

**TRANSPORTATION AND HOUSING AND URBAN
DEVELOPMENT, AND RELATED AGENCIES
APPROPRIATIONS FOR FISCAL YEAR 2017**

WEDNESDAY, SEPTEMBER 21, 2016

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:30 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Susan Collins, (chairman) presiding.
Present: Senators Collins, Boozman, Cassidy, Daines, and Reed.

HOUSING VULNERABLE FAMILIES AND INDIVIDUALS:
IS THERE A BETTER WAY?

OPENING STATEMENT OF SENATOR SUSAN M. COLLINS

Senator COLLINS. The hearing will come to order.

Good morning. I am pleased to be joined today by our ranking member, Senator Jack Reed, as we begin our hearing examining whether there are more effective ways to meet the housing needs of vulnerable families and individuals.

The question of how best to house families and individuals in need of assistance has simply not received the attention it deserves.

Today, I want to focus on whether the place-based rental assistance of the current public housing and project-based Section 8 programs still has a beneficial role to play. Should limited Federal resources be directed to tenant-based Section 8 vouchers and existing projects converted to vouchers?

We focus on public housing and project-based Section 8 because unlike, for example, housing for the elderly or housing for the disabled programs, public housing and Section 8, intended to serve a diverse population, are not limited to a particular demographic group.

Public housing and project-based Section 8 both provide rental assistance that is tied to specific properties, limiting a family to receiving assistance only at that property. The tenant-based Section 8 program, on the other hand, enables a family to move at its discretion while continuing to receive rental assistance.

The biggest difference between public housing and project-based Section 8 is that public housing was built and is owned and operated with Federal funds by public housing agencies that are entities of State and local governments. Project-based Section 8 prop-

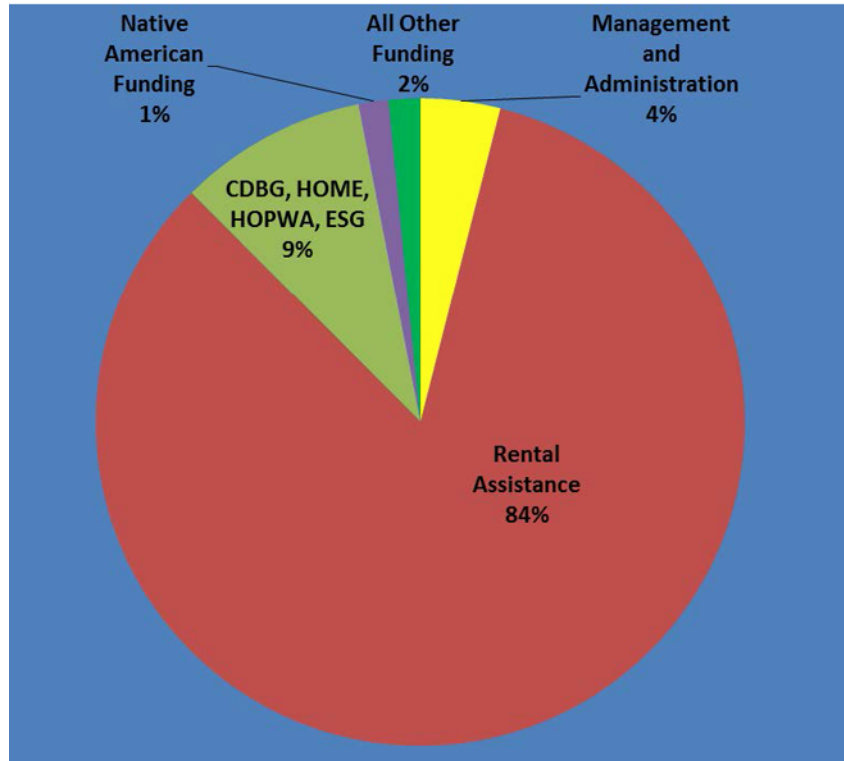
erties are privately owned, and HUD has entered into a long-term contract with the owner to provide rental assistance.

This conversation is particularly timely, given the overall fiscal constraints of the current budget caps and our Nation's \$19.5 trillion national debt.

In addition to the overall fiscal constraints, this subcommittee annually faces the uncertainty of how much offsetting receipts will be credited from the Federal Housing Administration's mortgage insurance premiums. These offsetting receipts significantly affect our ability to fund our programs. Ensuring that sufficient funds are provided to renew existing rental assistance has, however, always been a priority.

The challenge is that the cost of renewing rental assistance continues to grow by hundreds of millions, if not billions, of dollars each year. Rental assistance consumes an ever-larger share of HUD's budget. For fiscal year 2017, the rental assistance takes up 84 percent of HUD's overall budget, reducing funds available for other critical priorities, including the popular Community Development Block Grant and HOME programs. We have a wonderful chart, which I have asked to be brought over, that demonstrates visually how much of HUD's budget—right on cue—is consumed by rental assistance. And that is just keeping us even. Keep in mind that we are not beginning to serve many people who qualify for rental assistance and are very low income individuals.

[The chart follows:]



Senator COLLINS. Directing 84 percent of HUD's budget to rental assistance might be reasonable if it were to effectively meet the housing needs of all vulnerable families and individuals. However, as I pointed out, with notable yet relatively small exceptions, such as the HUD voucher program, the VASH program for our homeless veterans, our expenditures on rental assistance are barely holding on to the existing inventory of Section 8 and public housing units.

As the directors of homeless shelters will attest, there are so many families and individuals, including homeless young people, with tremendous unmet housing needs all across the country.

The issue goes beyond those who are actually homeless. Nationally only one out of four families eligible for housing assistance receives it. According to HUD's most recent estimate, approximately 7.7 million households experiencing the worst case housing needs, that is, renters whose incomes are below 50 percent of the area median, do not receive government-funded rental assistance and who pay more than half their monthly incomes for rent or live in severely substandard conditions, or both. In other words, we have this huge group of individuals who are very low income, and we are barely scratching the surface of serving them.

In addition to the funding challenges, emerging research also raises the question of whether project-based assistance is the best approach. Research released by a group of Harvard economists in 2015 makes the case that not only does the quality of the neighbor-

hood contribute to the health, well-being, and overall success of all of the residents, but also it had a significant impact on children moving into better neighborhoods. For these children, better neighborhoods contributed to improved long-term outcomes, including future earnings and college attendance, with each additional year in a high-poverty neighborhood leading to worse long-term outcomes.

Both OMB Director Shaun Donovan and HUD Secretary Julian Castro have pointed out that the single biggest predictor of a child's opportunity and even life expectancy is the ZIP code of the community in which that child grows up.

Unfortunately, existing public housing and project-based Section 8 properties are found predominantly in high-poverty neighborhoods. The Census Bureau defines an extreme poverty area as one with a poverty rate of 40 percent or higher. For public housing, 34 percent of properties are located in extreme poverty areas. For tenant-based vouchers, only 14 percent are located in extreme poverty areas.

I am concerned that the funding of existing project-based assistance in high-poverty neighborhoods may be creating more problems than it solves. With that in mind, if project- or place-based housing still has an important role to play, would we be better off divesting the current stock and investing in project-based housing in high-opportunity areas? That is one of the many issues I want to explore with our panel today.

As we consider alternative approaches to rental assistance, we should not forget that changes to the administration of the voucher program may also lead to better ways to assist vulnerable families and individuals. The Center on Budget and Policy Priorities, for example, points out that in 2015, over 70 percent of voucher tenants lived in the 100 largest metropolitan areas across the country and that in 35 of those 100 areas, voucher administration was divided among 10 or more agencies. In such situations, the large number of public housing agencies may well act as an unintentional barrier to mobility across a metro area. So looking at limited consolidation of housing agencies is one issue that we should explore as to whether it would lead to more opportunities for voucher residents to move to areas of greater opportunities. That is only one example of the kinds of reforms that have been suggested.

This morning, I have highlighted concerns that have been expressed about project-based rental assistance, concerns that lend themselves to the argument that we should consider replacing these units with Section 8 vouchers. But I want to be clear that the purpose of this hearing is to explore all of the options and that while I find these ideas intriguing, I do not have a preconceived policy preference. I am trying to figure out what is a very complicated issue and how we can better serve our very low-income families and ensure that we are targeting Federal investment to achieve better results for those families and to produce brighter futures for our most vulnerable children.

[The statement follows:]

PREPARED STATEMENT OF SENATOR SUSAN M. COLLINS

I am pleased to be joined today by our Ranking Member, Senator Jack Reed, as we begin our hearing examining whether there are more effective ways to meet the housing needs of vulnerable families and individuals.

The question of how best to house families and individuals in need of assistance has not received the attention it deserves. Today, I want to focus on whether the place-based rental assistance of the current public housing and project-based Section 8 programs still has a beneficial role to play. Should limited Federal resources be directed to tenant-based Section 8 vouchers and existing projects converted to vouchers? We focus on public housing and project-based section 8 because unlike, for example, the Housing for the Elderly and Housing for the Disabled programs, public housing and Section 8 are intended to serve a diverse population, and are not limited to a particular demographic group.

Public housing and project-based Section 8 both provide rental assistance that is tied to specific properties, limiting a family to receiving assistance only at that property. The tenant-based Section 8 program, on the other hand, enables a family to move at its discretion while continuing to receive rental assistance. The biggest difference between public housing and project-based Section 8 is that public housing was built and is owned and operated with Federal funds by public housing agencies that are entities of State and local government. Project-based Section 8 properties are privately owned, and HUD has entered into a long-term contract with the owner to provide rental assistance.

This conversation is particularly timely given the overall fiscal constraints of the current budget caps and our Nation's \$19.5 trillion national debt. In addition to the overall fiscal constraints, this subcommittee annually faces the uncertainty of how much offsetting receipts will be credited from the Federal Housing Administration, or F.H.A.'s, mortgage insurance premiums. These offsetting receipts significantly affect the ability of the subcommittee to fund its programs. Ensuring that sufficient funds are provided to renew existing rental assistance has always been a priority.

The challenge is that the cost of renewing rental assistance continues to grow by hundreds of millions, if not billions, each year. Rental assistance consumes an ever larger share of HUD's budget. For fiscal year 2017, rental assistance takes up 84 percent of HUD's overall budget, reducing funds available for other critical priorities including the popular Community Development Block Grant and HOME programs.

Directing 84 percent of HUD's budget to rental assistance might be reasonable if it effectively met the housing needs of all vulnerable families and individuals. However, with notable, yet relatively small, exceptions such as HUD-VASH vouchers for homeless veterans, our expenditures on rental assistance are barely holding on to the existing inventory of Section 8 and public housing units. As the directors of homeless shelters will attest, there are still families and individuals, including homeless young people, with tremendous unmet housing needs across the country. The issue goes beyond those who are actually homeless. Nationally, only one out of four families eligible for housing assistance receives it. According to HUD's most recent estimate, approximately 7.7 million households experiencing worst case housing needs—that is, renters whose incomes are below 50 percent of the area median, do not receive government-funded rental assistance and who paid more than half their monthly incomes for rent or live in severely substandard conditions, or both.

In addition to funding challenges, emerging research also raises the question of whether project-based assistance is the best approach to meeting housing needs. Research released by a group of Harvard economists in 2015 makes the case that not only does the quality of a neighborhood contribute to the health, well-being, and overall success of its residents, but also it had a significant impact on children moving to these neighborhoods. For these children, better neighborhoods contributed to improved long-term outcomes, including future earnings and college attendance, while each additional year in a high-poverty neighborhood led to worse longterm outcomes.

Both O.M.B. Director Shaun Donovan and HUD Secretary Julian Castro have often pointed out that the single biggest predictor of a child's opportunities, and even life expectancy, is the ZIP Code of the community where they grow up. Unfortunately, existing public housing and project-based Section 8 properties are found predominantly in high-poverty neighborhoods. The Census Bureau defines an "extreme poverty area" as one with a poverty rate of 40 percent or higher. For public housing, 34 percent of properties are located in extreme poverty areas. For tenant-based vouchers, only 14 percent are located in extreme poverty areas.

I am concerned that the funding of existing project-based assistance in high-poverty neighborhoods may be creating more problems than it solves. With that in mind, if project or place-based housing still has a role to play, would we be better off divesting the current stock and investing in project-based housing in high-opportunity areas? I look forward to hearing from our panel today on this point.

As we consider alternative approaches to rental assistance, we should not forget that changes to the administration of the voucher program may also lead to better ways to assist vulnerable families and individuals. The Center on Budget and Policy

Priorities, for example, points out that in 2015, over 70 percent of voucher tenants lived in the 100 largest metropolitan areas across the country and that in 35 of these 100 areas, voucher administration was divided among ten or more agencies. In these situations, the large number of public housing agencies may well act as an unintentional barrier to mobility across a metro area. Even limited consolidation of housing agencies in these areas could lead to more opportunities for voucher residents to move to areas of greater opportunity.

This is only one example of reforms that experts have suggested. I have no doubt that our panel has other such ideas as well.

This morning I have highlighted concerns that have been expressed about project-based rental assistance, concerns that lend themselves to the argument that we should consider replacing these units with Section 8 vouchers. I want, however, to be clear that I approach today's hearing with no pre-conceived policy preferences. This hearing is an opportunity to have a broader conversation that challenges us to explore what is possible and evaluate if we can target the Federal investment in rental assistance to achieve better results to produce brighter futures for our most vulnerable children.

Senator COLLINS. It is now my pleasure to turn to our ranking member, Senator Jack Reed of Rhode Island.

STATEMENT OF SENATOR JACK REED

Senator REED. Well, thank you, Madam Chairman.

This is a very important hearing and we are honored to have a distinguished panel of witnesses. So welcome, all.

Senator Collins and I both share a commitment to finding innovative ways to provide adequate, decent, affordable housing for all of our citizens. I must commend her for her leadership on this issue and so many others.

Again, we have called upon some very distinguished and insightful witnesses.

Ms. Erika Poethig from the Urban Institute, thank you. Erika has an extensive background on affordable housing preservation, which is evidenced by her prior roles at HUD and the MacArthur Foundation in Chicago. She has led numerous research efforts that have informed many of the transformative HUD policies that are under discussion today. Thank you for your work, for what you have done, and thank you for being here today.

We are also joined by Mr. Ed Olsen, who is no stranger to Congress. You have testified about low-income housing policy many times with insights and with quite insightful comments on that area. So thank you very much, Mr. Olsen.

And finally, we are joined by Mr. Rick Gentry. Thank you. San Diego Housing Commission. Mr. Gentry has on-the-ground experience with implementing HUD programs and can offer some innovative ways to think about this problem. Thank you again for joining us, Mr. Gentry.

We are here today because the Nation faces an affordable housing crisis. Only one out of every four eligible low-income households in this country receives the rental assistance they need to avoid homelessness. In Rhode Island, nearly 42,000 households spend more than 50 percent of their income on rent, and that is a 49 percent increase since 2000. So we are not doing better. We are falling behind. In fact, we will need to develop at least 3,460 units in Rhode Island of affordable housing each year just to keep pace with the growing population of our elderly and multi-generational residents. I can just tell you we are not even coming close to generating that kind of enhanced and new housing properties.

This gap is not unique to Rhode Island. It spans the entire Nation. As the chairman has pointed out, we dedicate 84 percent of HUD's budget to preserving rental assistance for nearly 5 million households, and we are just racing to stay in place. We are not getting ahead. According to HUD, the severely burdened renters group by 54 percent across this Nation between 2001 and 2013. This is a national crisis. It is getting worse. It is not getting better.

7.7 million renters are paying more than 50 percent of their monthly income on rent. That is way beyond what is reasonable for families. And in addition, it squeezes out other valuable investments, and it frankly squeezes out investments in demand in the economy so that when you look at growth rates that are tepid, some of it is because people do not have the discretionary income they used to have because of their rental burden.

So in order to effectively address this gap in quality, affordable housing, we need more resources, more units, more resources to support individuals in those units.

Just last year, we were faced with another threat of cuts due to sequester in the level of defense and non-defense budget caps, and with Senator Collins' leadership particularly, we were able to push back on that and able to raise the caps for both defense and non-defense. We are in that same dilemma, as we speak, anticipating next year's budget. We know if the caps do not go up, the problem will get worse. If the caps only go up for defense, this problem will get worse, in fact, quite a bit worse because there will be a tendency to offset those increases with further decreases on the domestic side.

So we have to face this challenge. And again, that is why this hearing is so important and so timely. Even if we do get relief, as the chairman has pointed out, essentially we are just making sure that we cover the rental assistance program. We are not doing the innovative extra things to create new units, to move people into those units, also to work with other agencies because one of the factors of how successful housing is supportive services for those who are in the housing. So we have to keep working.

I am pleased that both houses unanimously passed the Housing Opportunity through Modernization Act. That bill made important changes to HUD programs, even created savings that allow us to either house more families or reduce the cost of housing. So we are making progress there. A step in the right direction.

Today, we will consider other ways that we can reduce the cost of rental housing assistance while also expanding the supply of affordable housing for low-income individuals and families.

While today's hearing will focus on how HUD can better serve the vulnerable population, HUD alone cannot solve this problem. It will require working across Federal departments and in partnership with States and local governments because this has to be literally a team effort. So we are obligated to figure out the most cost-effective way to do that. This hearing can help us do that.

I thank you and I thank the chairman. Thank you, Madam.

Senator COLLINS. Thank you very much, Senator Reed.

We will now turn to our panel. I think Senator Reed essentially did a very nice job of introducing our panel, for which I thank him.

And so our first will be Dr. Ed Olsen, Professor of Economics and Public Policy at the University of Virginia.

**STATEMENT OF DR. EDGAR OLSEN, PH.D., UNIVERSITY OF VIRGINIA
PROFESSOR OF ECONOMICS AND PUBLIC POLICY**

Dr. OLSEN. Thank you, Senator Collins. I am delighted to be here today to share with you and the members of the committee what I know about the performance of low-income housing programs and share some ideas about how to get better outcomes from the money spent on them.

I speak from the perspective of a taxpayer who wants to help low-income families, albeit a taxpayer who has spent more than 40 years studying the performance of these programs. What I know is based in part on the research of hundreds of other researchers who like me have no financial interest in particular ways of delivering housing assistance. So I am particularly pleased that the hearing will consider major reforms of the current system because low-income housing assistance is fertile ground for reforms that would allow us to serve many more of the poorest households without greater public spending.

In my view, the current system has two main defects.

First, the majority of current recipients are served by programs of project-based assistance, whose cost is enormously excessive for the housing provided. The best study of HUD's largest program that subsidized the construction of privately owned projects indicated an excess taxpayer cost of at least 72 percent. The best study of public housing indicated an even larger excess cost.

The second major defect of the current system is that it provides large subsidies to some households while offering none to others in identical circumstances. And it provides subsidies to many people who are not poor while offering none to many of the poorest. Less than 35 percent of families with extremely low incomes on HUD's definition receive housing assistance. Phasing out programs of project-based assistance in favor of the system's most cost-effective program, the tenant-based voucher program, would ultimately free up the resources to provide housing assistance to millions of additional people.

I will offer several specific proposals to that end.

The low-income housing tax credit is the largest and fastest growing low-income housing program. Its costs are excessive for the housing provided, and most of the families served are not poor. Therefore, I think we should phase out funding for new tax credit projects and replace these tax credits with refundable tax credits for the poorest homeowners.

The best evidence also indicates that above-market rents are paid when the government renews use agreements with owners of privately owned subsidized projects. Therefore, when existing housing projects come to the end of their use agreements, we should not renew them, but instead give their tenants portable vouchers.

I also have some proposals for public housing reforms that would better use the funds and assets currently available to public housing authorities.

First, we should require each public housing authority to offer a housing voucher to each public housing tenant using its current budget for public housing.

Second, we should allow public housing authorities to charge market rents for the units vacated by families that accept the vouchers and use the increased revenue to improve their projects.

Third, we should allow public housing authorities to sell any of their projects to the highest bidder with the restriction that they must provide occupants with housing vouchers and use the net proceeds of the sale to improve the remaining projects.

Finally, the housing voucher program provides very large subsidies to recipients while offering nothing to other families in identical circumstances. The national mean subsidy to a household with one adult and two children and no countable income is about \$12,000 a year. A voucher subsidy of this magnitude enables its recipient to occupy a rental unit of about average desirability. From the viewpoint of poverty alleviation and basic fairness, it is surely much better to provide somewhat more modest housing to more of the poorest households rather than housing of this quality to a fortunate few. Therefore, I think we should provide new voucher recipients with a less generous subsidy and use the savings to provide vouchers to more of the poorest households.

I realize that this subcommittee does not have the authority to implement many of these suggestions, so I will make one recommendation that is clearly within the committee's authority and that would, I believe, have an enormous positive effect on the future course of low-income housing policy.

Specifically, I recommend that the committee appropriate the money for analyses of the highest quality that compare the cost-effectiveness of housing vouchers with the cost-effectiveness of various types of tax credit projects, including ones that renovate HUD's subsidized projects and ones involved in public housing's rental assistance demonstration. The cost of these studies would be trivial compared to the amount of money spent on these programs each year.

Thank you.

[The statement follows:]

PREPARED STATEMENT OF DR. EDGAR OLSEN, PH.D.

Low-income housing assistance is fertile ground for reforms that would provide better outcomes with less public spending. The majority of current recipients are served by programs whose cost is enormously excessive for the housing provided. Phasing out these programs in favor of the system's most cost-effective program would ultimately free up the resources to provide housing assistance to millions of additional people and reduce taxes.¹

Furthermore, the current system of low-income housing assistance provides enormous subsidies to some households while offering none to others that are equally poor, and it provides subsidies to many people who are not poor while offering none to many of the poorest. Avoiding these excessive subsidies and focusing assistance on the poorest families will contribute further to poverty alleviation. Well-designed reforms of the current system of low-income housing assistance would substantially alleviate poverty with less public spending.

¹Edgar O. Olsen, "The Effect of Fundamental Housing Policy Reforms on Program Participation," University of Virginia, January 14, 2014, <http://eolsen.weebly.com/uploads/7/7/9/6/7796901/ehpfinaldraftjanuary2014coverabstracttextreferencetablesonlineappendices.pdf>.

OVERVIEW OF CURRENT SYSTEM

To appreciate the potential for alleviating poverty through housing policy reforms, it is essential to know the nature of current programs and the evidence about their performance.² The bulk of low-income housing assistance in the United States is funded by the Federal Government through a large number of programs with a combined cost of more than \$50 billion a year. Unlike other major means-tested transfer programs in the U.S., low-income housing programs do not offer assistance to many of the poorest families that are eligible for them. Eligible families that want assistance must get on a waiting list.

Most low-income housing assistance in the U.S. is for renting a unit, and the most important distinction among rental housing programs is whether the subsidy is attached to the dwelling unit (project-based assistance) or the assisted household (tenant-based assistance). If the subsidy is attached to a rental dwelling unit, families must accept the particular unit offered to receive assistance and lose the subsidy if they move, unless they obtain alternative housing assistance before moving.

Each family offered tenant-based assistance is free to occupy any unit that meets the program's minimum housing standards, that rents for less than the program's ceiling, that is affordable with the help of the subsidy, and whose owner is willing to participate in the program. Families retain the subsidy if they move to another unit meeting these conditions. Figure 1 indicates the percentage of households that receive rental assistance of various types.

[The chart follows:]

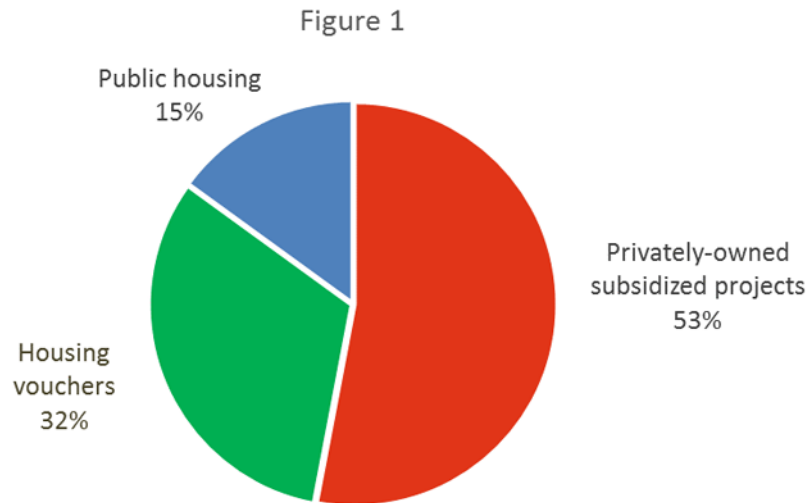


FIGURE 1. Percentage of Households That Receive Each Type of Rental Assistance

SOURCE: Author's calculations based on 2013 American Housing Survey.

NOTE: Includes assistance from U.S. Department of Housing and Urban Development and other sources.

The Department of Housing and Urban Development (HUD) housing voucher program is the only significant program that provides tenant-based assistance. It is the second-largest low-income housing program, serving about 2 million households and

² For a detailed overview of the current system of low-income housing assistance and a summary of the evidence, see Edgar O. Olsen, "Housing Programs for Low-Income Households," in *Means-Tested Transfer Programs in the U.S.*, ed. Robert Moffitt (Chicago: University of Chicago Press, 2003); and John C. Weicher, *Housing Policy at a Crossroads: The Why, How, and Who of Assistance Programs* (Washington, DC: AEI Press, 2012). For a more detailed account of the evidence, see Edgar O. Olsen and Jeff Zabel, "U.S. Housing Policy," in *Handbook of Regional and Urban Economics*, ed. Giles Duranton, J. Vernon Henderson, and William Strange, vol. 5 (Amsterdam: North-Holland, 2015).

accounting for about 32 percent of all households that receive low-income rental assistance.

There are two broad types of project-based rental assistance: public housing and privately owned subsidized projects. Both types have usually involved constructing new projects. In almost all other cases, they have required substantial rehabilitation of existing buildings. Many of these programs no longer subsidize the construction of projects, but most projects built under them still house low-income households with the help of subsidies for their operation and renovation. Overall, project-based assistance accounts for about 68 percent of all households that receive low-income rental assistance.

Public housing projects are developed and operated by local public housing authorities established by local governments, albeit with substantial Federal subsidies and regulations that restrict their choices. For example, regulations limit the circumstances under which housing projects can be sold and what can be done with the proceeds. In the public housing program, government employees make most of the decisions that unsubsidized for-profit firms would make in the private market—what to build, how to maintain it, and when to tear it down. Decisions about where to build projects have been heavily influenced by local political bodies. The public housing stock has declined by about 400,000 units since its peak in 1991. About 1 million households live in public housing projects.

Government agencies also contract with private parties to provide housing in subsidized projects. Most are for-profit firms, but not-for-profits have a significant presence. The largest programs of this type are the IRS's Low-Income Housing Tax Credit, HUD's Section 8 New Construction and Substantial Rehabilitation and Section 236 Rental and Cooperative Housing for Lower-Income Families programs, and the U.S. Department of Agriculture's Section 515 and 521 programs. Under these programs, in exchange for certain subsidies, private parties agree to provide rental housing meeting certain standards at restricted rents to eligible households for a specified number of years.

None of these programs provide subsidies to all suppliers who would like to participate. This is highly relevant for their performance. In general, subsidies to selected sellers of a good have very different effects than subsidies to all sellers. Subsidies to selected sellers lead to excessive profits and much greater wasteful rent seeking. About 4 million households live in projects of this type.

Performance of U.S. Low-Income Housing Programs

Many aspects of the performance of low-income housing programs have been studied, such as their effects on recipients' labor earnings and the types of neighborhoods occupied by them.³ We certainly do not have evidence on all aspects of performance for all programs, and the evidence leaves much to be desired in many cases. However, we cannot avoid making a decision about reforms until we have excellent evidence on all aspects of performance for all programs. Enough evidence exists to give policymakers confidence that certain changes would move the program in the right direction. Making no change in current policies is a decision.

Of all the differences in the performance of various methods for delivering housing assistance to low-income families, differences in cost-effectiveness are by far the most consequential for poverty alleviation. Evidence on housing programs' performance indicates that project-based assistance is much more costly than tenant-based assistance when it provides equally good housing. These studies define equally good housing to be housing that would rent for the same amount in the same locality in the unsubsidized market. This measure accounts for the desirability of the neighborhood and the housing itself. In the best studies, the estimated magnitude of the excess cost is enormous.⁴

The best study of Section 8 New Construction and Substantial Rehabilitation, HUD's largest program that subsidized the construction of privately owned projects, found an excess total cost of at least 44 percent.⁵ That is, the total cost of providing housing under this program was at least 44 percent greater than the total cost of providing equally good housing under the housing voucher program. This translates into excessive taxpayer cost of at least 72 percent for the same outcome. It implies that housing vouchers could have served all the people served by this program

³ Olsen and Zabel, "U.S. Housing Policy."

⁴ For a detailed summary of the evidence on the cost-effectiveness of low-income housing programs, see Edgar O. Olsen, "Getting More from Low-Income Housing Assistance," Brookings Institution, September 2008, http://www.brookings.edu/papers/2008/09_low_income_housing_olsen.aspx.

⁵ James E. Wallace et al., *Participation and Benefits in the Urban Section 8 Program: New Construction and Existing Housing*, vol. 1 and 2 (Cambridge, MA: Abt Associates, 1981).

equally well and served at least 72 percent more people with the same characteristics without any increase in public spending.

The best study indicates even larger excess costs for public housing.⁶ More recent evidence has confirmed the large excess cost of the Section 8 New Construction and Substantial Rehabilitation Program, and U.S. General Accounting Office (GAO) studies have produced similar results for the major active construction programs: LIHTC, HOPE VI, Section 202, Section 515, and Section 811.⁷ In contrast, a succession of studies over the years have found that the total cost of various types of tenant-based housing assistance have exceeded the market rent of the units involved by no more than the modest cost of administering the program.⁸

The preceding evidence on the cost-effectiveness of project-based assistance applies to units built or substantially rehabilitated under a subsidized construction program and still under their initial use agreement. Evidence from the Mark-to-Market program indicates the excessive cost of renewing use agreements for privately owned subsidized projects. In most cases, owners are paid substantially more than market rents for their units.⁹

The results concerning the cost-effectiveness of different housing programs illustrate the virtue of substantially relying on market mechanisms to achieve social goals, especially the virtue of forcing sellers to compete for business. Under a program of tenant-based assistance, only suppliers who provide housing at the lowest cost given its features can remain in the program. If the property owner attempts to charge a voucher recipient a rent in excess of the market rent, the tenant will not remain in the unit indefinitely because he or she can move to a better unit without paying more for it. Under programs of project-based assistance, suppliers who receive payments in excess of market rents for their housing can remain in the program indefinitely because their tenants would lose their subsidies if they moved. These suppliers have a captive audience.

Recent events in Washington, DC, vividly illustrate the pitfalls of providing subsidies to selected suppliers.¹⁰ The mayor has proposed spending about \$4,500 per month per apartment to lease units in buildings owned mainly by contributors to her campaign. This cost does not include services to these families, and most units are dormitory style. It has been estimated that these agreements would increase the market value of the properties tenfold. At the same time, families with HUD's Section 8 housing vouchers have been able to find regular two-bedroom apartments for rents around \$1,600 a month. These are better than average rental units that meet HUD's housing standards. The median rent of two-bedroom units in DC is about \$1,400.

The evidence on cost-effectiveness argues strongly for phasing out project-based assistance in favor of tenant-based assistance. This would contribute greatly to poverty alleviation without spending more money by increasing the number of poor families that receive housing assistance.

Phasing out project-based assistance will contribute to poverty alleviation for another reason. Under the current system, the best units in new projects in the best locations have very high market rents. They are much more desirable than the average rental unit. The worst units in the oldest projects in the worst locations have very low market rents. Identical families living in the best and worst projects pay

⁶Stephen K. Mayo et al., *Housing Allowances and Other Rental Assistance Programs—A Comparison Based on the Housing Allowance Demand Experiment, Part 2: Costs and Efficiency*, Abt Associates Inc., 1980.

⁷Meryl Finkel et al., *Status of HUD-Insured (or Held) Multifamily Rental Housing in 1995: Final Report*, Abt Associates Inc., May 1999, Exhibit 5-1; Mark Shroder and Arthur Reiger, "Vouchers Versus Production Revisited," *Journal of Housing Research* 11, no. 1 (2000): 91-107; U.S. General Accounting Office, *Federal Housing Programs: What They Cost and What They Provide*, GAO-01-901R, July 18, 2001, <http://www.gao.gov/products/GAO-01-901R>; and U.S. General Accounting Office, *Federal Housing Assistance: Comparing the Characteristics and Costs of Housing Programs*, GAO-02-76, January 31, 2002, <http://www.gao.gov/products/GAO-02-76>.

⁸Mayo et al., *Housing Allowances and Other Rental Assistance Programs—A Comparison Based on the Housing Allowance Demand Experiment, Part 2: Costs and Efficiency*; Wallace et al., *Participation and Benefits in the Urban Section 8 Program: New Construction and Existing Housing*; Mireille L. Leger and Stephen D. Kennedy, *Final Comprehensive Report of the Free-standing Housing Voucher Demonstration*, vol. 1 and 2 (Cambridge, MA: Abt Associates Inc., 1990); and ORC Macro, *Quality Control for Rental Assistance Subsidies Determination*, U.S. Department of Housing and Urban Development, Office of Policy Development and Research, 2001, chap. 5.

⁹For a summary of the evidence, see Olsen, "Getting More from Low-Income Housing Assistance," 14.

¹⁰Aaron C. Davis and Jonathan O'Connell, "Shelter Plan May Benefit Mayor's Backers," *Washington Post*, March 17, 2016; and Fenit Nirappil, "Shelters' Cost Stun Some D.C. Lawmakers," *Washington Post*, March 18, 2016.

the same rent. Therefore, the current system provides enormous subsidies to some families and small subsidies to others in the same economic circumstances.

Equalizing these subsidies would contribute to poverty alleviation. Under the housing voucher program, identical households within the same housing market are offered the same assistance on the same conditions. Therefore, providing incremental housing assistance in the form of housing vouchers rather than subsidized housing projects would contribute to poverty alleviation by giving larger subsidies to the families that would have received the smallest subsidies in the absence of reform and smaller subsidies to similar families that would have received the largest subsidies.

These inequities have not been carefully documented but are obvious to all knowledgeable observers. A recent segment on PBS NewsHour revealed that \$500,000 had been spent per apartment to build a housing project for the homeless in San Francisco.¹¹ This is expensive even by Bay Area standards. The median value of owner-occupied houses in the San Francisco metro area was \$558,000, and the median household income of their occupants was \$104,000. So this government program provided apartments to the poorest families that were almost as expensive as the houses occupied by the average homeowner.

Ensuring that the homeless occupy housing meeting reasonable minimum standards does not require anything like the amount of money spent on these units. More than 20 percent of owner-occupied houses in the San Francisco area sell for less than \$300,000. Furthermore, almost half of the families in the area are renters whose median income is about \$50,000. They live in much less expensive units than homeowners.

We do not need to build new units to house the homeless. They can be housed in satisfactory existing units at a much lower taxpayer cost. More than 6 percent of the dwelling units in the area were vacant at the time.

In Portland, Oregon, where the median value of owner-occupied houses was \$249,000, \$360,000 per apartment was spent to build another housing project for the homeless.¹² These cases are not anomalies. The HUD website is filled with photographs of such housing. The desire of the people involved in the current system to provide the best possible housing for their clients is understandable. However, this is not costless. Dollars spent on these high-cost projects are dollars not spent providing housing to more people.

Tenant-based assistance has other important advantages in addition to its greater equity and its much lower cost for providing equally desirable housing. For example, it allows recipients to choose housing that better suits their preferences and circumstances, such as living close to their jobs. This increases their well-being without increasing taxpayer cost.

In contrast to occupants of subsidized housing projects, voucher recipients have chosen to live in neighborhoods with lower poverty and crime rates. Susin found that public housing tenants live in census tracts with poverty rates 8.8 percentage points higher than in the absence of assistance, tenants in HUD-subsidized privately owned projects live in tracts with poverty rates 2.6 percentage points higher, and voucher recipients live in tracts with poverty rates 2.3 percentage points lower.¹³ Michael C. Lens, Ingrid Gould Ellen, and Katherine O'Regan found that occupants of tax-credit projects live in neighborhoods with crime rates about 30 percent higher than voucher recipients and only slightly lower than the crime rates in public housing neighborhoods.¹⁴ Because voucher recipients have much more choice concerning the location of their housing, this suggests that subsidized housing projects are poorly located from the viewpoint of recipient preferences.

Voucher recipients have exercised this choice in a way that benefits their children. A widely cited, recent paper shows that better neighborhood environments lead to better adult outcomes for children in recipient households.¹⁵ They have higher college attendance rates and labor earnings and are less likely to be single parents.

Before considering reforms of low-income housing policy, it is important to address a bit of folklore that has been influential in housing policy debates: that construc-

¹¹ PBS NewsHour, aired October 9, 2013 (New York, MGM Television).

¹² Peter Korn, "Police threaten complaint as calls mount at the commons," Portland Tribune, January 9, 2014.

¹³ Scott Susin, "Longitudinal Outcomes of Subsidized Housing Recipients in Matched Survey and Administrative Data," *Cityscape* 8, no. 2 (2005): 207.

¹⁴ Michael C. Lens, Ingrid Gould Ellen, and Katherine O'Regan, "Do Vouchers Help Low-Income Households Live in Safer Neighborhoods? Evidence on the Housing Choice Voucher Program," *Cityscape* 13, no. 3 (2011): 135–59.

¹⁵ Raj Chetty, Nathaniel Hendren, and Lawrence F. Katz, "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment," *American Economic Review* 106, no. 4 (2016): 855–907.

tion programs perform better than housing vouchers in tight housing markets. Todd Sinai and Joel Waldfogel show that additional housing vouchers result in a larger housing stock than the same number of newly built units in subsidized, privately owned housing projects.¹⁶

In light of other evidence, the most plausible explanations are that subsidized construction crowds out unsubsidized construction considerably and that the housing voucher program induces more recipients to live independently. The voucher program serves poorer households that are more likely to be doubled up in the absence of housing assistance. Crowding out is surely greatest in the tightest housing markets. In the absence of subsidized construction in these markets, unsubsidized construction would be high, and unemployment among construction workers would be low. Subsidized construction would divert workers from unsubsidized construction.

Furthermore, it is reasonable to believe tenant-based vouchers get families into satisfactory housing much faster than any construction program, even in the tightest housing markets. For example, the amount of time from when new vouchers are allocated to housing authorities to when they are used by voucher recipients is surely less than the amount of time from when new tax credits are allocated to State housing agencies to when tax-credit units are occupied.

Even though some households do not use the vouchers offered, housing authorities can put all, or almost all, their vouchers to use in less than a year in any market condition. They can fully utilize available vouchers by over-issuing vouchers early in the year and then adjusting the recycling of the vouchers that are returned by families that leave the program late in the year. No production program can hope to match this speed in providing housing assistance to low-income households.

Proposed Reforms of Low-Income Housing Policies to Alleviate Poverty

The available evidence on program performance has clear implications for housing policy reform. To serve the interests of taxpayers who want to help low-income families with their housing and the poorest families that have not been offered housing assistance, Congress should shift the budget for low-income housing assistance from project-based to tenant-based housing assistance as soon as current contractual commitments permit and phase out active construction programs.

This section describes proposals for reform of low-income assistance that will alleviate poverty without spending more money. The reforms deal with all parts of the current system—active construction programs, existing privately owned housing projects, public housing, and the housing voucher program.

Active Subsidized Construction Programs. The Low-Income Housing Tax Credit (LIHTC) is the largest active construction program. It subsidizes the construction of more units each year than all other programs combined. LIHTC recently became the Nation's largest low-income housing program, serving 2.4 million households, and it is the fastest growing. The tax credits themselves involved a tax expenditure of about \$6 billion in 2015. However, these projects received additional development subsidies from State and local governments, usually funded through Federal inter-governmental grants, accounting for one-third of total development subsidies.¹⁷ Therefore, the total development subsidies were about \$9 billion a year.

Furthermore, the GAO found that owners of tax-credit projects received subsidies in the form of project-based or tenant-based Section 8 assistance on behalf of 40 percent of their tenants.¹⁸ The magnitude of these subsidies has never been documented. If their per-unit cost were equal to the per-unit cost of tenant-based housing vouchers in 2015, they would have added more than \$8 billion a year to the cost of the tax-credit program. If so, the full cost of housing people in tax-credit projects would have been about \$17 billion in 2015.

Unlike HUD's programs, the LIHTC is poorly targeted to the poorest households. Some tax credits are used to rehabilitate older housing projects built under HUD and U.S. Department of Agriculture programs that continue to provide deep subsidies to their occupants. Other tax-credit units are occupied by families with portable Section 8 housing vouchers. The families in these units typically have very low earnings. However, the majority of occupants of tax-credit projects do not receive these deep subsidies related to their income. Their average income is more than twice the average for the occupants who receive the deep subsidies, and they are well above poverty thresholds.¹⁹

¹⁶Todd Sinai and Joel Waldfogel, "Do Low-Income Housing Subsidies Increase the Occupied Housing Stock?" *Journal of Public Economics* 89, no. 11–12 (2005): 2137–64.

¹⁷Jean L. Cummings and Denise DiPasquale, "The Low-Income Housing Tax Credit: An Analysis of the First Ten Years," *Housing Policy Debate* 10, no. 1 (1999): 299.

¹⁸U.S. General Accounting Office, *Tax Credits: Opportunities to Improve Oversight of the Low-Income Housing Program*, GGD/RCED-97-55, 1997, 40.

¹⁹*Ibid.*, 146.

The poor targeting of its subsidies and the evidence on its cost-ineffectiveness argue strongly for the cessation of subsidies for additional LIHTC projects. Reducing new authorizations under the program by 10 to 20 percent each year would achieve this outcome in an orderly fashion. The money spent on this program would be better spent on expanding HUD's well-targeted and cost-effective Section 8 Housing Choice Voucher Program.

Because the congressional committees that oversee the two programs are different, this transfer of funds would be difficult to arrange. However, the committees that oversee the LIHTC could divert the reduced tax expenditures on the LIHTC to a refundable tax credit for the poorest low-income homeowners, thereby offsetting to some extent the anti-homeownership bias of the current system of low-income housing assistance. About 25 percent of all unassisted households in the lowest real-income decile are homeowners.²⁰ To avoid excess profits to sellers, it is extremely important that buyers are able to purchase from any seller.²¹

Existing Privately Owned Subsidized Projects. The second broad proposal to reform low-income housing policy in the interest of poverty alleviation is to not renew contracts with the owners of private subsidized projects. The initial agreements that led to building or substantially rehabilitating these projects called for their owners to provide housing that meets certain standards to households with particular characteristics at certain rents for a specified number of years. At the end of the use agreement, the government must decide on the terms of the new agreement, and the private parties must decide whether to participate on these terms. A substantial number of projects end their use agreements each year. When use agreements are not renewed, current occupants are provided with other housing assistance, almost always tenant-based vouchers.

Up to this point, housing policy has leaned heavily in the direction of providing owners with a sufficient subsidy to induce them to continue to serve the low-income households in their projects. We should not repeat these mistakes. Instead we should give their tenants portable vouchers and force the owners to compete for their business. The evidence on the cost-effectiveness of renewing use agreements versus tenant-based housing vouchers indicates that offering such vouchers would reduce the taxpayer cost of assisting these families. The savings could be used to assist additional families.

It is important to realize that for-profit sponsors will not agree to extend the use agreement unless this provides at least as much profit as operating in the unsubsidized market. Because these subsidies are provided to selected private suppliers, the market mechanism does not ensure that rents paid for the units will be driven down to market levels. If this is to be achieved at all, administrative mechanisms must be used. Administrative mechanisms can err in only one direction—providing excess profits. If the owner is offered a lower profit than in the unsubsidized market, the owner will leave the program. We should leave the job of getting value for the money spent to the people who have the greatest incentive to do so: namely, the recipients of housing assistance.

It is often argued that giving families that live in privately owned subsidized housing projects portable housing vouchers at the end of the use agreement will force them to move. This would not be the case if tenants are offered the same options as they are offered under the current system when the project's owner opts to leave the program. HUD will pay the market rent for the unit as long as the tenant wants to remain in it but offers the tenant the option of a regular housing voucher. This would enable the family to continue to live in its current unit without devoting more income to rent, and it would offer the family other options that it might prefer.

It is also argued that the failure to renew use agreements on privately owned subsidized projects reduces the number of affordable housing units. If the occupants of these projects are offered portable vouchers, this could not be further from the truth. When use agreements are extended, the only unit that is made affordable to an assisted family living in the project is its own unit. If that family is offered a portable voucher, many units become affordable to the family. Contrary to the arguments of lobbyists for project-based housing assistance, failing to renew use agree-

²⁰In determining a household's real income, this calculation adds an imputed return on home equity to the income of homeowners and accounts for differences in family size and composition and price levels across locations. Edgar O. Olsen, "Promoting Homeownership Among Low-Income Households," Urban Institute, August 20, 2007, Table 1, http://www.urban.org/UploadedPDF/411523_promoting_homeownership.pdf.

²¹Edgar O. Olsen and Jens Ludwig, "The Performance and Legacy of Housing Policies," in *The Legacies of the War on Poverty*, ed. Martha Bailey and Sheldon Danziger (New York: Russell Sage Foundation, 2013), 218–21.

ments on subsidized housing projects increases rather than decreases the stock of housing that is affordable to low-income households.

Public Housing. The public housing reform proposals are proposals to better use the funds and assets currently available to public housing authorities. They are designed to alleviate poverty by delivering better housing to tenants who remain in public housing, providing current public housing tenants with more choice concerning their housing, assisting additional households, and reducing the concentration of the poorest families in public housing projects. The proposals would require congressional action to change the restrictions on housing authorities, except possibly for those participating in HUD's Moving to Work Demonstration.

Currently, HUD provides public housing authorities with more than \$6 billion each year in operating and modernization subsidies for their public housing projects. My proposal would give each housing authority the same amount of Federal money as it would have gotten with the old system, so no authority would be able to object on the grounds that it would have less to spend on its clients. However, the proposal would alter greatly the restrictions on the use of this money and increase the total revenue of housing authorities.

The proposal requires every public housing authority to offer current tenants the option of a portable housing voucher or remaining in their current unit on the previous terms, unless the housing authority decides to demolish or sell its project. To ensure that housing authorities can pay for these vouchers with the money available, the generosity of the voucher subsidy would be set to use the housing authority's entire Federal subsidy in the highly unlikely event that all public housing tenants accepted the vouchers. The generosity of these vouchers would almost always differ from the generosity of regular Section 8 vouchers, although the difference would be small in most cases.

Housing authorities would be allowed to sell any of their projects to the highest bidder with no restrictions on its future use. This would provide additional revenue to improve their remaining projects or provide vouchers to additional households. The requirement that these projects must be sold to the highest bidder maximizes the money available to help low-income families with their housing. It also avoids scandals associated with sweetheart deals.

Many housing authorities would surely choose to sell their worst projects. With uniform vouchers offered to families living in all of a housing authority's projects, it is reasonable to expect that the vouchers will be accepted by more tenants in the worst projects. These are the projects that would be the most expensive to renovate up to a specified quality level. They are the types of projects that have been demolished under the HOPE VI program and that Congress intended to voucher out under the 1998 Housing Act. By selling the public housing projects on which they would have spent the most money and providing their occupants with vouchers that have the same cost as the authority's average net expenditure on public housing units, the public housing authority would free up money to better maintain its remaining units or provide vouchers to additional households.

When a project is sold, the remaining tenants in that project would be offered the choice between vacant units in other public housing projects or a housing voucher, the standard procedure when projects are demolished or substantially rehabilitated. When public housing units are vacated by families that accept vouchers, the housing authority would offer the next family on the waiting list the option of occupying the unit or a portable housing voucher. If the family takes the voucher, the housing authority would be allowed to charge whatever rent the market will bear for the vacant unit. This would provide additional revenue to housing authorities without additional government subsidies.

To reduce poverty concentrations in public housing projects, Congress might want to eliminate the income-targeting rules for families that pay market rents for public housing units. Indeed, it might want to eliminate upper-income limits for these families. Under current regulations, at least 40 percent of new occupants must have extremely low incomes. Under the proposal, the new occupants will receive no public subsidy, and so income targeting would serve no public purpose.

Each year some former public housing tenants who had used the proposed vouchers to leave their public housing units would give up these vouchers for a variety of reasons. The money saved from their departure should be used to offer similar vouchers to other families eligible for housing assistance. The recycling of voucher funds would ensure that the tax money spent on public housing will continue to support at least the same number of families.

The preceding proposals would benefit many current public housing tenants without increasing taxpayer cost. The public housing tenants who accept vouchers would obviously be better off because they could have stayed in their current units on the old terms. They would move to housing meeting HUD's housing standards that bet-

ter suits their preferences. Tenants who remain in public housing would benefit from better maintenance of their units.

The only public housing tenants who might be hurt by the proposal are tenants who want to remain in the projects that housing authorities decide to sell. Since it is impossible to justify renovating structures that reach a certain level of obsolescence and dilapidation, the initial opposition of a small minority of public housing tenants should not prevent benefits to the majority. Generally, public housing redevelopment has not required occupants' consent.

Given the difficulty of predicting all of the consequences of such far-reaching changes, we should start with a controlled experiment involving innovative public housing authorities willing to implement these proposals for a randomly selected subset of their public housing projects. This experiment would produce evidence on the effects of the proposals, and it would provide useful information for modifying them to avoid unforeseen negative consequences and achieve better outcomes.

Housing Voucher Program. Even though HUD's Housing Choice Voucher Program is the country's most cost-effective and equitable low-income housing program, it too offers opportunities for reform in the interest of poverty alleviation. The Housing Choice Voucher Program provides very large subsidies to its recipients while offering nothing to other families in similar circumstances.

In 2015, the national mean subsidy for a household with one adult, two children, and no countable income was almost \$12,000. The poverty threshold for this family was about \$20,000. A voucher subsidy of this magnitude enables its recipient to occupy a rental unit of about average desirability among two-bedroom units, that is, a unit with about the median market rent.

From the viewpoint of poverty alleviation correctly conceived, it is surely better to provide somewhat more modest housing to more of the poorest households rather than housing of this quality to a fortunate few. The current welfare system provides recipients of housing vouchers with resources well above the relevant poverty threshold, while leaving others without housing assistance well below it.

In the interest of ameliorating this inequity and reducing poverty without harming current recipients, new recipients could be offered less generous subsidies so that more households could be served with a given budget, and current voucher recipients could receive the generous subsidies that are offered by the current program. Because more than 10 percent of voucher recipients exit the program each year, this initiative will allow more families to be served each year without spending more money and will improve the program's equity. Eventually, all participants in the same economic circumstances would receive the same lower subsidy.

The new subsidy level could be chosen so that the voucher program could serve all of the poorest households that asked for assistance. At current subsidy levels, many more people want to participate than can be served with the existing budget. Reducing the voucher subsidy by the same amount for households at all income levels would make families currently eligible for subsidies less than this amount ineligible for voucher assistance. These are the currently eligible households with the largest incomes. This would free up money to provide vouchers to needier households that would not have been served by the current system.

By reducing the subsidies sufficiently, we would reach a point where all of the poorest household that ask for assistance would get it. Olsen analyzes the effect of alternative reforms of this type on who is served by the voucher program.²² This reform would surely reduce evictions and homelessness, although these effects have not been studied.

CONCLUSION

The rapid growth of spending on entitlement programs for the elderly that will occur until they are substantially reformed will create pressure to reduce spending on programs such as low-income housing programs whose budgets are decided each year by Congress. In this situation, we should be focusing on how to get more from the money currently allocated to these programs.

Building new units is an extremely expensive way to provide better housing to low-income households, and subsidizing selected suppliers is especially expensive. Renting existing units that meet minimum standards is much cheaper. This also avoids providing recipients of low-income housing assistance with better housing than the poorest families ineligible for assistance. The proposed reforms will gradually move the system of low-income assistance toward more cost-effective approaches and enable us to provide housing assistance to millions of additional people without spending more money.

²² Olsen, "The Effect of Fundamental Housing Policy Reforms on Program Participation."

It is often argued that a shortage of affordable housing calls for subsidizing the construction of new units. This argument is seriously flawed. Almost all people are currently housed. If we think that their housing is too expensive (commonly called unaffordable), the cheapest solution is for the government to pay a part of the rent. The housing voucher program does that. This program also ensures that its participants live in units that meet minimum standards. Building new units is a much more expensive solution to the affordability problem.

Furthermore, it is not necessary or desirable to construct new units to house the homeless. The number of people who are homeless is far less than the number of vacant units—indeed, far less than the number of vacant units renting for less than the median. In the entire country, there are only about 600,000 homeless people on a single night and more than 3.6 million vacant units available for rent. Even if all homeless people were single, they could be easily accommodated in vacant existing units, and that would be much less expensive than building new units for them. Furthermore, most of the 600,000 people who are homeless each night already have roofs over their heads in homeless shelters, which are also subsidized. The best provide good housing.

Reducing the substantial differences in subsidies across identical households that characterize the current system would contribute further to poverty alleviation. It would help fill the gap between poverty thresholds and the resources of the poorest households. The current system provides substantial subsidies to recipients while failing to offer housing assistance to many others who are equally poor. Even among the fortunate minority who are offered assistance, the variation in the subsidy across identical households living in subsidized housing projects is enormous. The best housing projects offered by a particular program are much more desirable than the worst, but tenants with the same characteristics pay the same rent for units in either. Because the most cost-effective program offers the same subsidy to identical recipients, the shift away from other programs toward it will focus more of the system's resources on the poorest families.

Senator COLLINS. Thank you very much, Professor. I very much appreciate the number of years you have spent on this issue and your very specific recommendation.

We will next hear from Erika Poethig, Institute Fellow and Director of Urban Policy Initiatives at the Urban Institute. Thank you for being here.

STATEMENT OF ERIKA POETHIG, FELLOW AND DIRECTOR OF URBAN POLICY INITIATIVES, THE URBAN INSTITUTE

Ms. POETHIG. Thank you, Madam Chairwoman, Ranking Member Reed, and members of the THUD Subcommittee for the opportunity to be an expert on this panel.

My name is Erika Poethig. I am Director of Urban Policy Initiatives at the Urban Institute, which is a nonprofit research organization dedicated to the power of evidence to improve lives and strengthen communities.

The views expressed before you today are my own and should not be attributed to the Urban Institute, its trustees, or its funders.

There is an overwhelming body of evidence that Federal rental assistance makes a difference in people's lives and communities. Increasingly, research demonstrates that housing serves both as an essential safety net and as a platform from which individuals, families, and older adults can improve their health, education, and economic outcomes. When families cannot afford housing, it undermines their ability to get to the next rung on the economic ladder and prevents older adults from aging safely and securely.

Yet, America's housing policy has never fully met the demand for affordable rental housing. Today, there are nearly 20 million households that qualify for housing assistance, but only one in four receives it.

I would like to make two points. One, we must expand Federal rental assistance. And, two, as we work to do so, we must use the best evidence available to reform existing policies and programs. Let me elaborate on these two points.

First, this committee has made the smart decision to prioritize Federal investment in rental assistance. But given the current and growing need, we must build a new generation of rental assistance focused on the most vulnerable households. We leverage housing as a platform for service delivery and access to opportunity by targeting expanded rental assistance to families with children earning less than 30 percent of area median income, people with disabilities, and older adults on fixed incomes.

Targeting these vulnerable populations pays dividends. Stable housing generates cost savings to other Federal programs. For instance, evidence suggests that for homeless families, rental assistance is more effective than costly services. At the same time, connecting the housing platform to services for older adults, such as health care coordination, has proven reductions in Medicare spending. This is one opportunity to bring new resources to the table as we work to expand rental assistance.

Second, evidence tells us that housing policy is one important lever to promote upward mobility. A low-income child that gains access to a low-poverty neighborhood will see their income as an adult grow by 30 percent. Unfortunately, our current programs are not well designed to enable individuals to reach their full potential. We need to reform existing policies and programs.

For instance, greater flexibility is needed to move project-based subsidy contracts to buildings in lower poverty neighborhoods. At the same time, we need to prioritize place-based investment strategies that can catalyze neighborhood revitalization and improvement, and we need to preserve existing assets in low-poverty communities.

Finally, the voucher program is a great tool to promote upward mobility. However, the program could be strengthened by the use of small area FMRs (Fair Market Rents) and by marrying vouchers to greater supports for mobility. That is why I am very excited and thankful to see that this committee included the mobility demonstration in the fiscal year 2017 appropriations bill that passed the Senate. The demonstration will generate timely and needed evidence to ensure that vouchers are indeed a platform for upward mobility.

Thank you very much for this invitation to testify. I look forward to your questions.

[The statement follows:]

PREPARED STATEMENT OF ERIKA C. POETHIG

Thank you for asking me to testify at this hearing. My name is Erika C. Poethig, and I am an Institute fellow and director of urban policy initiatives at the Urban Institute in Washington, DC. The views expressed here are my own, not those of the Urban Institute, its trustees, or its funders.

Congress committed the first national resources to public housing during the Great Depression. That decision altered the course of millions of lives for the better, providing the most vulnerable Americans with a home that was otherwise out of reach and giving children the promise of a better future. Today, the long bipartisan legacy of affordable rental housing is in doubt. Millions of Americans are unable to find safe and secure housing that they can afford.

Housing assistance plays an important role improving lives across the age continuum. Yet America's housing policy has never fully met the demand for affordable rental housing. Over the next 15 years, the demand for rental housing will continue to grow. During this same time period, the number of senior renters is projected to double, increasing from 5.8 million to 12.2 million households. More than a quarter will pay more than 50 percent of their income for rent (Goodman, Pendall, and Zhu 2015). Absent increased resources for Federal rental assistance, America's older adult population will face increased housing instability and homelessness, which can lead to poor health and diminished quality of life. At the same time, safe and stable housing also plays an important role in the early stages of life. Rigorous evidence has demonstrated that housing assistance is an essential driver of economic mobility for low-income children. In order to meet a growing unmet need, we must expand Federal rental assistance to serve the most vulnerable households including older adults, people with disabilities, and families with children.

Today, over 5.1 million households use Federal rental assistance, which includes the housing choice voucher program, project-based rental assistance, public housing, and USDA programs. While we work to expand the Federal investment in housing assistance, we can also use the best evidence available to reform existing policies and programs in order to maximize better health, education, and economic mobility outcomes. Such reforms will require better alignment between Federal housing programs and policies, increasing incentives to move and preserve subsidies in lower poverty neighborhoods, tailoring approaches to address the continuum of housing and service needs, and capturing and reinvesting savings housing generates for Medicare and Medicaid.

Rental Assistance Creates Positive Benefits to Individuals and Families

The evidence of the importance of housing assistance for people's lives is overwhelming. Research demonstrates that housing is both an essential safety net and a platform from which families can improve their health, educational, and economic outcomes. Since 2008, more than 40 studies, by a wide array of scholars across many different institutions, have focused on how housing matters for individuals and communities. This body of research, which has been largely supported by the John D. and Catherine T. MacArthur Foundation, has found that housing location, stability, quality, and affordability affect kindergarten readiness, children's math and reading scores, child development, mental and physical health, and income growth.

There are four important ways housing assistance serves as a platform for better outcomes.

First, housing assistance frees up resources that can be invested in improving economic mobility and better health outcomes. For instance, when families cannot find affordable housing, they make tradeoffs that affect medical care, children's health, child enrichment activities, food security, and retirement savings (JCHS 2015; Newman and Holupka 2014). One third of households in the Milwaukee Eviction Court Study—a sample composed almost exclusively of very low-income renters who were trying unsuccessfully to afford their rent without a subsidy—paid at least 80 percent of their household incomes for rent (Desmond 2012). This leaves very little income to pay for other expenses. For seniors, rental assistance is an essential protection, as the potential to increase income is limited. Housing costs account for the largest proportion of older adults' expenses. Seniors spend more on housing than healthcare or anything else (Johnson 2015).

Second, housing assistance can reduce frequent moves for children and seniors. When families are not stably housed, it can lead to frequent school moves, high rates of absenteeism, and low test scores among children (Cunningham, Harwood, and Hall 2010). For older adults, housing stability coupled with age-restricted housing can create a platform to healthcare coordination and services that slows growth in Medicare costs. The Support and Services at Home (SASH) model leverages housing as a platform to connect residents of federally assisted housing with community-based services and care coordination. A recent study estimated that the growth in Medicare expenditures for early SASH participants was \$1,756–\$2,197 lower than the growth in expenditures for the comparison groups (Sanders 2014).

Third, housing assistance can be used to revitalize communities. In 1986, New York City Mayor Ed Koch launched a 10-year, \$5.1 billion capital plan for housing, investing local, State, and Federal resources to revitalize a distressed housing stock and preserving its affordability. Based on analysis by scholars from the New York University Furman Center for Real Estate and Urban Policy, this investment more than paid back the local investment through increased property tax receipts. The positive spillover effects from the investment were significant enough to justify government support for housing production, including the State and Federal resources

(Ellen et al. 2003). In the same study, Ellen and colleagues did not find the same spillover effects for the tenant-based voucher program largely because voucher holders are more dispersed and the aim of the program is not to revitalize neighborhoods but rather enable low-income households to rent housing from private landlords. At the same time, some evidence suggests that larger concentrations of voucher holders can produce negative effects in a neighborhood (Galster, Tatian, and Smith 1999; Popkin et al. 2012). When Galster and colleagues looked across neighborhoods they found that positive effects associated with concentrations of voucher holders were limited to high-value, predominantly white neighborhoods.

Fourth, housing assistance can help low-income individuals and families access low-poverty neighborhoods that would otherwise be unaffordable. In the United States, access to opportunity is intimately tied to place. Where you live determines school quality, available transportation options, proximity to jobs, and community assets. Because place is so closely linked to access to opportunity, housing policy can provide critical ladders of mobility for people experiencing poverty (Blumenthal and McGinty 2015). Moving to low-poverty neighborhoods can also improve mental health and lower incidence of diabetes and obesity, as demonstrated by the Moving to Opportunity (MTO) experiment (Ludwig et al 2013).

In 2015, a team of researchers led by Stanford economist Raj Chetty and Harvard economist Nathaniel Hendren published new empirical evidence that strongly supports the notion that opportunity and economic mobility are shaped, in part, by where you grow up (Chetty and Hendren 2015). Linking data from the MTO experiment to longitudinal data from the IRS, they conducted a national rigorous study of five million families to measure how strongly economic mobility and opportunity are shaped by the neighborhood in which you grow up. Their findings show that every year a child is exposed to a better environment improves a child's chances of success. Moving a young child from a high-poverty neighborhood to a low-poverty neighborhood improves her chances of going to college, lowers her chances of being a single mother, and increases her expected earnings by 30 percent. Chetty and Hendren's research also points to wide regional differences in access to opportunity.

Although Chetty and Hendren's study is based on a mobility experiment that used housing choice vouchers, vouchers are not the only mechanism for enabling low-income children to access low-poverty neighborhoods. The study's key insight is that place matters and the longer a low-income child spends in high-opportunity neighborhoods, the better she is able to climb the rungs on the mobility ladder. It is possible that these results might also hold true for project-based rental assistance and public housing located in low-poverty neighborhoods.

Demand for Affordable Rental Units is Increasing

Housing affordability is a long-term, systemic problem that has become a crisis. This problem touches nearly every community in the United States and undermines the ability of low-income individuals and families to get to the next rung on the economic ladder. This is a perpetual problem, driven by stagnating low wages and increasing operating costs. The dynamic is particularly problematic now because demand for affordable rental housing is surging and is not being met with sufficient supply.

Since 2000, the number extremely low-income households (ELI) has grown at a greater rate than the number of affordable housing units. Simply put, the demand for affordable housing is outpacing the supply. These two pressures make finding affordable housing even tougher for individuals and families with low incomes. The number of households who are housing cost-burdened is at a record high. In 2013, over one in four renters in the United States, or 11.4 million households, were facing severe rent burdens, meaning they spend more than half of their income on housing (JCHS 2016). Affordability challenges are especially pronounced at the lowest end of income spectrum. Over 70 percent of severely cost-burdened renter households are ELI, meaning they make less than 30 percent of the area median income (AMI).

The problem is not isolated to tight rental markets on the coasts. Forty-eight percent of very low income renters who live in non-metro areas face severe rent burdens. Housing in rural areas is twice as likely to lack complete plumbing as typical U.S. housing, and in tribal areas, substandard housing is even more common (JCHS 2016).

For those who are not living in assisted housing, the conditions are deplorable. HUD's biennial Worst Case Needs report documents housing needs for very low income renters (people with incomes no greater than 50 percent of AMI) who do not receive rental assistance. HUD considers two forms of worst-case housing needs: severe rent burden, which means spending 50 percent or more of household income on rent and utilities; and severely inadequate housing, which refers to housing with

one or more serious heating, plumbing, and electrical or maintenance problems. In 2013, there were 7.7 million very low income unassisted renters who had worst-case housing needs, which is 49 percent greater than in 2003. Severe rent burdens accounted for more than 97 percent of worst-case housing needs (Steffen et al. 2015).

Severe housing burdens are so prevalent partly because low-wage workers do not earn enough to afford adequate housing. A worker earning the Federal minimum wage would need to work 104 hours a week to afford a typical two-bedroom apartment. Renters on average earn \$14.64 an hour, while full-time wage earners on average need to earn \$18.92 an hour to afford a two-bedroom apartment. At the State level, the average hourly wage a full-time worker needs to earn to afford a two-bedroom apartment ranges from \$12.56 in Arkansas to \$31.54 in Hawaii (Leopold et al. 2015).

Supply of Affordable Housing Units is Not Keeping Pace With Demand

These affordability challenges for the lowest-income families coincide with a broader surge in rental demand. Between 2010 and 2030, the growth in rental households will exceed that of homeowners, five new rental households for every three homeowners (Goodman, Pendall, and Zhu 2015). According to recent analysis by my colleagues Rolf Pendall and Laurie Goodman, the United States added more than one million new households in 2015, but only 620,000 net new units were added to the stock, creating a shortage of just over 430,000 units. This gap has pushed up home prices and rents, a trend that is likely to continue (Pendall and Goodman 2016). Meanwhile, the stock of nonsubsidized housing that is affordable to extremely low-income renters has steadily declined. Thirteen percent of non-subsidized units with rents at or below \$400 in 2001 had been demolished by 2011. Nearly half (46 percent) of the remaining units were built before 1960, putting them at high risk of demolition (JCHS 2013). These market pressures are felt first by families at the lowest end of the income spectrum, many of whom are already severely cost burdened, further exacerbating their ability to find safe, stable, affordable housing.

The supply of affordable rental housing is not keeping pace with demand, in part because without scarce government subsidies, it is nearly impossible to build and operate rental housing in most markets (Blumenthal and Handelman 2016). Developers cannot make projects targeted to low-income renters pencil out, meaning that the expected revenue stream from rents is too low to cover the costs of maintaining the property and to pay back the debt incurred in development. Lenders loan money for housing development based on the property's expected income, and when rents are set to affordable levels, there's a huge gap between the money needed to build and the money lenders and investors are willing to provide. Increasing rents to generate additional expected income puts apartments out of reach for extremely and very low income households. In order for developments to pencil out, owners need subsidy contracts that guarantee a long-term commitment to cover the gap between what extremely low-income tenants can afford and the established rent.

THE PRIVATE MARKET ALONE CANNOT SUPPLY AFFORDABLE HOUSING

These market dynamics are why building affordable rental housing is truly a public-private partnership. But private contributions alone cannot close the affordability gap.

Public subsidies are needed to close the gap between the costs of constructing and operating affordable housing developments and the revenue such developments are able to bring in. The largest subsidy source for low-income housing development, the Low-Income Housing Tax Credit, is designed to make units affordable to households with incomes at 50–60 percent of AMI, up to twice the ELI limit. The assistance available through Federal block grant programs (such as the Community Development Block Grant) and most State and local programs cannot keep housing affordable to ELI renters over the long term (Cunningham, Leopold, and Lee 2014).

HUD's rental assistance programs are increasingly the only source of affordable housing for ELI renters in many areas. Yet, the need for rental assistance far exceeds the supply. Unlike other safety net programs—like Social Security, food stamps, Medicaid, or Medicare—housing assistance is not treated as an entitlement only 24 percent of the 19 million eligible households receive assistance (JCHS 2013). As a result, millions of low-income individuals and families face serious challenges ranging from severe cost burdens to overcrowding to homelessness.

Federal Rental Assistance Serves One in Four Eligible Households Through a Variety of Programs

Publicly and privately owned rental housing supported with Federal rental assistance represents an important supply of affordable rental housing, especially for ex-

tremely low-income households. Over 5.1 million households use Federal rental assistance, which includes the housing choice voucher program, project-based rental assistance and public housing. Altogether these three programs cost nearly \$35 billion in fiscal year 2016 and that is to support a level of subsidy that does not come close to fully meeting the need (NLIHC 2016). Sixty-eight percent of rental assistance recipients are extremely low income, meaning they earn 30 percent of area median income or less.

A mix of housing options is essential to serve the varied needs individuals and families living in public and assisted housing. Recipients of rental assistance include working families, single adults, seniors, and people with disabilities. In 2014, over 70 percent of non-elderly, non-disabled households receiving HUD rental assistance worked (CBPP 2015). About one third of rental assistance recipients are families with children. More than half of the recipients of Federal assistance are seniors or people with disabilities. And, as the older adult population grows and the number of senior renters doubles over the next 15 years, they are likely to become a larger share of households with rental assistance. For this population, rental assistance is an essential protection, as the potential to increase income is limited. Policies to support the housing needs of low-income older adults could substantially improve their financial security (Johnson 2015). Project-based units are especially important to seniors and people living with disabilities as it allows for the colocation of housing and services.

A brief overview of the programs follows:

- The housing choice voucher program* is the dominant form of Federal rental assistance. These tenant-based vouchers provide 2.1 million households with the opportunity to find housing in the private rental market. Vouchers typically help pay the difference between what a family can afford and the actual rent of a unit that meets HUD's health and safety standards, up to a regionally determined rent limit (Leopold et al. 2015). Families are expected to contribute the larger amount of either 30 percent of family income or the minimum rent amount of up to \$50. By law, 75 percent of new households admitted to the voucher program each year must be ELI. Nearly 40 percent of the households receiving housing vouchers are families with children, while another 40 percent are elderly or disabled, with some overlap (CBPP 2015).
- Project-based rental assistance* operates through an agreement between a private property owner and HUD. The program serves 1.2 million families. Households must contribute the greater of 30 percent of their income or a minimum rent of \$25, while the subsidy compensates the landlord for the difference between the tenant portion and the contract rent. By law, 40 percent of the project-based assisted units in a development must be designated for ELI households (CBPP 2015). The vast majority of developments were built between the 1960s and mid-1980s using financial incentives that included low-cost mortgages and subsidy contracts, but Congress has not authorized new subsidy contracts since the late 1980s (Treskon and McTarnaghan 2016). Nearly 50 percent of households assisted through the project-based rental assistance program are elderly, and 15 percent are disabled, with some overlap (CBPP 2015).
- Public housing* units are owned and operated by local public housing agencies. The program serves 1.2 million households, 72 percent of which are extremely low-income. Some public housing developments have been redeveloped as mixed-income properties, primarily through HOPE VI and the Choice Neighborhoods Initiative. New public housing is no longer being developed. The backlog of capital needed to support existing public housing has reached such a scale that it stands to jeopardize the number of desperately needed units available. In 2010, HUD estimated that 1.2 million public housing units needed an estimated \$25.6 billion for large-scale repairs (Finkel et al. 2010). As demand for affordable housing continues to rise, the need to preserve the existing stock of affordable units is vital—and less costly than building new rental housing. When the full costs of both construction and upkeep are tallied, new construction costs 25 to 45 percent more than preservation (Wilkins et al. 2015; Brennan et al. 2013). Of the households living in public housing, 33 percent are families with children, 31 percent are elderly, and 21 percent are disabled single adults or disabled adults with children.

Rental Assistance Strategies Need to Work for Both People and Places

U.S. rental housing policy is made up of many different tools and levers that operate at the Federal, State, and local level. At the Federal level, the Low Income Housing Tax Credit is the largest driver of rental housing production, but it is not designed to meet the needs of the lowest-income Americans. HUD's programs still fill that gap through tenant-based and project based-assistance, which primarily in-

cludes housing choice vouchers, public housing, Section 8 project-based vouchers, Section 202 and Section 811 supportive housing, and the newly established Housing Trust Fund. At the State level, housing trust funds often play an important role in filling financing gaps in LIHTC deals or providing rental assistance with State-generated revenues. For instance, 50 percent of the real estate transfer taxes collected in Maine are dedicated to the HOME fund, which provides gap financing as one of the eligible activities. Some States also raise capital through bonds and tax credits for housing. For instance, there is a referendum on the ballot in Rhode Island that would raise \$50 million in bond proceeds for affordable housing (Dunn 2016). Some States provide incentives or require developers and local communities to better integrate rental housing into low-poverty communities. At the local level, cities and counties design and implement housing programs using resources from CDBG and HOME tailored to local need. Cities also create incentives to leverage private-market development to create greater affordability and access to opportunity for low-income residents. Some cities also dedicate significant local resources to affordable rental housing.

This multiplicity of tools and approaches at different levels of government is both a strength and weakness. It allows communities to tailor housing strategies to market conditions, population need, and goals such as affordability, stability, quality, and access to opportunity; there are many ways to try to “move the dial.” But it also signals a basic need that is underfunded at every level of government. Every generation we create a new tool or strategy aimed at solving a problem that is largely the result of insufficient resources.

We need an evidence-based portfolio of tools that can be tailored to local context. But we also need sufficient investment to meet the need of America’s most-vulnerable households.

Below I outline five key ingredients to expanding and reforming rental housing assistance to better meet the needs of people who cannot afford housing, especially in areas of opportunity.

Expand Resources for Rental Assistance

A full expansion of assistance to all eligible ELI households is a necessary ingredient to serving vulnerable households. Under current policy, housing assistance is delivered through programs with more losers than winners: only one in four eligible households receive assistance. This imbalance creates fundamental challenges in the housing system and reduces its general effectiveness.

For these and other reasons, in 2014, the Bipartisan Policy Center’s Housing Commission called for expanding the housing voucher program to ensure that rental assistance is universally available to all ELI households (Lubell 2014). The BPC estimated that expansion of vouchers would extend subsidies to an additional 3.1 million households, bringing the total assisted to 6.7 million. Through the proposal, higher-income households would transition off vouchers, shrinking the gap from 3.1 million to 2.9 million (BPC 2015).

Housing vouchers are extremely effective in helping low-income families pay rent by filling the gap between what a household can afford and the fair-market rent. Rigorous evidence from the Welfare to Work voucher program found that receipt of a voucher reduced homelessness by 74 percent (Patterson et al. 2004). Researchers at the Urban Institute estimated that expanding housing vouchers to households with children would reduce child poverty 20.8 percent from the current baseline (Giannarelli et al. 2015).

Improve Access to Low-Poverty Areas

However vouchers alone may not be enough to effectively expand housing choice at scale. Even with a voucher, families face constrained choices due to factors such as lack of good information about neighborhood and housing options, lack of affordable units in opportunity-rich areas, and discrimination (Luna and Leopold 2013). Therefore, expanding resources for vouchers alone will not necessarily facilitate greater access to low-poverty neighborhoods.

The Obama administration has made some important strides to increase housing choice voucher use in low-poverty communities. In particular, HUD has proposed to expand the use of Small Area Fair Market Rents (SAFMRs) in order to enable housing vouchers to be used in neighborhoods with higher rents and presumably more amenities (Kahn and Newton 2014). HUD’s proposal, which concluded its comment period on August 15, would require State and local housing agencies to use SAFMR to set voucher subsidies in metro areas where vouchers are disproportionately concentrated in low-income areas, and allow agencies elsewhere to voluntarily adopt SAFMRs. Although the HUD approach is sound, the Center for Budget and Policy Priorities has recommended that HUD adjust its criteria for deciding where to re-

quire SAFMRs to ensure the policy is doing the most good (Fischer 2016). In hot-market areas, for instance, the policy may not be sufficient to help families access opportunity areas and may need to be coupled with other strategies such as counseling, source-of-income protections, portability between housing authorities, and move-in assistance.

Additional low-cost or no-cost strategies for encouraging access to opportunity neighborhoods includes giving greater weight to the location of voucher holders when assessing public housing authority performance, reinforcing compliance with the Affirmatively Furthering Fair Housing rule, and giving housing authorities an administrative fee bonus for better location outcomes (Sard and Rice 2016).

A complimentary strategy is HUD's policy for transferring budget authority via Section 8(bb)(1) of the Housing Act. This tool can be used for properties receiving the budget authority to move the subsidy contract to a building in a low-poverty neighborhood. PBRA subsidy contracts are a very important piece of a financing or refinancing request. They help an affordable housing development pencil out, and provide housing for extremely low-income households in areas with greater opportunity.

Preserve Access to Low-Poverty Areas

At the same time, it is important to preserve existing Federal investments in lower-poverty communities. Losing this resource by contract expiration of project-based assistance or vouchering out public housing would be a step backward in efforts to deconcentrate poverty and expand access to opportunity. Project-based rental assistance (PBRA) units house over 1.2 million low-income households (Jordan and Poethig 2015). Thirty-three percent of active PBRA units are at risk of loss largely because contracts that will expire in the next 24 months, which will allow property owners to leave rental affordability programs if they choose, or they are in poor physical condition. This amounts to over 446,000 units at risk of losing their affordability status. Sixteen percent of these at-risk PBRA units are in neighborhoods with poverty rates below 10 percent. Preserving these units leverages previous and existing investments to help keep low-income families in higher opportunity communities. Several States and cities have model approaches to encouraging preservation of at-risk units, but they rely heavily on support from the philanthropic sector and HUD regional office engagement, which is not uniform across the country (Treskon and McTarnaghan 2016).

Another effort to improve and preserve the public housing stock is the Rental Assistance Demonstration (RAD). This effort, currently still a pilot program, helps convert public housing projects in need of repair to project-based vouchers or rental assistance contracts. Doing this enables public housing agencies more flexibility to access much-needed private capital or other public funding sources, providing another stream of resources outside the Federal Government to help preserve and repair the backlog of capital needs. While this program holds promise, it is not yet clear how RAD will reach, if at all, some of the most distressed public housing units or units located in higher-poverty communities with less market activity. We also need to know more about how residents are faring through this conversion; an evaluation underway by scholars at the Urban Institute is looking at exactly this point. It is essential to better understand both the impacts to properties and the people who call them home before reaching a conclusion about the broader implications of the program.

Solve the Wrong Pockets Problem

More than half the recipients of Federal assistance are seniors or people with disabilities (CBPP 2015). Housing stability and easy access to services and amenities are paramount factors for these groups. A growing body of evidence finds cost savings to other systems when seniors and people with disabilities are stably housed and connected to services. Yet, we do not have standard mechanisms for capturing those savings in other systems like health and reinvesting them in the housing supply.

One approach is to build a case that housing assistance should be a reimbursable expense for Medicaid, especially when stable housing is proven to lower healthcare costs. Another approach is to provide HUD with demonstration authority to test different approaches, such as pay for success, which would enable cost savings in one system to be reinvested in affordable housing production or rental assistance. There are several examples of pay for success transactions paying for services on the site of affordable housing, but not the housing itself. Some additional Federal incentives might encourage local demonstrations that would use a pay for success model to finance rental assistance (Pay for Success n.d.).

Grow the Evidence Base

As we anticipate future demand for affordable rental housing, it is critical that we continue to grow our knowledge base about the most effective strategies for meeting these needs. At all levels of government, public leaders are increasingly leveraging the rapid growth of available data to evaluate how well their programs are working—and at what cost. Evidence-based policymaking is an approach to learning and doing “what works” that involves both real-time performance management strategies and longer-term evaluation of programs, as well as innovative data linking and analysis that can reveal new insights about how programs should be targeted. This data-centric approach can build ground for bipartisan compromise, as evidenced in the establishment of the Commission on Evidence-Based Policymaking, which has been spearheaded by Speaker Ryan and Senator Murray.

While a great deal of research has shown the value of housing assistance and mobility in increasing access to opportunity and improving long-term outcomes, much more research and experimentation is needed to discern the best ways to help families take advantage of mobility. The Mobility Demonstration proposed in the President’s budget would go a long way toward building an evidence base for strategies that encourage moves to low-poverty neighborhoods. It is also critical that Moving to Work (MTW) agencies are investing in high-quality evaluations of the interventions they are developing under their authority.

At the same time, we need to invest more in research on how these place-based investments may contribute to neighborhood revitalization and improved resident outcomes. HUD has learned through the evolution from HOPE VI to the Choice Neighborhoods program that a more comprehensive community development approach to public housing transformation better integrates the developments into their surrounding communities and enables the public housing agency and its partners to address longstanding issues such as crime, education, and employment as part of overall redevelopment efforts. Through these efforts, we have also learned that we need better mechanisms to protect tenants from long-term displacement and support their ability to stay, should they so choose. In communities that are revitalizing, place-based investments such as public housing or PBRA can be an important way to help residents stay and benefit from these changes but we need better ways to track these results.

Continuing to build the evidence base on rental assistance will require both increasing the supply of data available to researchers and pursuing further opportunities to integrate existing datasets. While much can be learned from surveys and from Federal, State, and local administrative datasets, private property owners and managers are an essential group in the evidence-building process; they often have more nuanced, on-the-ground information about tenure and outcomes than governments can collect. But because providing such information usually isn’t mandated by housing assistance programs, incentives should be developed to encourage owners and managers to regularly submit data on tenant outcomes. The form these incentives take may vary by program, but getting more consistent information from private owners will give researchers a clearer picture on best practices for place-based housing assistance.

Finally, researchers must be able to better take advantage of the rich datasets already available. Chetty’s and Hendren’s groundbreaking research relied in part on connecting previously unlinked datasets from government offices like the Census, the IRS, the Department of Housing and Urban Development, and the Integrated Postsecondary Education Data System. A range of other important data linking efforts are under way, including the development of integrated data systems hosted by universities, research organizations, or governments that serve as one-stop-shops for researchers to connect datasets across scales and policy areas. Though legal barriers and the important need to protect individual privacy can make data linking slow, only by expanding access to public data resources can researchers most effectively glean deeper insights about families’ needs and how these programs are able to meet them.

Senator COLLINS. Thank you so much for your testimony.

We will next hear from Richard Gentry, the President and CEO of the San Diego Housing Commission. I look forward to hearing your testimony.

**STATEMENT OF RICHARD GENTRY, PRESIDENT AND CEO, SAN DIEGO
HOUSING COMMISSION**

Mr. GENTRY. Thank you, Senator Collins, for having me here today, and thank you, Senator Reed, for that kind introduction. I do not know the quality of my track record, but I have been around for a while. I began my 45th year in this industry earlier this month, and I have worked in it all the way from my home State of North Carolina to now southern California. And I have seen a wide variety of iterations of affordable housing in the country, and that does come to bear on what my testimony is.

I will point out that I presented written testimony for the record. I am not going to try to repeat that. We certainly do not have the time for that, but I would like to hit three or four of the highlights from that paper.

Number one is I do not think it is good to start with defending particular programs. I think what is important are the principles involved in who we serve and who pays the bill for who we serve, and those principles are fairly obvious but I think bear restating. And that is, that we should look to achieve the greatest benefit of the program for the low-income families who are served and also to maximize the efficiencies and expenditures by the taxpayers who are footing the bill for all of these programs one way or the other.

I think that the methodologies involved in responding to those two principles are basically twofold. One I think is providing choice to the families involved. And I think that we transform low-income families from passive clients into active consumers when they are able to make choices which, in turn, empower them, and the choice of where a family lives is one of the most basic I think that any of us can have. I think that what can help turn a low-income family into a middle-income family is the recognition that they have a choice in their lives and that the choices they make can empower them and their families.

I think, in turn, the methodology locally that will help to create those choices are, as much as possible, local decisionmaking. I think different jurisdictions across the country have unique housing needs. I have seen that in the course of my career which has taken me from North Carolina to Texas back to Virginia, to Chicago, where I worked across the country as a low-income housing tax credit syndicator, and now to San Diego.

I think that decisions are best made when they are made on the local level. There is a term that is in great use in the European Union that I think would apply to this country as well, and that term is "subsidiarity." And subsidiarity means over there that when I make a decision in Brussels, if it can be made in London, why make it in London if it can be better made in Liverpool. And I think the analogy here is why make a decision in Washington, D.C. if that decision can be made in Sacramento. Why make it in Sacramento if it can be made in San Diego?

So I think getting the decisionmaking as close to the local action as is possible with the flexibility inherent in those decisions is another key to providing choice to the families and ensuring not only do the families get served well but that the taxpayers are rewarded with efficient programs as well.

That said, it is my belief in my 44 years of experience that public housing is itself a failed business model. It does not work. It is a top-down command-and-control, one-size-fits-all formula that tries to wedge everybody into the same box. And that is not to denigrate either the residents of the programs or the program operators. Indeed, if you can make a public housing program work, you can make just about anything in this country work in my opinion.

What I believe, though, is that the public housing program as it has been traditionally applied is like a metaphor of an assembly line. High volume of the same thing, which may have fit this country well in decades past. I think a better metaphor for our current society is that of a network of smart phones and personal computers that have the same platform but provide great variety in use of flexibility for the end user. That said, the Section 8 housing choice voucher program works very well in providing that flexibility.

I will point out as well that what we have tried to do in San Diego—and I would refer you to the San Diego model as spelled out in the paper and as described in great detail on the Housing Commission’s website—is what I believe the industry needs to move to. That is a balance between supply-side and demand-side housing for this business. And please bear with me. I always get those two mixed up.

The supply side is making sure that there is product to be housed in and the subsidies needed for that. Demand side is subsidies to the consumer to help them choose where to live and live in it successfully. I think getting a proper balance between those two is utterly crucial as we move forward.

I would be glad to go into that in more detail during question and answer.

[The statement follows:]

PREPARED STATEMENT OF RICHARD C. GENTRY

INTRODUCTION

Good morning, Chair Collins, Ranking Member Reed, and members of the subcommittee. I am Richard C. Gentry, the President and Chief Executive Officer of the San Diego Housing Commission, which serves low-income residents in the city of San Diego—the eighth largest city in the Nation and second largest city in California. I am honored to be here today to testify about Federal Section 8 Housing Choice Voucher rental assistance and public housing.

I began working in San Diego in 2008; however, my experience in affordable housing spans 44 years—beginning with the U.S. Department of Housing and Urban Development (HUD) in 1972. I have served as the CEO of the public housing authorities in Austin, Texas, and Richmond, Virginia, as well as working in the private sector as the Senior Vice President of Asset Management for the National Equity Fund in Chicago, Illinois, the Nation’s largest nonprofit Low-Income Housing Tax Credit syndicator, and as the Vice President for Public Housing Initiatives at the Local Initiatives Support Corporation (LISC) in Washington, D.C. My opinions today reflect the diversity of my background and the breadth of my experience.

Federal housing programs should be guided by two principles:

1. Achieving the greatest benefit of the program for the low-income families that are served; and
2. Maximizing efficiencies in the expenditure of taxpayer funds.

With this in mind, methodologies need to be evaluated to determine if they are the best practices to accomplish the mission of assisting individuals and families in the most effective way.

As methodologies are evaluated, two additional factors are essential to consider:

1. Housing Choice—Low-income families are transformed from “clients” into “consumers” when they are able to make choices, which empowers them. A lack of choices hinders families from reaching the middle class.
2. Local Decision-making—Different jurisdictions across the country have unique housing needs. With this in mind, decisions are most effective when they are localized as often as possible and are made at the level closest to the jurisdiction.

Public Housing and Section 8 Housing Choice Voucher Rental Assistance—History

Federally funded public housing in the United States dates back to the Housing Act of 1937, which provided Federal funds to public housing for low-income working class families. However, public housing proliferated after the Housing Act of 1949, which began applying income limits so that public housing served low-income residents, while working class families were supported in their access to private sector housing.

HUD was created by legislation in 1965 to oversee Federal housing programs for vulnerable low-income households, such as seniors, individuals with disabilities, and families.

The Housing and Community Development Act of 1974 and subsequent revisions to it, along with program rules from HUD, created the Section 8 Housing Choice Voucher rental assistance program.

It is important to note that private sector rental housing today continues to provide the majority of the rental housing opportunities for both Americans who receive Federal housing assistance and those who do not.

According to HUD, approximately 1.1 million American households live in public housing, which is 1 percent of the approximately 116 million households in the United States, based on U.S. Census Bureau data. In addition, approximately 3.4 million households, or 2.9 percent of all households in the United States, receive Federal Housing Choice Voucher rental assistance or Project-Based rental assistance, according to HUD’s proposed budget for fiscal year 2017 (October 1, 2016—September 30, 2017).

With that said, I believe that the United States’ traditional public housing program is no longer viable in its current form to continue serving the needs of low-income Americans. America’s traditional public housing program has been, since its inception, a top-down, one-size-fits-all, centralized, command-and-control program operated in Washington, D.C., that is intended for implementation uniformly across the country. In a country as large and diverse as the United States, a public housing program with centralized mandated rules does not work.

This is not criticism or denigration of the low-income individuals and families who live in public housing or those who operate the program. However, the program’s structure is flawed and needs to be changed to more efficiently use taxpayer resources to serve the housing needs of low-income Americans.

The public housing program reflects an assembly line methodology of producing a high volume of uniform housing across jurisdictions, which was better suited to American culture decades ago in the 1930s, 1940s and 1950s.

However, today’s culture reflects the influence of technological advancement and is analogous to a network of smartphones and personal computers supported by a standard structure, but with variabilities to meet individual needs. The Section 8 Housing Choice Voucher rental assistance program better serves this culture, delivering individualized assistance tailored to the needs of the individual customer.

The Section 8 Housing Choice Voucher rental assistance program is the most useful affordable housing program that I have seen the Federal Government develop in my 44 years working with affordable housing. It is the most effective option available in the United States today and in the future for providing affordable housing for low-income individuals and families.

In addition, it is important to keep in mind the need for funding at appropriate levels if public housing is converted to Housing Choice Voucher rental assistance. In its fiscal year 2017 budget, HUD proposed funding approximately \$9,500 per family for Housing Choice Voucher rental assistance (\$20.9 billion for 2.2 million families), compared with approximately \$5,863 per family for public housing (\$6.45 billion for 1.1 million families). Therefore, to successfully address affordable housing needs, the conversion of public housing to Housing Choice Voucher rental assistance requires a corresponding increase in funding per family.

As this subcommittee considers the question, “Housing vulnerable families and individuals—is there a better way?” I submit that providing affordable housing opportunities should look much like the San Diego model, with the innovative approaches we have implemented at the San Diego Housing Commission (SDHC).

PUBLIC HOUSING CONVERSION—THE SAN DIEGO MODEL

A landmark agreement on September 10, 2007, between SDHC and HUD transferred full ownership and operating authority for 1,366 public housing units to SDHC—the largest public housing conversion at the time.

“San Diego knows more about what San Diego needs than the Federal Government does. And when San Diego came to me and said we need to do this, I was compelled to listen,” said Orlando Cabrera, the former HUD Assistant Secretary, who approved the landmark agreement with SDHC.

SDHC paid HUD \$1,366—a nominal \$1 per unit—to acquire 137 properties with a combined fair market value of \$124.2 million. All the properties were debt-free.

In exchange, SDHC committed to leverage the equity lying fallow in these former public housing units to create at least 350 additional affordable housing units—a number SDHC far surpassed.

The SDHC Board of Commissioners and the San Diego City Council approved SDHC’s application to withdraw from HUD’s public housing program, which HUD also approved.

“What the San Diego Housing Commission did was basically say we can’t rely on the Federal taxpayer to continue to maintain units, because it’s not serving our residents well. It’s not serving our community well. They essentially took resources, and then they created better units with them,” said former HUD Assistant Secretary Cabrera.

Creating and Preserving Additional Affordable Housing

SDHC presented HUD with a variety of options it was considering to fulfill the obligation for the creation of additional affordable rental housing units.

HUD responded on Oct. 17, 2008, by approving seven options, all of which required SDHC to have a property ownership.

Ultimately, SDHC chose two courses of action that would create and preserve affordable housing for families in the city of San Diego:

1. Purchase the land and provide a loan and ground lease to the developers. After the 15-year tax credit compliance period, SDHC would have the option to buy the public-private partnership properties.
2. Purchase property directly or in partnership with a government agency.

Also required were a series of administrative steps to obtain the appropriate local approvals from the SDHC Board of Commissioners and the San Diego City Council, sitting as the Housing Authority of the City of San Diego.

These approvals would bring about internal changes to past operating practices and set up SDHC for the financing and ongoing management of the public housing conversion program.

SDHC then implemented an innovative Finance Plan that was developed in 2009, which leveraged significant private sector financial investment.

San Diego City Councilmember Todd Gloria, who served on the SDHC Board of Commissioners at the time the agreement with HUD was being negotiated, said: “I think the concern that I had was how do we maintain the solvency of the agency as we saw the subsidy being reduced. That obviously produced a lot of financial challenges to the organization.”

SDHC leveraged the equity from this new real estate portfolio to create or preserve 810 additional affordable housing in the city of San Diego through direct acquisitions and public-private partnerships. All of the units will remain affordable for at least 55 years.

Minimizing Financial Risk

In its loan underwriting, SDHC sought to minimize any financial risk. Among the key elements of the borrowing:

- Both Fannie Mae and FHA mortgage programs were used as sources of borrowing, providing more than one option for capital under circumstances when time was of the essence.
- SDHC limited its use of equity to only 78 converted public housing properties of five units or more, a total of 1,254 units.
- While lenders would have accepted a loan-to-value ratio (LTV) of 80 to 85 percent, SDHC limited itself to 70 to 75 percent, providing additional cash flow to support the debt load going forward.
- Variable interest rates were slightly better at the time, but SDHC used fixed-rate loans only to better quantify its risk, and used 30-year instead of 10-year loans.
- Reserve accounts also were established.

When SDHC closed its loans with Fannie Mae on December 30, 2009, it had raised \$37.1 million at a 7.32 percent interest rate.

The FHA loans closed on August 31 and September 30, 2010. SDHC raised \$58.2 million with a 3.76 percent interest rate.

Rehabilitating Former Public Housing Units

Lender requirements prompted SDHC to collect financial statements, rent rolls, appraisals, title and zoning reports, regulatory agreements and other documents—as many as 80 reports per property—on the 78 former public housing properties that were leveraged.

After the properties were reviewed, lenders requested that SDHC perform critical and non-critical repairs. While the original work list was lengthy, it was limited in scope.

SDHC capitalized on this opportunity to expand the scope of work and provide a more comprehensive rehabilitation program than what was required by the lenders. At the conclusion of rehabilitation, nearly \$3.2 million had been invested in the physical assets.

Housing Choice Vouchers for Residents

When the former public housing units converted to SDHC ownership, residents were provided with Federal Section 8 Housing Choice Vouchers.

They could then use the vouchers at their existing units or take them with them as rental assistance to another rental home of their choice.

This expanded the opportunities for affordable housing to hundreds of additional San Diego families and provided them with more choices.

Approximately 50 percent of the residents chose to stay at their existing units.

Vacancies in SDHC properties were filled with families who met the income eligibility established in the agreement with HUD.

Local Action Amid Declining Federal Investment

The public housing conversion emerged from a growing realization by the SDHC Board of Commissioners and executive leadership that SDHC's dependence upon the Federal Government's historic investment in construction and maintenance of public housing could not be sustained under the current Federal model.

Federal public housing subsidies for operations and maintenance were based on a formula, were not keeping pace with need, and were counterproductive to good private sector management techniques. Across the Nation, fewer new public housing units were being developed despite a growing demand for workforce and family housing.

"I think one of the most important things is that it created public-private partnerships, gave the Housing Commission the ability to sustain even more affordable housing units and to serve more people, to serve more families. And today if you look at the environment around us where you see an economic downturn, foreclosures, families who are in greater need than they were before, you know it was a really smart thing to do," California State Assembly member Toni Atkins, the former Speaker of the California State Assembly and a former San Diego City Councilmember, said in 2012.

On October 2, 2012, SDHC published a special multimedia digital report about the landmark public housing conversion and SDHC's Finance Plan, which is used today by other public housing authorities as a manual to emulate. The report, "Creating Affordable Housing Through Public Housing Conversion," is posted on SDHC's website: http://www.sdhc.org/uploadedFiles/Media_Center/Digital_Reports/Public_HousingConversionReport.pdf.

In addition to SDHC's own particular type of public housing conversion, there is another landmark Federal program that provides additional public housing authorities with similar opportunities to transform or enhance their public housing:

Rental Assistance Demonstration

Nearly 4 years after SDHC's landmark public housing conversion agreement with HUD, the Federal Consolidated and Further Continuing Appropriations Act, 2012, was enacted on November 18, 2011, creating the Rental Assistance Demonstration (RAD) program.

RAD allows public housing to be converted to long-term, Section 8 Housing Choice Voucher project-based rental assistance contracts. This conversion under RAD enables properties to obtain private financing to perform maintenance that had been deferred.

Although SDHC has not yet participated in RAD, we may utilize RAD in the future for our 189 remaining public housing units, and we support the public-private principles RAD is based upon.

PROVIDING FEDERAL RENTAL ASSISTANCE

Section 8 Housing Choice Vouchers

SDHC's largest program is Section 8 Housing Choice Voucher rental assistance. More than 15,000 low-income households in the city of San Diego, including formerly homeless San Diegans and chronically homeless Veterans, receive Federal Section 8 Housing Choice Voucher rental assistance from SDHC.

These households include more than 37,000 men, women and children.

Approximately 56 percent of these households are seniors or individuals with disabilities.

In addition to assisting low-income households to obtain rental housing, SDHC's Housing Choice Voucher program invests millions of dollars in the local economy each year.

In fiscal year 2016 (July 1, 2015—June 30, 2016), SDHC paid \$143,377,584 to approximately 5,600 participating landlords in the city of San Diego, who are essential to providing affordable housing to low-income San Diegans.

SDHC engages with private sector landlords to establish more affordable housing opportunities by providing Federal rental assistance.

SDHC partners with HUD to provide the most vulnerable San Diegans with rental assistance to help them locate housing in the competitive, high-cost San Diego rental housing market.

In addition, this program allows local agencies, such as SDHC, the flexibility to categorize Housing Choice Vouchers in ways that best serve their local communities, such as:

- Project-Based Housing Vouchers: Federal Project-Based Housing Vouchers are awarded to specific affordable housing developments to provide rental assistance linked to their units. When a tenant moves, the rental housing voucher remains with the affordable housing unit so that another low-income or homeless San Diegan is able to move into the unit and receive rental assistance.
- Sponsor-Based Housing Vouchers: SDHC awards Federal Sponsor-Based Housing Vouchers to nonprofit organizations, or “sponsors,” that provide supportive services to homeless San Diegans. Sponsor-Based Housing Vouchers provide rental assistance that pays up to 100 percent of the tenant's rent, depending on their income level.

Moving to Work

The U.S. Government's creation of the “Moving to Work” program in 1996 established a significant tool to provide affordable housing opportunities, combining the flexibility to foster innovation with continuing government oversight from HUD. Public housing authorities must submit their proposed new MTW programs to HUD for approval.

MTW lessens the impact of the top-down approach of the public housing program because it provides flexibility and allows local agencies to determine the most effective programs for their communities.

MTW has been especially significant in the expensive housing markets of California, including San Diego.

SDHC is one of only 39 public housing agencies, out of 3,400 nationwide, to receive the MTW designation from HUD, which allows flexibility to create innovative, cost-effective approaches to provide housing assistance to low-income families.

I want to thank the members of this subcommittee for your efforts to extend the contracts of MTW agencies, such as SDHC, for 10 more years, through 2028, which was approved in the Consolidated Appropriations Act of fiscal year 2016 on December 18, 2015.

This Congressional action also will expand the MTW program to an additional 100 public housing agencies across the country. I believe that the MTW program should eventually apply to all public housing agencies other than those identified by HUD as “troubled” to provide them with the structure and flexibility to design programs in their communities.

In San Diego, the MTW program has allowed SDHC to encourage families and reward them for productive activities, as you will see in my comments about the SDHC Achievement Academy.

SDHC's MTW initiatives provide: opportunities for Section 8 Housing Choice Voucher rental assistance participants and public housing residents to become more financially self-reliant; funding toward the creation and preservation of affordable housing for homeless San Diegans; and rental housing vouchers to address homelessness.

SDHC Achievement Academy

A significant component of SDHC's MTW initiatives is that we want to reward households for taking steps to move to work. The SDHC Achievement Academy is a critical MTW initiative to help low-income residents break the cycle of poverty and become more financially self-reliant.

On October 4, 2010, SDHC opened the SDHC Achievement Academy, a state-of-the-art learning and resource center and computer lab at SDHC's headquarters in Downtown San Diego. The SDHC Achievement Academy provides programs that emphasize career planning, job skills and personal financial education—at no cost to Section 8 Housing Choice Voucher rental assistance participants and public housing residents.

In fiscal year 2016 (July 1, 2015—June 30, 2016), 1,930 participants received services at the SDHC Achievement Academy.

The SDHC Achievement Academy's main program is Family Self-Sufficiency (FSS).

Heidi, age 39, was a homeless, pregnant teen when she began receiving Federal rental assistance from SDHC in 1997. She began participating at the SDHC Achievement Academy in 2012 and enrolled in FSS.

Working as a waitress, she was able to obtain an associate's degree in 2007. Two years later, she graduated from California State University, San Marcos with a bachelor's degree in criminology and justice studies. In spring of 2016, she earned her doctorate degree in sociology from the University of California, San Diego.

"There is absolutely no way that I would have had the opportunity to go to school if I didn't have my rent subsidized. I didn't have to work three jobs to support my family. I was able to take that time and go to school. I always felt like I had someone in my corner, someone that supported me, someone that wanted me to be successful, and I'm speaking specifically of FSS," Heidi said.

Heidi is looking for work as a professor and plans to phase out of Federal rental assistance, making assistance available for another low-income family.

SDHC utilized MTW flexibility to redesign the SDHC Achievement Academy's FSS, program, to provide enhanced opportunities for families to become more financially self-reliant.

Currently, 327 individuals are participating in the SDHC Achievement Academy's FSS program.

A voluntary, 2-year program, FSS provides a variety of courses, including: job training, career planning, and financial literacy education, such as budgeting, saving, establishing good credit, and income tax preparation.

Participants are required to follow a career plan and obtain a job working at least 32 hours per week. FSS is available at no charge to the head of household receiving SDHC HCV rental assistance and public housing residents.

SDHC Achievement Academy FSS participants are able to earn up to \$10,000 in an interest-bearing escrow account based upon their educational and employment-related accomplishments. Funding for these financial incentives is provided by HUD. FSS program participants may use these funds as they wish when they complete the program.

Path to Success

With the flexibility provided by MTW, SDHC created the Path to Success initiative to encourage Housing Choice Voucher families to become more financially self-reliant.

Under Path to Success, SDHC identifies Housing Choice Voucher rental assistance participants who are able to work (Work-Able).

With approximately 2,800 Work-Able families now paying toward their rent for the first time, SDHC's goal is to expand the Housing Choice Voucher program to those families on the waiting list, if it is financially feasible.

Providing rental assistance to families who are not working requires more Federal funds than assisting working families who contribute toward their rent.

Work-Able Families:

- Households with at least one adult who is under 55, not disabled, and not a full-time student ages 18–23.
- Full-time students ages 18–23 are considered Work-Able if they are the spouse, head or co-head of the household.
- Income and household circumstances are reviewed every 2 years instead of annually.

SDHC sees Housing Choice Voucher participants as partners in utilizing limited Federal funds to help as many families in need as possible.

Path to Success sets minimum monthly rent payment amounts for Work-Able families.

New minimum monthly rent payment amounts were implemented for Work-Able families, effective July 1, 2015:

- Households with one Work-Able person now pay a minimum rent of \$300 (up from \$200); and
- Households with two or more Work-Able individuals now pay a minimum rent of \$500 (up from \$350).

When the Path to Success initiative was implemented on July 1, 2013, the initial minimum monthly rent payment amounts were based on California's minimum wage standards—\$8/hour at the time.

SDHC determined what a Work-Able household could earn working 20 hours a week at minimum wage, and then calculated minimum rent payment amounts that would be approximately 30 percent of that monthly figure.

SDHC's Housing Choice Voucher program includes 6,587 Work-Able households. Of these, 2,814 pay minimum rents.

Work-Able families pay either the minimum monthly rent payment amount or the rent payment amount based on the family's annual income, whichever is greater.

Adjusted annual income is separated into income ranges. The lower edge of the range is used to calculate the family's rent payment.

Example:

- The monthly rent payment amount for any family with adjusted annual income between \$20,000 and \$24,999 will be calculated using \$20,000 as their income.
- It is possible that a family's monthly rent payment amount may decrease under Path to Success.

Hardships

Families may apply for a temporary hardship exemption from the minimum monthly rent payment amounts.

If the exemption is approved, the household is required to participate in SDHC Achievement Academy work readiness programs for the duration of the hardship period.

Elderly/Disabled Families:

The Path to Success minimum rent payment amounts do not apply to Elderly/Disabled households:

- Households where all adult family members are 55 or older, disabled, or a full-time student ages 18 to 23.
- Income and household circumstances will be reviewed every 2 years instead of annually.
- The minimum monthly rent payment amount for an Elderly/Disabled family is \$0.

Choice Communities

In San Diego, one of the programs that helps to achieve economic integration through more economically diverse, balanced communities is SDHC's Choice Communities program (not the Federal Choice Communities program), an MTW initiative that began on January 1, 2010.

SDHC's Choice Communities program helps Section 8 Housing Choice Voucher rental assistance participants move from high- and medium-poverty areas to low-poverty neighborhoods in the city of San Diego.

Since the launch of the program, 290 low-income families in the city of San Diego have been able to move to areas with more options for transportation, schools, and employment opportunities.

Leasing a three-bedroom home from a private landlord was possible for Maria and her two sons, ages 6 and 12, because of SDHC's Choice Communities program. A no-interest loan through the program helped Maria pay the security deposit for the rental home.

"I would not have been able to do that on my own because that's a lot of money for me as a single mom," said Maria, who works in customer service for a local hospital. Maria has received Federal HCV rental assistance for the last 6 years.

The Choice Communities program:

- Allows a higher monthly rent subsidy, or "payment standard"
- Provides no-interest loans of up to \$1,450 for security deposits, to be paid to the property owner, with low monthly repayments
- Provides additional resources, information and guidance to families interested in moving to one of the specified low-poverty Choice Communities

Overall, 807 Housing Choice Voucher families live in Choice Communities, including families who lived in these neighborhoods before the Choice Communities program began or who are new to SDHC's Housing Choice Voucher program and chose to live in these communities.

I believe that, as we move forward, many of the programmatic tools already exist to assist low-income families, as I have shown with the San Diego model for public housing conversion and SDHC's MTW initiatives. To help low-income families move out of poverty, it is essential for local agencies to be provided with the flexibility to choose the options that show the greatest success in their communities. As local agencies make these decisions, they are held accountable by HUD and local governing bodies, such as the SDHC Board of Commissioners and the Housing Authority of the City of San Diego.

ADDRESSING HOMELESSNESS

The flexibility to meet local needs is utterly essential to effective affordable housing strategies. Challenges are not the same in all cities and counties across the country. A specific challenge for affordable housing in San Diego is homelessness.

The San Diego region ranks fourth in the Nation in homeless population, behind New York, Los Angeles, and Seattle, according to the Annual Homeless Assessment Report to Congress, published in November 2015.

Housing First Model

The future of affordable housing includes providing housing opportunities for homeless seniors, Veterans, families, and individuals.

SDHC is a driving force of the national Housing First model in the city of San Diego—to provide homeless individuals with housing as quickly as possible, with supportive services as needed.

As an MTW agency, SDHC on July 1, 2010, became one of the first public housing authorities in the Nation to receive approval from HUD use Federal rental housing voucher funding to provide long-term housing for chronically homeless individuals.

HUD also approved SDHC's request to utilize its MTW status to invest its Federal funds to preserve or build affordable housing for homeless San Diegans.

HOUSING FIRST—SAN DIEGO

SDHC is applying the power of these Federal resources to address homelessness through HOUSING FIRST—SAN DIEGO, SDHC's 3-year Homelessness Action Plan (2014–17), which was launched on November 12, 2014.

Award Development Funds—Up to \$30 Million over 3 years (Up to \$10 million each year) to create permanent supportive housing that will remain affordable for 55 years.

To date, SDHC has awarded \$12 million in Federal, State, and City of San Diego funds administered by SDHC to four developments, which will provide a total 167 affordable housing units for homeless individuals.

Commit up to 1,500 Federal Rental Housing Vouchers for Permanent Supportive Housing to provide housing to homeless individuals and families (Award up to 300 new housing vouchers each year to complement 576 housing vouchers already awarded).

To date, SDHC has awarded a total of 822 Federal rental housing vouchers.

Renovate Hotel Churchill—72 Units of Permanent Supportive Housing: 56 units for homeless Veterans; 8 units for transitional age youth ages 18–25, such as youth aging out of foster care; and 8 units for adults exiting the corrections system who also need supportive services.

The grand reopening of the historical Hotel Churchill was celebrated on Monday, September 19. SDHC worked with our nonprofit affiliate, Housing Development Partners, to rehabilitate Hotel Churchill. SDHC invested \$9.2 million in MTW funds; \$2.9 million in HOME Investment Partnerships Program funds awarded by HUD to the City of San Diego and administered by SDHC; and \$3.2 million in City of San Diego funds administered by SDHC toward the \$20.6 million rehabilitation cost.

Invest MTW Federal Funds to Acquire Property that sets aside 20 percent of its units for permanent supportive housing for homeless San Diegans.

SDHC invested \$15 million in MTW Federal funds to purchase the 120-unit Village North Senior Garden Apartments. Twenty percent of the units—24 units—are set aside for homeless seniors.

Dedicate SDHC-Owned Housing Units—25 for Homeless San Diegans.

SDHC is one of the first public housing agencies in the Nation to commit affordable rental housing that it owns for this purpose.

This is a rapid re-housing component of HOUSING FIRST—SAN DIEGO. Since the program began, 13 families have become financially self-reliant and are now able to pay full rent or have moved to another apartment. The program served 135 individuals, including 87 children and 13 Veterans.

SDHC's multimedia digital report about HOUSING FIRST—SAN DIEGO was published on November 21, 2014, and is posted on SDHC's website: http://www.sdhc.org/uploadedFiles/Media_Center/Digital_Reports/SDHC%20Homelessness%20Action%20Plan.pdf.

New initiatives for the second year of HOUSING FIRST—SAN DIEGO include:

- The 1,000 Homeless Veterans Initiative*.—Provide housing opportunities for 1,000 homeless Veterans in the city of San Diego within 1 year—March 2017. Nearly 330 homeless Veterans have secured housing through SDHC's The 1,000 Homeless Veterans Initiative, which has four program components:
 - Landlord Outreach—"Housing Our Heroes"
 - Rapid Re-housing Assistance
 - SDHC Federal Veterans Affairs Supportive Housing Vouchers
 - SDHC Federal Housing Vouchers with Supportive Services

The Guardian Scholars Program at San Diego State University (SDSU)—A nationally unprecedented partnership between SDHC and SDSU to provide rental assistance for up to 100 students who have been homeless or at risk of homelessness.

The Monarch School Project—Federal housing vouchers for 25 families with students impacted by homelessness.

News releases about these new initiatives are available on SDHC's website:

- July 20, 2016: The 1,000 Homeless Veterans Initiative http://www.sdhc.org/uploadedFiles/Media_Center/News_Releases/NR%20Housing%20Our%20Heroes%20%20Progress%20Report7.20.16.pdf.
- December 3, 2015: The Guardian Scholars Program and The Monarch School Project http://www.sdhc.org/uploadedFiles/Media_Center/News_Releases/NR.SDHC-SDSU%20HousingFirstSanDiego.12.3.15.pdf.

CONCLUSION

Creating more affordable housing opportunities for low-income families requires innovative solutions that foster public-private partnerships.

As SDHC's experience demonstrates, converting public housing to Section 8 Housing Choice Voucher rental assistance is the type of ingenuity needed to maximize the benefit to low-income families, and to ensure that taxpayer funds are utilized efficiently.

With Section 8 Housing Choice Voucher rental assistance, low-income families are able to choose the housing that meets their individual needs, empowering them to be active consumers instead of clients—an option that public housing does not provide. In addition, the local economy benefits from the infusion of Federal funds paid to private landlords, who are essential partners.

The flexibility afforded by the MTW program enhances Section 8 Housing Choice Voucher rental assistance to achieve additional beneficial results.

As approaches toward affordable housing evolve in the United States, I encourage all of us to be constantly open to identifying a continuously changing variety of solutions and to recognize the importance of both the government and the private sector to meeting the housing needs of our unique communities.

Senator COLLINS. Thank you very much for your testimony as well.

Let me start with you, Mr. Gentry. The conversion of public housing at the San Diego Housing Commission was a long, multiyear effort, and I am sure at times that it was an extremely difficult one. I have a couple of questions for you.

One, as you reflect on the experience, what was the biggest challenge and the greatest success?

MOVING TO WORK PROGRAM

And second, how important was the Moving to Work program, which we have expanded, or was the Moving to Work program an important part of that conversion?

Mr. GENTRY. Ma'am, the biggest challenge was simply getting people to understand that we were not walking away from our re-

sponsibilities. In fact, we had a lot of criticism early on from people who you would have thought would have some of our best supporters that we were walking away from our responsibilities and did not want to serve poor people anymore. And the analogy I use for that is that people sometimes cannot differentiate between methodology and mission, and if the methodology changes, I think you have abandoned your mission.

My belief is that methodologies are in constant flux, constant change, and we should be continuing trying to do things better as we move forward and that is, we are continually breaking the mold and doing things in better and different ways. It does not mean we are walking away from our mission.

So I think simply getting folks to understand and support what we were doing throughout the community and also in this city frankly was our biggest problem. Beyond that, it was just a matter of working it out.

In terms of Moving to Work—and San Diego is one of the original Moving to Work agencies—my predecessor had unfortunately let the Moving to Work program lapse over the years so that it was abeyance at the time that the public housing conversion was approved by HUD, which was in September of 2007.

DEMOLITION/DISPOSITION ACTIVITY

The authorizing legislation was the demolition disposition part of the Housing Act of 1998. And in that regard, the conversion can be done by any agency whether they are moving to work or not.

I will point out also, because the critics will hear the demo dispo word and think that we got rid of property or walked away from our responsibilities, the Housing Commission in San Diego did not demolish a thing. We have not disposed of a thing. We still have those 1,366 units in our inventory. It is just that they are operating on San Diego Housing Commission principles now rather than public housing principles.

Senator COLLINS. Ms. Poethig, we know that the research tells us that the ZIP code in which one is raised is a likely predictor on how one is going to do in life. So it has a real impact on our children. You can go by public project housing in Washington, D.C. It is often dilapidated in high-poverty areas. The schools in those areas are not good.

Is continued subsidization of public housing in neighborhoods like the ones I described just perpetuating problems and an ineffective use of Federal resources?

There is an amazing study that was done by the Robert Wood Johnson Foundation that you may be familiar with that determined that the variation between neighborhoods can be so dramatic that in Richmond, Virginia, babies born within 5 miles of downtown Richmond face up to a 20-year difference in life expectancy.

PROJECT-BASED RENTAL ASSISTANCE

Ms. POETHIG. Madam Chairwoman, I share your concern about the public housing units that are in neighborhoods over 40 percent concentrated poverty and that there have to be better alternatives, if there are better alternatives. And I am happy to submit more in-

formation for the record because I think we should draw upon the experience of the vouchering out of public housing in Chicago, the Robert Taylor homes in particular, that were vouchered out without a particular plan, and what happened was people actually re-segregated into some of the very same communities. So vouchers did not necessarily promote the mobility of those families, and there were other concerns associated with rapid vouchering out that did not have an attendant plan.

Senator COLLINS. Thank you.

I have 5 seconds left, so I guess I will have to yield to my ranking member. And I will come back to you, Dr. Olsen, on the next round. Senator Reed.

Senator REED. Well, thank you very much, Madam Chairwoman.

HOUSING CHOICE VOUCHERS

Ms. Poethig, again, without the basis of the kind of analysis that Dr. Olsen and Mr. Gentry and you have done, the perception is, particularly after 2007–2008 with the housing crisis, people would buy houses because you could do it. If you saw “The Big Short,” you could do it with lots of interesting approaches.

Now there has been a huge shift into the rental market, driving the price up. And underlying the discussion about vouchers versus place-based support is the assumption that a voucher will get you a home. In fact, in some of these studies, the voucher will get you a home in a really great ZIP code. What is the reality? Does the voucher get you a home, or you have a voucher, but you do not have anyplace to live?

Ms. POETHIG. Thank you, Senator.

So as you know, the Raj Chetty study, the study by Harvard economists, has this incredible result. But Dr. Chetty has also said that it is mathematically impossible to imagine that all the people living in public housing in highly concentrated areas of poverty could, in fact, find housing in areas of low poverty. So that is just at a macro level.

Then within certain markets in certain communities, it is absolutely appropriate to be concerned about whether there is a supply of affordable rental housing available, particularly as we are going to be growing in the number of renters, even exceeding the number of homeowners in the next 15 years. And as that demand grows, it will put pressures on the supply that is not currently keeping up with demand. Currently we have 11.2 severely cost-burdened households, 70 percent of which are extremely low-income. These are people without assistance. So we have a ready group of people that fall in and out of homelessness as a result of not having sufficient supply.

Senator REED. Dr. Olsen, your comments? Because, again, I think this is a critical question because there is some compelling logic but also the reality is will this result in higher cost to the Federal Government as rental prices go up. Will it result in homes as people who have a voucher but do not have a home?

HOUSING ASSISTANCE SUPPLY EXPERIMENT

Dr. OLSEN. I do not think we need to be subsidizing construction to get the number of units that we want. The private market will do that.

But let me just tell you more specifically what would happen if you authorize more vouchers. We know this from the Experimental Housing Allowance Program, which operated an entitlement voucher program called the Housing Assistance Supply Experiment in two places. What happened in response to providing a lot of vouchers was that units that did not meet the standards were upgraded to meet them. So you had an increase in the supply of units meeting the standards, largely without additional units.

The homeless are the only people who do not have housing, but we don't need additional units to house them, there are about 600,000 homeless a night. There are over 3 million vacant apartments every night. The reason homeless people are not in those vacant apartments is they do not have the ability to pay for them.

HOUSING CHOICE VOUCHER PROGRAM

Senator REED. But this discussion is touching upon public housing. Ms. Poethig suggested that to take the public housing off, as in a way San Diego did—take it out and give people vouchers in lieu of that, that is adding to a population already existing of homeless people. And those 3 million empty units exist because some of them are too expensive even with the most elaborate public subsidies. If we go ahead and go to a tenant-based voucher system, do we build in the law the guarantee that they must be housed and where they are housed?

Dr. OLSEN. I do not think we are anticipating tearing down all public housing over a very short time horizon. We are talking about a very gradual process of getting rid of the very worst units, like we have already done. We have already lost 400,000 units from the peak, very gradually, 20,000 a year, over many years. The private market can easily accommodate the number of people who would go onto the market even if you tear down public housing units.

LOW INCOME HOUSING TAX CREDITS

The other thing to know about the voucher program is that it leads to more additional units than subsidized construction programs like the tax credit. That may seem very counterintuitive, but the explanation for it is that lots of people who are served by all types of housing assistance are doubled up prior to getting housing assistance, such as young mothers with children living with their parents. About 25 percent of the people in the voucher program were previously doubled up. Any housing program serves a certain number of people of this type.

HOUSING CHOICE VOUCHER PROGRAM

Because the voucher program serves the poorest people, there are more people served by that program who are doubled up. And so it increases the demand for new units more. The empirical result is that additional voucher units increase the housing stock more than additional units subsidized under construction pro-

grams. These results are reported in a paper in the "Journal of Political Economy."

Senator REED. When was that?

Dr. OLSEN. "Journal of Public Economy." Sorry.

Senator REED. When was that?

Dr. OLSEN. It was about 5 years ago. There is a reference to it, I think, in my written testimony, but if there is not, I will give it to you.

Senator REED. I would appreciate that. But I think what we are sensing—and again is that in these 5 years, there has been a tremendous shift into the rental market by college graduates who cannot afford homes, by people who choose to live in these. So I think that the data we are looking at right now and the trend that Ms. Poethig suggested are the increasing demand by relatively upscale individuals for housing is going to keep rental prices high and vouchers higher also.

But thank you. I will have a second round.

Dr. OLSEN. Just to follow up on that, the other thing that is happening, yes, more people are renters, but units that were formerly owner-occupied have been shifted to the rental market. There is a shift both in the demand and supply side.

Senator REED. Thank you.

Senator COLLINS. Senator Cassidy.

Senator CASSIDY. Folks, thank you.

You all know so much more than me. So I am going to pose a bunch of questions just as an academic, and then ask each of you to reply as you think is pertinent.

EMERGENCY RELIEF

One is very practical. The State I represent just had a huge flooding episode. Right now, it is the fourth worst natural disaster in the history of the United States, moving on way up to the third.

Now, there have been some reports that this has particularly impacted, as you might guess—there are 85,000 homes flooded, so assume three to four people per home. We have 350,000 to 400,000 people displaced out of their home.

I gather that those who have had the hardest time have been in subsidized housing, kind of what you just said, Dr. Olsen, but at large and acutely, that there is a sudden demand for rentals and prices go up, and folks with Section 8 have the least options. I do not have a solution. I am posing that because that is what we are grappling with. We would like your thoughts on that. Is it just that is the way life is?

Dr. OLSEN. Well, in the short run, the question is where should these people live. There were some vacancies to start with, but I am guessing not nearly enough to accommodate all of these people.

What happened after Katrina was that a lot of people had to move out of the area. They moved to Houston. They moved to Dallas. They moved to Atlanta.

Senator CASSIDY. They moved to Baton Rouge.

Dr. OLSEN. In the first instance, Baton Rouge, the closest place.

That may be an inevitable part of the solution. There are not enough units there. They have to have housing now. They cannot wait for a house to be built. So it may be that a part of the solu-

tion, given the numbers you have said, is some people are going to have to move elsewhere.

Senator CASSIDY. Solutions/results. Folks may not wish to be disrupted, but it just may be that is the result.

Dr. OLSEN. Right.

Senator CASSIDY. Does anybody else have a thought?

Ms. POETHIG. I would just add, I mean, that given the natural disaster, we do not have a flexible enough supply to be able to absorb the demand that happens after a natural disaster. As Dr. Olsen, Ed, pointed out, I think Houston and Baton Rouge and other communities ended up receiving many of the people who were displaced over time. So I acknowledge they have not necessarily all—

Senator CASSIDY. The chairwoman is going to cut me off, so I am going to cut you off first.

TENANT-BASED RENTAL ASSISTANCE

Ms. Poethig, you had mentioned that sometimes when you shut down Robert Taylor, you end up with a similar concentration of poverty but elsewhere. So now is a set of questions that I can imagine a homeowner who understands that we are going to begin moving folks into neighborhoods of less poverty. What you just said implied that if they were moved into a neighborhood of less poverty, that neighborhood became impoverished with negative social indicators.

So I am asking, what is the academic literature or the empiric experience show when you begin moving folks out of housing projects and/or with Section 8 housing into neighborhoods with less poverty? What is the impact of social indicators and property value upon the neighborhood into which they move? Does that make sense?

Ms. POETHIG. So I think one of the most important principles, if we were to consider this policy, is a policy of responsible relocation. That includes considerable supports for people as they make particular housing choices. And so that responsibility would include better information and ways in which they can move into neighborhoods fully equipped to be responsible residents in those particular communities.

PROJECT-BASED RENTAL ASSISTANCE, AND LOW INCOME HOUSING TAX CREDITS

There is research by George Galster that looks at voucher holders in comparison to place-based investments in low-poverty communities and finds, generally speaking that those place-based investments lead to more positive results.

Senator CASSIDY. Place-based means what?

Ms. POETHIG. It would mean public housing or PBRA, project-based rental assistance, in some cases tax credit properties, than dispersed voucher holders.

HOUSING SUBSIDIES

Senator CASSIDY. I am not quite sure I follow all of that. No offense, but there is just some lingo that you know that I do not.

Mr. Gentry, you got an average neighborhood in San Diego has homes—you know, middle class neighborhood—the homes are \$450,000.

Yes, sir. So empirically when you all move folks into those types of neighborhoods, again middle class folks, even though the home is so expensive, what happened to the property value and social indicators in those? And again, you all know your technical language so much. If I can ask you just to kind of make it a little bit plainer English so I can comprehend.

Mr. GENTRY. Well, I will make it very plain. I think the problem is one of algebra, frankly.

Senator CASSIDY. Is what?

Mr. GENTRY. Algebra. You have a certain amount of money and you have a certain number of people you serve. We serve people in what I call the modest marketplace. We do not have the amount of subsidy to help people move into higher-income neighborhoods.

Senator CASSIDY. But in San Diego, higher income—again, your property values are so high, you do not have to be a wealthy person to have a house which is valued very highly.

Mr. GENTRY. However, in San Diego, there are wide varieties of variations in the value of those properties and the cost of those properties. So our Section 8 voucher holders tend to wind up fairly concentrated as well. If you know San Diego well, they tend to be south of Interstate 8. They tend to be east, southeast, and south down around the border. And we do not have a whole lot of voucher holders in La Jolla or Point Loma. We have got a few.

CHOICE NEIGHBORHOODS INITIATIVE

If you notice in my paper, I do say that we have our own choice communities program where we have helped, but that has only served about—less than 300 families who have been able to move out of the nontraditional neighborhoods. And I will point out if everybody did, we would serve fewer families.

So the tension—and “tension” I think is the applicable word here—is that if you spend more per family to live in higher-income neighborhoods, which is what the rent in those neighborhoods warrant, with the same cost of dollars, you serve fewer families. So where do you draw the balance?

I think each community in the country is going to be different. I can tell you in Oakland, California and much of the Bay area, the Section 8 voucher program has pretty well stopped working because the value has gotten up so high and landlords who do not need the program to fill the properties do not participate that the Oakland Housing Authority has started project-basing most of its voucher supply or a good bit of it just in order to make the programs work and to provide resources for the residents.

San Diego has not gotten to that point yet, although it could be on the horizon if we do not get more absolute supply into the marketplace over the next few years.

HOUSING CHOICE VOUCHER PROGRAM

So I think in different parts of the country—you go to Oklahoma, Mississippi, and my home State of North Carolina, you still got good applicability and the voucher program works very well. But

it is going to be different in different places. You are going to have marketplace dynamics you need to take into account. Somewhere within all this tension, you are going to find solutions, but they need to be community-based and city-based and locality-based, sir.

Senator CASSIDY. I yield back. I am sorry. Thank you for being forbearing.

PROJECT-BASED RENTAL ASSISTANCE

Senator COLLINS. Thank you, Senator.

Dr. Olsen, earlier we heard Mr. Gentry describe the public housing approach as a failed business model. Do you agree with that?

Dr. OLSEN. Yes, because as I say, the cost-effectiveness studies show it is very costly for the housing that you get and other disadvantages too in terms of the location. The housing authorities in the early years tried to get the projects in better neighborhoods, but local opposition prevented that. So most of the projects were built in very low-income neighborhoods. That is part of how we got to where we are today.

But in any event, we are where we are today. As you said, we have a lot of projects in very poor areas, and they are often in very bad condition as well. And I think we should try to get away from that and give these people vouchers and let them try to spread out over the community.

PUBLIC HOUSING CAPITAL FUND

Senator COLLINS. Ms. Poethig, Congress is now providing roughly 50 percent of the annual capital needs for the public housing. And that is clearly, from your perspective, part of the problem because it means that there are nearly 10,000 public housing units that are at high risk of being lost each year because they are simply crumbling, and they are not safe, and they are not suitable for people to live in them.

I know that your first preference is likely more funding, but putting that issue aside, do you believe that we should be going more in the direction of project-based rental assistance and Section 8 tenant vouchers?

TENANT-BASED AND PROJECT-BASED RENTAL ASSISTANCE

Ms. POETHIG. So I believe that one of the efforts that we should build upon is the use of subsidy contracts. So this is the primary form in project-based rental assistance. And with project-basing vouchers, this has been a tool that others have used to enable development to happen because they enable developers to go the private marketplace and seek funding to build the units themselves with a hope that they are actually building in lower-poverty communities.

So I do believe that the subsidy contracts are a very important tool, coupled with other supply tools that enable housing to be built for people with extremely low incomes. The tax credit does not work for people with extremely low incomes. It needs to be married to rental assistance.

Senator COLLINS. Mr. Gentry, I really am impressed with what you were able to accomplish in San Diego. I imagine it was both

difficult and at times controversial. I am wondering what happened, if you could walk us through more detail, such as is in your written statement. What happened to the public housing that you converted? Did it become project-based, tenant housing? Was it razed? What happened? Did tenants buy some of it at very low cost? What happened to it?

Mr. GENTRY. We still have the physical properties in our portfolio. And I will point out, if you go on our website, we have got every one of our properties on Google map. You can do a windshield survey of every one of them just at your desk.

HOUSING CHOICE VOUCHER PROGRAMS

What we did, we promised HUD three things when HUD approved this in 2007. Number one is that we would not project-base any of the subsidies. We would allow these families to take the subsidy and walk if they wanted to and choose where they wanted to live. I was not in San Diego when that decision was made in 2007, but I think it was a pretty gutsy decision to make for those properties.

Now, it was made with the realization that our properties were better than much of the typical public housing stock, and I recognize that. And you will see that on that windshield survey. But still, that was a pretty gutsy decision.

The second thing we promised HUD was that we would backfill—and this gets to your question. We would backfill. For every family that moved out, we would backfill with another family below 80 percent of median income, elderly below 50 percent back into those units at a rent that the families could afford to pay, which was pegged at just about what a tax credit rent and just about what a Section 8 rent would be to a landlord in San Diego.

Then third and the most exciting, we told HUD if they would give us the deed to those properties, we would convert those properties. We would convert the equity to debt, and we would create at least another 350 units of affordable housing. In 2010 to 2014, we issued \$95 million in debt on those properties. Then we purchased, either direct and outright or in partnership with private sector players, 810 units of affordable housing with debt paid for by those existing public housing properties.

Now, the silver lining in the cloud of the economic downturn in California was that we were able to pick up properties at the depth of the recession. That helped. But we would have far exceeded the 350 goal we set with HUD regardless. And it was an exhilarating process, and it was a wonderful thing to help accomplish.

But basically what we did was to release the value that was pent up fallow in the ground on those properties and to reuse it. And then we were able to glean from the existing marketplace in a downturn in a countercyclical way to reuse excess properties in a public sector way that are being well used now that prime values are way back up. So it was a wonderful process.

Now, I know people will say that you could not replicate the San Diego model, say, in other more traditional housing authority markets. You mentioned Richmond, Virginia a while ago. I was the CEO down there from 1990 to 1998. A far different set of circumstances. You would not do in Richmond what we did in San

Diego, but you would go through the same decision-making process to figure out what Richmond could do, needed to do if the Richmonders had the same authority to make their own decisions as we had in San Diego.

Senator COLLINS. That is why you argue for more flexibility at the local level in your initial statement.

Mr. GENTRY. It is utterly essential.

And I will point out that, too, if you look at the different programs, no supply-side program is going to get the cost down below the affordability level for any family below about 50, maybe 40 percent of median income. You get down into the extremely low families, let us say, 30 percent or less, they cannot pay enough rent to cover the cost of operations. You have got to have a subsidy to make the property operate in addition to producing it. And that is where a demand-side subsidy like Section 8, like the vouchers program or operating subsidy in public housing, is utterly essential. So if you have got a good balance and marriage of supply-side subsidies to produce the property and then demand-side to help the extremely poor afford to stay there, then you can make it work.

And in my experience, there are only three kinds of subsidies that have ever worked. There is a supply-side subsidy that buys down the cost of the property. There is a demand-side subsidy that helps the consumer pay their way. And sometimes there is an internal subsidy where you get a range of incomes where the relatively higher-income folks pay more than the relatively lower-income. I have never seen anything that is not a variation or a combination of those three. And there is no magic. You have got to have one or some combination of those three to make any affordable housing property work.

Senator COLLINS. Thank you.

Senator Reed.

PROJECT-BASED RENTAL ASSISTANCE

Senator REED. Thank you very much.

Ms. Poethig, we are talking about basically three categories of housing: public housing, then project-based assistance housing, and individual vouchers. Focus for a moment on the project-based.

In my view—and your comment would be appreciated—there are some external benefits to that beyond the housing, particularly with seniors where you have a certain community. You have access to medical care. You have access to transportation, which is much more efficient. And so when we evaluate these place-based vouchers, we have to add in these factors too I would assume. And also, it tends to make the project much more valuable. Is that accurate?

Ms. POETHIG. Thank you, Senator.

As you know, housing is a very important platform, especially for older adults, and 50 percent of project-based rental assistance is actually serving older adults and people with disabilities. So that is an important part of the population that is benefiting from that particular platform.

We have a growing body of evidence that not only demonstrates that it has benefits for the people living in the housing but also saves money, particularly to Medicare. So the particular study that I have been most persuaded by is something called SASH. It is a

model in Vermont that has health coordinators operating on the platform of housing, nurse practitioners who are connecting them to healthcare services not only for the people in that housing but also serving people in rural communities as well. So the housing serves as a platform for other low-income people with healthcare needs in rural communities. And it is essentially creating a net savings to Medicare.

So my concept is how—and this committee has shown such great leadership in the past in partnership with other committees—to imagine the partnerships to look at the convergence or the opportunities between thinking about housing as a platform, particularly for older adults, and the ways in which it could save resources and Medicare as a potential opportunity for investment.

Senator REED. One of the institutional issues around here is that we do housing, that somebody else does Medicare. So if we find savings—you know.

Ms. POETHIG. I know, yes.

Senator REED. That is our problem. Trust me, she will figure it out.

[Laughter.]

Senator REED. I was very impressed with your comments, Mr. Gentry, about the locality issues being so critical. And as you point out, in San Diego, because of local forces, you are moving forward with your concepts. But up in Oakland, they have seen rents rise so high that the vouchers are just—yes, I have got a piece of paper, but I do not have a place to live. They are actually going back into the public housing issue. Is that more widespread than just Oakland?

Mr. GENTRY. Well, actually they are not going back into public housing. What they are doing is project-based—

Senator REED. Project-based.

Mr. GENTRY. But that is where the genius of the voucher is so useful. It is flexible. You can use it for project-basing. You can use it for sponsor-basing, meaning a third party tells you who you can issue the voucher to. Or you can use it as a classic finders keepers utilizing the marketplace. And you can vary it based on what the marketplace needs if you have the good sense and the courage to make your own decisions, then to be accountable for it.

You can also use the voucher for special purposes. I will point out, there are a lot of nice things about living in San Diego, but one of San Diego's particular problems is the homelessness problem. We have got, not on a per capita basis but in whole numbers, the fourth worst problem in the country behind New York City, L.A., Seattle, and then us. You know, you are not going to freeze to death on the streets in the wintertime, such as the winter is in San Diego. And we have got a huge problem there.

MOVING TO WORK PROGRAM

We have targeted much of our Section 8 product to dealing with the homeless, and we have put on the street—and I reference this in my testimony—2 years ago November a program called Housing First San Diego where we have a multi-pronged approach to dealing with the homelessness problem using the vouchers as a major part of our approach in two ways. One, the subsidy itself to help

people live in the private marketplace, and secondly, where we have been able to realize efficiencies and savings, because we are a Moving to Work agency, we have invested that back in property on the supply side. We can take a demand-side subsidy, repurpose it, use it on a supply side too, as we need to, to accommodate our marketplace and our needs and problems.

Two days ago, we dedicated the old Hotel Churchill, which is a 102-year-old hotel that we have rehabilitated in an historic preservation way. This housing is now housing 72 formerly homeless folks in single-room residency fashion, 56 of whom are veterans. We would not have been able to do that without, number one, vouchers and, number two, the Moving to Work status. So I think it is the flexibility of the program and then the flexibility within that of our organization through the MTW program together are just huge in allowing us to solve San Diego problems in San Diego ways.

Senator REED. Thank you very much.

Senator COLLINS. Thank you, Senator.

It is my understanding that Senator Cassidy is going next, and then we will come to Senator Boozman.

VOUCHER PROGRAMS

Senator CASSIDY. Dr. Olsen, again, I am trying to follow what you all are saying. I thought I gathered what you said earlier that a voucher is more successful in expanding housing stock, if you will, the demand-side subsidy, than the supply-side subsidy.

Dr. OLSEN. That is what the study shows, yes.

Senator CASSIDY. But it does seem from what we have learned from San Diego in that comment is that if you are in a really high-value real estate, that you really do need a supply-side subsidy if you are going to make something affordable.

Dr. OLSEN. Yes. I do not agree with that. And actually the way the voucher program works is the subsidy is much higher in the most expensive market.

Senator CASSIDY. Well, let me ask because Mr. Gentry mentioned in Oakland and the Bay area that really the program is falling apart I gather because rents are so high. And then he mentioned his own place. There is a tension. Sure, we can move somebody up to a higher place, but then we serve fewer families sort of thing.

Dr. OLSEN. I do not understand that. The payment standard in different places is a percentile of the rent distribution. It is basically median rent. So in places where median rent is high, the subsidy is very large. The only sense I can make of it is the subsidy level is the same throughout an entire metro area. And so there can be parts of a metro area where the rents are so high that people with vouchers cannot live there. But I don't know whether that would apply to the entire Oakland area. The generosity of the voucher subsidy is much greater in San Diego and in Oakland than it is in Charlottesville, for example.

Senator CASSIDY. Mr. Gentry, any kind of comment?

Mr. GENTRY. Just that grand solutions do not always fit particular issues and problems, and there has to be a flexibility. In a country as big and large as this one is with all the variations from a Charlottesville—and I have lived in Virginia. Charlottesville is a

wonderful place—the difference from a Charlottesville to a Chicago, to a San Diego are immense. And I think you have got to have some local flexibility, some local decision-making.

And I think the thing I would disagree on is that it is not enough just to be able to help people pay their rent. You have got to also ensure that people in the future will be able to pay the rent, and that involves making the proper kinds of investments in properties. Just as it is typically to a family's benefit to become a homeowner at some time rather than a renter, at some point in time localities need to also make sure they own enough properties to guard against the kinds of problems that Oakland is running into.

I will point out that from my understanding of the Oakland situation, it is not that the housing authority there is using the Section 8 subsidy on its own properties. It is using the subsidy to encourage private sector individuals to get involved but in a project-based, place-based way because that is what the local marketplace requires rather than a classic finders keepers.

Senator CASSIDY. Let me ask you one more thing. I once heard a criticism of Section 8 housing that it establishes a rather steep marginal tax rate. As someone earns more money, they get less for their voucher, and in a sense it pays them not to earn more money. You could add other such benefits, and somebody told me that in his State, the beginning job would have to be \$55,000 plus medical benefits to account for everything someone could receive by not working but receiving all this.

Ms. Poethig, I see you nodding your head. Do you mind commenting on that?

Ms. POETHIG. Certainly, and thank you, Senator.

So HUD has commissioned a study, a rent reform study, that is looking at these issues related to having a different rent structure such that you would not create a disincentive for people to increase their—

Senator CASSIDY. Implicitly there currently is and they are trying to modify it.

JOBS PLUS DEMONSTRATION

Ms. POETHIG. They are trying to look at models for modification for doing that. We know in other important demonstrations, the Jobs Plus demonstration in particular that did create a different incentive, it did not essentially disincentivize someone to earn more. We saw a benefit not only to increase earnings for that particular person but also longer job retention. So we hope to see some of the same kinds of results in increasing self-sufficiency by modifying—

Senator CASSIDY. Let me go because I am almost out of time.

Dr. Olsen.

SECTION 8 AND WORK DISINCENTIVES

Dr. OLSEN. If I could just comment on that, sir. Actually this is a feature of each of the major types of housing assistance. It is true in public housing, other HUD project-based assistance, and vouchers. The more you earn, the less the subsidy you get. You lose 30 cents for every additional dollar you earn.

It is also a feature of other major welfare programs such as TANF and Food Stamps. The evidence indicates that these programs have work disincentive effects, just as you mentioned.

Senator CASSIDY. Okay. Well, I am out of time. I yield back. Maybe I am not out of time.

[Laughter.]

Senator COLLINS. Thank you.

Senator BOOZMAN.

Senator BOOZMAN. Thank you very much.

RETURN ON INVESTMENT

Dr. Olsen, I think we would all agree that finding and identifying ways to provide flexibility and better return on investment for Federal dollars is certainly important when it comes to Federal programs, including those administered by HUD.

What do you believe are the biggest problems to return on investment of Federal dollars, and where would be a much needed area to provide flexibility within existing programs?

Dr. OLSEN. I think that the biggest opportunities for getting more bang for the buck is to phase out project-based assistance, and my views on that are based on evidence on the cost-effectiveness of the major HUD programs of project-based assistance, public housing, the Section 8 New Construction program, and Section 236, compared with housing vouchers. So I think we need to work our way out of those programs and not commit money to additional programs of that type.

HOMELESSNESS

Senator BOOZMAN. Thank you.

Mr. Gentry, homelessness is neither a rural or urban issue. It is a national issue.

What lessons can we learn from your experiences of the Housing First model when it comes to addressing the issue of homelessness in America?

Mr. GENTRY. The lesson I think is getting the proper balance among what are basically three types of homeless housing systems.

One is emergency and shelter housing, which the Housing Commission does administer on behalf of the City of San Diego, and those are shelter beds for those in immediate need.

Second is the need for some transitional housing, which typically also is a congregate setting where individuals and families can get some of their needs attended to while they are getting ready for living in the marketplace.

The third, though—and this is what has drawn a lot of attention lately and I think what we are moving toward—is the Housing First model, which means you help people get a permanent structured live-in, a house, an apartment, whatever you want to call it where it is an individual family occupant, not congregate housing, and then using that as the basis for attending to the other problems which have helped to make them homeless.

I would contend that there are basically three types of causes for homelessness as well.

One is the intersection of mental health and substance abuse issues, which has particularly gotten troublesome over the years

with the demise of some of the old large mental hospitals that used to be in existence in every State and pretty much are gone now. And I think there is a mental health crisis in this country.

Second is that particularly with the economic downturn or the Great Recession, we saw families who had no other issue other than perhaps the lack of an extended family and short-term economic problems, and a rapid re-housing approach helped them, which is short-term assistance.

And then you have a third one that is not always understood or talked about much, but it typically applies heavily for women and children. And that is domestic abuse and needing a place to land and to resettle there.

So I think, again, there are no grand solutions, but I think if you look at a Housing First model as a basis which you want to get everybody to and then you go through some of the other intermediary steps and on occasion you get to recognizing there are different causes for different families and individuals, you can work out solutions.

HOW TO IMPROVE HUD

Senator BOOZMAN. Very good.

Really for all of the panel, what I would like to know is if you had to assign a grade, if you had to critique HUD's efforts to reduce poverty through its housing policies, what would you say it would be? Dr. Olsen.

Dr. OLSEN. It would not be a high one, but I am mulling this over. I mean, on the one hand, you have the housing voucher program, which I think serves a lot of people and is a highly cost-effective program. So that is a big plus. But on the other hand, they administer programs that are highly cost-ineffective.

Those programs are declining within HUD. The number of public housing units is going down. The number of units in privately owned HUD projects is going down. The low-income housing tax credit is the big growth part of the system. So in some sense, I suppose HUD's performance is improving. Let us put it that way.

Senator BOOZMAN. Yes, ma'am.

Ms. POETHIG. So I think I would agree. HUD's performance has been improving, but I think where it could really accelerate efforts are some of the administrative reforms that would enable the voucher program in particular to live up to expectations, which it is not currently doing if we imagine it as a mobility to opportunity strategy. So I think more can be done to ensure that it is offering true choice and opportunity.

At the same time, I think there is more we can do to be flexible in terms of this concept that Mr. Gentry and I have been talking about, the subsidy contracts, being able to move them, make them more flexible to be matched to some other capital programs like the low-income housing tax credit to make sure that we have opportunities for extremely low-income households.

My one worry is that there is discrimination against voucher holders in many, many markets, and the ability to protect them is a local policy and that is not evenly distributed across the country. And so we have not talked about that discrimination today, and I

think that is a major factor that really dampens the success of the program if we imagine vouchering out.

Senator BOOZMAN. Thank you.

Dr. OLSEN. Could I just follow up?

Mr. GENTRY. I would say that HUD is almost never—I have got a lot of friends at HUD. So they can take this as they hear it.

You never get much creativity out of HUD. It is not the nature of a bureaucracy to be creative or to change its way of doing business.

But HUD does do what you all tell them to do. And I would commend you all for extending and expanding the Moving to Work program last December. That would never have happened waiting for HUD to make a decision. I will not get into that. But the fact that you all required them to do it I think was remarkable, and I think probably the creativity and the direction will come from here. It will not come from over there. And I would make every housing agency in the country, frankly, that was not troubled a Moving to Work agency, give them the ability make their own decisions and to be accountable for the results. I think you will see some differences out there.

Senator COLLINS. Dr. Olsen, I know you wanted to jump in.

Dr. OLSEN. Thank you.

Senator COLLINS. You are welcome.

Dr. OLSEN. So I just wanted to support something Erika just said. A very important initiative within the voucher program is the small area fair market rents initiative. Under the current program, the subsidy is the same no matter where you live in a metro area, whether it is the most expensive, the least expensive. So, of course, voucher recipients do not live in the most expensive.

There is the recent study by Raj Chetty and others that estimates the advantages to children of growing up in a neighborhood with a lower poverty rate. I have read that study carefully, and it is an excellent study.

What the small area fair market rents does is they lower the subsidy in the areas with the highest poverty rates and increase the subsidy in areas with the lowest. So they create a financial incentive for people to live in lower-poverty areas. This is actually in use in Dallas. It is part of the result of some litigation. HUD has proposed a regulation to expand it. If you want to get low-income children into lower-poverty neighborhoods, I think this is an excellent idea. It illustrates the flexibility of the voucher program for achieving the sorts of things you want to achieve.

Senator COLLINS. Thank you very much.

I want to thank all of our witnesses today. You greatly enhanced our understanding of the challenges that we face. We want to make sure that as we look at that 84 percent of HUD's budget, that we are serving as many vulnerable families as we possibly can. I think we have to look at new models and new ways and what is going on at the local level and at the State level to see if we can stretch those dollars further and get better results. That is why we wanted to have this oversight hearing today. We very much appreciate your being with us and sharing your views.

The hearing record will remain open until next Friday, September 30th. So you may receive some additional questions for the

record from members of the committee, including those who were unable to be with us today.

SUBCOMMITTEE RECESS

I want to thank the staff also for their hard work on this issue. I know I learned a great deal from this hearing.

I want to thank the ranking member also for his usual thorough and excellent participation. And thank you, Senator Boozman, for joining us and Senator Cassidy and Senator Daines who were here earlier.

This hearing is now adjourned.

[Whereupon, at 11:55 a.m., Wednesday, September 21, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

MATERIAL SUBMITTED SUBSEQUENT TO THE HEARING

[CLERK'S NOTE.—The following outside witness testimonies were received subsequent to the hearing for inclusion in the record.]

PREPARED STATEMENT OF THE AFFORDABLE RENTAL HOUSING ACTION

On behalf of the Affordable Rental Housing ACTION (A Call To Invest in Our Neighborhoods) Campaign—a national, grassroots coalition of over 1,300 organizations and businesses dedicated to creating and preserving affordable homes for low-income families using the Low-Income Housing Tax Credit (Housing Credit)—we appreciate the opportunity to submit comments to the Senate Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies on the occasion of its hearing on Housing Vulnerable Families and Individuals. A full list of ACTION Campaign members is attached.

A PROVEN TOOL TO ADDRESS A VAST AND GROWING NEED

The Housing Credit is our Nation's most successful tool for encouraging private investment in the production and preservation of affordable rental housing. Since 1986, the Housing Credit has financed nearly 3 million apartments, providing roughly 6.7 million low-income families, seniors, veterans, people with disabilities, and other vulnerable populations with access to homes they can afford.

Though the Housing Credit has provided affordable homes for millions of low-income households, the unmet need for affordable rental housing continues to far outstrip the available resources. An unprecedented 11.4 million renter households—more than one in four of all renters in the U.S.—spend more than half of their monthly income on rent, leaving too little for other expenses like food, medical bills and transportation.

Meanwhile, we continue to lose affordable housing from our Nation's stock. Nearly 13 percent of the Nation's supply of low-income housing has been permanently lost over the past 15 years. Over the next decade, the demand for affordable housing will become even greater as 400,000 new households enter the rental housing market each year, many of whom will be low-income. According to a recent study by Harvard University's Joint Center for Housing Studies and Enterprise Community Partners, the number of renter households who pay more than half of their income towards rent could grow to nearly 15 million by 2025.

A MODEL PUBLIC-PRIVATE PARTNERSHIP

For 30 years, the Housing Credit has been a model public-private partnership program, bringing to bear market forces, State-level administration and more than \$100 billion in private sector resources. Under the program, private sector investors provide upfront equity capital into a property in exchange for a credit against their tax liability in future years. Credits can be claimed only after properties are built and occupied by income-eligible residents at affordable rents. This unique structure transfers the real estate risk from the taxpayer to the private sector investor.

The Housing Credit also benefits from State-level administration, which reflects local priorities. Each State determines how to allocate Housing Credits to respond to specific local needs, directing resources where they are needed most. State allocating agencies also oversee a rigorous approval process for these developments and monitor properties for compliance with program rules after their completion.

Each State is required by the tax code to provide only enough subsidy to ensure financial feasibility, and underwrite Housing Credit properties at three different stages of the development process to ensure they provide no more Housing Credit than necessary to each development.

ACCOUNTABILITY THROUGH THE TAX CODE

In the rare event that a property falls out of compliance anytime during the first 15 years after it is placed in service, the Internal Revenue Service is able to recapture tax credits from the investor. Therefore, it is in the interest of the private sector investors to ensure that properties adhere to all program rules, including income eligibility, rent limits and high quality standards. This rigorous private sector oversight is a hallmark of the program, and has contributed to its unparalleled record of achievement. In fact, only 0.62 percent of all properties during the Housing Cred-

it's 30-year history have gone into foreclosure, a record far better than any other real estate class.

INCENTIVE TO ADDRESS A MARKET FAILURE

Developing new affordable homes for the growing population of cost-burdened low-income renters is not feasible without the Housing Credit, since the rents that low-income households can afford are not high enough to cover the costs of building and maintaining properties. According to Harvard University's Joint Center for Housing Studies (JCHS), to develop new apartments affordable to renter households working full-time and earning the minimum wage without the Housing Credit, construction costs would have to be reduced by 72 percent of the current construction cost average—making the homes either substandard or financially infeasible.

COMPLEMENT TO OTHER HOUSING PROGRAMS

Congress designed the Housing Credit as a project-based capital funding source for the production and preservation of affordable housing. As such, the Credit plays a different role in the effort to meet the Nation's affordable housing needs than tenant-based rental assistance programs, such as the Housing Choice Voucher (voucher) program, play. The Housing Credit increases the supply of affordable housing, while vouchers make existing housing more affordable to low-income households.

Vouchers alone cannot address several challenges for affordable rental housing, including recapitalizing and preserving aging properties, revitalizing low-income communities, expanding supply in tight markets, producing housing for households with special needs, and building housing near areas experiencing job growth. Furthermore, absent the Housing Credit program, the cost of vouchers would almost certainly rise significantly, as voucher holders living in Housing Credit properties would instead need to find market-rate apartments.

Conversely, without rental assistance, it can be very difficult to provide even Housing Credit housing at rents affordable to the lowest-income households. In practice, the Housing Credit and vouchers complement each other, and are often used together to meet the needs of extremely low-income households.

In addition, the Housing Credit is a central component of HUD's Rental Assistance Demonstration (RAD), a public housing revitalization initiative that Congress has recently expanded threefold from its original authorization. To date, the Housing Credit has provided approximately 40 percent of the financing being used to recapitalize over 180,000 units of public housing under RAD, underscoring the importance of the Housing Credit in preserving federally assisted properties for the long term in the absence of sufficient Federal appropriations for public housing.

SUPPORT THE AFFORDABLE HOUSING CREDIT IMPROVEMENT ACT

Though the need for Housing Credit-financed housing has long vastly exceeded its supply, Congress has not increased Housing Credit authority in 16 years. To make a meaningful dent in the affordable housing supply gap, we urge Congress to pass the Affordable Housing Credit Improvement Act, sponsored by Senator Maria Cantwell (D-WA) and Senate Finance Committee Chairman Orrin Hatch (R-UT), which would increase Housing Credit authority by 50 percent. While the bill is not under the jurisdiction of this Subcommittee, we encourage all Subcommittee members to join Subcommittee Chairwoman Susan Collins (R-ME), Subcommittee member Senator Bill Cassidy (R-LA), and full Committee members Senators Patrick Leahy (D-VT), Lisa Murkowski (R-AK), and Jeff Merkley (D-OR) as cosponsors of the bill.

For the millions of families paying more than half of their income towards housing—choosing between paying the rent or their medical bills, making repairs to their cars, or enrolling in job training classes—protecting and expanding the Housing Credit is critical.

[This statement was submitted by Barbara Thompson, Executive Director, National Council of State Housing Agencies, ACTION Co-Chair, and Scott Hoekman, Senior Vice President & Chief Credit Officer, Enterprise Community Partners, ACTION Co-Chair.]

ACTION CAMPAIGN MEMBERS

Co-Chairs

National Council of State Housing
Agencies
Enterprise Community Partners

Steering Committee Members

Affordable Housing Tax Credit Coalition
Council of Affordable and Rural Housing
Council of Large Public Housing
Authorities
Corporation for Supportive Housing
(CSH)
Housing Advisory Group
Housing Partnership Network
LeadingAge
Local Initiatives Support Corporation
National Assoc. of Affordable Housing
Lenders
National Assoc. of Home Builders
National Assoc. of Housing &
Redevelopment Officials
National Assoc. of Realtors
National Assoc. of State & Local Equity
Funds
National Equity Fund
National Housing and Rehabilitation
Association
National Housing Conference
National Housing Trust
National Low Income Housing Coalition
National Multifamily Housing Council
Stewards of Affordable Housing for the
Future
Volunteers of America

National/Regional

Affordable Housing Investors Council
Alliant Capital
Apartment Realty Advisors (ARA)
Balfour Beatty Construction
Ballard Spahr, LLP
Berkadia
Bryan Cave, LLP
Center for American Progress Action
Fund
Centerline Capital Group
Certified Commercial Investment
Member Association
Cinnaire
City Real Estate Advisors
CohnReznick
The Community Builders, Inc.
Council of Independent State Housing
Associations
Council of State Community
Development Agencies
Equity Residential
Federation of Appalachian Housing
Enterprises, Inc.
Habitat for Humanity International
Holland & Knight
Housing Assistance Council
Liz Bramlet Consulting
Klein Hornig LLP
Housing Trust of America

Hudson Housing Capital
Institute of Real Estate Management
Low Income Investment Fund
McGladrey LLP
Mercy Housing, Inc.
Meridian Investments
Michaels Development Company
Midwest Housing Equity Group, Inc.
Mortgage Bankers Association
National Affordable Housing
Management Association
National Alliance of Comm. Econ. Dev.
Associations
National Apartment Association
National Assoc. of Local Housing
Finance Agencies
National Assoc. for County Community
Economic Dev.
National Community Development
Association
National Council on Agricultural Life
and Labor
National Development Council
National Foundation of Affordable
Housing Solutions
National Housing Law Project
National Leased Housing Association
National NeighborWorks Association
National Resources Defense Council
National Trust Community Investment
Corporation
NDC Corporate Equity Fund, LP.
The NHP Foundation
Nixon Peabody LLP
Novogradac & Company LLP
Pacific West Communities, Inc.
PIRHL
PNC Real Estate
Preservation Management Inc.
Prudential Affordable Mortgage
Company
Rabobank
RBC Capital Markets—Tax Credit
Equity Group
Recap Real Estate Advisors
Reno & Cavanaugh, PLLC
Pillsbury Winthrop Shaw Pittman, LLC
Selfhelp Community Services
Smart Growth America
Southeastern Affordable Housing
Management Assoc.
Squire Sanders
TAG Associates, Inc.
Tax Credit Group of Marcus & Millichap
TCAM Asset Management
Urban Institute
U.S. Green Building Council
U.S. Vets Initiative
Vitus Group
WNC & Associates, Inc.
The Woda Group, LLC

Alabama

Alabama Council for Affordable Rural
Housing

Arbour Valley Development
 Arlington Properties, Inc.
 The Bennett Group
 City of Mobile Community Planning and
 Development
 Development Services Inc.
 Drake Law Firm
 Highland Commercial Mortgage, LLC
 Ledic Realty Company
 Lighthouse CDC
 Morrow Companies
 Opelika Housing Authority
 RSM US, LLP
 South East Alabama Self-Help
 Association, Inc.
 Tidwell Group, LLC

Alaska

Alaska Coalition on Housing and
 Homelessness
 Catholic Social Services
 Cook Inlet Housing Authority
 The Easter Group
 The Leeshore Center
 Love INC of the Kinai Peninsula
 NeighborWorks Alaska
 Sitka Community Development
 Corporation
 Statewide Independent Living Council of
 Alaska
 United Way of Anchorage

Arizona

A New Leaf, Inc.
 Arizona Housing Alliance
 Capitol Mall Association
 Chicanos Por La Causa
 City of Yuma
 Comité de Bien Estar
 Corporate Social Responsibility
 Foundation for Senior Living
 Guadalupe Community Development
 Corp.
 Law Offices of William D. Black
 Milestone Housing Development Corp.
 Morton Consultant Services
 Native American Connections
 Pima County CDNC
 PPEP Microbusiness & Housing
 Development Corp.
 Surrano Law Offices
 Tonalea Chapter
 UMOM New Day Centers
 WESCAP Investments, Inc.

Arkansas

Affordable Housing Association of
 Arkansas
 Arkansas Coalition of Housing and
 Neighborhood-Growth for
 Empowerment (ACHANGE)
 Arkansas NAHRO
 Boys, Girls, Adults Community
 Development Center
 Des Arc Housing Authority
 Housing Authority of Hot Springs
 Housing Authority of Star City
 Jonesboro Housing Authority

Judsonia Housing Authority
 Mississippi County Public Facilities
 Board
 Northwest Regional Housing Authority
 PDC Companies
 RichSmith Development, LLC
 Siloam Springs Housing Authority
 Texarkana Arkansas Housing Authority
 White River Regional Housing Authority

California

A Community of Friends
 Affirmed Housing Group
 Affordable Housing Associates
 AMCAL Multi-Housing, Inc.
 Beacon Communities
 Bear River Tribe
 Belle Haven Community Foundation
 Bocarsly Emden Cowan Esmail & Arndt,
 LLP
 BRIDGE Housing
 Burbank Housing Development
 Corporation
 Cabrillo Economic Development
 Corporation
 California Coalition for Rural Housing
 California Council of Affordable Housing
 California Dept. Housing & Community
 Development
 California Housing Consortium
 Candeur Group, LLC
 Century Housing Corporation
 California Housing Partnership
 Corporation
 Casa de Redwood
 Charities Housing
 Chelsea Investment Corporation
 Chinatown Community Development
 Center
 City of Oxnard Affordable Housing &
 Rehab Division
 Clark Realty Management
 Community Build
 Community Economics, Inc.
 Community Housing Assistance
 Program, Inc.
 Community Housing Improvement
 Program [CHIP]
 Community HousingWorks
 Community Revitalization and
 Development Corp.
 County of San Bernardino
 Curtom Building & Development
 Desert Manna
 EAH Housing (also listed in Hawaii)
 East Bay Asian Local Development
 Corporation
 East Bay Center for the Performing Arts
 East LA Community Corporation
 East Oakland Community Development
 Corporation
 Eden Housing, Inc.
 Episcopal Community Services of San
 Francisco
 Fresno Economic Opportunities
 Commission
 Gar-Mar Associates

- Habitat for Humanity of Greater Los Angeles
 Highridge Costa Housing Partners, LLC
 Housing Authority of San Luis Obispo [HASLO]
 Housing Authority of the County of Monterey
 Housing Authority of the County of Santa Barbara
 Housing Authority of the County of Tulare
 Housing California
 Housing On Merit
 Housing Resource Connection
 Hunt Companies, Inc.
 Innovative Housing Opportunities
 Jamboree Housing Corporation
 The Kennedy Commission
 LifeSTEPS
 Laurin Associates
 LeadingAge California
 LINC Housing
 Little Tokyo Service Center CDC
 M.E. Shay & Co.
 Mentis Mental Health Services
 Merritt Community Capital Corporation
 Meta Housing Corporation
 MidPen Housing Corp.
 Mutual Housing California
 Napa Emergency Women's Services
 National Community Renaissance
 National CORE
 Neighborhood Partnership Housing Services
 NeighborWorks Orange County
 Non-Profit Housing Association of Northern California
 Opportune Companies
 Pacific Meadows Senior Housing
 Palm Communities
 PAH Community
 PAHC Management & Services Corporation
 PATH Ventures
 People Self Help Housing
 Peterson & Associates Affordable Housing Connections
 Related California
 Resources for Community Development
 Retirement Housing Foundation
 Riverside Charitable
 Rural Community Assistance Corporation (RCAC)
 Sacramento Housing Alliance
 San Diego Housing Federation
 San Fernando Valley Homeless Coalition
 Self-Help Enterprises
 Southern California Association of Non-Profit Housing
 SRO Housing Corporation
 Sun Country Builders
 Thomas Safran & Associates
 TJ Bly Company, LLC
 TOWNSPEOPLE
 Transition House
 TWG Architects, Inc.
 Urban Housing Communities, LLC
- The Vecino Group
 Wakeland Housing and Development Corporation
 Wasatch Advantage Group, LLC
 The Watershed Center
 Western Community Housing, Inc.
 Women Organizing Resources, Knowledge and Service
 Yolo County Housing
- Colorado*
 Adams County Housing Authority
 Archway Housing & Services
 Aurora Housing Authority
 The Burgwyn Co., LLC
 CARE Housing Services
 Cathedral Development Group, Inc.
 Community Resources and Housing Development Corp.
 Community Restoration Partners, LLC
 Element Properties
 Fort Collins Housing Authority
 Funding Partners
 Grand Junction Housing Authority
 Homeward 2020
 Housing Colorado
 Julesburg Housing Authority
 Loveland Housing Authority
 Medici Communities, LLC
 Metro West Housing Solutions
 Monroe Group Ltd.
 RCH Jones Consulting
 Rocky Mountain Communities
 Ross Management Group
 S.B. Clark Companies
 San Miguel Regional Housing Authority
 SERVE 6.8
 South Metro Housing Options
 Steele Properties, LLC
 Urban Land Conservancy
 Urban Residential Partners
 Vos Consulting
 Wolf Family I, Inc.
 Zocalo Community Development
- Connecticut*
 The Carabetta Companies
 Connecticut Housing Coalition
 Housing Authority of New Haven
 Mutual Housing Assoc. of Southwestern Connecticut
 New Neighborhoods, Inc.
 Norwalk Housing Authority
 Urban Initiatives
 Vesta Corporation
- Delaware*
 Delaware Community Investment Corporation
 Delaware Housing Coalition
 Delaware Valley Development Company
 Leon N. Weiner & Associates, Inc.
 NCALL Research, Inc.
 Woodlawn Trustees, Inc.
- District of Columbia*
 Affordable Housing Developers Council
 Audubon Enterprises

Coalition for Nonprofit Housing & Community Dev.
CSG Urban Partners
Housing Assoc. of Nonprofit Developers
Institute for Responsible Housing Preservation
Jubilee Housing, Inc.
Manna Inc.
Montgomery Housing Partnership
Somerset Development Company
Transitional Housing Corporation

Florida

Ability Housing
Agorazo Development, Inc.
AmeriNational
Arrington Financial Capital, LLC
The Auburn Group
Beneficial Communities
Biscayne Housing Group
Blue Sky Communities, LLC
Broad and Cassel
Carlisle Development Group
Carrfour Supportive Housing
Centennial Management
Coalition of Affordable Housing Providers
Community Realty Agency & Information Group
Delray Beach Housing Authority
Dukes Construction Company
Florida Alliance of CDCs
Florida Council for Affordable and Rural Housing
Florida Supportive Housing Coalition
Fort Lauderdale Community Center
The Gatehouse Group, Inc.
Global Development Initiatives, LLC
Green Mills
Housing Authority of Pompano Beach
Housing Finance Authority of Palm Beach County
Housing Trust Group, LLC
Innerprise
JPM Development, LLC
Kipling Capital, LP
Kiss & Company, Inc.
Landmark Companies, Inc.
Lee County Housing Finance Authority
MCJ Associates, LLC
Norfolk, LLC
Norstar Development USA
The NRP Group
The NuRock Companies
Orange State Construction, Inc.
Palm Beach County Housing Authority
Picerne Development Corp of Florida
Pinellas County Housing Authority
Pinnacle Housing Group, LLC
Raymond James Tax Credit Funds, Inc.
Related Urban
The Richman Group of Florida, Inc.
Roundstone Development, LLC
Royal American
Soho Advisory Partners LLC
South Florida Community Development Corporation

Southport Financial Services, Inc.
SPECTRA
Tacolety Economic Development Corp.
Tampa Housing Authority
Vestcor Development Corp, Inc.
Victory Fields, LLC
Wendover Housing Partners, Inc.
West Palm Beach Housing Authority

Georgia

Affordable Housing America, Inc.
Alliance Fund Advisors
Alliance Fund Management
Ambling Management Company
American Covenant Senior Housing Foundation, Inc.
Athens Land Trust
Atlanta Neighborhood Development Partnership
The Benoit Group
The Braden Group
Charis Community Housing, Inc.
Coleman Talley LLP
Cordele Housing Authority
Delmar Realty Advisors
Georgia Affordable Housing Coalition
The Integral Group
Invest Atlanta
JBH Financial Brokerage & Associates LLC
Landbridge Development, LLC
Mansermer Inc.
Marietta Housing Authority
Mize & Mize
ORION Real Estate Services, Inc.
Paces Foundation
Partnership Housing Affordable to Society Everywhere
Pittsburgh Community Improvement Association, Inc.
Project Interconnections, Inc.
Purpose Built Communities
Rea Ventures Group, LLC
Resource Housing Group
Sprague and Rosenberger
State Tax Credit Exchange
SUMMECH CDC
Tapestry Development Group
TBG Residential
Triumph Management Group, LLC

Hawaii

EAH Housing (also listed in California)
Hawaii Housing Finance, LLC
Hawaii Workforce Development Council
Housing Hawaii
Management Specialists Co.

Idaho

Community Council of Idaho, Inc.
Community Development Incorporated
HOPE Development, LLC
The Housing Company
New Beginnings Housing, LLC
Northwest Associates
Northwest Real Estate Capital Corp.
The Pacific Companies
Somerset Pacific

Thomas Development Co.

Illinois

Affordable Housing Investment
Brokerage
Applegate & Thorne-Thomsen, PC
Bickerdike Redevelopment Corporation
Brinshore Development, LLC
Chicago Community Development
Corporation
Chicago Rehab Network
City of Chicago
Consecre Housing Network
Cook County Housing Authority
FLS Group, LLC
Full Circle Communities, Inc.
General Capital Management Inc.
Hooker DeJong Architects, Inc.
Housing Action Illinois
Housing Authority of the County of
DeKalb
Illinois Housing Council
JP Morgan
Laborers' Home Development Corp.
Lake County Housing Authority
Lightengale Group
Madison County Housing Authority
MB Financial Bank
Metroplex, Inc.
North Chicago Housing Authority
Peoria Citizens Committee for Economic
Opportunity, Inc.
Perry Group, Ltd.
Pike County Housing Authority
The Renaissance Companies
The Resurrection Project
SE Clark & Assoc. Inc.
Springfield Housing Authority
Valerie S. Kretchmer Associates, Inc.
Winnebago County Housing Authority

Indiana

Affordable Housing Association of
Indiana
Affordable Housing Corporation
Biggs TC Development, LLC
Bingham Greenebaum Doll LLP
Brown County Career Resource Center
Community Action of Greater
Indianapolis, Inc.
Dauby, O'Connor & Zaleski, LLC
The Englewood Group
Fort Wayne Housing Authority
God's Helping Hand
Hamilton County Area Neighborhood
Development, Inc.
Herman & Kittle Properties, Inc.
IAB Financial Bank
Indiana Affordable Housing Council
Indiana Association for Community
Economic
Development
Indiana Health Centers Inc.
KCG Development
Keller Development, Inc.
Milestone Ventures, Inc.
Neighborhood Development Associates,
LLC

New Albany Housing Authority
New Generation Management, Inc.
NSP Consultants, LLC
Paragus, LLC
Pedcor Companies
Pioneer Development Services, Inc.
TWG Development
Valenti Development, LLC
Westside Community Development Corp.
Wooden McLaughlin

Iowa

Affordable Housing Network, Inc.
Anawim Housing
AEGON USA Realty Advisors, LLC
Barnes Realty
Burns & Burns, LC
Community Housing Initiatives, Inc.
Fort Madison Housing Authority
J. Development Company
Hatch Development Group
Home Builders Association of Iowa
Perennial Property Management
Polk County Housing Trust Fund
Simonson & Associates Architects, LLC

Kansas

10up
Cohen-Esrey Real Estate Services, LLC
Homestead Affordable Housing, Inc.
Housing Opportunities, Inc.
JC Builders, Inc.
Kansas City Equity Fund, LLC (also
listed in Missouri)
Kansas Housing Resources Corporation
Kim Wilson Holding Inc.
Marsh & Company, P.A.
Mennonite Housing Rehabilitation
Services, Inc.
Overland Property Group, LLC
Prairie Fire Development Group (also
listed in Missouri)
Topeka Housing Authority
Vintage Construction, LLC

Kentucky

AU Associates, Inc.
FAHE Capital Corporation
Family Scholar House
First World Architects Studio
Homeless and Housing Coalition of
Kentucky
HOPE of Kentucky, LLC
Housing Partnership, Inc.
Kentucky Housing Corporation
KY Senior Citizens Apartments
LDG Development, LLC
Lexington Community Land Trust
Marian Development Group, LLC

Louisiana

Bauer Compliance & Consulting
Brownstone Affordable Housing Ltd.
Centerpointe Regional Housing
Development, LLC
Fitness & Praise Youth Development,
Inc.
Greater New Orleans Housing Alliance

Gulf Coast Housing Partnership
 Harmony Neighborhood Development
 Houma Terrebonne Housing Authority
 Housing Authority of the City of
 Shreveport
 Louisiana Assoc. of Affordable Housing
 Providers
 Louisiana Community Reinvestment
 Coalition
 Louisiana Housing Council
 Mt. Pleasant Community Development
 Corporation, Inc.
 Neville Development
 Providence Community Housing
 Rural Rental Housing Assoc. of
 Louisiana, Inc.
 Standard Enterprises, Inc.
 Statewide Louisiana Community
 Reinvestment Coalition

Maine

Auburn Housing Authority
 Avesta Housing
 Coastal Enterprises, Inc.
 Community Housing of Maine
 Developers Collaborative
 Freeport Housing Trust
 Maine Affordable Housing Coalition
 Maine Workforce Housing, LLC
 Northern New England Housing
 Investment Fund
 Penquis Housing, Inc.
 Portland Housing Development
 Corporation
 South Portland Housing Authority
 Westbrook Housing
 The Wishcamper Companies, Inc.

Maryland

Bocarsly Emden Cowan Esmail & Arndt,
 LLP
 Chesapeake Community Advisors, Inc.
 Comprehensive Hsg. Assistance, Inc.
 (CHAI) Baltimore
 Enterprise Homes
 Garrett County Community Action
 Committee
 Green Street Housing
 Homes for America
 The House of Easterling
 Housing Assoc. of Nonprofit Developers
 Howard County Housing
 HTA Development, LLC
 Maryland Affordable Housing Coalition
 Maryland Asset Building and Cmty.
 Development Net.
 Maryland Association of Housing and
 Development Agencies
 Montgomery Housing Partnership
 NeighborWorks Capital
 Riverside Advisors LLC
 Roots of Mankind Corp.
 The Shelter Group
 T.M. Associates, Inc.
 Victory Housing, Inc.
 WBC Community Development
 Corporation

Massachusetts

Alliance of Cambridge Tenants
 Asian Community Development
 Corporation
 B'nai B'rith Housing
 Beacon Hill Capital LLC
 Boston Capital
 Boston Financial Investment
 Management
 Boston Housing Authority Resident
 Advisory Board
 Candeur Group
 Capstone Communities LLC
 Carlisle Tax Credit Advisors
 Citizens' Housing and Planning
 Association
 Clocktower Tax Credit Investments, LLC
 Codman Square Neighborhood
 Development Corp.
 Community Economic Development
 Assistance Corp.
 Connolly and Partners, LLC
 David Koven Consulting
 Dorchester Bay Economic Development
 Corporation
 Edwards Wildman Palmer LLP
 First Financial Management Corporation
 Housing Corporation of Arlington
 Homeowners Rehab, Inc.
 Housing Management Resources
 Jamaica Plain Neighborhood
 Development Corporation
 Jewish Alliance for Law and Social
 Action
 Kevin P. Martin & Associates, PC
 KPM
 Madison Park Development Corporation
 Massachusetts Assoc. of Community
 Dev. Corporations
 Massachusetts Housing Investment
 Corporation
 Michel Associates
 NeighborWorks Southern Mass
 New England Housing Network
 North Shore Community Development
 Coalition
 Norwood Housing Authority
 Peabody Properties, Inc.
 Preservation of Affordable Housing, Inc.
 Strategic Tax Credit Investments, LLC
 Tenants' Development Corporation
 VIET-AID
 WinnDevelopment
 Women's Inst. for Housing & Economic
 Development

Michigan

Community Economic Development
 Assoc. of Michigan
 Disability Advocates of Kent County
 Ginosko Development Company
 Housing Resources, Inc.
 Inner City Christian Federation
 Kalamazoo Eastside Neighborhood
 Association
 Lapeer Housing Commission
 Livonia Housing Commission

Michigan Community Action
Michigan Disability Housing Work
Group
Michigan Housing Council
MORC Home Care
Neighborhood Service Organization
Occupancy Solutions, LLC
Ojibway Development, LLC
Plante Moran
Werth Development LLC
Ypsilanti Housing Commission

Minnesota

13th Ave
Aeon
Alliance Housing Inc.
Artspace Projects, Inc.
Augusta Ventures, LLC
Aurora St. Anthony Neighborhood
Development Corp.
Avenues for Homeless Youth
Center City Housing Corp.
CommonBond Communities
Diversified Equities Corporation
D.W. Jones, Inc.
Dominium Development and
Acquisitions, LLC
Greater Minnesota Housing Fund
Hope Community Inc.
Housing Preservation Project
Mahoney Ulbrich Christensen Russ P.A.
MetroPlains, LLC
The Metropolitan Consortium of Cmty.
Developers
Midwest Minnesota CDC
Minnesota Housing Partnership
One Roof Community Housing
Podawiltz Development Corporation
Project for Pride in Living
Real Estate Equities, Inc.
Sand Companies, Inc.
The Schuett Companies
SCI Associates, LLC
Southwest Minnesota Housing
Partnership
Three Rivers Community Action
Urban Homeworks

Mississippi

Adams Construction
Greater Greenville Housing
Hope Enterprise Corporation
Hughes Spellings
Lenton Development
Mercy Housing and Human
Development
Mid-South Housing Foundation
Mississippi Assoc. of Affordable Housing
Providers
The Park Companies
Rosedale Corporation
Ross & Yerger
SECDE Ventures, LLC
South MS Housing & Development
Corporation
Tunica County CDC
Winters Construction, LLC

Missouri

Affordable Equity Partners
Affordable Housing Commission
Boonville Housing Authority
Brunswick Housing Authority
Builders Development Corporation
Hamilton Properties Corporation
Hannibal Housing Authority
Housing Authority of Joplin, MO
Housing Authority of the City of
Jefferson
Independence Housing Authority
Ivanhoe Neighborhood Council
Kansas City Equity Fund, LLC (also
listed in Kansas)
Lee's Summit Housing Authority
Marceline Housing Authority
MarksNelson, LLC
McCormack Baron Salazar
Missouri Workforce Housing Association
Peter & Paul Community Services
Prairie Fire Development Group (also
listed in Kansas)
Slezak House
St. Louis Equity Fund, Inc.
RubinBrown LLP
Travois, Inc.
Twain Financial Partners
Wilhoit Properties Inc.
Zimmerman Properties, LLC

Montana

Bullhook Community Health Center GL
Development LLC
Great Falls Housing Authority
Housing Authority of Billings
Housing Solutions, LLC
Lee and Co, PC
Missoula Housing Authority
Mountain Plains Equity Corporation
Summit Management Group, Inc.
Rocky Mountain Development Council

Nebraska

Cairo Housing Authority
Cambridge Housing Authority
Cirrus House Inc.
Columbus Housing Authority
Cornerstone Associates, LLC
Excel Development Group
Fremont Housing Authority
Holy Name Housing Corporation
Horizon Bank
Housing Partners of Western Nebraska
Lincoln Housing Authority
McCook Housing Agency
Nebraska City Area Economic
Development Corp.
Nebraska Housing Developers
Association
North Omaha Foundation
Oakland Housing Authority
Omaha Economic Development Corp.
Omaha Housing Authority
Ord Housing Authority
RMR Group
Schuyler Housing Agency

Seldin Company
 Sunrise View Housing Authority
 Urban Housing Partners, LLC

Nevada

Clark County Cmty. Resources
 Management Division
 George Gekakis, Inc.
 Mueller, Hinds, & Associates, CHTD
 Neighborhood Housing Services of
 Southern Nevada
 Nevada Council of Affordable and Rural
 Housing
 Nevada HAND
 Nevada Rural Housing Authority
 Silver Sage Manor, Inc.
 Silver State Housing

New Hampshire

AHEAD, Inc.
 CATCH Neighborhood Housing
 Concord Coalition to End Homelessness
 Families in Transition
 Housing Action NH
 Laconia Area Community Land Trust
 NeighborWorks of Greater Manchester
 New Hampshire Public Health
 Association
 Newmarket Housing Authority
 NH Coalition to End Homelessness
 NH Community Loan Fund
 Tri-County CAP
 USIS, LLC

New Jersey

Advocates for Peace & Social Justice
 Alliance for Betterment of Citizens with
 Disabilities
 Diocesan Housing Services Corporation
 of the Diocese
 of Camden
 Hoboken Housing Authority
 Housing and Community Development
 Network of NJ
 Housing Authority of Gloucester County
 The Ingerman Group
 Jewish Community Housing Corp. of
 Metropolitan NJ
 MaGrann Associates
 MEND, Inc.
 Mercer Alliance to End Homelessness
 The Metro Company
 Monarch Housing Associates
 New Community Corporation
 New Jersey Apartment Association
 New Jersey Community Development
 Corporation
 New Jersey Housing and Mortgage
 Finance Agency
 North Haledon Affordable Housing
 Project Freedom, Inc.
 PV Community Development
 Corporation
 Tabor House
 The Michaels Organization
 Valley National Bank

New Mexico

City of Las Cruces
 Housing Trust of Santa Fe
 JL Gray Company
 New Mexico Coalition to End
 Homelessness
 YES Housing, Inc.
 Santa Fe Civic Housing Authority
 Sawmill Community Land Trust
 Tierra del Sol Housing Corporation

New York

3D Development Group, LLC
 42 Equity Partners, LLC
 Arbor Housing Development
 Asian Americans for Equality
 Association for Energy Affordability Inc.
 Belmont Housing Resources for WNY,
 Inc.
 Benchmark Title Agency, LLC
 Berkley Point
 Blueprint Properties
 The Bridge
 Broadway-Filmore NHS
 Central New York Citizens in Action,
 Inc.
 Citizens Against Recidivism, Inc.
 Community Access Inc.
 Community Action Organization of Erie
 County, Inc.
 Community Development Corp. of Long
 Island, Inc.
 Community Development Trust
 Community League of the Heights
 Conifer Realty, LLC
 Curtis + Ginsberg Architects LLP
 East Hampton Housing Authority
 Edgemere Development
 Evergreen Health Services
 Ewing Planning Services
 First Sterling
 Forsyth Street Advisors LLC
 Fecteau PLLC
 Fordham Bedford Housing Corporation
 Geneva Housing Authority
 Greater Rochester Housing Partnership
 HANAC, Inc.
 Harlem Congregations for Community
 Improvement Inc.
 Hour Children
 Housing Visions
 The Hudson Companies, Inc.
 Humand Development Services of
 Westchester
 Ibero-American Development
 Corporation
 The Institute for Human Services, Inc.
 Ithaca Housing Authority
 Ithaca Neighborhood Housing Services
 Lemle & Wolff, Inc.
 Lott Community Development
 Corporation
 Lower East Side Coalition Housing
 Development, Inc.
 Neighborhood Housing Services of New
 York City

Neighborhood Preservation Coalition of
 New York State
 New Destiny Housing Corporation
 New York Housing Conference
 New York State Association for
 Affordable Housing
 Northeast Brooklyn Housing
 Development Corporation
 Ocean Bay Community Development
 Corporation
 Oxford Consulting Inc.
 PathStone
 Property Resources Corporation
 Providence Housing Development Corp.
 R4 Capital, LLC
 Regan Development Corporation
 Rochester's Cornerstone Group, Ltd.
 Royal Realty Development, Inc.
 Rural Ulster Preservation Company
 RUPCO
 SFDS Development Corp.
 Sobro
 Southern Tier Environments for Living
 Supportive Housing Network of New
 York
 Tenderloin Neighborhood Development
 Corporation
 Transamerica Equities, LLC
 Triboro Real Estate Development, Inc.
 Urbecon LLC
 West Harlem Group Assistance, Inc.
 White Plains Housing Authority

North Carolina

The Affordable Housing Group of North
 Carolina, Inc.
 Affordable Housing Management, Inc.
 Blue 22 Development
 Brock Ventures, Inc.
 CAHEC
 Carolina Bank
 Carolinas Council of Affordable Housing
 Charlotte Mecklenburg Housing
 Partnership
 Community Investment Corporation of
 the Carolinas
 Community Management Corporation
 DHIC, Inc.
 Dixon Hughes Goodman LLP
 Eagan Partners, LLC
 East Carolina Community Development,
 Inc.
 The Housing Assistance Corporation
 KRP Investments, LLC
 North Carolina Housing Coalition
 Partners Ending Homelessness
 Partnership Property Management
 Pressly Development Company, Inc.
 Reliance Housing Foundation
 United Developers, Inc.
 Weaver-Kirkland Housing, LLC
 Weaver Cooke Construction
 William S. Robinson & Associates, Inc.
 Wilson Community Improvement
 Association [WCIA]
 Workforce Homestead, Inc.

North Dakota

Beyond Shelter, Inc.
 Fargo Housing & Redevelopment
 Authority
 Grand Forks Housing Authority
 Lutheran Social Services of North
 Dakota
 North Dakota Coalition for the Homeless
 Turtle Mountain Housing Authority

Ohio

The ABCD, Inc.
 ABCAP
 Affordable Housing Partners, Inc.
 Arch City Development
 Bethel Development
 Burten, Bell, Carr Development, Inc.
 CDA Flaherty Consulting
 Center for Closing the Health Gap
 Clark, Schaefer, Hackett & Co.
 Cleveland City Council
 Cleveland Housing Network
 Cleveland Neighborhood Progress
 Cleveland State University
 Coalition on Homelessness and Housing
 in Ohio
 Columbus Housing Partnership
 Community Action Commission of
 Fayette County
 Community Action Organization of
 Delaware, Madison,
 and Union Counties, Inc.
 Cornerstone Corporation for Shared
 Equity
 Detroit Shoreway Community
 Development Org.
 EDEN, Inc.
 Episcopal Retirement Homes Affordable
 Living
 Fairfield Homes, Inc.
 Famicos Foundation
 Friendship New Vision, Inc.
 GL Housing Group
 Grey Area Consultants, LLC
 Housing Services Alliance
 James A. Saad, LLC
 Jones Walker LLP
 Karen A Graham Consulting, LLC
 Karen H. Bauernschmidt Co., LPA
 LIHTC Working Group
 Miller-Valentine Group
 Mt. Auburn Good Housing Foundation
 MV Residential Development LLC
 National Affordable Housing Trust
 National Church Residences
 Neighborhood Development Services
 Neighborhood Housing Services of
 Greater Cleveland
 Ohio Capital Corporation for Housing
 Ohio CDC Association
 Ohio Housing Council
 Ohio Housing Finance Agency
 Rental Partnerships
 Royal Bank of Canada
 Settlement Star Services, LLC
 Slavic Village Development
 Star Title Agency, LLC

Toledo Fair Housing Center
The Uptown Association, Inc.
United Way of Greater Cincinnati
The Wallick Companies
WSOS Community Action Commission

Oklahoma

Belmont Development Company, LLC
Blackledge Architects
Catholic Charities of the Archdiocese of
Oklahoma City
C.H.A.R.M.E.D.
City Care, Inc.
CMA Strategies
Dobson Mortgage Corp.
Elk City Housing Authority
Liberty Realty Capital Group
LIFE Senior Services
LW Development, LLC
Metro First Realty
Mountain View Housing Authority
Oklahoma City Metro Assoc. of
REALTORS
Oklahoma Coalition for Affordable
Housing
Oklahoma Housing Finance Agency
Oklahoma Investment Realty, Inc.
ORO Development Corporation
Progressive Independence
REI Oklahoma
Resco Enterprises, LLC
Spradling, Kennedy & McPhail, LLP
Sunview Homes

Oregon

Bienestar Oregon
CASA of Oregon
Cascade Management
Grounded Solutions Network
Housing Authority of Jackson County
Housing Authority of Yamhill County
Lincoln Community Land Trust
Mid-Columbia Housing Authority
Network for Oregon Affordable Housing
Northwest Housing Alternatives
Oregon Opportunity Network
REACH Community Development, Inc.
ROSE Community Development
Corporation
United Fund Advisors
West Valley Housing Authority

Pennsylvania

Allentown Housing Authority
A.M. Rodriguez Associates, Inc.
BCM Affordable Housing
Community Action Commission
Community Action Committee of the
Lehigh Valley, Inc.
Community First Fund
Cornerstone Community Partners
Fayette County Community Action
Agency, Inc.
Franklin County Housing Authority
HDC MidAtlantic
The Hickman
Housing Alliance of Pennsylvania
Housing Authority of the City of Erie

Housing Authority of the County of
Beaver
Housing Development Corporation
MidAtlantic
Kelly & Close Engineers
NCCDC
New Kensington CDC
Pathways to Housing PA
Pennrose Properties
Pennsylvania Association of Housing &
Redevelopment Agencies
Pennsylvania Developers Council
Pennsylvania Housing Finance Agency
Philadelphia Association of CDCs
Philadelphia Housing Authority
Presbyterian Senior Living
Quality Community Health Care, Inc.
Ralph A. Falbo, Inc.
The Reinvestment Fund
S&A Homes
SEDA-COG Housing Development Corp.
United Neighborhood Centers
United Neighborhood Community
Development Corporation
West Market Management
WRT Design
York Housing Authority

Puerto Rico

Advancer Local Development
ERS Consulting Group, LLC
Fernando L Sumaza & Company
La Fundacion del Perpetuo Socorro
One Stop Career Center of Puerto Rico,
Inc.

Rhode Island

Amos House
Barbara Sokoloff Associates
Church Community Housing Corp.
Coventry Housing Authority
Dimeo Properties
EastBay Community Development Corp.
House of Hope CDC
HOUSING ACTION Coalition of Rhode
Island
NeighborWorks Blackstone River Valley
Newport Housing Authority
Olneyville Housing Corporation
Omni Development Corporation
Pawtucket Central Falls Development
Property Advisory Group
Rhode Island Housing
Roger Williams University
SWAP Inc.
Valley Affordable Housing Corp.

South Carolina

AMCS Inc.
Connelly Builders, Inc.
CPR Partners
Credit Capital, LLC
Douglas Development
Howell Linkous and Nettles, LLC
Humanities Foundation
Landmark Property Management
SC Community Loan Fund

Southern Development Management
Company Inc.

South Dakota

Aberdeen Housing Authority
Dakota Nation Community Development
Corporation
Dakota Resources
Development for the Disabled Inc.
GROW South Dakota
Lloyd Companies
Murray Properties, LLC
NeighborWorks Dakota Homes
Resources
Oti Kaga, Inc.

Tennessee

Alco Management, Inc.
Bluff City Community Development
Corporation
Elmington Property Management
Good Neighbor Foundation
Huber & Lamb Appraisal Group
Jackson Housing Authority
Knoxville's Community Development
Corporation
Lexington Housing Authority
LHP Development, LLC
Metropolitan Development & Housing
Agency
Pennrose Properties
Volunteer Management and
Development Company

Texas

Alden Torch Financial, LLC
Anderson Development & Construction,
LLC
Anson Housing Authority
Austin Community Design &
Development Center
Banyan Residential
B.E. Boyd Consultant Group
Builders of Hope CDC
Call to Action Homeless Veterans
Center for Faith & Health Initiatives
Conine Residential Group
Crowell Housing Authority
Delphi Affordable Housing Group, Inc.
Edinburg Housing Authority
Flores Residential, LLC
Fort Worth Housing Authority
Foundation Communities
Georgetown Housing Authority
Granger Housing Authority
Greenville Housing Authority
Gregory Housing Authority
Hidalgo County Housing Authority
Housing Authority of El Paso
Housing Authority of the City of Alamo
Housing Lab by BETCO
Joe Lopez Law Firm
Levelland Housing Authority
Lockhart Housing Authority
Locke Lord LLP
Maupin Development
MWS Real Estate Services
Mount Pleasant Housing Authority

Nortex Housing Finance Commission
Red Stone Equity Partners
Robert T. Pittenger CPA, PC
Rogers Housing Authority
Rural Rental Housing Assoc. of Texas,
Inc.
San Antonio Alternative Housing
Corporation
San Antonio Housing Authority
Spearman Housing Authority
StoneLeaf Companies
Texas Affiliation of Affordable Housing
Providers
Texas NAHRO
UAH Property Management, Inc.

Utah

Adams Construction & Management
Community Development Corp. of Utah
Crossroads Urban Center, LLC
Davis Community Housing Authority
Horizon Development and Management
Housing Authority of Salt Lake City
Housing Authority of the County of Salt
Lake
Housing Authority of Utah County
Housing Management and Development
Corporation
Mountainlands Community Housing
Trust
Neighborhood Nonprofit Housing
Corporation
NeighborWorks Salt Lake
Self-Help Homes
Taylor Springs Apartments
Tooele County Housing Authority
TURN Community Services, Inc.
Utah Community Reinvestment
Corporation
Utah Housing Corporation
Utah NAHRO
Utah Nonprofit Housing Corp.
Valley Behavioral Health
Weber Housing Authority

Vermont

Addison County Community Trust, Inc.
Burlington Associates
Cathedral Square Corporation
Central Vermont Community Land Trust
Champlain Housing Trust
Disability Rights Vermont
Housing Trust of Rutland County, Inc.
Housing Vermont
Lamoille Housing Partnership
Vermont Affordable Housing Coalition
Vermont Center for Independent Living
Vermont Housing and Conservation
Board
Vermont Housing Finance Agency
Vermont State Housing Authority

Virginia

AHC, Inc.
Alexandria Housing Development
Corporation
Alexandria Redevelopment and Housing
Authority

Alliance for Housing Solutions
 Arlington Partnership for Affordable Housing
 Better Housing Coalition
 Chesapeake RHA
 Community Housing Partners
 Hampton Redevelopment and Housing Authority
 Harrisonburg Redevelopment and Housing Authority
 The Haven, Inc.
 Hopewell Redevelopment and Housing Authority
 Housing Assoc. of Nonprofit Developers
 Linden Capital LLC
 MichiHamlett Attorneys at Law
 Newport News Redevelopment & Housing Authority
 NJR Real Estate Consulting Services, LLC
 Norfolk Redevelopment and Housing Authority
 Northern Virginia Affordable Housing Alliance
 Restoration of Petersburg Community Dev. Corp.
 Southside Outreach Group, Inc.
 Virginia Coalition to End Homelessness
 Virginia Community Development Corporation
 Virginia Housing Coalition
 Virginia Housing Development Authority
 Virginia LISC
 Virginia One Development
 Virginia Supportive Housing
 Wesley Housing Development Corp. of Northern Virginia
Washington
 Ally Community Development
 American Capital Group
 Barrientos LLC
 Beacon Development Group
 Bellingham/Whatcom County Housing Authorities
 Bellwether Housing
 Betsy Lieberman Consulting LLC
 Bremerton Housing Authority
 Campion Advocacy Fund
 Capitol Hill Housing Foundation
 Cascade Affordable Housing
 Catholic Charities Housing Services
 Diocese of Yakima
 City of Seattle Office of Housing
 Columbia Gorge Housing Authority
 Colville Indian Housing Authority
 Community Center for Education Results
 Community Frameworks
 Compass Health
 Compass Housing Alliance
 Downtown Emergency Service Center (DESC)
 El Centro de la Raza
 Enterprise Community Partners Pacific Northwest
 Homestead CLT
 HomeStreet Bank
 Housing Authority of Grant County
 Housing Authority of Kennewick
 Housing Consortium of Everett & Snohomish County
 Housing Dev. Consortium of Seattle-King County
 Housing Hope
 Housing Kitsap
 Impact Capital
 InterIm Community Development Association
 Imagine Housing
 King County Housing Authority
 LeadingAge Washington
 Longview Housing Authority
 Low Income Housing Institute
 Makah Tribe
 Mark Flynn Consulting, LLC
 Mayor of Seattle Ed Murray
 McLoughlin & Associates
 Mercy Housing Northwest
 Northwest Youth Services
 Office of Rural and Farmworker Housing
 OPAL Community Land Trust
 Pacifica Law Group, LLP
 Parkview Services
 Paul Schissler Associates
 Plymouth Housing Group
 Rafn Company
 Renton Housing Authority
 Seattle Chinatown International District Preservation
 and Development Authority (SCIDpda)
 The Seattle Foundation
 Seattle Housing Authority
 Seattle/King County Coalition on Homelessness
 SEC Affordable Housing
 Security Properties
 Senior Services
 Senior Services of Snohomish County
 Shelter Resources, Inc.
 SMR Architects
 Solid Ground
 Spokane Community Housing Association
 Spokane Housing Ventures
 Spokane Low Income Housing Consortium
 Spokane Neighborhood Action Partners (SNAP)
 The Summit Group
 Tacoma Housing Authority
 TPC Affordable Housing Consortium
 United Marketing, Inc.
 Upper Valley MEND
 Walla Walla Housing Authority
 Washington Community Reinvestment Association
 The Washington Low Income Housing Alliance
 Washington State Housing Finance Commission
 Watson & McDonell
 Yesler Community Collaborative
 YMCA of the Inland Northwest

YWCA Seattle	Center for Resilient Cities
West Virginia	Community First Inc.
Central Appalachia Empowerment Zone	Elizabeth Moreland Consulting, Inc.
of West Virginia	Gorman & Company
Chaplin Construction, Inc.	Hirsch Group, LLC
Coalfield Development Corporation	Horizon Development Group, Inc.
CommunityWorks in West Virginia, Inc.	Inner City Redevelopment Corporation
Innovation, LLC	Journey House
Keyser Housing Authority	Layton Boulevard West Neighbors, Inc.
Recovery Point of Charleston	Oshkosh Housing Authority
RedClay Development of West Virginia	Riverworks Development Corporation
Religious Coalition for Community	Salous Inc.
Renewal	SVA Certified Public Accountants, S.C.
Vandalia Heritage Foundation	The TheoPRO Group
West Virginia Community Builders, LLC	Wisconsin Council for Affordable and
Wisconsin	Rural Housing
Astar Capital Management	Wisconsin Housing Preservation Corp.
Baker Tilly Virchow Krause, LLP	Wyoming
Bear Development	Volunteers of America Northern Rockies
Cardinal Capital Management	Wyoming Housing Network

PREPARED STATEMENT OF DIANE YENTEL, PRESIDENT AND CEO OF THE NATIONAL
LOW INCOME HOUSING COALITION

On behalf of the National Low Income Housing Coalition (NLIHC), I want to thank this committee for the opportunity to submit a statement for the record regarding the hearing, “Housing Vulnerable Families and Individuals: Is There a Better Way?” Given the growing affordable housing crisis—especially among families with extremely low-incomes—I applaud members of this committee for looking seriously at reforms to reduce costs and serve more families in need. Bold action to improve and expand current Federal housing programs is clearly needed.

NLIHC is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes. Our members include State and local housing coalitions, residents of public and assisted housing, nonprofit housing providers, homeless service providers, fair housing organizations, researchers, public housing agencies, private developers and property owners, local and State government agencies, faith-based organizations, and concerned citizens. While our members include the spectrum of housing interests, we do not represent any segment of the housing industry. Rather, we focus on what is in the best interests of people who receive and those who are in need of Federal housing assistance, especially extremely low-income people.

NO SILVER-BULLET SOLUTION

Today, the affordable housing crisis continues to reach new heights. Rents are rising, wages are flat, and more people are renting their homes than ever before. Yet, the supply of affordable housing has not kept pace. As a result, record-breaking numbers of families cannot afford a decent place to call home. Every State and every community is impacted.

The greatest need for affordable housing is primarily concentrated among extremely low-income renters who earn no more than 30 percent of their area median income (AMI). NLIHC’s recent report, *The Gap: The Affordable Housing Gap Analysis 2016*, found that there is a shortage of 7.2 million affordable and available rental homes for the Nation’s 10.4 million extremely low-income renters. This means that just three out of 10 extremely low-income families are able to find an affordable place to call home. As a result, three out of four extremely low-income families are severely cost-burdened, spending more than half of their income on rent and utilities. These families are often forced to make difficult choices between paying rent and buying groceries or visiting their doctor. In worst cases, they become homeless.

Moreover, NLIHC’s *Out of Reach* report shows the difference between wages and the price of housing in every State and county. It also estimates the hourly wage that a full-time worker needs to earn in order to afford a modest, two-bedroom apartment. In 2016, the national Housing Wage was \$20.30 per hour. A minimum wage worker would need to work 112 hours a week—or 2.8 full-time jobs—just to afford their apartment. While the housing wage changes from State to State and

county to county, there is no jurisdiction where a full-time worker earning the prevailing minimum wage can afford a modest, two-bedroom apartment.

Housing challenges differ from community to community; there is no silver bullet solution. Congress and the administration must use every tool available to solve the problem. A comprehensive set of solutions to end housing insecurity in America includes: preserving and rehabilitating our Nation's existing affordable housing stock; increasing investment in the production of affordable housing for the lowest-income people; and expanding rental assistance.

THE IMPORTANCE OF PUBLIC HOUSING

Public housing is home to more than 1.1 million households and plays a critical role in providing safe, decent housing to families with the greatest needs. The preservation of this important community asset must be a part of any strategy to end housing insecurity.

Research shows that the vast majority of the more than 2 million people who live in public housing are satisfied overall with their homes, even though they rightfully push for solutions to maintenance and management issues. Most residents do not want to see public housing end; they want to see it improved and expanded.

In fact, far more people are trying to get into public housing than leave it. In NLIHC's forthcoming report, we found that the average waitlist for public housing is about 9 months. Among the largest public housing authorities (PHAs), the waitlist is longer than 2 years. In many cities, the waiting list is so long that has been closed for years.

Converting public housing into housing vouchers would result in a significant loss to the Federal Government and local communities. The Federal Government has already invested significant resources to develop, maintain, and operate public housing. Communities will lose an important asset—and the Federal Government will lose all of this investment—if Congress were to eliminate public housing.

SECTION 8 HOUSING CHOICE VOUCHERS

Housing Choice Vouchers (HCV) are a proven tool in reducing homelessness and housing insecurity, as well as helping families climb the economic ladder. Housing vouchers help people with the lowest incomes afford housing in the private housing market by paying landlords the difference between what a household can afford to pay in rent and the rent itself, up to a reasonable amount. Administered by the U.S. Department of Housing and Urban Development (HUD), housing vouchers comprise the agency's largest rental assistance program, assisting more than 2.2 million households.

Groundbreaking research by Harvard economist Raj Chetty offers persuasive evidence on the impact of housing vouchers on upward mobility. Using new tax data, Chetty and his colleagues assessed the longer-term outcomes for children who moved at a younger age as part of the HUD's Moving to Opportunity demonstration. Chetty's study found that children who were younger than 13 when their family moved to a lower-poverty neighborhood saw adult earnings increased by approximately 31 percent. Children who were younger than 13 when they moved also lived in better neighborhoods as adults and were less likely to be single parents.

Given the voucher program's effectiveness, Congress should not only expand housing vouchers to more families in need, but also work towards improving the program's effectiveness in serving low-income families. While housing vouchers offer families the prospect of moving to areas of opportunity, barriers to mobility prevent many from doing so. Many private-sector landlords refuse to accept housing vouchers—whether because of the administrative costs, because vouchers do not cover the full cost of rent in high-cost areas, or outright discrimination. In cases where the utility of housing vouchers is limited, public housing plays a critical role in addressing the housing needs of low-income families.

Converting Project-Based Rental Assistance to Vouchers Would Increase, Not Alleviate, the Affordable Housing Crisis

Due to the low budget caps required by the Budget Control Act, this Committee faces a very difficult task of finding the resources necessary just to maintain current rental assistance contracts and program levels. Since 2011, spending caps have only made it more difficult for extremely low-income seniors, people with disabilities, families with children, and people experiencing homelessness to access safe, decent, and affordable housing.

For that reason, the Campaign for Housing and Community Development Funding (CHCDF), a coalition led by NLIHC with the support of 75 national and regional organizations, has worked to work to help lift the low spending caps, prevent across-

the-board sequestration cuts, and ensure the highest allocation of resources possible to support affordable housing and community development.

NLIHC also serves on the Steering Committee of NDD United, a coalition that works across industry sectors—from housing and infrastructure to education and the environment to healthcare and public safety—to advocate for non-defense discretionary spending, including funding for the U.S. Department of Housing and Urban Development (HUD) and Agriculture (USDA) Rural Housing Service.

Even within these budget constraints, we encourage this Committee to prioritize protecting and preserving existing affordable housing resources, like public housing.

While expanding housing vouchers to many more families is an important part of the solution, it alone cannot fully address the scope of the housing crisis. Additional tools are necessary to address other challenges, including the need to recapitalize and preserve aging properties, revitalize distressed communities, provide housing options for low-income families in tight or gentrifying markets and produce accessible housing for families with disabilities and special needs. Addressing these gaps in the rental housing market requires an investment in bricks and mortar—through the expansion and improvement of the Low-Income Housing Tax Credit (Housing Credit), national Housing Trust Fund (HTF), and HOME Investment Partnerships (HOME) program—as well as the preservation of public housing and the existing affordable housing stock.

POLICY RECOMMENDATIONS

To reduce costs and improve program delivery, NLIHC recommends consolidating PHA's administration of housing vouchers, funding a mobility counseling pilot program, and encouraging HUD to adopt small area fair market rents (SAFMRs) with tenant protections.

Consolidate PHA's Administration of Housing Vouchers

Currently, 2,400 PHAs administer the Nation's two million housing vouchers. Of these agencies, 58 percent administer fewer than 400 vouchers. These small housing agencies exist in rural, suburban, and urban markets. There are 558 housing agencies administering vouchers in the Nation's 49 most populated metro areas.

Consolidation of the administration of vouchers would result in administrative cost savings, bring significant benefits to families with housing vouchers and those in need of housing vouchers, and reduce HUD's oversight costs.

According to HUD's Housing Choice Voucher Program Administrative Fee Study, issued in April 2015, large housing voucher programs have lower costs than smaller programs. Cost estimates for the 130 small housing voucher programs studied show an inverse pattern of costs per unit, decreasing steadily with the increase in the number of vouchers under lease.

Under the current system of multiple housing authorities in a single housing market, a household seeking a voucher has to apply to several different agencies to maximize their chances of successfully competing for a voucher. For example, an eligible household in the Washington, D.C. housing market would have to submit separate applications to the District of Columbia Housing Authority, the Housing Opportunities Commission of Montgomery County, the Housing Authority of Prince George's County, the Alexandria Housing and Redevelopment Authority, the Fairfax County Redevelopment and Housing Authority, and the Arlington County Department of Human Services, not to mention additional housing agencies in outer ring suburbs from which people commute to and from jobs in the D.C. metro area.

It is obvious how time consuming and frustrating this would be for families seeking a housing voucher. It is also costly for a housing authority to process an application—a cost that is compounded when several housing authorities are processing applications from the same household. Under the current system, it is impossible to know what the true demand for vouchers is because the same household can be on multiple waiting lists.

Even if a household is lucky enough to rise to the top of a waiting list and receive a housing voucher, they may face significant barriers in using the voucher. Housing markets do not recognize jurisdictional boundaries. If a new voucher holder received their voucher in one jurisdiction, but found their preferred housing in the next jurisdiction, the household would have to go through the cumbersome process of "porting" their voucher from one administering agency to another.

This process can reduce significantly the chances of successfully executing a lease and moving to the new home.

Consolidation of an area's vouchers into a single administering entity with a single waiting list, either with a new entity or one of the existing housing agencies, would significantly streamline the voucher process for households, the administering agencies, and the landlords on whose participation the program's success depends.

Regional administration of vouchers would also result in providing voucher holders with greater choice in where they can use their vouchers. Federal policy changes to require the consolidation of voucher administration would provide people more freedom to choose where they want to live with a voucher, including moving to low-poverty neighborhoods.

One example of a consolidated housing agency is the Southern Nevada Regional Housing Authority (SNRHA), which is the successor to the Housing Authorities of Las Vegas, North Las Vegas, and Clark County. According to the SNRHA's website, "Now, all of that expertise is under one roof and we hope to serve you much more efficiently." The SNRHA administers 10,094 housing choice vouchers.

The statute currently permits voucher administration consortia, but many housing authorities are reluctant to give up their authority. Congress should enact legislation that provides incentives—or preferably mandates—for consolidation and regional administration.

Fund a Mobility Counseling Pilot Program Proposed by the Administration

Congress should support funding for a mobility counseling pilot program that was proposed in the President's fiscal year 2017 budget request. Through this 3-year demonstration, HUD and PHAs will be able to develop new models for improving voucher mobility. Under the demonstration, PHAs in about 10 regions would provide counseling to help HUD-assisted families move to areas of opportunity. PHAs could use demonstration funds to improve collaboration between agencies and align policies and administrative systems. Funds could also be used to better recruit landlords and other activities that promote greater voucher mobility and housing choice. The proposal also includes a research component to study what strategies proved most cost-effective.

The Senate's fiscal year 2017 Transportation-HUD (THUD) spending bill includes \$11 million to fund the demonstration and an additional \$3 million for evaluation. The House THUD bill does not include similar funding.

Encourage HUD to Adopt Small Area Fair Market Rents (SAFMRs) With Tenant Protections

For several years, NLIHC has advocated for SAFMRs as one means to help expand affordable housing choice for voucher households. SAFMRs have the potential to augment the value of a voucher and thus enhance the ability of a household to use their voucher in more neighborhoods, particularly areas of higher opportunity.

SAFMRs reflect rents based on U.S. Postal ZIP Codes, while traditional FMRs reflect a single rent standard for an entire metropolitan region. By providing voucher payment standards that are more in line with neighborhood-scale rental markets, SAFMRs aim to provide relatively higher subsidies in neighborhoods with higher rents and greater opportunities and lower subsidies in neighborhoods with lower rents and higher concentrations of voucher holders.

HUD recently issued a proposed rule that would use a formula to select a limited number of metropolitan areas that would be required to use SAFMRs. While NLIHC supports changes to the voucher regulations that enable households to use vouchers in areas of higher opportunity, HUD must ensure that the final rule prevents adverse impacts on households currently relying on vouchers.

We are concerned about the potential harm that a transition to SAFMRs could cause voucher holders currently living in low-cost ZIP codes where the SAFMR is likely to be lower than the metropolitan FMR. This could result in a lower voucher payment standard, one that is below current rents to which landlords are accustomed. If a landlord does not lower the rent when the voucher payment standard declines—which is likely—residents would have to pay more for rent and may become cost-burdened or severely cost-burdened.

Analysis by the National Housing Law Project reveals that if current voucher households are not held harmless, 78 percent (435,000 households) would likely suffer the impact of reduced payment standards in the 31 areas that meet HUD's SAFMR criteria. Consequently, we recommend that the final rule categorically exempt current voucher households from any reduction in the payment standard as a result of the transition to SAFMRs.

Moreover, we are concerned many landlords may stop accepting vouchers where payment standards in low-rent neighborhoods decline sharply, adversely impacting households currently relying on vouchers as well as future voucher recipients. In some tight rental markets, landlords may be able to obtain the rents they want without vouchers and without having to comply with voucher program requirements. This is particularly true in gentrifying areas.

In order to prevent landlords from exiting the voucher program and thereby reduce the stock available to future and current voucher households, NLIHC rec-

ommended to HUD that its final rule incrementally limit how far SAFMRs could fall below current metropolitan FMRs. NLIHC proposed that for the first year of implementation, SAFMRs be set no lower than 95 percent of the metropolitan FMR, no lower than 90 percent the second year, and so on in 5 percent increments.

We also believe that HUD's proposed rule does not account for tight rental markets. Several of the metropolitan areas on the list of 31 that would be required to comply have very low vacancy rates, little rental turnover, high and rapidly rising rents, and low growth in the rental stock. As a result, there is little or no opportunity for mobility for renters in general and for voucher households in particular. Voucher households often have to return their vouchers unused because they cannot find a place to rent. In higher opportunity neighborhoods where vacancies are scarce, voucher households encounter strong competition from those without vouchers. Therefore, NLIHC recommends that any metropolitan area with a vacancy rate of 5 percent or less not be required to comply with the SAFMR rule.

AN ALTERNATIVE APPROACH TO INCREASE NEEDED INVESTMENTS

While Federal investments in housing have a proven track record of reducing homelessness and housing insecurity, these investments are sorely underfunded. As a result, just one in four families that are eligible for housing assistance get the help they need. For our Nation to fully address the affordable housing crisis, we must identify and allocate resources to increase investment in proven solutions.

Congress can make the investments needed to end homelessness and housing insecurity without adding costs to the Federal Government through reform of the Mortgage Interest Deduction. Each year, the Federal Government spends more to subsidize the homes of 7 million high-income households through the Mortgage Interest Deduction—most of whom would be stably housed without the government's support—than it does to assist the poorest 55 million families. In fact, \$8 out of every \$10 under the Mortgage Interest Deduction goes to families making more than \$100,000 a year; \$4 out of every \$10 goes to families making more than \$200,000.

Specifically, Congress should reduce the size of a mortgage eligible for the tax break from \$1 million to the first \$500,000—impacting fewer than 5 percent of mortgage holders nationally—convert the deduction into a nonrefundable capped credit and reinvest the significant savings into programs that serve families with the greatest, clearest housing needs. These changes would result in 15 million low-income homeowners who currently get no benefit from the Mortgage Interest Deduction to receive a much-needed tax break, as well as \$220 billion in savings over 10 years to be reinvested in effective housing programs, including Housing Choice Vouchers, public housing, and the national Housing Trust Fund (HTF).

The HTF is a dedicated, targeted resource that provides States with revenue to build, preserve, and rehabilitate housing that is affordable for extremely and very low-income households. This year, the HTF provided its first \$174 million in allocations to States. NLIHC and our State and local partners look forward to working with Congress to expand the HTF, including through housing finance reform and reform of the Mortgage Interest Deduction.

Thank you again for this opportunity for NLIHC to share our views on how to improve the way we provide and administer affordable housing in our country. If you have additional questions, please contact Public Policy Director Sarah Mickelson at smickelson@nlihc.org.