GAME CHANGERS
Economic Policies for a Working America

POLICY BRIEF

The Social Housing Development Authority

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The Problem

Half of renters and a quarter of homeowners have unaffordable housing – the highest rates on record. Meanwhile, 17% of global emissions come from our homes, making the need to decarbonize inseparable from the efforts to address affordability. Decades of various policies to solve these problems have come nowhere close to creating affordable, sustainable housing for all.

Past Failures

American housing policy is based on the idea that affordability is created by prioritizing the profit margins of the real estate industry. Republicans and Democrats agree that housing policy goals are around expanding private homeownership and tax breaks for building affordable housing (Low-Income Housing Tax Credit or LIHTC). In recent years, housing policy has had bipartisan attention laser-focused on zoning and regulations as the singular obstacle to affordability. The recently proposed 21st Century ROAD to Housing Act likewise features regulatory reform at its core. Growing economic research shows that these solutions are not a silver bullet.

Game Changer: The Social Housing Development Authority

The Social Housing Development Authority (SHDA) is a proposal for a proactive public actor in the housing market to expand the supply of permanently affordable green social housing. This would be a federal entity that would serve the functions of a public developer, a public bank, and a land bank to create and transfer housing to the social housing sector.

- **Social ownership**: While the SHDA would handle financing and development, in the end this housing would be owned by a variety of eligible

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entities, including tenant cooperatives, community land trusts, public housing authorities, mission-driven nonprofits, and others. It would include rental housing and limited-equity ownership opportunities. The housing would be mixed-income, with permanently affordable units.

- **Public development**: The SHDA would handle development, whether for a new construction project or for acquisition and green renovation. In doing so, it would centralize development capacity. This would allow the SHDA to achieve economies of scale, including large-scale procurement. It would be mandated to achieve deep decarbonization goals in housing.
- **Funding and finance**: The SHDA relies on two pools of capital to fund housing: 1) lending authority from the Treasury, and 2) appropriated funds for capital grants. Each SHDA building is financed through loans, which must be paid back through rental income of the building. These are long-term loans at low-interest rates, allowing for low monthly debt service, thus reducing need for high rents. However, to achieve deep affordability, each SHDA project will receive some amount of upfront capital grants to buy-down the total development costs. This allows for a smaller loan, lower debt service, and lower cash flows. With this arrangement, buildings can be financially sustainable, without the need for rent subsidies, which are up to the whims of Congress.

Federal legislation like the national Homes Act – as well as national and local legislation like the New York State Social Housing Development Authority – encompass the core tenets of this model and would make invaluable progress towards permanently affordable housing.

Rationale: Solving Problems that the Market Won't

The market solution to affordable housing is "naturally occurring affordable housing," a euphemism for substandard housing. The SHDA directly creates beautiful, sustainable, affordable housing for all. We have estimated that under the provisions of the HOMES Act of 2024, with $30 billion in annual appropriations, matched with lending authority, in ten years we could create 1,252,000 new social housing units. Of those, 70% (875,000 units) would be affordable to low-income households, while the remainder (377,000 units) would expand the supply of market rate housing). Of the affordable units, 500,000 units would be available at 0-30% Area Median Income and 375,000 units would be available at 31-50% Area Median Income. Since housing construction is a job creation platform, we estimate that this would generate up to 427,000 total jobs annually, including up to 161,000 direct well-paying union jobs in the building trades industries each year. In doing so, it both creates housing for those most in need, while also expanding affordable options for the middle class.

Beyond affordability, the SHDA would decarbonize housing. For new construction, it would help standardize and incentivize the green building sector through increased demand that it creates. Yet the problem of energy inefficient housing is with the existing stock. Currently, private real estate only invests in energy efficiency when it's for high-income residents, or when they are forced by regulation. By acquiring distressed housing, applying green retrofits, and then turning it over to the social housing sector, the SHDA decarbonizes the existing housing stock.

*For more information on this topic, including the **Background Paper**, please visit our policy page.*

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