



Statement for the Record of Ellen Woodward Potts
Executive Director of Habitat for Humanity of Tuscaloosa
Speaking on behalf of Habitat for Humanity
House Financial Services Committee
Subcommittee on Housing and Insurance
Hearing on "HOME 2.0: Modern Solutions to the Housing Shortage"

Introduction

Chairman Flood, Ranking Member Cleaver and members of the Subcommittee, good afternoon and thank you for the opportunity to testify and share Habitat for Humanity's experience with the Department of Housing and Urban Development's HOME Investment Partnerships Program and our recommendations for deepening the program's impact, especially in addressing the nation's severe shortage of affordable homes for homeownership. My name is Ellen Woodward Potts, and I am the Executive Director of Habitat for Humanity Tuscaloosa in Alabama. I'm honored to be joining you all today to talk with you all from the perspective of my affiliate, but also the broader Habitat network in the United States.

Habitat for Humanity is a movement of people working in all 50 states, the District of Columbia, Puerto Rico, and countries around the world to make sure everyone has a safe, affordable place to call home. Since our founding in 1976 as a Christian organization, together we have helped more than 62 million people globally build their futures on their own terms through access to decent housing. We've done that by working alongside people of all walks of life to build, repair and finance their homes, by innovating new ways of building and financing, and by advocating for policies that make constructing and accessing housing easier for everyone.

With nearly 1,000 affiliates across the U.S., Habitat for Humanity is consistently among the top 30 largest home builders in the country, and we're the largest nonprofit provider of home repairs for low-income households nationwide. In Fiscal Year 2024, Habitat organizations built, rehabbed, or repaired more than 15,600 homes across the nation.

Habitat leverages federal resources, like the HOME program, along with private and philanthropic dollars to build, rehab and repair affordable homes across the country, including in Tuscaloosa. The HOME program has long been a critical resource for Habitat affiliates and other nonprofit developers building affordable homes for homeownership. But the scale of our nation's housing crisis demands that we take a fresh look at the program and renew our commitment to making HOME as effective and efficient as possible. At Habitat Tuscaloosa, we have been serving our local community since 1987. Since 2013 we have partnered with the City of Tuscaloosa as a Community Housing Development Organization, or CHDO, and have received HOME funds which have supported the construction of more than 30 homes for homeownership. These funds have enabled us to serve dozens of local families who otherwise would not have been able to purchase a safe, decent, and affordable home and achieve the American dream of becoming a homeowner. However, the scale of our nation's housing crisis demands that we take a fresh look at the program and renew our commitment to making HOME as effective and efficient as possible, both in Tuscaloosa and across the country.

Housing shortages heavily impact access to homeownership

A record shortage of entry-level "starter" homes has driven up home prices and pushed the dream of homeownership out of reach for millions of families nationwide over the past few years. Harvard's Joint Center for Housing Studies

reports that fewer than 20% of renters can afford to purchase a median priced home. At the heart of the problem is years of underbuilding. The supply shortage is especially acute for modest-sized homes, whose numbers have dwindled dramatically since the late 1970s.

In varied communities across the U.S., where Habitat for Humanity operates, local Habitat affiliates are working directly with essential members of the workforce – including teachers, nurses, business managers, home health aides, military personnel, and others - who earn at or below 80% Area Median Income, or AMI, and are struggling to find homes they can afford to purchase. This persistent lack of affordable homeownership opportunities limits access to jobs, weakens local economies, and pushes millions of would-be homebuyers into an already strained rental market, further exacerbating the affordable housing crisis.

We cannot make homeownership attainable again and rein in overall housing costs until we start rebuilding our nation's supply of affordable, starter homes. Federal support through programs like HOME is critical, as data show that the private sector alone cannot meet this need.

What gets in the way of building starter homes

A mix of financial and regulatory barriers makes it difficult, and often impossible, to construct or rehabilitate affordably priced starter homes in the many communities that need them. Most builders don't build starter homes anymore because they simply don't "pencil out." Here's what's driving the math:

The rising cost of land

According to the American Enterprise Institute's *Land Price and Land Share Indicators*, the price of a standardized quarter-acre lot for existing single-family homes has more than tripled since 2012 and rose 62% between 2019 and 2023 alone. Over the past four years, this increase has added on average more than \$100,000 to the cost of development, right from the start. High land costs impact most communities where we work — and not just the most expensive markets. For instance, in the Kansas City region, Johnson County land costs have become prohibitive for building affordable homes for homeownership absent creative partnerships with faith communities and local government, which have been essential partners for our local affiliate in acquiring property.

Expensive and scarce construction financing

Higher interest rates have increased capital costs for all types of builders, posing another significant challenge. In the Urban Land Institute's 2024 survey of real estate developers, 94% cited the cost of capital as a key concern — higher than for any other issue. For Habitat, higher financing expenses add to our overall development costs while increasing the need for assembling multiple layers of financing. This adds to the complexity of deals as well as the time it takes to build, further increasing the cost of producing an entry-level home.

Elevated labor and materials costs

The continued shortage of skilled construction workers, including roofers, plumbers, masons, electricians and framing crews, has increased labor costs for builders like Habitat and related subcontractors. Meanwhile, prices for materials such as lumber remain higher than before the pandemic.

Overly restrictive land use regulations

Too many cities and towns have outdated zoning regulations that pose unnecessary restrictions on the development of starter homes and other types of housing. In many communities, local governments have effectively made it illegal to build attainable starter homes through restrictions like excessively large minimum home sizes, large minimum lot sizes, prohibitions on attached housing like duplexes and townhomes, and zoning rules that disallow homes on underdeveloped commercial sites or land held by schools or religious institutions. These restrictions lead to builders competing for a dwindling inventory of buildable land, driving up land costs, decreasing production, and ultimately requiring developers to build at the higher end of the market to make the numbers pencil out. For Habitat, rigid zoning

restrictions simply limit the number of homes we can build and the number of families we can serve.

High impact fees and permit fees

For a typical Habitat affiliate, for example our Habitat affiliate in DuPage, Illinois, permit and impact fees run about \$20,000-\$30,000 per home. Other affiliates report much higher fees. These fees further impede starter home construction.

Extended timelines for permit approvals and environmental reviews

Drawn-out, discretionary approval processes and environmental reviews add to our capital costs, soft costs and the time it takes to bring affordable homes to market. They also make it harder still to juggle multiple sources of public financing, as these sources have strict timelines for completing construction.

Increased competition from investors for single-family homes

For many of our affiliates, competition from investors increases the price of acquiring existing homes so that they can be rehabilitated and made suitable and available for low- and moderate-income homebuyers. Investor purchases impact many communities acutely. For example, in the Omaha suburb of La Vista, which has many modest single-family homes, 50% of all properties are owned by investors. In the Kansas City metro area, nearly 25% of all single-family homes are held by non-owner-occupants and offered for rent.

The bottom line: in many markets, hardworking low-, moderate- and even middle-income homebuyers are unable to afford the cost of a home, even when built at no profit to the developer. In middle-of-the-road markets, we find this “affordability gap” can range from \$30,000 per home to upwards of \$130,000 or greater. However, in other, more distressed markets, homes can cost more to build than the value of the completed home, so the developer cannot recoup its costs on sale even if the price of the home is more affordable.

At Habitat, we help close these gaps by leveraging corporate partnerships, private donations, volunteer labor, low-cost public land, and other creative means. But financial resources from localities, states and the federal government are, and will continue to be, essential pieces of the solution for us and others building starter homes for the U.S. workforce.

How HOME helps

The federal government can help close financial gaps impeding affordable starter home development by investing strategically in federal housing production programs that work. HUD’s HOME program is one of those key programs that work.

The HOME program plays a crucial role in Habitat’s work to build affordable new homes, rehabilitate existing properties, revitalize neighborhoods, and make homeownership more attainable for families of all backgrounds. HOME resources have helped Habitat address critical housing shortages and create homeownership opportunities for thousands of low-income households in rural, suburban and urban communities nationwide.

The HOME program is one of the most commonly used federal housing programs by the Habitat network. In a recent survey, more than half of polled affiliates reported receiving HOME funding in recent years.

Assistance from the HOME program, whether for development, rehabilitation, or down payment assistance, helps Habitat affiliates leverage so much more in local, state, and private resources, completing the equation to make home construction and homeownership possible for more hardworking families.

But the HOME program presents various challenges and has become more difficult to use in recent years, especially for homeownership activities. To make it more useful and available in a wider range of communities, we need to ***simplify and improve the process of using HOME funding in all communities, and especially for homeownership.***

Recommendations for modernization

Various HOME regulatory and statutory burdens add significant costs and time that make it hard and time consuming for Habitat affiliates to use HOME resources for new construction, home rehabilitation and home repair activities. These challenges have led to some Habitat affiliates avoiding the use of HOME funds altogether. Furthermore, the Habitat affiliate network reports fewer participating jurisdictions making HOME funding available for homeownership projects, despite the growing need for affordable starter homes.

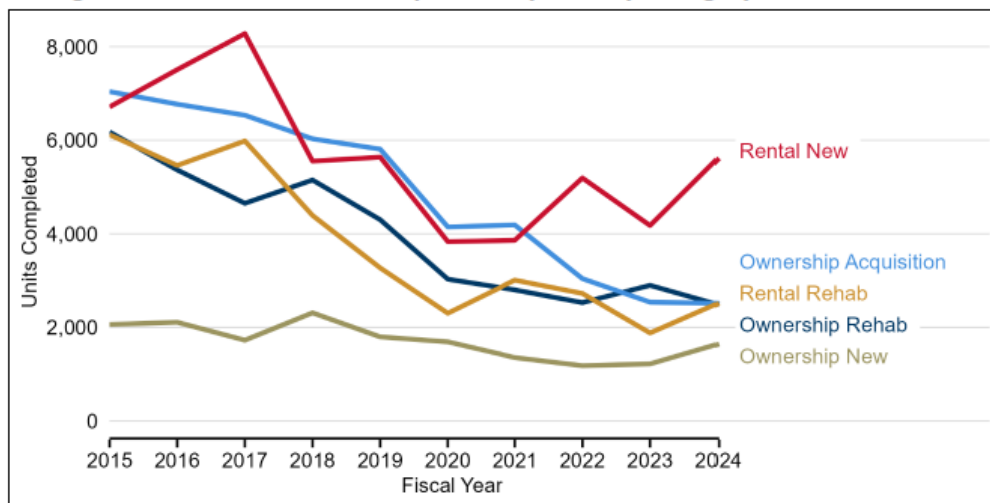
Habitat's work on the ground has given us broad insight into what works and what obstacles remain for expanding our nation's housing supply and making homeownership attainable nationwide. Here are some recommendations for streamlining and modernizing the HOME program to make it less costly, more usable, and more available for affordable homeownership purposes.

- **Ensure HOME funds are more consistently available for homeownership purposes**

Many Habitat affiliates have seen a significant decline in PJs directing HOME funding to homeownership projects in recent years. States such as Wyoming and multiple local jurisdictions no longer make HOME funds available for affordable homeownership uses at all. Administrative burdens—and lack of clarity about regulatory requirements—are among the chief reasons Habitat affiliates have reported for why PJs are backing away from using HOME to support affordable homeownership activities.

These experiences are matched by recent data from the Congressional Research Service, which shows that HOME support for homeownership activities has declined steeply over the past 10 years. This was especially evident for rehabilitation of owner-occupied housing ("Ownership Rehab") and direct homebuyer assistance ("Ownership Acquisition"). HOME support for new construction of owner-occupied housing has also declined and remains far below support for new rental construction.

Figure 5. Non-TBRA Unit Completions by Activity Category, FY2015–FY2024



Source: Congressional Research Service, *An Overview of the HOME Investment Partnerships Program*, April 25, 2025, <https://www.congress.gov/crs-product/R40118>.

HOME investment in homeownership also shows similar declines:

Table D-I. HOME Nominal Project Funding Completions, FY2015 and FY2024

Activity	Funding for Completed Units (or TBRA households assisted)		
	FY2015	FY2024	Percentage Change
Ownership Acquisition	\$115,692,018	\$70,753,119	-39%
Ownership New Construction	\$128,724,971	\$120,860,822	-6%
Ownership Rehabilitation	\$229,258,598	\$143,617,995	-37%
Rental New Construction	\$529,527,970	\$607,179,996	15%
Rental Rehabilitation and Acquisition	\$297,506,956	\$218,009,822	-27%
TBRA	\$37,481,353	\$81,690,455	118%
Total	\$1,338,191,866	\$1,242,202,209	-7%

Source: Congressional Research Service, *An Overview of the HOME Investment Partnerships Program*, April 25, 2025, <https://www.congress.gov/crs-product/R40118>.

Recommendations:

- **Create a floor for PJs making assistance available for affordable homeownership.**
- **Provide increased training for PJs on using HOME funds for affordable homeownership.**
HUD should take further steps to encourage PJs to make HOME funding available in their communities for affordable homeownership construction, rehabilitation, repair and land acquisition. One step would be to increase targeted training for PJs on the use of HOME for homeownership projects. This could include the promotion of best practices used by PJs and partnering affordable homeownership providers engaged in impactful and compliant activities creating lasting affordable homeownership opportunities.
- **Expand the availability of the preemptive purchase option for Community Development Corporations**
Current HOME regulations impede the use of preemptive purchase rights for most Community Development Corporation (42 U.S. Code § 9802) homeownership providers, including Habitat for Humanity. This impedes our efforts to maintain the affordability of the home from one homebuyer to the next. And it thus prevents many affiliates from using the program altogether.

Presently, only Community Land Trusts, or CLTs, can exercise preemptive purchase rights, such as a first right of refusal, to facilitate the resale of affordable homeownership housing units to subsequent income-eligible homebuyers and preserve the affordability of the assisted housing. The [FY2016 final appropriations bill](#) included language (pg. 638) allowing CLTs to hold and exercise purchase options, right of first refusal or other preemptive rights to purchase the housing to preserve affordability, including but not limited to the right to purchase the housing in lieu of foreclosure. Additionally, the Senate Report language (page 124-125) expressly recognized the importance of preserving affordable homeownership opportunities, especially when change in ownership is initiated, and explains that CLTs exercise these rights to ensure affordability is maintained through ownership changes. We believe non-CLT, mission-driven nonprofit organizations also can and do continue to preserve affordable homeownership opportunities and similarly use preemptive purchase rights to do so. They do this whether the homes are formally subject to resale restrictions, or by otherwise repurchasing them from the initial homeowner and reselling them through their affordable homeownership programs to subsequent, income eligible buyers.

Non-profit developers like Habitat that are not CLTs have the unique ability to provide and preserve the affordability of for-sale homes for low- and moderate-income families over a long period of time. Because many PJs do not want to expend the time or resources to repurchase properties, they should be able to allow non-profit developers to use a preemptive purchase option, either directly or by assignment of the PJ's preemptive purchase options to non-profit developers to ensure the long-term affordability requirement of the HOME program is satisfied by facilitating the resale to another eligible homebuyer.

Furthermore, CDCs should also be able to exercise preemptive purchase rights when a recapture mechanism is used to satisfy HOME's long-term affordability requirement, so long as the mechanism establishes a repurchase price that is designed to reasonably approximate the fair market value of housing unit. This facilitation allows the selling homeowner to realize the same return it would be selling directly to another homebuyer, but preserves the affordability of the home for low-income homebuyers that could not afford the market price.

Recommendation:

- **Include language in the reauthorization statute explicitly allowing CDCs to be able to hold and exercise purchase options, rights of first refusal, or other preemptive rights to purchase HOME-assisted housing to preserve its affordability and provide a fair return to the selling homeowner.** We believe that the ability to continue affordability should not be limited to a CLT, shared equity model, or a limited cooperative and the preemptive purchase rights should be exercisable when either a resale restriction or recapture instrument is used to meet the long-term affordability requirement.

- **Bring price limits up to date**

The HOME statute requires the home being sold for homeownership to have an initial purchase price that does not exceed 95% of the median purchase price for the area, as determined by the HUD Secretary. HUD has been using a methodology that is not timely, nor accurate, and the 95% HOME price limit hinders both developers and homebuyers from accessing high opportunity neighborhoods. The housing industry has made many attempts to urge HUD to utilize a timelier method, to little success. As a result, developers like Habitat are forced to price homes lower than the actual median home prices for the area, undervaluing homes and inadvertently impacting surrounding property values.

Recommendations:

- **We recommend that the sales price limit be increased to 110% of the median area purchase price, and we were grateful to see this included in the discussion draft released on June 30.** We believe this approach is the most timely and effective route for improvement.
- **HUD or Congress should improve HUD's methodology for calculating price limits so that they are timelier and more accurate at the time of sale.**

- **Provide appropriate flexibility in the timing of income determination**

Homeownership assistance programs like those offered by Habitat affiliates often include program requirements designed to increase the likelihood of success of their participants, such as homeowner education and financial coaching and counseling, as well as "sweat equity" and other "self-help" requirements. In addition, participants in these programs are often selected before construction begins on the home. Once the participant is qualified, satisfaction of program requirements and construction can take much longer than six months to complete — sometimes up to 2 years, particularly if there are permitting, environmental review, contracting or inspection delays.

Currently, HOME regulations (at 92.203(e)(2)) do not require the PJ “to reexamine the family’s income at the time the HOME assistance is provided, unless more than six months has elapsed since the participating jurisdiction determined that the family qualified as income eligible.” If program requirements take longer than 6 months to complete, sub-grantees may be required to re-determine the household’s income prior to the provision of HOME assistance, and if the homebuyer’s income has increased above the qualification threshold, they are no longer eligible to purchase the HOME-assisted housing unit.

Recommendation:

- **Allow providers to determine a homebuyer’s income eligibility either at the time of entering into an agreement to purchase a home, or at the point of qualifying for homebuyer assistance to purchase the home – whichever is earlier.**

- **Enable USDA income qualification to be reused also for the HOME program**

Recommendation:

- **Improve the ability to couple HOME funding with USDA Section 502 direct loans.** To increase the amount of HOME dollars supporting affordable homeownership opportunities in rural communities, HUD should explicitly allow families using a USDA section 502 direct loan to purchase their home to qualify for HOME funding based on the low-income limits of the section 502 direct loan program. The section 502 program uses HUD income limit data but adjusts it to account for the impact of persistent poverty on rural area median incomes through a method called “income-banding.” Income banding is a two-tier income limit structure for USDA’s single family housing programs, which bands together 1-4 person households using the 4-person income level set by HUD, and 5-8 person households using the 8-person income level. This method of income qualification has enabled more meaningful homeownership opportunities to those who would otherwise be denied, recognizing the economic realities of rural communities.

HUD set a precedent for this type of cross-departmental waiver with the Self-Help Homeownership Opportunity Program (SHOP), which permits the suggested approach:
FR-6700-N-19, p. 21 III(F)(11)

When an individual or family participating in the SHOP program uses financing provided by the United States Department of Agriculture’s 502 Homeownership Direct Loan Program, a grantee may use the low-income limits developed for that program to determine that individual or family’s eligibility.

This language should be applied to HOME as well.

- **Improve the Environmental Review Process**

Some level of environmental review (ER) is required for virtually all housing activities performed by Habitat affiliates utilizing assistance from the HOME program, including home repairs that make minor safety and health improvements to existing homes. The review process frequently creates significant delays and added costs that can make new construction, home rehabilitation, and repairs very difficult.

Added costs undercut the federal assistance provided. And when this assistance is small to start with, these costs can quickly make projects infeasible for our network and many other nonprofit developers. Delays caused by the ER process can be equally impactful. Just establishing an exemption can take up to 3 months. Completing an “Environmental Assessment” or a more extensive “Environmental Impact Statement” can take a full year or longer to complete. For some Habitat affiliates, these delays are the biggest hurdle to timely completion of projects through the program, jeopardizing use of the funds themselves. Ultimately, undue delays caused by ERs slow the performance of critical home repairs that are frequently time sensitive. They

also erode community confidence in federally supported home repair programs and reduce these programs' overall impact.

Recommendations:

Opportunities exist for Congress and HUD to reduce administrative burden and unnecessary delays while remaining consistent with the language and intentions of the National Environmental Protection Act, or NEPA, and related statutes. We were grateful to see in the draft legislation categorical exemptions for i) new construction housing units on infill lots with existing developed neighborhoods that are already served by public infrastructure, ii) acquisition of real property for affordable housing purposes, iii) rehabilitation projects, and iv) new construction projects of 20 units or less.

The following improvements would lower costs and speed the delivery of urgently needed home repairs and new housing units while stretching federal investment farther.

- **Exempt all forms of home repair from NEPA and most other applicable Federal environmental laws and authorities listed in § 58.5.** Repairs to existing, occupied properties that do not increase the building footprint should not have to undergo the exhaustive list of reviews currently associated with ERs. Repair activities of any scale typically have a minimal effect on the environment, particularly when they involve limited changes to site conditions or the structure as a whole. Treating these activities like more substantial rehabilitation or new development adds unnecessary administrative burden that can prevent needed health and safety modifications that improve the homeowner's living environment—the opposite of NEPA's intent.

While exceptions do exist for certain repair activities deemed “maintenance,” our affiliates report that interpretations vary widely for what qualifies, and the scope of maintenance remains relatively narrow.

The better approach would be to broadly exempt repair projects from environmental review, regardless of unit count, as long as these activities don't increase the footprint of the property.

- **Offer categorical exclusion from NEPA for new construction of modest-scale single-family homes of up to 20 units.** Presently, “categorical exclusion” from just NEPA is only available for projects of 4 units or fewer. An “Environmental Assessment” and/or “Environmental Impact Statement” is needed for projects of 5 or more units. This unit threshold should be increased to at least 20 units—or altogether waived—for single family homes that remain within the scope of the residential building code, i.e., single homes, duplexes, accessory structures, and townhomes no higher than 3 stories.
- **Allow the reuse of ERs.** If a project is required to have an environmental review and is seeking assistance from more than one federal agency, the applicant should be allowed to reuse the first ER in connection with all other federal assistance programs for that project.

- **Ease Davis-Bacon Compliance Burdens for Smaller Projects**

Habitat believes in fair pay for workers. The requirement to pay prevailing wages is a fair expectation of federal assistance recipients. The challenge lies in the process documenting compliance. The amount of paperwork, payroll processes, and administrative systems needed to comply with the Davis Bacon Related Act requirements deters many of our affiliates from using certain federal housing assistance altogether.

Compliance burdens can be prohibitive for smaller contractors who don't have the scale to set up the necessary paperwork systems, and who don't need to engage with federally supported projects when there is more than enough demand for their work from market-rate builders. As a result, Habitat affiliates cannot find contractors willing to bid on projects receiving federal support. This leads to affiliates no longer participating in federal programs when their projects would trigger Davis Bacon requirements. This includes two of Habitat's largest affiliates that do not use HOME or CDBG funds for new construction or home rehabilitation solely because of the impact that Davis Bacon paperwork requirements have on contractor availability.

Recommendation:

- **Raise the unit trigger for Davis Bacon.** We believe projects of up to 50 units should be exempt (up from the current threshold of 12 units for HOME). We appreciate seeing this change proposed in the draft legislation. Projects of 50 units or fewer are still likely to work with smaller contractors unable to meet compliance requirements.
- **Exempt HOME from BABA**

The Build America Buy America Act, which was included in the Infrastructure Investment and Jobs Act (IIJA), established a domestic content procurement requirement for all federally assisted infrastructure projects. All iron, steel, manufactured products and construction materials used in covered infrastructure projects must be produced in the United States. HUD has now implemented BABA restrictions for most of its programs including HOME and CDBG, despite OMB's guidance focusing BABA applicability on "public" projects and the fact that private homes were not considered infrastructure under the IIJA. But neither the IIJA nor HUD has made additional resources available to mitigate higher homebuilding material costs that stem from these limitations, and the waiver process for materials that are unavailable or cost-prohibitive is overly burdensome and would result in unnecessary delays.

Permitting the use of conventional construction materials for affordable housing programs is critical for addressing the supply shortage and the timely execution of HUD-funded affordable programs. As non-profit affordable housing developers, Habitat affiliates are already struggling to keep costs low and meet strict funding timelines while working to increase the supply of affordable homes. At a time when the shortage of affordable homes has reached a crisis level, BABA requirements threaten to undermine efforts to close the housing supply gap.

Recommendation:

- **Exempt development of private homes from the Build America Buy America requirement.**

We are grateful to see activities assisted by HOME funding exempt from being required to comply because we believe that a private home should not be considered infrastructure within the confines of the Build America Buy America requirement.

Closing

Thank you for putting a spotlight on HUD's HOME program as well as the valuable role it plays in building needed housing supply and expanding paths to homeownership. We appreciate the opportunity to share our recommendations for improvements that would help grow its impact.

Modernizing the HOME program is an essential part of an effective, multi-pronged strategy to address our nation's critical housing needs and provides an excellent avenue for Congress to act on some of the ideas shared here today.

Thank you again for the opportunity to testify today. Habitat for Humanity stands ready to partner with members of the Housing and Insurance Subcommittee and all others in the federal government to get these solutions implemented.