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**Testimony by  
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**U.S. House of Representatives  
Committee on Financial Services**

**“Housing in America: Assessing the Infrastructure Needs of America’s Housing Stock”**

**April 30, 2019**

Good morning, Chairwoman Waters, Ranking Member McHenry and Members of the Committee on Financial Services. My name is Adrienne Todman, and I am the CEO of the National Association of Housing and Redevelopment Officials (NAHRO). Thank you for inviting me to testify today on the important topic of assessing the infrastructure needs of America’s housing stock.

Last year, NAHRO celebrated its 85<sup>th</sup> anniversary as a membership organization for the affordable housing and community development industry. In 1933, the founders of NAHRO created the association to address their common concern for the nation’s housing needs. That remains our charge today. Our membership consists of more than 70 percent of the agencies that administer the public housing, Housing Choice Voucher, and the Project-Based Rental Assistance programs across the country. Our members build and maintain homes for almost 8 million people across the country in urban, rural, and suburban America. NAHRO members also administer the HOME and CDBG resources provided by HUD, which not only go towards the creation of new affordable housing, but also, in the case of CDBG, serve as a down-payment in community amenities that support the vitality and livability of neighborhoods.

Many of you may have spoken with NAHRO members a few weeks ago, while they were here for our Washington Conference. Hundreds of housers and community builders travelled from all across the nation to talk with you about our legislative priorities: keeping government open, fully funding affordable housing and community development programs, preserving the nation’s housing stock, creating local, community-based solutions and supporting efficient program operations. I am sure many of them also expressed their gratitude for this Committee’s support of

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their funding and operational issues. I would like to echo their thanks for the work you do in helping to increase and preserve our vital affordable housing stock.

### **Families Served and Existing Needs**

America's public housing is an integral component of our nation's infrastructure. It is home to almost 1 million families, including more than 360,000 families with children and more than 315,000 senior households<sup>1</sup>. Twenty-two percent of households include persons with disabilities - that figure rises to 51 percent when we consider only households headed by persons of age 62 years or older.

The need for affordable housing is only increasing. HUD's 2017 *Worst-Case Housing Needs Report* states that "[d]espite continued signs of a strengthening national economy, the report finds that severe housing problems are on the rise. In 2015, 8.30 million households had worst case needs, up from 7.72 million in 2013 and approaching the record high of 8.48 million in 2011." Vulnerable populations such as seniors are also particularly affected. As the Harvard Joint Center for Housing Studies noted in 2018, "the number of cost-burdened older adult households reached a high of 9.7 million in 2016, up from 6.5 million in 2001. This new peak includes 4.9 million severely cost-burdened households (those spending over half of their income on housing)."

We owe it to the families, children, and seniors currently housed; to our homeless neighbors throughout the country; and to the millions of households who experience housing affordability issues to preserve this inventory of housing as part of this country's valuable infrastructure.

### **How Did We Get Here?**

Created in the 1930s, the public housing program was the first major federal rental housing program. And while the program was federally created and funded, the properties are owned and managed by local public housing authorities, which were created by states. This unique federal-state-local arrangement is codified in the Housing Act of 1937, as amended throughout the years, and administered via an Annual Contributions Contract, an historically bilateral relationship that lays out the roles of the federal and local government.

Over the years, and as the public housing program rules changed, the rents of the families who lived in public housing could no longer sustain the operating costs of the units. Congress then authorized the provision of operating assistance. But, unfortunately, the residents' rental income, and the level of the operating assistance and capital fund would not be enough to both sustain the operational needs of the units and remedy major deficiencies. Public housing units throughout the country began to fall into disrepair. In the late 1980s, Congress then established the Commission on Severely Distressed Public Housing, which made a number of recommendations as to the social service needs of residents and the capital needs of the asset itself. One outgrowth of that report was the highly competitive HOPE VI program, which focused on the most distressed units in the country.

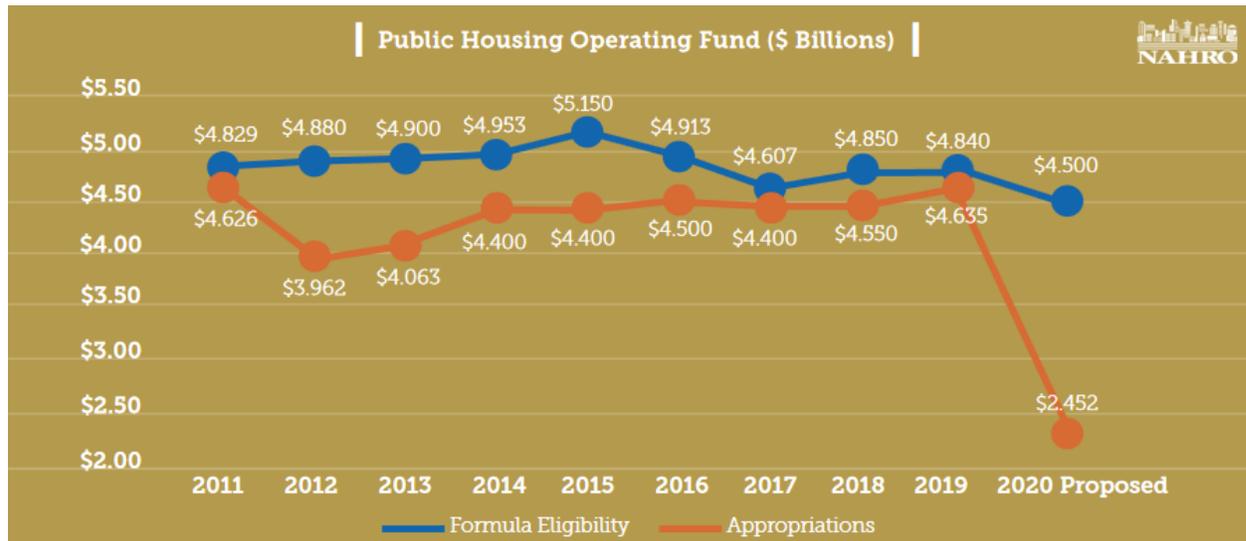
Unfortunately, the funding needed to address the capital needs of this important housing portfolio has truly never been fully realized. In fact, appropriations for both the operating fund and the capital fund have been substantially reduced.

We are now bearing witness to the consequences of these decisions.

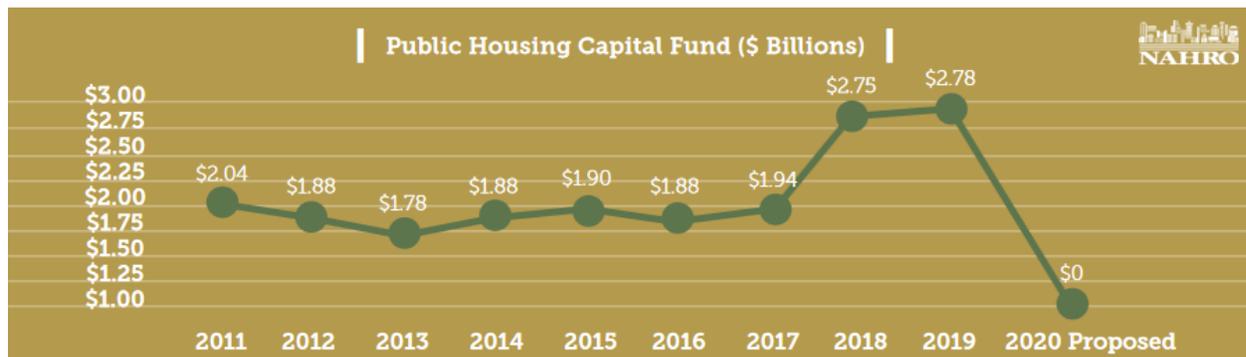
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<sup>1</sup> HUD's [Picture of Subsidized Households](#) 2018.

There are some residents in aging units who face increasingly unhealthy and unsafe conditions due to a mounting capital needs backlog. Capital Fund appropriations, which provide funding for the rehabilitation and modernization of public housing units, lag dangerously behind accruing modernization needs. At the same time, funding for operations – through the Operating Fund – has endured deep cuts, forcing housing agencies to forgo critical maintenance functions and thus further jeopardizing the long-term sustainability of many properties.



The Capital Fund is provided annually to public housing agencies (PHAs) for the development, financing, and modernization of public housing developments.



PHAs use this money to repair and improve their public housing sites and buildings, address deferred maintenance needs, and replace obsolete utility systems. For instance, the Housing Alliance and Community Partnerships, formerly the Housing Authority of the City of Pocatello, in Idaho, has 72 public housing units. Their public housing residents are all elderly and disabled and are on fixed incomes, which in turn results in fixed rents that average approximately \$186/month. HACP will be using the entirety of this year’s Capital Fund allocation to replace an elevator. When asked what they would do with double the allocation, they replied that they’d replace the other elevator, and look into replacing windows and equipment in the building’s laundry room.

The Seattle Housing Authority uses its Capital Funds to preserve existing housing stock, which includes rehabilitating major building systems in existing public housing high-rise buildings; replacing major building components such as roofs, exterior siding, and windows; upgrading unit interiors; and providing improvements such as community rooms.

The Bayonne Housing Authority in New Jersey plans to replace roofs, upgrade elevators and security cameras, repair their sidewalks and curbs, make electrical upgrades, and install underground steam and water line replacements. Two small agencies in Kansas will be replacing and upgrading their HVAC systems. The Milford Housing and Redevelopment Partnership in Connecticut is using two years' worth of Capital Funds to remove asbestos tiles and mastic and to replace the flooring in 50 homes.

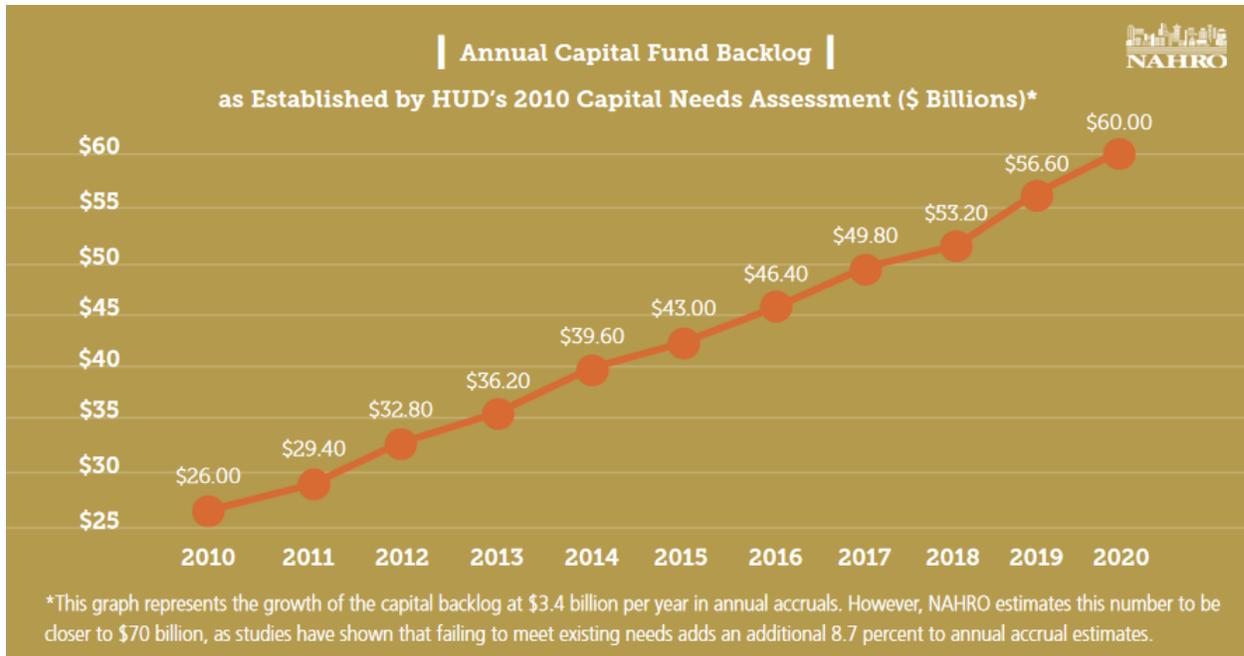
In 2009, the American Reinvestment and Recovery Act (ARRA) included \$4 billion in public housing capital funds: \$3 billion was allocated through the capital fund formula and dispersed to n 3,000 PHAs in March 2009, and \$1 billion was allocated through a competitive grant process for green retrofits and new green construction, and dispersed beginning in September 2009. A 2010 report<sup>2</sup> notes that "PHAs spent the money quickly...despite additional reporting requirements and regulations regarding the use of the funds. They created thousands of jobs, brought thousands of new or rehabbed units online and leveraged billions more in additional funds."

Unfortunately, after this one-time injection, allocations were significantly reduced. While we are *very* grateful for the increased appropriations made in FY 2018 and FY 2019, the current appropriations levels are not keeping up with the accruing capital needs. Extrapolating from HUD's 2010 Capital Needs Assessment, we join our sister association, the Public Housing Authorities Directors Association (PHADA) in estimating that the capital needs backlog to be upwards of \$70 billion, even after considering the impact of programs like Choice Neighborhoods and the Rental Assistance Demonstration<sup>3</sup>.

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<sup>2</sup> [\*Public Housing Stimulus Funding: A Report on the Economic Impact of Recovery Act Capital Improvements\*](#), 2010.

<sup>3</sup> PHAs have been able to reduce this backlog by leveraging \$5 billion through the Rental Assistance Demonstration. Furthermore, PHAs have received \$487.425 million in Choice Neighborhood Implementation Grants and have leveraged \$1.288 billion specifically for housing rehabilitation and new construction through those grants since 2010. Accounting for this \$6.775 billion in grants and leveraged funding for capital needs through RAD and Choice Neighborhoods, the capital needs backlog is \$69.377 billion. Though programs such as demolition and disposition and voluntary conversion have made it easier for public housing authorities to reposition their public housing and leverage additional funds to address capital needs, these were not workable programs until last year, and have not yet had a significant impact on the backlog.



We applaud the inclusion of \$70 billion in this bill for public housing capital repairs. This much-needed funding will help PHAs make critical repairs and ensure that their public housing units, which are a large and vital part of our housing infrastructure, are safe, decent, and sustainable.

### **Investing in Public Housing Is an Investment in Small Businesses**

Public housing is not just infrastructure, but also an economic engine. A study estimates that the lack of safe and accessible affordable housing in major metropolitan areas costs us approximately \$1.6 trillion a year in lower wages and lost productivity<sup>4</sup>. Further, every \$1 spent on public housing produces an additional \$2.12 in indirect economic activity. Thus, a \$70 billion infusion would result in \$218.4 billion in total economic activity.

### **Industry Tools for Preserving the Portfolio**

The Capital Fund is a critical tool in preserving public housing units. Given that federal funding has not kept pace with the need for local housing agencies to repair units, they have relied on a number of other programs, many of which leveraged private funding.

Since the beginning of its participation in the Moving to Work demonstration program (MTW), the Cambridge Housing Authority (CHA) in Massachusetts has used MTW funding flexibility to support the capital needs of its public housing units. In 2001, a capital needs assessment estimated that CHA would need \$69 million for repair and construction costs. With annual capital funding of approximately \$3.5 million, it would have taken the PHA 20 years to meet existing maintenance and modernization needs. CHA used MTW single-fund flexibility to dedicate funds above what it received in capital funding. Between 1999 and 2005, CHA spent \$9 million from its MTW block grant toward modernization and extraordinary maintenance. Although reduced operating subsidies over the next few years required CHA to limit the amount of MTW funding spent on maintenance, CHA ultimately spent a total of \$50 million in MTW funding on capital needs between 1999 and 2014, maintaining the quality of all of its public housing units.

<sup>4</sup> [Housing Constraints and Spatial Misallocation](#), updated 2018.

The Rental Assistance Demonstration (RAD) program has been a critical tool to help recapitalize the public housing infrastructure backlog. While the additional public housing financing included in this bill is absolutely necessary, the RAD program should remain an option for those PHAs that still want a tool to convert their public housing to the Section 8 platform. The current iteration of the RAD program ensures that there are protections in place that safeguard the affordable housing character of properties and have strong tenant protections. According to HUD, over 110,000 units have been converted with a 19 to 1 leveraging ratio.

The Grand Rapids Housing Commission in Michigan used several of these funding streams and tools to redevelop Creston Plaza, a severely distressed 100-unit low-income public housing development that was built on a flood-prone site. Their participation in the RAD program gave them the leverage to obtain \$2.4 million in LIHTC and attract \$19.5 million in private investment; they filled funding gaps with Capital and Operating Fund money and mortgage loans obtained through Fannie Mae. With these funds, they stabilized and adapted the site terrain for new construction, and the redeveloped facility now serves families, senior citizens, and persons with disabilities.

The Portsmouth Redevelopment and Housing Authority of Virginia used a variety of tools - capital funds, the Low Income Housing Tax Credit (LIHTC), and Community Development Block Grant (CDBG) funds to develop Westbury Cottages, 16 one-bedroom units in eight duplex buildings that serve a minimum of 50 percent supportive housing to reduce the homeless population. This project would not have been possible without several other tools that PHAs use to build and maintain some of our precious affordable housing infrastructure.

### **Low-Income Housing Tax Credit**

Virtually no affordable rental housing development would occur without LIHTC; it is a vital financing component for many of the federal, state, and local affordable housing programs used by NAHRO members. The LIHTC has been a critical source of equity for more than 3 million affordable housing units over the last 30 years, providing affordable homes to 7.2 million low-income families and supporting 3.25 million jobs. This is why we join our colleagues in the ACTION Campaign in supporting the reintroduction of the Affordable Tax Credit Reinforcement Act (H.R. 1661) that was introduced in the 115<sup>th</sup> Congress. Like them, we also support the inclusion of a 50 percent phased-in increase in each state's LIHTC ceiling, which would allow PHAs and other entities to finance both the production of new rental homes and the rehabilitation of existing properties that need repairs.

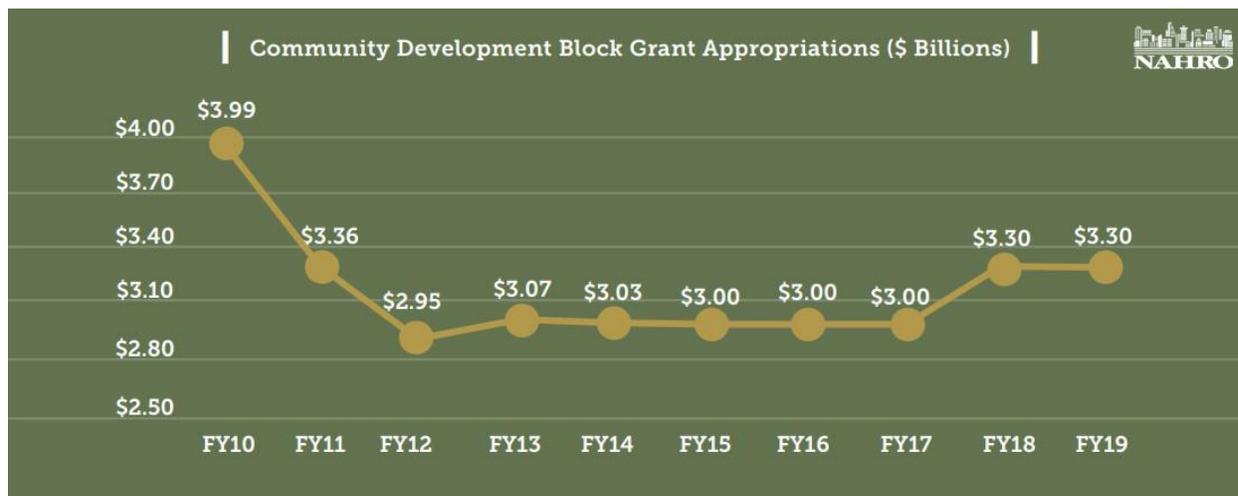
### **Opportunity Zones**

Established by the Tax Cuts and Jobs Act of 2017, the Opportunity Zone Program provides tax incentives for investors to re-invest unrealized capital gains into Opportunity Funds. Opportunity Funds are private-sector investment vehicles that invest at least 90 percent of their capital in Opportunity Zones. This new program has the potential to be an important, viable tool for housing and community development agencies.

### **National Housing Trust Fund**

Another important funding mechanism for producing and preserving affordable housing is the National Housing Trust Fund (NHTF). Congress implemented the NHTF with the purpose of generating a dedicated funding source allocated to states for affordable housing preservation and production. Additional capitalization of the NHTF will help alleviate the deep need for affordable housing targeted to extremely low-income households.

## Community Development Block Grant



CDBG funding is critical to every state, and to the many localities that use it to revitalize their neighborhoods and support vulnerable populations such as the elderly, persons experiencing homelessness, domestic violence survivors, persons with disabilities, youth, and veterans. We very much appreciate the inclusion of \$10 billion of new CDBG funding in this bill. We certainly understand that the proposed competition is intended to incentivize localities to reduce barriers to the creation of affordable housing. We ask, though, that consideration be given to ensure that smaller communities, rural communities, and Indian tribes have a fair opportunity to access these funds. This concern can be resolved by instituting assurances that small and/or rural communities and Indian tribes will have access to the funds.

### Why HOME Matters

We would also like to highlight one of the most important federal tools NAHRO members use to preserve and produce affordable housing, which is absent from this proposed legislation: the HOME Investment Partnerships program. For more than 20 years, HOME has empowered more than 600 states and localities to design and implement affordable housing strategies in response to locally determined need. HOME has created more than 1.3 million affordable homes and provided direct rental assistance to more than 356,000 families. It has created and preserved housing for low-income families in every state, territory and congressional district in the country. HOME funds can be used for new construction, housing rehabilitation, down payment assistance to creditworthy homebuyers, and tenant-based rental assistance.

HOME benefits those most in need by supporting low-income households, particularly people with disabilities, veterans, families with children, and people experiencing homelessness. It is a vital federal housing program that allows communities to leverage \$4.38 of public and private dollars for every HOME dollar invested. The HOME Coalition estimates that the program has supported more than 1.75 million jobs and generated \$115 billion in local income.

Given the needs that the HOME program serves, we encourage you to consider adding \$5 billion in HOME funding to this bill.

### Support Rural Housing

The health of our national housing infrastructure also requires investments in the production of new affordable rental homes in rural communities and on tribal lands. The USDA Section 515

Rural Rental Housing Program provides direct loans from USDA to private and nonprofit organizations to build affordable multifamily rental housing in rural areas. Infrastructure investments, including rural broadband, would have significant impacts on low-income rural Americans.

### **Housing Needs in Indian Country**

The Indian Housing Block Grant (IHBG) and the Indian Community Development Block Grant (ICDBG) are also critical to ensure adequate maintenance and development of safe, sanitary and affordable housing on tribal lands. We had the pleasure of hearing from the National American Indian Housing Council (NAIHC) during our recent Washington Conference and learned the impact of the IHBG and ICDBG programs. The HUD needs assessment of tribal communities from 2017 found a need of 68,000 new units across Indian Country. Per the leadership of NAIHC, the \$1 billion in this bill under the Native American Housing Block Grant would be a great jump start to addressing this need. The funds would allow tribes to focus on new development and acquisition of new affordable housing units, as current appropriations are largely used for maintenance of existing units.

### **Disaster Preparedness**

In order to prepare for the effects of disasters on our housing infrastructure, we need to have both a firm plan to ensure resilience, as well as a path back for when our housing is damaged and destroyed. We are pleased to see that this proposed legislation acknowledges the role that natural disasters play in interrupting housing affordability in communities across the country. Including pre-disaster mitigation funds in this bill will allow local communities and PHAs to proactively prepare their properties and their residents to withstand a disaster. These resiliency efforts will show maximum benefit during a disaster by providing safe and durable homes to those affected and by minimizing the post-disaster cost, time, and effort to repair and restore the local community.

### **Why Invest in America's Housing**

Investing in affordable housing, particularly the public housing portfolio, is an investment in people, and a cost-saving mechanism that prevents additional expenditures downstream. We turned to Urban Institute's online portal "How Housing Matters" and learned that a 2016 study<sup>5</sup> found that living in subsidized housing as a teen was positively associated with adult earnings. The research also found that subsidized housing was associated with reduced likelihood of incarceration. Research has also shown that it is less costly to house chronically homeless people than to leave them on the streets. A 2016 study<sup>6</sup> of Albuquerque's Heading Home initiative found that, over a two- to three-year period, the program created about \$5 million in total savings (about \$14,700 per participant) – a cost-savings return of about \$1.78 for every program dollar spent. A 2015 study<sup>7</sup> found that older adults who were able to access housing after experiencing homelessness had lower rates of emergency department visits and overnight hospitalization than those who remained homeless.

Thank you for the opportunity to testify about this vital issue. I look forward to answering your questions.

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<sup>5</sup> *Childhood Housing and Adult Earnings: A Between-Siblings Analysis of Housing Vouchers and Public Housing*, 2016, revised in September 2018.

<sup>6</sup> *City of Albuquerque Heading Home Initiative Cost Study Report Final*, 2016.

<sup>7</sup> *Health Outcomes of Obtaining Housing Among Older Adults*, 2015.