NATIONAL LOW INCOME
HOUSING COALITION

The National Low Income Housing Coalition (NLIHC) is pleased to offer this testimony to the Democratic National Convention Platform Committee. NLIHC is dedicated solely to achieving socially just public policy that ensures people with the lowest incomes in the United States have affordable and decent homes. A home is vital to the success of every individual and of our nation as a whole, and we must ensure that the lowest income people have access to safe and secure housing. We urge the DNC to continue its commitment to overcoming wealth inequality in America and to ensuring everyone has an opportunity to succeed by expanding access to decent, affordable housing through a realignment of US housing policy priorities.

The housing collapse of 2008 had a devastating impact on families, jobs, and the broader economy. Despite gains among middle and upper income Americans, our nation's poorest continue to struggle. For far too many, safe and affordable housing remains out of reach. Federal housing programs succeed in housing millions of low income renters every year, but there is simply not enough housing to meet the growing need of the working poor and those living in extreme poverty. In 2015, there was a shortage of 7.2 million rental units available and affordable for America's 10.4 million extremely low income (ELI) households, those whose incomes are 30% or less of their area median income (AMI). As a result, 7.8 million of these ELI households spend more than 50% of their modest incomes on housing and utilities. For these renters, deciding between keeping the lights on and paying for health care, medication, clothing, transportation, and food is an excruciating daily struggle. These individuals are seniors living on fixed incomes, people with disabilities, single mothers cleaning our offices and hotel rooms, bank tellers, home health care providers, and people preparing and serving food in local restaurants. They experience housing instability and frequent evictions, resort to staying on the couches of friends and relatives, or find themselves sleeping on the streets or in shelters.

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In a nation as wealthy as ours, it is unconscionable that the poorest families lack decent, affordable shelter. We are in the midst of an affordable housing crisis—one that reaches every city and county in the country. In the face of rising poverty and growing inequality, NLIHC calls for a realignment of federal housing policy to ensure that scarce federal resources are targeted towards those with the greatest need.

Housing is Out of Reach for Millions

The affordability crisis stems from two central deficits: first, the gap between ELI renters' wages and the income needed to afford a modest apartment and, second, a lack of available and affordable housing in the US rental market. While federal housing programs provide affordable and safe housing for many Americans, the current alignment of US housing policy leaves millions of ELI renters without affordable housing. Nearly ninety percent of ELI households spend more than 30% of their incomes on housing and 75% spend more than half of their incomes on housing. Such cost burdens have far reaching ramifications, negatively impacting education, employment, and health, effectively trapping low wage workers in a cycle of poverty.

For millions, working hard does not equate to security, self-sufficiency, or opportunities for success. Full-time low income workers, often single heads of households, cannot afford decent housing. In 2016, the Housing Wage, the average wage needed to afford a modest two-bedroom rental unit while working 40 hours a week is $20.30; the Housing Wage for a one-bedroom rental unit is $16.35. A single parent with children earning the federal minimum wage of $7.25 per hour would need to work 2.8 full time jobs, or approximately 112 hours per week for all 52 weeks of the year, to afford a two-bedroom apartment at HUD's Fair Market Rent (FMR). If this person slept for eight hours per night, she would have no time left during the week for anything other than working and sleeping. Workers earning the federal minimum wage would have to work 90 hours per week to afford even a one-bedroom apartment at HUD's FMR. Such low wage workers are forced into an impossible situation, requiring them to work multiple jobs and to sacrifice other essentials to maintain a roof over their heads. They are one emergency away from homelessness. Local, state, and national efforts to increase the minimum wage are critical, but on their own will not completely close the housing affordability gap. At least twenty-two local jurisdictions now have a minimum wage higher than their prevailing state or federal levels. All fall short of the one-bedroom and two-bedroom Housing Wage.

This affordability gap exists because of the massive shortage of affordable housing, particularly of units that are affordable and available to ELI renters. The production of low cost rental units has not kept pace with demand. In the past decade, the US has added nine million renter households but only 8.2 million rental housing units to the housing stock. Vacancy rates are at their lowest levels since 1985 and rents have risen at an annual rate of 3.5%, the fastest pace in three decades. As the housing shortage drives up rents, ELI households face the greatest strain. There exist just 31 affordable and available units for every 100 ELI renter households.

Absent sufficient public investment, the private market does little to produce new rental housing affordable to the lowest income households. The rents these households can afford to pay do not cover the debt service on the capital costs of development and operating expenses. To cover costs and make a profit, private investors and developers build new rental properties for the upper end of the rental market. Some argue that construction of market-rate apartments, even luxury ones, lowers prices for everyone. The theory is that households with sufficient income move into the new housing, making available their previous and older housing to lower income households, eventually increasing the availability of the oldest (and lowest cost) units to low income renters. However, research has proven that this "trickle-down" approach rarely meets the needs of extremely low income renters. The Joint Center for Housing Studies at Harvard found that the national gain in lowest cost, private-market rental units from 2003 to 2013 through "filtering" (older units becoming affordable) was matched by an almost equal number of units permanently lost to demolition or inhabitability, or to property owners upgrading their properties and charging higher rents or selling units as condos.

Without federal resources, the private market will never meet the affordable housing needs of the ELI population. We as a nation cannot allow the status quo, which stymies our economic wellbeing and traps families in poverty, to persist. Federal housing policy must evolve to more robustly address the needs of the lowest income renters.

Realignment of Federal Housing Policy

Current federal housing policy is poorly aligned to need. Each year, we spend about $200 billion to help Americans buy and rent their homes. The bulk of those resources – a full three quarters – goes to subsidize the homes of higher-income households, most of whom would be stably housed without the government's support. Just 25% of federal housing subsidies go to low income renters, those with the greatest need. In fact, each year we spend more to subsidize the homes of some of the wealthiest 5 million families – those making more than $200,000 per year – than we do to assist the poorest 20 million households combined.

Programs like the national Housing Trust Fund, public housing, project-based rental assistance, Housing Choice vouchers, the Low Income Housing Tax Credit, and the HOME Investment Partnerships programs that assist low, very low and extremely low income renters lack the robust funding required to meet the need. Just one in four households that qualify for rental assistance receives it. These lucky few are often literally the winners of affordable housing lotteries in their states and jurisdictions. The unlucky ones languish on public housing or voucher waiting lists, often for years—sometimes decades.

Many discussions of federal housing programs focus only on those targeted to low income renters, yet the vast majority of federal housing assistance – estimated at $77 billion in 2016 - comes in the form of the mortgage interest deduction (MID). The MID allows homeowners to deduct from their incomes the interest paid on the first $1 million of their mortgage on a first and second home and up to $100,000 of a home equity line of credit. Defenders of the MID claim it is vital to making homeownership possible for average Americans. The current MID, however, has little to do with helping Americans of modest means purchase their first home. Because the tax incentive is structured as a deduction, only households who earn enough to itemize on their taxes – most earning more than $100,000 - benefit from the MID. Approximately 14 million low and moderate income homeowners do not currently benefit from the deduction. Regressively structured, the MID augments the wealth of households with the highest incomes while neglecting to assist many of America's moderate and low income homeowners.

The National Low Income Housing Coalition calls for a realignment of federal housing policy to assist the lowest income households, those with the greatest affordable housing needs. This realignment starts with the reforming the mortgage interest deduction. First, the MID should be converted to a 15% nonrefundable tax credit, a change that would bring tax relief to more than 14 million additional homeowners who don't currently benefit from the deduction, the great majority with incomes under $100,000. Second, the portion of a mortgage against which tax relief would apply should be lowered from $1.1 million to $500,000, still providing tax relief to homeowners on the first $500,000 of their mortgage. These two changes, even if phased in gradually over 5 years, would save the government $213 billion over 10 years. Such savings should be invested in affordable housing programs like the HTF to expand the affordable housing stock for extremely low income households.

Expand Existing Affordable Housing Programs

The national Housing Trust Fund (HTF) is the first new federal housing program in a generation designed to expand the development of new housing for ELI households. The HTF is funded through a dedicated source of revenue outside of the annual appropriations process (from a small assessment on Fannie Mae and Freddie Mac's new business), to ensure that the HTF supplements rather than competes with existing housing programs funded through annual appropriations. It will provide its first allocations of nearly $174 million in the summer of 2016 as block grants to the 50 states, the District of Columbia and U.S. territories. At least 80% of HTF funds must be used to build, preserve, or rehabilitate rental housing affordable to ELI and very low income (50% of AMI or less) households. A maximum of ten percent of HTF funds can be used for affordable homeownership activities.

The HTF is an ideal mechanism for increasing the supply of affordable housing for millions of ELI individuals and families. But like public housing, housing vouchers, and similar deeply targeted programs, the HTF lacks the funding necessary to solve the housing crisis. Significantly increasing resources to the HTF through housing finance reform, mortgage interest deduction reform, or other mechanisms should be one of the new administration's highest priorities.

The Low Income Housing Tax Credit (LIHTC) is the largest, most wide reaching funding source for affordable rental housing production in the country. Leveraging private-sector investments to fund the construction, rehabilitation, and preservation of housing affordable to lower income households, LIHTC can be used to support a variety of projects: multifamily or single-family housing, new construction or rehabilitation, special needs housing for elderly people or people with disabilities, and permanent supportive housing for homeless families and individuals. LIHTC produced nearly 2.6 million housing units between 1987 and 2013. Because the program is designed to provide affordable housing for those below 50% or 60% of the area median income, residents of LIHTC-financed units tend to have higher incomes than households assisted by other federal rental assistance programs. In most cases ELI renters cannot afford LIHTC units without additional federal housing assistance. As a consistently oversubscribed program for the production of new housing affordable to lower income Americans, LIHTC should be expanded and improved to incentivize deeper targeting for the lowest income households. Improvements to the program should include allowing for "income averaging" (serving households up to 80% of AMI as way to cross subsidize units targeted for households at 30% AMI, as long as an average of household incomes is at 60% of AMI) and to provide a basis boost to projects that serve a larger percentage of ELI households.

The oldest federal housing program, public housing, currently provides 1.1 million units of affordable housing in communities, and at least 40% of new admissions in any year must be ELI renters. Unfortunately, Congressional funding for public housing has been woefully short of the capital needs of these projects, and many properties are in serious states of disrepair. It is estimated that the capital needs backlog of existing public housing exceeds $26 billion. The Rental Assistance Demonstration, which is designed to convert public housing to project-based rental assistance projects and attract private investments to help meet the capital needs of these properties, should be continued, rigorously evaluated, and expanded.

Housing Choice Vouchers (HCV) help people with the lowest incomes afford housing in the private housing market by paying landlords the difference between what a household can afford to pay in rent and the rent itself, up to a reasonable amount. The HCV program is HUD's largest rental assistance program, assisting more than 2.2 million households. The HCV program has deep income targeting requirements. Since 1998, 75% of all new voucher holders must have extremely low incomes, at or below 30% of AMI, while the remaining 25% of new vouchers can be distributed to tenants with incomes up to 80% of AMI. In 2003, Congress changed the way it provided renewal funding to the HCV program, which resulted in the loss of more than 150,000 vouchers nationwide. In 2013, the voucher program received another significant jolt: the sequester. An estimated 100,000 vouchers were lost because of mandatory spending cuts. Since 2013, Congress has restored funding for only about two-thirds of the vouchers lost due to the sequester. Congress should not only provide enough funding to restore these lost vouchers, but also increase the program's resources to ensure more families have access to HCVs.

Housing in Criminal Justice Reform

The United States incarcerates its citizens at a shockingly high rate and is the world's largest jailer. The FBI estimates that as many as one in three Americans has a criminal record. After years of prisoners, mostly non-violent drug offenders, receiving overly harsh mandatory minimum sentences, lawmakers and criminal justice reform advocates are making progress in the decarceration of prison inmates across the country. In 2014, the US prison population experienced a decrease—the second largest decline in the number of inmates in over 35 years. However, as more formerly incarcerated individuals return to their communities, there is a growing concern about how those prisoners will fare upon reentry.

Resources, especially affordable housing, are already scarce in the low income communities where formerly incarcerated persons typically return. Because of their criminal records, justice-involved individuals face additional barriers in accessing affordable housing, potentially placing them at risk of housing instability, homelessness, and ultimately recidivism. One study demonstrated that formerly incarcerated persons without stable housing were twice more likely to recidivate than those living in stable housing. Public housing authorities (PHAs) and owners of federally-assisted housing should be encouraged to use their broad discretion to allow ex-offenders to rejoin their families, which studies show, most plan to do. HUD and Congress should work to reduce these barriers by providing additional guidance and housing resources, to ensure that large-scale decarceration efforts are successful. Ultimately, the cost savings to the prison system in lowering incarceration rates should be redirected to the communities to which ex-offenders will return.

Affirmatively Furthering Fair Housing (AFFH)

The Fair Housing Act of 1968 not only makes it unlawful for jurisdictions to discriminate, it also requires that they take actions to dismantle historic patterns of segregation, which continue to limit the housing choices and opportunities of people of color, people with disabilities, families with children, and religious groups. To achieve this goal, the Fair Housing Act requires that recipients of federal housing and community development funding "affirmatively further fair housing."

In 2010, the Government Accountability Office (GAO) noted that the pre-existing system of ensuring jurisdictions affirmatively furthered fair housing was ineffective and recommended HUD update its process and guidance for implementing the AFFH provision of the Fair Housing Act. Responding to the GAO, HUD worked diligently to craft an AFFH rule that addressed the needs and concerns of many stakeholder groups, a process that spanned years and involved input from the public, including mayors and county executives. In 2015, HUD issued a final rule that followed the GAO's recommendations by providing state and local governments with data on housing, demographics, and other local conditions for state and local policymakers to use in determining the degree of segregation and concentrated poverty, the presence of barriers to equal housing opportunity, and other key considerations in their communities.

The Fair Housing Act makes it clear that any jurisdiction receiving federal housing and community development funds must demonstrate that it is spending those funds in a ways that help realize fair housing choice. The AFFH rule imposes no new obligations; it simply clarifies how jurisdictions can comply with existing obligations and provides tools to help them live up to the commitment they have already made. Once a locality completes an analysis of barriers to fair housing, governments may decide for themselves what issues they and local stakeholders will prioritize to address those barriers. HUD leaves these choices to the discretion of local governments.

There have now been numerous attacks on the rule, as amendments and legislation have been repeatedly introduced to prevent HUD from implementing and enforcing the rule. We urge you to work to include in the platform the party's strong support for realizing the promise of the Fair Housing Act.

Protecting Tenants at Foreclosure

The Protecting Tenants at Foreclosure Act (PTFA) was the only federal protection for renters living in foreclosed properties. The law provided most renters with the right at least to 90 days' notice before being required to move after foreclosure. Today, just like before the 2009 enactment of the law, renters, who often have no idea that their landlords are behind on mortgage payments and continue to pay their rent, can be evicted with just a few days' notice in many states. Even though the foreclosure crisis remains a problem in most parts of the country, the PTFA law expired on December 31, 2014. We urge you to ensure PTFA protections be renewed and made permanent to ensure housing stability for renters at foreclosure.

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Home is the foundation for all of our individual and collective success, helping households build financial stability and overcome economic inequality. U.S. housing policy should seek to make stable and affordable homes possible for all Americans, starting with those with the greatest need. Tailoring and augmenting existing programs to target the poorest Americans will make our economy, and our nation, stronger. NLIHC calls upon the DNC to make just and equitable housing policy a central tenet of the 2016 party platform.

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