



**NATIONAL LOW INCOME
HOUSING COALITION**

*Dedicated solely to ending America's
affordable housing crisis*

**Testimony of Sheila Crowley, MSW, Ph.D.
President of the National Low Income Housing Coalition
presented to the
Financial Services Committee
United States House of Representatives
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Chairman Frank, Ranking Member Bachus, and Members of the Committee, thank you for the opportunity to testify today about H.R. 2895, the National Affordable Housing Trust Fund Act of 2007.

I am Sheila Crowley, President of the National Low Income Housing Coalition; our 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 National Low Income Housing Coalition does not represent any sector of the housing industry. Rather, NLIHC works only on behalf of and with low income people who need safe, decent, and affordable housing, especially those with the most serious housing problems.

Establishment of a national housing trust fund with dedicated sources of revenue for the production and preservation of housing affordable for people with the most serious housing problems has been the top priority of the National Low Income Housing Coalition since 2000. In 2001, we joined with many others to form the National Housing Trust Fund campaign, now endorsed by over 5,600 organizations across the country.

NLIHC's interest in a national housing trust fund actually predates my tenure at NLIHC; the original proposal for a national housing trust fund was developed under the leadership of NLIHC founder, the late Cushing Dolbeare, in the early 1990s. Thus, the occasion of a hearing in the United States House of Representatives on a bill to establish a national housing trust fund is a great moment for the National Low Income Housing Coalition and the National Housing Trust Fund campaign.

But of real importance is that this is a great moment for the millions of American families and single elderly or disabled people whose physical, emotional, financial, and social well-being are compromised and damaged every day because they cannot afford even modest safe and healthy homes. In the United States of America, we should not tolerate a housing shortage of the magnitude we now face. H.R. 2895 asserts that this housing shortage is unacceptable and that we as a nation intend to correct this failing at long last.

It is of note that, today, we are also observing the 20th anniversary of the passage of the

McKinney Homeless Assistance Act, enacted as an emergency response to the rapid growth in homelessness in the 1980s. Before coming to Washington in the 1990s, I worked at the community level for 20 years. I remember when homelessness was quite rare and I remember when homelessness accelerated in the 1980s. I know that homelessness grew as the supply of low cost rental housing shrunk and the cost of housing increased. I know that despite the best interventions devised by the most skilled caseworkers, no amount of counseling and case management caused homes to materialize for people who needed a place to live. I know that we have no hope of ending or preventing homelessness in the United States these 20 years after McKinney unless and until we make a serious investment in housing that the lowest income people can afford. The National Affordable Housing Trust Fund does just that.

The Housing Shortage

It is easy to understand the persistence of contemporary homelessness when one examines the mismatch between household income and housing stock. According to NLIHC's analysis of the 2005 American Community Survey, there are 9 million extremely low income renter households and 6.2 rental units that they can afford, using the standard affordability measure of spending no more than 30% of household income on gross housing costs. The result is an absolute shortage of 2.8 rental homes for this income population nationwide. This is the only income group for whom there is an absolute shortage.¹ (Graph 1). This is the income group whose housing needs are addressed in H.R. 2895.

Lest you think these national data reflect extreme housing shortages in a few states, examination of the data at the state level shows that there is an absolute shortage of rental housing units for extremely low income households in 42 states and the District of Columbia. And in the states that show a sufficient supply or small surplus (AK, AR, HI, MT, NE, ND, SD, WV, and WY), the margin of error is such that there may be no surplus at all.² (Map 1)

In actuality, the situation is much more dire, because many of the units that are affordable to extremely low income households are in fact rented and occupied by higher income households. So on a nationwide basis, the shortage of affordable and available rental homes for extremely low income households is 5.6 million and there is a significant shortage in every state. Nationally, there are only 38 affordable and available rental homes for every 100 extremely low income renter households. The range among states on the same measure is 23 in CA to 65 in ND.³ (Map 2)

Who are extremely low income households? In Washington, DC, they are families with total annual income of \$27,090 or less. In Birmingham, AL, the annual income is \$17,720 or less. In Boston, it is \$25,230 or less. And it is \$16,860 or less in Los Angeles; \$21,720 or less in DuPage County, IL.⁴ These are people who work for a living at the low wage jobs that all of us rely on to be able to do our jobs; child care providers, nursing homes aids, hotel housekeepers,

¹Pelletiere, D. (2007). *American Community Survey shows larger national, state affordable rental housing shortages. Research note #7-01.* Washington, DC: NLIHC. NOTE: The 2005 American Community Survey does not reflect losses to housing stock as a result of Hurricane Katrina.

² Ibid.

³ Ibid.

⁴ Wardrip, K., Pelletiere, D., & Crowley, S. (2006). *Out of reach 2006.* Washington, DC: NLIHC.

office cleaners, retail clerks, receptionists.

Extremely low income households are also elderly and disabled people whose income is limited to Supplemental Security Income (SSI). The federal SSI benefit level is \$7,476 annually in 2007 for an individual and \$11,208 for a couple.

What happens to real people under these conditions of scarcity for a need as basic as housing? They must spend precariously high percentages of their income for their homes. Seventy-one percent of extremely low income renters spent more than half of their incomes for their homes. (Note that home ownership provides no protection against high housing cost burdens. Sixty-four percent of extremely low income homeowners pay more than half of their income for their homes.)⁵ Or the adults work multiple jobs, at the expense of time for their children and family life. Or they double and triple up creating overcrowding or they live in substandard housing that threatens their health. Those who have the fewest coping skills and weakest social networks are the ones who have the highest risk of becoming homeless under these conditions of scarcity.

Finally, it is important to note that the shortage is getting worse. Analysis by HUD research staff using the American Housing Survey shows that the absolute shortage of rental units affordable to extremely low income households was 2 million in 2003 and rose to 4 million by 2005.⁶

How H.R. 2895 Will Help?

Simply put, H.R. 2895 will make capital resources available to developers who are willing and able to build and operate housing that extremely low income families and individuals can afford. There is no current federal housing production program that is specifically targeted to this income population (Table 1). The National Affordable Housing Trust Fund will fill a longstanding void in the housing production tool box. We do not envision that NHTF dollars will be used as the sole source of capital for any project. Rather, they will add enough to bring the cost down for a percentage of units such that they become affordable for extremely low income renter households.

The core intent is that most of the funds will be used for rental housing, but the bill fully allows resources to go for home ownership. We understand that getting extremely low income families into home ownership is a challenge and, in most cases, is not in their best financial interest. We strongly believe that the best home ownership program for people in the low wage workforce is to increase the supply of rental housing they can afford. They have a much greater chance of becoming successful homeowners in the future after being stable and successful renters who are able to develop good credit histories and have enough extra income to save for a down payment. We have created a false dichotomy that idealizes home ownership and devalues rental housing that fails to recognize the essential role of good rental housing in a well-functioning housing market. There can be no doubt that this false dichotomy has contributed to

⁵ Wardrip, K. & Pelletiere, D. (2007). *Recent data shows continuation, acceleration of housing affordability crisis. Research note #6-05.* Washington, DC; NLIHC.

⁶ U.S. Department of Housing and Urban Development. (2007). *Affordable housing needs 2005: A report to Congress.* Washington, DC. Author..

the proliferation of subprime and predatory lending and the wave of foreclosures sweeping across the country.

The bill is quite prescriptive about how the funds cannot be used . No one is more committed to assuring the funds are not used for anything other than their intended purpose than NLIHC and the National Housing Trust Fund campaign. We fully support the restrictions on use of funds provided for in H.R. 2895.

Many provisions in the bill are the result of careful deliberations about how to build on lessons learned in past housing programs and how to promote innovation. Segregation of people by income and recreating high poverty neighborhoods is not permitted. Siting near employment centers and public transportation is rewarded. So is the use of “green” housing principles in design and construction. The bill calls for a 50-year term of affordability, so we are not faced with another opt-out crisis in 15 or 20 years.

The bill rewards state and local governments that are taking the initiative themselves to solve their housing problems by matching state and locally generated funds at a higher rate than state or locally controlled federal funds such as CDBG or Low income Housing Tax Credits. The bill also allows for a reduction or waiver of the required match for communities experiencing fiscal distress.

And for the first time to my knowledge, the bill offers federal incentives to local governments to reduce regulatory barriers. The two most frequent reasons that local people cite for not being able to build housing affordable for extremely low income households are lack of funds and NIMBY opposition to the siting of such housing. The federal government has little or no power to affect local land use decisions, but you can reward localities that make the right decisions. The matching requirements will be reduced or eliminated in future years for jurisdictions that can demonstrate they have taken affirmative steps to reduce regulatory barriers to the siting and construction of housing built with NHTF dollars.

The Goal

The goal of the National Housing Trust Fund campaign that is stated in H.R. 2895 is to produce or preserve 1.5 million homes over 10 years. This is a very ambitious goal. To give you a sense of the scope, the Low Income Housing Tax Credit Program, the single largest federal production program, produces about 100,000 units a year at a cost of \$3.5 billion a year.

H.R. 2895 provides for two dedicated sources of funding for the National Affordable Housing Trust, both of which are very familiar to the Members of this Committee. CBO estimates a combined value of \$800 million to \$1 billion a year. To reach our goal, other dedicated sources of funding will have to be identified and added, which the bill allows. The most successful housing trust funds across the country (there are now 600 state and local housing trust funds with a combined annual value of \$1.6 billion⁷) are those that are funded with housing related dedicated sources of revenue. That is the model upon which the National Affordable Housing Trust Fund is built. We are certain that there are any number of creative

⁷ Brooks, M. (2007). *Housing trust fund progress report 2007*. Washington, DC. Center for Community Change.

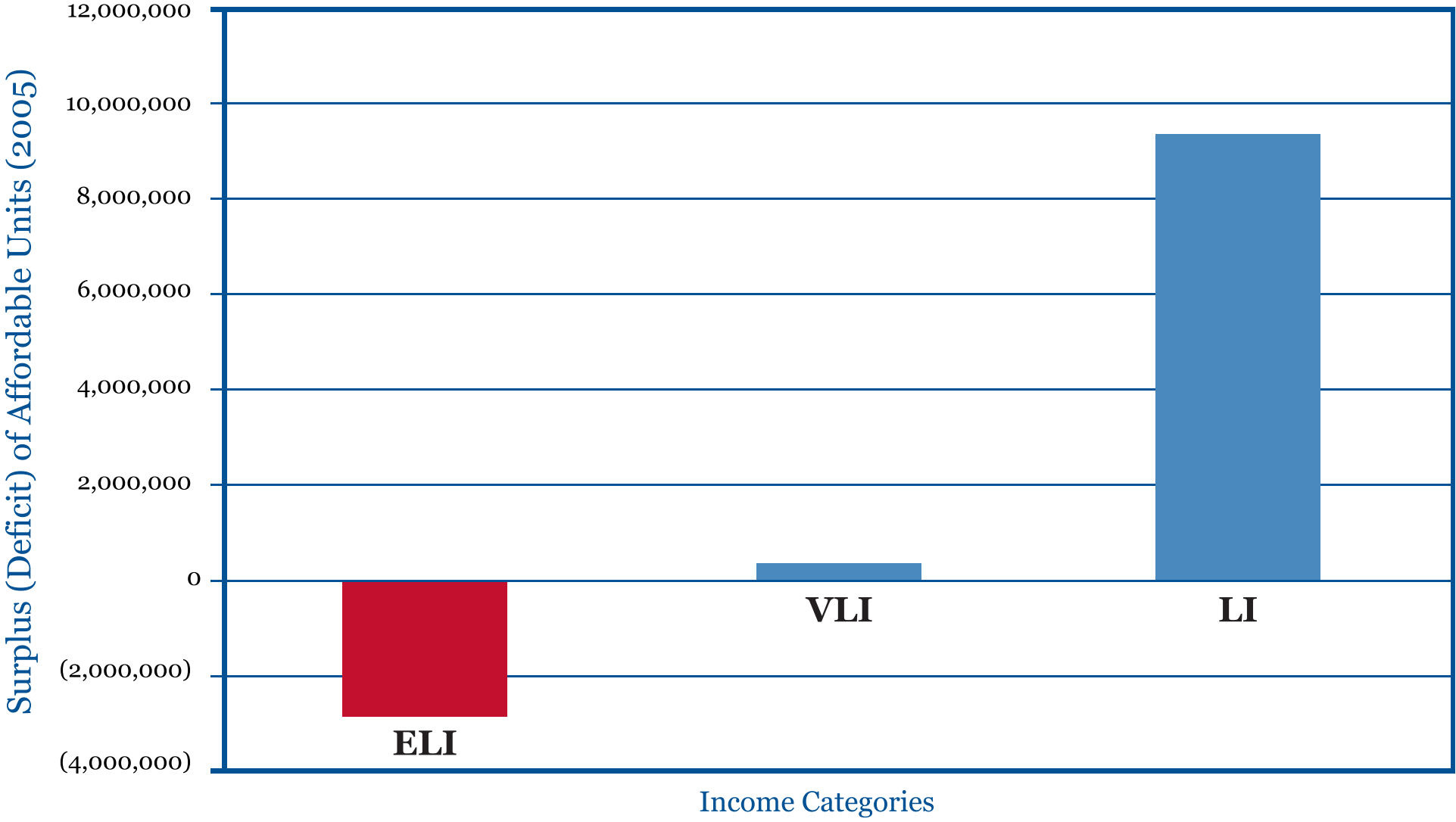
ways to direct additional revenue into the National Affordable Housing Trust Fund and this bill will get the best minds working on it.

I know that some critics will say we do not need a new program, that existing federal housing programs would suffice. (Of course, if that were literally true, we would not be in the crisis we are in today.) If the argument is that existing programs would suffice if they were funded at higher level, it is at least a more plausible argument in the abstract. But the stark reality is that the federal budget is in a deep deficit and anything other than small improvements to the funding levels of existing programs are not likely in the foreseeable future. The National Affordable Housing Trust Fund will not depend on regular appropriations nor will it reduce funding to existing programs.

This is one of the most important bills that this committee will take up in the 110th Congress. We want to work with all of you to make it the best bill possible.

Let me close by offering our heartfelt thanks to Chairman Frank, Chairwoman Waters, Mr. Miller, Mr. Shays and the other original co-sponsors of H.R. 2895 who have once again demonstrated what all housing advocates know. The best low income housing legislation is always bipartisan.

Graph 1: Extremely Low Income Renters are the Only Income Group for Whom There is an Absolute Shortage of Housing Units



ELI = Extremely Low Income (<=30% AMI)

VLI = Very Low Income (<=50% AMI)

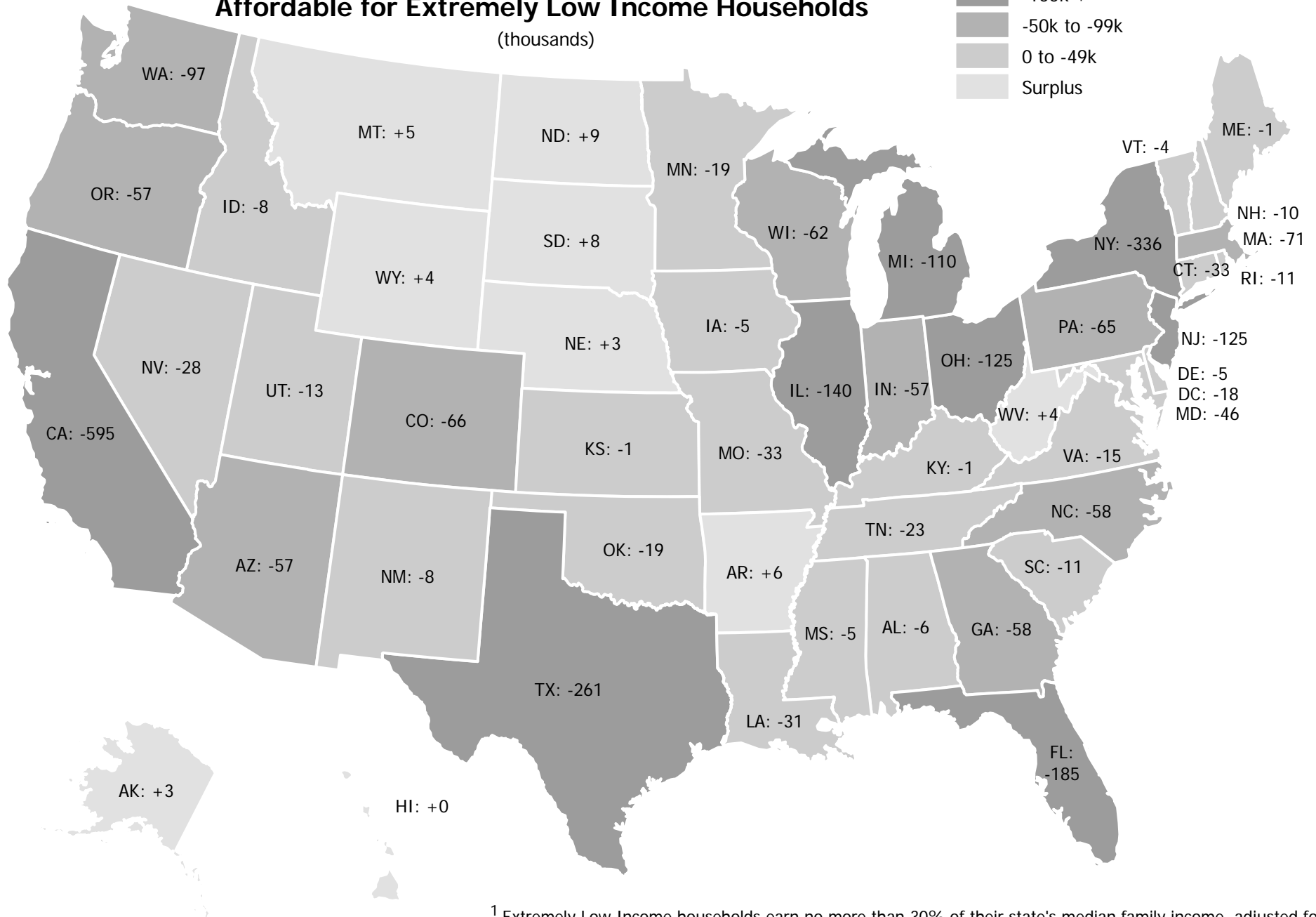
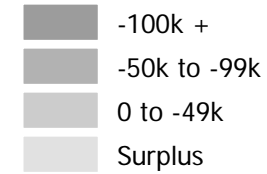
LI = Low Income (<=80% AMI)

Units are affordable within an income category if rent and utilities cost 30% or less of top threshold income.

Map 1 Absolute Shortage of Rental Housing Units Affordable for Extremely Low Income Households¹

(thousands)

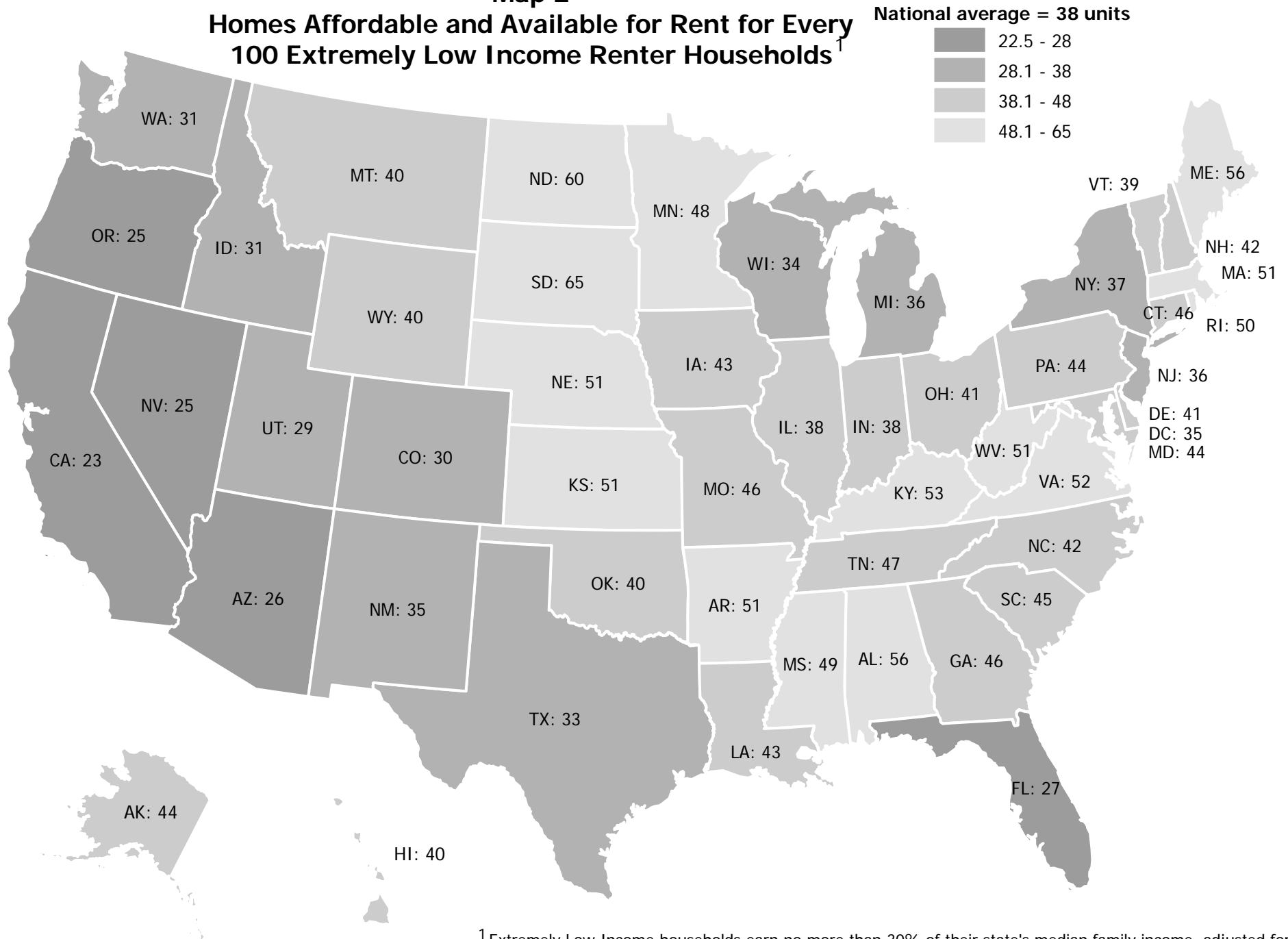
Avg. Shortage is -56,000 Units



Note: States are classified by their unrounded values.

¹ Extremely Low Income households earn no more than 30% of their state's median family income, adjusted for household size. Affordable means paying no more than 30% of household income for housing. 2005 figures. See NLIHC's Research Note #07-01 for the full report (<http://www.nlihc.org/doc/RN07-01.pdf>). As with all surveys, margins of error are associated with all estimates derived from the American Community Survey.

Map 2 Homes Affordable and Available for Rent for Every 100 Extremely Low Income Renter Households¹



Note: States are classified by their unrounded values.

¹ Extremely Low Income households earn no more than 30% of their state's median family income, adjusted for household size. Affordable means paying no more than 30% of household income for housing. 2005 figures. See NLIHC's Research Note #07-01 for the full report (<http://www.nlihc.org/doc/RN07-01.pdf>).

As with all surveys, margins of error are associated with all estimates derived from the American Community Survey.

Table 1 Income Targeting and Expenditures for Major Housing Programs

Housing Program	Income Targeting Requirements	National Annual Funding
Section 202 and Section 811	All units are for households under 50% of AMI.	\$972 million (FY07 HUD appropriation)
HOME	At least 90% of rental units assisted throughout the jurisdiction must be for households under 60% AMI, with the remainder for households up to 80% AMI. If there are more than 5 HOME-assisted units in a building, then 20% of the HOME-assisted units must be for households under 50% AMI. All assisted homeowners must be below 80% AMI.	\$1.7 billion (FY07 HUD appropriation)
Community Development Block Grant	Seventy percent of the funds must serve households below 80% AMI. Remaining funds can serve any income level.	\$3.7 billion (FY07 HUD appropriation)
McKinney-Vento Homeless Assistance Grants	Participants must meet HUD's definition of homeless (those who lack a fixed, regular and adequate nighttime residence). Only 30% of funds are required to be spent on permanent housing.	\$1.4 billion (FY07 HUD appropriation)
Housing Opportunities for People with AIDS (HOPWA)	All housing is for households with incomes under 80% of AMI.	\$286 million (FY07 HUD appropriation)
Low Income Housing Tax Credit	Either 40% of units must serve households below 60% AMI, or 20% of units must serve households below 50%, owner decides.	\$3.5 billion (FY07 tax expenditure)
Federal Home Loan Banks' Affordable Housing Program	AHP subsidized units must serve households with incomes less than 80% of AMI. Rental projects are required to insure that 20% of the total units are for households with incomes less than 50% of AMI.	\$295 million (2006 amount)
Section 515, Rural Rental Housing	Up to \$5,500 above 80% AMI, with priority to households in substandard housing. If Section 521 Rural Rental Assistance is used, 95% of tenants in new projects and 75% of new tenants in existing projects must be below 50% AMI	\$99 million (FY07 USDA appropriation)
Section 538, Guaranteed Rural Rental Housing Program	All housing is for households with incomes less than 115% of AMI.	\$100 million (FY07 USDA appropriation)
Proposed:		
H.R. 2895, National Affordable Housing Trust Fund	All housing assistance is for households with incomes less than 80% of greater of state or local median income; at least 75% under 30% AMI or poverty line; 30% less than amount equivalent to federal Supplemental Security Income level.	Approximately \$1 billion.