Infrastructure & Housing

Infrastructure

The global pandemic is accelerating America's current "infrastructure revolution." Our citizens have heightened demands for safe and efficient highways and tunnels, driverless vehicles, ridesharing services, rapid and safe inter-city rail, and reliable power and internet delivery. Infrastructure development must respond to our country's evolving demographics and optimize the efficient movement of people, goods, energy and information in interstate and international commerce.

The value and productivity of the real estate sector heavily depend on infrastructure systems, and vice-versa. Roads, bridges and mass transit enhance the values of nearby properties—which in turn generate greater tax revenues to fund even more infrastructure assets.

The United States has been underinvesting in infrastructure for decades, causing a backlog of needs. Our current transportation, water, energy, and other assets must be repaired and maintained, and substantial additional investment is required to modernize them. Public funds alone cannot foot the entire bill and must leverage private sector co-investment to provide the capital that will enable U.S. infrastructure to adapt to climate risks and a rapidly changing economy.

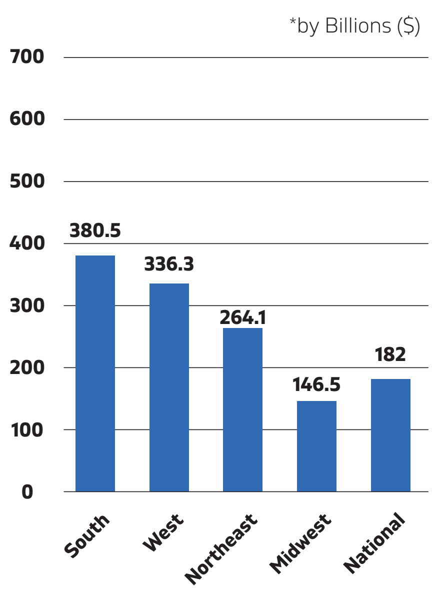
The Roundtable recommends the following measures for policymakers to consider when addressing the nation's infrastructure:

- Unlock private capital by repealing the *Foreign Investment in Real Property Tax Act* (FIRPTA).
- Streamline the permitting process with the aim for a 2-year target for all federal approvals.

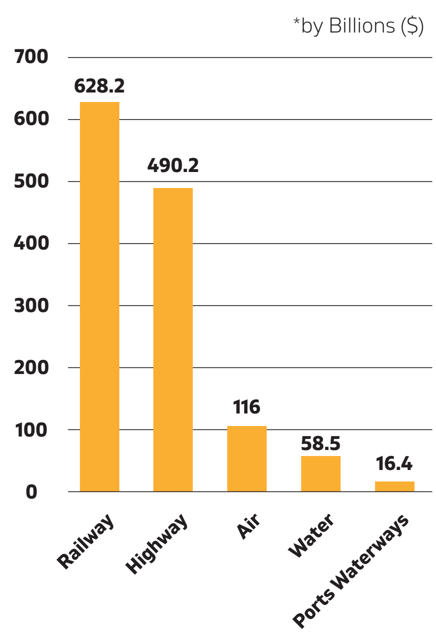
U.S. Treasury, Infrastructure Projects of Major Economic Significance

Source: U.S. Treasury

Total Net Benefits by Region



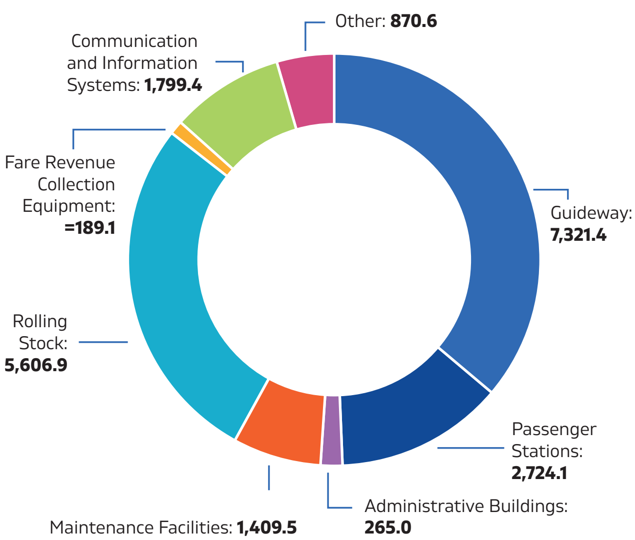
Total Net Benefits by Mode



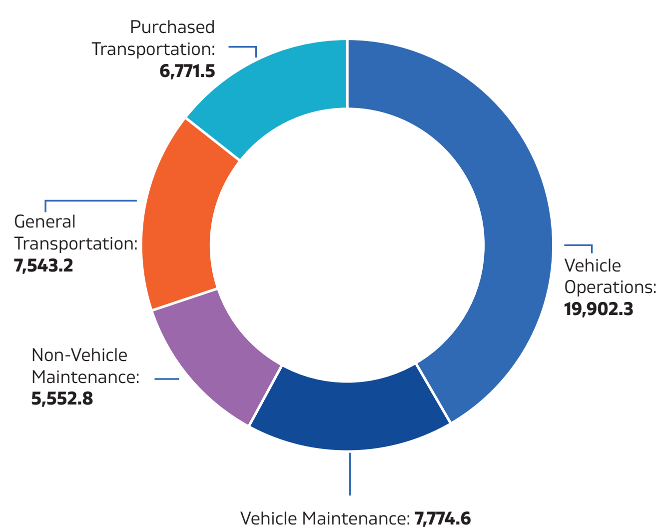
- Responsibly increase the "pay at the pump" federal gas user fee (not raised since 1993) to sustain the Highway Trust Fund (HTF), the main funding source that supports road and mass transit projects.
- Prioritize HTF proceeds with a "Fix It First" strategy that focuses on repair and maintenance of existing assets.
- Support P3 financing, so public funds can leverage private debt and equity, such as by revising IRS "volume caps" and other limitations on private activity bonds.
- Streamline the underwriting process for Transportation Infrastructure Finance Innovation Act (TIFIA) loans, and expand TIFIA's successful financing model to other infrastructure asset classes such as airports, the electric grid, leaking pipeline networks, and broadband systems.
- Harness the "transit premium" to capture higher property values for real estate located in the vicinity of mass transit to help finance nearby economic development.
- Clarify that payment of federal infrastructure loans from non-federal funds should automatically count toward state and local cost-share contributions for transit grant awards.
- Condition federal dollars provided to state and local governments on their adoption of "Yes in My Backyard" ("YIMBY") land-use policies that favor high density, transit-oriented development.

Where Public Transit Expenditures Go

Transit Operating Expenditures (Millions), 2017



Transit Capital Expenditures (Millions), 2017



Source: American Public Transportation Association

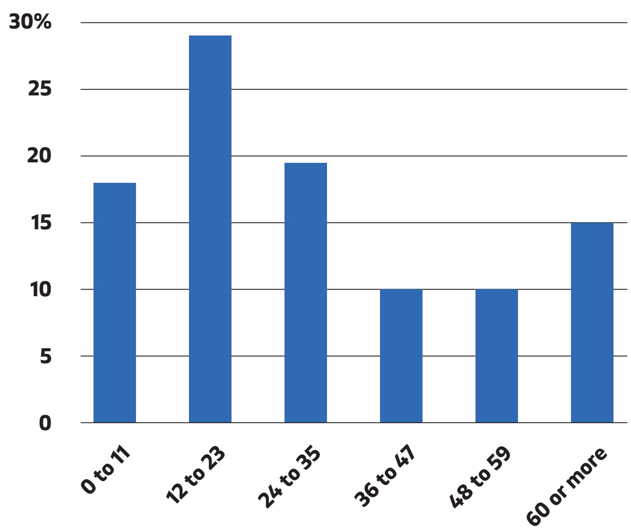
Housing

Safe, decent and affordable housing is essential to the well-being of America's families, communities, and businesses. Our nation continues to confront an affordable housing crisis, which has only been exacerbated by the COVID-19 pandemic. Supplies remain too low, and too many low-income and middle-class families are cost-burdened with housing expenses that exceed 30 percent of their income.

Sharp increases in home prices and the dearth of affordable units result from a brew of externalities outside the real estate industry's control such as: shortages of developable land; needlessly restrictive zoning and land-use regulations by local governments; lack of comprehensive and long-term planning; increased costs of labor and materials; stricter building codes; general wage stagnation; and the effectiveness of local "Not In My Backyard" activists in stopping meritorious high-density housing projects.

Most Voucher Households Endured Long Waits to Receive Assistance

Share of voucher households by time spent on a waiting list



Source: Center on Budget and Policy Priorities; Department of Housing and Development 2016 Picture of Subsidized Households

The Roundtable is committed to working with Congress, federal agencies, and our national real estate organization partners to develop and implement affordable housing policies such as to:

- Expand the Low-Income Housing Tax Credit program, and providing a similar tax incentive more narrowly tailored to support housing development for America's middle class.
- Shore up the Section 8 housing choice voucher program with more funding to reduce wait-lists and reduce its bureaucratic procedures.
- Deploy GSE reform as a significant opportunity to re-focus the mission of Fannie Mae and Freddie Mac on liquidity in the mortgage markets for low and middle-income home buyers, while also encouraging creation of more units of middle-income rental housing.
- Assess whether HUD's Section 108 loan guarantee program is maximally leveraging public resources to attract private sector co-investment and encourage public-private partnership (P3) procurements for the design, construction, rehabilitation, finance and operation of public and low-income housing.
- Clarify existing regulations under the Community Reinvestment Act (CRA) so banks can receive "credit" in serving the mortgage and other lending needs of middle-class households and geographies (in the range of 80% to 120% of an area's median income);
- Assess whether current bank regulatory definitions imposing tighter capital requirements for Acquisition, Development and Construction (AD&C) loans may be limiting lending for housing developments for middle class buyers and renters.
- Foster a "Yes in My Backyard"—or "YIMBY"—environment whenever federal agencies provide grants and incentives, to induce states and

» localities receiving federal dollars to demonstrate enforcement of high density zoning and other land-use rules essential to entitle affordable housing projects.

» Promote greater production of manufactured housing as a high quality, less costly alternative to site-built homes.

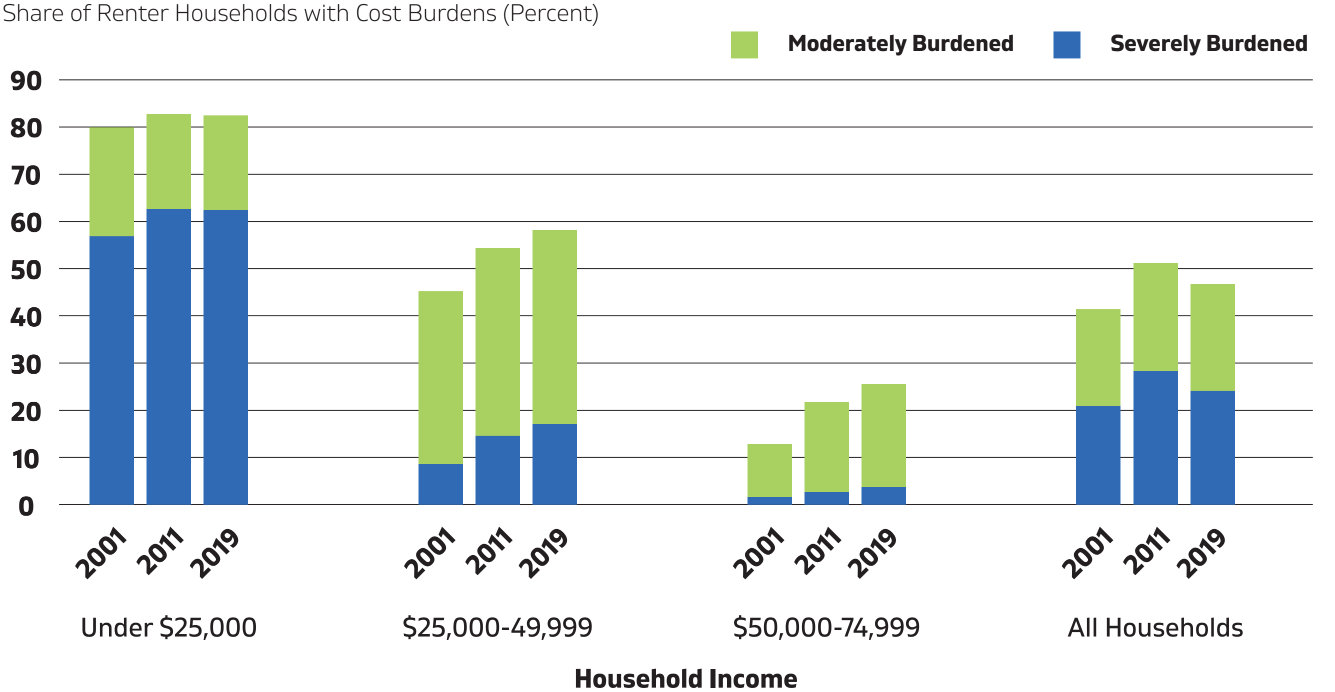
» Direct the General Services Administration to prioritize increasing affordable housing supplies when it disposes surplus and under-utilized federal properties.

» Avoid market restrictions like rent controls that tend to make housing supplies less responsive to changes in demand and increase housing costs over the long term.

Sen. Tim Scott (R-SC), serves on the Senate Banking, Housing and Urban Affairs and Finance Committees, discusses legislation promoting manufactured housing as part of the solution to America's affordable housing crisis.

Heading Into the Pandemic, Renter Cost Burden Rates Were Already High and Moving Up the Income Scale

Share of Renter Households with Cost Burdens (Percent)



Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

COVID-19 Residential Tenants Assistance, Forbearance Protections, and Eviction Moratoria

In addition to long-term solutions to address the nation's lingering housing crisis, immediate relief in response to the COVID-19 pandemic is critical to provide financial support for qualifying renters to meet their lease obligation, keep them safely housed, and provide mortgage payment forbearance to owners experiencing declines in rental income.

Eviction moratoria, of the sort enacted by Congress in the *CARES* Act and then subsequently declared by order of the Centers for Disease Control, are short-term band-aids. They temporarily ensure current renters' housing -- but they do not erase a tenant's underlying legal obligation to meet contractual commitments and make-up skipped rent. In addition, eviction moratoria increase the pressure on property owners to stay current on mortgages, pay utility bills, maintain buildings, and generally meet their own obligations without inbound rental income.

A residential assistance fund can help prevent evictions in the first place. The Roundtable recommends that any additional pandemic relief package should:

- Include financial support for residential tenants that demonstrate economic hardship due to COVID-19 and inability to meet monthly rent payments.
- Provide corollary economic relief – such as mortgage payment forbearance – to owners in consideration of the harm they may suffer from tenants' missed rent payments for as long as any eviction protections may endure.
- Not safeguard opportunistic tenants have the ability to pay rent but wrongly seek to avoid payments should not benefit from federal eviction protection.
- Encourage partial rent payments as much as practicable. Any rent assistance program should be structured so that federal support is available to pay the rent increment that a qualifying residential tenant is unable to pay.
- Expand qualifying income-level restrictions so that aggrieved middle class households receive rental support during the COVID-19 economic crisis.

Economize limited resources and minimize "double-dipping" so that qualifying tenants that already receive some means of rental assistance through an existing program (such as Section 8 housing choice vouchers) should not also receive support through a temporary emergency rent assistance program.