

United States House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, D.C. 20515

April 25, 2019

## Memorandum

**To:** Members, Committee on Financial Services

**From:** FSC Majority Staff

**Subject:** April 30, 2019, “Housing in America: Assessing the Infrastructure Needs of America’s Housing Stock”

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The Committee on Financial Services will hold a hearing entitled, “Housing in America: Assessing the Infrastructure Needs of America’s Housing Stock” at 10:00 a.m. on Tuesday, April 30, 2019, in room 2128 of the Rayburn House Office Building. This will be a single-panel hearing with the following witnesses:

- **Ms. Diane Yentel**, President and CEO of the National Low Income Housing Coalition
- **Ms. Adrienne Todman**, CEO of the National Association of Housing and Redevelopment Officials
- **Mr. Steven Lawson**, Chairman of The Lawson Companies and representative from the National Association of Home Builders
- **Mr. Daryl Carter**, Founder, Chairman and CEO of Avantha Capital, on behalf of the National Multifamily Housing Council and the National Apartment Association

### Introduction

Like roads and bridges, affordable housing is a component of the nation’s infrastructure and a long-term asset that helps communities and families by connecting them to resources and opportunities.<sup>1</sup> Similar to investments into other infrastructure projects, investments into affordable housing infrastructure generate construction activity and jobs that stimulate the economy.<sup>2</sup> For example, according to the National Association of Home Builders, building 100 affordable rental homes generates 297 jobs, \$28 million in wages and business income, and \$11 million in taxes and revenue for state, local, and federal governments.<sup>3</sup> According to the Council of Large Public Housing Authorities (CLPHA), every \$1 million spent on capital investments into public housing generates \$1.89 million in economic activity and supports 11 full-time jobs.<sup>4</sup> Further, similar to disinvestment in other infrastructure, disinvestment in affordable housing infrastructure can hamper economic growth.<sup>5</sup> For example, one study found that the shortage of affordable housing in major metropolitan areas costs the American economy about \$2 trillion a year in

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<sup>1</sup> See e.g. the Campaign for Housing and Community Development Funding (CHCDF) 1-pager entitled “Affordable Housing Infrastructure”

<sup>2</sup> <http://www.nahbhousingportal.org/>

<sup>3</sup> *Id.*

<sup>4</sup> CLPHA, “The Economic Impact of Public Housing,” October 2018.

<sup>5</sup> Chicago Policy Review, “All Growth is Local: Housing Supply and the Economics of Mobility,” February 2, 2016.

lower wages and productivity.<sup>6</sup> Another study estimated that the growth in GDP between 1964 and 2009 would have been 13.5 percent higher if families had better access to affordable housing, and<sup>7</sup> would have led to a \$1.7 trillion increase in total income, or \$8,775 in additional wages per worker.<sup>8</sup>

### **The Need for Investment into Affordable Housing Infrastructure**

There are 1.1 million public housing units across the country that are home to 2.6 million residents.<sup>9</sup> The most recent study commissioned by HUD on the public housing capital backlog was published in 2010 and found that the national average estimate of capital needs was \$19,029 per unit, with a median of \$15,374 per unit.<sup>10</sup> The key drivers of the capital public housing backlog were improvements to dwelling units' kitchens, baths, and interior doors, and other renovations to units' building architecture systems such as windows, exterior doors, roofs. The Public Housing Authorities Directors Association (PHADA) estimates that the public housing capital backlog has accrued to \$70 billion today.<sup>11</sup> Failure to invest in our public housing stock may result in the permanent loss of these units, which are already being lost at a rate of about 10,000 units each year.<sup>12</sup>

Other federally assisted housing is also facing significant capital investment needs that have been exacerbated by decreased federal funding or lack of new federal funding for key programs like the Community Development Block Grant (CDBG) program, the Native American Housing Block Grant (NAHBG) program, and the rural Multifamily Housing Preservation and Rehabilitation (MPR) demonstration program. For example, the U.S. Department of Agriculture's multifamily housing portfolio, which provides much needed affordable rental housing for low income rural residents, has an estimated reserves deficit of \$5.6 billion over the next 20 years.<sup>13</sup> According to a report from the National Congress of American Indians, of the 60,000 homes being maintained by federal housing assistance programs serving Native Americans, it is estimated that 70 percent, or 42,000 homes are in need of retrofitting (including windows, insulation, efficient furnaces/air, elder/handicap conversion, etc.).<sup>14</sup>

As a result of the lack of investment into the affordable housing infrastructure, many families pay unaffordable rents or live in substandard conditions. Nearly 50 percent of all U.S. renters are cost burdened and spend 30 percent or more of their income on housing.<sup>15</sup> The share of renter households that were severely rent burdened—spending 50 percent or more of monthly income on rent—increased by 42 percent between 2001 and 2015.<sup>16</sup> 71 percent, or 7.8 million of the nation's extremely low-income renter

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<sup>6</sup> *Id.*

<sup>7</sup> Chang-Tai Hsieh & Enrico Moretti, "Housing Constraints and Spatial Misallocation," *American Economic Journal: Macroeconomics*, 2019.

<sup>8</sup> *Id.*

<sup>9</sup> HUD data on subsidized households available at: [https://www.huduser.gov/portal/datasets/assthsgh.html#2009-2018\\_data](https://www.huduser.gov/portal/datasets/assthsgh.html#2009-2018_data)

<sup>10</sup> Meryl Finkel, Ken Lam, et al., "Capital Needs in the Public Housing Program" Cambridge, Mass., Nov. 24, 2011, available at: [https://www.hud.gov/sites/documents/PH\\_CAPITAL\\_NEEDS.PDF](https://www.hud.gov/sites/documents/PH_CAPITAL_NEEDS.PDF). The report also found that additions needed for lead paint abatement was \$306,788,000 in 2010; additions for improving energy and water efficiency \$4,149,439,000; and necessary accommodations for persons with disabilities is \$25,000 per unit, for a total national cost of \$264,473,000.

<sup>11</sup> Public Housing Authority Directors Association. *The Advocate*. Spring 2019.

<sup>12</sup> See e.g. HUD press release, "Rental Assistance Demonstration generates \$4 billion in public-private investment in distressed public housing," May 11, 2017, available at: <https://archives.hud.gov/news/2017/pr17-033.cfm>

<sup>13</sup> USDA Rural Development, "Multi-family Housing Comprehensive Property Assessment," March 1, 2016.

<sup>14</sup> National Congress of American Indians, Policy Research Center, "Investing in Tribal Governments: An Analysis of Impact and Remaining Need under the American Recovery and Reinvestment Act," March 2010.

<sup>15</sup> Chris Salvati, "2018 Cost Burden Report: Despite Improvements, Affordability Issues Are Immense," *Renteconomics*, September 21, 2018.

<sup>16</sup> Pew Charitable Trust, "American Families Face a Growing a Rent Burden," April 2018.

households are now severely housing cost-burdened and spend more than half of their incomes on rent and utilities.<sup>17</sup> Additionally, only one in four households who qualify for federal housing assistance receive it.<sup>18</sup> According to HUD’s most recent report to Congress on “worst case housing needs” -- which are defined as households that are very low-income renter households who receive no housing assistance and pay more than 50 percent of their income for rent or live in severely inadequate units-- the number of households in the United States experiencing worst case needs was 8.3 million in 2015, up from 7.7 million in 2013 and nearly as many as the record high of 8.5 million in 2011.<sup>19</sup> Low income American Indians and Alaska Natives face some of the worst housing conditions in the United States with disproportionately high rates of overcrowding and substandard housing conditions.<sup>20</sup>

### **Additional Barriers to Developing Affordable Housing**

Local regulations and laws also exist that affect the supply of affordable housing and could be affected by federal incentives to ease barriers to affordable housing. For example, many states and localities impose impact fees, which are payments required by state or local governments on new development to provide revenue for infrastructure projects other than housing. Approximately 60 percent of U.S. cities with more than 25,000 residents impose such fees.<sup>21</sup> By making affordable housing developments more expensive, these fees can directly reduce the number affordable housing units in a development or increase the household income level that the affordable housing units can serve. While such fees are the result of state and local policies, the federal government can leverage federal resources to incentivize states and localities to revise these kinds of barriers to affordable housing development.

### **Legislative Proposal**

The “Housing is Infrastructure Act of 2019” bill is a discussion draft from Chairman Waters that would authorize funding for several housing infrastructure projects, including in public housing. The bill makes the following investments:

- \$70 billion for the Public Housing Capital Fund, which is estimated to fully address the public housing capital backlog;
- \$1 billion for the Multi-family Preservation and Revitalization Demonstration program of the Rural Housing Service, which is estimated to fully address the backlog of capital needs for the Section 515 and 514 rural housing stock;
- \$5 billion for the Predisaster Hazard Mitigation Program under section 203 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act to support mitigation efforts that can protect communities from future disasters and reduce post-disaster federal spending;
- \$5 billion for the Housing Trust Fund to support the creation of hundreds of thousands of new units of housing that would be affordable to the lowest income households;

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<sup>17</sup> National Low Income Housing Coalition, “The Gap, A Shortage of Affordable Homes,” March 2019.

<sup>18</sup> See e.g. Urban Institute, “One in four: America’s housing assistance lottery” May 28, 2014.

<sup>19</sup> HUD, “Worst Case Housing Needs: 2017 Report to Congress”

<sup>20</sup> See e.g. HUD Office of Policy Development and Research, “Housing Needs of American Indians and Alaska Natives in Tribal Areas: A Report from the Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs,” January 2017, *citing* Urban Institute Household Survey 2013-2015, American Housing Survey 2013.

<sup>21</sup> Vicki Bean, “Impact Fees and Housing Affordability,” *Cityscape: A Journal of Policy Development and Research*. Volume 8, Number 1, 2005.

- \$100 million for Single Family Housing Repair Loans and Grants to help low income elderly households in rural areas age in place; and,
- \$1 billion for the Native American Housing Block Grant Program under title I of the Native American Housing Assistance and Self-Determination Act of 1996 to address substandard housing conditions on tribal lands.
- \$10 billion for a CDBG set-aside that would incentivize grantees to eliminate impact fees and responsibly streamline the process for development of affordable housing