and is projected to raise more money than in the previous election cycle. BUILD-PAC was able to accomplish this by holding over 100 fundraising events across the country, expanding fundraising efforts within NAHB’s councils and committees, and continuing to grow its high donor clubs.

“BUILD-PAC has enjoyed a successful cycle despite one of the most contentious political environments we have ever seen,” said Alicia Huey, 2018 BUILD-PAC chairman. “I am pleased to report that we disbursed more than $2.9 million to federal candidates and committees and played in 110 competitive races across the country. This shows the strength of BUILD-PAC’s political muscle.”

Success Starts in the States

| LOUISIANA | Largest number of contributors |
| CONNECTICUT | Most money raised per capita |
| TEXAS | Most money raised overall |
| TENNESSEE | Highest dollar amount increase over previous cycle |
| MICHIGAN | Highest increase in participation rate |
| CALIFORNIA | Most new money raised at a single event |

NAHB Endorsements and Voter Mobilization

Building on the success of its 2016 endorsements, NAHB this year endorsed 245 candidates for the U.S. Senate and the U.S. House of Representatives.

NAHB endorsed candidates who have shown a commitment to policies that promote homeownership and rental housing opportunities for all Americans. NAHB made all of its endorsement decisions in concert with the state and local associations.

Of the 245 candidates NAHB endorsed, 85% won their races on Nov. 6.

NAHB supported the candidates it endorsed with an intensive voter mobilization effort. This initiative included email messages, direct mail ads, and online video content sent to NAHB members in specific states and congressional districts urging them to support and vote for our “Home Builder Heroes.”
Congressional Housing Agenda

With Republicans retaining control of the Senate and Democrats retaking the House, leaders from both parties will be setting the legislative agenda for the next two years. Below is a snapshot of the committees with oversight over key housing issues in the 116th Congress.

Senate Finance Committee

Chairman Orrin Hatch (R-Utah) is retiring from the Senate, creating a vacancy that will likely be filled by Sen. Charles Grassley (R-Iowa). Grassley previously served four years as the committee’s chair, from 2003 to 2007, and under the Senate’s seniority system, he is entitled to assume the chairmanship for another two years. Coming from an agriculture state, Grassley may look to focus on trade issues, but taxes and health care will be major focuses of the committee. Grassley has been a critic of the Low Income Housing Tax Credit.

For the Democrats, Sen. Ron Wyden (D-Ore.) remains as the ranking member. Wyden has taken a strong personal interest in housing affordability challenges, and is generally viewed as pro-trade. Wyden’s pragmatic approach to deal-making opens up potential for bipartisan work with Grassley, but the Senate’s progressive members on the far left, who will likely be positioning themselves for a presidential run, will make any bipartisan consensus difficult.

House Ways and Means Committee

Rep. Richard Neal (D-Mass.), after rising up to the ranking member in 2017, will take over as chairman of Ways and Means for the 116th Congress. With Republicans still in control of the Senate and White House, it is unclear what Neal will be able to do. Neal strongly opposed the Trump tax-cut package, and he’ll likely try to roll back some of that when he becomes chairman. However, Neal will have a hard time doing so while Trump is in the Oval Office.

The Massachusetts Democrat has been a moderate on trade, even though his party has moved hard left on the issue. Health care reform, which partially falls under the committee’s jurisdiction, is expected to be a major policy focus of House Democrats. Neal has a positive working relationship with Rep. Kevin Brady (R-Texas), who will transition from chairman, where he oversaw the enactment in 2017 of the Tax Cuts and Jobs Act, to ranking member. Neal and Brady could find common bipartisan ground on reforms to retirement savings plans.

Senate Banking, Housing and Urban Affairs Committee

Sen. Michael Crapo (R-Idaho) will likely remain chairman of the Senate Banking, Housing and Urban Affairs Committee for the 116th Congress. However, there is a possibility that Crapo could take the reins of the Senate Finance Committee, thus opening up the Banking Committee chairmanship to the next Republican in line, Sen. Pat Toomey (R-Pa.). Sen. Sherrod Brown (D-Ohio) is expected to remain as the ranking member of the full committee.

As chairman in the 115th Congress, Crapo was successful in passing NAHB-supported bipartisan banking regulatory reform legislation, but was unable to build a similar consensus to pass housing finance reform legislation. Moving into 2019, NAHB will continue to seek a bipartisan deal on the future of Fannie Mae and Freddie Mac. While a small group of moderate banking committee Democrats have worked with Crapo and others to craft housing finance reform legislation, Brown has never offered his support. Without strong buy-in from the ranking member on the committee, passage of comprehensive reform will be difficult to achieve.
Additionally, with the National Flood Insurance Program (NFIP) still in need of long-term reauthorization, Crapo and Brown will once again play major roles. While the two senators have worked together on flood insurance, a long-term NFIP reauthorization eluded both in the 115th Congress. NAHB will continue to work to find a legislative middle ground in 2019.

**House Financial Services Committee**

Rep. Maxine Waters (D-Calif.), the current ranking member of the House Financial Services Committee, is expected to take over the gavel in 2019. Along with Waters, many current subcommittee ranking members will likely be elevated to chair important housing subcommittees, with Rep. Emanuel Cleaver (D-Mo.) slated to take the helm of the Housing and Insurance Subcommittee and Rep. Carolyn Maloney (D-N.Y.) set to take the gavel of the Capital Markets Subcommittee.

Although Waters and outgoing Chairman Jeb Hensarling (R-Texas) have both addressed NAHB’s key issues in the previous six years, their approach has often been drastically different. Where Hensarling focused on beneficial changes to Dodd-Frank regulatory reforms and on decreasing the size of the federal government’s role in programs supporting housing, Waters has fixed more on overall housing affordability and on preserving a strong government role in the housing finance system.

While Congress was ultimately able to agree on a bipartisan package of banking regulatory reforms in the 115th Congress, Waters opposed Republican legislation on housing finance reform and NFIP reauthorization. NAHB looks forward to working with Waters in the upcoming year to advance these important housing priorities.

On the Republican side, Rep. Patrick McHenry (R-N.C.) has the seniority and support needed to rise to the ranking member position with Hensarling retiring from Congress. But as the current Chief Deputy Whip, he may elect to pursue other Republican leadership opportunities in the 116th Congress, making him ineligible for the committee’s top minority post. Should McHenry stay in a House leadership role, three other current subcommittee chairmen have thrown their names in the ring for the ranking member position, including Reps. Blaine Luetkemeyer (R-Mo.), Bill Huizenga (R-Mich.), and Sean Duffy (R-Wis.), among others.

**House Transportation and Infrastructure Committee**

Rep. Peter DeFazio (D-Ore.) will become the chairman of the House Transportation and Infrastructure Committee. The committee will be charged with developing a transportation and infrastructure policy proposal during the 116th Congress. While both political parties have stressed the need to improve the nation’s transportation and infrastructure, the debate will center on how to pay for this investment. This legislation will be an excellent opportunity for Congress to address many of the problems associated with permitting, among other issues. While DeFazio has not been supportive of NAHB’s positions on most environmental issues, we are hopeful that we can find common ground on ways to reform the permitting process.

Rep. Sam Graves will assume the committee’s ranking member position. Graves has been supportive of NAHB’s positions during his tenure in Congress and will continue to advocate for our industry.

The House leadership for the 116th Congress.
Senate Judiciary Committee
With the confirmation of Brett Kavanaugh as Associate Justice of the Supreme Court successfully under his belt, Sen. Chuck Grassley (R-Iowa) will likely trade the Judiciary gavel for the prestigious Finance Committee. While immigration and patent reform are shared priorities between the House and Senate Judiciary Committees, a “Kavanaugh hangover” can be expected in the higher chamber, posing challenges in terms of the committee membership’s dynamics.

Under the chairmanship of Grassley’s likely successor, Sen. Lindsey Graham (R-S.C.), the committee’s activities could become more political in nature. Graham has vowed to focus his immediate attention on probing the actions of the FBI and Justice Department ahead of the 2016 election as well as the controversial confirmation process of Justice Kavanaugh. Additionally, the Senate panel will likely act to counterbalance policies out of its Democrat-controlled House counterpart on issues such as immigration and criminal justice reform.

House Judiciary Committee
Expect to see a wide ideological shift with Democrats in control of this key House committee. Rep. Jerrold Nadler (D-N.Y.) will become chairman of the House Judiciary Committee. While he has often taken a more pragmatic approach to policymaking as ranking member in the minority, the committee’s progressive membership in its new majority status may propel Nadler further to the left on a variety of issues.

Topping the committee’s list of 2019 priorities will be immigration issues such as addressing the legal status of the undocumented population – particularly DACA-eligible individuals whose fate currently rests with the courts – and transforming the criminal justice system with a heavy emphasis on sentencing reform.

NAHB believes there is an opportunity to find common ground on both immigration and criminal justice reform as shared priorities impacting the construction workforce and will pursue opportunities to work with Nadler and the Democratic majority.

The committee will also likely embrace a more political agenda. Democrats are expected to exercise the same subpoena power of their Republican predecessors in the majority to grill officials in the Trump administration and deliver on promises to investigate the sexual assault allegations against newly minted Supreme Court Associate Justice Kavanaugh stemming from his controversial Senate confirmation hearings.

Senate Homeland Security and Governmental Affairs Committee
Sen. Ron Johnson (R-Wis.) retains the chairmanship of the Senate Homeland Security and Governmental Affairs Committee, which has jurisdiction over matters pertaining to regulatory and postal reform. Johnson has demonstrated a preference for a piecemeal approach to regulatory reform while preferring a more aggressive approach for postal reform, including cost-cutting measures likely to shift the burden of cluster mailboxes onto developers and home owners.
GOVERNORS’ RACES

There were 36 gubernatorial contests on Nov. 6. Republicans were defending 26 seats, Democrats nine, and the Independent in Alaska dropped out of the race last month. The big news of the night is that Democrats flipped control of state executives in Illinois, Kansas, Maine, Michigan, Nevada, New Mexico and Wisconsin.

With Democrats picking up seven new governorships, the nationwide tally now has the GOP in control of 27 of the governors’ offices while Democrats are in charge of 23 states.

Control of the statehouses is vital because many of the policy battles of importance to the housing community, including environmental and regulatory issues, begin at the local and state level. Moreover, with the reapportionment process set to take effect in 2020, the parties that control the governorships can play an influential role in redrawing congressional districts.

BALLOT INITIATIVES

California’s Proposition 10

The California Building Industry Association opposed Proposition 10, which would have allowed jurisdictions to control rent increases on units built after 1995, including units in any new developments. Proposition 10 would have taken away the incentive for developers to build, and it would have decreased the number of available rental units and pushed rents higher in non-rent controlled properties. The measure failed.