

Assessing The Practicality Of Harris' Affordable Housing Plan

By **Brooke Miller** (August 28, 2024)

California-born presidential candidate Kamala Harris has made housing affordability a central talking point in her campaign

Long a thorn in the side of Harris' home state, the affordability crisis has grown into a nationwide problem over the last decade, with major increases in housing expenses between 2015 and 2019 in many parts of the country previously considered "affordable." [1]

Harris and her running mate Tim Walz put the issue at the top of their economic agenda, proposing a three-step plan to "Build the American Dream," including building 3 million housing units by increasing tax incentives for homebuilders and funding local solutions to increase housing construction and offering down payment assistance to first-time and first-generation homebuyers. But will these efforts work?



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Harris' proposal to provide homebuyers with down payment assistance has generated the most buzz. The Joint Center for Housing Studies of Harvard University's recent study, "The State of the Nation's Housing 2024" [2] recommended it, finding that a \$25,000 down payment assistance loan could make homeownership possible for 1.1 million "income-ready renter households headed by a Black or Hispanic person."

Cognizant of systemic inequities in generational homeownership disproportionately affecting people and communities of color, the current Biden-Harris administration previously proposed making this exact amount, \$25,000, available in down payment assistance to first-generation homebuyers, with a more limited \$10,000 tax credit slated for first-time homebuyers.

Harris' new proposal would make the full \$25,000 available to all eligible first-time homebuyers, targeting over four million buyers over four years, while aiming to ensure full participation by first-generation homebuyers.

Will it work? Well, California tried it, creating its Dream for All program in 2022, which somewhat dismally resulted in \$288 million in initial funding being doled out in just 11 days to just 2,564 homebuyers. [3] The program hardly made a dent in the problem, with home prices in the state increasing 6% year-over-year [4] and no projected change in the affordability index. [5]

California subsequently retooled the program as a shared equity program, [6] a model used widely in restricted affordable for-sale housing programs.

Meanwhile, the state's Little Hoover Commission countered the conclusions of the Joint Center's report, [7] emphasizing that its own study, completed in 2022, found that without more homes being built, down payment assistance simply results in buyers bidding up housing costs with the government's backing as they compete for the same homes. [8]

To be fair, Harris' proposal includes building more homes — an ambitious 3 million more — by adding a new tax incentive for homebuilders who build starter homes sold to first-time homebuyers, expanding an existing tax incentive for affordable rental housing builders, and

doubling the existing innovation fund to support local government and homebuilder efforts to implement creative solutions to the problem at the local level.

These efforts, along with interest rate cuts, could help increase homebuilder sentiment, currently at an eight-month low.[9]

Perhaps more intriguing is the proposal to double down on the current administration's plan to cut red tape and needless bureaucracy by streamlining permitting and review of residential construction projects. It is not exactly clear how the future administration would accomplish the needed changes to what is largely a hyperlocal process.

A 2022 Fannie Mae report titled "The U.S. Housing Shortage from a Local Perspective" highlighted the need to address solutions to specific local conditions and recommended solutions tailored according to the local housing needs score, which estimates a metropolitan area's overall housing supply needs.

Metropolitan areas identified as bifurcated — having below-average income levels and above-average housing costs — have the highest overall supply need and would benefit from additional market rate and restricted multifamily rental housing and higher-density, single family owner-occupant housing, i.e., more of everything.

San Diego is one of these metropolitan areas. The city of San Diego has made many reforms to cut its own red tape and resisted local community opposition to new, dense housing development, but housing development in the city continues to be hampered by state laws and the Coastal Commission, especially when it comes to for-sale starter homes.

The city recently reported that its efforts to permit more housing resulted in the highest number of building permits issued in a single year since at least 2005, with 9,700 new homes permitted, an 82% increase over the prior year.[10]

And yet, the city still needs to permit 82,344 more homes — or 13,724 per year — to meet its assigned regional housing needs assessment allocation by 2029.[11] Even though the city can boast some of the best increases in housing permits in California, more work is needed at the state and local level to reform our housing laws and make up for decades of low housing permit levels.

One case in point: the requirement for discretionary approval of subdivision maps to create more than four lots under state law. This is significant because local agencies can't approve for-sale housing without complying with the California Environmental Quality Act, a notorious killer of housing development.[12]

While CEQA reform is another topic entirely, a bill that recently went into effect, S.B. 684, is a significant change in state law, permitting small subdivisions — up to 10 lots — on certain property zoned for multifamily use ministerially, without discretionary approvals. While it's not likely the state's housing shortage will be remedied 10 lots at a time, the action shows consideration for one specific factor significantly affecting the production of for-sale starter homes in California.

There's no shortage of research into the reasons for the national housing affordability crisis. Solutions at the state and local level are critical and must be tailored to the specific local economic conditions in play. Harris' proposal takes some solid recommendations into account, but the problem is much, much bigger than a three-point plan.

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[1] Local Solutions to a National Housing Shortage (fanniemae.com).

[2] THE STATE OF THE NATION'S HOUSING 2024 (harvard.edu).

[3] CA first-time homebuyer loans: Who got down payment money? (calmatters.org).

[4] California Housing Market: 2024 Home Prices & Trends | Zillow.

[5] C.A.R. releases its 2024 California Housing Market Forecast (car.org).

[6] California Relaunches Dream for All Program to Assist First-Time Homebuyers | Senator Toni Atkins.

[7] What California Should Do About Its High Housing Cost Burdens – Little Hoover Commission.

[8] Report267.pdf (ca.gov).

[9] One-third of home builders are slashing prices as confidence in the market falls to 8-month low (msn.com).

[10] 2024-8-15-city-of-san-diego-hits-new-milestone-for-affordable-housing-permit-program.pdf (sandiego.gov).

[11] 2024 Annual Progress Report (sandiego.gov).

[12] IntheNameoftheEnvironmentAnnouncementMay2023 (hklaw.com).