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Statement for the Record
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for the Hearing entitled
"America's Affordable Housing Crisis: Challenges and Solutions"

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Committee on Finance

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The Council of Large Public Housing Authorities (CLPHA) is pleased to submit the following statement for the record to the Senate Finance Committee and appreciates the opportunity to weigh in on this important topic.

CLPHA is a non-profit organization committed to preserving, improving, and expanding the availability of housing opportunities for low-income, elderly, and disabled individuals and families. CLPHA's members comprise more than 70 of the largest housing authorities, in most major metropolitan areas in the United States These agencies act as both housing providers and community developers, effectively serving over one million households, managing almost half of the nation's multi-billion dollar public housing stock, and administering over one-quarter of the Section 8 Housing Choice Voucher program.

We are grateful to the Committee for calling attention to the deepening affordable housing crisis facing many American families. We applaud Finance Committee Chairman Orrin Hatch's and Committee member Senator Maria Cantwell's leadership in championing legislation to expand and strengthen the Low-Income Housing Tax Credit (LIHTC), our nation's primary tool for encouraging private investment in affordable rental housing.

America's affordable rental housing crisis is growing.

A lack of stable, affordable housing is one of the biggest threats to economic success that any American can face. Stagnating wages along with declines in homeownership rates have exacerbated the demand for rental housing to its highest level since the mid-1960s, driving up rents, especially in areas with low vacancies. Stable, affordable housing also plays a crucial role in improving outcomes for low-income families across sectors like health and education. Research has shown that housing stability is foundational to academic achievement for children; securing and maintaining employment for adults; and accessing health and prevention services.

Currently, there are more than 11 million renter households – approximately one out of every four – who spend more than half of their income on rent. This leaves little room for other necessary expenses like transportation, food, medical bills, and education. Additionally, low-income renters that spend more than 50 percent of their rent on housing are at increased risk of becoming homeless. According to the Harvard University Joint Center for Housing Studies, the number of households spending more than 50 percent of their income on rent is expected to rise at least 11 percent from 11.8 million to 13.1 million by 2025. This is coupled with the fact that the affordable housing supply is not keeping up with the demand. For every 100 extremely low-income (ELI) renter households in 2015, there are only 31 available and affordable units, amounting to a shortfall of 7.2 million available and affordable homes. This trend is further confirmed in HUD's recently released *Worst Case Housing Needs 2017 Report to Congress* which found that "despite continued signs of a strengthening national economy…severe housing problems are on the rise."

Public housing and the Low-Income Housing Tax Credit are vital tools to address the nation's affordable housing needs and bolster economic activity.

As one of the nation's largest sources of affordable housing, public housing plays a central role in providing stable housing to America's most vulnerable citizens; connecting low-income workers to economic opportunities; and spurring regional job creation and economic growth. A multibillion dollar public asset for local communities; public housing is home to over 1.1 million low-income families, including 800,000 children. Over half of public housing households are elderly or disabled, and more than half of non-elderly, non-disabled households consist of working families.

Despite the growing need for and proven benefits of affordable housing, federal appropriations for the maintenance and capital repair of public housing has declined severely over the past several years, making it impossible even to keep up with the new repair needs that arise each year for public housing properties. This adds to the backlog of capital needs, which currently stands at over $26 billion nationwide. Increased disinvestment has led to the substantial loss of over 300,000 public housing units since 1990, and approximately 12,000 units each year, resulting in fewer and fewer people served by the program.

The Low-Income Housing Tax Credit (LIHTC) program, authorized in 1986, has become the nation's primary source of funds for the production and rehabilitation of affordable housing. As a model private-public partnership program, LIHTC has employed private sector resources, market forces, and state-level administration to finance more than 3 million affordable apartments – nearly one-third of the entire U.S. inventory. Particularly as federal appropriations for the public housing capital funds have decreased, LIHTC has proven to be an essential tool in leveraging private investment to redevelop distressed public housing across the country.

Since the federal Capital Fund dollars appropriated are insufficient to redevelop public housing, housing authorities heavily depend upon tax credit investment to improve and rehabilitate their properties. Important platforms such as the Choice Neighborhoods Initiative (CNI), the Moving to Work (MTW) program, mixed-financing, and most recently, the Rental Assistance Demonstration (RAD) program, have been the only mechanisms available to housing authorities to partner with non-profit and private developers in using tax credits to revitalize much-needed public housing properties. Through these platforms, housing authorities are able to combine scarce public housing capital funding with private and other public resources, including tax credits, in a layered financing process in order to rehabilitate properties and revitalize communities. Under the RAD program, housing authorities have been able to rehabilitate and convert over 61,000 public housing units to date, leveraging approximately $4 billion in new private and public funds, which equates to a 9:1 ratio of private dollars to public housing dollars.

Additionally, the revitalization of public housing provides positive economic benefits to families and communities. Research has shown that for every $1 spent on rehabilitation funding for public housing, an additional $2.12 is generated in regional economic activity, contributing to local tax revenue and supporting job creation and retention. Per $1 million spent, public housing outpaces other sectors when it comes to job creation and generating economic activity.

However, a lack of affordable housing has been shown to negatively impact economies. Researchers estimate that the growth in GDP from 1964-2009 would have 13.5 percent higher if families had better access to affordable housing. This would have led to a $1.7 trillion increase in total income, or $8,775 in additional wages per worker. Overall, the shortage of affordable housing in major metropolitan areas costs the American economy about $2 trillion a year in lower wages and productivity.

Congress should expand and strengthen the Low Income Housing Tax Credit.

The LIHTC program continues to be an extremely important preservation tool for public housing and for the overall production and rehabilitation of affordable housing. CLPHA strongly supports the efforts of Senator Hatch and Senator Cantwell and others on the Committee to expand and strengthen the LIHTC program. Housing authorities have a long history of leveraging private equity through LIHTCs to fill the funding gap created by decreased federal appropriations. Housing authorities have acknowledged that without the LIHTC program, the preservation of their public housing stock would not be possible.

To meaningfully grow our economy and address our nation's growing affordable housing needs through tax reform, we urge the Committee to support Senator Cantwell and Senate Finance Committee Chairman Hatch's Affordable Housing Credit Improvement Act of 2017 (S. 548). This legislation would increase LIHTC allocation authority by 50 percent phased in over five years, and enact roughly two dozen changes to strengthen the program by streamlining program rules, improving flexibility, and enabling the program to serve a wider array of local needs.

CLPHA is well aware that competition for more valuable 9% LIHTC is fierce in many states and that there have been concerns within the affordable housing community about increased demand from the public housing portfolio. Increasing the allocation authority by 50 percent would support the preservation and construction of up to 400,000 additional affordable apartments over a ten-year period, including vital public housing units that are at-risk. Additionally, the legislation allows for an increased basis boost for projects serving extremely low-income households. This would be particularly beneficial to housing authorities, as 75% of public housing residents are extremely-low income.

The legislation would also generate a host of benefits for local communities, including increased local tax revenue, local income, and jobs, all benefits that meet the Committee’s goals for tax reform. An investment in LIHTC is an investment in individuals, local communities, and the economy. CLPHA applauds the leadership the Senate Finance Committee has shown in support of LIHTC to date and urges the Committee to expand and strengthen the program.

Thank you for the opportunity to submit our views for the record, and we ask that you give them your full consideration.