

## MEMORANDUM

**To:** Members of the Committee on Financial Services

**From:** Financial Services Committee Majority Staff

**Date:** April 13, 2015

**Subject:** April 16, 2015, Housing and Insurance Subcommittee Hearing on “The Future of Housing in America: Increasing Private Sector Participation in Affordable Housing”

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On Thursday, April 16, 2015, at 9:15 a.m. in Room 2175 of the Rayburn House Office Building, the Housing and Insurance Subcommittee will hold a hearing on “The Future of Housing in America: Increasing Private Sector Participation in Affordable Housing.” This hearing will focus on innovative ways to promote more private capital investment for public and affordable housing.

This will be a one-panel hearing with the following witnesses:

- Ms. Adrienne Todman, Executive Director, District of Columbia Housing Authority
- Mr. Brad Fennell, Senior Vice President, WC Smith
- Mr. James Evans, Director, Quadel Consulting
- Ms. Sheila Crowley, President and Chief Executive Officer, National Low-Income Housing Coalition

### **Primary Federal Funding Sources for Public Housing and Affordable Housing**

The federal government has been involved in providing housing assistance to lower-income households since the 1930s. In the beginning, the federal government was involved in promoting construction of low-rent public housing for lower-income families through local public housing authorities (PHAs). Over time, the role of the federal government has shifted away from providing construction-based subsidies to providing rental subsidies with private developers and property owners now playing a larger role.

The housing programs tied to direct federal funding serve approximately 4 million low-income families and provide resources for rental assistance, institutional operational funding, and capital development.

*Public Housing Assistance*

Created in the U.S. Housing Act of 1937, the low-rent public housing program was the first major federal rental housing assistance program. The program initially subsidized the construction, and later the ongoing operation and maintenance, of multifamily rental housing properties for low-income families. Federal funding comes from two main formula grants—the Public Housing Capital Fund and the Public Housing Operating Fund—which supplement rents collected by public housing authorities in order to help them meet the operation, maintenance, and capital improvement needs of public housing.

While public housing is a federally created and funded program, the properties are owned and managed at the local level by quasi-governmental public housing authorities under contract with the federal government. Given this unique federal-local relationship, the program is governed in part by federal rules and regulations and in part by policies set at the state and local level.

Families who live in public housing generally pay rent equal to 30 percent of their adjusted gross income. Today, there are roughly 1.2 million units under contract and receiving federal funding, down from over 1.4 million units at the program's peak, according to the Congressional Research Service.

*Section 8 Rental Assistance*

Established by Congress in the 1970s to assist low-income families, the Section 8 program provides housing assistance to over two million low-income families and individuals each year. Under the Section 8 Program, tenants pay approximately 30 percent of their income towards rent; the rest is paid by the federal government. The Section 8 program consists of two programs: one provides tenant-based rental assistance and the other provides project-based rental assistance.

Tenant-based rental assistance, commonly known as Section 8 vouchers, are portable subsidies that low-income families can use to pay part of their rent for private-market housing; because families can move yet still receive these vouchers, the subsidy is portable. By contrast, project-based rental assistance is a subsidy attached to a unit of privately-owned housing that houses low-income tenants; if the family moves, the subsidy remains with the unit of housing. The Section 8 program is administered by more than 3,100 local public housing authorities, which receive payments from the federal Department of Housing and Urban Development (HUD).

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