

Building Consensus to Address Housing Challenges
Senate Committee on Banking, Housing, and Urban Affairs
April 26, 2023

Opening Statements

Chairman Brown (D-OH) said that in February, the Committee heard about challenges in the housing market, including high rental prices, especially for working-class renters. Brown continued that they heard about the need to repair the homes we currently have by making them safer and more efficient, zoning laws, and lack of affordable housing, notably in rural areas. Brown went on that these challenges play out in every state and cited that many Members have put ideas on the table. Brown noted that the work to address the housing shortage is not limited to this committee and that the Senate Committee on Finance is working on proposals like the Neighborhood Homes Investment Act (NHIA). He added that with NHIA and proposals from the Senate Committee on Banking, Housing and Urban Affairs, they can help support more affordable housing development. He said that today's hearing is an important step to work toward consensus to find housing solutions.

Ranking Member Scott (R-SC) said that the Fair Housing Act was 55 years old this April and said that our housing policies are not resulting in the benefits our hardest hit families deserve. He said that federal programs are supposed to transition people out of poverty, not keep them in poverty. Scott vouched for a more thoughtful, opportunity-based solution and believed it was time for a new approach. He turned to his legislation, the ROAD to Housing Act, and asked each witness to share their expertise as legislation is crafted. Scott said that his legislation introduces new ideas to improve the challenges in the housing market and would increase educational programs, access to housing that suits families' needs in rural areas, increase the financing of lower cost homes, ensure that federal homelessness programs pays for results, and ensure that federal agencies spending taxpayer dollars are doing so with accountability. Scott acknowledged that housing challenges are broader than the Committee's jurisdiction and that a lack of supply, cost of complying with government regulations, and a shortage of workers all contribute to the shortage of affordable housing. He closed by saying that homes and communities are not made without hard work.

Witness Testimony

Mr. Lou Tisler, *Executive Director, National NeighborWorks Association (NNA)*, briefly gave some background on NNA and explained that federal funding is vital for organizations that provide a lifeline to affordable housing and comprehensive community development. Tisler said that there is not one silver bullet to address all the housing challenges faced across our nation as they span all areas and all racial demographics. He then discussed what solutions Congress could help implement, including the creation of manufactured housing, jumpstarting neighborhood revitalization through a national land banking program, and revisiting rules and regulations related to current federal funding. Tisler added that the Neighborhood Homes Investment Act (NHIA) is also a shining example of consensus and a path to success. He closed by emphasizing how consensus works and it will lead to success in addressing our housing challenges.

Ms. Vanessa Brown Calder, *Director Of Opportunity And Family Policy Studies, Cato Institute*, said that America has an acute housing imbalance and continuing affordability challenges and much of this is due to policies that have restricted housing supply for many years, in many places. Calder explained that federal and local policies have limited housing supply, pointing to zoning, land-use regulation, and parking minimums as examples of restrictive policies. She also noted that federal lands policy severely limits the supply of available land for housing in western states. Calder then discussed how underlying housing affordability problems will not be fixed through subsidies for rent and homeownership. However, she supported improving existing housing programs as proposed in Ranking Member Scott's ROAD to Housing Act. Calder then criticized LIHTC, stating that research indicates that the benefits flow to developers rather than low-income tenants. She closed by emphasizing that the goal of housing policy should not be to increase spending and expand programs, it should be to radically improve existing housing policy, housing supply, and affordability.

Ms. Diane Yentel, *President And CEO, National Low Income Housing Coalition*, discussed the underlying causes of the housing crisis, including the shortage of affordable housing for the lowest-income renters, the gap between income and housing costs, and the lack of federal resources. She then turned to the current states of the housing market and how COVID-19 and its economic impacts underscored and exacerbated the severe housing shortage and unaffordability faced by the lowest-income renters. Yentel added that growing inflation, rising rents, and declining real wages are adding to the challenges that the lowest-income renters face. She then turned to how Congress must increase investments in long-term solutions to address the persistent underlying shortage of housing. Yentel suggested a number of bipartisan opportunities to do this, including, among others investing in cost effective eviction prevention tools improving and streamlining existing housing programs and cutting red tape to build housing for people with the lowest incomes.

Member Questions

Chairman Brown (D-OH) discussed the Eviction Crisis Act, which he said he cosponsored the past two Congresses and asked how this legislation would help. Yentel replied that creating a national database on evictions would help because the more reliable public data available, the better federal, state, and local policymakers can create and implement solutions. She also discussed a permanent program to provide cash assistance to households that can normally make their payments that can help absorb a one-time emergency before they reach the point of eviction. She said that this program has been successful. Brown turned to Tisler, saying that many older homes need repairs and focused on lead poisoning and asked how improvements to the HOME program help them do work in this area. Tisler wanted more people to get access to the HOME Program and said that the lead issue impacts health, education, and financial development. Brown turned to Yentel on exclusionary zoning and asked if she would support efforts for communities to reduce local zoning laws. Yentel replied that she would support these efforts and said that local zoning laws reinforce segregation and drive-up costs for everyone. She said that the federal government should do more to incentivize the reduction of local zoning

laws. Yentel said that the lowest income people would still need help even with local zoning laws being lifted through programs like rental assistance.

Ranking Member Scott (R-SC) discussed that throwing money at programs does not usually improve them and asked if anyone would oppose more accountability for HUD's programs. None of the witnesses opposed it. He said that the ROAD to Housing Act makes housing programs more accountable and asked how Calder would improve the legislation. Calder suggested continuing to move from the production side programs toward tenant-based assistance and said that LIHTC represents what goes wrong when you support housing from the supply side. She added that there are other issues with LIHTC as well and wanted to see a move toward interim housing assistance. Scott asked to speak to the benefits of harmonizing tax policy and federal government programs so that they work together. Calder replied that we can look at an instance where it did not work and pointed to the SALT.

Sen. Reed (D-RI) asked about the importance of the United States Interagency Council on Homelessness and believed that it saves taxpayer money and spends it efficiently. Yentel agreed. Reed turned to the FHA Title 1 program and said that the program is ignored because the loan limit is so low and asked if increasing it would help low- and moderate-income homeowners pay for repairs and renovations. Tisler replied that raising the loan limits is key in terms of being able to access the program. Reed thought it would also trigger tax credits for energy efficiencies and said that the program could also increase Accessory Dwelling Units (ADUs). Tisler said that being able to include ADUs in the program and make loans to homeowners putting up ADUs would increase supply. Reed turned to private equity firms buying homes, saying that he finds it disturbing and disruptive of the local housing and real estate markets. Reed noted how he has heard concerns about a tactic to buy homes, evict the tenant, and then rent the unit at a higher price and asked Tisler to elaborate on this. Tisler replied that institutional investors are limiting the supply of rental units and said that this is the new investment vehicle to improve shareholder wealth. He added that this is not helping families gain wealth.

Sen. Kennedy (R-LA) asked if the government should be making it more expensive to build affordable housing. Tisler said no. Kennedy believed that this was happening. Kennedy discussed the increased cost of flood insurance. He thought that FEMA should be looked at for making it impossible to build affordable housing in America. Kennedy turned to Yentel on zoning, saying that it is expensive to buy a home in California and that it costs so much to buy a home that it becomes one's 401k. Kennedy said this leads to them wanting to protect the value of that home and that elected officials make it difficult through zoning decisions to build affordable housing. Yentel replied that this is true, and that California is an example of how very strict local zoning ordinances prevent the construction of any type of multifamily housing, especially affordable housing, and the result is higher costs for everyone.

Sen. Menendez (D-NJ) said that a median income renter is barely able to afford a home and asked if FHA's multifamily loan limits have not been adjusted since 2003. Menendez then asked if, even after adjustments for inflation in higher cost areas, FHA multifamily financing is not a viable financing tool in many parts of the country. Yentel said both were true. Menendez asked if these limits pose a challenge to HUD and FHA meeting its mission to provide decent, safe, and sanitary housing. Yentel agreed. Menendez then discussed his legislation, which would

modernize FHA's ability to finance multifamily housing construction around the country by updating FHA's lending ability to accurately reflect the increase in construction costs over the past 20 years. He turned to flood insurance and asked if low-income families disproportionately face flood risk. Yentel replied yes and that mitigation dollars and disaster recovery dollars are not usually given to these lower income communities. Menendez asked what this means for families. Yentel replied that it means that these families do not have the infrastructure to recover from disasters, which costs the government more overtime. Menendez went on to say that the NFIP has only made flood insurance more expensive with Risk Rating 2.0. He said that he would reintroduce his legislation on NFIP. Menendez discussed housing shortages for police and teachers and asked if a program to make credit-worthy public service employees eligible for a one-time mortgage with no down payment and no mortgage insurance premium make housing more affordable for these individuals. Tisler replied that this issue is of utmost importance and said that we owe this to those stepping up.

Sen. Tillis (R-NC) said that FHFA announced that it intends to rewrite the single-family pricing framework, which governs the fees and rate pricing structure that Government Sponsored Entities (GSEs) use for the US housing finance system. He added that as designed, the policies would decrease the cost for riskier individuals with lower credit scores and would make it more expensive for those with good credit and asked if Calder could speak to the effects that moving away from a risk-based pricing model would have on housing lending. Calder replied that to her, it seems like this program sets up the wrong incentives that would penalize people who have saved paid bills on time and was not sure this is the right strategy to set up a sure financial footing for the economy in the housing sector. She added that she was concerned that we are in a deflating market and should be careful to pull marginal buyers into the housing market right now. She cautioned setting these people up for bankruptcy and thought that we have a tendency to romanticize homeownership in the US and said that renting might be the better fit for some. Tillis went on that Director Thompson said this rule would increase pricing support for purchased borrowers limited by income and that this inherently means the plan is designed to put people in homes they would otherwise struggle to afford. Tillis asked if selling people houses, which they would generally struggle to afford was a good idea. Calder replied no. Tillis asked if FHFA's actions will further dampen the housing market based on the proposed policy. Calder did not think so. Tillis said that we need to get serious about right sizing regulation and pointed to WOTUS.

Sen. Tester (D-MT) believed that there is a role for the government to build affordable housing but was unsure if federal programs were the solution. He asked the most effective way to build housing supply. Tisler replied that the needs of the community need to be considered and said that when we look at boosting supply, we need to decrease the cost of building homes. He added that this would incentivize homes to be built. Calder replied that zoning and land reform would boost supply the most and thought that reforms at the state level would be most impactful. Yentel agreed that zoning laws should be reduced to enable more apartments to be built for middle income renters but said that the private market on its own cannot provide housing to the lowest income renters. She suggested subsidies to help offset the private market costs. Yentel replied that rental assistance is also needed in other communities. She added that the Choice in Affordable Housing Act is a good solution to provide vouchers to those in communities of opportunity. Tester asked if the issues or problems are different in urban and rural America.

Tisler thought that the issue of affordability is the same but the density of these places is different.

Sen. Lummis (R-WY) emphasized that the regional perspective on housing is really important and said that over the years, the federal government has directed a lot of money towards housing and asked if there is research on the net effect of spending this money and having it appear not to solve the problem. Calder replied that she has done a little bit of research on this and found that the HUD subsidies were going to the states with the most restrictive laws, which is why we are spending billions of dollars and not seeing reductions in the number of people that are cost burdened. Lummis said that Wyoming is half federal land and so some western states are landlocked by federal land which has placed a unique constraint on housing and asked how federal lands could help solve the housing problem. Calder liked the HOUSES Act, which would allow the purchase of federal lands to build housing and thought that many do not realize that this is land that is close to cities and could make a difference in housing supply. Lummis asked how manufactured and tiny homes help in this space. Tisler thought that these were ways to help the housing supply and zoning laws to enable tiny homes, ADUs, and manufactured housing to be built need to be addressed.

Sen. Warner (D-VA) thought that the LIHTC and NHIA were good ideas but added that we need to do more on homeownership. He also discussed his legislation on down payment assistance and turned to the LIFT Act, which allows first generation, first-time homebuyers to qualify for a subsidy to make their 30-year mortgage 20 years. Tisler thought that the LIFT Act could be a helpful tool and thought that CDFI funds could be an aide to the legislation. He said that everyone still makes their money while helping the homebuyer.

Sen. Vance (R-OH) discussed the Housing First program and said that we tend to want to address the root causes of homelessness and said that if we do not treat this issue, we enable cycles of despair. He asked Calder if she thought that we should allow people with substance abuse problems to be given housing without other counseling. Calder replied that all types of homelessness approaches bloom and said that Housing First has squelched diversity. Vance said that the one-size-fits-all approach is the main issue with Housing First and asked Yentel for her perspective. Yentel replied that the root cause of homelessness is the lack of access to a stable and affordable home and that providing an uncostly home paired with counseling has been very successful. She said that we tried sobriety approaches in the 80s and 90s that did not work and were expensive. Vance thought that Housing First was a bad deal for the taxpayer and the homeless person and worried about the social contagion effect here. He worried that Housing First has taken people who are struggling and introduced people with drug and mental problems to a neighborhood with kids. Vance worried that Housing First is ignoring these children and questioned why Housing First is allegedly working when it is not decreasing homelessness. Yentel defended that Housing First is working and said that on contagion, there are many people who are safely housed who suffer from mental health issues and substance abuse. She wanted to have a follow-up conversation with Vance.

Sen. Warren (D-MA) focused on the housing crisis in Indian country and asked about the current state of tribal housing. Yentel replied that tribal lands face some of the worst housing conditions compared to the general housing population. Warren continued that federal funding

for tribal housing programs has stagnated and said that we need to build better housing in Indian country. She said that one place we could start is ensuring that Indian countries can access the full array of federal programs and pointed to her legislation that would allow 5% of funding for rural housing through the Department of Agriculture to go to these communities and asked if this would help. Yentel replied yes. Warren said that we know that more federal investment is what is needed to help the current housing crisis and hoped that Republicans would become serious about solving this issue.

Sen. Britt (R-AL) followed up Vance's line of questioning on homelessness and Housing First. She asked if the program's results have been worth the hefty price tag. Calder said her general answer is no and questioned how we define what works and said that in terms of the big picture, the program is not reducing chronic homelessness in at least two of the places the program has been adopted. She said that Housing First has helped the homelessness rate in Houston but said that Houston is unique, having minimal zoning laws and being pro-innovation compared to places like Utah and California where homelessness has increased. Britt asked Calder to discuss how land use regulatory obstacles are increasing the cost of housing. Calder replied that there are many land and parking requirements that make it difficult to build and said that anything that limits density should be looked at for reform.

Sen. Van Hollen (D-MD) agreed that we need action at all levels to alleviate housing issues and turned to his reintroduction of legislation that would provide 250,000 mobility vouchers for families with young children. He asked Yentel and Tisler to discuss why this bipartisan initiative is important. Yentel urged Congress to move this legislation forward quickly and said that housing choice vouchers are a highly effective tool in addressing homelessness and housing instability. She added that this legislation would really improve families who are homeless. Tisler said that families being in high opportunity neighborhoods is very important and would benefit everyone. He supported this legislation. Van Hollen said that these are affordable housing vouchers with some wrap around services and asked Calder for her thoughts. Calder liked tenant-based vouchers and thought these were superior options compared to supply side or production subsidies. She thought that the focus should be on tenant-based rental assistance.

Sen. Cramer (R-ND) discussed the reintroduction of the Choice in Affordable Housing Act and asked about the importance of the legislation and how it would strengthen existing housing choice opportunities. Yentel replied that the bill would increase the ability for tenants to choose where to live by having these vouchers. She said that the legislation increases landlord participation, streamline requirements around the program, and increases choice for the tenant by making the worth of the voucher be more based on the area of where they are living. Cramer liked the idea of vouchers and dealing with the demand side and turned to the FHFA ruling on mortgages. He underscored that he found it ironic that people with a higher credit score would be subsidizing those with a lower credit score and found that it assumes that those with a higher credit score are wealthier, which he did not think was always true. Cramer thought that the proposal made zero sense and asked for Calder's thoughts on the vouchers legislation he previously discussed. Calder heard that in many cases, the landlords want to provide space but do not want to work with HUD, due to the amount of bureaucracy. She said that it would be good to look into why the landlords do not want to work with HUD and look at reforming that.

Sen. Cortez Masto (D-NV) said that in Nevada, it starts with the land when building housing and thanked Lummis for bringing federal land issues up. She said that any way we can reduce the bureaucracy when it comes to federal land would be helpful and turned to her legislation that would update the HOME program. She asked Tisler about down payment assistance for servicemembers and to talk about this. Tisler replied that service members should not be penalized for leaving their home when they are deployed. Cortez Masto turned to manufactured housing, saying that 6% of Nevadans live in manufactured housing and asked why these residents should be prioritized. Tisler replied that in terms of manufactured housing, it is the answer to many rural areas and said that manufactured housing has the ability to increase supply in an affordable way.

Sen. Smith (D-MN) believed that there is significant bipartisan agreement in the housing space. She then shifted to zoning and addressing the cost burden that zoning has on affordable housing. She talked about how Minneapolis has been a leader in reducing exclusionary zoning practices. Smith asked if they have seen other examples of what Minnesota has done to address this and asked if there is anything else the committee should be aware of. Calder agreed with Smith that Minneapolis has led the way on zoning reform and discussed that ADUs is an easy, low-stakes reform when places are easing their way into reduction of zoning laws. Smith turned to the wealth disparities in Minneapolis due to exclusionary zoning and asked about the relationship between equity and zoning laws. Yentel replied that exclusionary zoning policies exacerbate racial inequities and reducing local zoning ordinances that prevent multifamily building continues those racial inequities. On positive zoning changes, she pointed to the YIMBY Act and believed that the bill had strong bipartisan support and urged its passage.

Sen. Fetterman (D-PA) discussed the Whole Homes Repair program and asked Tisler to discuss the importance of this. Tisler thought that having a national repair program would be incredible. Fetterman was excited about expanding the Whole Homes Repair program. Yentel added that she appreciated the forgivable loans for multifamily owners as well as tenant protections included in the legislation.