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To
Members of the Congressional
Progressive Caucus

From
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Members of the Congressional Progressive Caucus,

Thank you for the opportunity to submit testimony on strategies to lower housing costs, with a focus on public housing, public sector development, and tools that can expand supply in a constrained funding environment.

The United States faces a structural housing shortage. While rental assistance remains essential, a core driver of high housing costs is insufficient supply, particularly of housing that is permanently affordable and insulated from market pressures. Addressing this challenge requires rebuilding public capacity to develop, finance, and steward housing at scale while also creating financing tools that can help projects move forward when traditional capital sources fall short.

At Center for Public Enterprise, our mission is to support that work. We are a 501(c)3 think tank and technical assistance provider, helping public sector entities like public housing authorities (PHAs), housing finance agencies (HFAs), and state and local governments identify innovative ways to increase affordable housing production without drawing upon scarce federal resources like the Low-Income Housing Tax Credit (LIHTC) or tax exempt private activity bonds.

The reality in most states is that affordable housing production is constrained not by need or demand, but by the availability of subsidies. These programs are consistently oversubscribed, leaving viable projects unbuilt each year. If Congress and state and local governments want to increase production, the public sector must complement existing programs with tools that lower costs and complexity and allow more projects to proceed.

I want to focus on two complementary tools that we believe can materially reduce housing costs over time: state and local revolving loan funds for construction financing, and mixed-income public development where institutional capacity exists.

Revolving loan funds for construction financing

State and local revolving loan funds (RLFs) for construction financing are rapidly emerging as a flexible and versatile tool available to the public sector to increase affordable housing production. By providing low-cost, subordinate construction financing, [RLFs can replace expensive private equity](#) or mezzanine debt in a project's capital stack, lowering total development costs and improving project feasibility in a high interest rate environment.

Importantly, RLFs, when structured correctly, can have broad-based impact by increasing the supply of mixed-income housing. They can help get stalled market rate deals to closing in exchange for adding affordability, help catalyze the development of public lands, and provide an offramp for 100% affordable projects that would otherwise be stuck waiting for tax credits or other limited subsidies year after year.

By CPE's estimate, there is already over \$500 million in revolving loan fund capital across the country. Because this capital is quickly repaid and recycled (typically within 3-5 years), its impact can be multiplied many times over and make RLFs a durable form of public investment rather than just a one-time subsidy.

RLFs are especially powerful when paired with public bond financing, which has increasingly been used by public agencies to acquire and preserve naturally occurring affordable housing. Bond-financed acquisition allows public entities to intervene early, stabilize rents, and prevent displacement, often at a fraction of the cost of new construction. Agencies such as the [King County Housing Authority](#) and the [Philadelphia Housing Authority](#) have used this strategy effectively to rapidly expand their affordable housing portfolio even in an era of limited federal funding.

State housing finance agencies (most recently MassHousing, Michigan State Housing Development Authority, and New York Homes and Community Renewal) have also launched revolving and subordinate financing programs with a shared goal: accelerating production by deploying capital quickly, without relying exclusively on federal subsidies. We highlight these examples in our [recently published report](#) that demonstrates their impact and highlights the opportunity for HFAs to grow their role in financing new construction and creating affordability in their housing markets.

Mixed-income public development

In some jurisdictions, public developers—particularly PHAs—can play an additional role by leveraging RLFs to develop and own mixed-income housing directly. Where feasible, mixed-income public development offers a path to permanent affordability. Under this model, a public entity develops and retains long-term ownership of housing serving a range of incomes, combining deeply affordable units with moderate and market rate units. Cross subsidy within the property, often enhanced by tax abatements and other public financing, allows affordability to be achieved without ongoing operating subsidies.

A widely cited example is Montgomery County Housing Opportunities Commission, whose \$100 million [Housing Production Fund](#) uses revolving construction loans to replace high-cost private equity, enabling publicly owned, mixed-income housing (roughly 70% market and 30% affordable) at scale. Other cities have taken note. Atlanta, Chattanooga, and Chicago have all created new public development entities inspired by similar principles. CPE is currently working with roughly a dozen jurisdictions across the

country at both the state and local level to establish similar programs. You can find a fuller description of these models in a [report we published](#) in conjunction with the National Housing Crisis Taskforce.

PHAs are natural vessels for this work. They are entities created for the purpose of developing, owning, and stewarding affordable real estate assets and are often granted powers by their state, such as the ability to issue bonds or receive tax abatements, that can further this mission. However, many PHAs face capacity constraints, legacy challenges, or governance limitations that make direct development impractical. These models should be pursued selectively, where institutional strength and local conditions support them.

For those that are positioned to undertake this work, these models align naturally with existing federal redevelopment pathways, including Restore-Rebuild (Faircloth-to-RAD), and Choice Neighborhoods. Both programs already contemplate comprehensive redevelopment, replacement housing, and often mixed-income outcomes. What mixed-income public development adds is a clearer end state: PHAs emerging from redevelopment not only with modernized deeply affordable housing, but with a broader, financially sustainable portfolio that can help support long-term operations and future reinvestment.

Building resilience beyond federal subsidies

A critical but often underappreciated goal is helping public entities develop a stock of housing that is not wholly dependent on ongoing federal operating subsidies, while remaining publicly controlled and mission-driven. This takes on even more importance during periods of federal retrenchment or funding uncertainty.

Over time, these approaches can create a virtuous cycle: stronger balance sheets enable more development, generate more stable, unrestricted revenue, add affordability, and reduce exposure to federal volatility while building public sector development and asset management capacity. Not every public housing authority is suited to undertake this work. But for those that can, these types of models can help build a stronger public development ecosystem.

The continued need for federal investment

None of these strategies replace the need for robust federal funding to address the public housing capital backlog, most recently [estimated](#) at \$169 billion. Direct federal funding remains essential to preserve existing public housing and protect residents.

Rather, revolving loan funds, bond financing, and mixed-income public development should be understood as complements; they are tools that can help stretch scarce resources, accelerate production, and can function as an answer to the question of how much additional affordable housing production can be had once all scarce federal resources have been exhausted.

The role for Congress

Congress can play a direct and practical role in enabling these outcomes.

First, Congress can support the capitalization of state and local revolving loan funds dedicated to affordable and mixed-income housing. Flexible, recyclable capital lowers financing costs and enables these models to scale. We have [previously written](#) about creating a national level fund, but more immediately, there is significant momentum among state HFAs to create their own funds that could benefit from federal support.

Second, Congress can strengthen Restore-Rebuild by providing a more efficient and streamlined pathway to fully-funded project-based vouchers, allowing PHAs to more readily tap into their existing Faircloth authority and use it to enable more deeply affordable housing in mixed-income communities.

Finally, Congress can consider ways to support the public development capacity of PHAs through its existing technical assistance funding to HUD, so that jurisdictions with the will to build have the tools and guidance to do so effectively.

If the goal is to lower housing costs over the long term, we must invest not only in subsidies and regulatory streamlining, but in public capacity and cost-reducing financial tools. Mixed-income public development, enabled by revolving loan funds, bond financing, and existing federal redevelopment programs, offers a pragmatic and scalable way to expand supply, lower costs, and ensure housing remains under durable public stewardship.

Thank you for the opportunity to contribute to this discussion. I look forward to discussing these topics with you further.

Referenced CPE Reports

1. (2025) [A New Class of Supply-focused Housing Investment Programs](#)
2. (2025) [Mixed-income Public Development Model](#)
3. (2024) [Smoothing the Housing Investment Cycle](#)

Regards,



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