

## Testimony of Kevin J. Nowak

### Select Committee on Economic Disparity and Fairness in Growth

March 1, 2022

Good morning. My name is Kevin Nowak, and I am the Executive Director of CHN Housing Partners and CEO of our affiliated non-profit mortgage company, CHN Housing Capital. It is a great honor to be here with you today and to share my perspective on the importance of affordable housing. I look forward to discussing ways that we can better support our families and communities by empowering our residents to achieve housing stability and the American Dream of homeownership.

CHN is a Cleveland, Ohio based nonprofit with 40 years of experience as an affordable housing developer, housing stability service provider, and residential mortgage lender. Our organizing principle is the power of a permanent address, and we believe that stable, affordable housing changes lives and improves communities. We live out this mission throughout a growing midwestern/Great Lakes regional footprint comprised of Ohio, Michigan, Pennsylvania, and Western New York.

CHN was formed by a group of six Community Development Corporations in 1981. These community leaders recognized the critical role of stable, affordable housing in disrupting systems and symptoms of poverty, including homelessness and housing instability. They joined forces to address housing abandonment and the lack of affordable housing in Cleveland through two key mechanisms: salvaging vacant homes and creating pathways to homeownership for low-to-moderate income households.

Over the years, our organization has evolved significantly, and we have expanded our programs and services to meet the needs of our community. As a non-profit, it is our job to develop and implement strategies that help fill the gaps in the private market. We work tirelessly to meet these needs and are unafraid to take the lead when no one else can or will. At CHN, we apply private business principles of fiscal discipline, scale, integrated service delivery and sustainability to our work every day. The return on investment we generate is the positive impact on the lives of our customers, and the public good of increased economic activity, reduced involvement in the criminal justice system, children performing better in school, generational wealth creation and increased property values that we help create in the community with our services.

Today, our staff of over 200 dedicated professionals deliver our services in six service areas:

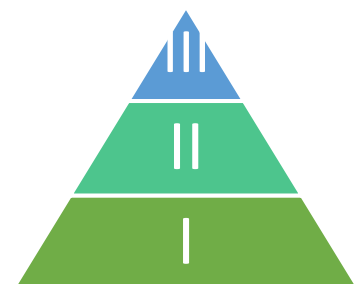
- 1. Real Estate Development & Affordable Housing:** CHN develops and manages multi- and single-family homes for LMI families, seniors, individuals with disabilities, and people experiencing homelessness in Cuyahoga County. Additionally, we offer services and consulting for organizations in Ohio, Michigan, New York, and Pennsylvania; areas of expertise include development, general contracting, construction, property and asset management, and LIHTC.
- 2. Energy Conservation & Weatherization:** Through decades-long partnerships with various partners (i.e., utility companies & public agencies), CHN provides nearly \$17 million in energy-efficient products and services annually (including weatherization and electric, water, and sewer conservation) to help make homes safer and more affordable. We complete 7,000 jobs annually through a 22-county Ohio territory.

3. **Utility & Rental Assistance:** In partnership with government and utility companies, CHN provides utility bill and crisis assistance to 30,000+ Cuyahoga County families annually. We work with community development corporations and other community partners to bring services directly to neighborhoods experiencing high demand. This includes distributing COVID-19 emergency rental assistance in partnership with local municipalities and service organizations. Since July 2020, CHN has deployed over \$53 million to 14,000 families in need.
4. **Counseling & Education:** Annually, CHN serves over 4,000 low-income Cuyahoga County families through personal finance management, homebuyer readiness, foreclosure and eviction prevention, free Earned Income Tax Credit (EITC) tax preparation, digital literacy training, and broadband access.
5. **Community Building & Engagement:** Through collaborations with local youth agencies and CHN stakeholders, we provide youth living in our Lease Purchase and multi-family housing with leadership, community building, and employment opportunities. Currently, we are building out this line of business to incorporate additional year-round opportunities for growth and professional development.
6. **Home Lending:** Since 2010, CHN has self-financed its homebuyers and built expertise in originating, servicing, and supporting loans to people who do not meet traditional bank underwriting criteria. CHN Housing Capital, CHN's newly designated Community Development Financial Institution, was formed to provide scalable access to capital for communities of color, LMI homebuyers, and homebuyers in low-income census tracts of Cuyahoga County. Relatedly, CHN was an implementing member of the Lead Safe Cleveland Coalition, a group of 200+ organizations convening to make Cleveland's aging housing stock lead safe. CHN was selected as the administrator of this city-wide, City-supported initiative's Lead Safe Home Fund, which is now fully operational. By fostering partnerships and aligning with City and County housing plans, we have helped change the conversation and unite a common intention to rebuild neighborhoods, provide LMI families with equal opportunity, and further equity and social justice throughout Greater Cleveland.

We'll contextualize the need for these solutions in the following section.

## Needs & Solutions

The need for housing stability services is great, and a combination of local, state and federal, private and public interventions are necessary to address the needs of our community. As we reflect on the pandemic, I invite you to think about what we first told people to do – stay home. For many, they could not afford the rent because they lost their jobs. Some families were living paycheck to paycheck and struggled to make rent before the pandemic, while others were acutely affected during the pandemic and turned to government assistance for the first time. For some, they were forced to stay in an unhealthy environment with lead dust impacting their children or home repairs that they or their landlord could not otherwise afford to make. These issues existed before the pandemic, the pandemic made us more aware of them, and they will continue after the pandemic with class and racial disparities even more exacerbated.



In our hometown of Cleveland, homeowners and renters alike suffer from high levels of poverty and the continued impacts of redlining, predatory lending and the foreclosure crisis. Today, I'm going to briefly walk you through some of the most prevalent housing barriers that households face in our region, and how we at CHN have responded to those barriers.

No matter where a customer is when we first meet each other, CHN wants to meet our customers where they are and empower them to get to where they want to be. You might think of CHN's model as a hierarchical pyramid of needs, starting with crisis intervention programs, moving up through stabilization services, and ending with enrichment activities.

Our base level of programs are crisis intervention programs that respond to critical, emergency needs like homelessness and eviction. According to the U.S. Census Bureau, Cleveland has the highest poverty rate among large U.S. cities at nearly 31%. Eviction Lab's research shows that Cleveland's eviction rate of 4.5% is over two percentage points higher than the national average. And every year, despite the best efforts of our incredible Cuyahoga County Continuum of Care, thousands of people experience homelessness in our city.

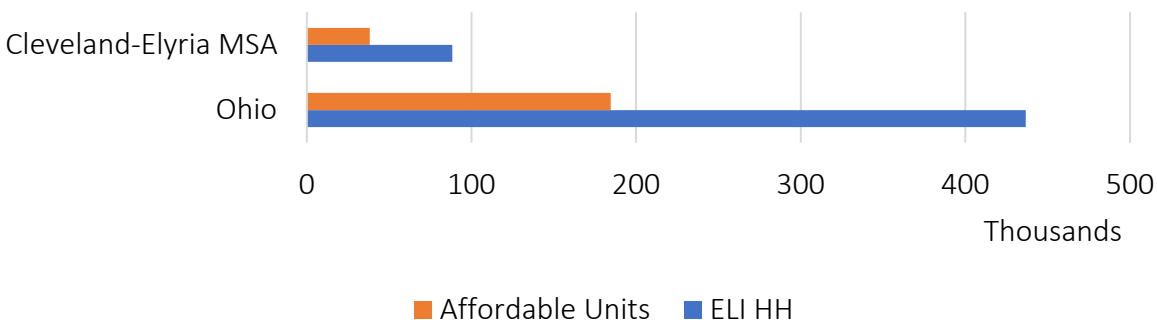
CHN's response to these crisis needs include both (1) increasing and maintaining housing supply and (2) delivering stability services. We administer utility bill pay assistance to help prevent shutoffs and disconnections. We administer emergency home repairs to replace furnaces that have gone out during the winter. We run eviction and foreclosure prevention programs, including what is one of the best performing emergency rental assistance programs in the country, having deployed over \$53 million to 14,000 households during the pandemic. We are the lead developer in the decade plus long effort of the Housing First Initiative, which has developed 700+ units of affordable housing through the Low Income Housing Tax Credit program to reach a near functional zero for individuals with chronic homelessness in Cuyahoga County.

In this work, we take a data-based approach and want to understand the who, what, why and where of each consumer we meet to best serve that customer and understand the macro and micro trends facing our community. Taking this data-based approach and maintaining it in real time through our Salesforce customer relationship management system and GIS mapping, we were able to inform ongoing public policy decisions on rental assistance at the local, state and federal levels throughout the constantly evolving pandemic period. Our applicants have reported nearly \$300 million in total income loss, averaging \$20,000 per applicant. Three quarters of our applicants are women, 70% are Black or African American, and about half have children. Our mapping system makes it possible for us to identify - down to the street level - which households have applied for rental assistance, allowing us to consider different ways of marketing and outreach in communities where we see a lack of applications, but a high rate of renters. Federal funding has been a critical lifeline to ensuring these households don't face eviction on top of a global health and financial crisis.

Finally, CHN is also an implementing member of the Lead Safe Cleveland Coalition, a group of over 200 organizations convening to make Cleveland's aging housing stock lead safe. The majority of Cleveland's housing stock was built before 1978, meaning most units have or had lead paint. Exposure to lead paint has serious and lifelong impacts on children and families, leading to health disparities, behavior problems, poor educational outcomes, and more. CHN was selected to administer the local Lead Safe Home Fund, which is a first of its kind fund that provides grants and loans to help landlords to make their units lead safe and prevent lead poisoning in children.

Beyond these crisis responses, we also provide a suite of stabilization services to meet community needs. The United States currently faces a shortage of nearly seven million affordable housing units. In Ohio, 83% of extremely low-income households are housing cost burdened, meaning they spend more than the HUD-recommended 30% income on housing costs. That housing cost burden has real impacts on families. According to the National Low Income Housing Coalition, in Ohio, a single parent would need to work 74 hours per week at minimum wage, in order to afford a modest two-bedroom apartment.

### Available Affordable Housing Units vs Extremely Low Income Households



*National Low Income Housing Coalition*

In response to these needs, again, CHN provides both supply of affordable housing through real estate development and services such as household savings initiatives like weatherization and energy conservation programs. The investment in capital improvements in weatherization and energy conservation programs has a three-fold positive effect of (1) reducing the energy expense of a household, making them more housing stable and less dependent on government subsidy for energy payments, (2) improving the value of the home as a result of the capital improvement, and (3) reducing our overall utilization of energy.

Additionally, we provide housing for individuals, families and seniors through the Low Income Housing Tax Credit (LIHTC), whether it be multifamily apartments, townhomes or single-family homes, preservation or new construction. We hope that this committee understands and recognizes the importance of LIHTC, the best investment tool we have available for affordable housing in this country, and how expansion and improvement of the credit as had been proposed in the bipartisan Affordable Housing Credit Improvement Act would help us to build and preserve significantly more affordable housing.

Finally, we recognize that the power of a permanent address extends far beyond crisis intervention or household stability. A safe, stable, affordable place to call home can have dramatic impacts on quality of life, generational wealth, and health and wellness, and at the centerpiece of that wealth building is homeownership. Financial stability is one major piece of this puzzle. According to JP Morgan Chase, two in three US families lack an emergency fund. Further, the National Foundation for Credit Counseling has shown that three in five families don't keep a household budget.

Without this basic financial literacy and stability, major investments like homeownership are not possible. And the impact of homeownership is incredible. There's a reason we talk about our homes as nest eggs

and building blocks of the American Dream. Renters don't capture the wealth generated by housing price appreciation, nor do they benefit from the equity gains generated by monthly mortgage payments, which become a form of forced savings for homeowners. As a result, the median homeowner has 40 times the household wealth of a renter. For extremely low-income households, this figure jumps to 68. Having an increased net worth allows homeowners to leverage their investment for emergencies and long-term planning like college. Personally, I grew up in a blue-collar family in the City of Detroit. My dad was a police officer and my mom worked at a Catholic school. If it hadn't been for the equity in our home and my parents' willingness to leverage it to pay for my college education, I would not be here today. Unfortunately, this critical generational wealth building tool is out of reach for too many American families, especially for low to moderate income households, and Black and brown households. Today, our wealth and homeownership gaps are just as stark as they were in 1968, with white households reporting ten times the wealth of Black households and a 30% disparity in homeownership rates.

CHN's enrichment programs address these long-term financial and homeownership gaps through counseling and education, creating supply through development, and filling gaps in the lending market.

I want to especially highlight two of our most exciting homeownership programs.

The first is our flagship Lease Purchase program, which utilizes LIHTC to develop a 15-year pathway to homeownership for the families we serve. Through this program, CHN leases a newly renovated or constructed home to income eligible households for the 15-year period required by LIHTC for the home to remain rental. Once the rental period concludes, the family has the ability to purchase the home at a significantly reduced cost. Over the history of our program, we have helped over 1,400 families become homeowners and over 95% remain homeowners for five years after buying their home, showing that the program is producing sustainable homeownership.

The second program, broadly speaking, is CHN Housing Capital, our certified Community Development Financial Institution. CHN Housing Capital provides access to lending products for those historically locked out of the market and those newly locked out following the Great Recession and the passage of Dodd Frank. Our lending work began by supporting our lease purchase program by using an alternative underwrite called the Equivalency Principle, which states that someone who has a proven track record of paying a rental payment will have success as a homeowner so long as the principal, interest, taxes and insurance are equal to or less than that rental payment. Now, we offer a full suite of services and products including down payment assistance, home repair loans, and first mortgages. Our Believe Mortgage product focuses on small dollar lending, filling a major gap in our community. In less than one year, our Believe Mortgage product has received significant attention. We worked with over 70 borrowers in Cuyahoga County and originated 30 loans, reflecting a significant unmet need in the community. One of our first borrowers of the Believe Mortgage, Danielle, was a young woman, 24 years old, with two kids. With our help, she bought the home she was previously renting, and her monthly payment decreased from \$750 to less than \$300. Those savings have allowed her to invest in her children's education, to pay for critical healthcare and other necessary costs, and even to go on the occasional vacation. That is the power of homeownership.

As we think of existing federal resources that could further support these efforts, I hope that the Committee would consider improvements to the HOME and CDBG programs, the regulations of which make it incredibly difficult to use for homeownership activities. I'd be happy to share specific thoughts I and my colleagues at the Homeownership Alliance have proposed for improving HOME for homeownership. Additionally, I hope you will carefully consider the passage of the Neighborhood Homes Investment Act, the bi-partisan legislation co-sponsored, by Ohio's own Senator Sherrod Brown and

Senator Rob Portman and Ohio Representatives Marcy Kaptur, Joyce Beatty, Steve Stivers, Anthony Gonzalez, Tim Ryan, David Joyce and Bill Johnson. NHTC would be a game changer for cities like Cleveland and Detroit and would make a big difference for our ability to rehabilitate homes for homeownership opportunity and neighborhood stabilization across the country.

It's impossible to cover the need for housing services or the work that we do at CHN in five minutes, but I hope this has been a helpful snapshot. Please keep low-income families in mind throughout the work you do, and support policies that create homeownership opportunity and preserve and expand affordable housing supply and access. Thank you very much for the opportunity to speak with you today, and please connect with us at CHN if you ever have questions or ideas to share.