Smart Growth America
Making Neighborhoods Great Together

Federal Involvement in Real Estate

A call for examination

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This report is a product of Smart Growth America.

Smart Growth America is the only national organization dedicated to researching, advocating for and leading coalitions to bring smart growth practices to more communities nationwide. From providing more sidewalks to ensuring more homes are built near public transportation or that productive farms remain a part of our communities, smart growth helps make sure people across the nation can live in great neighborhoods. For additional information visit www.smartgrowthamerica.org.

Any errors and all interpretations are the responsibility of Smart Growth America.

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Executive Summary

Federal financing of and spending on real estate impacts millions of Americans on every street, in every neighborhood, town and rural community. From loan guarantees to commercial tax credits, these programs help those most in need pay their rent, help families purchase their first home, and provide financing for commercial development. The federal government impacts where and how homes and even whole neighborhoods are built in the United States.

Each year, the federal government spends approximately $450 billion on real estate through a combination of direct expenditures and tax and loan commitments. Smart Growth America surveyed 50 federal real estate programs to better understand where this money goes and how it influences development. The spending examined in the report's analysis includes tax expenditures, loan guarantees, and low-interest loans and grants. It does not include the Government Sponsored Enterprises (GSEs), nor does it include non-real estate spending that greatly influences development, including investments in transportation, other infrastructure and federally owned real estate.

This spending has an enormous impact on the U.S. real estate market. Though usually viewed as a "free" market, the U.S. real estate sector is heavily influenced by direct and indirect government intervention. Much has been written about how zoning, infrastructure provisions, subdivision regulations, local approval processes and other factors make the real estate market a product of more than simple supply and demand. And recently, more has been written about the outsized role of the GSEs and the need for their reform. Taken as a whole, these expenditures and investments impact where real estate is developed and what kind of product is built.

Even a cursory analysis reveals this impact is uneven. For example, small multifamily buildings are less likely to receive financing, despite the fact that most renters in the United States live in these smaller buildings. Viewed as whole, federal funds are not targeted to those most in need, are not targeted to strengthen existing communities and are not targeted to places where people have economic opportunities.

Federal real estate spending should be reviewed and refocused. Smart Growth America's survey revealed several instances where federal real estate expenditures and commitments could better meet our national needs and provide better benefits to homeowners, renters and communities. These shortcomings mean U.S. taxpayers are failing to get the most out of these large federal investments.

Federal real estate spending and commitments should be coordinated around a clear set of goals to support thriving economies in communities across the country. With Congress and the presidential administration taking a fresh look at how the nation spends taxpayer money, now is the time for policymakers to re-examine federal commitments to the real estate market.

Smart Growth America believes in the federal commitment to housing all Americans and stabilizing communities; we urge policymakers to review federal programs with the following goals in mind:

1. Support balanced housing choices in suburbs, cities and rural towns.
2. Reinvest in America's existing neighborhoods and communities.
3. Provide a safety net for American families.

4. Help more Americans reach the middle class.

How and where real estate is developed is an important policy issue and one that influences other issues like education, jobs, infrastructure and transportation. The federal government needs to look at the benefits of its investments, and this means not only looking at what but also where investment takes place.

Housing and commercial development can alter and strengthen an entire community if done right: new investment in existing neighborhoods can spur revitalization, provide choices for people to live near economic opportunities and transportation, and support regional economic growth in the process. This type of investment can lower infrastructure costs and increase the tax base for localities, helping towns and cities become more fiscally secure.

Rural main streets, suburban downtowns and city centers alike are the heart of the American economy and supporting these areas with strategic development will help strengthen them. American communities have benefited from the support of federal real estate programs, but that support can do more for local governments, local neighborhoods, and the national economy.

1. The federal government's involvement in real estate

Outside of Fannie Mae and Freddie Mac, the federal government is the largest single investor in the U.S. real estate market.

To gain a more comprehensive understanding of just how extensive the federal government's involvement in real estate is, Smart Growth America, working with David Paul Rosen & Associates, surveyed federal budgets from 2007, 2008, 2009, 2010 and 2011 and inventoried a sample of more than 50 federal programs currently investing in the real estate sector. This inventory included major sources of funding from federal agencies that provide direct funding or commitments to the private real estate sector.

These expenditures and commitments represent approximately $450 billion each year. From fiscal year (FY) 2007 to FY 2011, the federal government committed a total of $2.23 trillion to real estate from the major programs included in this survey (see Table 1).

TABLE 1

Total federal spending on real estate programs, FY 2007-2011[1]

Loans and loan guarantees	$1.363 trillion
Tax expenditures	$0.680 trillion
Direct grants and credit subsidies	$0.187 trillion
Total commitment	**$2.23 trillion**

Smart Growth America's inventory focused on three different types of federal commitments: loans and loan guarantees, tax expenditures and direct grants and credit subsidies. Each of these supports the real estate market in some way. The largest programs from each type of commitment were included in the survey and are described below.

Many small programs, measured by budgetary commitments, were not included in the analysis. Fannie Mae and Freddie Mac were also excluded as quasi-governmental in their current conservatorship state. In addition, the survey excluded expenditures with significant but indirect impacts on real estate, such as transportation spending and water infrastructure. It also excluded spending by the government for federal use such as military housing and other federal properties. The inventory is not intended to be all-inclusive but to reflect the major programs and policies managed by the federal government to better understand its intervention in the real estate sector.

Loans and loan guarantees: $1.363 trillion over 5 years

Direct loans and loan guarantees are the largest form of real estate commitment the federal government makes, with a 5-year total of nearly $1.4 trillion (see Table 2). These programs provide direct loans and loan guarantees for single-family, multifamily, rural housing and commercial development. This type of support encourages and creates incentives for private lending where otherwise there would be a lack of private investment. Loan guarantees are not direct cash expenditures but rather the government taking on the risk of the loan, and this commitment becomes direct spending only if loans cannot be repaid.[2]

The largest loan programs for residential development are administered by the Federal Housing Administration (FHA). FHA's single-family and multifamily loan programs provide support for properties where private lending may not be available. During the housing crisis, FHA played an important role to ensure sufficient loan availability in the housing market when private capital was not available. In FY 2011, FHA multifamily housing commitments totaled $13.1 billion, nearly four times the amount in FY 2009.[3]

The largest loan program for commercial development is administered by the Small Business Administration (SBA). Totaling $61 billion over the study period, SBA provides loans and guarantees for construction or renovation of qualified small business facilities.

TABLE 2

Loans and loan guarantees, FY 2007–2011

Federal Housing Administration's single-family loan programs	$1.104 trillion
Federal Housing Administration's multifamily loan programs	$0.112 trillion
Department of Agriculture's residential and commercial loan programs	$0.080 trillion
Small Business Administration's commercial loan programs	$0.061 trillion
Department of Energy's commercial loan programs	$0.006 trillion
Total loans and loan guarantees	**$1.363 trillion**

Note: Details of these loan programs are provided in Table 1 of Appendix A.

Tax expenditures: $680 billion over 5 years

Tax expenditures are the federal government's second largest type of real estate spending. These provisions from the Department of Treasury support individual homeowners and commercial builders through a series of tax credits, deductions and exclusions (see Table 3).

The largest tax expenditure is the Mortgage Interest Deduction (MID), totaling nearly $400 billion over the 5-year study period. This deduction allows homeowners to reduce their taxable income by the amount of interest paid on their mortgage for either a principal or secondary residence. Interest is deductible on the first $1 million of debt used for acquiring, constructing or substantially renovating a residence. The deduction can also be applied to interest on home equity loans up to $100,000. In both cases the deduction only applies for taxpayers who itemize their tax deductions.

TABLE 3

Tax expenditures, FY 2007–2011

Mortgage Interest Deduction	$396 billion
State and Local Property Tax Deduction	$106 billion
Capital Gains Exclusion	$94 billion
Other tax programs[4]	$84 billion
Total tax expenditures	**$680 billion**

Note: Details of these programs are provided in Table 2 in Appendix A.

The next two largest tax expenditure policies are the real estate property tax deduction and the capital gains exclusion on home sales. The real estate property tax deduction, totaling $106 billion over 5 years, allows homeowners to deduct their state and local property taxes from their annual federal taxes. The capital gains exclusion, costing $94 billion over the same period, allows homeowners to not pay taxes on the first $250,000 (or $500,000 if filing taxes jointly) of profit off the sale of a home. These 3 tax deductions and exclusions provide 88 percent of all the federal tax expenditure spending on real estate.

The Low-Income Housing Tax Credit (LIHTC), totaling $29 billion over the 5-year study period, is another tax expenditure and is used to build a variety of housing choices. Annually, housing tax credits are allocated to states that then award these credits to builders for qualified projects. The credit provides an incentive for the private sector to build new and rehabilitate existing affordable rental housing in communities across the country. Over the past 25 years, LIHTC has provided financing for the development of more than 2.5 million affordable rental homes across the country and has leveraged more than $75 billion in private investment capital. Annually, LIHTC finances approximately 90 percent of all affordable housing.[5]

Property Taxes
States and municipalities use property taxes to build local infrastructure, including transportation, drinking water and wastewater systems. State and local property taxes also help fund services that indirectly impact housing and businesses, including schools, and police and fire stations.

The depreciation of commercial real estate program is another tax expenditure included in this survey. A key business tool, this program allows a commercial property owner to deduct the decreased value of the property over its useful life. Depreciation can only be applied to a building, since the building wears out over time. Commercial property must be depreciated over 39 years by equal amounts each year over its useful life. Residential income property, where 80 percent or more of its gross rental income for the year is from residential units, can also claim the deduction. Residential property must be depreciated over a period of 27.5-years. The depreciation of rental properties cost the federal government $24 billion over the study period and $3.6 billion for buildings other than rental housing.[6]

Direct grants and credit subsidies: $187 billion over 5 years

Direct grants and federal credit subsides are the smallest federal real estate expenditures or commitments, equaling less than 10 percent of the total funding surveyed. The major direct grant programs are provided by the Department of Housing and Urban Development (HUD) and the Department of Agriculture (USDA) to builders to spur development of residential and commercial properties in target locations (see Table 4).

TABLE 4
Direct grants and credit subsidies, FY 2007–2011

Department of Housing and Urban Development	$184 billion
Department of Energy	$1.4 billion
Total direct grants/expenditures	**$186 billion**

Department of Agriculture	$0.9 billion
Small Business Administration	$0.1 billion
Total credit subsidies	**$1.0 billion**

Note: Details of these programs are provided in Table 3 in Appendix A.

At HUD, the two largest direct grant programs are the tenant-based rental assistance program and the project-based rental assistance program—both major safety net programs for low-income households. These programs provide individual households with the opportunity to have affordable housing, spending no more than 30 percent of their income on a place to live. The tenant-based program allows households to use the assistance in any rental property that will accept it, while the project-based program allows a property owner to provide lower-cost housing throughout a specific property.

The USDA provides support through its Rural Development program, which is available to rural communities across the country. The program provides loans and grants for housing and community facilities, including fire and police stations, libraries, nursing homes and schools.

Credit subsidies are the smallest type of support to private real estate. Credit subsidies are derived from programs at both USDA and SBA. USDA provides credit subsidies to reduce the cost of loans for the development of farm labor housing, for example, and SBA provides credit subsidies to reduce the cost of loans for commercial development by guaranteeing loans, revolving lines of credit and repayments of other types of debt.

An even larger impact

While $450 billion was the average amount directly committed to real estate each fiscal year by the federal government, the government's impact goes even further. This figure does not include the obligations of GSEs Fannie Mae and Freddie Mac, which exceed $5.5 trillion in outstanding loans and loan guarantees.[7] These loans and loan guarantees provide more backing to single-family properties than to multifamily ones. As a result of conservatorship that began in September 2008, the federal government explicitly backs Fannie Mae and Freddie Mac, including direct spending in the case of any losses. To date the federal government has spent $180 billion since its conservatorship of the GSEs began.[8]

This analysis also does not include federal funding for infrastructure projects like roads, railroads, public transportation, sewer systems, water lines and broadband, or federal government property including military bases and buildings owned or leased by the General Services Administration. These factors also influence where and how real estate is developed and multiply the federal government's impact. For instance, infrastructure investment through the surface transportation authorization and drinking water and wastewater state revolving loan funds in the FY 2011 budget equaled $53.8 billion, and this figure reflects only a portion of the total infrastructure spending from the federal government.[9]

Why does the federal government invest in real estate?
The federal government invests in real estate for a variety of reasons, depending on the specific program. The MID, created in 1913, is intended to promote homeownership. The Federal Home Loan Bank Act of 1932 provides sources of low-cost funds to banks to extend mortgage loans. The tenant-based rental assistance program at HUD is intended to increase affordable housing supply for low-income households. The New Markets Tax Credit, created by the Community Renewal Tax Relief Act of 2000, is designed to drive investment in communities with high levels of poverty and spur economic redevelopment.

Many of the programs surveyed are very old, and it is time to ask whether these are still the right funding priorities. Are today's programs accomplishing their intended purpose? Are programs coordinated across the federal government? And are these programs meeting the needs of the American people today?

2. This spending has an enormous impact on the U.S. real estate market

Though many think of the United States as a free market economy, real estate is greatly influenced by government policies. These policies, programs and spending impact what is built in communities across the nation, which influences the housing choices and business opportunities available to families and businesses.

Since the first local zoning code was created in 1916, local governments have created a diverse set of rules to govern the amount and type of development allowed in America's counties, towns and cities. Zoning codes, parking regulations, development fees, tax abatements, financing programs, infrastructure spending, caps on the number of building permits issued, allowable uses on properties and specific requirements in sewer and water districts are just some of the ways local governments influence real estate development. All of these regulations impact the quantity and type of real estate available to consumers.

Federal involvement in real estate is no different. The massive investments outlined in the previous section manifest themselves as incentives to individual buyers and sellers. And like local interventions, they impact the quantity and type of real estate available to consumers.

Federal real estate programs have accumulated over a long period of time and have not necessarily ever been viewed as a whole. As a result, they are unlikely to work together toward a coherent set of objectives or policy direction. While a review of these programs to detect a common direction is beyond the scope of this study, this report is intended to show the size and breadth of the major federal subsidies for real estate, and in so doing, highlight the importance of taking a fresh look at these programs to ensure that they are meeting the needs of America's families, businesses and taxpayers.

A finger on the scale

Even a cursory survey of federal real estate spending and commitments reveals an uneven impact on the real estate sector. We provide these observations here and believe they provide both direction and evidence for a comprehensive review.

Favoring homeowners over renters

The largest proportion of federal financing is directed at homeownership, totaling about 84 percent of total federal spending on housing (based on the programs surveyed by Smart Growth America).[10] The MID for homeowners is one such program and is among the largest expenditures of the federal government. This tax deduction costs an average $80 billion annually and promotes increased spending on housing. But according to the Reason Foundation[11] and the Center for American Progress[12] it does not necessarily increase rates of homeownership. The MID is only claimed by homeowners, not renters, who itemize their taxes. This skews the deduction predominantly to higher income households that own their homes. There is no similar deduction or credit for renters, nor for moderate/lower income homeowners (the majority of whom do not itemize their taxes). The MID also creates an additional penalty for households that lose their homes to foreclosure, as they lose both their real estate asset and a tax benefit.

Based on the programs included in Smart Growth America's survey, support for multifamily rental opportunities makes up only 16 percent of total housing support, despite the fact that 35 percent of U.S. households are renters, a figure that is projected to increase in the aftermath of the Great Recession.[13] Many renters, in addition, are also low-income, with a median income of $30,934 compared to $64,063, the median income of homeowners.[14] Lower incomes paired with increasing rents and the scarcity of affordable units available to lower income renters show that more may be needed to support rental housing.[15] Renters, in fact, face a penalty from the federal government, receiving less support per household, and being ineligible for a large deduction like the MID. There is assistance available for low-income renters through HUD programs including public housing, housing vouchers and project-based assistance; however only one in every four households in need receive some form of assistance.[16]

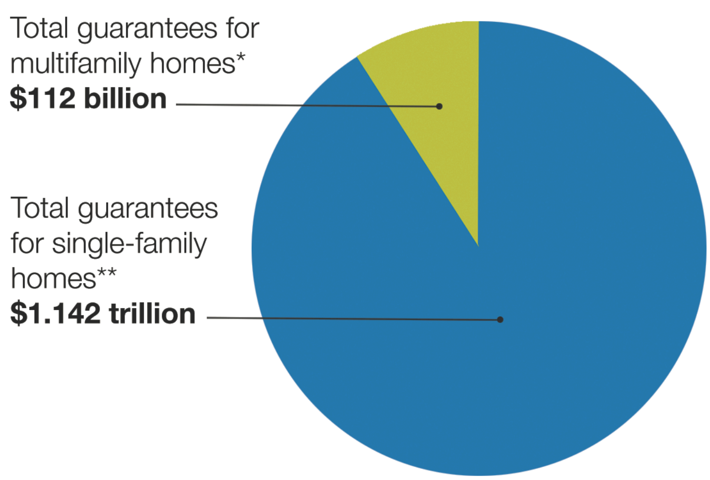
Favoring single-family homes

Loans and loan guarantees from FHA and USDA disproportionately support single-family homes over multifamily homes.

Congressional appropriations provided FHA with approximately $1.1 trillion in loan guarantees for single-family housing between FY 2007 and FY 2011. During that same time the agency could provide only $112 billion for multifamily products—one-tenth of the investment. Making up more than 90 percent of FHA's support for housing, single-family loans dwarf support for multifamily products regardless of market demand (see Figure 1). This comes at a time when demand for multifamily housing exceeds ten-year averages in communities across the country.[17] This despite the fact that multifamily products have one-fifth the delinquency rate than that for single-family housing and demand is rising for multifamily housing across the country.[18] Additionally, one-third of renters in the United States live in small multifamily buildings, with more than five units but less than 50. These buildings are in high demand but among the most difficult to finance and do not receive any focused federal support. Similarly, the largest housing program at USDA provides loans and loan guarantees for single-family housing (See Table 1 in Appendix A for details).

FIGURE 1

Federal support for single-family homes vs. multifamily homes, FY 2007-2011



* Includes single-family homes guaranteed by FHA and all USDA Rural Housing guarantees.
** See Table 1 of Appendix A for a detailed breakdown of the total between FHA and USDA Rural Development funds.

Providing easier access to low-cost loans for single-family housing skews the real estate market to build that product type over multifamily products that might otherwise be built if access to financing was equal.

Providing funding to purchase second homes

Often the federal intent stated in mortgage policy is to support homeownership and to expand the number of households who are owners. The percent of households owning a home is tracked closely across the national stage (65.5 percent in the second quarter of 2012[19]) and used as a benchmark of national success. Yet, the deduction of mortgage interest from household taxes applies to both first homes and second homes. In 2011, approximately 30 percent of households that claimed the MID also claimed the deduction on a second home.[20] Not only does this potentially drive up the cost of homes and undermine widespread ownership, but scarce federal resources are being used to help purchase second homes while homeowners who do not itemize their taxes receive no such assistance.

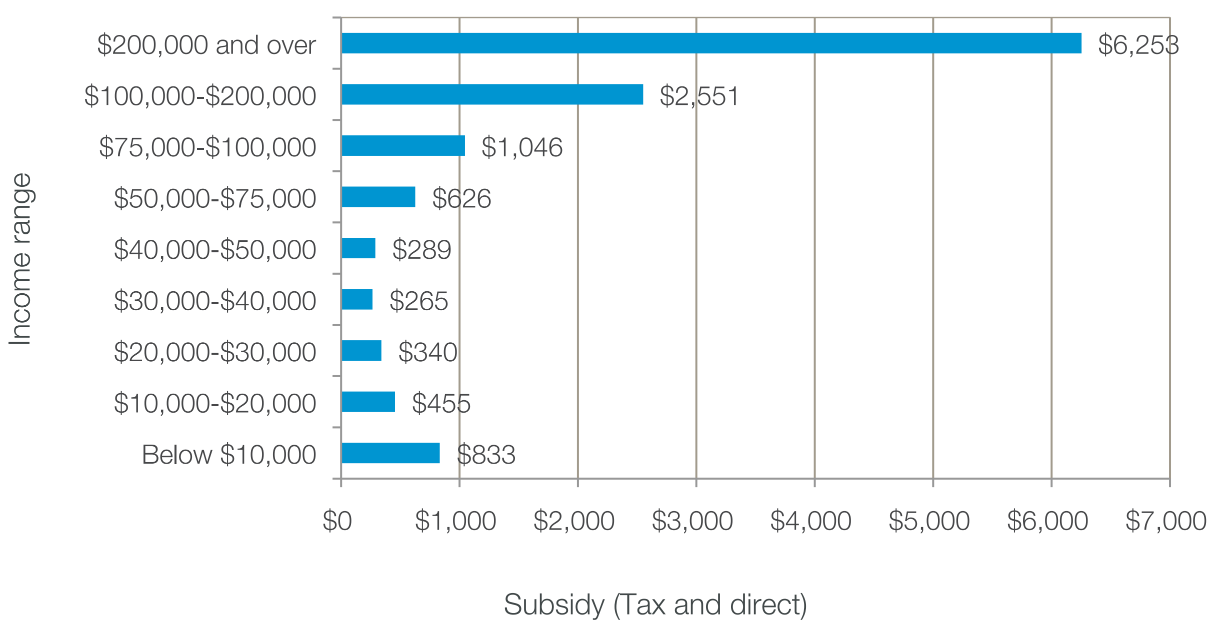
In 2011, approximately 30 percent of households that claimed the MID also claimed the deduction on a second home

Majority of funding is going to a small proportion of households

The distribution of funding for housing programs demonstrates that middle-income households receive significantly less support than either end of the spectrum with most of the subsidy going to the upper income households. In fact, households making more than $200,000 get nearly three times the subsidy of all other households combined (see Figure 2). The rationale for supporting lower income households is clear—without it, they are at risk of being without housing. The rationale for providing three times the support to the households with income levels above $200,000 is less clear. This spending is clearly not focused on stability for the middle class.

FIGURE 2

Estimated average housing subsidy per household/taxpayer, 2008[21]



Creating policy barriers to market changes
A number of existing programs establish "use limits" to the kinds of real estate products that can receive low-cost loan support. For example, builders of properties that include a mix of commercial and multifamily residential uses (both rental and condo) may only apply for an FHA loan or loan guarantee if they limit the percent of commercial space of the project, regardless of the market demand and viability of the project. Demand for mixed commercial and residential real estate development is a growing trend, and the federal government should not create a barrier to real estate types if the fiscal viability of the loan is sound. FHA recently responded to the market demand for mixed-use development by raising the limit on commercial space allowed in buildings receiving funding through its single-family loan program for condominiums. Additional adjustments are likely needed.

Failing to adequately support existing neighborhoods, a key to our fiscal recovery
Fiscal impact studies have shown repeatedly that reinvesting in existing neighborhoods and redeveloping existing buildings benefits municipal budgets, local property tax base and local economies. Because of outdated infrastructure, however, these projects can be prohibitively expensive for developers. Current federal support for real estate does not provide incentives for in-town development to reuse infrastructure, nor does it take into account the long-term savings for communities and taxpayers that can result from this type of real estate.

3. What purposes and criteria should guide federal involvement in real estate?

Existing federal programs provide extensive funding for the real estate market. In some cases—such as the overwhelmingly disproportionate spending on single-family housing compared to multifamily housing—programs that were created to meet market demand are now moving in opposition to the market. Some federal spending programs are used to subsidize new development on the outskirts of communities in locations that are very costly for local communities—while other federal programs are attempting to revitalize and strengthen nearby community cores at the same time. Even this overview of federal real estate subsidies suggests that a comprehensive evaluation is needed.

Today with the fiscal pressures facing the federal government, it is even more important that we ensure that federal expenditures and commitments on real estate are meeting our national needs, strengthening communities and providing economic opportunity. The federal government should ensure real estate spending is cost-effective and meeting the needs of families across the income spectrum, across community types and across the country. It is time for a fresh look at all these programs.

Changing demand
According to a number of recent studies, demand for housing is changing dramatically in the United States. The National Association of Realtors found in 2010 that two-thirds of households would select a smaller home within walking distance to restaurants, shops and schools over a large-lot property farther away, if they could afford it. In 2012 the Urban Land Institute recognized that apartments are in high demand, stating "Living smaller, closer to work, and preferably near mass transit holds increasing appeal as more people look to manage expenses wisely." That report also notes a strong and growing demand for commercial spaces in urban districts.

Guiding principles for reform

Smart Growth America recommends that federal real estate policy be more targeted to ensure that federal investments do the following:

1. Support balanced housing choices in suburbs, cities and rural communities.
2. Reinvest in America's existing neighborhoods and communities.
3. Provide a safety net for American families.
4. Help more Americans reach the middle class.

1. Support balanced housing choices in suburbs, cities and rural communities.
Our research has shown that the federal government disproportionately supports single-family housing over multifamily housing. This comes at a time when market demand for multifamily housing choices is growing. Smart Growth America does not believe the federal government should be in the business of determining the housing products available to the American people. The government should be efficient with federal resources and modernize investments to reflect today's demand for a variety of housing choices.

2. Reinvest in America's existing neighborhoods and communities.
Support community stability by reinvesting in existing communities where the public and private sector have already made substantial investments. With 35 percent of the nation's wealth invested in the built environment and trillions of federal dollars directed at it, ensuring stability of real estate investments is key to our economic future.[24] Yet over the past 50 years, the federal government has increasingly spent its scarce resources on new communities at the expense of existing neighborhoods. This has a profound effect on the cost to taxpayers. Building new infrastructure rather than fixing existing infrastructure increases maintenance costs for states, municipalities and the federal government. This strategy also pushes new development to follow the new infrastructure, causing local governments to lose population or face foreclosures. Federal programs to support communities when this happens are even more costly. All of this leads to massive inefficiencies in taxpayer investment, and negatively affects economic competitiveness and performance.

The federal government should focus programs to protect past public and private investments, including property values and infrastructure. Cities, states and private developers alike have already made significant investments in America's communities, and the government should protect the value of those investments.

The benefits of reinvestment
Investing in existing communities brings many benefits to the residents of those communities as well as the localities and the federal taxpayer. Investing within communities expands the tax base, creates additional jobs and increases property values. Alternatively, providing infrastructure to development on the fringe—outside of existing communities—costs three times as much as providing infrastructure to in-town development.[22] In fact, Sacramento, CA found that building within communities would save the city $7.5 billion in infrastructure costs.[23]

3. Provide a safety net for American families.
The federal government has long intervened in the real estate market through a variety of programs that have one overall purpose—providing a safety net for families and individuals who would otherwise not be able to meet their basic need for shelter. This is justified by both moral and practical considerations. From a practical and policy perspective, providing basic shelter creates a host of public goods and avoids public harm. Public medical costs, crime costs, basic sanitation, and other publicly and privately born costs are all reduced by providing shelter.[25] Shelter is a basic building block enabling people to successfully participate in the economy. It does not guarantee they will succeed, but it is virtually guaranteed they won't without it. Despite being one of the most basic functions of government, this goal currently receives some of the lowest levels of support from federal investments.

4. Help more Americans reach the middle class.
A significant proportion of federal real estate investment is directed at promoting homeownership, which is considered a gateway to the middle class. Homeownership has been a goal of the federal government because of the benefits associated with it—stabilizing a household's largest cost (shelter) while enabling a household to accumulate wealth. Housing as a wealth-building mechanism has been particularly important for households of modest means. It allows the shelter portion of a household budget to be used as an investment that generally builds equity over time—something not possible when these funds are spent on rent. It is time for the federal government to

consider how best to support households to reach the middle class, not just support them once they attain it.

Helping lower income families move into the middle class and helping middle-income families stay there will also help to promote better health outcomes, higher educational achievement for children, lower demands on social services, basic safety net programs and less involvement with the criminal justice system. Each of these will reduce public costs—costs that can be avoided when households move into the middle class.

Federal real estate financing should benefit all Americans, whether homeowners or renters in rural, suburban and urban communities, in a way that makes membership in the middle class an attainable feat.

Conclusion

The federal government heavily influences the U.S. real estate market, but more must be done to ensure this funding effectively meets the nation's current and future needs. Policymakers have a unique opportunity to improve the way the federal government invests to ensure taxpayers reap the greatest benefit. Now is the time for Congress to examine real estate funding and coordinate these programs around a clear set of goals and policy objectives. These changes will yield better returns on taxpayer investment while strengthening the real estate market over time. By examining and reforming federal real estate programs, legislators can allow communities across the country to grow stronger and more vibrant.

Appendix A

TABLE 1

Federal loan guarantees and new loan commitments for housing programs, FY 2007–2011

This table shows the major federal loan and loan guarantee programs for both single-family and multifamily housing. The major programs are in HUD's Federal Housing Administration or in USDA's Rural Development program. *In order to understand consistent federal support for these programs, these figures do not include funding provided by the American Reinvestment and Recovery Act.*

Federal Housing Administration (HUD)	
FHA Multifamily loan guarantee commitments	$0.112 trillion
FHA Single-family loan guarantee commitments	$1.104 trillion
Total FHA loan guarantees and commitments	**$1.216 trillion**

Rural Development (USDA)	
Section 502 (Single-family homeownership direct loans)	$0.006 trillion
Guarantee authority for new loan commitments	$0.032 trillion
Total USDA loan guarantees and commitments	**$0.038 trillion**

Total loan guarantees and commitments for housing programs	**$1.254 trillion**

TABLE 2

Federal loan guarantees and new loan commitments on non-housing programs, FY 2007–2011

These federal programs provide loans and loan guarantees to commercial real estate in general and to build facilities specific for rural development.

Department of Energy (DOE)	
Section 1705 Loan Guarantee Program	$6 billion
Total DOE loan guarantees and commitments for non-housing programs	**$6 billion**

Department of Agriculture (USDA)	
Community Facilities Program Direct Loans	$2 billion
Business and Industry Loan Guarantees	$5 billion
Rural Broadband Direct Loans	$1.2 billion
Rural Water and Waste Disposal Direct Loans	$4 billion
Electric Program Direct Loans	$27 billion

Telecommunications Program Direct Loans	$3 billion
Total USDA loan guarantees and commitments for non-housing programs	**$42 billion**
Small Business Administration (SBA)	
7(a) Guaranteed Loan Program	$44 billion
Section 504 Certified Development Companies	$17 billion
Total SBA loan guarantees and commitments for non-housing programs	**$61 billion**
Total federal loan guarantees and commitments for non-housing programs	**$109 billion**

TABLE 3

Tax expenditures, FY 2007–2011

This table presents the total tax expenditures on real estate through programs administered by the Department of Treasury from FY 2007 to FY 2011. The first three programs—MID, local property tax deduction and capital gains exclusion—provide nearly 90 percent of the federal tax expenditures subsidy to real estate.

Deduction for mortgage interest	$396 billion
Deductibility of state and local property tax on owner-occupied homes	$106 billion
Capital gains exclusion on home sales	$94 billion
Single-family mortgage revenue bonds	$6 billion
Multifamily mortgage revenue bonds	$4 billion
Low-Income Housing Tax Credit	$29 billion
Historic Preservation Tax Credits	$2 billion
Rehabilitation of non-historic structures tax credit	$0.8 billion
Depreciation of rental housing in excess of alternative depreciation system	$24 billion
New Market Tax Credit	$3 billion
Like-kind exchanges	$14 billion
Energy efficient commercial building deduction	$0.600 billion
Tax-exempt private activity facility bonds for green buildings	$0.200 billion
Expensing of environmental remediation costs	$0.600 billion
Total tax expenditures	**$680 billion**

TABLE 4

Direct grants and credit subsidies, FY 2007–2011

Direct grants from federal programs provide focused assistance into the real estate sector to serve specific needs, often in support of lower-income households. Credit subsidies reduce the cost of loans to specific

Department Housing and Urban Development (HUD)	
HOME	$9 billion
Community Development Block Grant program	$19 billion
Project-Based Rental Assistance	$37 billion
Tenant-Based Rental Assistance	$84 billion
Public Housing Capital Fund	$12 billion
Total HUD grants	**$184 billion**

Department of Energy (DOE)	
Weatherization Assistance Program	$1.4 billion
Total DOE grants	**$1.4 billion**

Department of Agriculture (USDA)	
Community Facilities Program direct loan subsidy	$0.05 billion
Business and Industry Program direct loan subsidy	$0.87 billion
Total USDA credit subsidies	**$0.92 billion**

Small Business Administration (SBA)	
7a Guaranteed Loan credit subsidy	$0.07 billion
Total SBA credit subsidies	**$0.07 billion**

Total direct grants and credit subsidies	**$187 billion**

Appendix B

TABLE 1

Comparison of multifamily and homeowner tax and direct expenditures

From 2007 to 2011, the federal government provided more than $800 billion in tax credits and direct expenditures for single-family and multifamily housing. This includes about $606 billion in tax and direct expenditures on single-family housing and $227 billion for multifamily housing.

Multifamily tax expenditures	
Low Income Housing Tax Credit (Section 42)	$29 billion
Historic Credits for Rental Housing	$0.8 billion
Depreciation of rental housing in excess of alternative depreciation system	$24 billion
Multifamily mortgage revenue bonds (Section 141)	$4 billion
Total multifamily tax expenditures	**$58 billion**

Multifamily direct expenditures	
HOME Program Rental	$5 billion
Community Development Block Grants	$4 billion
Project-Based Rental Assistance	$37 billion
Tenant-Based Rental Assistance	$84 billion
Public Housing Capital Fund	$12 billion
HOPE VI/Choice Neighborhoods	$1 billion
Public Housing Operating Fund	$22 billion
Rural Housing Rental Assistance	$4 billion
Total multifamily direct expenditures	**$169 billion**

Homeowner tax expenditures	
Deduction for mortgage interest on owner-occupied residences (sec 163 (h))	$396 billion
Deductibility of state and local property tax on owner-occupied homes (Sec 164)	$106 billion
Capital gains exclusion on home sales	$94 billion
Single-family mortgage revenue bonds	$6 billion
Total homeowner tax expenditures	**$601 billion**

Homeowner direct expenditures	
HOME Program Homeowner/Buyer Assistance	$4 billion
Weatherization Assistance Program	$1.4 billion
Total homeowner direct expenditures	**$5 billion**
Five year total multifamily and homeowner tax and direct expenditures	**$833 billion**

Endnotes

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Smart Growth America advocates for people who want to live and work in great neighborhoods. We believe smart growth solutions support thriving businesses and jobs, provide more options for how people get around and make it more affordable to live near work and the grocery store. Our coalition works with communities to fight sprawl and save money. We are making America's neighborhoods great together.

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