

Biden Presidency Will Bring Renewed Focus on Affordable Housing and Discrimination

As you'd expect from any Democratic administration, there will be an increased focus on middle class and low income communities' needs in the Biden administration, and that includes housing policy.

Back in February, after losing the Iowa caucuses and the New Hampshire primary, and prior to the South Carolina primary, Biden released a \$640 billion housing plan, focused primarily on increasing home ownership among Americans. Among other things, it included a \$15,000 tax credit for first-time home buyers that could be used as part of the down payment at time of purchase.

"People vote based on their pocketbooks, and you don't get a bigger pocketbook issue than housing," realtor.com's chief economist Danielle Hale said. "For many, [housing] is the largest monthly expense that they have. And if you own a home, it's likely the most valuable thing that you own."

According to Clare Trapasso's article on realtor.com, Biden's plan also includes down payment assistance for teachers and first responders plus changes in the appraisal process to address racial disparities. The down payment assistance, however, would be conditioned on purchasing in targeted low-income areas in need of investment.

It has long been understood that home ownership is central to building family wealth, supported statistically by the Federal Reserve's Survey of Consumer Finances. The most recent available report, covering the period 2013-2016, showed that during that period the median net worth of homeowners rose by 15% to \$231,400, while the median net worth of renters fell by 5% to only \$5,200. In other words, as of 2016, homeowners' median net worth was 44.5 times that of renters.

A new 3-year survey should be published soon and will probably show those trends continuing.

As you'd expect, there's a racial component to the homeownership divide. According to Svenja Gudell, chief economist of Zillow Group, nearly 75% of white households own their own home, while less than half of black and Hispanic households are homeowners.

Although redlining of low-income communities, which was promoted by the FHA from its inception in 1934, was outlawed by the 1968 Fair

Housing Act, the damage had been done, and it will be hard for any administration to undo it. We are just beginning to understand the problem and how to solve it.

The Biden plan also includes increased funding of Section 8 vouchers for low-income renters. At present, there's only enough Section 8 funding to meet 25% of the demand. The plan would also prohibit landlords from discriminating against prospective tenants using Section 8 vouchers, and would provide legal assistance to tenants facing eviction.

The most progressive element of Biden's plan may be his proposal to provide a tax credit so that no renter pays more than 30% of his/her income toward rent, estimated to cost \$5 billion/year.

The plan speaks about appraisal reform, aiming to create a national standard to assure that homes in minority communities are appraised for the same as homes in comparable white communities, but that defies the core principle of appraisal — that a home is worth what a willing arms-length buyer will pay for it.

According to the realtor.com article, the Biden plan promotes the creation of a public credit agency that would take into consideration a positive history of payment of rent and utility bills, providing a higher credit score that could help renters qualify for a home mortgage.

Not mentioned in the realtor.com article about Biden's housing plan is the president-elect's promise to undo the elements of Trump's tax law which favored the wealthy. However, one provision actually harmed the wealthy who live in states with high property taxes, many of which, coincidentally, voted for Hilary Clinton.

That was the provision regarding SALT — State and Local Taxes, composed primarily of real estate taxes and income tax. It limited the deduction of those taxes to \$10,000 per year. I suspect that this element of the tax code will be changed under the Biden administration.

The Trump tax law also doubled the standard deduction to \$24,000, which eliminated for many the benefit of charitable donations. I, for one, thought this would spell doom for many non-profit organizations, although Giving USA reports that donations by individuals fell only 3.4% in 2018. That's remarkable, given that the number of taxpayers who itemized deductions fell that year to 18 million, from 46.5 million the year before, according to the Joint Committee on Taxation (per accountingtoday.com).

Those of us who are into sustainability and fighting climate change can expect the new administration to incentivize energy efficiency improvements and building codes through tax credits and grants. When Trump took office, there was a lot of concern in Golden and Jeffco that the Department of Energy, whose secretary had advocated abolishing the department until he learned it was responsible for America's nuclear arsenal, would defund the National Renewable Energy Laboratory, but funding was actually increased by Congress. We can expect that a Biden administration will provide even greater funding to NREL, energy efficiency, sustainability and the electrification of transportation.

Biden's February housing plan does address this issue, with the goal of cutting the carbon footprint of buildings by 50% by 2035, and providing incentives to home owners who retrofit their homes to be more energy efficient and more solar powered.

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By JIM SMITH, Realtor®

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