

Financing Healthy Housing

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In 2008, the Centers for Disease Control and Prevention (CDC), together with the National Center for Healthy Housing, assembled leading experts in the field to review decades of research.¹ The result was a set of evidence-based healthy housing “interventions” that are known to improve health and lower the risk of exposure to home environmental hazards. The panel recommended that the following healthy homes improvements be brought to scale through housing and health policies and programs:

- Control of asthma triggers
- Radon mitigation
- Integrated pest management (instead of traditional spray methods)
- Lead hazard control
- Prevention of injuries by installing working smoke alarms and setting a safe temperature for water heaters
- Eliminating moisture intrusion

Whether we are able to implement these housing improvements throughout the U.S. housing stock ultimately depends on how successfully we can incorporate them into public and private sector housing and health practices, programs, and delivery systems.

The Problem: Funding for Healthy Housing Improvements is Elusive for Most Families

There are three primary barriers to the creation of more affordable healthy housing:

- **Federal funding affects federal programs only and is relatively small.** Only a small fraction of low-income renters live in federally owned or assisted housing. The vast majority of renters, and nearly all homeowners, do not receive a federal subsidy (except the mortgage income tax deduction), and as such their housing is not subject to federal health and safety requirements.
- **Healthy housing improvements are not yet part of owner and lender thinking for repairs funded through mainstream private financing markets.** The housing finance markets do not know how to value a return on investment for these improvements so people cannot get loans. Unless a repair can be tied to short-term financial benefit to the property owner, which would justify the loan, a financial institution is unlikely to be interested. Health improvements are hard to quantify and only yield short-term financial gain for a few conditions (e.g. asthma).
- **Affordable, unsubsidized housing cannot afford debt and probably will not incorporate healthy housing improvements without government subsidy.** Owners of affordable units find it difficult to secure private financing as they lack a sufficient income stream to support repayment and haven’t enough future value to repay a lien at sale.

Several federal grant programs seek to improve affordable housing, yet they reach only a tiny fraction of seriously deficient housing stock annually. The following is a list of some of the larger federal programs that can be used for healthy housing improvements:²

HUD Office of Healthy Homes and Lead Hazard Control Grants (OHHLHC): The OHHLHC provides competitive grants to states, localities, and nonprofit organizations to address lead and other health and safety hazards in low-income housing. For the past several years, federal funding for OHHLHC’s programs has stagnated at around \$140 million, with approximately 85% for lead-related projects and 15% for any other home

health hazards combined. Grant requests regularly outstrip funding. For example, HUD funded only 20% of Healthy Homes Demonstration Grant applications last year. At the current funding level, the OHHLHC is able to reach just 12,000 units each year. HUD has proposed increasing the healthy homes share to \$40 million and reducing lead hazard control grants for FY11.

HUD Green Incentives Program: In July 2007, HUD introduced its Green Initiative, a nationwide pilot to encourage owners and purchasers of affordable, privately owned, multifamily properties in HUD's Section 8 Mark to Market (M2M) Program (administered by the Office of Affordable Housing Preservation) to rehabilitate and operate them following principles of sustainability, energy efficiency, and indoor air quality.

The M2M program resizes and restructures property debt to account for market rent levels, pays for rehabilitation and 20 years of estimated repairs and replacements, and establishes a financially viable project for the long term. This Green Initiative will also collect data to validate impacts on utility consumption and indoor air quality.

National Affordable Housing Trust Fund (NHTF): The NHTF was authorized on July 30, 2008 to issue state block grants using dedicated funds from Fannie Mae and Freddie Mac rather than annual appropriations to produce, operate, rehabilitate, and preserve 1.5 million very low-income rental units over 10 years. Up to 10% could also be used to help first-time homebuyers acquire, preserve, and rehabilitate individual units. Since the regulator of Fannie Mae and Freddie Mac, the Federal Housing Finance Administration, suspended contributions in 2008, none of the anticipated contributions to the fund have been available. The President's proposed FY11 budget proposes first-year capital funding for the NHTF through legislation directing \$1.065 billion for the development, rehabilitation, and preservation of affordable housing. For future years, NHTF advocates have proposed that Congress raise funds through revenue-generating fees on private financial institutions for the opportunity to have insured deposits, borrow from the Federal Reserve/Home Loan Banks, and securitize mortgages, and other creative mechanisms.³

CDBG/HOME: The Community Development Block Grant (CDBG) and HOME Programs are used by states, cities, and others to promote economic development, which includes the construction and operation of

affordable housing. Grantees are required to evaluate and reduce lead paint hazards and comply with the federal lead-safe housing rule. Many jurisdictions use a percentage of these funds to support minor repair programs, which can be used for the following:

- Correcting building code violations
- Improving energy efficiency
- Repairing roofs and replacing septic systems
- Updating heating, plumbing, or electrical systems
- Remodeling for accessibility for individuals with disabilities
- Removing hazardous substances such as lead paint and asbestos

Neighborhood Stabilization Program (NSP): As part of the Housing and Economic Recovery Act of 2008, Congress made available nearly \$4 billion in block grants to states and particularly hard-hit areas to respond to the effects of increased foreclosures. NSP provides assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. In 2009, Congress provided another \$2 billion in competitive grants as part of the American Recovery and Reinvestment Act. NSP-funded rehabs must comply with housing, safety, quality, and habitability laws and rules. Funds may be used for energy efficiency retrofits and must be expended within 18 months.

Business Case for Health Sector Investment in Home-based Environmental Interventions

In the health care sector, a business case for a particular service exists if there are documented cost savings realized by investing in the intervention, or if a program is considered "reasonable" relative to the costs of standard services, given the health benefits realized by the intervention (cost effective).⁴

A number of studies have evaluated the cost effectiveness of multi-faceted in-home environmental interventions for asthma.^{5,6} These studies demonstrate that the costs of providing a combination of environmental education and home assessments, services, and supplies as part of an asthma management treatment plan, are reasonable and cost effective given the improvement in health as compared to the cost and benefit of other standard interventions, such as medications.

FY 2010 Policy Agenda Related to Financing Healthy Homes

1) *Sustain and Expand Funding for Healthy Housing Programs:*

- Advocate for \$50 million above the President's proposed funding level for the Office of Healthy Homes and Lead Hazard Control's Healthy Homes Program to expand the number of healthy homes created nationwide.
- Increase CDC's Appropriation for Healthy Homes by \$15 million above the President's proposed funding level.

2) *Work Collectively to Pass Senator Jack Reed's and Congressman Robert Brady's Safe and Healthy Housing Act:*

- Section 204 of the Safe and Healthy Housing Act authorizes a new "Health Hazard Reduction Competitive Grant Program" at HUD that would provide flexible funding to applicants from other federal programs, including CDBG, HOME, weatherization assistance, low-income home energy assistance, and rural housing assistance.
- Section 301 of the Safe and Healthy Housing Act authorizes the creation of a voluntary "Healthy Home Seal of Approval" labeling program at EPA that would evaluate and promote health protective products, materials, and criteria for existing housing.

3) *Advocate for HUD to Incorporate Modern Health and Safety Requirements into its Assisted Housing Programs:*

- Add a healthy housing inspection requirement OR incentive to federally backed mortgages.
- Seek HUD regulatory/policy change on homes it resells "as is" by requiring a healthy homes inspection or disclosure of known home hazards.
- Expand HUD's "Green" efforts to incorporate healthy housing including through CDBG, HOME, and the Neighborhood Stabilization Program, the "Green Incentive" program for Section 8 Mark to Market housing, and Public Housing (including the HOPE VI/Choice Neighborhoods program).

4) *Begin a Dialogue with Health Insurers, Major Employers, Center for Medicaid Services, and the Health Resources and Services Administration:*

Through these discussions we hope to facilitate home-based education and environmental services for asthma patients by health sector payment for:

- Community health workers, visiting nurses, and other care delivery approaches that have been shown to be cost effective in the literature.
- A home environmental assessment.
- Supplies needed for environmental trigger reduction.
- More intensive environmental services based on a patient's allergy profile and/or extent of problematic conditions.

FY2011 Policy Initiatives (Discussion Draft)

In addition to continuing to pursue the above policy initiatives, the Coalition is proposing to add the following initiatives to its priorities for FY2011:

- 1) *Fully fund the National Housing Trust Fund—with healthy housing improvements as eligible/required activities for substantial rehabilitation/new construction projects.*
- 2) *Incorporate health considerations into the Home Star Legislation (H.R. 5019, S. 3177).*
- 3) *Incorporate healthy homes recommendations into the Energy Efficiency in Housing Act of 2009 (S. 1379 and H.R. 2336).*
- 4) *Incorporate housing quality into the federal Sustainability Partnership and the Livable Communities Act (S. 1619 and H.R. 4690).*

References

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- ⁵Kattan M, Stearns S, Crain E et al. Cost effectiveness of a home-based environmental intervention for inner-city children with asthma, *Journal of Allergy and Clinical Immunology*. 2006; 116(5):1058–1063
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