Hammering Out Clinton’s Housing Plan

By Kenneth R. Harney

The heck with my lips. Read my button: “Housing equals jobs.”

If you want a clue about where the Clinton administration plans to go on housing and real estate next year, check out the lapel of Marc A. Weiss, senior policy adviser on urban issues.

Weiss, a professor at Columbia University’s Real Estate Development Research Center, served as the Clinton-Gore spokesman on housing throughout the campaign. He’s likely to land a key position in the new administration.

And he has no doubt that reviving home building—especially for the moderate- and lower-income segments of the market—will play a major role in the new administration’s economic legislative push in its first 100 days.

Precisely what form the housing stimulus will take still has to be worked out with Congress. It’s not likely to be a $5,000 tax-credit for first-time buyers.

That was a Bush tax-bill concept that top congressional Democrats such as Ways and Means Committee Chairman Rep. Dan Rostenkowski of Illinois called inefficient and too expensive.

More likely, said housing experts on Capitol Hill, the upcoming package will focus on plugging the affordability gap: home buyers’ dearth of down-payment cash, even when the required down payment is 5 percent or less.

Financing the cash gap via second liens is one of several concepts under study. Another available vehicle: The federal HOME program, which allows local agencies and nonprofit groups to subsidize moderate-income home purchases through a variety of grants and loans.

“Hey, there’s no need [for Clinton] to reinvent the wheel,” said House housing subcommittee staff director Frank de Stefano, a Democrat. “The HOME program is authorized and ready to roll [for economic stimulus] if somebody will give us the money.”

What other housing and real estate-related initiatives you can expect early in the Clinton-Gore administration?

Here’s the top of the list, based on discussions with legislative and trade group officials, plus comments from policy adviser Weiss:

- A federal tax package, submitted to Congress within weeks of taking office, that restores federal authorization for state housing agency mortgage revenue bonds—the source of financing for more than 100,000 first-time home buyers nationwide per year. Legal authority for the cut-rate loan program lapsed last summer, and President Bush vetoed a tax bill last week that would have reauthorized the program.

- Restoration of authority for tax credits for low-income rental housing, another victim of the president’s post-election tax bill veto. The credits entice corporations and individuals to invest hard cash in low-rent apartment developments in return for reductions of their income tax liabilities. More than 100,000 new units of housing are produced by the now-suspended tax credit program per year.

- Passive-loss tax relief for real estate professionals. The third major housing casualty of Bush’s tax bill veto, this would allow rental housing owners and managers to write off actual, economic losses on their properties against their other taxable income. Since 1986, they’ve been prohibited from deducting rental property losses unless they have other “passive” rental property income.

- Clinton embraced passive-loss relief early in his campaign, and Weiss said it will be an integral part of any administration-supported 1993 tax bill.

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To pay for these and other economic stimulus programs, will the Clinton administration be tempted to cut back on mortgage interest deductions—particularly those enjoyed by owners of second homes and primary residences with large mortgages?

Reformers on the Democratic staffs of congressional tax-writing committees have eyed the $75-billion-plus in annual mortgage interest, property tax and other tax subsidies to homeowners as a vast pot of potential money to fund middle-income relief measures.

But Weiss says no way. "There are no plans to make any changes" in current law affecting tax deductions for homeowners, he said.

Asked how strong that commitment would be in the face of heavy political pressure next year to cut back on the rich to pay for direct housing aid for the poor, Weiss said that Clinton "will resist" reformers' demands to limit mortgage write-offs.

Non-legislatiave priorities high on the Clinton-Gore housing list that will be handled administratively:

- "Reinvigoration" of the Federal Housing Administration (FHA) and Veterans Administration (VA) programs to help more middle-income families to buy new and resale homes.
- Far greater emphasis than the Bush administration on forcing banks and other lenders to provide mortgage money to minority borrowers, especially in urban markets.
- Far greater encouragement of state and local housing agencies to create partnerships with developers, nonprofit organizations and employers to raise capital for affordable housing construction.

The prevailing outlook on the new administration among housing advocates was summed up by the head of the National Multi-Housing Council, Jonathan L. Kempner:

"They've got their hearts and brains in the right place," he said. "The question is whether there's going to be anything in their pockets?"

If Congress got the message loud and clear Nov. 3, there just might be.