

Promoting Economic Prosperity and Fair Growth through Access to Affordable and Stable
Housing
House Select Committee on Economic Disparity and Fairness
March 1, 2022

Opening Statements

Chairman Himes (D-CT) was excited about today's conversation saying this could be one of the most important topics the committee takes up. He looked forward to a productive discussion on how to access safe and stable housing which is essential to living. Himes stated that we better need to understand past housing policies that have made it easier and harder to own and rent a home to make better policies in the future. He acknowledged past policies that discriminated against and red-lined certain minorities and said he was particularly interested in inclusionary zoning. Himes thought that there is a huge role for private developers in the housing market but said that free market outcomes will not solve the affordable housing crisis. He emphasized that housing is not just a roof over someone's head but having dignity in society.

Ranking Member Steil (R-WI) agreed on the importance of the hearing and said that many Americans are priced out of the buying of a range of real estate and rising rental costs are causing people to spend more and save less. He talked about the growing homeownership gap and how the lack of supply of houses is also driving up the cost. Steil talked about ways to reduce red tape and lower input cost. He said that we cannot allow inflation to drive the middle class away from building wealth. Steil emphasized getting inflation under control and increasing supply across the board.

Witness Testimony

Secretary Shaun Donovan, *Former U.S. Secretary of Housing and Urban Development*, stated that everyone deserves a place to call home and decent, affordable, and stable housing plays a central role in our economy. He emphasized that the pandemic only increased the importance of housing and said that housing has become unaffordable across the country, home ownership remains the primary wealth building tool for families, and that housing is unique and is linked to neighborhoods. Donovan continued that the government has a responsibility to correct past discrimination and redlining that kept people from living in certain neighborhoods or purchasing a home. He stated that the cost of housing and rent is taking money out of other essentials like food and healthcare. Donovan stated that the benefits of housing programs are particularly beneficial to children and despite the success of the programs, they are underfunded compared to the scale of the problem. He urged increased investment in these programs and investing in direct assistance and tax credits. Donovan emphasized the importance of investing in fair housing and lending programs as well as housing counseling. He stated that when you choose a home, you choose so many other factors that contribute to prosperity and growth.

Donovan suggested that Congress should increase housing vouchers that allow families to move to better neighborhoods, support inclusionary zoning, and strengthen fair housing efforts.

Nikitra Bailey, *Senior Vice President of Public Policy, National Fair Housing Alliance*, talked about how federal laws and policies created residential segregation. She said that Congress and the administration can right these past wrongs. Bailey continued that thousands of banking and other policies created and perpetuated segregation which crippled minority households while rewarding white families. She continued that these policies continue to recycle racism and as a result, black homeownership is at similar levels now to where it was when segregation was still legal. Bailey emphasized that where you live matters and believed that coupling special-purpose credit programs with Chairwoman Waters' first generational down payment housing legislation can increase minority homeownership along with provisions in the Build Back Better Act. She urged the Senate to also pass the Build Back Better Act.

Jacqueline Waggoner, *President of Solutions Division, Enterprise Community Partners*, believed that addressing housing issues will lead to a more equitable future for everyone. She said that work in affordable housing is deeply personal to her and how she lived in a segregated community in Los Angeles growing up. Waggoner continued that minorities have been denied the opportunity to live in certain neighborhoods and housing due to discriminatory laws and zoning for far too long and these communities are still at a disadvantage as a result. She talked about the economic repercussions that occur when people have to put too much of their paychecks to rent. Waggoner hoped to dismantle the legacy of racism in housing.

Kevin J. Nowak, *Executive Director, CHN Housing Partners*, stated that CHN is based in Cleveland, Ohio, and how the organization has evolved to meet the needs of the community. He continued that CHN wants to meet its customers where they are and empower them to where they want to be. Nowak explained how CHN administers emergency home repairs and runs eviction and foreclosure prevention programs. He explained how CHN provides the supply of affordable housing through real estate development and provides housing for individuals, families, and seniors through the LIHTC. Nowak believed that the LIHTC is the best investment tool for affordable housing. He stated that if it was not for the equity his parents had in his childhood home, he would not have been able to go to college and be where he is today. Nowak highlighted CHN's Flagship Program and CHN Housing Capital Program that help people achieve homeownership.

Dr. Salim Furth, *Senior Research Fellow, Mercatus Center at George Mason University*, stated that strict local land use regulation is the primary driver of housing cost. He said that the best thing Congress can do is protect property rights and fair housing and then highlight strict local laws in each of their districts. Furth discussed the price of lumber and suggested that the administration end tariffs on lumber. He turned to the local level and turned to the bigger issue of how demand for housing responds to the price. Furth discussed the demand for housing in two different areas, San Diego and Grand Rapids, and how a national subsidy for housing would not

be helpful. Instead, Furth believed the solution to sky-high housing prices has to involve greater housing supply, specifically in markets where supply is more constrained. He said that rather than fighting explosive growth in demand with stricter regulation, which would only raise prices, minimum lot sizes should be repealed, and other standards loosened. Furth added that state action is also appropriate. For example, he referred to bipartisan legislation in California that has required cities to allow accessory dwelling units (ADUs), with tens of thousands being built or legalized in the past four years. Furth encouraged the committee and other federal policymakers to look deeper, all the way down to city councils and neighborhood meetings, to understand the causes of and solutions to our national housing affordability crisis.

Member Questions

Chairman Himes (D-CT) asked which programs are most effective in the use of the marginal dollar. Donovan looked at the broad set of housing challenges and said that rental assistance and homelessness prevention programs are the best use of the dollar to avert the economic consequences. He focused on Section 8 vouchers and homelessness prevention programs being the best use of funds. Donovan continued that homelessness is often looked at as an unsolvable problem but said that supportive housing is a profound solution that can end homelessness and pay for itself through the reduction of costs in emergency room spending. He pointed to the Emergency Solutions Grants (ESG) program at HUD and the VASH program for veterans. Bailey added that discrimination is a drag on the economy and focused on enforcing fair housing laws. Nowak looked at the LIHTC as a really viable solution as it encourages public-private partnerships and saw that the LIHTC provides housing for the most low-income people. Himes suspected that we will hear more about the cost of housing and regulation. He talked about how regulation is a big part of the cost of housing and emphasized the importance of not using carcinogenic materials in housing. Himes asked if Furth agreed that regulation was important to keeping Americans safe and healthy, how much of the cost of regulation is wasteful and not about keeping Americans safe. Furth replied that in the 1990s all of the regulations Himes just listed were in place and he said it was important to look at the local factors. He noted that regulation is a huge portion of the cost in Himes' district, and it has to do with the land itself. Furth pointed to the issue of the scarcity of land in high demand areas. Himes was all for doing away with destructive regulations but every time he asks about this, he gets no examples of wasteful regulations or counterarguments that this regulation protects people.

Ranking Member Steil (R-WI) talked about the median housing prices in Janesville compared to San Diego and it struck him that we are having a national discussion on housing when it is really a regional problem. He asked Furth what we can be doing to drive the price of housing down. Furth replied that there is interesting research coming out showing how high incomes really do not go that far in high-cost areas. Furth stated that one example of useless regulation is brick cladding. Steil asked about housing subsidization and if it increases cost in the long run. Furth replied that in a place like Janesville more subsidies mean more construction but in San

Diego or New York, it means higher prices. He said that we should not be giving housing subsidies to those who earn middle incomes. Steil asked if Bailey supported the SALT provisions to subsidize high housing costs in the Build Back Better Act. He wanted a yes or no answer which Bailey did not give. Furth did not support the SALT provisions but stated that he would benefit from it. Steil emphasized that subsidization increases costs.

Rep. Moore (D-WI) replied to Steil's talk of subsidizations and how subsidization also comes in the forms of the LIHTC and Section 8 vouchers. She remembered when Section 8 was created and that while it was great, it drove the rates up for people. Moore thought the LIHTC was wonderful and there should be more of it but asked how to avoid gentrification with these tax credits. She also asked how we subsidize the lowest income people without making wealthier people richer. Bailey agreed that we have a national market that has regional applications and stated that private developers have also subsidized and driven up costs. She continued that if we do not have a successful housing market, we will not have a successful economy. Moore asked Nowak about the most valuable subsidies. Nowak stated that through the LIHTC, each state has to come up with criteria on how to award the tax credits and stated how Ohio incentivizes affordable housing preservation in order to create inclusive neighborhoods.

Rep. Davidson (R-OH) stated that housing and healthcare are the biggest expenses for household budgets. He remarked that central planning fails and that the idea of government as the giver of things does not work. Davidson asked if people actually understand how subsidies work and that there seems to be a disconnect of issue after issue. In areas where you can increase supply, Davidson used Columbus as an example, and talked about the importance of access to land. He asked what happens when it is easy to expand there and discussed affordable housing in downtown areas that is not maintained. Davidson said that raising the cost to build outside the city happens to bring more money to downtown areas. Furth replied that smart growth has failed due to not being able to remove regulation in the city and used Portland, Oregon as an example. He said that you need development both inside and outside if you are going to do smart growth.

Rep. Jacobs (D-CA) noted that this is a really important topic for her constituents and said that Furth was right about the high cost of housing and rent in San Diego. She asked Waggoner how they can design housing programs to support children and their families as we know that housing stability is so important to child development. Waggoner observed that Enterprise is working on the joint development of affordable housing and childcare and how they created early learning facilities coupled with affordable housing in the Pacific Northwest. Jacobs wanted more information on this program and moved to vouchers. She thought it was unacceptable that those who are qualified for vouchers are not getting them and was sensitive to Furth's concern that substantially expanding housing subsidies can drive up costs. She asked Waggoner and Donovan if they saw increased housing prices as a potential risk of expanding access to housing vouchers to those that need them, how can we protect against this, and how they weigh the potential

benefits of providing housing stability with those potential risks. Waggoner thought that we could put Americans in the position to get housing they can afford via these vouchers. She thought it was essential to expand the voucher program. Donovan added that we have extensive evidence that vouchers dramatically improve childhood outcomes and prevent homelessness. He stated that there is no evidence that vouchers raise the cost of housing alone, it is also due to things like exclusionary zoning. Donovan clarified that the vast majority of voucher recipients cannot even afford the operational cost of a unit so even if costs are increased by regulatory barriers, extremely low-income people will still need vouchers.

Rep. Arrington (R-TX) stated that the question is how to best use taxpayer dollars for public good as it relates to housing. He said that objective data on programs and whether or not these programs are working is a challenge itself. Arrington talked about lack of oversight and visibility into these programs in HUD IG reports. He was shocked to know that \$90,000+ of housing costs is due to regulatory costs. Arrington discussed the issue of welfare without work and how people are not making more because they do not want to lose government money that they need. He asked Donovan about the public-private partnership as it relates to housing and how the Rental Assistance Demonstration program (RAD) has a cap that prevents it from growing. Arrington asked what Donovan thought about RAD and if it needed to be expanded. Donovan replied that we do need to continue expanding options for public housing and that RAD has been a path to bring billions of dollars into public housing. He added that there is no evidence that investment in housing assistance decreases the work and earning of these families.

Rep. Jayapal (D-WA) talked about the American Rescue Plan expanding vouchers and focused on homeless people who receive vouchers. She noted how private equity firms are buying up rental properties and asked how this impacts families with vouchers that are trying to get leases. Donovan replied that we need to strengthen and invest in fair housing efforts and there is definitely discrimination against voucher holders. He advocated for pathways for families to use vouchers in markets where there are barriers to use them as well as bringing down barriers, like exclusionary zoning, that block ability to build. Jayapal heard a lot about how we cannot get people into housing because PE firms have driven up the rent in so many places. She said that profit-driven corporate landlords are hurting people in places like Houston and Phoenix. She asked what role the federal government should have with helping landlords accept vouchers. Waggoner replied that people need access to housing and putting in a widespread policy would help ensure that people are housed. Jayapal asked why the Housing First Initiative improves economic mobility for the homeless. Nowak replied that the Housing First approach allows a safe place to live without barriers to get there and found a housing stability rate of 95% once these people are housed. He talked about how the cost of getting these people off the street and out of jail via Housing First is more cost effective.

Rep. Ocasio-Cortez (D-NY) stated that in 2021, New York City Department of Homeless Services counted 100,000 people reported in homeless shelters and how it took 40 years for Huntington, New York to approve the building of 146 affordable units. She said that people are on the streets partly because we have chosen not to build and asked how a place like Huntington can get away with taking 40 years to approve the building of houses. Waggoner shared her concern for lack of affordable housing and said that the federal government should incentivize state and local laws to ease land use and zoning restrictions. Ocasio-Cortez pointed to other countries' federal government approaches to affordable housing and stated that 40% of the housing stock in Vienna, Austria, is social housing and asked Nowak what social housing would look like in the US. Nowak pointed to the Scholar House model in Ohio and how it is a partnership with the federal government, private companies, and the local government. He continued that Scholar House provides housing for parents finishing college and uses the LIHTC and project-based vouchers along with other federal and local subsidies. Nowak believed that something like Scholar House boosts economic mobility. Ocasio-Cortez said these properties are publicly owned, democratically controlled by residents, and available to people of all incomes. She asked if that was correct. Nowak replied regarding the social housing model she was painting, yes, but they do have some income limitations.

Rep. Donalds (R-FL) highlighted legislation he planned to introduce soon that relates to the topic of this hearing. He talked about the excitement around leveraging data to promote financial inclusion and talked about allowing rental payment history to be included in a credit score. Donalds' legislation would allow low-income rental tenants and certain public housing authorities to opt-in to a pilot program that would collect data on their rental payments and in turn, this would be incorporated into their credit score. He asked Furth if Congress should support legislation that leverages alternative data for more housing pathways. Furth replied that he does not study mortgages, but this is an important thing to think about and how it is important to look at unintended consequences, so he liked that this legislation would be opt-in. Donalds asked how legislation like the Credit Score Competition Act would impact the discussion happening right now. Bailey replied that a home rental payment is the most equivalent thing to a mortgage payment and agreed that rental payment history should be included in the discussion of whether or not a family can afford a home. She addressed subsidies and how one of the largest determinants of your credit score comes from how much credit you are actually utilizing. Bailey said that rental payment history is exactly what we should be looking at in order to determine if a family can afford a mortgage. Donalds asked about the FHA loan program and what the criteria are for being approved for an FHA loan. Bailey believed that FHA is a great program, it built the middle class, but it was built in a way that favors whites. Donalds asked if there was a minimum credit score applied to the FHA program or is it purely 3% just to access the program. Bailey said that there is a minimum credit score around 620 and above and those who use the FHA loan program typically have loans with credit scores that are lower than those who have secured loans with the GSEs.

Himes asked Bailey and Waggoner to come back to the committee with the programs that have been effective in addressing generational discrimination against communities of color. He has thought a lot about systemic racism and said it was undeniable that when you deny generations of people access to housing, there will be echoes of this in the present. He yielded the rest of his time to Moore.

Moore went back to subsidies and wondered if Bailey could share the difference in types of subsidies like SALT and the LIHTC. Bailey replied that we have administered subsidies in a racially conscious way toward white people and believed that we can see our economy grow if we address discrimination targeted toward black Americans. Moore asked Furth about his opposition to subsidies and questioned how a single, working mother could afford a multi-bedroom apartment. She asked what suggestions Furth had if we do not use subsidies. Furth corrected that he is not opposed to all subsidies and supported targeted subsidies. Moore asked Donovan to respond to how subsidies increase the price of housing when there has been a low rate of building housing. Donovan reiterated that there is no good evidence that vouchers and other forms of rental assistance raise the price of housing significantly and stated that it is a fundamental problem that only one in four people can get a voucher. He believed that it is a problem Congress is able to fix.

Steil asked how much more money Donovan suggests we put into vouchers. Donovan replied that we should probably quadruple it since only one in four people are able to get a voucher right now, amounting to tens of billions of dollars. Steil turned to Bailey and her opinion that we better subsidize white Americans over black Americans. He said that inside BBBA, Democrats are subsidizing white Americans with SALT deductions and believed there is a big disconnect here. Steil thought that some things are working at the state level and are bringing supply down to make costs more affordable. He asked what states are doing to raise supply and bring costs down. Furth repeated his praise for California's bipartisan legislation on ADUs. He also talked about the importance of making zoning laws more flexible and easing them.

Moore stated that Steil's district has horrible housing stock and a horrible unemployment rate among African Americans. She turned to Bailey on subsidies and asked if Bailey was sharing her personal opinion or history. Bailey replied that this is American history and that we have the opportunity to change history through race conscious policies. She stated that the \$150 billion allocated to housing in the BBBA is critical to further racial equity and reach those who have normally not been included. Moore summarized that what Bailey is saying is that we have deliberately left out people and want to use race-based solutions to reverse this. She stated that the SALT provisions in BBBA are not part of the \$150 billion in housing and asked what the \$150 billion is for. Bailey replied that the money includes targeted down payment assistance and

funding for NHIA to revitalize communities. Moore stated that Milwaukee is the epicenter of redlining.