

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

April 9, 2021

Memorandum

To: Members, Committee on Financial Services
From: FSC Majority Staff
Subject: April 14, 2021, Full Committee Hearing entitled, “Build Back Better: Investing in Equitable and Affordable Housing Infrastructure”

The Committee on Financial Services will hold a hearing entitled, “Build Back Better: Investing in Equitable and Affordable Housing Infrastructure” at 10:00 a.m. on Wednesday, April 14, 2021. The hearing will be virtual. This will be a one panel hearing with the following witnesses:

- **Ms. Diane Yentel**, President and CEO, National Low Income Housing Coalition
- **Dr. Michael McAfee**, President and CEO, Policy Link
- **Ms. Jacqueline Waggoner**, President, Solutions Division, Enterprise Community Partners
- **Dr. Saule Omarova**, Beth and Marc Goldberg Professor of Law, Cornell University
- **Republican Witness**

Introduction

Similar to bridges and roads, affordable housing is a crucial part of the infrastructure of the United States and is a stable asset that allows individuals, families, and communities to gain access to resources and opportunities that enable them to thrive.¹ Similar to investments into other infrastructure projects, investments into affordable housing infrastructure generate construction activity and jobs that stimulate the economy. For example, according to the National Association of Home Builders, “building 1000 multifamily rental homes of average construction value creates or retains 1,250 jobs, \$142 million in wages and business income, and \$55.91 million in taxes and revenue for local, state and federal government.”² Further, similar to disinvestment in other infrastructure, disinvestment in affordable housing infrastructure can hamper economic growth.³ One study found that a lack of affordable housing in large metropolitan areas costs the U.S. economy approximately \$2 trillion each year by hindering the ability of people with lower incomes to move to these areas.⁴ Another study estimated that the United States’ GDP growth was stunted by 13.5 percent from 1964 to 2009 due to a lack of accessibility to affordable housing.⁵ Sufficient investment in affordable housing over this time period would have engendered a \$1.7 trillion increase in total income, and amounted to \$8,775 in additional wages for each worker in the U.S.⁶

¹ See e.g. Campaign for Housing and Community Development Funding (CHCDF), [Affordable Housing Infrastructure](#), National Low Income Housing Coalition (n.d.).

² Elizabeth Thompson, [What Building 1000 Homes Means to the US Economy](#), National Association of Home Builders (NAHB) (Apr. 20, 2020); See also NAHB, [National Impact of Home Building and Remodeling: Updated Estimates](#) (Apr. 1, 2020).

³ Alex Sarabia, [All Growth is Local: Housing Supply and the Economics of Mobility](#), Chicago Policy Review (Feb. 2, 2016).

⁴ *Id.*

⁵ Chang-Tai Hsieh & Enrico Moretti, [Housing Constraints and Spatial Misallocation](#), American Economic Journal: Macroeconomics (2019).

⁶ *Id.*

The Need for Investment in Affordable Housing Infrastructure

There are 960,000 public housing units across the country that are home to 1.65 million residents.⁷ In 2010, HUD found that the national average per-unit estimate of capital needs was over \$19,000, with a median per-unit need of greater than \$15,000.⁸ The Public Housing Authorities Directors Association (PHADA)'s estimate of the total public housing capital backlog amounted to \$70 billion as of the pre-pandemic date of February 2020.⁹ Failure to invest in our public housing stock may result in the permanent loss of these units, which are already being lost at a rate of about 10,000 units each year.¹⁰

Other federally assisted housing, including in the U.S. territories and tribal areas, is also facing significant capital investment needs that have been exacerbated by decreased federal funding or lack of new federal funding for key programs like the Community Development Block Grant (CDBG) program, the HOME Investment Partnerships program (HOME), the Project Based Rental Assistance Program (PBRA), the Native American Housing Block Grant (NAHBG) program, and rural housing programs. For example, the U.S. Department of Agriculture's multifamily housing portfolio, which provides rental housing for low-income residents in rural areas, estimates a reserves deficit of \$5.6 billion over the coming 20 years.¹¹ According to a report from the National Congress of American Indians, "of the 60,000 homes being maintained by federal housing assistance programs serving Native Americans, it is estimated that 70 percent are in need of retrofiting."¹²

Local regulations and laws also affect the supply of affordable housing. For example, many states and localities impose impact fees, which are payments required by state or local governments on new development to provide revenue for infrastructure projects other than housing. Around 60 percent of cities in the United States with greater than 25,000 residents impose these fees.¹³ By making affordable housing developments more expensive, these fees can directly reduce the number affordable housing units in a development or reduce the affordability of the unit.

The shrinking affordable rental housing stock described above has left millions of families, especially people of color, deeply cost-burdened or living in substandard conditions, or in worst cases, homeless. In 2019, over 17.6 million households paid more than half their income in rent, an increase of 5.6 million since 2001.¹⁴ Federal rental assistance programs have not grown proportionately, resulting in the ratio of eligible households to those receiving assistance increasing from 1-in-3 to 1-in-5 over this period.¹⁵ Low-income Native American and Alaska

⁷ PIH Information Center (PIC), [Resident Characteristics Report](#) (last updated Mar. 31, 2021).

⁸ Meryl Finkel et al., [Capital Needs in the Public Housing Program](#), Abt Associates Inc. (Nov. 24, 2010). The report also found that additions needed for lead paint abatement was \$306,788,000 in 2010; additions for improving energy and water efficiency \$4,149,439,000; and necessary accommodations for persons with disabilities is \$25,000 per unit, for a total national cost of \$264,473,000.

⁹ Public Housing Authority Directors Association, [President's Budget Would Slash and Eliminate HUD Programs](#), Feb. 2020.

¹⁰ See e.g. HUD, [Rental Assistance Demonstration generates \\$4 billion in public-private investment in distressed public housing](#) (May 11, 2017).

¹¹ USDA Rural Development, [Multi-family Housing Comprehensive Property Assessment](#) (Mar. 1, 2016).

¹² National Congress of American Indians, [Investing in Tribal Governments: An Analysis of Impact and Remaining Need under the American Recovery and Reinvestment Act](#) (Mar. 2010).

¹³ Vicki Bean, [Impact Fees and Housing Affordability](#), Cityscape: A Journal of Policy Development and Research (2005).

¹⁴ Joint Center for Housing Studies of Harvard University, [The State of the Nation's Housing 2020](#) (2020).

¹⁵ *Id.*; See also Center for Budget and Policy Priorities, [Federal Rental Assistance Fact Sheets](#) (last updated Dec. 10, 2019).

Native communities face some of the worst housing conditions in the United States with disproportionately high rates of overcrowding and substandard housing conditions.¹⁶ After double digit declines from 2009 to 2016, homelessness has increased nationally over the past four years. According to HUD’s 2020 annual point in time count, conducted prior to the COVID-19 pandemic, there was more than a 2 percent increase in the number of people experiencing homelessness since 2019. On any given night, HUD estimates that more than 580,000 people are staying in emergency shelters or transitional housing, or have no other place to sleep other than “the street, in abandoned buildings, or in other places not suitable for human habitation.”¹⁷ This increase was largely driven by individuals experiencing unsheltered homelessness.¹⁸

Lack of affordability in the rental market makes it harder for renter households to save enough money to transition to homeownership. Further, lack of investment into affordable single-family homes in combination with ongoing housing discrimination, both systemic and overt, make it all the more difficult for low and moderate income (LMI) borrowers, borrowers of color, and other underserved borrowers to become homeowners. 2019 represented the eighth consecutive year that the median home sale price increased faster than household income while the for-sale home inventory stood at its lowest level since 1982.¹⁹ The homeownership rate for Black households in 2019 was lower than in 1968, when Congress passed and President Lyndon Johnson signed the Fair Housing Act into law.²⁰ And on average, households of color who have managed to become homeowners pay higher mortgage rates and fees than their white counterparts.²¹

Investment to preserve and produce affordable housing is also directly related to serious public health issues, particularly those affecting children in America. Low-income children of color are disproportionately likely to live in substandard housing, contributing to higher rates of higher rates of elevated blood lead levels and asthma which impair physical health and contribute to poor educational outcomes.²² Low-income, racially segregated communities are simultaneously more likely to be located near landfills, industrial areas, and other pollutants,²³ yet are less likely to benefit from enforcement of environmental laws.²⁴

Segregated housing patterns and systemic disinvestment in lower income areas and communities of color also shape the nation’s educational and economic pathways. Living in a community that lacks good schools and community amenities—isolated from jobs, job-connecting networks, and reliable public transportation—may hinder residents’ ability to thrive.²⁵ Housing

¹⁶ See e.g. HUD Office of Policy Development and Research, [Housing Needs of American Indians and Alaska Natives in Tribal Areas: A Report from the Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs](#) (Jan. 2017).

¹⁷ HUD Office of Community Planning and Development, [The 2020 Annual Homeless Assessment Report \(AHAR\) to Congress](#) (Jan. 2021).

¹⁸ *Id.*

¹⁹ *Supra*, note 14.

²⁰ Prashant Gopal, [Black Homeownership Falls to Record Low as Affordability Worsens](#), Bloomberg (July 25, 2019).

²¹ Christopher J. Brooks, [Disparity in home lending costs minorities millions, researchers find](#), CBS News (Nov. 15, 2019); See also Taylor Allen, [Black homeowners refinance less and pay more for mortgages, new data reveals](#), Whyy (Jan. 4, 2021).

²² Nanhua Zhang et al., *Early Childhood Lead Exposure and Academic Achievement: Evidence From Detroit Public Schools, 2008- 2010*, American Journal of Public Health (Mar. 2013).

²³ David Williams & Chiquita Collins, *Racial Residential Segregation: A Fundamental Cause of Racial Disparities in Health*, Public Health Reports (Sept.-Oct., 2001).

²⁴ Robert Bullard, Glenn Johnson, & Angel Torres, *Environmental Health and Racial Equity in the United States: Building Environmentally Just, Sustainable, and Livable Communities*, American Public Health Association, (2011).

²⁵ Allies for Reaching Community Health Equity, [Healthy Communities of Opportunity: An Equity Blueprint to Address America’s Housing Challenges](#), (Apr. 9, 2021).

in the U.S. continues to reflect historical racial and economic segregation. Although laws prohibiting overtly discriminatory housing policies have long been in place, those decades-old patterns of racial segregation very closely mirror patterns of poverty and disinvestment today. Over 50 million Americans, more than half of whom are people of color, live in zip codes where nearly a quarter of adults have no high school degree, over half of adults are not working, and the median income is only two-thirds of the state level.²⁶ Over 14 million people—including over 4 million children—live in communities of racially and ethnically concentrated areas of poverty (RECAPs), leaving low-income people of color cut off from community assets that would allow them to thrive.²⁷ High and persistent poverty is also an issue that greatly affects U.S. territories like Puerto Rico, American Samoa, and others.²⁸

Finally, America’s housing stock is not prepared to meet the challenges of climate change. Studies have shown that climate change disproportionately affects low-income communities of color when extreme weather events result in displacement and unequal disaster recovery practices. It is estimated that as many as 15 million homes nationwide are located in places vulnerable to floods.²⁹ According to an analysis of floodplain populations from the Furman Center at NYU, “a higher share of the population lives in a moderate- or high-poverty census tract in the 100-year and combined floodplains than in non-floodplain census tracts.”³⁰ Further, the American Council for an Energy-Efficient Economy estimates that “if low-income housing stock were brought up to the efficiency level of the average U.S. home, this would eliminate 35 percent of the average energy cost.”³¹

The Impact of the Coronavirus Pandemic

The pandemic has only exacerbated the severe affordable housing needs in this country, especially for the most vulnerable households. A recent report by the Consumer Financial Protection Bureau (CFPB) finds that 8.8 million renters and 2 million homeowners were “significantly” behind on their housing payments at the end of 2020.³² Mirroring the disproportionate impact of the coronavirus itself, Black and Latinx households were more than twice as likely to be behind than white households.³³ Researchers at the Brookings Institution found that Black and Latinx families have been at much greater risk of eviction and foreclosure than white households.³⁴

As the country continues to grapple with the economic fallout of the pandemic, the federal response to the 2008 financial crisis tells a cautionary tale about the cost of more modest interventions. Despite some foreclosure prevention assistance, the 2008 crisis still resulted in Latinx households losing 66 percent of household wealth through foreclosure, Black households

²⁶ Economic Innovation Group, *The Spaces Between Us: Report on Distressed Communities Index* (2018).

²⁷ PolicyLink, *Healthy Communities of Opportunity: An Equity Blueprint to Address America’s Housing Challenges* (2016); See also HUD Office of Policy Development and Research, *Racially or Ethnically Concentrated Areas of Poverty* (last updated 2020).

²⁸ U.S. Department of Treasury, *High Poverty Areas and Persistent Poverty Counties Data Sets*, CDFI Fund, (Feb. 20, 2020).

²⁹ Jeremy Porter, *How America’s Most Comprehensive Flood-Risk Model Is Assembled*, First Street Foundation (Mar. 2, 2020).

³⁰ NYU Furman Center, *Population in the U.S. Floodplains* (Dec. 2017).

³¹ Ariel Drehobl & Lauren Ross, *Lifting the High Energy Burden in America’s Largest Cities: How Energy Efficiency Can Improve Low-Income and Underserved Communities*, American Council for an Energy-Efficient Economy (Apr. 20, 2016).

³² Consumer Financial Protection Bureau, *Housing insecurity and the COVID-19 pandemic*, (Mar. 2021).

³³ *Id.*

³⁴ Yung Chun & Michal Grinstein-Weiss, *Housing inequality gets worse as the COVID-19 pandemic is prolonged*, Brookings Institution (Dec. 18, 2020).

losing 53 percent, and White households losing 16 percent.³⁵ Housing challenges were further compounded by job losses and the public sector budget deficits that followed the collapse of the housing bubble.

Meanwhile, some financial firms capitalized on the foreclosure crisis to transform the housing landscape. From 2011 to 2017, institutional investors, including entities like hedge funds and private equity firms, spent \$36 billion on over 200,000 homes in weak markets in the United States.³⁶ Blackstone private equity alone spent \$10 billion over four years starting in 2012 to purchase 50,000 foreclosed homes.³⁷ Between the start of 2011 and mid-2012, institutional investors bought nearly 90 percent of the 7,500 homes sold in one section of Atlanta.³⁸ While this investment paid handsome dividends for the institutional investors,³⁹ little benefit flowed to tenants of properties owned by absentee landlords focused on short term profits.⁴⁰ Local public sector and mission-driven non-profits could not compete at the scale and speed as these private investors removed properties from the existing or potential affordable housing stock.⁴¹ Today, “America’s 61 billionaire landlords have wealth totaling \$240.9 billion—and have seen their wealth increase \$24.4 billion since mid-March 2020.”⁴²

The Potential Role of An Infrastructure Bank Within a National Investment Authority

Despite a host of pressing infrastructure needs, there has been a lack of long-term investments over the past decade, especially at moments when the economy is weak or in recession. An analysis by S&P found that the Great Recession deprived state governments of \$1.5 trillion in infrastructure investments, and warned of another “lost decade” coming out of the COVID-19 pandemic.⁴³ Because major infrastructure projects often require long-term planning and investment, they sometimes suffer from the ebbs and flows of the annual appropriations process and changes in leadership among the political branches of government. To accommodate this challenge, financial and legal experts have proposed a National Infrastructure Authority (NIA), which would coordinate such infrastructure projects across the government.⁴⁴ The NIA would be responsible for developing a long-term National Investment Strategy to steer support toward infrastructure, including the nation’s affordable housing stock, and is designed to be somewhat insulated from the volatility of annual appropriations and electoral cycles. To implement this strategy, the NIA would include an infrastructure bank modeled on the New Deal-era Reconstruction Finance Corporation. The NIA would deploy flexible capital, operate a network of regional offices, and be overseen by a Governing Board comprised of experts from a diverse set of fields, including economics, labor, law, environmental science, finance, and public health.

³⁵ Rakesh Kochhar, Richard Fry & Paul Taylor, [Wealth Gaps Rise to Record Highs Between Whites, Blacks, Hispanics](#), Pew Research Center (2011).

³⁶ Alana Semuels, [When Wall Street Is Your Landlord](#), The Atlantic (Feb. 13, 2019).

³⁷ Ryan Dezemmer, [Wall Street as Landlord: Blackstone Going Public with a \\$10 Billion Bet on Foreclosed Homes](#), (Dec. 6, 2016).

³⁸ Supra, note 36.

³⁹ Billy Duberstein, [Blackstone Looks to Cash In Its Massive Recession-Era Win](#), The Motley Fool (May 30, 2019).

⁴⁰ Supra, note 36.

⁴¹ David M. Abromowitz, [How to get ahead of the next housing downturn](#), Boston Globe (Aug. 17, 2020).

⁴² Institute for Policy Studies, [Cashing in on Our Homes: Billionaire Landlords Profit as Millions Face Eviction](#) (2019).

⁴³ S&P Global, [Infrastructure After COVID-19: Risk of Another Lost Decade of US State Government Capital Investment](#), (Oct. 29, 2020).

⁴⁴ Cornell Legal Studies Research Paper, [White Paper: A National Investment Authority](#), (Feb. 17, 2018).

The American Jobs Plan

On March 31st, President Biden outlined the American Jobs Plan(AJP)—a \$2 trillion investment to rebuild the nation’s infrastructure, including in U.S. territories and in Native communities, that will create or retain 19 million jobs.⁴⁵ The AJP proposes to expend \$213 billion to produce, preserve, and retrofit more than two million affordable housing units, including:

- \$40 billion to address the backlog of public housing capital needs;
- Targeted tax credits, formula funding, grants, and project-based rental assistance to produce preserve, and retrofit more than a million affordable, resilient, accessible, energy efficient units;
- Competitive grant funding to jurisdictions that take concrete steps to eliminate exclusionary zoning and restrictive land use policies; and
- Community Development Block Grant Program (CDBG) funding for mitigation investments targeted to communities that are most vulnerable to extreme weather events like flooding.

⁴⁵ The White House, [FACT SHEET: The American Jobs Plan](#), (Mar. 31, 2021).

Appendix: Legislative Proposals

- **H.R. _____, the “Housing Is Infrastructure Act” (Waters)** is a discussion draft to authorize over \$200 billion in new funding for America’s housing infrastructure.
- **H.R. _____, the “National Investment Authority Act”** is a discussion draft to establish a National Investment Authority to support and coordinate long-term infrastructure investments through a National Investment Bank, and also creates a National Capital Management Corporation to steer investments in distressed properties toward needed public investments and oversee federal assistance to distressed businesses.
- **H.R. _____, the “National Flood Program Reauthorization Act of 2021,” (Waters)** is a discussion draft to reauthorize the National Flood Insurance Program (NFIP) for five years, enacting a number of reforms to place the NFIP on sound financial footing and make the program more resilient, institute a cap on premium increases of 9 percent per year, and forgive over \$20 billion in NFIP debt.
- **H.R. 1728, the “Investment and Strategy in Rural Housing Preservation Act” (Axne)** is bill to permanently authorize the U.S. Department of Agriculture’s (USDA) Multifamily Housing Preservation and Revitalization (MPR) Program and further authorizes \$1 billion to carry out the program and require USDA to come up with a plan for preservation of rural multifamily housing backed by USDA loans.
- **H.R. _____, the “Native American Housing Assistance and Self-Determination Reauthorization Act”** is a draft bill to reauthorize and reform Native American housing programs.
- **H.R. 816, the “Restoring Communities Left Behind Act” (Kaptur)** is a bill to establish a new competitive grant program to provide funds to carry out neighborhood revitalization activities.
- **H.R. _____, the “Federal-Financing Bank Risk-Sharing Act of 2021” (Velázquez)** is a discussion draft to reimplement the Federal-Financing Bank and Risk Sharing Program.
- **H.R. 235, the “Public Housing Emergency Response Act” (Velázquez)** is a bill to authorize \$70 billion to the Public Housing Capital Fund.
- **H.R. _____, the “Choice Neighborhoods Initiative Act of 2021” (Cleaver)** is a discussion draft that would permanently authorize the Choice Neighborhoods Initiative Program.
- **H.R. _____, the “Green New Deal for Public Housing Act of 2021” (Ocasio Cortez)** is a discussion draft to authorize funding to repair and modernize public housing.
- **H.R. _____, the “Lead Abatement for Families Act” (García, IL)** is a discussion draft to authorize \$250 million to remove lead service lines from federally assisted housing.
- **H.R. _____, the “GROW Affordable Housing Act” (Beatty)** is a discussion draft to increase funding for the national Housing Trust Fund and the Capital Magnet Fund and to target a portion of such funds to building permanent supportive housing for homeless individuals with disabilities.
- **H.R. _____, the “Lead-Safe Housing for Kids Act” (McEachin)** is a discussion draft to provide comprehensive measures to reduce the thread of childhood lead exposure and poisoning in federally assisted housing, including new funding for lead abatement.
- **H.R. _____, the “Broadband Justice Act” (Bowman)** is a bill to create a flexible grant program to install broadband in federally assisted housing and provide support services to residents to facilitate the use of the internet.

- **H.R. ____**, the **“Reforming Disaster Recovery Act” (Green)** is a discussion draft to permanently authorize and reform the CDBG-Disaster Recovery Program.
- **H.R. ____**, the **“Downpayment Toward Equity Act” (Waters)** is a discussion draft to provide targeted funding for down payment assistance to support first-generation homebuyers and other individuals historically excluded from homeownership opportunities.
- **H.R. ____**, the **National Flood Insurance Program Administrative Reform Act of 2021 (Velázquez)**, would modify the NFIP claims process for policyholders by establishing a pilot program for pre-inspection of homes that are covered through NFIP, strengthening protections for policyholders whose NFIP claims are denied, and enacting other reforms.