

Senate Budget on Housing Affordability

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Sen. Sheldon Whitehouse (D-R.I.)

Morning everyone. This hearing of the Senate Budget Committee will come to order. We will be discussing this morning and issue of concern to all Americans namely housing, secure and affordable housing as a building block of financial well being. Being able to afford a home provides not just shelter, but community and stability.

When families cannot afford housing, they face increased barriers to education and employment. They have worse physical and mental health outcomes and they likely face generational poverty. Unfortunately, families across America are paying the price for a housing market failure that was years in the making. Nationwide, the US faces a shortage of four to 7 million housing units available for sale or rent, which of course drives up cost barriers to getting a mortgage or making it harder for first time buyers to purchase a home.

With fewer people able to purchase homes demand in rental markets has soared, creating a shortage of available rental units driving up costs. helping families afford a safe stable place to call home should be neither controversial nor partisan. And I will take a moment to recognize Ranking Member Grassley for his work in past years to do bipartisan housing work and I thank him and congratulate him for that. From the Finance Committee Chair.

Key to addressing the shortage of units and bringing down costs for families is as my friend Speaker McCarthy from Rhode Island would say, Production. When speaker SCHUCHART she took the gavel and 2021 He promised to become the housing speaker of promise he has more than kept in just three years he has shepherded over 30 bills into law to tackle Rhode Island's housing shortage. Coupled with historic budget investments. His legislation has addressed long lagging housing production, expanded the state's housing supply and blunted upward pressure on rents and home purchase prices.

Nationally, there is evidence we are turning the corner in communities across the country. New construction is way up. Home prices are coming down and the Fed is finally cutting interest rates as many of us have repeatedly urged them to do and that makes mortgages more affordable. Construction of multifamily housing developments increased 22% in 2023, the highest annual increase in more than three decades, the pace of single family home building climbs steadily throughout 2023 and has stayed elevated vacancy rates and professionally managed apartments rose to nearly 6%.

This year, more than twice the record low of 2.5%. Set in early 2022, which in turn stabilizes the rental market. This is thanks in large part to important steps Congress and the Biden Harris administration have taken to increase the housing supply to protect renters and to ease cost burdens. More than \$18 billion of the American rescue plan state and local fiscal recovery funds have gone towards expanding housing supply, investing in homeless services and providing nearly 4 million additional households with rent mortgage and utility relief.

Senate appropriators Chairman Murray present continued to support housing programs like the home Investment Partnerships, community development block grants and housing choice vouchers. Last week, the Congressional Budget Office released a report on long term projections for new housing starts finding that the housing shortage will persist unless policymakers take decisive action. Yesterday introduced new legislation to significantly expand our nation's supply of affordable housing by bolstering the Low Income Housing Tax Credit. The affordable housing construction Act would more than triple states funding for affordable housing under the program, loosen financing requirements and extend the period during which housing must stay affordable with Congressman Panetta and Blumenauer have also introduced a \$15,000 first time homebuyers tax credit for lower income Americans refundable.

Advanceable and available for homebuyers at the time of purchase, to help make homeownership a reality for more families. And I thank Vice President Harris for her pledge of a \$25,000 similar credit. Other proposals to make housing more affordable include Senator Wyden has dash act. Senator Van Hollen, bipartisan family stability and opportunity vouchers Act, the Fair Housing Improvement Act led by Senators Kane and Sanders, the deposit act but led by Senators Luján and Padilla and Senator Padilla is housing for All Act.

We have a busy budget Committee on this subject. Vice President Harris also called for the construction of 3 million new housing units through historic expansion of the Low Income Housing Tax Credit. Today's witnesses will hopefully point the way towards creative solutions to our nation's housing shortage. One thing we know for certain is that inaction is not an option.

As I turned to our Ranking Member, Senator Grassley, let me welcome Senator Reid, who has joined us when it comes time for witness introductions, he will be helping with the introduction of our very dear friend, Speaker SCHUCHART CI. And I want to thank the Committee for allowing Jack to participate in that he'll be staying through the speaker's testimony understand, Chuck over to you.

Sen. Chuck Grassley (R-Iowa)

It's an issue that is central, for Iowans in all Americans, something they care about deeply. It's very central to what both Republicans and Democrats called the American dream. Over the past four years Americans saw how home prices and particularly rents skyrocket as inflation ran rampant, thanks to the policies of this administration. Thanks to Biden, inflation prices throughout the economy are up 20 percent since the start of the administration, even worse, housing prices have skyrocketed nearly 40% and are currently at an all time high according to Case Shiller home price index.

Inflation has thankfully eased over the past years largely due to action taken by the Fed. But that shouldn't be used as an excuse to once again, open up spending spigot risking further inflation. Unfortunately, that's exactly what some of the proposals out there do. And I refer particularly to Vice President Harris, touting the advocacy of a hundreds of billions of dollars and demand inducing housing subsidies.

Economists from across the political spectrum have noted how such policies would backfire by pushing up housing prices even further. We have Ed Pinto, who will who I've invited to testify, will tell us, he's going to quantify exactly how vice president Harris's policies will make housing less affordable. In addition to calling for more subsidies. The Vice President has also touted plans to implement a version of rent control, rent control policies have been disastrous at the state and local levels, and it would be a huge mistake to adopt them at the federal level.

And that's not just this Senator point of view. We have Jason Furman, who served in President Obama's chief act as Chief Economist and Harris's proposal saying, quote, rent control has been about as disgraced as any economic policy in the toolkit, the idea that we would be reviving and expanding it will ultimately make our housing supply problems worse, not better and too cold. Before we add new housing programs or expand existing ones, we should have a good look at how the ones we already have currently, there are more than 100 federal housing programs. The Congressional Budget Office estimates that the federal government will spend over \$750 billion over the next 10 years and housing assistance alone.

And that doesn't include billions in additional housing programs and federal loan subsidies for mortgages that are provided by government agencies, which would include at least the Department of Agriculture, defense, and Veterans Affairs. On top of that the tax code includes incentives for home ownership, and the construction of low income housing. And the Chairman has referred to my efforts in in that category. Instead of adding to the list of federal housing programs, Congress should focus on increasing the effectiveness of existing policies by eliminating duplication and complexity.

That's why at this committee's previous hearing, I invited Bill Slover to testify Mr. Slover provided a firsthand account of waste and inefficiency presently, in our housing programs. Moreover, he highlighted the lack of accountability in the State Housing Agencies. Mr. Slover's testimony was consistent with what I've discovered as part of my oversight work. For decades, I've conducted oversight of the Department of Housing and Urban Development, and local housing agencies.

And during that investigation, we were able to expose, ramp it away for fraud and abuse. Too often, government over pays for poorly executed policies, and the maze of housing programs create inefficiencies. And what I just said about my investigations applied to both Republican and Democrat administrations not properly supervising from the federal level, the oversight that they should have on these because I found that odd does very little, if any oversight of housing authorities, so they get away with lavish office spending on salaries, vehicles, parties and travel. Meanwhile, those less fortunate wait in line sometimes for years for actual housing assistance.

So we should be focusing on forcing us to do its job, but the majority isn't doing that. Well, I'd fritters away tons of taxpayers money. I also welcomed Jack Salmond, who will refocus the debate on this committee's fiscal policies with debts deficit and interest expenses.

I'm sure the administration is counting on the Fed's recent interest rate cut to lower housing costs. However, interest rates are but one of a host of factors driving housing costs. Moreover, lower interest rates may be fleeting, if we don't do our job to rein in unprecedented debt and deficits. Thank you.

Sen. Sheldon Whitehouse (D-R.I.)

Thanks very much. Speaker SCHUCHART and I came into politics together as young staffers for Governor Bruce Sunlen. A crucible experience that forged lasting friendships. So I'm personally thrilled to have him here today.

Senator Reid, the senior Senator in our delegation, I will introduce him but as he does, let me point out that Jack has a position on the Appropriations Subcommittee on transportation, housing and urban development. And he is also the senior Democrat on the Banking Committee, which has authority over housing and his work on housing has earned him I think every housing award that housing organizations give around here, some of them twice, so he knows where he speaks. And over to you, Senator Reid.

Sen. Jack Reed (D-R.I.)

Well, thank you very much. You're in White House and thank you very kind words. I'm proud to join you today to welcome and introduce the committee's first witness around Speaker of the House Joe scotchy. When I first met Joe with 30 years ago, he was a fresh faced lawyer at the very beginning of his career, but as intelligence and extreme confidence wherever even across the past three decades, Joe has become a respected member of Little Rock Island Bar, and a dedicated server to his hometown of Warwick Rhode Island.

In 2012. Joe was elected to the Ryan State House of Representatives, and in 2021. His colleagues selected him to be there speaker Joe's accomplishments as speaker are numerous passing tax cuts for small businesses and families, enacting an historic pay equity law and bringing 1000s of new jobs through it on but nowhere has worked been more impactful or important than his efforts on housing, and D when Joe became speaker, he quickly focused on the significant housing shortage that was making housing unaffordable in Rhode Island. He understood that for over a decade, we had been under building Enron In fact, we were last in the country.

With far too few homes available. The cost were far in excess of what the family or any family could afford. Joe tackled or islands crisis head on. And less than four years of speaker working collaboratively with state leaders and various stakeholders.

He has guided nearly 5050 housing bills into law. These includes our state's first ever dedicated annual funding stream for affordable housing, creating a new cabinet level position for a Secretary of Housing and new investments totaling hundreds of billion dollars in housing supply and assistance. Each of these successes on their own would have been one of the state's most important housing accomplishments in recent memory. Collectively, they are a giant leap toward ensuring everyone on a family can afford a safe, comfortable home.

I'm glad we have Joe leading the charge for grading housing affordability in Rhode Island. And I'm very glad that Chairman White House invited him to be here today to share his deep insights and experience on housing policy with us and our colleagues. And once again, thank you, Senator Whitehouse, not only for your kind invitation, but for your great leadership. Thank you.

Sen. Sheldon Whitehouse (D-R.I.)

Thanks very much, Senator Reid. Our second witness is Mr. Paul Williams, the founder and executive Director of the Center for Public enterprise, an organization focused on broadening public sector economic development capacity, particularly in housing. His organization provides technical assistance and guidance to state housing finance agencies across the country. Welcome, Mr. Williams.

And our next witness will be introduced by our esteemed colleague from Virginia Senator Tim Kaine, whose timing is near perfect. Senator Kaine.

Sen. Tim Kaine (D-Va.)

Thank you, Mr. Chair, Ranking Member Grassley and thanks to all the witnesses for being here. I am very honored to introduce a longtime friend and neighbor and admirable Richmond are in Virginia and Greta Harris. Greta is the president and CEO of the better Housing Coalition. And she's the pride of Danville, Virginia.

And then after getting a degree in architecture at Virginia Tech, and then graduate studies in architecture and urban planning at Columbia, has become a passionate and successful advocate for affordable housing for a very long time. She served as vice president, an organization called the Local Initiative Support Corporation, which is a national nonprofit that works in community and economic development. She led many where she led local offices in both Southern and Midwestern regions. And then she began her tenure as the CEO and President of the better Housing Coalition in 2013.

Greg, his impact on the bhcc and affordable housing in the Richmond region has been absolutely remarkable and her leadership has positioned the bhcc to realize the same success in five years, as it had over the previous 30 years combined. Bhd is the largest nonprofit provide a nonprofit development corporation in Richmond, and they create high quality homes for low and moderate income residents empowering them to reach their fullest potential. Many of these homes are created in neighborhoods that I used to represent back in my time as a city council person, and I've seen firsthand the tangible impact that Greta has had. The organization's portfolio includes an array of Multifamily Rental Communities rental units, single family homes, IT services support 1100 residents a year.

And I'm proud to have secured funding for two of hpcs upcoming affordable multifamily projects through the congressionally directed spending process. I acknowledge the head of the Appropriations Committee as I comment upon that that's been really great work. For over two decades, Greta has been a true champion of affordable and accessible housing. She has won every award that anybody in Richmond gives.

She is on numerous boards and has been a true success. So I'm super happy that credit is able to be here today. And with that, Mr. Chair, I yield back.

Sen. Sheldon Whitehouse (D-R.I.)

Thank you very much, Senator Kaine. I'll now turn to my distinguished Ranking Member to introduce his witnesses, Mr.

Sen. Chuck Grassley (R-Iowa)

Ed pintle, the senior fellow and co Director of the Housing Center at the American Enterprise Institute, a focus of his work continues to be the role of federal housing policy and how it continues to create unwelcome distortions in the housing market. More recently, his research is focused on using light touch density to increase the supply of natural, naturally affordable and inclusionary housing. Before joining AI Mr. Pinto was the Executive Vice President and Chief Credit Officer for Fannie Mae until the late 1980s. Our final witness Mr. Jack Salmond, Director of Public Policy, the philanthropy roundtable.

His work focuses on research, commentary and analysis of issues facing charitable sector and philanthropic freedom. Prior to joining the roundtable, Mr. Sammon served as program manager and researcher at the Merck mercker Mercatus. Center at George Mason University, where he oversaw policy relating to budgets, taxation institution, and economic policy. We welcome both of you.

Sen. Sheldon Whitehouse (D-R.I.)

And with that, Mr. Speaker, you're recognized for five minutes and your full statement will be made a part of the Committee record.

Joseph Shekarchi

Good morning, and thank you Senate Budget Committee Chair, Senator Whitehouse, for inviting me to speak before you today. And thank you, Senator Reed for the kind introduction. Thank you also to Ranking Member Senator Grassley, as well as all the distinguished Senate Budget Committee members. I appreciate all of you taking the time to consider this critical issue.

Housing. My name is Joseph Shekarchi, and I'm the Speaker of the Brian House of Representatives. And I'm passionate about housing. Serving the legislature of a small state is very hands on, you become deeply aware of the wide variety of complex problems that your constituents face, you eventually realize that many of the solutions to these problems are tightly interwoven and interconnected.

During my time in the legislature, I've recognized a fundamental truth. Housing is the core issue. In fact, the housing crisis complicates almost all of the challenges facing our communities. If we don't solve the housing crisis, how can we improve our educational outcomes or shore up the job market?

How can we ensure a proper health care workforce, grow our economy or lift our families out of poverty? Very simply, we can do all the policy programming we want. But if a child doesn't have a safe place to sleep at night, what does it all mean? When I became speaker in 2021, I pledged to make housing my top priority.

Let me quickly paint the Rhode Island housing picture for you. Rhode Island is the smallest state in the nation, but we are very densely populated. With just over 1 million residents living in about 1500 square miles of land. We have some of the oldest housing stock in the country.

And for too many years, Rhode Island has ranked dead last in the nation for new housing stocks. The price of a single family home in Rhode Island has nearly doubled in five years. In 2019, the median home price in Rhode Island it was about \$250,000.

This year, the median price is 494,000. These factors have created a perfect storm, bringing us to where we are now in the midst of a severe housing shortage. It took many years to get where we are and I'm acutely aware of the scale and duration of effort required to get to a remedy. Rhode Island is not standing still.

I'm passionate about housing. And I've made it my top legislative priority. Over the last four years. Working with my colleagues in state government, we've passed almost 50 new housing laws.

As a foundation to our legislative work we've created two year round study Commission's comprised of legislators, housing advocates, planners, builders and other stakeholders that were work of these Commission's have shaped much of our legislation, while listening to the experts following the data and making real sustained progress. I'm incredibly proud that each of the four comprehensive packages of housing legislation that we've passed in Rhode Island have enjoyed strong bipartisan support. In terms of a legislative housing policy. My mantra has been production, production and more production.

The legislation we've passed has focused on reducing barriers to development, eliminating red tape and redundancy. With the goal of increasing housing production, we have created the first ever permanent revenue stream for housing, development of affordable housing. We've created and committed funding to a new cabinet level position of Secretary of Housing, as well as a new Department of Housing. to coordinate our focus in our efforts, we created a dedicated court calendar for housing appeals, developers complained that many communities were using the appeals process as a stalling mechanism.

For developers Time is money. cases were being delayed indefinitely. Sometimes for years. reducing the backlog of pending appeals has already had a significant impact.

We're not changing the rules for development. We're making the process clearer, more consistent and more streamlined. We've also looking to a new and innovative solutions. We passed legislation making it easier for homeowners to develop accessory dwelling units or ad use, also known as inlaw.

Apartments ad use are a great option for seniors wishing to age in place for recent graduates looking for cost effective housing and for the disabled to live independently, but in proximity to family members. Add us offer gentle density by adding housing units to existing blueprints without changing the character of a neighborhood where Rhode Island legislation allows ad use by right when meeting certain requirements, eliminating zoning approval, and saving additional cost. I'm incredibly proud of this legislation, which was a top priority of AARP nationally. Like at US manufactured housing is also another option with less a lead time and lower cost.

Rhode Island passed legislation to expand land available for siting of manufactured homes. I'm also intrigued and curious about the Montgomery County Maryland model for public housing. We've invited Maryland officials to present before our Commission's and we're working to determine how that model could work here. Additionally, we have proposed \$10 million for a pilot program, where Rhode Island has enacted first time homebuyer program which has funded using state fiscal recovery funds and including assistance for downpayment.

It has been a huge success resulting in participation of 16 172 homebuyers in Rhode Island, 46% of whom are minorities, and 47% are home female headed households. housing issues are not unique to Rhode Island. At a recent National Governors meeting every single state listed housing as a top issue. And HUD estimates that the national shortage of housing units is more than 6 million homes.

There are many misunderstandings about what affordable housing is and what it looks like housing is considered affordable when it comes costs no more than 30% of an individual's family gross income. when housing prices soar people at the lower end of the economic spectrum are disproportionately impacted. The reality today is that working families are priced out of the housing market, not just for homeownership, but also for renting. In Rhode Island, a household earning state's median income of \$74,000 would not be able to buy an affordable House in any of our cities and towns.

These families include our teachers, nurses, firefighters, health care aides. These workers are the backbone of our community, and they should be able to afford to live in the communities they serve. I respectfully request that Congress provide states with greater funding mechanisms and grant opportunities to develop more housing to foster public private partnerships. I would like to see further expansion of financial assistance for renters like rental vouchers, as well as a downpayment support for first time homebuyers.

Senator Whitehouse is proposed legislation. The affordable housing construction act of 2024 would leverage federal tax credits to encourage investment in housing. Rhode Island's small size makes us the ideal partner for the federal government on housing issues. We are a nimble state.

We have shown that we can quickly move on housing legislation. I come before you because we are ready in Rhode Island to act on this offer. We could become an incubator to pilot innovative creative housing programs with the federal government. As long as I'm in the office of Speaker of the House, I pledge that affordable housing will continue to be a core mission for me.

I will bring my unshakable passion for the development of a modern policy that ensures every Rhode Island has reliable access and a safe place to live. I sincerely Thank you for your time and consideration. And I'd be happy to take any questions. Thank you.

Sen. Sheldon Whitehouse (D-R.I.)

Thank you, Mr. Speaker for your many successes and for being here today. Mr. Williams.

Paul Williams

Thank you Chairman Whitehouse, Ranking Member Grassley and members of the Committee. As you know, housing affordability is critical for American families. housing expenses are far and away the largest single item in most American households budgets, taken up 20% 30% or as high as 50% or more in severe cases of a family's household income. Ensuring that housing costs remain stable and affordable, helps those families by giving them more flexibility to invest in other necessities, and also to save for the future.

But housing affordability doesn't just help families. It also helps businesses thrive in the economy. When families have more income to spare, they can support more small businesses in their communities. And when more families can afford to live in our neighborhood, businesses have an easier time growing.

To promote housing affordability across the country. consensus among policymakers, economists, developers and advocates is clear, we need more housing supply. Bringing new housing supply online requires addressing zoning and land use issues, streamlining, permitting, and easing financing constraints. My message to the Committee is that the federal government should help bring more stability to the housing investment cycle.

Today, a lack of liquidity in the construction financing market has led to hundreds of 1000s of would be homes sitting on the shelf unbuilt. Let me begin by sharing with you a key statistic from the census construction survey. From 2000 to 2020. There was an annual average of about 50,000 multifamily homes that were authorized or permitted, but never started construction.

As you can see in the chart to my right. Over the past several years, that figure has dramatically increased, reaching a peak of 165,000 in early 2023, about three times more than the prior two decade average. Today, that figure still sits at about 131,000 more than double the prior average. In other words, there are hundreds of 1000s of homes that have received their permits to build, but they haven't started building what's going on here.

Construction financing. My Organization Center for Public enterprise works closely with public agencies across the country, including many of our state housing finance agencies. This summer, we described this issue in a report which I've included as an addendum with my testimony, and provided several strategies for addressing it, including by enabling federal

instrumentalities to provide counter cyclical support to construction financing. That is a tool that can be active in difficult financing environments, and scale back when financing becomes more forthcoming in the market.

A key issue in the way of more housing supply in addition to zoning and permitting issues is a lack of liquidity in housing construction finance. To give appointed local example, in Massachusetts today, there are more than 400,000. There are more than 40,000 multifamily homes that have been permitted or authorized but are stalled due to financing constraints. The permits are in place, the housing demand is there, rental vacancy rates are below 4%.

But the financing challenge remains. At some points in the business cycle when loan to cost ratios are higher. And products like mezzanine financing are more readily available, this issue is not so predominant. But at other points in the business cycle counter cyclical tools are crucial to ensuring that these viable projects can move through the pipeline, create good jobs, and create high quality homes for American families.

One of the difficulties that a cyclical Investment Cycle creates for housing affordability is a difficult trap that hampers our ability to provide supply that matches demand over the long run. For many commodities like eggs or n95 masks, a spike in consumer demand leads to producers making quick investments in new supply that can become available in a matter of weeks or months. multifamily housing on the other hand, takes not months, but years to come online. From the time a housing demand spike begins to the time keys are in families hands often two or three years may have passed and economic power lines.

The supply response of housing particularly multifamily housing is significantly lagged relative to the demand events. This dynamic magnifies the already existing boom and bust shape of a business cycle. If we're going to create the level of housing supply needed in the market to meet housing demand, we will need support have tools that can provide some smoothing to this investment cycle by providing construction financing liquidity throughout that cycle. There are many ways to structure this support.

In fact, many of our nation's housing finance agencies have begun to implement small but scalable local solutions to this problem. Montgomery county Maryland's housing opportunities commission has a tool called the housing production fund. Massachusetts recently created a tool called the momentum fund, and municipalities in Georgia in Georgia and Tennessee, in partnership with our organization have recently created local investment vehicles to provide similar support for multifamily development. To build on this local innovation across the country, policymakers could look to federal agencies that can support smoothing the housing investment cycle.

The GSEs have a history of exploring construction financing tools, and could be authorized to create a new product that supports this type of financing in times of low liquidity, but pulls back in times when financing is more readily available. And Congress could explore options for supporting construction financing, such as through those GSEs. And with support, such as through a letter to the Federal Housing Finance Agency on this topic, the success of these innovative local models is clear. Imagine the booming construction that could occur if such a tool were available nationwide.

Such a tool could create stability, not just for housing investment, but also for many things that depend on housing investment, good construction, jobs, healthy housing supply, housing affordability for American families, and a stronger economy for everyone. Thank you for your time and your consideration. I'm more than happy to follow up in greater detail with you and your staff. Should you be interested in exploring these topics further, and I'm happy to answer any questions.

Sen. Sheldon Whitehouse (D-R.I.)

Thank you very much. Miss Harris, welcome. The floor is yours. Mr.

Greta Harris

Chairman, Ranking Member Grassley, members of the Committee and other distinguished guests, thank you for the opportunity to address an issue that touches the core of our economy and the well being of millions of Americans affordable housing. My name is Greta J. Harris and I lead the better Housing Coalition, a NeighborWorks chartered organization, and central Virginia's largest affordable housing developer. We are honored to provide service to enriched quality rental housing for nearly 3000 lower income individuals and seniors, while offering opportunities for homeownership.

Over the last three and a half decades, we've invested \$300 million into our community with another \$300 million in our pipeline, ensuring that more of our neighbors have a good place to call home. America stands at a critical juncture. The lack of affordable housing is not just a challenge for lower income families. It's a systemic issue affecting nearly every facet of our society and economy.

And the consequences of inaction ripple far beyond the housing market, as housing costs outpace wages, today, more than 10 million Americans spend over half of their income on housing, leaving little for essentials like food, health care and education. This suppresses consumer demand and hampers economic growth. Businesses in both urban and rural areas struggled to attract and retain talent because workers can't afford to live nearby, thereby stifling business expansion, innovation and productivity. The societal cost of unstable housing are also severe.

Studies show that housing instability is linked to worse health outcomes, increase mental health issues, and lower learning achievement for children. Families forced to move frequently disrupt their children's education, which has long term consequences for the development and future economic mobility success. Moreover, the brunt of the crisis falls hardest on vulnerable populations, communities of color, single parents, veterans and the elderly. For communities of color.

This crisis deepens the racial wealth gap, perpetuating cycles of poverty, and homelessness. A growing manifestation of the housing crisis comes at a steep social and economic cost. A study in from 2019 found that homelessness costs taxpayers upwards of \$35,000 per person per year, while providing permanent supportive, affordable housing costs significantly less as a more humane solution. Affordable housing is also tied to environmental challenges.

Housing shortages often push modest income families to the outskirts of cities, leading to Urban sprawl, increased traffic and higher greenhouse gas emissions. Addressing this crisis is not only an economic imperative, but also an environmental one. The core truth is that affordable housing is a public good. It strengthens communities supports families and powers our economy by contributing 16% to the US GDP.

When we invest in affordable housing, we create jobs, spur local economies and provide families with the stability they need to thrive. At the better Housing Coalition we've seen lives transform. When families gain access to stable quality, affordable homes, households can begin to breathe, and then believe that their future can be better than their present. Individuals further their education, secure better jobs, and even sometimes transition to homeownership, creating a cycle of positive economic and social outcomes.

The longer we wait to address this housing crisis, the more costly it will become. The question is not whether we can afford to act, but whether we can afford not to. We need a scalable, multi pronged approach to this crisis, including investing in low income housing tax credits, homeownership tax credits, community development, financial institutions, expanding federal housing vouchers, funding housing trust funds, and strengthening intermediaries like NeighborWorks America, Housing Partnership network and Liske. That build nonprofit capacity to serve lower income households across the country.

We must also support local zoning reforms to remove barriers to building affordable homes and reduce NIMBY not in my backyard opposition. We have many of the tools to address this housing crisis. But we need the political will to use them. As you deliver deliberate on future federal budgets.

I really urge you to prioritize affordable housing, not just because it's the right thing to do, but because our economy and our society depend on it. Thank you very much.

Sen. Sheldon Whitehouse (D-R.I.)

Thank you very much. Where eyes are failing me, Mr. Pinto? Yes, over to you. Thanks.

Thank

Ed Pinto

You. Chairman Whitehouse, Ranking Member Grassley and Committee members, thank you for the opportunity to testify on this most important topic. First of all, allow me to thank Senator Kaine, along with Senator Warner and Senator Van Hollen, for your support of the low income first time homebuyers act lift home. Lift home was a concept developed in nine in 2015.

And it uses 20 year loans to build wealth rather than relying on 30 year loans which would only increase demand. So history offers a cautionary tale against inappropriate federal action in the housing market. From the 1930s to 2008, Congress passed and President signed into law at least 43 urban renewal housing and community development programs. Despite each programs lofty promises, these initiatives consistently failed in making housing more affordable and a number were downright disasters.

The root cause for housing affordability is a shortage of three to 8 million housing units, which is fueling both unaffordability and a homeless crisis in many areas. Nationally, we have had a seller's housing market since 2012. And we remain in a strong seller's market today, especially at the low price end. Sellers markets provide upward price pressure, which worsens if demand is further stimulated.

So I'll start with what not to do. Vice President Harris's plan to provide \$25,000 In downpayment assistance to 4,000,001st time buyers over four years is almost certain to lead to higher home prices, thereby more than eliminating the intended benefits. Millions of program recipients would become price setters in their neighborhood, for all the buyers in those neighborhoods, other first time buyers and repeat buyers. Our research shows that home prices in those neighbors that are affected would rise by 3.6 percentage points, that 77% of all home purchases made in the United States would be subject to this homebuyer tax.

And this tax would total \$175 billion over four years, more than the 100 billion dollar cost of the program. This would be a wealth transfer to existing homeowners and really rewarding NIMBY opposition to edit supply. Her vice president Harris's proposal calls for the construction of 3 million new housing units over four years. History shows that this approach can lead to significant market distortions that Housing and Urban Development act of 1968 provided easy credit terms and substantial subsidies resulting in a two and a half million unit surge in housing starts by 1973.

Only this boom dissipated by 1975 and left lasting scars on cities like Detroit, Chicago and Cleveland still trying to recover from. Similarly, the 1992 congressional GSC affordable housing goals, combined with President Clinton's national homeownership strategy led to an easing of credit in the run up to the great financial crisis. Housing starts increased by 3.7 million from 1992 to 2006, but then collapsed by 2009. Leaving behind millions of foreclosures, we still have a persistent housing supply shortage dating to that crisis.

Without massive credit easing. The Harris proposal would incent would only incent new construction that would have been built mostly in any event, and any incremental construction would be unevenly distributed causing even more supply demand imbalances. Most housing today gets built in the southern region of the United States, which includes the South and Southwest, and it accounts for about 60% of all new construction. That's where a lot of this new construction would go because it's roughly shovel ready.

Harris's \$40 billion fund for local governments to explore innovative housing solutions will also funnel money into projects burdened by self defeating government mandated affordability requirements which God loves, but markets bore the fundamental problem holding back housing construction has been mentioned here is not insufficient subsidies, but structural issues, restrictive zoning land use rules and building codes. This makes buildable land scarce and expensive and increases construction costs. We need to increase that market rate housing supply, the federal government has several levers that could use first a 10 year plan to auction surplus federal lands for new market rate home construction could add 200,000 homes per year. However, for this to be effective, the rules need to follow the keep it short and simple or kiss rule.

And it also could generate about \$10 billion in revenue yeah annually to the federal coffers. Eliminating the mortgage interest deduction for second homes would add to supply by turning second homes into primary residences and reduce demand freeing up the 700,000 homes over 10 years. reducing regulatory costs that hold back builders is also crucial. Adopting a credible plan to reduce deficit spending could lower the 10 year treasury and mortgage rates by 75 to 100 basis points.

Lastly, establishing accountability and expenditures for federal housing subsidy dollars as Ranking Member Grassley said is critically important in 1953. The NA HB homebuilders said public housing is not low cost housing. It's high cost housing offered for low rent. We currently have a revolving door of projects that go through subsidy rehabbing tearing down and rebuilding these measures in combination with state local efforts to read to deregulate land use and zoning can more effectively address housing affordability all at no taxpayer cost and without unintended consequences.

Thank you and I look forward to the discussion of the hearing.

Sen. Sheldon Whitehouse (D-R.I.)

Thanks very much, Mr. Pinto, Mr. Solomon.

Jack Salmon

Chairman Whitehouse, Ranking Member Grassley, and distinguished members of the Committee, thank you for the opportunity to testify before you today. My name is Jack salmon, and I'm the Director of Policy Research at the philanthropy roundtable of the roundtable is a mission driven organization which believes that a strong private sector supported by free enterprise system is the bedrock for the creation of private wealth that makes philanthropy possible. In my remarks today, I'll talk about the bigger picture considering our nation's fiscal condition and why worsening this condition for yet more spending would be harmful to the long term well being of all Americans. I will also highlight the fact that the often overlooked charitable sector is rising to the challenge of addressing homelessness and housing affordability.

Proposals from the Harris campaign include plans such as a \$25,000 downpayment for first time homebuyers, which would add \$224 billion in new deficit spending. Attempts to address housing affordability by further subsidizing demand will be counterproductive and make housing affordability worse. But more than this, such policies ignore the broader economic challenges we face particularly the nation's deteriorating fiscal situation. The nation's fiscal situation has never been worse.

Debt held by the public is now more than \$28 trillion, while total public debt outstanding is over 35 trillion. If economic growth is slower or interest rates are higher than baseline models currently forecast, then public debt could reach 217% of GDP in the coming 30 years. As our debt burden has continued to grow unabated, rising interest rates have spiked the cost of servicing this debt. This means the policymakers have less fiscal space to commit spending towards their policy priorities.

More than public spending crowd out a higher public debt burden diminishes the economic growth potential of our broader economy. This should be especially concerning for those who care most about Americans at the lower end of the income distribution. Low rates of Economic Growth mean less revenue potential for governments to support those who need it most. But it also means less job creation, low wage growth and diminished living standards.

Another way in which our spiraling debt burden diminishes living standards is through inducing spikes in inflation. In recent years, we've experienced the largest spike in inflation in four decades. Prices today are 20% higher than they were at the start of 2021. While the cost of shelter is 23%, higher.

An academic article published last year found that the American rescue plan fiscal stimulus was primarily responsible for the spike in inflation we've written witnessed in recent years, the office noted that due to unfunded spending, it may take until 2025 for inflation to retrench back to 2% target. As economist at the Federal Reserve Bank of Dallas pointed out in research published last year, high inflation disproportionately hurts low income households the most proposals by policymakers to further induced demand will only worsen the cost of living crisis and American families are already dealing with, but it's not all doom and gloom. While most people know someone who has been impacted by either the homeless crisis or who've struggled to find affordable housing charities around the country have been doing inspiring work, alleviating homelessness by addressing the underlying causes, such as mental health, unemployment and addiction recovery. Take for example, Texas based organization, Mobile Loaves and Fishes, which help which helps the homeless by providing meals, housing and income opportunities to help those in crisis get back on their feet.

Residents in the community first village have an opportunity to earn income via different onsite programs instead of getting stuck in the never ending cycle of poverty and homelessness. Another example is step Denver, a Colorado based organization that works men through a steps for Success Program, which helps them end the cycle of addiction and become productive members of society. The program appears to be working 82% of alumni are currently employed, and 89% live in stable housing. The program has done so well that they have plans to expand to Colorado Springs, Phoenix, Albuquerque and other cities in the future.

Finding a solution isn't simply about providing affordable housing, it's about adequately addressing what created the problem in the first place. Private philanthropy is already rising to the challenge of alleviating homelessness and affordable housing crises. But their work is undermined when government pursues anti growth policies. Rather than subsidizing demand for increased government spending and redistribution, policymakers should focus on policies that induce economic growth, not more government debt.

Thank you. I look forward to answering any questions you may have.

Sen. Sheldon Whitehouse (D-R.I.)

Very well, as I have said before, I think there's a strategy for dealing with the spiraling government debt number one is avoiding shocks to the economy, a third of the debt is from shocks to the economy. So avoiding the carbon bubble, avoiding property values crash from climate risk cascading into insurance markets in the mortgage markets would be job one, reforming health care so that we're no longer the most expensive healthcare system per capita, while providing mediocre life

expectancy results would be another tax code reform. So we're not sluicing so much money out the backdoor of the tax code to the already rich and powerful, and budget Committee reforms. So we're focusing on that.

So let me just make that clear. I'm also going to give up my time to Chairman Murray of the Appropriations Committee who has important business elsewhere, and I'll swap with her. So the order will be Marie Grassley, White House and then on swap with Johnson. He's gotta go.

All right, Marie Johnson. White House Grassley, we got it.

Sen. Patty Murray (D-Wash.)

Thank you. Thank you so much for your comment. datian. The housing crisis is hitting everyone.

I'm from Washington State, I hear about it all the time. We've got a long way to go a lot of people to help help. But to me, the bottom line is more affordable housing. In Washington State, we face a shortage of almost 172,000 affordable homes, meaning that every for every 10 extremely low income Washington State families, there's only three affordable homes.

So I really believe this is an all hands on deck crisis that requires every level of government to step up and do their part. On the Senate Appropriations Committee. I was really proud to help create the pathways to removing obstacles to housing program, or the yes in my backyard program, as we originally referred to it, to help identify and remove barriers to producing and preserving affordable housing. And we were able to provide \$100 million for that program in fiscal year 24.

Even under the very difficult Fiscal Responsibility Act caps. That is in addition to other important investments the federal government is making to boost supply the HOME program, low income housing tax credit, but clearly the current levels of investment are not sufficient and not moving quickly enough to meet really the urgency of this crisis. So Mr. Williams, let me start with you. What have been some of the most effective federal interventions to address our housing shortage

Paul Williams

Thank you, Senator, I think are, the best way to measure our most effective programs is by looking at the number of units of supply that they've brought online. And so I think in recent decades, the Low Income Housing Tax Credit Program is responsible for the most production of new supply of affordable housing. But in in the very recent past, I'm also very optimistic about the pathways to removing obstacles program, as it's kind of addressing the issue from a different angle, which is encouraging municipalities to remove some of the zoning and permitting obstacles that prevent new housing supply affordable and market rate housing from from being able to come online. I understand that I believe Seattle in your state was received a pathway to removing obstacles aboard and so I'm optimistic that that will result in some changes in your state as well.

Sen. Patty Murray (D-Wash.)

Very good. Thank you very much. And Miss Harris, I'm curious, what have you seen in building additional housing over the last decade? You've seen a lot how could the federal government better support the kind of work that the better Housing Coalition is doing?

Greta Harris

Well, Mr. Williams, thank you, Senator and Mr. Williams, is correct. The Low Income Housing Tax Credit Program has been extremely effective in allowing us to produce more housing units and also preserve existing affordable housing units. You know, the cost of a unit of housing, whether it's market rate or affordable is almost identical. And the only way that we are able to offer rents at 5060 70% off of market rate rents is the capital stack that we use, by holding our debt down to about 30% of the overall development costs versus a market rate development that is somewhere between 70 and 90%.

The Low Income Housing Tax Credit equity allows us to do that. And then there's usually 15 to 20% left of gap financing that is needed. And we've used creative things like Capital Magnet funds from the CDFI Fund, ARPA dollars, in some cases, CDBG and philanthropy to be able to fill those holes and deliver quality housing options for families. The one thing I would say while we're cobbling together, sometimes 12 1314 sources of financing, that adds another 12 to 24 months to the delivery time.

And and the demand is so high. Every time we open up a new community, we have four or five times the amount of applications that we have units to help families find quality housing.

Sen. Patty Murray (D-Wash.)

Thank you very much, Mr. Speaker. It's an honor to have you here. Thank you so much for joining us. I'm curious to ask you because we have heard Donald Trump's project 2025 agenda proposes leaving heads responsibilities to states and localities without any federal funding, funding or oversight, and proposes selling off the nation's public housing stock, which is a critical piece of our country's affordable housing priorities.

Here in Congress, we also saw the House Republicans put forward a 2025 budget that would slash HUD funding. So as you're watching all this from your seat, can you talk a little bit about those kinds of proposals would affect your state's housing efforts?

Joseph Shekarchi

Thank you, Senator. It would have a disastrous effect not only on Rhode Island, but the rest of the country. Look there. There are clearly some things that could we can all agree on, which was we need some local zoning reform.

But to privatize the public housing sector, would exasperate an already existing crisis, we have an A shortage. Where are the people who were living in these homes going to go? How are they going to afford to rent them or buy them? It is a very short sighted solution to a very complex problem.

We need both we need federal subsidies. And we need land use reform on a local level. And we need the federal government to step in because the states and the local communities cannot do it alone, Senator. So it's a combination of an effort that would work and you'll see sustainable progress and affordable housing.

Clearly the biggest solution how we get there, we can differ but as to create more housing, we need more housing at every single level, the market level of housing, the workforce housing, the low income housing, and even homelessness needs more shelters, so you can take your pick as to which one you want to fund or to what degree but all of them need attention from the federal government, and they need to use local reforms to make it See the private sector will step up and private sector is ready, willing and able to build in Rhode Island, and probably throughout all 50 states. This is not a red state issue or a blue state issue. This is an every state issue. And we the private sector will do its part, but we need the federal government as well.

We need both to partner, if you will.

Sen. Patty Murray (D-Wash.)

Thank you very much. I've heard the same from my governor and local officials. So I really appreciate that.

Sen. Chuck Grassley (R-Iowa)

Could I have a 30 seconds of personal privilege? I want to correct that 2025 is not a Trump program. It's a Heritage Foundation program. And they've been doing it every for every new president since 1980.

Sen. Ron Johnson (R-Wis.)

Thank you, Mr. Chairman. Mr. Ranking Member,

Sen. Sheldon Whitehouse (D-R.I.)

Senator Johnson.

Sen. Ron Johnson (R-Wis.)

First of all, Mr. Pinto, thank you for pointing out the insanity of throwing more federal dollars that we don't have print dollars, and how at the housing situation, you only drive up prices, making housing even more unaffordable. So thanks for that. One of the things you point out and one of the reasons housing is so unaffordable is just the the lack of permitting and the you know, that that friction created, but also the fact that we're running a \$35 trillion deficit \$1, we held at the start of the Biden ministration is now only worth 83 cents, that also has driven up the cost of housing, I don't know if you have ever done a calculation in terms of how much is attributed to the actual inflation over the last three and a half years versus the inability to permit these housing units.

Ed Pinto

Thank you, Senator Johnson. So we did look at that. And and we looked at the total increase in housing, I don't have the numbers in front of me. But it was substantial, 30 plus percent, over a number of years, and it started rate during the latter part of 2020.

And extended, it continues, actually, House prices are continuing to go up about five and a half percent year over year and a constant quality, they're not going down. They're actually going up continues to go up. And most of that increase, we can attribute to actions from the deficit spending that occurred later in response to COVID 19. And secondly, to the actions of the Fed keeping interest rates below 3% for so long, that really lit a fire under the housing market.

So

Sen. Ron Johnson (R-Wis.)

Certainly a solution is not more deficit spending that would exacerbate the problem. Mr. Sammon, I really appreciate the fact that you pointed to different way different programs that actually help people buy a House or afford a House, we got a great program in Milwaukee called the X program, you this this is run by a Catholic priest, they're able to buy homes in foreclosure very low value for 15 to \$30,000 loans to the individual owner fixes up that home and they've cut their rental payments, like maybe \$800 a month to a mortgage payment of three or 400 hours a month it works. Another program I've got to tell it is something I've been involved with it for eight years, called the Joseph project of four days of three hours a day training for people with formerly incarcerated alcohol, drug abusers that won't turn their lives around. We just instill in them the necessity of convenience, how success and having an attitude, teach them how to interview, and we get them career type of jobs.

In manufacturing, we have service well over three, we have transformed the lives of well over 3000 people. And I use that figure I don't have the exact figure but it's well over 3000 people to compare it to what Miss Harris talks about in her testimony, she said they've served 3000 low income individuals and seniors at a cost of \$300 million. I don't know the exact amount, but the Joseph project is off, you know, privately funded, I would say over eight years pay less than \$2 million, but we'll just put it at 3 million. Okay.

That's \$1,000 per individual saved. Again, I think it's way under that because we've transformed more than 3000 lives. And I think we spent way less than 3 million compared to \$100,000. In a government program.

Again, government programs again, a lot of the solution, there's no more federal more federal funding, well, we don't have the money. It's just more deficit spending that's gonna just drive inflation excuse can continue to decrease the value of the dollar. Do you want to kind of speak to the difference of approach and how much more effective helping people get a job is so they can provide for themselves, reduce the permitting friction and stop spending money we don't have.

Jack Salmon

Short thank you for the question. And I I'd like to hear more about those examples you mentioned because I'm interested in in uplifting these sorts of stories. We don't hear enough about these types of stories around the country. But you're absolutely correct.

The the approach is very different from government, government government often takes a top down approach to these sorts of issues. And so it doesn't really, it's not as effective at tackling the underlying issues when it comes to issues like homelessness, as you mentioned, these things are often driven by by different types of of issues, whether whether it's detachment from the labor market, you know, that they can't find a stable job, or they have addiction problems or, or mental health issues. And so philanthropy is better at specifically targeting these issues and helping these people get back on their feet, get stable jobs, to live independently, to have that self responsibility, and that pride and that dignity. And I think philanthropy is doing a much better job at this in examples all over the country.

I mentioned a couple of my opening, but we have so many of the roundtable.

Sen. Ron Johnson (R-Wis.)

So yeah, you know, contact us, I'd love to tell you about both those programs, I do want to point out that the low income housing subsidy has actually impaired the X program, because those individuals, those tax credits are buying up those

foreclosed homes. They're putting hundreds of 1000s dollars into them. And so now it's no longer available for low income individuals. They're taking those homes out of that program.

And, you know, again, providing housing to people who can afford the housing and taking away from people who can't. It's again, unintended consequence, but it's a real consequence of again, another federal government program that we can't afford. Thank you, Mr. Chairman. Thank you, Mr. Senator Grassley.

Sen. Sheldon Whitehouse (D-R.I.)

Thanks very much, Senator Johnson. Speaker McCarthy, he, no one has done more to focus on the Rhode Island housing crisis than you have among all the different measures that you've pushed forward. What do you see as your favorite success stories that we should know about in this Committee?

Joseph Shekarchi

I think the we've done a tremendous amount of area that we're seeing an increase in building permits with land use reforms, making it easier for developers streamlining the process, we haven't substituted state control. For local control, all the decisions on any land use projects are still being made locally. But we made the process easier. We cut down the hearing in the permitting set of three hearings, there's two instead of two hearings, they won, we've created a land use calendar in the Superior Court or Island, which if there's a dispute between neighbors or a community or a competitor, it gets an expedited review through the court system.

So those have been very successful. In addition to that we have made substantial reforms, the adu legislation, a lot of the bills that we passed, we have delayed implementation. So they started for the most part, the bulk of them in January 1 of 2024. So it's hard to quantify the exact successes.

But overall, you're seeing an increase of building permits, you're seeing an opportunity where we have a revenue stream, and we have a Department of Housing focusing on it. We have the single largest bond in the history of Rhode Island before the voters in November, which I'll predict now, I don't want to predict elections, but we'll pass overwhelmingly \$120 million, of which \$10 million. There is a home ownership component in there, which we I talked about in my testimony earlier, Senator, which has been a huge success in Rhode Island. It allows the middle class, the lower middle class that workers that we talked about to obtain ownership and start to create generational wealth.

In addition to that we have studying and looking at the Montgomery County, Maryland, and there's an allocation in our bond to start a public housing developer, as I said earlier, to Senator Murray, that there's enough of a problem here that we could attack it many different ways from land use reform, from regulatory approvals, creating more planners in the in the system, the housing situation, the crisis that we've developed in Rhode Island is 30 years in the making. And we can look at this from a lot of different ways that attack it. But certainly, the efforts that you have proposed in your act, the low income tax credits, the tax credits for homeownership are all a vital and important tool, and they'll be successful. It has been proven time and again, it is it is the way to go.

You

Sen. Sheldon Whitehouse (D-R.I.)

Mentioned homeownership as the gateway to future wealth, intergenerational wealth. And I'd like to ask you, and Mr. Williams and Miss Harris, just to quickly, in a two minutes expand on how first time home ownership changes a family's economic trajectory.

Joseph Shekarchi

It's, I'll stop briefly and turn it over to them but it is it's it gives people a sense of community gives them a sense of pride that building equity in their home that putting roots down, they're more committed to the community and they can stop planning the rays of family that selecting homes in areas that that have good school systems, that we're creating an opportunity for the American Dream Reem for the people of our island or people across this country that have the opportunity to have a sense of community, they become more productive. They live in they work in their communities, and it creates an opportunity for them to start affording with the tax write offs, interest income, the opportunities to build wealth, so they can support college education and a good lifestyle for their family.

Sen. Sheldon Whitehouse (D-R.I.)

Mr. Williams, you agree on that trajectory shift?

Ed Pinto

I do. I

Paul Williams

Also think Miss Harris is more poised

Sen. Sheldon Whitehouse (D-R.I.)

To speak to this turn because you miss Harris, because you live this every day in Virginia.

Greta Harris

I do. Thank you, Senator. And, you know, in America, most wealth creation is through equity appreciation and through homeownership. And we have seen that, you know, the our goal is not to get people into homeownership, but to keep them there, because the benefit ultimately comes through longevity of that owning that asset.

And when we do just as the speaker of the House to my right said, you know, people can use that equity for retirement to help their kids go to college to start a business and to be able to breathe a little bit more easily. I would also say that, with the costs, rising cost of homeownership, having critical downpayment and closing costs, assistance is critical, and to be able to ensure that people are not House poor, once they get into the House, that they are able to live their best lives and still be able to see an asset grow to their benefit.

Sen. Sheldon Whitehouse (D-R.I.)

Well, thank you very much. Let me turn to Senator Grassley and I think it'll be Senator Kaine after that.

Sen. Chuck Grassley (R-Iowa)

Mr. Pinto when President Biden was still running for president in his campaign released a plan in July that promised to build 2 million homes and five years. Two months later, the Harris campaign proposed roughly the same plan but now promised to build 3 million homes and now do that in four years instead of five years. Mr. Pennell, the homebuilding industry already builds over a million homes each year, is the industry able to roughly double its production and meet these expectations?

In addition to that, whether or not the housing supply increases attainable? What is the impact of the housing market and on the economy of the errors plan to offer sub disease of \$25,000 downpayment windfall?

Ed Pinto

Thank you, Senator Grassley. So in 2023, there were about 1.4 million building permits, excuse me, housing starts for both single family and multifamily. And if you think about the 3 million over four years, you would be starting out at a smaller number, you'd probably end in the fourth year was about a million. So you'd be taking the 1.4 million up to about 2.4 million at the end of four years.

That's commensurate with the increase, as I said in my testimony that occurred from 1969, after the 1968 Housing Act was passed to 1972. And the results of that running things up so quickly with all the subsidies that a company that in the loose lending was disastrous. So I think that's one scenario, the temptation will be to then loosen lending at the same time, which will lead to disastrous results. In terms of the homebuilders being able to handle that.

I think it would be very difficult. But again, what happens when you throw all that money out, you end up with a lot of, of corruption. And there's a book that was written that I keep on my bookshelf, in about 1972 or 1973, by a reporter from Detroit called cities destroyed for cash, the scandal at FHA, and it was just documenting the corruption that occurred at FHA during these programs. The 235 program is the specific program that that was largely involved.

In terms of the downpayment assistance. As I mentioned, there would first of all be an increase of 3.6%. In all of the areas that these first time buyers receiving this assistant would be of assistance, we price setters. How do we know that?

Well, we've studied other times that the federal government has made changes that allows us to measure this impact, in particular in 2015, when FHA lowered its mortgage insurance premium for 135 basis points to 85 basis points. We had a similar experiment for certain people, FHA, borrowers were getting extra buying power, the other people in the market did not because they were not affected by the decline in the in the premium, we then could study the impact on home prices. And we found that that impact was substantial, and it was widespread that again, this Price Center impact occurred. We also know then we can count Late what the total cost that would be spent on the due to the increase in home prices.

And that's the 170 \$5 billion that I mentioned. That's more than the cost of the program. But that money is going directly to existing homebuyers that would perpetuate a practice that Congress has had of providing demand supply demand side subsidies, which then go directly to benefit the existing homebuyers not the first time buyers, they're intended to help. Mr.

Sen. Chuck Grassley (R-Iowa)

Sammon, you testified that this nation's fiscal situation is very bad. We will pay more in interest payments on our national debt than the cost of all housing assistance over the next 10 years. Vice President hairs proposed to increase federal spending, which means the national debt will continue to grow. So for you would piling on even more federal spending, drive up interest rates and make the goal of homeownership even less attainable.

Jack Salmon

Thank you, Senator Grassley. So more government spending deficits and debt will make this situation worse. We know from the economic literature on on, on debt and economic growth, that more debt impacts living standards in several ways. One of which is crowding out private investment, which means lower wage growth means less job creation, one of which you mentioned is higher interest rates.

About 1% increase in the debt ratio is correlated with about a three or four basis point increase in interest rates. And of course, these interest rates have a causal effect on mortgage rates, so that drives up the cost of homeownership in that respect. Another Another way is through higher future distortionary taxes, which aren't good for economic growth, growth and development. And then finally, the one that we've become familiar with in recent years is, is inflation, we essentially inflate away the debt, but at the same time, we inflate away the purchasing power of American families to save.

Thank you.

Sen. Sheldon Whitehouse (D-R.I.)

Thanks very much, Senator Grassley, we now turn to Senator Kaine followed by Senator Brown.

Sen. Tim Kaine (D-Va.)

Thank you. For 17 years before I was in elected office, I was a fair housing attorney in Richmond. And this is a topic that means a lot to me. There are differences of opinion around this table and at the witness table, but there's some common themes that I hear emerging and it's good to just put a pin in the things that are common.

I'm intrigued with the Rhode Island adu legislation, and I think others on the panel, including Mr. Pinto may have written about similar strategies. And you see this happening in other states and and other localities. I think that's something that has merit. I think the idea of the use of surplus public land, whether it's federal or state or local, to bring down costs by you know, reducing the land portion for construction, I think has a lot of merit.

And I see many states and localities exploring that strategy. I think the lift bill, the Mr. Pena, that you mentioned that I have filed together with senators, Van Hollen, Warner and Warnock to develop a 20 year mortgage product to allow people to develop equity faster, I think that's a positive and can be bipartisan. And another one, I'll mention the bipartisan infrastructure bill had a lot of funding for wastewater and utility extensions. And a lot of my rural communities in Virginia, they're using those dollars to extend utility service to land where they can then build workforce housing, but because the infrastructure bill is paying for the utility extension, that also has a way of bringing down costs for the workforce housing that is built.

So there are a number of strategies that I think can be bipartisan. Here's one that should be bipartisan. It's the Low Income Housing Tax Credit. I was disappointed when we had a vote here in the Senate not long ago, on an overwhelmingly bipartisan House proposal that would have increased the Low Income Housing Tax Credit, that would have strengthened the child tax credit.

And that would have restored the corporate r&d tax credit that in my view was sort of mangled by the the Trump tax reform of 2017. that passed the House in an overwhelmingly bipartisan vote. But when we pulled it up for a vote, here in the Senate, it failed largely on partisan grounds with Democrats supporting it, and Republicans opposing it. Miss Harris, when you were asked the question like what can the federal government do?

The first thing you said was the Low Income Housing Tax Credit? I think you said that you have about 3100 units that you were involved in, in the Richmond metro area. How many of those projects relied significantly on the Low Income Housing Tax Credit to, you know, get

Greta Harris

A percent 100% All of our communities and in Virginia, we are oversubscribed, every year four to one on four applications for tax credit developments. As with only enough tax credits at the state level to be allocated for one project. So if the federal government were to increase the amount of allocation that went out to the states, we would be able to produce or preserve more quality, affordable housing. I

Sen. Tim Kaine (D-Va.)

Think I met you once at one of those projects that was about to open, right, you're creating Mount Zion Church in Richmond. And you were saying the same thing it's about to open, but already, you're significantly over subscribed in terms of the number of people who wanted to move in.

Greta Harris

That was a 75 unit, relatively small development for us. And we had 400 applications and about three weeks for those 75 affordable units. And

Sen. Tim Kaine (D-Va.)

Just you know, for the folks who might be here or watching this who aren't like super familiar with LH, DC, Congress sets this allocation, it gets allocated to states, the Virginia agency that is sort of the allocators, Virginia housing, the terms of the financing are so favorable, that developers who want to build low and moderate income housing really want to get LH DC for the reason that you described. They compete very hard for that. You know, sometimes we need to think of a new program. But if you have one that works, you know, why why, you know, turn yourself into a pretzel to come up, why not just take the one that works and do more in Virginia, just you know, kind of order of magnitude.

Since 1990. LH TC has financed construction or rehab of 115,000 units. And it is so powerful, the opportunity to expand the LH dc in the way that we had we have before us because of this bipartisan House action, I think is very palpable. Last thing, I don't have time really to get an answer.

But I just want to maybe I'll ask this for the record. In cities, there's a tremendous move now toward people working remotely, which is leaving a lot of office space commercial real estate vacant, Richmond experienced beginning in the 1990s, a lot of frankly, white flight to the suburbs of companies and offices that left a lot of vacancies in Richmond and office space. And we began to convert office to residential in about 1995 30 years later, the downtown, which probably had hundreds of residents when I moved to Richmond, has 10s of 1000s of residents living in converted commercial and office space. So I'm going to ask a question for the record of all of you, as as other cities grapple with the new telework phenomenon, and the commercial and office space has higher vacancy rates, what are things that could be done at the state, local or federal level that could enhance conversions and create new housing in these spaces?

And I'll put that in for the record. I thank you, Mr. Chairman, yield back.

Sen. Sheldon Whitehouse (D-R.I.)

Terrific. Senator Kaine? Thank you. That's a really interesting question.

And we're seeing that same issue in Rhode Island, including with our perhaps most iconic downtown Providence building, which we call the Superman building because it resembles the building in Superman comic strips. Senator Brown.

Sen. Mike Braun (R-Ind.)

Thank you, Mr. Chairman. I've been coming to the budget Committee sessions since I've been here. And I wish we'd spend more time on the budgeting mechanics. I want to throw a few tidbits out there.

So the American public understands what we're doing here. I don't think we've done a budget that we've adhered to. And over 25 years, I think that would have been in the late 90s. And every time we've had a little bit of gumption.

To discipline ourselves, it seems like we're most enterprising and how to undo it. We've never generated more than 18% of our GDP. In federal revenues, high taxes, you generate a little more out of the gate, you lessen economic growth. As it goes on.

Lower taxes, you starve a little bit of revenue into the treasury. But you generally gain ground over time because the underlying economy is healthier. We have now evolved into a place the barrels 30 cents on every dollar we spend. That means that when I got here, almost six years ago, that was offset with a trillion dollars borrowing annually.

But since we've grown the federal government that nearly 25% of our GDP, it's now a trillion dollars every six months. And here we are talking about affordable housing in the context of what the federal government might do, I can guarantee you will be borrowing every penny of it, because we don't offset it. We don't ever raise revenues because that's painful politically. And when this is your business plan For the country, I would be scared to death for our kids and grandkids in terms of how they're going to sort it out.

What are the consequences? Well, if you pay attention to the news, which many people won't hear, because it would be a narrative against the practice over the last 25 years, our largest creditor in the world, Japan, and ally, just unloaded 1/3 of its portfolio? Well, you can say, well, maybe they needed the money, they didn't have it the land, I've got a feeling it has more to do with even a place like China may be our second largest creditor, men reducing their exposure. That's kind of listen to the market, see what others are doing that have to enable you to run these chronic structural deficits.

There's no good ending to that. When you got Jamie Dimon biggest private banker in the world, saying that his main concern is deficits and cumulative debt. You've got Jerome Powell, that's finally now on record of saying it, I would say we got to start listening to it here. And before we're offering up more from the federal government that has knocked nothing out of the park, when it comes to spending money in affecting results, I think there probably ought to be a different approach.

This may be my last time to harp about it. I'm not going to let the subject just go away. We owe it to our kids and grandkids that we don't keep doing more of the same digging the hole even deeper. I'd like each panelist to tell me what you think, on this particular subject.

We'll start over on the end. Should we be enterprising through the federal government, when everything we do will be more borrowed money behind it digging the hole even deeper? Or should we rely on maybe state governments and entrepreneurs to maybe have a little better chance at trying to do what is probably not going to involve borrowing more money through the federal government? We'll start over there.

Joseph Shekarchi

Thank you. Thank you, Senator. Respectfully, I think you need to do both. I really do I

Sen. Mike Braun (R-Ind.)

Know you're willing to borrow more money? Yes, a place that is not really given us results in the past?

Joseph Shekarchi

That's correct. Okay. And let me explain to you why. Because that's a choice, a policy decision that this honorable body of the Senate as a whole of the Congress as a whole has to make the argument about spending and the deficits is a very real one and a very valid one.

But that argument should not be limited to just housing, you can make that argument for tax cuts. For the wealthy, you can make that argument for a lot of spending, the federal government does. So I appreciate that. And I am fiscally concerned with these runaway deficits, but the pain of fixing that.

So

Sen. Mike Braun (R-Ind.)

You're for doing both, and I understand it. I want to get to the other panelists. So they have a chance to weigh in. Mr. Williams.

Paul Williams

Thank you, Senator. Yeah, I believe that the federal government, state government and private enterprise all have an interest in well designed programs that create economic growth across the country and across states,

Sen. Mike Braun (R-Ind.)

And you are still confident that we can keep borrowing more money because whatever we do here to help, you would be 100% fiscal financed by debt, not by raising revenues to pay for it. You're okay with that, too.

Paul Williams

I'm okay with well designed programs that okay with economic growth.

Sen. Mike Braun (R-Ind.)

Thank you, Miss Harris.

Greta Harris

Thank you, Senator. I think it's a combination, as the previous two witnesses have said, if left to its own devices, the market is not equitable, and it serves certain portions of our society and not all. And so there's a role for government to play even if there's, it impacts the deficit that could be offset by other cuts, to be able to ensure that all Americans have an opportunity to thrive,

Sen. Mike Braun (R-Ind.)

And you'd err on the side of the federal government doing it as opposed to state, federal,

Greta Harris

State and local. The size of the crisis is such that all levels of government need to

Sen. Mike Braun (R-Ind.)

Participate. Mr. Pinto,

Ed Pinto

The federal government shouldn't spend any more money I've suggested they sell off some land and actually bring some money in. So that would be my suggestion, and rely on state, local and private sector. We've put out numerous proposals on how to meet the housing supply shortage over a 10 year period through zoning and land use changes, changes that would cost no money at the state, local or federal level, and would bring in a grassroots explosion of participants from the bottom up rather than top down

Sen. Mike Braun (R-Ind.)

Mr. Sammon?

Jack Salmon

Yes, so state governments local private enterprise, but I'm going to have to add philanthropy as well to that list. Should we should keep More on this front. No, the federal government should not engage in more spending deficits and debt. You mentioned some good points about the foreign buyers of our debt and that they're losing the appetite.

The fact that that investors are losing an appetite for our debt now, and that's already spiking interest rates, when when they're going to have to buy another \$114 trillion in treasuries in the next 30 years. It should be very worrying.

Sen. Mike Braun (R-Ind.)

Thank you, Mr. Chairman.

Sen. Sheldon Whitehouse (D-R.I.)

Thank you very much, Senator Ron. Senator Warner.

Sen. Mark Warner (D-Va.)

Thank you, Mr. Chairman, thank you for holding this hearing. And and I'll get right at it. I've got a couple of different questions. I, you know, one of the things I wanted to talk about was was homeownership.

We all know, racial wealth gap in this country, in many ways is due to the failure to have true equality in terms of homeownership. And so I've been thinking on some issues. And I'm going to bring this to Mr. Pinto, because I understand he, you raise this in your testimony, and you, and you may have been one of the original thinkers on this. So I want to give you full credit, because so far, I've only got Democrats signed on the bill.

So I'm going to ask you to help me recruit somebody like Senator Kennedy or someone else. And this, this notion, the notion of the lift Act, which we have put out, was to say, if you're a first generation first time homebuyer, within certain income strata, and you qualify for a 30 year mortgage, and we can meet, you can meet those terms. What we would provide is a 20 year mortgages that would have an effect allow doubling of the amount of equity in the first 10 years on a mortgage. I'm supportive of things like downpayment assistance and others.

But this notion of how you incent homeownership, and to try to have a government governmental program that supports that. Mr. Pinto, I know you raised some of this in your comments if you could take it away and and talk about this, and I'm anxious after the hearing to to see if we can put our heads together and see if we can make this a much more bipartisan approach.

Ed Pinto

Thank you, Senator Warner for those words. Yes, I came up with this concept in around 2015. We've tried numerous ways to try to get it implemented, including going to FHFA, including it or FHA. And we haven't had any success.

The one way to do it is to have FHFA, which has instructed Fannie Mae and Freddie Mac to establish about eight or \$10 billion in cross subsidies that they use. And those subsidies go to make loans more risky, rather than less. And so you could put people into these 20 year mortgages with through lift home, put them into a safer mortgage, and then build wealth over time and use money that's already being used for other purposes within the GSE system. FHA, on the other hand, could they don't have a 20 year interest rate, they have a 30 year interest rate, don't even know that they have a 15 year interest rate.

If they do it's very minimal. It should not interest rate loan term. And so FHA could establish a 20 year rate, there are ways and tools we've suggested many to FHA of how they could do that, that, again, would allow homebuyers to get a 20 year loan at basically this again,

Sen. Mark Warner (D-Va.)

I think, and I appreciate and I look forward to talk to you soon, I won't. The economist who floats first sight of this idea to me only about three years ago, I'm gonna get make sure he recognizes that you did the original work on this. And we'll we'll figure out a way to pursue that. John, Karen, I got my eyes on you and others on the other subject.

I do think this is a tool that we've not used in the toolbox. I'm gonna move along quickly, Miss Harris, appreciate all that you're doing our Commonwealth. I've been a huge advocate of CDFIs as as part of the financial network, and, and, again, bipartisan, we actually got \$12 billion under President Trump and Senator Crapo is a great partner. We've got a broad CFI caucus now in the Senate.

You one of the things we've recently been able to put a number of actually two government assistance deposits into this. I'm sorry, tier one capital into CDFIs. We need long term patient capital as deposits. We've had a couple of tax provisions that we're going to take up in the Finance Committee.

But if you can spend a moment talking about talking about the value of CDFIs, particularly as we think about well, low and moderate income housing, how we can better utilize that tool. So

Greta Harris

We've been working with CDFIs Senator Warner for close to 30 years now and the below market flexible capital that they are able to offer our organization allows us to be creative and how we acquire properties. land for future development. We've utilized a variety of the tools that come through the CDFI program, including new markets tax credits to promote homeownership. It's a little squirrely the way we have to make it work.

But we're able to have an additional subsidy to work with families just over the income limits at 80%, ami, that CDBG and HOME resources sort of cap out at that level. And we've used the Capital Magnet Fund to be able to be creative and structuring new rental communities throughout the Richmond region.

Sen. Mark Warner (D-Va.)

I appreciate that. And one of the things we're also trying to work on as a secondary market, because the almost bespoke nature of some of these loans. It's really important. Mr. Chairman, if I can get one quick question into Mr. Williams.

It

Sen. Sheldon Whitehouse (D-R.I.)

Better be very quick, because you're already well over your time, we have two senators waiting that you're holding up.

Sen. Mark Warner (D-Va.)

I'd love to talk briefly about light tech, we've got to make sure a the GSEs because of some of their tax provisions are not able to access. They've been very active in light Tech because of that tax provision. We have to get that fixed. Very quickly.

Mr. Williams, the Chairman has been various

Paul Williams

Yes, I mean, familiar with this, this issue with the multi investor pools that the GSEs participate in to support low income housing tax credit properties, especially in rural communities where you need those multi investor pools for the tax credits to function. And I know you have some legislation that you've introduced to address this issue. And I know that the National Council of State Housing Agencies who we work with is is very supportive of that work and thankful that this is on the way to being addressed. Thank

Sen. Mark Warner (D-Va.)

You, Miss Chairman.

Sen. Sheldon Whitehouse (D-R.I.)

Thanks very much, Senator Kennedy, over to you.

Sen. John Neely Kennedy (R-La.)

Thank you, Mr. Speaker and Senator Warner. I appreciate your comments. And I'm very, very perceptive. Thank you.

Let me say first, Mr. Speaker, I've served with a lot of speakers in the House back in Louisiana. God bless you, you know, you've got an automatic place in heaven. Thank you. I wouldn't have your job for all the money in the world.

I can say the same about your Senate. I know you've got a herd all these free range chickens that are off and go catch them. And sometimes you can get some and sometimes you can't. It's very true.

Thank you for your service. Mr. Williams. If the price of electricity goes up, does that make a House more expensive?

Paul Williams

Not in a direct sense. But I mean, electricity is an input to a lot of things, both on the construction side, it

Sen. John Neely Kennedy (R-La.)

Makes homeownership more expensive. Sure, yes. And if property taxes go up, does that make homeownership more expensive?

Paul Williams

Sure does.

Sen. John Neely Kennedy (R-La.)

If homeowners insurance goes up, does that make homeowners homeownership more expensive? Indeed? If interest rates, particularly mortgage rates go up. Does that?

Does that increase the cost of homeownership?

Sen. John Neely Kennedy (R-La.)

It does a lot, right.

Paul Williams

It depends on a lot of factors. But sure it could.

Sen. John Neely Kennedy (R-La.)

If the car I mean when you own a home, you don't have repairs. If the if the cost of home maintenance and repairs goes up, does that make homeownership more expensive? Indeed, if you whether you agree with it or not, if you admit 10 to 12. Foreign nationals illegal into your country, all of whom need housing.

Does that make the cost of homeownership go up?

Paul Williams

You know, I think that all of these questions and all of these inputs to housing costs

Sen. John Neely Kennedy (R-La.)

Are that first about illegal immigration. Does that make? Does that increased demand for housing and make the cost of homeownership go up?

Paul Williams

I think that's a distributional question. I think that the question we're here to talk about,

Sen. John Neely Kennedy (R-La.)

Does it make the cost of homeownership go up?

Paul Williams

We're here to talk about housing supply. today. We're here to talk

Sen. John Neely Kennedy (R-La.)

About homeownership and the cost of owning a home. There's not you're a bright man, does that make the cost of homeownership go up when you increase demand that much?

Paul Williams

I think that's a distributional question.

Sen. John Neely Kennedy (R-La.)

You don't want to you don't want to admit it.

Paul Williams

I think that's a distributional question and the problem that we're facing,

Sen. John Neely Kennedy (R-La.)

I think you're being disingenuous. Let me ask you, Mr. Pinto, if you admit, if you increase immigration by 11 million people, does that increase the cost of homeownership?

Ed Pinto

Senator Yes. We've tried to figure out what that impact is mean da Yeah. But the federal government doesn't publish, where they're distributing these individuals around the country. So we can't do the kinds of calls we normally do causes homeownership to go up there.

Certainly, but we can't figure out exactly what it is. We'd love to meet today gangs. I'm here to try to give some answers. But if you could get more data, that would be great.

I'm sorry, if you could get the data released by the federal government as to where

Sen. John Neely Kennedy (R-La.)

Give you some data. Mortgage rates are up 123%. premiums for homeowners are up 16% The average electricity bill in America is up 28%. That affects the cost of homeownership.

No wonder people can't buy a home. This Dahmer thanks to President Biden and vice president Harris's inflation. They've been inflation machines. This dollar was worth \$1 When President Biden vice president Harris took office, it's worth 75 cents today.

That's that's the fundamental problem with homeownership. The other problem is government regulation. Look, the HUD and and the USDA recently adopted the International, the International Energy Conservation Code, do any of you know what that is? Okay, I'm not gonna ask you because it's gonna take time.

They've recently adopted the International Energy Conservation Code put out by the International Code Council. And the Biden Harris administration, you just said they just told HUD and the USDA to adopt it. So if you want to hood, our USDA loan or our access to the housing assistance, you've got to build a home that complies with the with the International Energy Conservation Code. You know how much it's going to add to the price of a new home?

\$31,835 Are you kidding me? You don't know how much energy you're gonna save.

Sen. Sheldon Whitehouse (D-R.I.)

Senator Kennedy. You're welcome to Senator videos time now.

Sen. John Neely Kennedy (R-La.)

\$7. We need to start with the basics folks. It's inflation that's killing our people. And it's this crazy whack job regulation.

Sen. Sheldon Whitehouse (D-R.I.)

Senator Kennedy, you're well into Senator videos time now.

Sen. John Neely Kennedy (R-La.)

I'm sorry. Sorry, Senator.

Sen. Sheldon Whitehouse (D-R.I.)

Senator Padilla.

Sen. Alex Padilla (D-Calif.)

Thank you, Mr. Chair. And Senator Kennedy, I would happily give you 75 cents for that dollar bill in your hands. This is the budget Committee. So let's make some smart investments here.

Like I do have a couple questions I want to get to but I do want to follow up on some of the questions some of the issues that my colleague raise beyond just the supply side of the housing conversation, which is the emphasis of the hearing today, if we are going to go down the road of the impact of significant numbers of migrants that have come to United States in over the years, not just the impact on supply and demand and and the cost of housing. The request for more data, but I think if want to do so intellectually, honestly, we also need to consider and incorporate how existing homeowners equity in their homes has gone up. Because of the impact of supply and demand when home prices are higher. existing home owners have that wealth and their nest egg known as home ownership.

I think that should be recognized and considered as well if we're going to consider the impact of immigrants in the housing market. Let's consider the impact of migrants in the workforce. Because a lot of contractors I've talked to have been working hard working feverishly working desperately in recent years to find more and more workers to keep up with the number of construction jobs that are available. So migrants fill those very important workforce.

Some spots without which the cost of construction would be much higher if it was more of a shortage of folks working in construction that go on and on and on. So again, happy to entertain the conversation, happy to work with my colleague to obtain more insightful data. But let's be intellectually honest and comprehensive in our thinking, and analysis. That being said, the shortage of affordable housing is not a new issue, as you all I imagine, would agree.

But the magnitude of the crisis that we're facing today certainly impacts nearly every American in urban areas and rural areas and everywhere in between, in red states and blue states, and everywhere in between, while disproportionately impacting low income families and communities of color. The data is the data. That's why I was proud to introduce last Congress, and that is Congressman housing for All Act, which is a bill that calls for a strategic surge in federal funding, investments in existing programs to reduce housing insecurity, and increased funding for innovative, locally developed solutions that cities across California and other states have successful utilize proven to work programs developed bottom up. We know that our local and state partners are doing innovative things on the ground to try to solve housing insecurity every single day.

But they need the federal government to step up to do its part to treat the crisis with the funding and seriousness that it deserves. Speaker Shirky, how does the lack of federal investment limit the supply of housing in the ability of states and local governments to deal with this crisis?

Joseph Shekarchi

Thank Thank you, Senator. It's sick, it's a significant issue, the lack of or the limited amount of federal assistance means that it's just fewer homes. And it exasperates the problem. We need the federal government to be involved in the space.

And I understand the budgetary pressures on the federal budget. I understand that. But you can make that argument about budgetary pressures on every single issue from defense spending to corporate tax cuts to every issue that you face, which is a myriad of issues that I respected, understand that. But housing is an immediate problem.

It has families, as I said earlier in my testimony, it affects everybody, we can make all the policy programs, we want to affect outcomes, health care, all kinds of things, etc. But if you don't have a home, to go home to a sustainable home, your education outcomes are poor or your health outcomes are poor. The federal government has a critical and important role to play. And it must play that role.

This is not I try to emphasize this. This is not a blue state or red state issue. This is an every state issue. Governor's the National Governors Association met earlier this year, it was a top issue for all 50 governors.

We need the federal government to partner we need the states to play a role in this we need local communities that the either the county government or our cities and towns bank whether it's land use reform.

Sen. Alex Padilla (D-Calif.)

Thank you. I thank you. I hate to cut you off. On get one more topic in here.

And thank you for being so articulate and I will work with you to communicate your position to your United States Senator.

Joseph Shekarchi

Thank you.

Sen. Alex Padilla (D-Calif.)

The topic of GSEs came up a little while ago government sponsored enterprises play a central role in the modern mortgage market. By purchasing loans from financial institutions. Jessie, such as Fannie Mae and Freddie Mac enabled lenders to offer lower interest rates, thereby expanding homeownership opportunities while leveling the playing field. For lenders of all sizes.

The system was created to stimulate lending in response to the Great Depression. But today we face a different to crisis. Lack of housing supply. As you know, construction is highly sensitive to economic conditions with lasting effects.

We saw this in California during the 2008 financial crisis and more recently, during the pandemic when rates of new housing construction dropped significantly. I know Senator Warner brought up the topic of GSEs in the context of the investor pools. My question is different. When we acknowledge that construction loans are consistently given at higher rates, much higher rates and traditional mortgages, sometimes as high as 14%.

That's what led me to secure language in a recent spending bill to study the idea of establishing a secondary market for construction loans to help drive down the cost of construction of new housing. To help address the affordability concern, Mr. Williams, I see your head nodding. How would a secondary market help incentivize new construction while also being a stabilizer during economic downturns? Thank

Paul Williams

You, Senator. Yes, Maya organizations that are public enterprise has also done work on this same topic. And it's not just that construction interest rates have gone up. Also construction loan loan costs have gone down.

So you're no longer able to get a mortgage for 65% of your construction project, it may now come down to 50%. What remains needs to be filled with equity investment, which is also particularly expensive. So one thing that we've explored is whether the GSEs can support construction financing by providing a secondary market for mezzanine investments that can come in at, you know, a portion of the total project cost, and bring down the total cost of capital in a lot of these projects. And we believe there's hundreds of 1000s of stalled multifamily units across the country that are stalled due to these financing constraints.

And this is a way that the GSEs could explore addressing that issue. And

Sen. Alex Padilla (D-Calif.)

I look forward to working on this with you. Thank you very much. Thank you.

Sen. Sheldon Whitehouse (D-R.I.)

Mr. Van Hollen.

Sen. Chris Van Hollen (D-Md.)

Thank you, Mr. Chairman, thank all of you for your testimony. I've been trying to follow the discussion from C span. And thank all of you for the points that you've made. You know, clearly, we have an affordable housing crisis, we have a shortage of housing supply.

And we're all here to try to learn more about what we can do to address those issues. So Mr. Williams, I was pleased to see that you participated in the groundbreaking of the Hillandale Gateway project in montgomery county, maryland projects, that's a forerunner 63 unit affordable housing complex that uses the H O sees that housing opportunity Commission's housing production fund in some innovative waves. So I know it's been mentioned. But if you could go a little bit in depth as to what that model means.

Whether you see it as something that we can emulate in other places around the country.

Paul Williams

Thank you, Senator. Yes. And it was a pleasure to be at the groundbreaking event in Montgomery County last week, it's a fantastic project. And the housing opportunities Commission's housing production Fund is a very unique and innovative model, that's allowing a local housing agency to bring additional supply online that otherwise would not be possible with the allocation of subsidies that they have.

So this is totally outside of of the allocations they get from the federal government, it's something that they're able to do on their own. And that's what's so exciting about it. So what it does is it provides a short term construction loan at low cost from their revolving loan funds into a project. And it replaces what would be low income housing tax credit equity in a conventional affordable housing development.

Now, they're obviously not able to get the same level of affordability that a conventional Low Income Housing Tax Credit property can get. But they get that housing built on a mixed income basis. And so they're really interested in building these kinds of mixed income communities using their own revolving fund. And we've actually seen uptake of this model across the country, Georgia, Tennessee, Chicago, and many other states and localities are exploring creating, those states have created programs and many others are exploring creating programs modeled after Montgomery County's innovation here.

I think what I was talking about, with Senator Padilla just a moment ago, the GSEs providing this kind of mezzanine construction financing is something that could support it outside of the housing agency realm. But for housing agencies, I think there's opportunities to support local governments to in the capitalization of these revolving loan funds that are really directed at expanding housing supply.

Sen. Chris Van Hollen (D-Md.)

Right. So you anticipate my next question is what what can we do here at the federal level to incentivize what seems to be a good model? And so what what are some of the vehicles you think that we could look at?

Paul Williams

Yeah, I think there are opportunities to support innovation at at HUD to provide those kinds of support to local jurisdictions that want to create these revolving loan funds. At this point, it's they're really becoming a tested and proven model for allowing local agencies to expand their housing supply significantly. And I think also pushing for agencies like FHFA to become more comfortable with the kind of construction financing and you Uh, even secondary markets for those construction loans or mezzanine loans, is something that would be really helpful. You know, I think something like a letter to FHFA, that there's bipartisan interest in exploring these ideas would prove beneficial.

Sen. Chris Van Hollen (D-Md.)

I appreciate that. And I think it's important that people hear the revolving loan fund because these are investments made by these, in this case, montgomery county, in partnership with the private sector, and then the county gets its return back and it's stays in what's I think, \$100 million fund, is that right?

Paul Williams

That's right, it's \$100 million fund, and it revolves quite quickly, and the fund plus interest is returned to the county.

Sen. Chris Van Hollen (D-Md.)

If I could ask you about another approach that Montgomery County Maryland has taken for some time now toward more affordable housing, which is an enclosure inclusionary zoning process. And we have a process whereby if someone wants to develop, you know, a whole bunch of new houses half that should include some moderately priced dwelling units. Do you see that also is an important model? And I To what extent is that something we should try to further incentivize?

Paul Williams

Yeah, I believe the the MPDU program, moderately, moderately priced dwelling units was created back in the 1970s. Montgomery county, again, was a kind of innovator and early leader. Those kinds of inclusionary programs have now been adopted by many jurisdictions around the country. And in fact, to go back to housing opportunities commission, they include MPDU units in these mixed income projects that they're building with their production fund.

I

Sen. Chris Van Hollen (D-Md.)

Don't know, Mr. Speaker, if you want to, I know you've worked on these areas a long time. What do you think of those two, two approaches, especially the more recent approach that we see through the housing production fund?

Joseph Shekarchi

Thank you, Senator. I congratulate Mr. Williams in the state of Maryland as well, because they are on the forefront and we in Rhode Island are looking at it very seriously. We've made a commitment to study the public housing option, we have created a fund with an our bond to do that up to \$10 million. We have done a due diligence study, a feasibility study, if you will.

So we're looking at all creative ways that there is no monopoly on good ideas. And we need to look outside the box. This is a all hands on problem. I know that term gets used a lot.

But this is a significant problem that affects every facet of life of every facet of government assistance that we give as a government to our citizens. So we need to look creatively and outside the box. I don't necessarily disagree with a lot of that was said, but I just think the emphasis should be on working together. It's not you don't have to pit one segment or one program against another.

And we don't, we should not look at past failures as a way to absolve our responsibility of getting the job done. If there has been a program that has failed, we need to ask, why has it failed? What can we do to make it an improvement? Is it worth it?

Well, let's look at a new program and see what the problem is not going away.

Sen. Sheldon Whitehouse (D-R.I.)

Those are good words to end on. The bat signal has gone up on the floor for me to get over. Thank you for on a budget.

Joseph Shekarchi

Thank you, Senator. thank

Sen. Sheldon Whitehouse (D-R.I.)

The witnesses for being here. Please. We have one question for the record from Senator Kaine. Others are due by noon tomorrow when they come in if the witnesses would be kind enough to respond within seven days that would be helpful with no further business before the Committee the hearing is adjourned.

[END]