

**Testimony of Sheila Crowley
President
National Low Income Housing Coalition**

**United States House of Representatives
Committee on Financial Services
Subcommittee on Housing and Community Opportunity**

May 3, 2001

Mrs. Roukema, Mr. Frank, and members of the Subcommittee, I am Sheila Crowley, President and CEO of the National Low Income Housing Coalition. On behalf of the members of the coalition, I thank you for the invitation to testify today on the problems of housing unaffordability in the United States. We applaud you for convening this important forum to focus Congressional attention on what is by all accounts one of the most serious impediments to family well-being facing our nation. We look forward to working with you in crafting a legislative response.

The National Low Income Housing Coalition's members include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens.

The Housing Crisis is a Solvable Problem

The National Low Income Housing Coalition is solely dedicated to ending the affordable housing crisis in America. We are convinced that it is a solvable problem, certainly one that is well within the scope of American know-how and ingenuity. It is not for lack of resources or lack of technology that the problem continues. It will simply take a public commitment to create the necessary changes in public policy

Housing policy can be unnecessarily complicated, but housing is quite straightforward. Everyone needs a basic, stable, safe, fair, and clean place to live and the capacity to pay for it. Some may need additional services to assure stability. That is the social minimum. In the absence of a national commitment to this standard, it is foolhardy to expect people to succeed as workers, students, parents, or citizens, all roles that depend on housing stability to be fulfilled well. Beyond the social minimum, people can make all manner of other housing decisions - where, what size, how much, what amenities, rent or own - and public policy should support those that serve a good public purpose. But without attending to the social minimum in housing, we undermine the potential to achieve other desired social objectives and erode the foundation of our housing system.

Dimensions of the Affordable Housing Crisis

Acknowledgement that a problem exists is the first step towards its resolution. The dimensions of the affordable housing crisis are well-documented and widely known.

Today's hearing will verify that once again. Although different analyses view the problem from different angles, the end result is always the same. There is a considerable gap between what it costs to build and operate housing, and the incomes of people at the lower end of the economic spectrum. Each of us will offer our versions of how we see the numbers, but all will bring you to the same conclusion.

The Housing Wage

I would like to place in the record two reports by the National Low Income Housing Coalition that address housing unaffordability. The first is Out of Reach,¹ which documents the gap between income and housing costs in every jurisdiction in the country. We publish these data in the fall and these are from September 2000. This is the source of what has become a frequently cited refrain by housing advocates and public officials: "There is no jurisdiction in the country where a full time minimum wage worker can afford the fair market rent."

Among the variables we examine is one that we call the "housing wage," that is, what wage a full time worker must earn to afford the fair market rent. For example, in Sussex County, NJ, the housing wage is \$16.77 an hour. Or looking at it another way, a household in Sussex County must bring in 130 hours of minimum wage earnings a week to afford a modest two-bedroom unit. That is the equivalent of 3.25 full time minimum wage jobs per household. This analysis is based on the generally accepted standard of paying no more than 30% of household income for housing. Note, however, that this analysis only includes rent. Unless the cost of heat or water or electricity is included in the rent, these additional costs also have to be taken into account in calculating how far above 30% a household's percent of income for housing actually is.

In Newton, MA, the housing wage is \$18.83 an hour. In Henrico County, VA, it is \$12.13 an hour. In aggregate, the most expensive housing state is New Jersey and the least expensive in West Virginia, although even there the housing wage of \$8.12 is nearly \$3.00 above the minimum wage. The most expensive region in the country is the San Francisco Bay area where the housing wage is \$28.06 an hour for a two-bedroom rental unit.

¹ Twombly, J. et al. (2000). Out of reach: The growing gap between housing costs and income of poor people in the United States. Washington, DC: National Low Income Housing Coalition.

Low Income Housing Profile

The other National Low Income Housing Coalition study examines the 1999 American Housing Survey data about the housing concerns of low income people.²

Some of the findings include:

- 34 million households rented their housing in 1999, about one third of all households.
- 62% of the renter households were low income using the federal definition of incomes at or below 80% of the area median. 23% of all renter households are extremely low income or have incomes at or below 30% of the area median. In Sussex County, NJ, 30% of area median income is \$22,022 annually.
- 32% of owner households are low income and 11% are extremely low income.
- 24% of all renter households (8.2 million) had severe housing problems, either housing costs at 50% of income or more or severely inadequate housing. Severe housing problems are primarily the experience of low income households; 68% of renter households with severe housing problems (mostly high cost burden) have extremely low incomes.
- 11% of all owner households (7.7 million) had severe housing problems, and 54% of these households are extremely low income. Of note is that 37% of owner households with severe housing problems are first time homebuyers.

The Rental Housing Shortage

One finding in this analysis is of particular importance to those who make housing policy decisions. We analyzed the shortage of rental housing units by income. Although these are national data and therefore cannot tell the story in any given community, they do give a glimpse of the overall scope. Of the 34 million renter households, 7.7 million have extremely low incomes (30% of the area median or less). In the aggregate, there are only 4.9 million units of rental housing that are affordable to these households, thus an absolute shortage of 2.8 million units. (Note that there is a range of incomes from 0 to 30% of area median in this group and not all units are affordable to all households in this range.) However, only 2.3 million of these units are

² Dolbeare, C. (2001). Low income housing profile. In The 2001 Advocates' Guide to Housing and Community Development Policy. Washington, DC: The National Low Income Housing Coalition.

actually occupied by households with incomes in this range. The rest are occupied by higher income households who do not have high housing cost burdens as a result. So overall, there is a shortage of 5.3 million units affordable for the poorest renter households.

Further, when we apply this analysis up the income scale, we find that we do not lack units of rental housing that are affordable for households in the upper tier of the definition of low income (50-80% of area median or \$36,703 to \$58,725 annually in Sussex County, NJ). Indeed, there are 7.3 million renter households in the 50-80% of area median income range and 13.9 million units of rental housing they can afford. Nonetheless, there is an overall shortage of units affordable to this income group of 1.2 million, again because half of the 13.9 million units are occupied by households in other income groupings, either higher income households paying less than 30% of their income for their housing or lower income households with high housing cost burdens.

The implications for housing policy are quite serious. Investment in more housing that is affordable for more prosperous, but nonetheless, low income households will expand the housing supply, but not alleviate the housing shortage for those with the lowest incomes. However, expansion of housing stock that the lowest income households can afford will not only expand their housing options and reduce their housing cost burdens, it will cause the number of available units affordable for higher income households to increase at the same time. Therefore, one argument could be made that the most cost effective investment in rental housing production resources would be for the lowest income households.

Besides low wage workers, the population of extremely low income rental households includes elderly and disabled people whose only income is from SSI (Supplemental Security Income) or other fixed income sources. According to the Coalition for Citizens with Disabilities, about 1.4 million (35%) of the more than 4 million disabled SSI beneficiaries have severe housing cost burdens.³

The Meaning of the Affordable Housing Crisis for Families

The numbers are quite stark. You will learn about other analyses during this hearing with equally gloomy data. But the numbers fail to convey the meaning of housing

³ Consortium for Citizens with Disabilities. (2000). Priced out. Boston: Author.

unaffordability, especially for the very poor. We are all familiar with the stories of people who cannot afford to pay for all necessities and therefore have to make choices about paying the rent, keeping the heat on, and purchasing food or medicine. We also can understand the negative consequences for family life and child well-being when the adults in the household have to work two or more jobs to earn enough to sustain the family. Families also reduce housing costs by doubling up down with other families in crowded and stressful circumstances. Or they fall prey to unscrupulous landlords who may charge less rent, but offer substandard and unsafe housing in return. Families or individuals who fall behind in their rent risk poor credit ratings at best and eviction and homelessness at worst. Children with high rates of residential transience are likely to also have high rates of school transience and resulting educational deficits. Adults with significant housing stress have a much harder time maintaining stable employment, especially if they have to add the cost of child care or transportation to their already stretched household budgets.

The relationship between housing affordability and housing stability is well illustrated in the findings of research that examined predictors of family homelessness.⁴ Families receiving public assistance who requested emergency shelter and a comparison group of other families on public assistance who did not need emergency shelter were interviewed on a range of dimensions and reinterviewed five years later. The only variable that correlated with housing stability for the formerly homeless families was receipt of housing assistance, that is, financial aid that closed the gap between their incomes and the cost of housing.

Solving a Solvable Problem

This leads us to a discussion of the solutions to what we believe is a solvable problem. The National Low Income Housing Coalition advocates for a multi-pronged strategy that begins with income policy and measures to improve the economic well-being of low income families, including increasing the minimum wage, expanding the earned income tax credit, living wage requirements, education and training that improves employment prospects, and economic development that creates better paying jobs.

⁴ Shinn, M. et al. (1998). Predictors of homelessness among families in New York City: From shelter request to housing stability. *American Journal of Public Health*, 88(11), pp. 1651-7.

Housing Vouchers

Increasing the ability of low income families to compete in the housing market is also the objective of the federal housing voucher program. Expansion of the number of new vouchers each year, coupled with a range of reforms that will improve voucher utilization, should be basic to any strategy that this committee advances. While we applaud Secretary Martinez's decision to seek 34,000 new vouchers in this year's HUD budget request, the data presented to you today clearly indicates the inadequacy of this initiative.

Housing Preservation

In a multi-pronged strategy to solving the affordable housing crisis, the vouchers vs. hard units debate becomes irrelevant. Preservation of the existing assisted housing stock, principally public housing and Section 8 project-based housing, in which the federal taxpayer has invested considerable resources, is sound housing policy. No one supports keeping housing that is deteriorated beyond repair, but housing that is in good condition and is now someone's home should be cared for as we care for other publicly funded structures. Cuts to the public housing capital fund as the Secretary proposes are short-sighted. Besides dealing with the backlog in capital improvements to public housing, federal policy should support the transfer of privately owned assisted housing to the non-profit housing sector committed to assuring its long term affordability. This committee led the way in 1999 with legislation to help preserve the assisted housing stock. The House of Representatives overwhelmingly approved preservation matching grant legislation in 1999 as well. Please take up HR 425, the preservation matching grant, which has been introduced again in this Congress.

Housing Production

The third element of a comprehensive housing policy is continued replenishment of the affordable housing stock. The federal retreat from affordable housing production that began in the late 1970s must be understood as contributing to today's housing crisis.⁵ Resources and incentives for the building of new rental housing have lagged far behind the demand, and the shortage of affordable rental housing in many communities is the

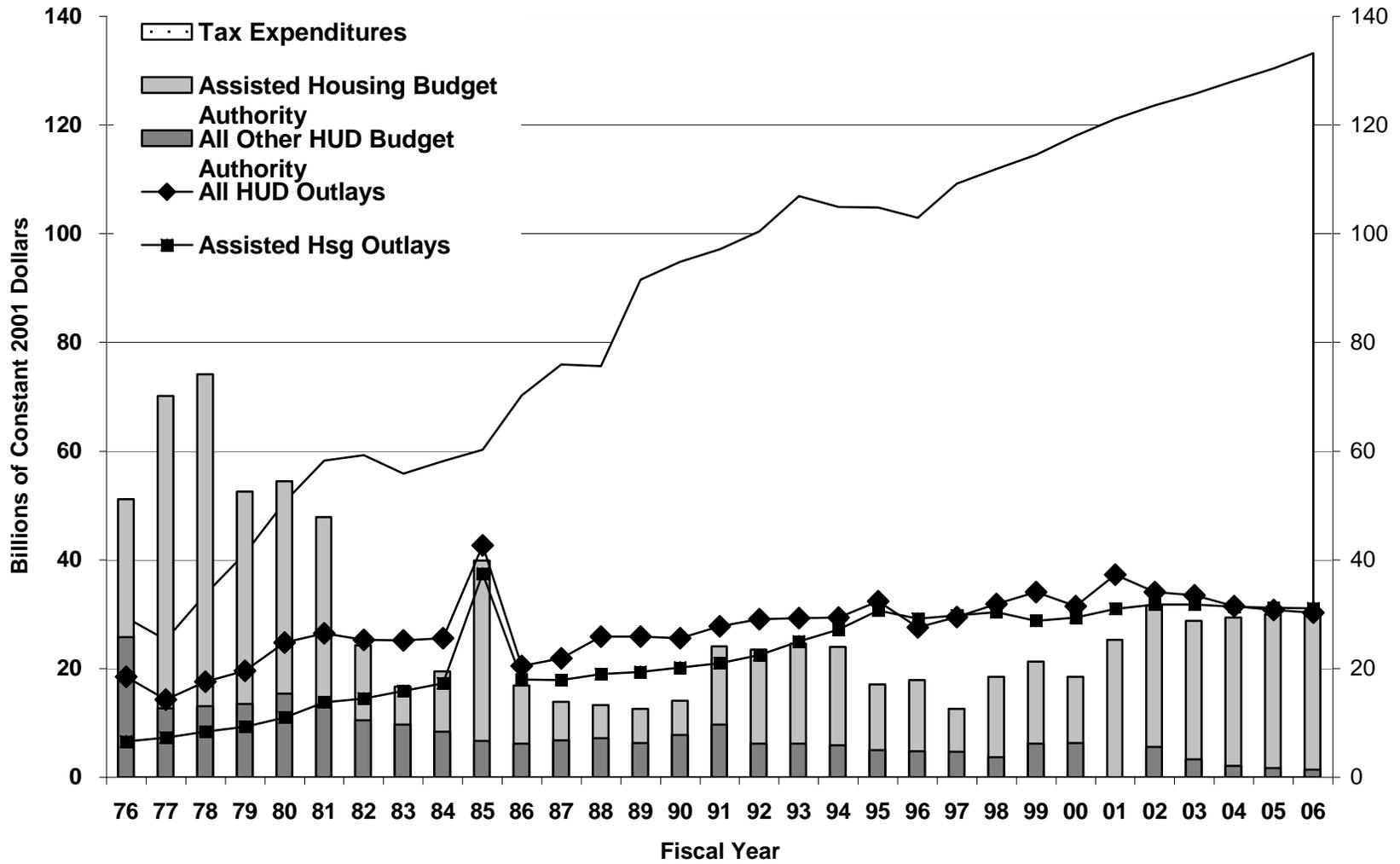
⁵ Dolbeare, C. (2001). Changing priorities: The federal budget and housing assistance 1976-2000. Washington, DC: National Low Income Housing Coalition.

result. In the last full year of the Ford Administration, HUD's budget authority was three times what it is today. In the same time period, total federal budget authority has almost doubled. While low income housing outlays have increased at a slow rate, housing related tax expenditures have quadrupled in the last 25 years. The more expensive one's home is, the greater the subsidy one receives through tax expenditures. The value of homeowner assistance via the tax code is now nearly four times greater than the HUD budget. While budget projections made by the Bush Administration reduce low income housing outlays in the next five years, tax expenditures on housing subsidies continue to accelerate. See the attached graph.

Production of new low income housing today is primarily achieved through the tax code with the low income housing tax credit, recently increased in the FY2000 budget. This is a valuable and essential program, but insufficient in and of itself to overcome the affordable housing shortage, especially for the lowest income families. The National Low Income Housing Coalition and our partners endorse the establishment of a National Housing Trust Fund, capitalized by a dedicated source of revenue, and devoted first to subsidizing the building of new rental units affordable to the very poorest households. One hundred fifty state and local housing trust funds have been established around the country in the last 15 years and offer good models on which to build the national effort. A national housing trust fund should not be seen as a substitute for existing housing programs, but rather as an additional tool to be used in affordable housing development. Rather than build housing that segregates poor people away from their more prosperous neighbors, trust fund dollars should be used primarily in mixed income developments where they are applied to building housing that is most affordable to the lowest income households. Attached to my testimony is a brief summary of our national housing trust fund proposal, as well as some additional information about housing trust funds.

Thank you again for the opportunity to speak and to represent our members in this important matter. We look forward to continued discussion toward good solutions to the affordable housing crisis.

GRAPH 1. HUD, HOUSING ASSISTANCE, AND HOUSING-RELATED TAX EXPENDITURES





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National Affordable Housing Trust Fund National Campaign—Proposal for Legislation

The National Low Income Housing Coalition is leading a nationwide campaign of national, state and local organizations to enact into law an affordable housing production and preservation program. This effort builds on bipartisan support for new housing production and preservation programs. Senators Bond, Kerry, Santorum, and others promoted affordable housing production and preservation bills last year. Congress should build on the momentum of last session and move forward with legislation that synthesizes both the production and preservation proposals, as follows:

- **Goals and Objectives.** A National Affordable Housing Trust Fund should be established to serve as a source of revenue for the production of new housing and the preservation, or rehabilitation of existing housing that is affordable for low income people. The initial goal of the National Affordable Housing Trust Fund should be to **produce, rehabilitate, and preserve 1,500,000 units of housing by 2010.**
- **Source of capital.** The Trust Fund should be capitalized with **ongoing, permanent, and sufficient sources of revenue** to meet the goal of 1,500,000 housing units by 2010. The initial sources should be **excess FHA and Ginnie Mae revenue.** FHA and GNMA revenue over the amount necessary to maintain the soundness of these funds should be dedicated to the Trust Fund. Revenue produced by federal housing programs should be used to solve housing problems. Other sources of funding should be identified and dedicated to the Trust Fund and, if necessary, additional appropriations should be made to meet the goal.
- **Eligible activities.** The Trust Fund should be used for the production of new housing, preservation of existing federally assisted housing, and rehabilitation of existing private market affordable housing. **The Trust Fund should be primarily used for rental housing.** We support allowing between 15 and 25% of funds to be used for homeownership activities, so long as very low and extremely low income people are served.
- **Targeting.** At least 75% and up to 85% of the **Trust Fund dollars should be used for housing that is affordable for extremely low-income households** (those with incomes under 30% of area median income), who would pay no more than 30% of their incomes towards rent. The rest of the funds should be targeted to verylow income families, those whose incomes are under 50% of area median income.
- **Term of affordability.** Housing funded through the Trust Fund should be required to **remain affordable for the useful life of the property.**
- **Tenant Protections.** New legislation should require that tenant's rights to participate in major operation and management decisions at properties funded with Trust Fund money are guaranteed.

(over)

- **Operating subsidy.** Projects funded through the Trust Fund should assure that any operating subsidy needed to make the housing affordable for a range of extremely low income people is provided. That could be by using Trust Fund assistance to underwrite the operating subsidy for new or rehabilitated units for one year, after which the operating subsidy will be funded from the Housing Certificate Fund and renewed through the Section 8 program thereafter, or the applicant could devise another operating subsidy mechanism (which may be able to be applied to the match requirement.)
- **Distribution.** Ninety percent of Trust Fund assistance should be distributed by **formula allocation**. The formula should be developed by HUD, using criteria that assure distribution in proportion to the need for eligible housing. The distribution of funds should ensure that every type of community has access to funds, and should encourage regional consortia. If a state or locality declines to apply for Trust Fund assistance, an alternative application process should be established so that other entities in the jurisdiction can receive and distribute the Trust Fund dollars. Grantees will distribute the funds to eligible entities prepared to conduct activities that are eligible for Trust Fund support. The remaining 10% of Trust Fund assistance should be distributed through a national competition that supports eligible entities that are pursuing innovative approaches to production, preservation, and rehabilitation of affordable housing.
- **Match.** States, localities, or non-profit organizations receiving Trust Fund assistance should **match the federal funds** in the following manner: If the entity uses state, local, or private revenue for the match, they will receive two federal Trust Fund dollars for every dollar they provide. If an entity uses locally controlled federal dollars (HOME, CDBG, LIHTC, private activity bonds, TANF funds, project based assistance) for the match, they will receive one Trust Fund dollar for every dollar of match they provide.
- **Mixed Income.** New housing production and financing should be done in a way that assures that **extremely low income households are not segregated from other income groups**. Thus, Trust Fund dollars should be utilized in conjunction with other funds to complete the financing for a new multifamily housing development, with the Trust Fund dollars supporting the construction of housing for extremely low income households. Trust Fund applicants that propose small projects in low-poverty neighborhoods, rural communities, or that serve special populations may be able to assure economic integration with Trust Fund dollars alone.
- **Compatibility with other housing programs.** The use of Trust Fund funds should be **flexible** to ensure its compatibility with Low Income Housing Tax Credits, private activity bonds, CDBG, HOME and other forms of assistance.
- **Other housing funds.** In addition to establishing a National Housing Trust Fund, we recommend additional investment in affordable housing with substantial increases in HOME, CDBG and USDA Rural Housing programs, as well as an examination of ways to reform the Low Income Housing Tax Credit program to improve access to the program by a wider range of non-profit, community-based housing developers. Substantial increases in the voucher program will also be necessary to assure affordability for the lowest income households.

For further information, please call the National Low Income Housing Coalition at (202) 662-1530.

April 11, 2001

The National Housing Trust Fund Campaign

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Background Information on Housing Trust Funds in the United States

- Housing trust funds are distinct funds established by cities, counties and states that permanently dedicate a source of public revenue to support the production and preservation of affordable housing.
- There are at least 150 housing trust funds in the United States. Thirty-six states have created these funds and the remainder are in cities and counties.
- More than \$500 million is spent for affordable housing through these trust funds every year and this amount is increasing. On average, for every \$1 committed to a housing project by a housing trust fund, another \$5-10 is leveraged in other public and private resources.
- Hundreds of thousands of housing units have been supported through housing trust funds.
- Housing trust funds support a variety of housing activities for low and very low income households, including new construction, preservation of existing housing, emergency repairs, homeless shelters, housing-related services, and capacity building for nonprofit organizations.
- At any given time, as many as fifty additional jurisdictions are considering the creation of a housing trust fund. These unique funds are a fundamental aspect of emerging housing policy in the United States.
- Housing trust funds have demonstrated that when government makes a commitment to address critical housing needs, the on-going dedicated source of revenue allows for more intelligent planning to address housing needs and for improved proposals submitted by the housing industry in an effort to effectively use existing resources.
- Housing trust funds enable jurisdictions to elevate their funding of critical housing needs by committing resources to a process that treats affordable housing as an essential component of maintaining healthy communities. Jurisdictions have documented increased jobs, growing sales taxes, higher property tax revenues, and many other economic benefits from the operation of their housing trust funds.