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Fifty Years of HUD and its Impact on Federal Housing Policy"
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Chairman Hensarling, Ranking Member Waters, and Members of the Committee, thank you for the opportunity to testify today on HUD's role in federal housing policy and how to encourage entrepreneurship, self-reliance and upward economic mobility.

I am Xavier Briggs, professor of sociology and urban planning at MIT, currently on public service leave to serve as vice president for economic opportunity at the Ford Foundation. I've worked for more than twenty years in housing policy, from the perspective of a private, not-for-profit planner and developer working "on the ground" to that of policy adviser at HUD and, more recently, associate director of the Office of Management and Budget. I have frequently consulted with business leaders about the important role of the private sector in meeting the nation's housing needs and also with innovative State and local leaders of all political backgrounds. And I've done extensive research on how low-income housing policies and programs affect families, communities and the marketplace. I've run the statistics, met with developers, sat with low-income parents at their kitchen tables, and examined shifting urban development patterns as our nation has become, at once, much more racially and ethnically diverse and also much more economically unequal, i.e. as the "geography of opportunity" in America continues to evolve.

In light of HUD's fiftieth anniversary, I'd like to begin by putting today's debates into some historical perspective. This is the most straightforward way to underscore what a price we pay, as a nation, when the goals of housing policy—or any other domain of public policy—are confused or when, sometimes with the best of intent, we end up working at cross purposes.

This quick history will also remind us just how long federal housing policy has *mixed* public and private purposes.

It is easy to forget that the federal government's entry into the housing market began not with the creation of HUD or even the New Deal-era creation of public housing and the FHA mortgage. The first goal of federal housing policy came earlier: To help meet the needs of factory workers and their families when America entered the First World War nearly a century ago. Though the responsible agency—the U.S. Housing Corporation—was relatively short-lived, it showed that purposeful planning and public investment could help catalyze private investment and equip local communities with a menu of choices about how to guide their own development. And it provided an early indicator that federal leadership could help address the gap between incomes and housing costs in order to serve *other* vital national goals, such as enabling the large-scale production that was essential to the war effort.

When public housing came along, there were additional goals. The official ones emphasized the upgrading of slums—physical improvement to promote economic and social benefits. But the large-scale construction that the public housing program required also served the interests of the real estate industry and organized labor. And the evidence is clear: Across the country, these were highly sought-after housing units. For families of modest means, it was not just the low rents but the high quality of the units that set public housing apart. Most of the tenants worked, and so for a time, public housing served as a well-designed, well-built, well-maintained platform for upward mobility—a place to get your footing and save for the next rung on the ladder.

The same mix of public and private purposes was true for FHA mortgage insurance. It helped make mortgage credit available to millions of Americans for whom home buying and its many financial and social benefits would have otherwise been unattainable. The program began to fulfill its greater promise once racially discriminatory standards were removed. But FHA also helped create valuable standards and efficiency—and thereby served the interests of real estate brokers, banks, builders, and consumers—in the wider marketplace. In other words, over the long run, FHA has had huge spillover benefits beyond those it insured directly.

A mix of public and private purposes, benefits, and costs also defined the controversial urban renewal program, launched by the Housing Act of 1949 in response to post-war housing shortages. Officially, the goal was to clear away "slums" and prepare vast tracts of urban land for private real estate development. In practice, the program displaced more than a million households, most of them low income and many of them racial minorities, with measurable, negative effects on their health and mental health.

When Congress and the Administration moved to create the nation's first cabinet-level housing agency, HUD, in 1965, it inherited the aforementioned goals, the mix of public and private purposes, the intended as well as the unintended costs and benefits, and a considerable variety of programs. But the economic and social context for federal housing policy had begun to shift in very significant ways.

First, after several decades of unparalleled economic success and broadly shared prosperity in America, cities in many parts of the country were experiencing large-scale disinvestment and joblessness driven by the exit of industrial and other well-paid jobs.

And second, migration patterns had transformed the demographic make-up of cities profoundly. One large-scale migration saw many white, middle-class families move out to the suburbs, incented by affordable FHA mortgages and federal highway subsidies that cut commute times and spurred large-scale development in booming subdivisions. Another major migration saw millions of people of color, blacks and Hispanics in particular, move into cities in pursuit of better opportunities for their families. In this context, and particularly after the civil unrest that broke out in over 100 cities in 1967, federal housing investments and local institutions—both public and private—were suddenly thrust into the center of bitter debates over ghetto poverty, crime, racism and joblessness. Media accounts and major works of scholarly research began to ask whether well-intended housing policies were solving problems or making them worse.

But *which* problems exactly? Rapid sprawl and corresponding disinvestment in older, mostly urban neighborhoods? The flight of jobs to lower-cost regions and countries? Racial discrimination in mortgage and job markets? The rapid expansion of distribution channels for highly addictive, illegal drugs? A shift in housing assistance to serving less educated, lower-income parents—more and more of them single parents raising children on their own in the context of more violence and drug abuse and fewer jobs?

These sweeping social changes meant that HUD and its Congressional overseers began to grapple with fundamental questions about the *proper* goals of federal housing policy—and by many measures began to swim against the tide of larger economic and social trends—virtually from day one.

I will tie this point to much more contemporary examples in a moment, but allow me to underscore the larger point about federal housing policy: We have been set back, at great human and fiscal cost, by our inability to agree "enough" on the proper *goals* of federal policy in the context of these larger changes, let alone the most effective *means* of achieving those goals. Without agreement, we lack adequate commitment, and without that commitment, we struggle to make more progress.

Fast-forward fifty years from the founding of HUD, and this lack of agreement on fundamental goals, and the lack of commitment, manifest in several powerful ways:

- **First, federal housing assistance produces enormous benefits, but we are not focusing enough resources and innovation on the biggest problem—the *structural gap between incomes and housing costs* at the base of the American economy.** Though the creation of HUD and its early programs were largely focused on using housing and other investments to revitalize distressed markets—"placemaking"—most HUD funding now targets a quite different, and far more enduring *structural* problem: The gap between housing costs and incomes on the bottom, especially for those that HUD terms "very low income" and "extremely low income"—below 50% and below 30%, respectively, of area median income levels. This is an enormous gap in the nation's safety net and a barrier to health and economic mobility. And the biggest drivers of this gap by far are local housing costs and tenant incomes, not HUD's operating capacity or practices.

Those two driving factors, along with the policy decision, in recent years, to add new vouchers to combat homelessness among veterans, explain why the total cost of the voucher program has grown. It is very much a function of our federal policy strategy since the 1970s—relying primarily on the private rental market to meet the housing needs of those who cannot afford decent housing.

What are the price and income trends in that market? According to census data, only 65 units are available for every 100 very low-income renter households and only 39 units for every 100 extremely low-income renter households. We simply are not acting on a scale commensurate with this problem—or recognizing its outsized costs for children, families, taxpayers, and the economy.

The economic evidence is incontrovertible: As wages stagnated after the 1970s, especially for those earning below the median, and as an older stock of affordable units was demolished or converted and land prices climbed significantly in many local markets, millions of the lowest income households in America came to face back-breaking rents, homelessness or endless commutes to find affordable housing. They are simply unable to pay what it costs to rent a modest apartment, in a reasonable location, to help their families have a stable foundation, let alone get ahead.

It is also increasingly clear that the *costs* of this quiet crisis of unaffordable housing show up in children's health and emotional development, educational achievement and other dimensions of well-being, as well as adults' health, mental health and employment. That means we pay, many times over, both through government spending on health, criminal justice, and other sectors, and also through lost productivity and well-being.

One of the best recent indicators of this structural gap *and* of how to tackle it is in HUD's 2015 report to Congress on "worst case housing needs." Based on census data collected as part of the American Housing Survey, in 2013, about 7.7 million very low-income renter households that did not receive federal housing assistance faced worst-case needs, 97% of them because they paid more than half their incomes for housing costs. That's a 49% percent increase in worst-case needs over the decade (2003-2013), but it's down from a peak of 8.5 million in 2011, and the main reason for that drop is improvement in tenant incomes, across lines of race and regions of the country, thanks to the economic recovery.

- **Second, that improvement is a reminder that several of the most important levers for affecting the structural affordability gap lie *outside* HUD's budget and authority.** The tax code is the most obvious example. It helps to modestly expand the supply of affordable rental housing, most directly through the Low Income Housing Tax Credit. But it also structures the rewards of work, through the Earned Income Tax Credit. And it targets most federal housing aid, through the mortgage interest deduction, to the middle class and the affluent, rather than the very low-income households who face the most daunting housing costs and consequences.

Another way of saying this is that HUD's biggest programs are vital, but they truly do swim against the tide: First, compensating for the effects of local land use decisions that tend to make it harder and more expensive to build affordable housing in many communities, as former HUD Secretaries George Romney and Jack Kemp and others emphasized; and second, compensating for the long-run effects of a low-wage job economy plus a tax code that emphasizes housing aid for the well off.

- **Third, housing assistance has not been designed or funded to act as a cure-all for poverty.** Since the income side of America's massive housing gap, not just the cost side, is so significant, it is vital to clarify: Policies to subsidize the housing costs of the lowest income households, whether through supply side or demand-side approaches, do not automatically or consistently aim to affect employment or other factors associated with having poverty-level income.

  True, analysis of census data indicates that as a form of income transfer, rental assistance helped keep about 3.1 million people, including 1 million children, out of poverty in 2013. But the direct effect of rental assistance is to reduce costs and thereby make poverty less dangerous, unhealthy and miserable.

  Arguably, these impacts on the quality of life of poor people in a wealthy nation are not "consolation prizes." They are morally consistent with American values, and over time, as we now understand thanks to better and better research, "quality" of life can have long-run payoffs for the next generation: Improving health, skills and success.

  But we should not confuse ourselves about what these programs were designed and operated to do: Overwhelmingly, to make housing less costly, period. Another way of saying this is that housing affordability is an absolutely *necessary* but not a *sufficient* condition to produce economic mobility and self-reliance.

- **Fourth and finally, we will reinforce the challenges we face, as a changing nation, if we seek to expand housing opportunities for low-income individuals and families only within the limited geography that contains most affordable housing now.** That is, we will deepen the problems associated with geographically concentrated poverty if we do not expand steps toward inclusion in a wider array of local communities, beyond the central cities and older suburbs that are home to most affordable housing developments and apartments rented with federal vouchers.

  This is particularly important for two reasons. The first is that residential segregation by income and other economic measures has been rising over the last few decades, as a by-product of rising income inequality and limited housing choice. And the second reason is that, over the same time period, segregated and unequal educational opportunity has increasingly come to reflect these segregated housing patterns—compounding the barriers to mobility in an economy that demands and rewards higher skills and educational attainment.

Going forward, and learning from our history, as the Committee has noted, it is vital to help make housing assistance a contributor to self-reliance and economic mobility. To accomplish this, four things need to happen:

First, we need policy to *go beyond the HUD budget* for leverage to close the gap between the lowest incomes and the cost of decent housing. Otherwise, given the structure of our economy and current tax code, we could easily end up increasing employment rates for those who receive housing assistance but fail to address the big structural gap between wages and rents at the base of the American economy.

This step includes expansion of non-discretionary sources of revenue, such as through tax expenditures and the Congressionally authorized assessments on the government-sponsored enterprises (Fannie Mae and Freddie Mac) to generate revenue for the National Housing Trust Fund. At the State and local levels, trust funds have proven to be powerful and efficient tools. The NHTF can be a real game changer for closing that affordability gap for the lowest income households. And as in decades past, we can meet the most urgent housing needs and create good jobs and career pathways, for example in the building trades, at the same time.

In the same vein, we can make it easier for States to test rigorous ways to generate other benefits, such as better health outcomes and lower recidivism, by using their health and criminal justice dollars to make smart housing investments.

Second, for HUD and other agencies, it is vital to make our delivery system for housing assistance as *efficient and well targeted* as possible. I know the Committee has given considerable attention to this issue, and so have the GAO, OMB and other agencies concerned about the number and complexity of housing programs.

On the supply side, the evidence from the largely private industry of for-profit and nonprofit developers is that the *number* of capital subsidy programs is less important than how consistent and aligned they are with each other—and also whether they can address the lowest income households who face the greatest needs (so-called "deep" targeting). This is not an argument for concentrating those households in segregated developments. It *is* an argument for ensuring that they do not get left behind as we address the housing needs of those with moderately better incomes. And developers have been consistent and vocal on this issue: Without appropriately targeted federal funding, it is not financially viable to serve significant numbers of the lowest income households. That is, the investments do not "pencil out."

In principle, key supply-side programs could be consolidated, so long as we focus clearly on the problems we are trying to solve. It is vital that HUD be encouraged and allowed to continue streamlining its programs, enabling vouchers to be used with project-based capital, expanding the Rental Assistance Demonstration to help re-capitalize the public housing stock *and* enable public housing agencies to perform like nimble real estate organizations, and coordinating with Treasury on the LIHTC program—all in the interest of a more seamless financing system on the ground, with better coverage of the lowest income households.

It is also important that a more flexible program, such as the Community Development Block Grant, not be thought of as "one more housing program." CDBG continues to serve many purposes beyond expanding rental housing supply, and as directed by the law, it seeks benefits for households across a range of income levels. It was not created to be a well-targeted affordable housing program, and so, not surprisingly, it has not become one.

Third, it is crucial that we support *effective* pro-work housing policy for households that are not elderly or disabled.

A significant share of federally subsidized, assisted housing—and a majority of public housing and voucher units—serve very low income people who are elderly, disabled, or both. This housing assistance is a vital national resource, especially as our population ages. Units to serve very low-income elderly people are particularly over-subscribed, and they will only become more precious as Medicare and Medicaid work aggressively to reduce hospitalization, reform long-term care, and otherwise lower health care costs while improving outcomes. But encouraging substantial gains in self-sufficiency is not a realistic goal, and therefore not an appropriate measure of policy success, for these groups.

On the other hand, for those assisted households that are not elderly or disabled, work has long been a prized and deeply felt goal. Work provides income and dignity. It makes parents proud to serve as role models and children proud to look up to them. It is also a primary reason that families leave housing assistance (with an average length of stay of 5 to 7 years, according to HUD data). So we ought to be investing in and continuously improving what works to enhance skills, job getting, retention, and earnings gains for those who receive federal housing assistance. We have quite a base of rigorous evidence and experience to build on. And while we should not expect miracles from narrow, let alone punitive, requirements, we know how to make work pay, for example by expanding the EITC and increasing the minimum wage. And we need to ensure that critical safety net programs do not fail parents who are working or striving to become employed.

And fourth, we should make inclusionary housing a full and integral part of the larger agenda of federal housing policy, to help States and localities encourage more balanced development and mitigate harmful segregation. The Supreme Court recently upheld the federal government's legal obligation to "affirmatively further" fair housing by encouraging balanced and inclusive land policy and housing investments, not just fight discrimination against individual households in the marketplace. And State courts have likewise ruled against exclusionary zoning and other locally imposed barriers, most famously in the landmark Mount Laurel case in New Jersey. Researchers, meanwhile, have carefully documented that affordable housing can be developed and managed in these higher-resource communities without compromising local property values, increasing crime, or creating other problems that opponents frequently cite.

Thank you again for the opportunity to testify.