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THE FUTURE OF HOUSING IN AMERICA: 50 YEARS OF HUD AND ITS IMPACT ON FEDERAL HOUSING POLICY

HEARING

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES

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THE FUTURE OF HOUSING IN AMERICA: 50 YEARS OF HUD AND ITS IMPACT ON FEDERAL HOUSING POLICY

Thursday, October 22, 2015

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m., in room 2128, Rayburn House Office Building, Hon. Jeb Hensarling [chairman of the committee] presiding.

Members present: Representatives Hensarling, Royce, Lucas, Garrett, Neugebauer, Pearce, Posey, Fitzpatrick, Luetkemeyer, Huizenga, Duffy, Stivers, Stutzman, Mulvaney, Hultgren, Ross, Pittenger, Barr, Rothfus, Schweikert, Tipton, Williams, Poliquin, Love, Hill, Emmer; Waters, Maloney, Velazquez, Sherman, Hinojosa, Clay, Scott, Green, Cleaver, Ellison, Himes, Carney, Foster, Kildee, Murphy, Delaney, Sinema, Beatty, and Vargas.

Chairman HENSARLING. The Financial Services Committee will come to order. Without objection, the Chair is authorized to declare a recess of the committee at any time.

Today's hearing is entitled, "The Future of Housing in America: 50 Years of HUD and Its Impact on Federal Housing Policy."

I now recognize myself for 3 minutes to give an opening statement.

In launching the war on poverty, President Johnson told us its purpose was, "not only to relieve the symptoms of poverty, but to cure it and, above all, to prevent it." One of the chief weapons of this war was to be the Department of Housing and Urban Development, a Cabinet-level agency President Johnson signed into law 50 years ago this month.

In its history, HUD has clearly achieved good. It has made commendable progress to aggressively fight immoral and illegal racial discrimination in housing. It has proven vital to many of our low-income elderly and disabled citizens and has undoubtedly made poverty more tolerable.

But it has also dramatically failed to meet President Johnson's noble aspirations, much less deliver any measurable results. In fact, poverty levels are largely unchanged since HUD's creation. With some notable exceptions, HUD's public housing projects are typically any city's most despairing places where generations of poverty-stricken families are warehoused and sealed off from the best schools, the best job opportunities, and the safest neighborhoods.

It is simply not enough to marginally improve the lives of the able-bodied poor through perpetual government dependency; a caring and compassionate society must always have a ladder of opportunity on which everyone can climb.

Thus, our collective goal cannot be limited to helping people tolerate poverty; it must be to help them escape poverty. And whether I have met them at the Salvation Army women's shelter, Habitat for Humanity homes, or the Jubilee Center in my native Dallas, I know that is the aspiration of our low-income brothers and sisters.

We must help find ways for them to provide for their families, to conquer generational cycles of dependency, and to have the opportunity to enjoy the dignity of meaningful work. Most importantly, they must have a chance to enjoy a quality not measured in dollars and cents: the pursuit of happiness.

We can no longer measure success by taxpayer dollars expended and new HUD programs launched. Measuring success based on how many Americans are standing in line for welfare checks versus earning growing paychecks is a sure sign that the system has failed.

And now is also the time to acknowledge this fundamental truth: There can be no real progress in the cause of affordable housing without recognizing that government policies are often the impediment: first, by making housing more expensive, up to 30 percent according to some studies, due to regulatory and zoning restrictions; second, by shrinking paychecks and harming economic growth through poor policies; and third, by denying educational choice for families to escape failing schools and improve themselves.

This hearing will be the first in a series on the future of housing in America where we will investigate questions that ought to matter to all Members concerned for the dignity and well-being of the poor among us. What are the precise problems HUD is trying to solve? Why doesn't it seem to work? How should we measure success? And what should we be doing in the 21st Century?

A decent society has a moral responsibility to help make affordable housing accessible for the elderly, the disabled, those who cannot provide for their dependents, and those who find themselves in hard times and in need of a second chance. The question here is not, should we honor that commitment, but how do we best honor that commitment in the 21st Century, and can we work together on a bipartisan basis to do that?

I now recognize the ranking member for 5 minutes.

Ms. WATERS. Thank you very much, Mr. Chairman.

I would like to thank you and our witnesses for being here today.

Mr. Chairman and Members, I just returned from a homeless program. I was there this morning with a few of my colleagues, including Mr. Cleaver and Mr. Green. We visited N Street Village, a homeless service provider, which is just footsteps from the halls of our Capitol.

As this hearing seeks to examine the effectiveness of HUD programs over the last 50 years, I thought it would be important to help make the connection between what we have talked about here in the committee and what HUD is doing to support providers like

N Street Village, which are working on the front lines of our Nation's effort to end homelessness.

This morning, we spoke with women struggling to find work and fighting to overcome addiction, physical and mental illness, and abusive situations. What we saw today is how HUD programs directly touch and impact the lives of America's most vulnerable.

We also saw the opposite of the many assertions we have heard about dysfunction and ineffectiveness at this agency, a rather ironic charge given productivity levels here in Congress.

Mr. Chairman, in the wake of a foreclosure crisis that pushed as many as 11 million families out of their homes, a fully funded HUD is needed now more than ever before. This is an agency that, in addition to reducing veterans' homelessness across the Nation by 33 percent, currently supports 1.2 million affordable housing units for low-income families through the HOME program, including almost 500,000 units for first-time home buyers in rural and urban communities alike.

This is an agency that over the last 50 years has provided housing assistance to tens of millions of families, 35 million in the last 20 years alone. This is an agency which has ensured that 44 million families have access to the American Dream by ensuring they have mortgages that they can actually afford.

Without question, HUD is the backbone of our Nation's safety net.

Today, many of our Members have provided examples of HUD at work in their districts. These pictures demonstrate the transformative ability of HUD programs, particularly the Neighborhood Stabilization Program, which has infused over $7 billion into local communities to rehabilitate foreclosed homes and breathe new life into distressed neighborhoods in every corner of this great Nation.

However, this good work continues to be misunderstood or undermined by harmful cuts to these programs. And so I think it is time for us to truly focus on the good that HUD has done and commit ourselves to dealing with problems such as homelessness that really can be addressed.

In addition to the visit that we made this morning, last week I was at Vermont Village, a project that has been developed in my district in partnership with the private sector.

We had Chase Bank involved. We had a private developer. We had the County of L.A. We had another nonprofit. We had Enterprise. They all came together and built a wonderful unit, and it is serving homeless veterans. And the veterans were there, some in their wheelchairs. They were so proud of all of these opportunities that are being provided with the help and direction of HUD.

And so what I wish, Mr. Chairman, is that we could focus in a bipartisan way on what we can do from this committee in support of HUD to provide housing and home opportunities for the least of these. I believe that it is possible.

In Los Angeles, homelessness has risen 12 percent. We have declared a state of emergency. The County and the City are coming together and combining resources, but they need help from us. And so I appreciate this hearing, but I appreciate that we should actually put more focus on what we can do for the homeless and for

the least of these in providing a basic safety net for those who need our help so badly.

I will yield back the balance of my time.

Chairman HENSARLING. The gentlelady yields back.

The Chair now recognizes the gentleman from Missouri, Mr. Luetkemeyer, chairman of our Housing and Insurance Subcommittee, for 2 minutes.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

The Nation's housing system is struggling and, in some instances, failing. Since 2002, the Federal Government has thrown more than $550 billion at HUD. Still, Los Angeles has seen a 12 percent increase in homelessness over the past year. In New York City alone, there are roughly 122,000 families on the Section 8 wait list.

When the City of St. Louis opened its wait list in 2007, the housing authority received more than 27,000 applications in one week. It was not until late April that St. Louis County opened its wait list again for the first time since 2010.

While we continue to see the need to grow and opportunities stall, we experienced a dramatic increase in Federal policies that drive up the cost of housing and impose an onslaught of red tape, keeping people in the private sector out of affordable housing. Our failed housing policies make no sense.

Since HUD Secretary Castro has spent the last year talking about all he will do to reform housing, to date we have seen very little in the matter of dramatic advances in HUD's ability to serve, and no new metrics by which HUD can measure success. One has to wonder if there is any success to report at all.

The time to talk about what is needed is over. It is time to reject political rhetoric and push ourselves to do something to help people in need.

I recently introduced H.R. 3700, the Housing Opportunity Through Modernization Act. This bill is composed of noncontroversial provisions which aim to clear out the regulatory underbrush. Yesterday's subcommittee hearing showed that there is a tremendous bipartisan support for that effort.

I hope we can continue the collaboration in bringing bolder changes that are needed to HUD. Let us work together to create opportunity and choice in housing.

Mr. Chairman, with that, I yield back.

Chairman HENSARLING. The gentleman yields back.

We will now turn to our witnesses. Today, we welcome the testimony of the Honorable Orlando Cabrera, who is today of counsel to Squire Patton Boggs. He previously served as the president of an affordable housing developer, and was HUD's Assistant Secretary for Public and Indian Housing. He is a graduate of the University of Michigan and the University of Wisconsin Madison.

Ms. Renee Glover is the founder and managing member of the Catalyst Group. She previously served as the president and chief executive officer of the Atlanta Housing Authority for almost 20 years. She is also Chair of Habitat for Humanity International, and has worked as an attorney in private practice. Ms. Glover holds degrees from Boston, Yale, and Fisk Universities.

Mr. Howard Husock is the vice president of research and publications at the Manhattan Institute. He previously served as a director at Harvard University's Kennedy School of Government, and has authored numerous publications relating to the non-profit sector and on U.S. housing and urban policy. Mr. Husock is a graduate of Boston University.

Finally, Dr. Xavier Briggs is the vice president of economic opportunity at the Ford Foundation. Dr. Briggs also holds an appointment as professor of sociology and planning at MIT, and previously served as an Associate Director in the White House Office of Management and Budget, as well as in HUD's Office of Policy Development and Research. Dr. Briggs is a graduate of Columbia, Harvard, and Stanford Universities.

For those who have not testified before, each of you will be recognized for 5 minutes to give an oral presentation of your testimony. And without objection, each of your written statements will be made a part of the record.

Mr. Cabrera, you are now recognized for a summary of your testimony.

STATEMENT OF ORLANDO J. CABRERA, OF COUNSEL, SQUIRE PATTON BOGGS; AND FORMER ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. CABRERA. Good morning, Mr. Chairman, and thank you. Thank you, Chairman Hensarling, Ranking Member Waters, and members of the committee for inviting me to testify. I approached this a bit differently knowing who was going to be on this panel. The folks to my left are all people I know or know of. Two of them in particular are both professional and personal friends and they speak to issues that I think are critically important, but in which I have less experience.

For example, Renee ran a housing authority, Xavier was a policy-driven person at HUD entirely, and Mr. Husock knows a lot more about markets.

I decided that I would bore everybody and go inside baseball, and inside baseball means to focus on metrics.

The overarching theme of this testimony is not so much focused on HUD's past or previous impact. Over the decades, HUD and its many arms have undoubtedly impacted housing policy in both positive and negative ways. If we know that HUD has impacted Federal policy unevenly, and it has, I propose that there is a value in exploring how we can achieve better future housing policy outcomes.

Better serving all Americans, but particularly the elderly, the disabled, very low-income, and low-income Americans should always remain at the core of our Nation's housing policy. Moving towards a legislative policy that is relevant to our current century, not the 20th Century, would be a great step in helping HUD evolve.

Change is inevitable for HUD. Its personnel is aging and many are retiring. Important institutional memory has been lost already. Similarly, its current infrastructure is also aging, making it harder still to capture important and relevant data.

Many believe that one way to improve HUD's impact would be to begin new programs or housing solutions or do away with them. Perhaps. But my starting point would be a bit different. I believe that the way to improve HUD's impact is through the more adept and intensive use of technology.

More specifically, a critical area at HUD that deserves focus, careful design, and investment is information technology. Providing HUD with the appropriate tools that relate to our century's housing policy model and needs will produce better outcomes for residents and taxpayers.

There are three essential steps to improving outcomes: define your desired result; know more about how to measure that result; and do what needs to be done faster and better than was previously the case.

In HUD's case, the first step should be to decide that HUD needs to break away from the silo organizational mold that HUD uses currently, into a more fluid and flexible organization. HUD has always depended on silos out of statutory and operational necessity. Though silos were probably appropriately designed organizational components decades ago, those silos are now impediments to improving HUD's capacity to more effectively serve our Nation.

Essentially, HUD has four basic rules: HUD allocates resources; HUD insures financial products; HUD regulates certain stakeholders; and HUD is charged with policing and prosecuting fair housing violations. That is a relatively narrow set of tasks which is currently bundled in a far more expansive organizational setting at HUD.

HUD's organization and activities should be integrated into an information technology platform that allows it to more effectively perform those four basic roles in a more seamless manner than is currently the case.

Secondly, the American taxpayer would benefit if HUD developed more relevant metrics than those currently being used. More specifically, Congress should begin by first providing HUD with the tools that HUD needs to capture not just better and relevant data, but complex, fluid data that can lead to defining better outcomes for very low-income and low-income Americans.

Integrating technology would, for example, allow us to improve people's lives by measuring and determining better educational achievements, health care services, and other important services in a more dynamic way than is currently possible. That would mean better outcomes for residents and better efficiencies for the Federal Government.

HUD desperately needs the appropriate tools to obtain usable, scalable, sharable, and relevant information that all of HUD's stakeholders can use. Providing HUD with the right data tools and maintaining those tools will go further towards creating a more efficient system than nearly any other investment.

I believe that it would be time well worth the effort to match desired housing policy outcomes in a new century with the new century's information technology tools needed to appropriately achieve those outcomes.

Thank you again for your invitation to testify. I am happy to answer any questions you may have.

[The prepared statement of Mr. Cabrera can be found on page 63 of the appendix.]

Chairman HENSARLING. Thank you.

Ms. Glover, you are now recognized for your testimony.

STATEMENT OF RENEE LEWIS GLOVER, FOUNDING AND MANAGING MEMBER, THE CATALYST GROUP, LLC

Ms. GLOVER. Thank you. Chairman Hensarling and Ranking Member Waters, thank you for the opportunity to speak with you.

I think it is very important when you think about the issue of housing to remember that America is a nation of immigrants, so new people will continue to come and new challenges are going to arise. And poverty is not a static condition; it is also a function of what happens in the economy and in the larger social setting.

So I think when you look at how we are making progress, we have to put it into the context of what is going on in history and also in the economy, because we made great progress over the years. And I think if we take an objective measure of the programs that have been implemented to date, we will see that many of the families who have been assisted have gone on, have made progress, and are contributing to our country.

But for the Great Recession—we cannot underestimate the impact that it had on the housing programs and how families are faring.

And I think it is now universally accepted that there is income disparity, and so that has implications in terms of what type of investment we need to make to have a strong America.

One of the things that I have enjoyed with serving Habitat for Humanity is that we have observed that not only here in America, but all over the world, housing is at the center of everything that is needed to have a great society. It is the center of great education outcomes, health outcomes, healthy families, and healthy children, and there are no great nations without great communities.

So the question is, what should we be doing as a country to rebuild, because there is no question that America is the greatest nation in the world. But how do we help everyone in the country achieve the American Dream?

And Dr. Martin Luther King challenges us to build the beloved community here on earth. And that means all of us are God's hands, feet, and heart to build the society. So when you think about that, we cannot afford to leave one child behind. And the question is, how do we go about doing it?

In my written testimony, I mention that there have been several big ideas that have been put forth and have been implemented successfully. But no program is perfect because human beings are doing the implementation. So the question is, can we lift out the lessons learned and best practices to see what has worked and then do more of what has worked and less of the things that haven't worked?

So what are the things that we have learned? Well, first of all, we know that every American needs a decent home and a great community.

Second, we know that home ownership, where feasible, builds stability and helps build wealth.

And we have also learned that government must be a part of the solution. But the question is, how do you go about doing that?

And so we have learned that providing mobility and choice is important, that ending concentrated poverty is important, and I think the HOPE VI program and the Promise Neighborhood, Promise Zones programs have shown that with people coming together and connecting the dots, we can make a huge difference.

I am sure that in all of your different localities, you have seen that with a small investment and working in public/private partnerships and leveraging private resources and creating environments where the foundation community, the families themselves and the larger community come together, we can create additional communities of opportunity.

We have also learned that the Section 8 voucher, if it is implemented appropriately, can provide access to communities of opportunity. And that is because the families who are using these resources want better lives for themselves and their children. I know that with 100 percent certainty.

The other thing is we need to incent innovation. And I think we have seen that the Moving to Work (MTW) deregulation program has been very effective in incenting innovation and creativity and leverage. And so, I would simply say, let us continue to invest in our families and in our country, and working together, there is nothing that we can't do.

I appreciate the time and thank you for the opportunity.

[The prepared statement of Ms. Glover can be found on page 70 of the appendix.]

Chairman HENSARLING. Mr. Husock, you are now recognized for your testimony.

STATEMENT OF HOWARD HUSOCK, VICE PRESIDENT, RESEARCH AND PUBLICATIONS, THE MANHATTAN INSTITUTE

Mr. HUSOCK. Thank you, Chairman Hensarling and Ranking Member Waters, for the invitation.

As we reflect on the 50th anniversary of the founding of HUD, the chairman is quite correct that President Johnson focused his hopes on uplifting the poor. That should mean helping as many of those of low income as practical, ensuring that low-income housing is in good condition, and helping the poor move up toward the middle class.

On these counts, HUD's housing assistance today is falling short. There is little doubt, of course, that HUD does serve the poor, often the very poor. Half of households living in one or more of the one-million-plus public housing apartments or two-million-plus housing choice voucher units earn less than $10,000 a year. Many are not, however, moving up the economic ladder.

HUD data shows that the median tenure in public and subsidized housing is more than 9 years, 4 years longer than the time limit for cash public assistance. In New York City, that figure is 17 years.

Put it this way: The face of HUD is the face of long-term poverty in the United States. In part, that is a result of the way that we have structured the rules of the system. And I hope to offer some

suggestions that will have some bipartisan appeal to improve that situation.

First, a little bit more background. Both public housing and voucher tenants who work hard to increase their income face what amount to high marginal tax rates. Unlike private market tenants who sign a lease at a fixed rent, tenants in HUD's affordable housing must pay rent equal to 30 percent of their income. That means the more they earn, the higher their rent.

Just as bad, our subsidized housing system often consigns the poor to live in the sort of conditions that public housing was specifically designed to replace. In New York City, for instance, a 2014 report by the City's Community Service Society noted mounting resident outcry about elevator breakdowns, water leaks, and untreated mold, and said that the housing authority should qualify as the City's largest and worst landlord. A 2010 report by Abt Associates found that the public housing system's capital needs as a whole topped $21 billion.

It is fortunate then that there are important green chutes of reform among local housing authorities, chutes which the Congress and HUD should strongly encourage.

As Renee Glover mentioned, Moving to Work, a waiver program that has been, to date, limited to just a few localities, allows the flexibility authorities need.

A 2014 report by Abt Associates found that 20 of 34 Moving to Work authorities changed their rent rules to encourage self-sufficiency. Eleven have adopted work requirements, and eight have adopted time limits for some new tenants, all with the goal of encouraging upward mobility.

In San Bernardino, California, the housing authority, in explaining why it has asked for short-term assistance, emphasizes twin goals: making room for families who qualify for aid and have faced long waiting lists; and helping current tenants outgrow the need for help. Self-sufficiency should be the goal, it says.

Incomes among those admitted to the authority under time limits have risen by more than 12 percent, employment by more than 17 percent. I know that in Atlanta, work participation went from under 20 percent to over 60 percent.

Spreading a Moving to Work approach through all or at least many of the 3,000-plus public housing authorities would help align our housing policy with our overall social policy.

There are other imaginative innovations going on. In New York, Mayor Bill DeBlasio has announced plans to begin to lease underused public housing open land for new private apartment construction with ground lease payments available to fund the system's desperate maintenance backlog.

The fledgling HUD Rental Assistance Demonstration program can be a means through which authorities avoid being penalized when they save money. That happens when they reduce operating costs and find their subsidy is reduced the next year.

A guaranteed fixed-per-unit HUD annual payment can be used as a bond payment guarantee that can bring in private investment capital to do such things as upgrade antiquated heating systems that hemorrhage money.

At its 50th anniversary, it is time for HUD to think about how it can become not just a funder of housing, but an agency that can enable and encourage some of the reforms that I have discussed. At the same time, it must never forsake its fair housing mission to ensure that any household that can afford a home or a rental unit not be turned away on the basis of race or ethnicity.

It should also begin to encourage experimentation with new housing forums. One of the core ways to make housing affordable is to have more units in the same amount of land: density. And HUD can encourage experimentation.

In short, the time is right for HUD to encourage upward mobility and to foster it and to adjust its rules so that it does so.

Thank you very much.

[The prepared statement of Mr. Husock can be found on page 81 of the appendix.]

Chairman HENSARLING. And Dr. Briggs, you are now recognized for your testimony.

STATEMENT OF XAVIER BRIGGS, VICE PRESIDENT, ECONOMIC OPPORTUNITY, THE FORD FOUNDATION

Mr. BRIGGS. Thank you, Chairman Hensarling, Ranking Member Waters, and members of the committee.

In light of HUD's 50th anniversary, I would like to begin by putting policy goals briefly into some historical perspective.

The earliest goal of Federal housing policy was to help meet the needs of factory workers and their families when America entered the First World War. When public housing came along, there were additional goals. The official ones emphasized upgrading slums and providing stable, low rents to workers who had been affected by the Great Depression. But the large-scale construction that the public housing program required also served the interests of the building industry and organized labor.

The same mix of public and private purposes was true for FHA mortgage insurance, which has benefited millions of families as well as the real estate industry.

When HUD was created, it inherited this mix of public and private purposes, but the economic and social contexts for Federal housing policy has begun to shift in very significant ways. First, after several decades of economic growth and broadly shared prosperity in America, cities in many parts of the country were hit with large-scale disinvestment and joblessness.

And second, migration patterns had transformed the racial and economic makeup of cities profoundly. In this context, and particularly after widespread civil unrest, media accounts and major works of scholarly research began to ask whether well-intended housing policies were solving problems or making them worse.

Lesson one is that these sweeping changes in America 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.

Lesson two is that we have been set back at a great human and fiscal cost by our inability to agree enough on the goals of Federal policy, 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 50 years from the founding of HUD and this lack of agreement on fundamental goals manifests in several powerful ways. First, Federal housing assistance produces enormous benefits, as you have heard. But we are not focusing enough resources or reform on the biggest problem: the structural gap between income and housing costs at the base of the American economy, especially for the lowest-income households.

The biggest drivers of this gap by far are local housing costs and tenant incomes, not HUD's operating capacity or practices. 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.

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

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

Second, 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, for example through the earned income tax credit, and it targets most Federal housing aid, through the mortgage interest tax reduction, to the middle class and the affluent rather than the very low-income households who face the most unaffordable costs.

Third, housing assistance has not been designed or funded to act as a cure-all for poverty. In other words, housing affordability is a necessary, but not a sufficient, condition to produce economic mobility and self-reliance.

Fourth and finally, we will exacerbate the challenges we face if we seek to expand housing assistance 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 don't take deliberate steps toward greater inclusion.

In closing, it is vital to make housing policy a force for self-reliance and economic mobility. To accomplish this, four things need to happen. First, we need to go beyond the HUD budget for leverage. Second, for HUD and other agencies, it is vital to make our housing delivery system as efficient and well-targeted as possible.

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

Thank you again for the opportunity to testify.

[The prepared statement of Dr. Briggs can be found on page 55 of the appendix.]

Chairman HENSARLING. The Chair now recognizes himself for 5 minutes.

Ms. Glover, on page seven of your testimony with respect to work, you mention for non-elderly, able-bodied adults, it "restores dignity and has proven to be a positive game changer for families and their children."

Specifically, you mention in your testimony the Moving to Work demonstration project and you say that it "has had transformational impacts and proven very effective."

Would you elaborate on your views, please?

Ms. GLOVER. Yes, thank you. When we adopted the work requirement for non-elderly, able-bodied families, we did this in consultation with the residents who were affected by those policy changes. And what we consistently heard is that the requirement was the additional boost coupled with an investment when we had the deregulation agreement and we also were operating under the HOPE IV grant.

We were able to invest in long-term counseling and coaching to help families rebuild their resiliency, change their mindsets, and deal with the actual family problems that they were confronting.

And in terms of families' self-worth, we heard consistently from each of the families that work restored dignity and respect, and it also gave them the ability to have more mobility and more control over their lives.

And so when I talk about game-changing impacts, this really was transformational for the families. And all of the research that has been done shows that not only do the families start out working, but if they lost their jobs, they have been able to go back into the workforce and find new jobs and they have resiliency.

And so the work success has been greater than 90 percent with the appropriate support and the right policies.

In terms of Moving to Work being transformational, it allowed agencies in their local communities and certainly in Atlanta working with the local players to design programs that work. All real estate is local and it is very hard for anyone in a central location to devise the solutions for very different geographies.

Chairman HENSARLING. I think I heard all of the witnesses speak laudably of work programs, but specifically with respect to the Moving to Work program. Just a show of hands, would each of you advocate expanding that current HUD program? Just a show of hands.

Thank you.

Mr. Husock, you actually had some data with respect to at least one of the Moving to Work programs, in San Bernardino, where in-

comes rose 12 percent and employment rose by 17 percent. Have you looked at other Moving to Work programs? Is the data similar?

Mr. HUSOCK. I have not, but the Abt Associates report that I cite refers to a number of other programs with similar results. And as Renee Glover knows well, in Atlanta the work participation rate was about 18 percent when the work requirement began and rose to over 60 percent.

I believe that is correct, Renee?

Ms. GLOVER. That is correct.

Chairman HENSARLING. Also, again, I will note that all four witnesses raised their hand to the Moving to Work question of expansion.

You mention, Mr. Husock, in your testimony about the, and I don't know your exact phrase, but essentially punitive marginal rates for those who expand their employment opportunities. So what public policy might that suggest?

Mr. HUSOCK. I think within the Moving to Work framework, and remember there is nothing mandatory in Moving to Work, I think that is the most important thing to understand, it gives flexibility to local housing authorities based on their understanding of local conditions.

But in terms of that specific question, right now if I am leasing a unit in a public housing authority, my rent goes up as my income goes up. That is a counterproductive approach.

And so I think the right way to do that, to repair that, is either to allow under Moving to Work authorities to set fixed rents; you sign a lease just like you do in the private market. Or to have—I know in some authorities, they have set so-called income bands, that is, within a certain framework your rent will not go up until you earn a good deal more. That would be second best.

Chairman HENSARLING. The time of the Chair has expired.

The Chair now recognizes the ranking member for 5 minutes.

Ms. WATERS. Thank you very much, Mr. Chairman.

First of all, let me make sure that the record reflects that those of us on this side of the aisle, as I am sure on that side of the aisle, all believe in work. We believe that it is important for people to have jobs. We also agree that it gives a sense of dignity and pride to work.

Many of us started working when we were 12 and 13 years old. I, for example, started working at age 13 in a segregated restaurant; I cleaned tables where I couldn't eat. So let us be clear about the value of work and what we think about it. Because we do not want people to leave with the impression that somehow there is a difference in what we think about work. We think that is very important.

Secondly, we need to get some facts on the record. How many of you believe that HUD is important, it has done credible work in providing housing opportunities, even though you may disagree about how to do it better? How many agree that it has in 50 years been important? Okay, so let us all agree on that.

How many agree that even with new technology and some of the reset of the recommendations that you may have about not increasing the rent, that if we are to deal with the unhoused population in this country, we are going to have to spend credible resources

in order to do it? How many people would agree with that? Okay. Thank you very much.

Now, let us move to the discussion about Moving to Work. Who can tell me what percentage of public housing tenants are physically disabled, mentally disabled, and incapable of being put on jobs? What percentage of public housing tenants in America fall into the senior, too old to go to work, too disabled to go to work, too mentally incapacitated to go to work? Who knows that information?

Mr. Briggs?

Mr. BRIGGS. Thank you, Ranking Member Waters. The answer is a majority of housing-assisted households, particularly those on vouchers and public housing, face those barriers to work. They are either elderly or they are disabled. I have spent a good deal of time with these households and also the work ready and the working, many of them working poor, but working hard, and as you said, everyone believes in the pride and the dignity that comes with work. They are struggling to make ends meet, they are juggling an awful lot.

But it is extremely important, whether you are looking at Moving to Work, whether you are looking at Moving to Opportunity or other important efforts that HUD has launched over the years, not to be confused about what is attainable for a given population.

Ms. WATERS. Okay. I hate to cut you off, but I only have so much time. So one thing that we must agree on is that there are tenants in public housing, no matter what you do with Move to Work or anything else, who can't live anyplace else but in subsidized housing, such as public housing, when we talk about seniors who are too old to work, when we talk about the disabled, when we talk about the mentally incompetent.

When we went to this program, this homeless program today, most of the women were 60 to 75 years old. And they are not going to get hired by anybody, particularly in this market that we have where people who are graduating from college can't find jobs. Nobody is going to hire them. How many people really understand that, that you have people who fall in this age range who are not going to get any jobs?

How many people understand that this population that we are talking about is something that we have to recognize is a population that we are going to have to deal with and subsidize whether we like it or not?

Now, having said that, how many of you have the statistics on Move to Work programs that can tell me exactly how many people who have gotten job training and have moved on to a job? Where is the data? Where are the stats? Who has that information in this country?

Yes, ma'am, Ms. Glover?

Ms. GLOVER. There have been a number of studies done by economists and universities. And I will commit to this committee to reach out to the various networks. I think one of the problems is that the research has been done, but it is all over the country in different databases or whatever.

And I think it would be magnificent if this committee could have that information through a central funnel. Because I think that you

will see that the policies that have allowed for innovation at the local level has yielded tremendously positive results and—

Ms. WATERS. But the point is, we don't have the data, we don't have the information. Nobody knows. People talk about how great Moving to Work is, but nobody can tell me exactly what has been accomplished. We don't have the information.

I yield back.

Ms. GLOVER. I will get it to the committee.

Chairman HENSARLING. The time of the gentlelady has expired.

The Chair now recognizes the gentleman from Missouri, Mr. Luetkemeyer, chairman of our Housing and Insurance Subcommittee.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

And I welcome the individuals testifying today.

Mr. Cabrera, you had some interesting comments a while ago with regards to trying to have a different model for HUD to be able to deliver services and provide and support housing in this country.

One of the problems that Secretary Castro talks about, and you mentioned as well, is use of technology. They need more funds to be able to do that, to do the simplest things such as certifying some of the individuals to be able to do certain things and different groups to be able to do certain things.

So, that is certainly an area that we need to consider, and I appreciate you pointing it out.

You also talk about how they need to be thinking outside the box and redo their model. Can you elaborate a little bit more on that and give us some ideas and what kind of costs you are talking about?

And is this something that HUD can restructure themselves or do we legislatively have to make the changes?

Mr. CABRERA. Absolutely, I would like to pick up where we just left off on MTW as an example.

Mr. LUETKEMEYER. Sure.

Mr. CABRERA. I think the stress over MTW has to do with, I hate to say this sometimes, but has to do in part with its name and in part with when it was passed. MTW, from the perspective I had, really had to do with maximum local flexibility. And in terms of innovation, I think that is always a good thing, particularly with high-performing housing authorities. Housing authorities are State-chartered entities, not just local entities. They are created by States.

They are created for the purpose of being property managers, for the most part. That is what they have been since their inception. Almost until very, very recently, the last decade, those housing authorities that are more forward-looking, that have been more transformational, they tend to be MTWs and the reason that they tend to be MTWs is because they align their local concerns first as opposed to Federal concerns. That is why MTW has value.

I am sure that if you were to ask the—I think we are up to 36 or 39—MTW jurisdictions, their statistics on who it is that has been moved to work, they would tell you, but they would also tell you, in their own plans, people who should not be working are not being compelled to do anything. Folks who are elderly or disabled

aren't being compelled because that is generally the case in most low-income housing plans in most jurisdictions.

What this is really about has as much to do with how it is housing authorities operate, have them be bigger market participants than they currently are, as anything else. Housing authorities traditionally were not that. Housing authorities were essentially these trapped, real estate, property management concerns that had a very restrictive environment. When you un-trap it, they do some pretty remarkable things.

The other thing I would add is I think one of the things that people might be missing has to do with competition. There has to be a more competitive environment in order to improve results and outcomes and make it a more efficient process. So much of what we are facing right now in terms of the debate over, because I think Xavier got it right, the debate is holding up progress.

But there are some places nobody debates, there are some things nobody debates.

One of those things is that we have to do this better. And doing things better necessarily means better and more competitive settings. So those are just two quick examples. I am trying to make sure you can ask whatever you want of somebody else.

Mr. LUETKEMEYER. Yes, thank you. That's interesting.

Last week, I had the opportunity to talk to some housing folks in Great Britain. They have a unique system there, where 17 percent of the people are on public housing. And because they can no longer afford to support that level of people on public housing, they are trying to find a way to move some of them off of the public housing rolls into their own home, and figure out a way if they can come up—and this obviously doesn't work with the elderly or disabled, but it does work for the folks who are gainfully employed or can be gainfully employed.

And so they get into the public/private partnerships and some of the rent money, the subsidy goes toward the purchase of, the lease purchase of the property. What do you think about something like that? Is it feasible here in this country? It doesn't solve all the problems, but I think there is a group of people that this may help. What do you think?

Mr. CABRERA. The British conversion of public housing to a public/private model depends upon essentially creating inclusionary areas that are thereafter sold and taxed in order to fund what we here call down payment assistance. I think from a market perspective, a lot of market participants would struggle with that.

The second thing I would say that would need to be worked out is financing of something like that. It would be a very difficult thing to finance.

The British system has worked marvelously for Britain because they work under a different real estate regimen than the United States. We are both common law, we are both heavily statutory, but the way that property is owned in Britain is very different than the way it is owned in the United States, in many cases.

It is a very difficult question to answer. But certainly, you see little pieces of that, right, in some parts of the United States. In California, there are inclusionary—

Mr. LUETKEMEYER. I see we are out of time.

I appreciate your response, and I look forward to the discussion. Thank you, Mr. Chairman.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentlelady from New York, Mrs. Maloney, ranking member of our Capital Markets Subcommittee.

Mrs. MALONEY. I thank the gentleman for yielding and for calling this hearing.

And I thank all of the panelists for your work in this important area. And congratulations to HUD at 50. They have played an incredible role in the great City that I am privileged to represent, New York, and I would say the whole country in building and maintaining affordable housing.

But I am distressed about the future because there is no funding, there is really no Federal program and housing is so expensive it is hard for a city or a State to go forward with their own plans. Specifically in public housing in New York, there are over 900,000 people on a waiting list to get into public housing. There is no money for new housing. The money for maintenance is being cut back dramatically.

One of you testified that the public housing authority was the worst landlord in the country, but that is because they don't have the money to maintain the housing.

I think it was Mr. Husock who mentioned the program that Mayor DeBlasio has come forward to take vacant land or land within the housing project—the tenants there say they need that land for playgrounds and for fresh air—and lease it. And the proposal is that half of the money would go to market rate to maintain the modernization and the running of the housing authority because they are running at a deficit, and the other half would be "affordable."

But the tenants in the public housing in my district tell me that it is not affordable to them. It is really a higher income than they could ever afford to be in.

So I don't see the future. And even that is not a sustainable program. Once all the land is leased, you don't have the money to maintain the affordable housing that is right there in public housing, which has been a huge success in New York in assisting low-income households.

The only Federal program that is out there now is the Housing Trust Fund, and even that is a limited one. And the first funding awards will be focused on creating affordable housing. But what we are confronting in New York and probably in the rest of the country, and I am going to address my question to Mr. Briggs, is that we can't even afford or the money is not there to maintain the housing that is already there so that you do have the broken elevators and everything else.

And so, where are we going?

Now, the tenants are afraid that if they take their playground land and put it into affordable housing that they can't afford to live in, then the next step would be what happened in Chicago. You tear down the public housing to build or you start renting the vacant units to market rate. And where is your very important housing goal of the Fair Housing Act which is responsible for enforcing and Congress in creating and has been a positive thing?

So I am really concerned about this. And I think the Ford Foundation, I am going to publicly ask you to do a study and a report on where do we go. It is not maintainable, it is not feasible. And the tenants are very afraid. They don't want them to take their open land, but then they think their apartments are next. It is on the water, and it is beautiful housing. They think their apartments will be next, and they will say, well, we will rent your apartment out at market rate to sustain the system.

And right now all of the money coming for maintenance in public housing is Federal money now, it is all Federal money, very little from the city and States. Their budgets are starved. So we face a real crisis for affordable housing.

One of the most popular programs in Congress has always been the 202 affordable housing program for seniors. There is now no new money for new starts. All of the money in that program is now just going to maintenance. So all of the Federal housing programs are not creating new housing, they are going to maintaining the system that exists, but not doing it at an appropriate level because there is not enough money to pay for the repairs that need to take place to modernize it.

So it is a crisis. I would like to congratulate HUD on 50 years of not only providing affordable housing, but really economic development, I would say, in this great country, across this country. But I am concerned about the future because there is no funding on a Federal level.

I know that the chairlady would support additional funds and I believe many Democrats, but given the reality of the makeup of Congress it is not going to be there. So it is a crisis. And I am asking really for the Ford Foundation and other foundations to look into what do we do as a Nation for affordable housing when all of the existing programs are not being funded to go forward?

Chairman HENSARLING. The time of the gentlelady has expired.

The Chair now recognizes the gentleman from New Jersey, Mr. Garrett, chairman of our Capital Markets Subcommittee.

Mr. GARRETT. Thank you, Mr. Chairman, for scheduling this very important hearing.

One of the goals of this hearing is to examine the extent to which HUD has improved access to affordable housing while reducing poverty, and potential housing innovations designed to encourage self-sufficiency.

So I am going to begin, Mr. Chairman, maybe with this comment that may surprise you, that I am going to agree with our ranking member on a couple of points. The ranking member made a comment as to how hard it is for even college graduates to get a job. And she is absolutely right. After 7 years under the Obama Administration and their economic policies, it is still hard for a young person to go through 4 or 6 or 8 years of college and come out and get a job. And still today, she is absolutely right, and it is deplorable that young people cannot find work in this environment.

And it is therefore hard for seniors to get a job as well. And I would look forward to working with the ranking member to try to reverse a number of these economic policies that have had a devastating impact on both seniors and college graduates.

The second point that I agree with the ranking member on is the dearth of data on this matter. Now, that is a little bit confusing because someone pointed out that in a press release of the ranking member, she says that numerous studies have highlighted that Moving to Work demonstration programs have shortcomings. So I am not exactly sure whether she agrees that there is a dearth of data or there is data.

But let us take it from what the panelists have said. Ms. Glover has said there is no coordination of the data that is out there.

Is that your basic—

Ms. GLOVER. Yes, the data is there, it is really funneling it into policies.

Mr. GARRETT. Right. And I really do appreciate the fact that you are willing to go out and try to bring all that data together so that at the next hearing on this, both the ranking member and I would have a compilation on that.

But shouldn't the agency that is responsible for doing this have already collected the data? Hasn't the Moving to Work program—Mr. Husock, you are nodding your head. How long has this program been put in place, the Moving to Work?

Mr. HUSOCK. Since 1998.

Mr. GARRETT. Since 1998, so it has been in place that long, but we are still sitting here without a compilation of all the data. Why is that?

Mr. HUSOCK. Congressman, it is because, as a general rule, what MTW means is that you are exempt from the Housing Act of 1937. And so therefore, by virtue of that, what HUD has said is, you are released from all of these things that you are responsible to us for, including reporting data.

Mr. GARRETT. But there are studies out there, right?

Mr. HUSOCK. Yes, but the studies are, how might I put this, they are somewhat—they bend one way or the other, how about that?

Mr. GARRETT. Should the public be concerned that we have a Federal agency that is allowing money to be spent and has absolutely no data to support whether those programs are working or not? If there are studies out there that are bent one way or bent another way, shouldn't the public be concerned that their government really isn't spending the money the most effective way?

I think they are, because that goes to another point of the ranking member that I agree with as well. She says the majority—or actually, Mr. Briggs, you answered this question for her. Her question was, what is the percentage of people in public housing who are disabled, who are senior citizens, who can't work, and you said the majority of the people. And I think the rest of the panel agreed.

But if we are a country of finite resources, you all agree there is not unlimited dollars to pay for all these programs, right? If we are a country of finite resources, don't we really want to make sure that those limited resources actually get to the people who need it the most: the disabled, the senior citizen, the person who can't work because of this disastrous economy that we are in right now because of this Administration? So shouldn't the limited dollars actually go to those people most in need?

Ms. Glover, you seem to be ready.

Ms. GLOVER. Yes, well, I wanted to—

Mr. GARRETT. Yes?

Ms. GLOVER. —refine the answer.

Mr. GARRETT. Okay.

Ms. GLOVER. The data, in terms of the traditional measures, whatever the conditions are that are set forth in the Moving to Work agreements, has been gathered by the Department. Over and above that, because of the transformational impact, agencies have gone out to professionals, either economists or colleges and universities and those who look at the work, to independently validate and verify the—

Mr. GARRETT. I get that, and what the validation would show, studies or anything else aside, is that the actual agencies that are running these programs and even more every day are actually asking to be put into that program.

Isn't that correct, Mr. Husock, that more people want to be into these programs?

Ms. GLOVER. Oh, absolutely. And so the reason that HUD may not have the research and studies is that is over and above the requirements. But the required data that is needed to validate is indeed—

Mr. GARRETT. Thank you, Mr. Chairman. I think that is really all the data we need, is that more people want to be in these programs than before.

Thank you.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentlelady from New York, Ms. Velazquez.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

And to all the panelists, welcome to la-la land. We suffer here in Washington from amnesia. For people to say that things are so bad under this Administration, they are quick to forget that at the height of the economic crisis, we were losing roughly 800,000 jobs a month. Obama wasn't in the White House back then.

The other day in my committee, the Small Business Committee, they talked about the highest numbers of regulations issued by any Administration, this one. Well, I put out a report on analysis conducted by The Washington which that concluded that the highest numbers of regulations put out by any Administration was under George W. Bush.

Oh, my Lord.

Anyway, so let us talk about housing.

Mr. Cabrera, many housing authorities, including NYCHA, New York City housing plan to use an expanded RAD program to finance public housing repairs. However, we still do not know the impact of RAD on residents. And HUD has not indicated whether they will pursue an optional final RAD evaluation that will include a resident survey.

Do you think it is necessary to fully understand the impact RAD has on tenants before rushing to expand the program?

Mr. CABRERA. I don't think that the purpose of RAD—I think the purpose of RAD is focused upon the properties more than anything else. And the reason for that is because, in the case of New York for example, there are—

Ms. VELAZQUEZ. But who lives in those properties?

Mr. CABRERA. Residents.

Ms. VELAZQUEZ. And the program is to serve who? The tenants, residents, right?

Mr. CABRERA. Residents, but—

Ms. VELAZQUEZ. So you don't think that it is important for us to know or to have any input from those who are going to be subjected to this program?

Mr. CABRERA. I think it is more important to take—let us see, there are 153,000 units online for NYCHA right now out of 190,000. And trying to figure out how to put the remaining 37,000 or 40,000 units back online to serve those residents, it seems to me, would be the higher priority. That is what NYCHA is trying to do.

Ms. VELAZQUEZ. But that has to be coupled—those are not RAD units, sir.

Mr. CABRERA. No, no, that is not it. Public housing units, 190,000. They have approximately 153,000 units online, if I recall correctly. Just my recollection.

Ms. VELAZQUEZ. Yes.

Mr. CABRERA. It is 10 years old now, but it is rough.

Ms. VELAZQUEZ. Have there been any studies conducted to show RAD or MTW will generate the billions needed from the private sector? In New York, we have a $17 billion backlog of needed repairs and improvements. Has there been any study?

Mr. CABRERA. RAD was just enacted out of appropriations in late 2012. There would be no study because they are really just now starting. RAD is just now going, they just increased it to 185,000 units, and for some of those units, it makes sense to refinance and convert, and for others, it doesn't. There would be no study.

Ms. VELAZQUEZ. So before we embark on that journey of expanding RAD, shouldn't we know what it will accomplish, in terms of the numbers and the resources that it will bring from the private sector, before we expand it?

Mr. CABRERA. I think at the end of the day, we already know when the private sector will get in to finance or not, and they will get in to finance when underwriting the deal makes sense. In the case of New York, some of those deals are not going to make sense, which is why New York is going through the exercise that it is going through.

But in other parts of the country, it is indispensable to go through RAD, because they can't otherwise keep the units.

Ms. VELAZQUEZ. I am not saying not to expand or not go into it. What I want to make sure is that the public assets are not privatized. Because once they are privatized, we are going to lose them.

Mr. Briggs, the Housing Trust Fund, which should see its first funding award next year, is the only Federal program focused on creating affordable housing for extremely low-income households. Why is this an important piece of Federal housing policy today?

Mr. BRIGGS. It is extremely important, ma'am, for two reasons. One, the source of revenue, mainly Fannie Mae and Freddie Mac. In other words, it looks beyond the appropriations envelope which has been insufficient for years and years now to meet these needs.

And number two, because of the targeting you mentioned. Without Federal capital, as Mr. Cabrera said, to make these financings work, they do not pencil out, they will not happen.

Ms. VELAZQUEZ. Thank you.

I yield back.

Chairman HENSARLING. The time of the gentlelady has expired.

The Chair now recognizes the gentleman from Texas, Mr. Neugebauer, chairman of our Financial Institutions Subcommittee.

Mr. NEUGEBAUER. Thank you, Mr. Chairman.

I want to go back to Mr. Cabrera for just a minute and talk about these data and the metrics. We have been talking about Moving to Work and there is not data in one place. And Ms. Glover makes a great point there.

But if you are an agency and you are going to do pilot programs, doesn't it make sense for you to measure the success of those programs?

Mr. CABRERA. As a pilot program for services, absolutely, yes.

Mr. NEUGEBAUER. Does anybody disagree that if you are an agency or a company or anybody that is doing a pilot program, that you should measure the success of that program so that you can determine whether—because the word "pilot," to me, means, let us try this on a limited basis and see if it works on a larger basis.

Mr. Briggs, would you agree or disagree with that?

Mr. BRIGGS. I would strongly agree with that, sir. However, as a long-time evaluator and a funder of evaluation—

Mr. NEUGEBAUER. I'm sorry, I don't have time for a lot of elaboration. But I think I—

Mr. BRIGGS. No, sir, but I wanted to explain myself.

Mr. NEUGEBAUER. The point I wanted to be on the record here is that we need—if we are going to have HUD expand its mission, I am a little perplexed by some of my colleagues who don't want to do these programs because of the limited resources.

The whole purpose of doing these programs, RAD, whether it is Moving to Work, I think Mr. Husock mentioned looking at ground leases and thinking outside the box, is that we are trying to expand the resources coming into housing for American families. But you can't do that if you don't think outside the box.

But if you are going to think outside the box, it does make sense to me, and maybe it is just the old accountant in me, that if we are going to try these things we need to be able to measure their success.

Ms. Glover, one of the things that I think you said on page 10 of your written testimony is that after a period of transition of larger agencies to Moving to Work and the deregulations of smaller agencies is accomplished, the public housing side of HUD should reposition itself to become an asset manager and work with its various customers to agree on a set, desired outcome based on congressional mandates.

What do you mean that HUD should become an asset manager?

Ms. GLOVER. What I mean is looking at the impact that the investments that are being made by HUD is having on the families, the communities, and the cities. And so that is the skill set. And one of the things that Mr. Cabrera talked about are the systems in order to do that.

And so when you gather the data, if you can imagine with over 3,000 housing authorities, there is a lot of data coming in consistently. And so taking the time to streamline the systems, agree on outcomes.

I think one of the problems is that too many of the regulations are so prescriptive that you are measuring too many things. So if you can simplify it to identify the 5 or 10 things that you want to achieve through a program, and then bring that data in, then all of this discussion about impact, data, and all of that will be at the fingertips and you can push a button and be able to roll up all of that data. So a good asset manager will be able to have that data readily available to inform the policymakers.

Mr. NEUGEBAUER. Go back to the Moving to Work. One of the things that we hear from folks is bringing more capital to the table. In your experience with Moving to Work, were you able to attract private sector capital with some aspects of that program?

Ms. GLOVER. Absolutely. And I want to just take 2 minutes on the RAD demonstration. The way the additional capital comes in for underwriting purposes is that you took the operating subsidy and the capital funds, which basically made an underwritable rent that could then be used to go to the private market because the private investors are going to want to know if debt is raised that there is sufficient rent to cover not only the operating costs, but the debt cost.

And by doing public/private partnerships you are able to attract other resources because the foundations will typically play their other resources. And so these are complicated deals, but through leverage and looking at things in creative ways, it can attract additional resources to the programs.

Mr. NEUGEBAUER. Thank you, ma'am.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Missouri, Mr. Cleaver, ranking member of our Housing and Insurance Subcommittee.

Mr. CLEAVER. Thank you, Mr. Chairman.

I was interested in the conversation for a lot of reasons. One, when the question came about when the program started, I turned to Mr. Green immediately and said it was approved in 1996. I know because I was mayor and ran the HUD housing authority. Or more accurately, I appointed the board that ran the housing authority.

The program was actually implemented in 1998. The problem, and I think we are debating issues that are not the problem, from my perspective, is that this program is more of a deregulatory program than it is a Moving to Work program.

I think HUD made a mistake frankly in trying to bill it as something else. Deregulation of requirements in the voucher program is what made, in some quarters, the Moving to Work program attractive. And I think the Moving to Work program, which started as a demonstration project, can be massaged and developed into a program that is workable.

And keep in mind, I think it is important to understand this, that the Moving to Work dollars actually takes money out of the

voucher program and sends it elsewhere. And so it creates some problems.

One of the assumptions is that private investment or investors are waiting to become part of this program. I would like for any of you to address the issue of private investment and how they are standing in line to invest in the program.

Mr. Cabrera?

Mr. CABRERA. Congressman, it is good to see you, as always. Moving to Work does not take Section 8 dollars and move them somewhere else.

Mr. CLEAVER. Voucher? Yes, yes.

Mr. CABRERA. Moving to Work removes the division between Section 8 of the Housing Act of 1937 and Section 9 of the Housing Act of 1937 to allow fungibility, if that is what you mean by taking money.

Mr. CLEAVER. That is exactly what I mean.

Mr. CABRERA. That is a very different issue. It just becomes one big pool, not two or actually three divided pools. So that is the one. It is not so much a correction, it is that it is not a pool, it is a pooling. And that pooling allows for, it actually is part of my answer, that pooling allows for the leveraging of capital in order to undertake many of the developments that MTW jurisdictions undertake.

And a person who did that marvelously is sitting to my left. So I am going to let her answer.

Mr. CLEAVER. But before—I would like anybody to answer, even people sitting out there or walking the halls. What I am interested in is somebody telling me about the private sector waiting to become involved.

Mr. CABRERA. Oh, I'm sorry, I misunderstood your question. So what happens is, remember that when you have land that is public housing it is subject to a deed of trust unless it is converted out. And so therefore the public housing authority generally goes out and looks for private sector developers.

Mr. CLEAVER. Right.

Mr. CABRERA. They do public/private partnerships. And yes, most MTWs, candidly beyond MTWs, these days a lot of housing authorities, MTW and not, are becoming not just property managers, which is what they traditionally were, but developers. They go out, and they partner with a developer, they develop units, using typically, as Howard said, the low-income housing tax credit or the private activity bond operation. And they develop it, absolutely that is moving in that direction inexorably.

Mr. CLEAVER. You do understand that the low-income tax credits are becoming increasingly difficult to obtain?

Mr. CABRERA. Oh, Congressman, I ran a housing finance agency. They have been difficult to obtain since 1996. They are a very competitive setting. But private activity bonds are—private activity bonds generally are upon application because volume cap is basically flush everywhere.

Mr. CLEAVER. Yes.

Mr. CABRERA. So there are options. The point is you have two options.

Mr. CLEAVER. Yes, we are together on that.

Ms. Glover?

Ms. GLOVER. In terms of what Mr. Cabrera was talking about, by eliminating the silos between the funding, an agency is able to devise a strategic plan and say, for example, like with the issues of homelessness, the support of housing, put the money in a pool, use that to attract a private sector development partner to go out to the market to either raise tax credits or private activity bonds so that the housing can be developed and supported.

The key thing is that the amount of subsidy that is needed when added to the tenant rents has to be sufficient so that the debt service or other requirements can be serviced. And by having the flexibility of the money, that enables creativity on the ground as opposed to having to act strictly—

Mr. CLEAVER. My time has expired. I'm sorry.

Thank you, Mr. Chairman.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Wisconsin, Mr. Duffy, chairman of our Oversight and Investigations Subcommittee.

Mr. DUFFY. Thank you, Mr. Chairman.

And I appreciate the panel being here.

I think oftentimes when you talk about HUD and poverty, there is an urban perspective or urban prism which we look through. I come from rural Wisconsin and this is the third year we are hosting a summit, a homelessness and hunger summit where we bring in all the players who help provide housing and food assistance to those who are in need, to talk about the bright spots of who is using the community and programs in the best way to help the most people out.

I am honored this year that Secretary Castro is going to come. I think it is important that he sees a little different perspective on poverty. And we are honored that he is going to come and participate in our third annual event.

But I hope as we have this conversation, we make sure we look at everybody who comes across these difficult problems in their life.

I am not sure if the chairman gave this quote, but in 1964, President Johnson said, and we have heard this quite a bit, "We have declared unconditional war on poverty. Our objective is total victory. I believe that 30 years from now Americans will look back upon these 1960s as the time of the great American breakthrough toward the victory of prosperity over poverty."

Does anyone on the panel believe that we have actually met that objective, we have reached that victory?

Mr. Briggs and Ms. Glover, we have?

Mr. BRIGGS. Thank you, Mr. Duffy.

Mr. DUFFY. Yes.

Mr. BRIGGS. Any skilled evaluator would recommend that we ask the "but for" question: But for HUD or other agencies for that matter, what would conditions on the ground be, what would the outcomes be?

But if you ask the question, would poverty be worse and would the poverty rate be higher, but for HUD, the answer is unequivocally yes to both those questions.

Mr. DUFFY. I am going to reclaim my time because, first of all, I want to be clear. I agree with the mission, we have to help people

out. And I agree with Ms. Waters, we want to, and I think the whole panel, our objective should be to put people back to work.

I'm sorry, Ms. Glover, did you want to add something?

Ms. GLOVER. I was just going to add that if you put everything in perspective, not only are the HUD programs operating in the larger economy, but there are things that happened to the economy as well. And there is no question that the great recession was a setback for many people. There are many more people living in poverty today than there were before.

And so I think that if you try to keep everything static, it is not realistic that the larger impact of the economy is not going to pull some people down.

I think the question is, it is a but for. And people have risen and they are coming, but we have new people coming into the economy. So the question is, can we adopt policies that are flexible enough that we can react and respond to the needs? And it is important that people are rising up.

Now, the income gap is a huge challenge and we have to stay focused on building the middle class. That is absolutely the right focus. But HUD's programs have indeed helped. And I think the innovations of the last 50 years have been very impactful and we need to do more of those.

Mr. DUFFY. And I am going to give you some more time in one second, Ms. Glover.

First of all, I don't think the mission of defeating poverty has been met; poverty still exists in our communities. And I think that was the mission of President Johnson.

I get concerned because in our communities, I hear there are a lot of people who have disabilities, but there are disabilities that they can actually overcome if they get some assistance and some help. So not long-term disabled, but with some help, especially for mental illness, they can get out of the assistance of government and back into self-sustainability.

And I think it is important that we make sure that we provide that assistance and help to them.

I am not going to ask another question except to Ms. Glover. I have to tell you, your biography and all the great work that you have done in the Atlanta housing authority is absolutely amazing. I have about a minute left. Would you just kind of recap your story and the successes that you have had in Atlanta?

Ms. GLOVER. In the short time I have, we were fortunate to be able to have great public/private partnerships in solving very deep issues. And we worked not only with private sector players, but with the residents, and the larger community. And it was really about a community coming together to solve problems where people were living in absolutely deplorable conditions.

And so we have been able to help families move responsibly from those terrible places and actually redevelop mixed-income, mixed-use communities, supportive housing. We have had families invested in terms of changing mindsets, rebuilding lives, and building family resiliency.

And so we are going to do more of that and that is continuing. And we have leveraged—we took $300 million and leveraged over $3 billion of economic impact and investment.

Mr. DUFFY. Not many people have the opportunity to take dysfunctional organizations and turn them into well-functioning organizations that actually help so many people. You are one of the bright spots, so thank you.

I yield back.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Texas, Mr. Hinojosa.

Mr. HINOJOSA. Thank you, Chairman Hensarling and Ranking Member Waters, for holding this important hearing on HUD and its impact on Federal housing policy.

I would also like to thank our panelists for testifying today.

Housing programs under HUD are a lifeline for many of our children in low-income families, yet we have long waiting lists for HUD programs.

As we celebrate HUD's 50th anniversary, I urge my colleagues on both sides of the aisle to work together to increase Federal investments in innovative programs that address housing and at the same time take a holistic approach at helping our disadvantaged citizens move up the economic ladder.

My first question is for Ms. Renee Glover. As you know, there has been much talk about consolidating many of the rural housing programs currently under the United States Department of Agriculture into the Department of Housing and Urban Development. Given the difference in the populations and the geographic areas served by rural housing programs as compared to HUD programs, as well as the manner in which HUD and the USDA service their respective housing programs, do you think consolidation is a good idea?

Ms. GLOVER. Let me say this. I am not familiar with the proposal, but the concern would be that resources are not lost if there is a consolidation. And I think what happens too often is that the consolidation occurs, but the resources that were being dedicated to that population aren't following the clients and customers who are being served.

I think one of the big issues in terms of supporting families with mental disabilities is that as the State mental institutions were closed, the thesis was that the resources that were being dedicated there would follow the families and then there would be supportive housing developed in local communities to support those families to be successful.

But what happened is that as those institutions were closed, the resources didn't follow, they were redirected to other resources and challenges. So I think the devil is always in the details.

So I think that a thoughtful approach should be looked at, but also with the strong recommendation that the resources that are there not get lost in the consolidation.

Mr. HINOJOSA. Thank you.

My next question is for Dr. Xavier Briggs. In 1970 we had 300,000 surplus of low-cost rental units relative to the low-income rental households. According to the national low-income housing, today there is a shortage of 7 million affordable rental units. What are the factors driving the shortages in affordable housing? What

should the Federal Government be doing differently? And are market-based approaches working?

Mr. BRIGGS. Thank you, Mr. Hinojosa. You have two main drivers, sir. You have the drivers holding down incomes and then you have the drivers driving up costs. In other words, this is a structural gap that was decades in the making; it didn't happen overnight.

Mr. HINOJOSA. That is right.

Mr. BRIGGS. And there are significant forces operating on both the cost side of the equation and the income side of the equation.

In brief, on the cost side of the problem or the gap, you have largely local land-use decisions and other factors making it expensive, in some jurisdictions impossible, to develop affordable housing or to preserve what we have. And we have seen a tremendous erosion of supply and that contributes to the numbers that you cited. That is on the cost side of the equation.

On the income side of the equation, as the Members know quite well—this has been widely documented in the media—we have seen a lot of wage stagnation in this country. The minimum wage is stuck at a quite low level in inflation-adjusted terms. So we have had stagnant incomes, limited incomes, rising housing costs, that produces the kind of shortfall that you called off.

One clear implication of that applies to Congress as a whole and not only this committee, with due respect. You don't want to fight a challenge like that or address a gap like that with one hand tied behind your back. You need to address both the income and the cost side of the equation or we won't be successful. We won't act in a way that is commensurate with the scale of the problem, which we are paying for in so many systems, health, education, and beyond.

So, the Tax Code is implicated here. The minimum wage is implicated here. And yes, local regulations also are implicated in this gap between income, especially from wages, and housing costs on the bottom.

Mr. HINOJOSA. You have made some very good points and I wish we had more time to let me ask two more questions. But my time has expired. I yield back.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Pennsylvania, Mr. Fitzpatrick.

Mr. FITZPATRICK. Thank you, Mr. Chairman, for calling this hearing.

And I thank the witnesses for their testimony here today.

I think it is important that after 50 years declaring the war on poverty and against homelessness and close to $2 trillion spent, it is appropriate that we look back and ask, how are those dollars allocated and how are they spent?

My first question is for Dr. Briggs. On page seven of your testimony—and by the way, your background is in urban planning, and I come from Bucks County, Pennsylvania. I have lived my entire life in Levittown, which is a community that was hyper-planned, some say; a lot of returning World War II and Korea veterans were able to obtain a house in that community based on the VA mortgage.

But what I noticed growing up in that community was that in Levittown there seemed to be in the 1970s and 1980s more jobs than houses. And so, the community was doing well. And in my experience in looking back, communities that had more houses than jobs are those that are in trouble.

You say on page seven of your testimony as part of your solution of making housing assistance a contributor to self-reliance and economic self-sufficiency, there is a quote from your testimony: "It is crucial that we support effective pro-work housing policy for households that are not elderly or disabled." And you go on to mention that work has long been a prized and deeply felt goal and that "Work provides income and dignity." And I agree with all of that.

So my question to you, Dr. Briggs, is, would you support work requirements for non-elderly and non-disabled, able-bodied working individuals perhaps as a condition of the Section 8 housing voucher?

Mr. BRIGGS. Thank you. It really depends on how they are constructed. Sorry to offer what might be a complex answer and we want these things to be simple, but they are not.

I don't think that an across-the-board work requirement would produce the effect that we want to see. There is a tremendous motivation to work, amongst the great majority of housing-assisted households. The question is, what jobs are available? Are we investing in skills? Are we investing in work supports like child care? And are there good, affordable housing alternatives available for households that obtain work and wish to move out?

If you look at the number-one reason people leave housing assistance, it is because they get work. So the motivation is clearly there and we need to be extremely careful about across-the-board requirements.

Mr. FITZPATRICK. But do you support a requirement for work for able-bodied individuals?

Mr. BRIGGS. The one answer I can give you is that it very much depends on how that is constructed. It depends on whether it comes with supports for child care, intensive skill investments, the kinds that we see in Jobs Plus.

I also would agree with Mr. Husock that there are disincentives in rent policy now. And if we change those—as Jobs Plus did, and it was very rigorously evaluated and produced, as you probably know, with very significant effects—that would be a very, very smart way to go and to support work by very poor households.

Mr. FITZPATRICK. Mr. Cabrera, do you support work requirements?

Mr. CABRERA. I am very much in the same place as Xavier. The reason is because here is what happens. If you wind up with work requirements and you have someone, and I will just come up with a common example, a single mother with more than one child, you have just essentially kept her from housing and they will wind up homeless. So you are going to be dealing with it as a Federal subsidy on the homeless side.

I am not in favor of compelling that kind of activity generally. It is just it is something I hope we will work through, but it is very difficult for me to—

Mr. FITZPATRICK. How about local flexibility, providing flexibility to State and county housing authorities, public housing agencies?

And Ms. Glover was responding to a question from the ranking member earlier on that question of local flexibility where if you can tailor programs, federally funded programs to what is happening in a local community, should a local community be permitted to have some sort of work requirement as a condition preceding to getting a Section 8 certificate, especially for those communities where you have generational poverty and one generation after the other living in the same community on the same Section 8 housing certificate.

Mr. CABRERA. That is extraordinarily rare, just so I say it. The concern I have is that compelling thing, we as a government compelling people to do things in that way is something I think I am just anathema to. So it is going to be really hard for me to say yes to that.

Mr. FITZPATRICK. Ms. Glover, you were cut off earlier when you were responding to the ranking member's question and it had to do with providing local flexibility to housing authorities. You had some experience in Atlanta with that. Can you expand on that briefly?

Ms. GLOVER. Yes. I think it is very important that the people on the ground and in the locality have the flexibility to do the problem-solving, because first, they understand the conditions, they are able to reach out to the other players.

And on the work requirement, what we did with disabled and elderly persons is they were exempted from the requirement. But those families who were able-bodied, we work with the various civil society groups to do job training, counseling, child care. We had a whole network of some 60 organizations to support success. And I think if you provide those types of resources and the program is both job and/or education, you are building resiliency and the ability to be successful—

Mr. FITZPATRICK. Thank you.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from California, Mr. Sherman.

Mr. SHERMAN. Mr. Chairman, thank you for holding this hearing today.

We had an interesting subcommittee hearing yesterday on much the same subject. And I commend, for those of you looking for more material to read, to look at the transcript of that hearing.

We dealt with flood insurance, which is important to me, even though I represent a city built in the desert in the midst of a drought, and H.R. 3700, which I think has come up in this hearing, has some excellent provisions to encourage condominiums.

I own two suburban homes so I am a really bad advocate for it, but I am an advocate for multifamily housing. It is affordable, and our homeless problem can also be viewed as just a housing affordability problem. And we have to help our struggling families. It is more energy-efficient and even more energy-efficient than the housing itself is that multifamily housing is the first step toward a viable mass transit system. And it offers flexibility.

Told by many that if you buy a place, you really shouldn't buy a place if you are not pretty certain you are going to be there for

4 or 5 years, a lot of people can't know where they are going to live 4 or 5 years from now. Every 2 years, people suggest that I stop living where I am living and find another line of work.

[laughter]

With this in mind, Mr. Cabrera, what can HUD do to encourage the private sector to expand its role in providing affordable housing? I refer to property owners, managers, developers. And are there regulations in place at HUD that discourage private participation in affordable housing?

Mr. CABRERA. I think that the best step forward in terms of what HUD can do is to provide the market with as much certainty as it can have and to have reasonable standards that can be met.

One example is actually cited in my written testimony and it is in the case of FHA. There is a program, an FHA program, a very useful program, their 223(f) program, it is a refinancing program. It helps reposition affordable housing deals that are already going to be impacting the Federal budget if they go sideways and helps them become healthier.

And a couple of years ago, HUD revisited its underwriting guidelines, it increased the reserve requirements in the FHA program, the 223(f) program, by a multiple, I mean, several multiples. It was huge. And what it did was it killed deals. So today you have 50 percent fewer units being financed through the 223(f) program as there were just 24 months ago.

And similarly, there are other places there that conversation pops up. It popped up in RAD. So they will make a rule, the rule negatively impacts the utilization of RAD, the rule in that case, again, had to do with operating reserves because what they make is a bureaucratic decision that isn't aligned with the marketplace and it is—

Mr. SHERMAN. I am going to try to sneak in one more question.

Mr. CABRERA. And it gets messy.

Mr. SHERMAN. We need 300,000 or 400,000 new constructed apartments every year. Last year, we just got 255,000. That is up 37 percent from the year before, but it is still inadequate. In addition, we are losing 100,000 to 150,000 units to obsolescence and those are the units that are affordable.

Are there any government programs that we can tweak here that would be helpful in getting some of these 150,000 units rehabilitated rather than withdrawn from service? And what else can we do to solve the supply crisis?

Mr. CABRERA. The supply crisis, from a HUD perspective, can be helped simply by revisiting how it is HUD approaches all underwriting and facilitating responsible underwriting wherever it can without adding things that don't make sense in the marketplace.

Now, I have to laud the prior Administration and the current Administration. Secretary Donovan did a terrific job of having that revisited and it improved. That isn't to say that it improved perfectly. It did not. And I think what happens is that just knowing HUD as I do, what you see is retrenchment, and that retrenchment causes static in the marketplace and it keeps good deals from happening.

One of the things HUD can do is just learn how to get out of the way. You don't always need to be in the way. You need to be in

the way when the taxpayer is at risk in an unreasonable way. But there is always going to be risk. If there isn't risk, there is a problem.

Mr. SHERMAN. Thank you.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Kentucky, Mr. Barr.

Mr. BARR. Thank you, Mr. Chairman.

And I thank the witnesses for your testimony.

I represent a congressional district in central Kentucky where the Lexington housing authority is one of those Moving to Work programs that has been a great success. Austin Simms, who runs that housing authority, does a great job and I think is a model for how the Moving to Work program offers that flexibility and fungibility of dollars. And they have made it work very, very well.

I do want to revisit this issue of work requirements that my colleague Mr. Fitzpatrick was talking about, because I think that we need to look at work not as a punishment, but as a blessing that we want to celebrate, a road to self-sufficiency.

And I noted, Mr. Cabrera and Mr. Briggs, your reticence to fully embrace universal work requirements as a condition of Section 8 or other public housing assistance. But I want to challenge you a little bit on that because it seems to me that if the concern is child care, or if the concern is job training as a necessary part of that, we could certainly offer that as part of modernization of a universal work requirement.

So what is it that is holding you back from fully embracing a work requirement, not as a means of punishing beneficiaries, but as a means of recognizing that poor people in need of housing are not liabilities to be managed, but they are assets and they have tremendous potential if we offer them the blessing of work?

Mr. CABRERA. Then I think I would answer in the following way: It shouldn't be a precondition of someone being housed. It should be structured in a different way such that it is not compelling someone to work, it is compelling someone to get in a position to find better work. That is a very different proposition.

If the issue becomes, look, if you live here you need to improve the circumstances in which you are in in order to improve your economic circumstance for your family and for yourself, I think—I can't speak for my colleagues, but I am willing to bet my bottom dollar that they will all agree that would be the right way to go.

What I am concerned about is having as a precondition, is you cannot live here unless you have a job. That, I think, is counterproductive.

Mr. BARR. If I could just jump in there. What if it is not that, but for—and by the way, the Congressional Research Service is telling us here that non-elderly, non-disabled households account for a full 45 percent. So it is just not true, at least according to the Congressional Research Service, that all of the Section 8 beneficiaries out there, assisted-housing individuals are elderly or disabled. There are plenty of non-elderly, non-disabled people out there who don't have wage income, but yet are receiving taxpayer assistance for housing.

Any thoughts?

Mr. CABRERA. The vast majority of the people who are already receiving a wage income and who are receiving, let us go by each pot, Section 8, work for a living, those people actually that is not the issue.

I think if I am hearing this correctly, and I am asking to be corrected if I am not, you are concerned about those who aren't, who can work, but don't. And if that is the case, usually it has to do with whether it is we are willing to, as a Federal entity, help them put themselves in the best position and condition housing upon that. In that case, sure.

Mr. BARR. And maybe if they are underemployed or need skills, maybe it shouldn't just be a work requirement, but a requirement that you are either working or that you are pursuing some kind of job training, and that as part of that assistance, there is some child care if that is needed.

Mr. CABRERA. Absolutely. That is the biggest piece. In my experience, and again I am going to defer to Renee, but in my experience the biggest impediment for, and the person I have in mind is a single mother with children, is their children. The reason they have such a tough time going out there is because someone has to deal with their children.

Mr. BARR. Absolutely.

Mr. CABRERA. That is why I am saying the training and the child care is sensible.

Mr. BARR. And that is perfectly reasonable; that makes sense.

And Ms. Glover, I think to your testimony earlier, that is how you all did it successfully in Atlanta.

Ms. GLOVER. That is correct.

Mr. BARR. 1Mr. Briggs, did you have a—

Mr. BRIGGS. Thank you, sir. Just briefly, so the effects of any such requirement would depend on a few things, actually quite straightforward to think about: conditions in the labor market; provision of work supports; and those other factors that directly affect families' or an adult's ability to get and to keep work, let alone to get ahead.

There is a great deal that is appealing in principle about the compact, Congressman, that you are outlining.

Sadly, I have to note that we have a history as a country of reneging on some part or another of that deal, either not funding the child care or not directing TANF funds, State TANF funds properly to job creation in order to improve labor market conditions.

There is, I think you are right, sir, great bipartisan agreement that we should move in this direction. The question is how, and the different pieces of that compact do need to be in place.

Mr. BARR. Thank you. My time has expired, but I would love to work with all of you on crafting that. Thank you very much.

I yield back.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Missouri, Mr. Clay, ranking member of our Financial Institutions Subcommittee.

Mr. CLAY. Thank you, Mr. Chairman, and Ranking Member Waters, for conducting this hearing on the future of housing in America.

Let me start with Mr. Briggs. And I would like to ask about the effectiveness and cost trends in the housing voucher program. President George W. Bush's Fiscal Year 2008 budget request said the Section 8 tenant-based rental assistance program is the Federal Government's foremost program for assisting low-income families to rent decent, safe, and sanitary housing in the private market.

Based on an assessment of the program, this is one of the Department's and the Federal Government's most effective programs. This program has been recognized as a cost-effective means for delivering safe, decent, and sanitary housing to low-income families, that in fact in nominal terms the average housing assistance payment per voucher rose from $7,553 in 2010 to just $7,673 in 2014, an increase of only 1.6 percent. During the same period, rent and utility costs in the private market rose by 10.6 percent.

If the purpose of today's hearing is to discuss the impact HUD has had on housing policy in reducing poverty over the past 50 years, it seems that the Section 8 housing choice voucher program is something we should hold up and celebrate.

Mr. Briggs, what recommendations do you have for how we might build on the success of this program?

Mr. BRIGGS. Thank you, Mr. Clay. I have several recommendations for this committee. The first is to ensure that funding for the program is sustained as a floor. Congress, this is both sides of the aisle, have acted, as you are well aware, to cut veterans' homelessness. That was a direct result of adding incremental vouchers in the form of VASH as they are known. That is a direct indicator that this program is this country's number-one tool for preventing or ending homelessness on a very large scale.

And as you have heard Orlando and other panelists underscore, we will pay the costs somewhere, we will pay them in health, we will pay them in jails, we will pay them in education systems, in some system if we don't address these needs. It is tremendously important to fully fund the program.

There are flexibilities. There are connections between the vouchers and capital subsidies so the vouchers can help to ensure that the very lowest-income households can lease up in mixed-income dwellings. Those kinds of things should be encouraged, in my judgment, by Congress.

HUD is on that road already. It needs the encouragement, and streamlining can be a part of that.

Mr. CLAY. This program is one of the government's most cost-effective programs. And your recommendation is that we continue to support it and fund it properly?

Mr. BRIGGS. That is absolutely right, sir. And from the standpoint of national policy goals, expanding it would be the right thing to do. I would add, however, that the big costs in the program are not driven by HUD practices, but by local housing costs that HUD doesn't control directly and by tenant incomes which are a story about what is going on in the wider economy.

So again, if we want to address this, we need HUD to be at its best, but we also need more than HUD. This program is extremely important and effective.

Mr. CLAY. Thank you for your response.

Mr. Cabrera, you mentioned the 223(f) program. And a few years ago, you said HUD increased reserve requirements and it killed deals. What do you think, in the best of all worlds, should HUD do now to revise this program?

Mr. CABRERA. The 223(f) programs, like all FHA programs, is an insurance program. There is a private lender that is lending the money that is being insured. They are the at-risk party, the initial at-risk party. And the Federal Government's responsibility is when the deal goes sideways.

Have faith in the private market. The private market knows that deal as well as anybody. The person looking for the deal knows it. The idea that the private market would request or want or require rather one set of reserves and that HUD would, in order to get the insurance which would facilitate the deal, multiply that by 3, 4, or 5 times is a little bit out of kilter.

Mr. CLAY. Thank you for that. I think HUD needs to reevaluate what they have done.

Mr. CABRERA. Yes, sir.

Mr. CLAY. Thank you, and I yield back.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from North Carolina, Mr. Pittenger.

Mr. PITTENGER. Thank you, Mr. Chairman.

And I thank each of you for being here with us today.

I am reading from the HUD Inspector General's report that was a report from the period through 2014 up through this month in 2015. And in the report, they identify, I will just read to you, "Public housing authorities provide public housing assistance to as many as 25,226 families whose income exceeded HUD's 2014 eligibility income limits."

Going on, they say, "As a result, HUD did not assist as many low-income families in need of housing as it could have. We estimate that HUD will pay as much as $104 million over the next year for public housing units occupied by over-income families that otherwise could have been used to house eligible low-income families in need of housing assistance."

How do you respond to that, Mr. Cabrera?

Mr. CABRERA. I struggle with that report. There are considerable inaccuracies in the report that I would love to have responded to. But the first one is it is 25,000 residents out of a pool of roughly 990,000. There are always going to be mistakes. Should we fix those mistakes? Absolutely, I am all for it. I think that addressing the issue pertinent, but I think it is important—

Mr. PITTENGER. Is that kind of glossed over? Can we fix mistakes?

Mr. CABRERA. No, I don't think it is being glossed over. I think what has to happen is we have a system that encourages how we count income for public housing in very strange ways. And I don't question that there are people who are wrongly over-income in public housing.

Mr. PITTENGER. Let me give you some income amounts. Los Angeles, the member with the highest income earned, $132,224. New Bedford housing, the member with the highest income earned, $129,789.

Mr. CABRERA. Right. But Congressman, under the Brooke amendment, 40 percent of public housing units have to be leased to people at 30 percent of area median income (AMI) and below. Everything else is really up to the housing authority. And to some degree, some of those folks are going to be outside of the bandwidth anyway.

I am not encouraging this, I am not saying the result is good. I am saying it is not throwing the baby out with the bathwater—

Mr. PITTENGER. You are doing a good job trying to justify it.

Mr. CABRERA. —it is, let us think about it as opposed to—let us think about how to solve it as opposed to anything else.

Mr. PITTENGER. No, I think that is what we are about here today is reforming and not glossing over things.

Mr. CABRERA. Right, I would never gloss over it.

Mr. PITTENGER. The American taxpayer really deserves accountability on these dollars.

Mr. CABRERA. Yes.

Mr. PITTENGER. And by just assuming, well, these things are going to happen and it is part of the process, I think the American people are tired of that. I think they want real accountability inside of our government and we are not seeing that when we are showing right now that in New York alone there are 10,250 people who have over-income housing. Why isn't there accountability?

Mr. CABRERA. I would rather—

Mr. PITTENGER. How do you have people living in housing who make $129,000?

Mr. CABRERA. I would far rather that resource go to people who need it than people who don't. I agree with you.

Mr. PITTENGER. I think that is what we are about today. It is not the status quo that should be acceptable. I think what we are about is bringing reforms in here that make it so we are really helping the people who need the help. Nobody is saying we are going to take an eraser and erase it all. But what we do want to bring is real fiscal accountability back to our government and this is part of it.

If people are abusing the system, and the American taxpayer is very tired of that, we need to eliminate the abuse.

Mr. CABRERA. We agree.

Mr. PITTENGER. Ms. Glover, do you have any comments?

Ms. GLOVER. No. My only observation is that we fix the problem and not just throw the baby out with the bathwater. And too often, problems are fixed where there aren't any. So target the correction to the offender and the problem as opposed to recasting the entire program.

Mr. PITTENGER. I think you sense from us our interest and our commitment to help those who really need the safety net. We have always been about that. But I think what we are as much about is making sure that the American taxpayer is protected and that we not just have a slush fund where there are 100-plus million dollars that could be given to people who actually have a need.

Ms. GLOVER. I couldn't agree with you more.

Mr. PITTENGER. Mr. Husock, do you have a comment?

Mr. HUSOCK. Yes. The over-income is certainly a problem. And Moving to Work (MTW) gives local authorities the chance to sug-

gest a time limit and that would address that situation quite possibly.

I think it is just as much of a problem that we have such long-term tenancies.

Mr. PITTENGER. Absolutely.

Mr. HUSOCK. And I would address the committee's concern to that as well.

Mr. PITTENGER. I certainly agree.

Thank you very much. My time has expired.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Georgia, Mr. Scott.

Mr. SCOTT. Thank you very much, Mr. Chairman.

The first thing I want to do is say hello to my good friend, Ms. Renee Glover. Your work in housing and your contributions to this Nation are just extraordinary and they are of a soaring magnitude. And we are very grateful for your work and your service. And I personally have enjoyed working with you, not only in my tour as Congressman, but as you know, I served in the State Senate.

But before I get to this, I must respond a bit to what my ranking leader, Ms. Waters, said. There is this myth that we need to put to bed about people not wanting to work, and especially people who want to work so badly.

I represent a district, as you know, Ms. Glover, in the State Senate before I got here for 20 years that had most of the housing projects in the City of Atlanta. And I knew then what the issue was. And that was helping people to get the jobs. Started that jobs fair there and it all blossomed up every year, as you recall. We worked with that.

We worked with your formula of using your innovation in housing to leverage, for you knew that at the core of this is an economic issue. And each year we would do the jobs fair.

And let me just tell you something, committee members. Last year, our jobs fair attracted 20,000 people. We were able to get jobs for 5,522 people, 98 percent of whom were African American, and most of whom were men. But two categories: African Americans and veterans.

Now, the reason I mention that is these are the two most basic groups that are crying out to get help with jobs to help stay in their homes. And so there must be a structure, an infrastructure that is built, not only just to moan about this moving back to work program, yes, but we have to have something in there that provides the work, job fairs, other kinds of structures, to be able to make sure because people want to work. They are not out there not wanting to work.

We have to research and get into these communities and build that structure in there to get the job opportunities to them.

Now, Ms. Glover, Carver Homes and Techwood Homes, it is very important that I kind of set the stage for this because Carver Homes is located, because many people have been to Atlanta, but in order to show what you did, Carver Homes is right there where the Atlanta stadium is, the home of the Braves. Techwood is up where Georgia Tech is. So if you have been to Atlanta, you know where that is.

Can you share for us a bit, Ms. Glover, how you have used this economic leverage and your input in getting jobs for people in the community and how that worked in the mixed-use projects that you did in Carver Homes and Techwood Homes?

Ms. GLOVER. Thank you, sir. And let me return the compliment to you. You have been a magnificent public servant and an outstanding Congressman and Senator at the State level. And I, too, have enjoyed working with you and think the world of you. So thank you for all that you do.

Mr. SCOTT. Thank you.

Ms. GLOVER. In terms of our revitalization of those communities, we worked with the private sector, the foundation sector, the supportive services sector so that we could create communities of opportunity. And those communities were in terrible condition when we started in the 1990s. The workforce participation was at about 13 percent and people were desperately poor. And rather than the families being able to rebuild their lives, they were trapped structurally out of the mainstream.

So in working with the families and working with the private sector, we were able to create a master plan that leveraged the human potential as well as the real estate potential. And we always say that all people are children of God with unlimited human potential, and so the work was directed to tap into that human potential.

So it is at both ends, so it is working with the real estate and that leveraged typically 10 to one of the public dollars that were in either through the tax credit program, private activity bonds and tax credits, other affordable housing programs, to close the gap on the development.

And it is a true economically integrated community that had market rate families, families who needed assistance, typically 40 percent, and these are long-term affordable units and will always be as long as the ground lease is in effect, at least 60 years, and then tax credit affordable units. And that was developed and it has been magnificent. We have also developed single-family homes.

But we also worked with the neighborhood schools. So housing policy and education policy, too, are important because we wanted to have great neighborhood schools because that attracts families through the neighborhood. And so it has been a very, very impactful and tremendous program.

Mr. SCOTT. Thank you.

Thank you, Ms. Glover.

And thank you, Mr. Chairman, for giving me that extra minute.

Chairman HENSARLING. The time of the gentleman has definitely expired.

The Chair now recognizes the gentleman from Illinois, Mr. Hultgren.

Mr. HULTGREN. Thank you, Mr. Chairman.

Thank you all for being here to discuss a very important topic, something that absolutely impacts all of our constituents.

And it is so clear to me that home ownership advances the American Dream, encourages responsible citizens, and promotes lasting community involvement, which is something we all want.

I believe that the people in my district should have access to the financial tools they need to be able to invest in this worthwhile goal to provide a lasting home for their families and also to build their net worth. Federal housing policy should reflect our commitment to those Americans who include home ownership on their list of life and financial objectives.

We should also hold agencies like the Department of Housing and Urban Development accountable to ensure that Federal housing programs are exceptional stewards of taxpayer dollars and meaningful mechanisms through which we can help people out of poverty.

I am interested in exploring ways that we can more effectively serve seniors and low-income families in our communities. And I am grateful for this opportunity to be able to learn more from you all and the work that you have done.

I want to address my first couple of questions to Mr. Husock, if that is okay. America is facing significant challenges when it comes to providing our citizens with affordable housing. The 5 years ending in 2014, the number of renter households was up by 4.7 million, while the number of homeowner households was down by almost 600,000.

The United States is on the cusp of fundamental change in our housing dynamics as changing demographics in housing preferences drive more people away from the typical suburban house.

I wonder if you could offer insight as to what can be done to prepare our Nation for a more balanced housing policy, one that recognizes the realities of the changing housing market that we are facing?

Mr. HUSOCK. Thank you so much. Of course, a lot of what is a local decision is beyond the reach of HUD. However, I know that under Secretary Kemp's leadership, there was a good deal of emphasis that has fallen by the wayside somewhat to call attention to local communities as to how they may adjust their zoning codes in a way to encourage balanced construction of different housing types so as to accommodate the range of needs that may go beyond and do go beyond, as you point out, a desire simply for single-family home ownership.

So a lot of these decisions, most of these decisions are driven by local zoning and land-use decisions. However, HUD can use its good offices to set an example, suggest model zoning codes and to call attention to those efforts at the local level that have been effective.

Mr. HULTGREN. Let me ask you specifically, since 1986, the low-income housing tax credit program has leveraged Federal dollars with private investment to produce nearly 2.8 million affordable units. If we still need more affordable housing, how can LIHTC dollars be further leveraged to provide more affordable housing?

Mr. HUSOCK. I think as with public housing and housing first voucher units, we should consider making those units that are affordable under the LIHTC a short term in the nature of their assistance because we have long waiting and we have a limited supply.

And so aligning our housing policy with our overall social policy we spend as much, if not more on housing choice voucher as we do

on TANF today. And yet, the regulations regarding TANF dollars and housing choice voucher dollars are very different.

So to make assistance short term and targeted is maybe the most practical way that we can accommodate more households.

Mr. HULTGREN. I have one last thing I want to address quickly with Mr. Cabrera. How have Section 202 capital advances affected the market for affordable, supportive housing for low-income seniors? Has the cessation of funding for these advances discouraged investors from building affordable senior developments to add new units?

Mr. CABRERA. The short answer to that is yes, it has discouraged the production of 202 units. Section 202 has traditionally been the engine that drives elderly housing. There is a bitter struggle within the portfolio itself, as FHA would tell you, because it is very difficult. In some rural areas where you have 202s, you have performance issues. It is simply you don't have enough people living there to support the debt service so that it keeps going if it is alone as opposed to a grant.

But I think 202 or a vehicle like 202 is going to be an important conversation to have given that no one here is getting younger.

Mr. HULTGREN. I feel it.

My time is almost done. I will yield back my last 10 seconds.

Chairman HENSARLING. The gentleman yields back.

The Chair now recognizes the gentleman from Texas, Mr. Green, ranking member of our Oversight and Investigations Subcommittee.

Mr. GREEN. Thank you, Mr. Chairman.

I thank the witnesses for appearing as well.

And I think the ranking member for her support of HUD.

Mr. Chairman, I will style this brief statement why I oppose cutting funds to HUD. I oppose cutting funds to HUD because I have before me an article from the Huffington Post, dated July 11, 2014. It reads, "The $400 billion to create a fleet of F-35 Joint Strike Fighter jets, which as the Hill points out is 7 years behind schedule and chronically plagued with misfortunes and incompetencies, could have housed every homeless person in the U.S. with a $600,000 home."

I oppose cutting funds to HUD because we currently have a $38 billion gimmick to fund the military with a separate war account that has no cap on it. Spend as much as we like on war, but cap what we spend on peace in terms of homelessness.

And why do I say peace? Because I know how we acquired HUD. HUD was not acquired easily. Unfortunately, and I don't condone what happened, but I can tell you the truth, the Watts riots influenced the creation of HUD: 6 days; 34 deaths; 1,032 injured; 4,000 people arrested; and $40 million in property damage. HUD was not easily acquired.

There had been an effort to do this for years in this country. And unfortunately, history records that the Watts riots influenced the creation of HUD.

I know how we acquired the Fair Housing Act. It was after the demise of Dr. Martin Luther King that we were able to get the Fair Housing Act through Congress.

So I am here to protect HUD. I am here to protect it because I know about the good that it has done, notwithstanding all of the cuts through the years. The intelligence indicates that in the last 20 years, HUD has provided housing assistance to more than 35 million individuals.

The HUD HOME program has produced nearly 1.2 million affordable housing units, almost 500,000 units for first-time home buyers. The HOME program has assisted nearly 300,000 tenants in obtaining direct rental assistance. CDBG has helped over 1.2 million low- and moderate-income persons.

And I tell you, Mr. Chairman, that I oppose cutting HUD.

I am here to hold back the rollback and that is what I see happening. There are people of good will, by the way, with the best of intentions, who would roll back to a time when people were unable to get assistance with rent, unable to acquire the holistic approach that we just witnessed this morning.

I was with the Honorable Maxine Waters when we were over at this location right here in this City, that takes a holistic approach to dealing with housing issues, gets 25 percent of its funding from the Federal Government, has a $5 million a year budget. I want to protect that. I want to expand that. I would like to see that become pervasive. I would like to see it in my City.

We cannot allow a program that has benefited Americans in times of need after a crisis, such as what happened in 2008, to be cut to the bone to the extent that it becomes ineffective.

And I will yield back the balance of my time.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Arizona, Mr. Schweikert.

Mr. SCHWEIKERT. Thank you, Mr. Chairman.

And obviously, once again, I believe our collectively ultimate focus is actually not the agency, it is the people who need the services, and are we doing it the best way to touch the most lives for the maximum benefit.

Mr. Briggs, you have actually a couple of times touched on what many of us have been fixated on and that is particularly in our higher-density areas within the country. We have sort of a two-pronged problem, both income, the ability to earn a living, but then the cost of housing.

In land-use policy, what some people like to refer to as a model zoning code, a lot of our urban areas really do lack creativity and variability in both the way they regulate, but also the land use.

What can we do as Federal policymakers to turn to those urban centers and say, you are boxing out the next opportunity for affordable housing, not because of money coming from us, but because of the regulatory costs, the zoning costs, the land use, and actually your NIMBY problem? What can we do policy-wise?

Mr. BRIGGS. Thank you, Congressman. I am so glad you asked this question and asked it the way you did. In many senses, many communities around the country are federalizing their costs. And we are not going to make the progress we need to as a Nation if we don't come at this in more creative ways.

In my judgment, one of the best studies ever done of this was by the late housing economist, John Quigley. He looked over a 40-year

period and showed very rigorously that we have seen the problem you underline, this structural gap I talked about earlier. And a principal driver of it is what economists call supply constraints and local land-use regulation is among the most important.

I would suggest approaching this as a question of both rules and incentives because both have mattered historically. That is what the record shows. And encouraging through contingent Federal funding, for example, contingent investments, both streamlining and more inclusionary approaches are going to be crucial, in my judgment, to encouraging density and a greater flexibility of housing types, as Mr. Husock noted.

Mr. SCHWEIKERT. And if you ever see a good article on it, will you send it our direction? Somewhere in my binder, I have one talking about how a housing unit built today, about 40 percent of it ultimately is some form of regulation. Now, we like certain regulations, but I live in the desert and yet some of the regulations require certain types of construction materials that are absolutely inappropriate for my part of the country, but they are within the rule set.

Mr. BRIGGS. Right.

Mr. SCHWEIKERT. So somehow we are going to have to holistically break this down.

Mr. BRIGGS. I have a 10-second response, if you will allow me. I think we will agree that regulations exist for a variety of reasons, to protect health and safety, to promote environmental sustainability, including—

Mr. SCHWEIKERT. But it also creates barriers.

Mr. BRIGGS. Absolutely, it is a mixed picture.

Mr. SCHWEIKERT. Okay.

Mr. Husock?

And I prefer the words "on ramp" instead of "off ramp." If right now you were designing income, job incentives those things, so let us just use this because it is something I am familiar with.

I am in Section 8 housing. I am able to get that promotion in the job because I have been a consistent worker. We know there is a math problem, there is a disincentive problem where you make a certain income leap, all of a sudden much of that is lost over here in the change of your housing cost.

Within seconds, can you share with me a conceptual approach of what you would do to incentivize accepting that extra work responsibility and the extra income without being punished on the other side so it is a reasonable on ramp?

Mr. HUSOCK. Fix the tenant's share at the outset of the lease and keep that for a fixed period of time, just the way typical renters in the private sector have a fixed-cost lease.

Mr. SCHWEIKERT. Okay.

Ms. Glover, everyone seems to love you. You have an amazing story here. One of the curiosities I have is knowing some of my housing projects in the Phoenix area are—rent credit, is also the discussion of incentivizing work, but the ability to manage that.

Are you seeing discussions of reaching in and doing things more creatively, babysitting co-ops, a ride-sharing vehicle that is actually at the property, things that actually make the ability to go and

work that job using sort of the modern sharing economy? Are you seeing that adoption anywhere?

Ms. GLOVER. I think that is the power of local devolution that you can actually incent those types of things. The great news is that if you are not constrained in terms of what can be experimented with and investigated, I think there is a lot of opportunity.

Mr. SCHWEIKERT. So that decentralization and rural changes from my housing density or housing rules to your creativity to incentivize folks to have a future.

Ms. GLOVER. Absolutely. And one other quick observation on some of the local communities—

Mr. SCHWEIKERT. Very quickly.

Ms. GLOVER. —is that many localities are trying to subsidize their own budgets, so with the cuts of CDBG and HOME what you are seeing are impact fees and raising and higher fees because at the end of the day, we have to connect the dots because all of these things come together and have impact.

Mr. SCHWEIKERT. Yes, that is the other side of the cost equation.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Minnesota, Mr. Ellison.

Mr. ELLISON. Let me thank the chairman and the ranking member. I appreciate having this hearing.

My first question is a very quick question. Are the poor lazy? That is my question. Some of my colleagues made the point that we need work requirements. I have a panel up here and I would like to direct the panel's attention to the board.

Under the voucher program, 49 percent of those folks are elderly or disabled, 33 percent of them have jobs in the voucher program, so you don't need to force them to work with a work requirement.

And then you have another percentage of people who are if you are on TANF, you are a TANF recipient, then there is another under the voucher, 12 percent, who could be veterans, who could be people with a whole lot of different stories.

I think the point here, though, is that saying that you can't have housing unless you have a job, at least for the voucher program, is probably poorly thought through.

Public housing, same story. People are working and the ones who aren't working, the greater majority of them are elderly or disabled.

And then, project-based rental assistance is the same story all over again.

So Mr. Briggs, is a work requirement smart, is it right, is it necessary, does it help?

Mr. BRIGGS. Congressman, thank you. In my judgment, it misses the point. If the idea is to make work pay and to ensure that there are work supports, given the ample evidence that there is a high level of motivation to work, as Members from both sides of the aisle have said, then let us focus on those things.

As your data show, many of the assisted households are either not work-ready or aged out of working age or they are in fact attached to the labor market. So to some extent, one wonders about whether we are focused on the wrong issue.

Mr. ELLISON. Thank you. I will just move on from there.

Can we get the next slide up, please?

So here is the thing. I have asked for chart one to be shown on the screen.

According to the Harvard Joint Center for Housing Studies' report, one in two households spend more than 30 percent of their gross income on rent and utilities, and one in four households pay more than 50 percent of their gross income for rent utilities.

We currently have more than 11 million families who pay more than half of their income for housing and utilities. And we know that one in four families eligible for housing assistance receives it, only one in four. In my district, we have more than 10,000 low-income families on a waiting list.

So I wonder, Mr. Briggs or any of the panelists, I would like to hear from Mr. Briggs first, when you consider the current HUD budget, what percentage of its funds go to help existing recipients of assistance? How does that percentage compare with funds available to help cost-burdened families receive vouchers or gain a slot in a subsidized home?

Mr. BRIGGS. Mr. Ellison, as the data show, we have this tremendous gap. The blue line is coming down over the last several years. That, by the way, is because of the economic recovery. The underlying data analysis show that is about improvement in tenant incomes, which is a terrific thing, and a sign of how we can create more success.

But only about one in four households who are eligible for housing assistance actually get it. And that is a huge problem.

And again, we are paying costs; we are just paying them in other systems.

Mr. ELLISON. That brings me to the next slide.

It is funny you should mention that. So here, this next slide, I think, is interesting because we spend more than $270 billion a year on housing. We spend a lot of money on housing, just not too much of it goes to poor folks.

This chart shows that the bulk of the investment benefits the most financially well-off because of all of the tax benefits for home ownership, the mortgage interest deduction, property tax deduction, capital gains exemption.

In general, upper-income homeowners receive the greater benefit than do the low-income renters. And why is all this focus on trying to shrink the small pie we already have for low-income people trying to find a leg up in this system? Can anybody talk to me about this?

Ma'am?

Ms. GLOVER. In one of my recommendations, I recommended that in the context of overall tax reform, some thought be given to rebalancing home ownership and rent, but also directing the assistance to those with the greatest need.

Mr. ELLISON. Thank you.

Ms. GLOVER. And we know we are in resource-constrained environments, but we need to direct it to where the greatest need is. And I think that is the rebalancing of the approach.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from California, Mr. Royce, chairman of the House Foreign Affairs Committee.

Mr. ROYCE. Thank you very much, Mr. Chairman.

And I thank the witnesses here for joining us today.

As Chairman Hensarling already mentioned, the Moving to Work program has largely been a success and also an initiative that the housing authority of the County of San Bernardino has pioneered to the benefit of many of my constituents.

And I think the extension of preexisting MTW contracts at public housing authorities, including San Bernardino which has a rental assistance utilization rate of higher than 90 percent, has been significantly delayed. It still remains undone.

Mr. Cabrera, let me ask you, what ramifications will the delay by HUD have on MTW housing authorities? And how is HUD gutting the original intent of the program, as you referenced in your testimony?

Mr. CABRERA. Thank you, Mr. Chairman. I think that the real concern I have about HUD delaying is that eventually those contracts expire and what you have is a housing authority going back to the usual rubric, the Housing Act of 1937, and all of the impacts.

San Bernardino County is currently developing in San Bernardino itself and they are redeveloping public housing, their own public housing. That is the kind of thing that will stall that effort. And that would be the case in San Bernardino County. That would be the case for the San Diego Housing Commission. That would be the case for Santa Clara.

It is important that the flexibility that has been inherent in the MTW agreements that were drafted frankly from 1999, because it came into being in 1998, through roughly 2008, that it stay that way.

If you take away that flexibility, you will take away the capacity of these housing authorities to do as much as they can do with respect to their properties and their tenants.

Mr. ROYCE. I appreciate that.

Changing gears, Mr. Husock, when you think about Fannie Mae and Freddie Mac and the central role they played in the financial crisis, do you ever ask yourself, if only they had listened? And I say that because, as you wrote in the pages of The Wall Street Journal in 2004, "Federally chartered but privately owned, Fannie Mae, with a trillion dollars in assets, is not the riskless public service entity it represents itself to be."

And while you and I and then-Federal Reserve Chairman Greenspan and others cried loudly at that time of systemic risk regulation, I had a bill to regulate systemic risk there, and it called for higher capital and less leveraging, it was 100 to one leveraging, and scaled back GSEs. Sadly, those warnings fell on deaf ears here on Capitol Hill.

And I don't say this to rehash history, although I think amnesia, as my colleague from New York mentioned earlier, is suffered on a bipartisan basis, but rather I hope that we might learn from the past.

And specifically, I was hoping that you could comment briefly on the role the affordable housing goals had in the collapse of the GSEs and the potential impact of reopening the credit spigot with FHFA this year, calling for the Housing Trust Fund to be capitalized by Fannie and Freddie.

Is there not a better way to accomplish the goals of home ownership within a market-based system than replaying this particular angle?

Mr. HUSOCK. Thank you, Congressman Royce. I am pleased that somebody dug out that 2004 article, and I am flattered that you mentioned it for the record.

Mr. ROYCE. Oh, I have quoted you over the years. So, thank you.

Mr. HUSOCK. I appreciate that. I worry about the affordable housing goals, and I worried about them at the time, not because I did not think home ownership is a valuable asset for communities. I worry that if lenders are encouraged to make loans to non-credit-worthy individuals that their neighbors, their struggling neighbors who are making the payments on their own houses are going to see their values collapse when foreclosure strikes in their neighborhood.

And we have seen in the wake of the financial crisis that is exactly what happened, and that poor and working-class neighborhoods were the most adversely affected by the affordable housing goals that have always been advanced in their name. That is my concern.

And so, I think we would be remiss in continuing those affordable housing goals and in directing more funds to similar purposes.

Mr. ROYCE. Thank you.

Again, I thank these witnesses.

And Mr. Chairman, thank you for this hearing.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentlelady from Utah, Mrs. Love.

Mrs. LOVE. Thank you, Mr. Chairman.

And thank you all for being here today.

I am actually encouraged by what I have been hearing from the panel. And I hope that we wouldn't take these hearings for granted, that we can come out of this hearing with some good ideas on how we are going to help our fellow Americans.

First of all, what I would like to focus on today is the bigger picture, and how HUD can play a part in ending inter-generational poverty.

I have heard a lot today about how certain well-intentioned policies and programs to combat poverty, to the defense of HUD, there are some places where it has helped. But I also believe that it has resulted in the creation of a bureaucratic and complex web of HUD programs that eventually, I think, entrench poverty and act as a barrier to upward mobility.

So just very quickly, have any of you ever been to the State of Utah? Yes? Okay, it is a great State, right? Okay. My home State of Utah is actually unique in having adopted and focused specifically on inter-generational poverty. In fact, in 2012 the Utah State legislature adopted the Inter-Generational Poverty Mitigations Act. And it is to help identify the barriers that trap families in inter-generational poverty and really find solutions to help families break out of those barriers and achieve a life of dignity and self-reliance.

But it is also very important to note that before that Act—the Act is actually dealing with a broader perspective, and housing is a portion of that, and before that we realized that when we were

working on housing stability and having people get into homes that it was necessary and important, but it was far from enough to actually end the cycle of inter-generational poverty.

Which one of the concerns that we have are people coming in, again, going into the same programs, instead of getting people completely out of these programs.

So with that being said, one of the questions I have for you, Ms. Glover, is you actually mentioned that local governments have to have the flexibility to do what they need to in terms of helping out with housing. What are your thoughts about giving local government or what do you think we can do to give them more flexibility to deal with these problems on a local level?

Ms. GLOVER. Thank you very much for the question. I think that is why there has been so much discussion about Moving to Work. It is an unfortunate name for a program that really is about eliminating the overregulation, if you will, of providing housing in a locality.

Mrs. LOVE. Yes.

Ms. GLOVER. And what it seeks to do is that it allows the local authority working with local players, local service providers, local foundations to solve the problem in that jurisdiction. Utah is very different than Georgia, California, and so on and so forth.

Mrs. LOVE. That is right.

Ms. GLOVER. And so I think in a responsible way, and if there are articulated and agreed outcomes and performance metrics, you can take the same dollars that are being allocated and put it into a pool, come up with a strategic plan, and then implement the things that are solving problems in that locality, be it homelessness, be it supportive housing needs, be it elderly housing. It also incents other players to come and participate because it also creates certainty.

And I think one of the things that Mr. Cabrera talked about is investors want to know, well, what is the playing field going to be so that they aren't constantly reacting to changing—

Mrs. LOVE. Thank you. I have two more questions I have to get to, in seconds.

The other thing I wanted to say is, do you believe that HUD needs to interface with some other interventions to help break the cycle? I feel as if we are being a little too micro instead of macro, instead of looking at all the other pictures to try and see what we can do to make sure that poverty is something that we actually break, inter-generational poverty. I think it can be done.

Mr. CABRERA. Like many Federal agencies, HUD handles data very haphazardly. And it is not because of HUD; it is because of their tools. I think given where we are, some serious thought has to be given to how you track certain outcomes that you want using data. And I think that goes toward, for example, the Inter-Generational Poverty Act.

Mrs. LOVE. Yes. I would just like to mention that all of those programs are outcome-based also. And that is why Utah has done so well.

Thank you.

Chairman HENSARLING. The time of the gentlelady has expired.

The Chair now recognizes the gentleman from Arkansas, Mr. Hill.

Mr. HILL. Thank you, Mr. Chairman.

I thank you and the ranking member for convening this hearing.

And I thank the panel for their patience, and for staying for such a long period of time.

I want to thank Chairman Luetkemeyer for joining me in Little Rock and visiting our public housing authority and taking a tour of both elderly facilities as well as both old and new as well as hearing plans for some new RAD projects in Little Rock that I think will be quite, quite interesting and quite beneficial to the community.

Also, in listening to the conversation this morning, I really do think we need to defend helping people and not defend the agency, not confuse the defense of 50 years of HUD versus the programs and ideas and concepts of helping people better their lives and getting out of poverty. So I want to associate myself with the gentleman from Arizona's comments in that regard.

And also, just speaking to the ranking member's opening statement, I think about 16 percent of HUD residents are over 62, was one of the things that she raised. And about 46 percent are actually working age.

So I really do think this idea of getting our communities to work well to get people in public housing off with solutions for child care, transportation, getting to work is so very, very important, since 46 percent of people in public housing are of working age, not retired. I want to leave that concept here, floating around the room.

Mr. Cabrera, my first question for you is, since 80 percent of HUD's budget is really distributed either through the formulas that go out to the public housing agencies or into the Section 8 program, if we got the technology investment you wanted, could we have fewer than 7,800 people working at HUD, do you think?

Mr. CABRERA. I think you are going to have fewer than 7,800 people working at HUD no matter what, over time.

Mr. HILL. How would you see technology? At the public housing authority in Little Rock, one of their biggest complaints, and Ms. Glover may have a view on this as well, was just terrible back-office IT support for their mission.

Mr. CABRERA. I think that is right. I think one of the problems is, look, whatever data HUD collects, it essentially is used to report to you and to the American people. That data is extremely uneven; sometimes, it is very, very good. So one that comes to mind, one data point that comes to mind that is very good is VMS data.

Mr. HILL. What does that mean?

Mr. CABRERA. VMS is voucher management system data. It gives you a very good picture month to month about utilization once the data is scrubbed. Why is that? Well, it is because over time we have put in tools in order to minimize the misuse, the fraudulent use of Section 8.

So we have become very, very good at looking at VMS data to report back to Congress how that is going, mostly because Section 8 is the biggest pot, if you think about $19.7 billion and add another $9 billion, that is a lot of money.

But at the end of the day, what it really means is that a lot of the other tools are left by the wayside. And one of the things, just as someone who developed and as someone who was in other parts of housing, that I think would be a worthwhile endeavor would be, what are the things that we want to know that housing is being used for positively across subsidy pools.

So if I am thinking about someone who is elderly, there are points of contact. How are kids being educated?

Mr. HILL. Those are very good examples.

Ms. Glover, I appreciated the comment, and Mr. Briggs, too, on rents. All of you have addressed rents. Mr. Husock, as well. I think you all had good points, good comments.

What about the individual savings accounts that are a part of HUD's program? Did you use those in Atlanta to help people have that fixed rent, qualify for the fixed rent, and then put money in savings so they are saving money for down payment assistance? That is part of the HUD program, I wondered if you took advantage of it?

Ms. GLOVER. We did. And we were able to do it more powerfully with the Moving to Work deregulation because we were then able to partner with foundations and other organizations. And so, we didn't have to use the program that was prescribed by HUD; we were able to design it so that it worked with the people who had deep experience in working with those types of accounts.

Mr. HILL. Thank you.

Mr. Chairman, my time has expired.

Chairman HENSARLING. The gentleman yields back.

The Chair now recognizes the gentleman from Pennsylvania, Mr. Rothfus.

Mr. ROTHFUS. Thank you, Mr. Chairman.

I thank the panel for joining us this afternoon, and for being here for a few hours to talk about the 50th anniversary of HUD.

It is good to see you again, Mr. Cabrera.

I would like to tell you a little bit about an organization in my district and get some feedback. This organization is called Hearth. It provides transitional housing services to victims of domestic violence, under the continuum of care program. It is a great organization that is truly saving lives in western Pennsylvania. In accordance with its mission, Hearth houses women seeking shelter from abusive relationships.

Earlier this year, they were told by Allegheny County that by serving only women, they were in violation of HUD guidelines and would lose funding. In a subsequent conference call, HUD indicated that Hearth could continue serving women if the county agreed. Unfortunately, Hearth has found itself at an impasse and its funding for the 2016 Fiscal Year lapsed without a resolution.

Based on your experience, is it that your sense that HUD rules allow agencies such as Hearth to serve sub-populations, including domestic violence victims?

Mr. CABRERA. I think I am speechless. HUD has adopted all the concepts in VAWA for now a decade-plus, right, with reauthorization. Women are a special classification constitutionally. I am struggling to understand how that would be the determination on the one hand.

On the other hand, as you well know, I am not terribly surprised. And I think that you are highlighting one of the problems, and that is there is a rigidity to policy decision-making that causes those kinds of results, that really has to be revisited.

Mr. ROTHFUS. Does it seem fair that Hearth would lose funding just for helping women?

Mr. CABRERA. Unequivocally, no. But not knowing the greater facts, not knowing if there is something else, some other dynamic that I am unaware of, just on the facts that you have portrayed to me, I am struggling with that one.

Mr. ROTHFUS. Thank you. In your testimony you argue that housing policy services and value to the taxpayer would improve if HUD encouraged more competition, not less.

Can you give some examples of ways that the Federal Government can increase competition in the affordable housing sector?

Mr. CABRERA. The best example I know is the one I just was involved with. So in the case, for example, of performance-based contract administration, that is a very large contract, it roughly can be as high, on occasion, as an $845 million contract. HUD went out and undertook a NOFA. And in that NOFA, HUD added rules that are not supported in law and that killed the competition from one of the competitors most naturally to be a competitor, public housing authorities.

And essentially, it culminated in a lawsuit. That lawsuit has been resolved. The plaintiffs, the public housing authorities and their instrumentalities, won that lawsuit. Thankfully, I was part of that team. And it is a great example of what HUD should not do.

I think what happens is that there is this press to make a lot of people happy and HUD, in so doing, makes no one happy. And I think that one of the things that HUD needs to do better, I think it is also in my testimony, is it needs to listen better in terms of what it is trying to accomplish and who can take them there within the context of the Acts that govern HUD, in this case the Housing Act of 1937, FDCAA, and CICA.

Mr. ROTHFUS. Mr. Husock, you have written extensively about the inherent flaws of HUD. In your testimony, you argue that at its core HUD was predicated on a deeply pessimistic view about American society that the new urban poor of the 1960s, the minority poor, would not be able to advance up the socioeconomic ladder as had their predecessors in poor city neighborhoods.

As we look towards reforming HUD and improving the prospects of Americans who receive housing assistance, what are some of the programs or practices that follow from HUD's flawed pessimistic foundation? How can we put HUD on a more optimistic footing?

Mr. HUSOCK. Yes, and that is why I have been trying to be constructive in my testimony, whatever doubts I may have had about the original wisdom.

I think that incentivizing work and self-improvement for those who are able-bodied and able to work or within HUD housing lies at the core. It would align our housing policy with our social policy as embodied by the Temporary Assistance to Needy Families program and the Welfare Reform Act of 1995.

I think incentivizing work and making sure that people have the support they need, as Xavier Briggs and everybody on this panel

have said, work incentives must be provided along with work supports. But incentivizing work and self-improvement, I think that would be the biggest change.

Mr. ROTHFUS. I yield back.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Maine, Mr. Poliquin.

Mr. POLIQUIN. Thank you very much, Mr. Chairman.

I appreciate you scheduling this terrific and very important hearing.

I thank all of the folks who are here to testify today.

It is my opinion as a Member of Congress that there are a handful of really important things that we do in the Federal Government, one of which is to protect our country and protect our citizens. National security is of paramount importance.

Then, we need to make sure we create the building blocks, the cornerstones for a stronger economy, one that grows, let the private sector grow, create jobs as you go along that path such that folks have more opportunities to life with paychecks and more freedom.

I also think our Federal Government is in the business of compassion. We need to make sure that those who are unable to help themselves or those who need a hand up, that we help them.

Now, I needn't remind everybody in this room, because we talk about this on a regular basis, that we have already paid our bills and we are $18 trillion in debt as a nation: $18 trillion. And the annual debt service payments, the interest payments today on that debt is about $230 billion a year, about twice what we spend in veterans' benefits. So we are in one heck of a hole.

Now, what that means to me as a Member of Congress, and I am sure to all of us public officials, is that we need to stretch every dollar as thin as we can because it is a limited resource and we are fiduciaries of taxpayer money.

When I was State treasurer up in Maine, I sat on our public housing authority board. They have been doing stuff the same way forever. And I asked them a couple of questions at a board meeting that seemed to stump them, very simple questions. Number one, do we have a waiting list for families trying to come out of the cold? Now, Maine has long winters, and we have the oldest housing infrastructure in the country. Do we have a waiting list? And there was no good answer, but we pieced it together the best we could. There are about 6,000 families in the State of Maine looking to get out of the cold.

And I asked them another question, what does it cost? What does it cost to build these affordable apartments, the subsidized apartments? And you would have thought that I mentioned that the world was flat; they just didn't have an answer. The board didn't know. The folks in the front office sort of knew, but never told the board.

The bottom line is, we are spending about $300,000 for one-bedroom apartments in Maine when the average price of a single-family home on a quarter acre with three bedrooms, two baths, and a garage was half that price.

Now, where is the compassion? We are in the business of helping people? How in the dickens can you help people come out of the

cold, put a warm roof above their heads so they can raise their families, or elderly folks coming out of the cold? We are spending twice what we should be, I would argue 2 or 3 times what you should do on public housing. Let us make that dollar stretch.

Now, we changed the rules up in Maine. We gave developers incentives to drive down the costs of those units instead of just artificially and continuously approving cost overruns. We said, you don't need solar panels on the roof that never have a payback. And we drove down the cost of these units by about 35 percent. By the time I left, it was still going down, and we helped hundreds more people. That is the compassion that we need to do with limited resources in this country.

So my question to you, Mr. Cabrera is, as you have been in the development space, HUD is a big organization with a lot of moving parts. Do we have room at HUD within this bureaucracy to drive down the cost of public housing so we can help more people?

Mr. CABRERA. HUD doesn't build public housing.

Mr. POLIQUIN. But do we have incentives for those that do, that we can use to help stretch that dollar?

Mr. CABRERA. You would be stunned at what has been done thus far. That is what asset management was for; it was to basically drive down the cost centers at public housing authorities.

If I had to guess, the housing authority that you were on the board of was probably using the low-income housing tax credit.

Mr. POLIQUIN. Somewhat, yes, but still a Section 8.

Mr. CABRERA. So if that is the case, that is less a public housing issue and it is more a development issue.

Mr. POLIQUIN. Do we have the data, Mr. Cabrera, to know what these units are costing us? Do we even have that data?

Mr. CABRERA. Yes, there is data, it is just not from the Federal Government. It depends upon where you are. You can wind up in places where the per-unit cost is considerably less than $300,000. You can wind up in places where the per-unit cost is more. But keep in mind that those units generally serve people for 50 to 55 years.

Mr. POLIQUIN. Let us all be mindful that we have to stretch these dollars and to help as many people as we can.

Thank you all very much.

Chairman HENSARLING. The time of the gentleman has expired.

There being no other Members in the queue, I would like to thank our witnesses for their testimony today. Thank you for your patience as well.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

This hearing stands adjourned.

[Whereupon, at 12:57 p.m., the hearing was adjourned.]

A P P E N D I X

October 22, 2015

Statement for the Record
Congresswoman Nydia Velazquez
"The Future of Housing in America: 50 Years of HUD and its impact on Federal Housing Policy"
Financial Services Committee
October 22, 2015

This year, NYCHA called for expanded use of HUD's Rental Assistance Demonstration (RAD) program to attract private investment for improvements to NYCHA's housing stock. While RAD may ultimately become a useful tool to address some of NYCHA's outstanding capital needs, it is premature to drastically expand the program.

RAD includes much more stringent tenant protections and evaluation requirements than the controversial Moving to Work program, but there is still some concern about how these protections will be adhered to in practice. HUD has released one RAD evaluation to date and a second evaluation is scheduled to be released next month. I look forward to reviewing the findings of that report.

More importantly, HUD has the option to collect additional information and analysis during 2016-2018. This report would not only provide updates to the current data set, but include a first-ever tenant survey to hear first-hand accounts about the impact of RAD on public housing residents. If HUD does not pursue this third evaluation before drastically expanding the program, I am concerned we will not know the impact of RAD on residents before it is too late.

Currently, NYCHA has approval to move forward on a single RAD project at the Ocean Bay Apartments in Far Rockaway. Members of Congress, advocates, and residents will be watching how NYCHA proceeds with this first effort closely, particularly as related to how NYCHA adheres to RAD's tenant protections, transparency, and affordability requirements. Not only will NYCHA's performance in these areas, and their willingness to implement changes based on lessons learned, help inform the debate about expanding RAD, it can provide valuable feedback to HUD should they decide to conduct the optional third evaluation.

The RAD program is a new and innovative way to address the capital needs of public housing, which may prove to be in the best the path forward for all stakeholders involved. But without a thorough study of how it impacts the tenants, the Rental Assistance Demonstration raises more questions than it answers. I strongly urge HUD to undertake the optional third evaluation to fully understand RAD's impact before expanding the program.

Written Testimony of Xavier Briggs, Ph.D., M.P.A.
Presented to the Committee on Financial Services
Hearing: "The Future of Housing in America:
Fifty Years of HUD and its Impact on Federal Housing Policy"
U.S. House of Representatives
October 22, 2015

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.

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October 21, 2015

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

RE: The Future of Housing in America: 50 Years and its Impact on Federal Housing Policy

Dear Mr. Chairman:

Thank you for inviting me to address the Committee on Financial Services with respect to the Future of Housing in America.

Assessing 50 years of policy at the United States Department of Housing and Urban Development ("HUD") on several pages certainly is a challenge. The overarching theme of this testimony is not so much focused upon the past or previous impact: HUD and its many arms have undoubtedly impacted housing policy over the decades in both positive and negative ways.

Better serving all Americans, but particularly the elderly, the disabled, very low income, and low income Americans, should always remain at the core of our Nation's policy. Over its existence, HUD has succeeded in carrying out Congress's intent in some ways and failed in others, but regardless, HUD and its various components have remained indispensably relevant to the Nation's housing policy equation. For purposes of this testimony, the normative value of that impact – good, bad, positive, negative or neutral - is less emphasized in favor of asking this Committee to consider the possibility of rebuilding the future foundation of housing policy by moving towards a legislative policy that is relevant to our century, not the twentieth century.

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This testimony suggests that the issue to be focused upon be more about change and less about HUD's past impact. Over the years, HUD, to a greater or lesser degree, has been and remains a relevant governmental and market influence in the segment of housing with which it is charged by Congress. HUD administers a significant budget and, through the FHA, insures single family, multifamily, and other assets valued in the trillions of dollars. Focusing on future policy is critical given our vast investment in housing.

This testimony suggests that the focus should be placed upon HUD's capacity to determine when it should become more active in the part of the marketplace in which it is a participant and when it should not. That matter is more about nimbleness, not relevance, and HUD is certainly many things but rarely nimble.

HUD's future business model will be determined in this body. This testimony proposes that the issue should be where to begin, not whether to begin. As a starting point, a critical area in which Congress should first invest really should relate to our century's model: give HUD the tools to obtain usable, scalable, shareable, and relevant information acquisition and dissemination capacity that all of HUD's stakeholders can use. HUD's biggest challenge is dealing with an institutional paradigm that is far more invested in our Nation's past, not our future. Moreover, Congress should first invest in parts of HUD that will enable more adept policymaking that better reacts to the market place simply because HUD is very slow about reacting to the market place at all, which itself has been harmful.

Spending a bit of time with our past might be helpful for the purpose of giving the suggestions set forth herein some context.

HUD is indeed 50 years old this year but the federal involvement in housing policy precedes HUD. The Federal Housing Administration was founded in 1934 and Congress passed the Housing Act of 1937 ("1937 Act"), which created the United States Housing Authority, soon thereafter. The 1937 Act included, of course, the enabling legislation that permitted the creation of state chartered, non-federal public housing authorities and other state-chartered agencies that would undertake the duties of public housing agencies under the 1937 Act. Over time, both of those legislative policy efforts became important arms for the implementation of federal housing policy.

Thereafter, Congress created the Federal National Mortgage Association in 1938 and the Housing and Home Finance Agency, which helped finance much of what became post-war home finance, was created in 1947. United States housing policy expanded to include community development and redevelopment and emergency assistance. In each case, those laws were focused on solving the critical problems at the time of their enactment but the cornerstone of U.S. housing policy was addressing the crisis brought on by the Great Depression and need for job creation.

Reflecting the federal impact on housing policy over the decades, HUD's organizational foundation is based on the past as well. HUD is essentially organized in silos. In the absence of our current ability to more fully and deftly capture and manage information, those silos made sense although they always carried the risk that one part of HUD would imperfectly communicate with another and cause unnecessary policy stress and inefficiencies somewhere. However, those silos now are an anachronistic device that serves as an impediment to more effectively serving the American public and is inhibiting fuller and more seamless communication that can help all stakeholders.

How has HUD done? At the risk of sounding unintentionally equivocal, it depends upon who is asked. HUD became very important to urban centers large and small, but also became a target for justifiable and sometimes misplaced criticism. What is clear is that HUD has impacted housing policy in large and small communities throughout the United States directly and indirectly. Essentially, HUD allocates resources, insures financial products, and regulates certain stakeholders. Additionally, HUD is charged with policing and prosecuting Fair Housing violations.

From a rental housing perspective, over the decades Congress had the federal government and HUD shift from being a landlord to devolving landlord duties to state entities that are known as public housing authorities. More recently (about 40 years ago), Congress changed policy direction again to provide very low and low income Americans with housing choice through the Section 8 voucher program, now known as the Housing Choice Voucher program. The Section 8 program was also, at one point, a construction program but became an excess supply program. In its own way, Section 8 is sort of a low income housing precursor to Uber. Section 8 allowed excess and available affordable housing stock to be absorbed by very low and low income Americans in lieu of building constructing more public housing.

Section 8 tenant based Housing Choice Vouchers serve approximately 2.6 million American households and 6 million Americans. Section 8 project based assistance serves approximately 1,000,000 more residents. A significant number of Section 8 recipients are elderly or disabled.

Although public housing was the policy anchor of affordable housing for decades, public housing has struggled mightily because of the enormous expense of building and maintaining public housing assets. Currently, in real estate market terms, public housing is an obsolete and aging asset that needs to be repositioned in a way that serves very low and low income people more effectively. In operational terms, most public housing authorities view public housing as an indispensable, expensive, and difficult to sustain community asset.

As an asset class in the rental market place, public housing is underperforming. Currently, of the nation's 1.1 million public housing units, roughly 11% of the units are off line because they are uninhabitable due to age and unmet capital needs. The official capital needs backlog for public housing is $17 billion, which was last ascertained in 1996. The current estimate is that the capital needs are more than twice that amount with some estimates being as high as $50 billion. No accurate estimate is known at this time.

Recently, Congress has permitted the conversion of 185,000 units of public housing to other forms of ownership – low income tax credit housing units and other non-federal sources through the Rental Assistance Demonstration ("RAD"). While it has been helpful, RAD is not a solution for meeting the capital needs dilemma faced by all housing authorities simply because the economics of a public housing development that utilize RAD may not make sense for some communities.

Congress has acted in the past to redirect policy focus, especially with respect to public housing. Congress authorized the HOPE VI program, the Choice Neighborhoods Initiative ("CNI") and most recently RAD. Funding HOPE VI, CNI, or RAD will further move public housing from the realm of pure federal funding of public housing operational and capital finance toward project-supported operational finance and private investment.

Having summarily dealt with HUD's history, why would one start dealing with HUD's future by investing in data acquisition?

There are three essential steps to improving outcomes: define your desired result, know more about how to measure the result, and do what needs to be done faster and better than was previously done. In HUD's case, the first step would be to break away from the silo mold such that HUD becomes a more fluid and flexible organization. Secondly, the American taxpayer would benefit if HUD developed more relevant metrics than those currently being used. More specifically, Congress should begin by first providing HUD with the tools to capture not just better data and more relevant data, but complex data that can lead to defining better outcomes for very low and low income Americans.

In order to improve Congress's and HUD's impact on housing policy and better serve residents and the U.S. taxpayer, HUD needs to improve upon its current antiquated data tools. Today we all have the capacity to use data in order to build a foundation upon which we achieve better outcomes, but HUD does not (nor do most other agencies). If there were a launching platform for change at HUD, this testimony urges that it be an affirmative commitment to use metrics in order to build better housing outcomes that effectively measures other important outcomes, for example, how peoples' health and education are being impacted over time.

HUD-financed housing is just one component of a larger set of desirable policy outcomes that better data can inform. Better and integrated data could help us understand where to better assist the elderly, the disabled, children, very low income, and low income Americans and – importantly – when to leave them alone and who to leave alone. Data moves HUD away from a one-size-fits-all model to a model that better serves the people Congress intends to serve.

Much of our current policy was undertaken and based upon the best data available at the time that HUD's programs were created and did not focus upon outcome as much as it focused upon addressing the discrete issues of the day in the most general way possible. Nearly 80 years later, much of the policy articulated in the various acts remains as it was when those acts were adopted. Better data will improve HUD's capacity to meet legislative intent.

Our current world is data driven within a complex and potent set of algorithms that can be used to push toward and measure progress toward specific results, yet HUD's policy world is still pretty much a limited dimensional world because HUD does not have the infrastructure to capture either 'big' or granular and moving data. We have the capacity to know more about the needs of the various stakeholders in the housing policy context than we ever have in the past, but HUD lacks the most critical tool needed to better manage policy that would help them and the Nation.

HUD's dated information technology platform is not simply an issue of better data: investing in HUD's technology will help address HUD's coming personnel crisis. HUD personnel, as is the case in every federal agency, is rapidly aging and retiring but the programs HUD runs still touch millions of Americans and countless homeowners and others. Restructuring the silos using information technology would assure a smoother transition for HUD and Congress.

This testimony would be less useful, if it is useful at all, if one did not propose some thoughts about what Congress and HUD could do right now without substantial or even any legislative changes.

HUD overreaches on occasion and should resist doing so. There are three examples I know best.

HUD should encourage competition wherever possible, especially in the case of allocating of its appropriated resources. Most of HUD's appropriation funds tenant based and project based rental assistance and, pursuant to the 1937 Act, those funds are allocated only by public housing agencies. Public housing agencies include organizations in addition to public housing authorities yet HUD used regulation, not statutes, to restrict the competitive field of possible service providing public housing agencies through a

legally unsupportable regulatory artifice. Housing policy, services, and value to the taxpayer would improve if HUD encouraged more competition, not less.

The second example deals with the Federal Housing Administration ("FHA"). Two years ago the FHA issued underwriting guidelines that increased reserves to a multiple of what any development's actual needs. The result is that in just one program that helps affordable housing development by creating more stable financing structures, FHA's 223(f) program, the number of units financed has decreased by over 50% largely because the FHA-required reserves exceed anything that the market would require. If the concern is helping affordable housing developments, many of which are already in FHA's risk pool, become more financially viable and therefore avoid future claims on FHA insurance, it is a challenge for me to understand how such excessive reserves help the market, FHA, affordable housing or the taxpayer.

The third example deals with the Moving To Work program ("MTW"). A policy contest over MTW is being waged between those who run public housing and Section 8 programs and clearly see the benefit of MTW for their community and others who, for well-intentioned reasons, want to hold on to a past paradigm that is failing those agencies, local communities, and their residents. MTW was created in 1998 as part of an amendment to the 1937 Act and enacted as a demonstration program that encouraged public housing authorities to become almost entirely entrepreneurial with minimal HUD oversight (within legislative constraints) as long as they complied with the intent of the 1937 Act and their MTW contract. While hiccups have occurred as they always will, the vast majority of MTW agencies have transformed themselves positively. Yet HUD is now requiring more 1937 Act reporting and that requirement essentially guts the intent of MTW in many ways. I would urge Congress and HUD to let MTW continue as it was originally envisioned – as a device to let housing authorities create their own community priorities, not HUD's. The reward offered by MTW to all stakeholders far exceeds the risk.

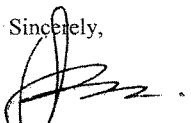
Finally, beyond law and regulation, HUD can be a better listener. HUD has a really difficult time when it perceives a somewhat unsupportable, misplaced federal prerogative that competes with a legitimate state or local prerogative. For example, a HUD-articulated federal policy might condition the use of federal resources upon the state or local recipient undertaking certain acts important to HUD that will clearly undermine both the federal and local mission and are not legally required. The state or local government might offer a workable solution, but HUD decides that those solutions might conflict with their desired federal outcome even though the local idea is more viable and might also be indispensable to the local undertaking. So the unfortunate result is that HUD prevails because the local entity concedes, and when the local entity concedes, it all too often causes a bad outcome for HUD, the local entity, and the community the local entity serves.

In closing, the world that our Nation's housing policy has been designed to serve has become more complex. Our current world is data driven within a complicated, multidimensional, and potent set of algorithms that could help better serve us all better. Yet HUD's policy world is still pretty much two dimensional and static because it reflects its available technology. We could know more about the various stakeholders in the housing policy context than we ever have in the past in order to better serve communities and the taxpayer, but because of a lack of support and current statutory impediments, HUD only perceives and captures a sliver of that data.

I would ask that we invest time in good ideas above all from wherever they may come. Good ideas have no politics. The business world, and therefore the housing world, has come to be defined by those who embrace change and those who do not. Those who do not embrace change do not fare well. HUD needs help, but HUD can also help right now by simply allowing markets to work to their fullest extent and, more critically, by avoiding intervention with markets wherever it is clear that no intervention is lawfully allowed or warranted.

Thank you for the opportunity to testify before the Committee on Financial Services. As always, I am happy to answer any questions that you or any committee members may have.

Sincerely,



Orlando J. Cabrera
Of Counsel
Assistant Secretary for Public and Indian Housing (Fmr.)
United States Department of Housing and Urban Development

cc: The Honorable Maxine Waters, Ranking Member, Financial Services Committee

OJC/pmn

TESTIMONY
OF RENEE LEWIS GLOVER,
FOUNDER AND MANAGING MEMBER OF THE CATALYST GROUP, LLC
BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
OCTOBER 22, 2015

Chairman Hensarling and Ranking Member Waters,

Thank you for the opportunity to share my observations and recommendations with the Committee on Financial Services as you celebrate 50 years of the U. S. Department of Housing and Urban Development ("HUD") and reflect on the future of Federal Housing Policy.

I have been honored and privileged to be actively involved in the affordable housing sector for more than 30 years from several different vantage points: (a) the private sector, as a corporate finance attorney in major law firms; (b) the public sector, as the President and Chief Executive Officer of the Atlanta Housing Authority for 19 years, during which we moved the agency from a dysfunctional and troubled agency on the verge of receivership and HUD takeover to become a high-performing, financially sound agency that is recognized as the national model for ending concentrated poverty and creating sustainable mixed-use, mixed-income communities of opportunities, and uplifting families from poverty; and (c) the international non-governmental sector as a member of the Board of Directors of Habitat for Humanity International for seven years and as the Chair of that Board for the last two years. Habitat's goal is ending poverty housing throughout the world.

I have also had the privilege of serving as a Commissioner on two bipartisan commissions focused on Federal Housing Policy—the Millennial Housing Commission and the Bipartisan Policy Center Housing Commission. I am currently serving on the Advisory Board for the J. Ronald Terwilliger Foundation for Housing America's Families.

Based on these experiences, I have observed there is no disagreement about the essential nature of housing. It is understood globally that housing is at the center of everything that a vibrant and globally competitive nation must achieve. Practitioners, policymakers, economists and academics understand that to achieve optimal outcomes at scale, housing must be a component of economically, racially and ethnically integrated and sustainable communities of opportunity.

Because of the importance of housing to building a strong and competitive nation and a resilient economy, U.S. Presidents and members of Congress (within the constraints of social, political and economic reality, while constantly pushing for progress) have taken steps to advance the housing sector for almost 80 years, through visionary leadership, priority setting and innovative problem solving.

Coming out of the great depression of the 1930's and in response to the dire housing conditions in America, public housing was embraced and the U.S. Housing Act of 1937 (1937 Act) was passed. The 1937 Act was the first recognition that the Federal government had to regulate and invest in the housing needs of its citizens, especially citizens at the lower end of the economic spectrum. The United States

has grown and changed dramatically since 1937 and although the nation is not perfect, it is, without question, the strongest and most productive nation in the world. American citizens have united around a shared vision of freedom and opportunity and a common set of principles and beliefs articulated in the United States Constitution. The United States is a nation of immigrants and to build our nation, Americans from very different backgrounds have had to overcome differences in race, ethnicity, religion and culture through nation building strategies, enlightened self-interest and struggle (sometimes peaceful, sometimes not). These challenges will continue because more immigrants are coming.

The evolution of our housing policy occurs in this broader social, political and economic context. The challenge of crafting housing policies for persons who need financial and other support from the Federal government also occurs in this broader context. This challenge is especially difficult because the citizens come from a wide diversity of race, ethnicity, culture and socio-economic status.

Unfortunately the need for affordable housing has grown because of the profound effects of the great recession. The U.S. economy has recovered but the growth, if any, of family incomes has not kept pace with the rising cost of housing. Across the country, a growing number of low-income renters are competing for an increasingly scarce supply of affordable rental homes. According to the Joint Center for Housing Studies, there are currently 18.5 million very low-income renter households in the United States—meaning they earn less than 50% of the area median income (AMI)—but only 18 million rental units that are affordable at that income level. To make matters worse, about one-third of those affordable units are unavailable because they are occupied by higher-income residents, while another seven percent are considered inadequate.

The shortage in supply is even more severe for America's most vulnerable households. According to the Urban Institute, for every 1000 renter households with extremely low-income—meaning they earn less than 30 percent of AMI—there are only 29 units that are both adequate and affordable to them. That supply gap has grown substantially in recent years: as recently as 2000, there were 37 affordable and available rental units for every 100 extremely low-income renter households.

This trend is not likely to reverse anytime soon. In the wake of the recent foreclosure crisis, a growing number of Americans are in the rental market—some by choice, some because they have no other option, due to excessively tight credit standards for mortgages. The U. S. homeownership rate currently stands at 63.4 percent--the lowest rate since 1967—and researchers at the Urban Institute expect the rate to keep falling as the number of new renters outpaces the number of new homeowners. According to the Joint Center for Housing Studies, an average of 770,000 new renter households were created each year since 2004, making it the strongest 10-year period for renter growth since the late 1980s.

While need has skyrocketed, public resources for affordable housing have remained flat or even decreased. According to the Center on Budget and Policy Priorities, recent federal budget cuts due to sequestration resulted in 100,000 fewer low-income families with rental assistance vouchers, even as the number of families eligible for vouchers has increased significantly. In addition, the HOME Investment Partnership program, a critical source of gap financing for affordable housing developments has been cut by more than 50% since 2010, while the Community Development Block Grant (CDBG)

program has been cut by 25% over the same period. Most recently, the Senate's 2016 budget bill proposes to virtually eliminate HOME, cutting funding to three percent of its inflation-adjusted 2001 funding level.

Today, more than one in four households who rent their homes spends at least half of their monthly income on rent, compared to just 20 percent in 2000 and 12 percent in 1960. According to recent projections from Enterprise Community Partners and the Joint Center for Housing Studies, even if rent growth matches income growth in the coming years, the number of severely cost-burdened renters is expected to increase by about 1.3 million households over the next decade.

The availability of decent affordable housing has become America's silent crisis. Meeting the need for housing in communities of opportunity that is affordable to all of its citizens must become a national priority if America is to sustain its competitive position in the world.

HISTORY

Public Housing and the 1937 Act, Establishment of the Federal Housing Administration

In the 1930s, as the nation was coming out of the great depression, poverty was pervasive and housing conditions in many places throughout the nation were very dire. Much of the housing had no indoor plumbing or electricity. It was generally densely populated and poorly constructed, using wood and other highly flammable building materials. The rate of unemployment was staggering and the sense of hopelessness was very high. In response to these conditions, President Franklin Roosevelt, as part of the New Deal, embraced the concept of public housing to solve that era's problem of rampant and widespread disease, crime and health and safety issues. President Roosevelt needed to construct housing at scale that was affordable, safe, clean and secure. The program, which started out as a major Public Works Program, was focused on cleaning up the slums, building safe, sanitary and decent housing for families and returning veterans, creating jobs and building the U.S. economy.

The Federal Housing Administration (FHA) was also created to provide affordable mortgages for first time home buyers, especially returning veterans. Unfortunately, because segregation laws were still in effect, home ownership (facilitated by FHA mortgage programs) excluded African-Americans and other peoples of color for several decades. By default, public housing became the primary source of housing for low income African-American citizens and over time lost its political support. As a consequence, public housing became "housing of last resort" and unintended places of racial and income segregation.

Not long after the Civil Rights Laws were passed in July 1964, HUD was created in 1965 as an important tool for ending numerous Civil Rights injustices in housing, neighborhood segregation, access to housing finance and redlining. The Civil Rights Laws ended segregation in public places and banned employment discrimination on the basis of race, color, religion, sex or national origin, but did not address neighborhood segregation, access to housing or housing finance. The Civil Rights Act was later expanded to bring disabled Americans, the elderly and women in collegiate athletics under its umbrella. The Civil Rights Act also paved the way for two major follow-up laws: the Voting Rights Act of 1965,

which prohibited literacy tests and other discriminatory voting practices, and the Fair Housing Act of 1968, which banned discrimination in the sale, rental and financing of property.

Ending racial segregation was a long, bitter and hard fought battle. Thousands of citizens lost their lives, but segregation is no longer the law of the land. The United States is a better and stronger nation for it, and as a country we have made significant strides toward creating more integrated communities of opportunity. We have made great progress, but vestiges of institutional discrimination remain and, as a nation, we must be vigilant in our collective efforts to close the opportunity gaps. Many of America's communities and neighborhoods were created when the nation was segregated and too many zip codes continue to have the vestiges of racial, ethnic, income and social isolation. Nearly half a century after the Fair Housing Act was signed into law, it is clear that residential segregation is still a major and growing problem in our country. According to the analysis from the Century Foundation, 13.8 million Americans live in high-poverty neighborhoods—meaning more that 40 percent of the residents are poor—which nearly double the population that lived in concentrated poverty in 2000. This change has hit communities of color particularly hard. The analysis found that more than one-in-four low-income African-Americans and nearly one-in-six low-income Hispanic-Americans live in a high-poverty neighborhood, compared to just one-in-thirteen low-income Caucasian-Americans.

Thanks to recent groundbreaking research from Harvard University's Raj Chetty and others, we now have a deeper understanding of income and racial segregation's long-term negative consequences for families and communities. **Professor Chetty's latest study (published in May) found that moving younger children from a high-poverty neighborhood to a more integrated, lower-poverty neighborhood improves their chances of going to college, lowers their chances of becoming a single parent and increases their expected income as an adult by as much as 30 percent.**

Our laws, at the Federal, state and local levels must continue to evolve and Federal investments in successful programs must continue to be made as a strategic priority so that each American citizen can realize her God-given human potential, regardless of her zip code.

THE BIG IDEAS

Fortunately, as a nation, we have been blessed with strong, visionary and progressive leadership, in particular from our United States Presidents and Congress. There have been several "big Ideas" that have created paths forward to end the isolation and marginalization of people because of their race, color, ethnicity and/or socio-economic status. These "big ideas" have yielded great results for the nation.

- **The 1937 Act—Creation of Public Housing—Slum clearance; building affordable homes at scale; creating jobs and strengthening the economy.** Times and conditions have changed and new and improved approaches have replaced the idea that the government must finance, build and operate the housing, especially in big cities. That said, in smaller cities and rural areas, well-run, smaller-scaled public housing is often the best source of affordable housing in the area and should be preserved.

- **Creation of FHA— Affordable mortgages for first time home buyers and veterans, resulting in wealth creation and stable neighborhoods.** These programs have evolved and now serve as the primary source of affordable financing for first time homebuyers, especially for African-Americans and other peoples of color.
- **1974—Creation of the Section 8 Program—Choice and Mobility for low-income families**

Since the enactment of the Housing and Community Development Act in 1974, the Section 8 tenant-based program was created and dramatically increased choice of housing for low-income tenants by focusing on rental subsidies to or on behalf of tenants rather than to subsidies paid directly to developers. Although the 1974 Act helped to retain existing public housing units, approval for newer developments were scaled back because of scandal, corruption and poor execution.

The Section 8 Program has struggled to meet its original mission because (in addition to the challenges resulting from a top-down, centralized regulatory approach), low-income families using vouchers often confront the intersection of race and class. Notwithstanding these challenges, the Section 8 Program has been very popular with policymakers and low-income families, because it has facilitated the de-concentration of poverty and greater choice and mobility. The Section 8 Program has been criticized because families have not always made the choices that the policymakers believed were best. The choices, however, were made by the families consistent with their then-current financial and social capacity and world view. Families, in most cases, have chosen housing based on safety and security, access to jobs and/or family, and a better school opportunity for their children.

Moreover, because of the centralized administration of the Section 8 Program through Federal regulations, the financial realities of what the Program provides to the families often do not align with the aspirations. Better neighborhoods often cost more than the family (including the subsidy) can afford. The most effective administration of the Section 8 Program has occurred under the auspices of various mobility programs (e.g., the Moving to Opportunity Program, Baltimore Housing Mobility Program, and Inclusive Communities' Project's Mobility Assistance Program) and the Moving to Work program. **What these programs have proven is that Section 8 vouchers can achieve desired outcomes under circumstances where local real estate players are empowered to design and adjust the program to work in their local real estate markets, using proven real estate principles and practices based on the conditions in that local real estate market.** For example, mobility counseling has proven to be very impactful and setting rents by sub-markets within a municipality is essential to facilitating choice. The ability to engage in nimble problem solving is essential to success.

It is also worth noting that current funding levels for Section 8 fall well short of the existing need. Today, only 23 percent of households who are eligible for federal rental assistance actually receive it.

- **1986—Low Income Housing Tax Credit Program—Provides low-cost equity though the sale of tax credits to qualified buyers; incents participation by private sector developers and investors; incents the creation of mixed-income communities; devolves the administration to the states to address local needs; and provides high level of flexibility and accountability.**

In 1986, the Low Income Housing Tax Credit (LIHTC) program was created as part of the Tax Reform Act, with bipartisan support, replacing a series of other tax subsidies that had been in place for decades to encourage investment in affordable housing. The LIHTC program created a new and more efficient means of developing rent-restricted, affordable housing using tax subsidies and became the primary means by which the federal government supports the development and preservation of affordable housing.

The LIHTC program is administered by the states and has enjoyed strong bipartisan support based on its impact and its impressive track record in preserving or producing affordable housing in healthy communities. The LIHTC Program incents public/private partnerships; leverages private investment; incents mixed-use, mixed-income communities; is flexible in meeting the needs of localities based on a state's Qualified Allocation Plan. The accountability is high because the penalties for non-compliance are severe and are consistently enforced.

- **1992—The HOPE VI Program—Revitalized communities that concentrated poverty; facilitated the creation of mixed-use, mixed-income communities; enabled and incented public/private partnerships to develop, finance, own and operate newly developed mixed-income communities; incented holistic community building; and enabled the investment in affected families to change mindsets, provide education and training and build financial resiliency.**

The Report from the bipartisan and diverse National Commission on Severely Distressed Public Housing was presented to Congress in August 1992. The Commission wisely included several residents of large public housing communities from various parts of the United States. To underscore the severity of the problem, the report described the deplorable physical conditions of distressed public housing and portrayed the plight of residents of public housing as fearful and languishing in unhealthy, unsafe communities without access to jobs or programs designed to enable self-sufficiency. In simple terms, the Report said that public housing, especially in large urban areas, had failed its mission. The National Commission proposed among other things: (a) a comprehensive approach that increased funding for supportive services and a coordinated system for delivering such services; (b) increased funding for the rehabilitation and/or replacement of assisted units; (c) new approaches designed to encourage income mixing and alleviation of the problems associated with concentrating extremely poor families; (d) incentives designed to attract the participation of for-profit and not-for-profit real estate developers and private investors; and (e) comprehensive regulatory relief and devolution of authority to local players. These recommendations, along with new thinking from a number of private real estate developers, private investors, foundations and private industry, were combined and became the framework for the HOPE VI Program.

Because of the factors described above and the innovation, creativity, high level of participation by private sector real estate professionals, attraction of real estate professionals to local housing authorities and HUD, the HOPE VI Program accomplished transformational outcomes for families, neighborhoods and cities and other localities. As a result, Congress, on a bipartisan basis, continued to

fund the HOPE VI Program every year since its enactment until 2010. Given the national scale and transformational impact of the effort, HOPE VI had its critics. Notwithstanding the outstanding results, some advocates worried about loss of affordable hard units; others worried about families choosing not to return to the new communities; and yet others worried about work requirements imposed on non-elderly, able-bodied adults and higher expectations and standards.

In 2010, the best practices and lessons learned from HOPE VI-sponsored and inspired mixed-use, mixed-income communities were incorporated into the Choice Neighborhoods and Promise Zones. HUD also attempted to address the criticisms of the advocates by crafting requirements that have, in some cases, weakened the incentives and regulatory relief that drove the innovation, creativity and success of the HOPE VI Program. For example, one-for-one replacement of hard units is only reasonable when adequate seed funding is available and Section 8 vouchers are counted toward the replacement of such units. Regarding the rate of return by affected families, the research has shown that families are exercising choice based on individual family needs and circumstances and requiring work and/or education of non-elderly, able-bodied adults restores dignity and has been a positive game changer for families and their children.

- **1996—Enactment of the Moving to Work –Rationalizes and streamlines the statutory and regulatory framework to incentivize innovation, creativity, effectiveness and reduced administrative costs; and devolve the responsibility and accountability to local players in the local real estate market to meet local needs.**

In recognition of the overwhelming complexity of the statutory and regulatory framework for the public housing and Section 8 programs, Congress enacted the Moving to Work demonstration program to give HUD and up to 30 high-performing local housing authorities flexibility to allow local actors to innovate and design solutions in the local real estate market to (a) increase housing choices for low-income families; (b) provide incentives and create policies that encourage higher participation in the workforce with the goal of achieving greater financial resiliency; and (c) reduce administrative cost and achieve greater effectiveness. The Program aspires to identify and capture best practices and lessons learned to inform HUD's future regulatory model.

The Moving to Work (MTW) demonstration has had transformational impacts and has proven very effective. With the support of Congress and HUD, the MTW Program has expanded to include 39 local housing agencies. Like HOPE VI, the MTW demonstration program has also been criticized by the advocates. Both programs are a reminder that transformational change is hard work.

Accomplishments From These Programs

The comprehensive and coordinated implementation of the Section 8, LIHTC, HOPE VI and Moving to Work Programs has done more to mitigate and address the destructive effects of concentrated poverty than any other Federal programs. **As a result, where these programs have been strategically and well implemented, fair housing goals have been met.**

I strongly urge Congress to examine the best practices and lessons learned from the successful implementation of these programs and to use big ideas for future Federal Housing Policy and future investments. The following are a few lessons learned and guiding principles for reform:

1. End the practice of concentrating low-income families in distressed and isolated neighborhoods. Ample research (empirical and data-driven) has long proven that concentrating poverty is destructive and does not work by any measure anywhere in the world. "Environment matters."
2. Housing policy is education policy and education policy is housing policy. Coordinated efforts should be made to de-concentrate poverty in neighborhood schools to power-up school reform efforts and strengthen the long-term sustainability of newly developed mixed-income communities and neighborhood schools.
3. Develop communities through public/private partnerships, leverage public resources to raise private capital, and utilize market principles. Business-oriented environments should be created during the development and operational phases so that private sector partners who provide performance and compliance guarantees and borrow debt to finance the development can manage and mitigate their risks. An understanding of "speed to the market" by the public partner and regulator is essential to avoid unnecessary costs associated with delayed decision-making. Thoughtful, streamlined and high-level outcome-focused regulations should be crafted so that private sector developers can use their know-how, balance sheets and brand to attract private capital to create market rate quality and opportunity rich communities where families from all economic strata view the community as a great place to live, work, learn and play.
4. Leverage public transit, anchor institutions, neighborhood schools, cultural centers, parks, walking trails, public infrastructure investments as catalytic assets for future transformational impact.
5. Create healthy communities using a holistic and comprehensive approach to ensure long-term marketability and sustainability and to support excellent outcomes for families, especially children, with emphasis on excellent, high performing neighborhood schools and excellent quality of life amenities, such as first-class retail, parks and green spaces.
6. Expectations and standards and community values must be set at a high-level for all families so that the community will be a community of choice for all of America's families (regardless of income).
7. To ensure success for all families, investment must be made in assisting families to insure their long-term success, regardless of whether they determine to return to the prior community or a make a different housing choice. Long-term family-based counseling designed to change mindsets, build self-sufficiency, financial resiliency and independence is critical to long-term sustainable progress for families and children. Expectations and standards for personal responsibility should be benchmarked for success. Work and education requirements for non-elderly, able-bodied individuals restore dignity and build financial resiliency.
8. An outcome-focused regulatory approach drives better results. All real estate is local and centralized prescriptions and "one size fits all" approaches do not work. By incentivizing

creativity and innovation, better outcomes can be realized and at a substantially reduced cost. Eliminating non-value added regulations also reduces the need for frequent audits.

RECOMMENDATIONS

1. To continue efforts to end concentrated poverty and combat residential segregation and promote opportunity, broad access to opportunity neighborhoods and strategic investments to reposition distressed communities must be provided on a sustained and consistent basis. This can be accomplished through a two-prong approach by (a) providing incentives and regulatory flexibility to agencies and families to move to high-opportunity neighborhoods using Section 8 vouchers; and (b) allocating resources through investments like HOPE VI, Choice Neighborhoods and/or Promise Zones necessary to transform distressed neighborhoods into vibrant, diverse communities of opportunity, where people who have choice will want to live. Federal policy should not abandon communities which are currently distressed in favor of low-poverty neighborhoods, because this decision would have the unintended consequence of continuing the under-investment in areas that historically have served minorities. These communities typically have strong community building assets (e.g. historically black colleges and universities and churches), that have been important in our history of struggle and progress as a nation. HOPE VI has proven that long-term distressed neighborhoods can be revitalized and become desirable communities of opportunity if Federal seed money, a reasonable regulatory environment, public/private partnerships with private sector real estate professionals and local support (financial and other) from the government, business, foundation and civil society sectors can be deployed in a sustained and coordinated manner. It cannot be stressed enough that economically integrated neighborhoods are the best solution to long-term sustainability. By incentivizing families of means to choose to move into healthy neighborhoods, other private investment will be attracted. Commercial and other developers make investments based on "rooftops with disposable incomes."
2. Federal Housing Policy should support the increase of the supply of suitable, affordable and decent homes to meet both the current and projected demand. As part of comprehensive tax reform, strong consideration should be given to expanding the Low Income Housing Tax Credit by 100 percent over current funding levels and the provision of additional federal funds to help close the financing gap;
3. Provide additional federal funding beyond current levels to address the capital backlog and ongoing accrual needs in well-managed, well-located public housing in order to preserve the value of prior investments and improve housing quality for residents.
4. Also as a part of comprehensive tax reform, make permanent and significant changes to expand the New Markets Tax Credit Program. These incentives and benefits will facilitate complementary retail and commercial development in newly developed communities of opportunity.
5. Where feasible, expand HUD's Rental Assistance Demonstration Program and provide the federal resources and regulatory relief needed to preserve or reposition at-risk public housing. This resource should be seen as just one of the tools to facilitate the preservation of healthy but

aging public housing and repositioning distressed public housing that requires a more extensive intervention.

6. Establish federal regulations that encourage so-called "impact investments" into low-income communities by tax-exempt foundations, pension funds and government-insured depository institutions. Impact investments are made with the intention to generate measurable social and environmental outcomes---e.g., providing quality affordable housing to low-income families—alongside a financial return.
7. Federal policy should strike an appropriate balance between homeownership and rental subsidies.
8. In a period of constrained federal resources, federal policy should transition to a system in which our most vulnerable American citizens, those with extremely low incomes (at or below 30 percent of area median income) are assured of housing assistance if they need it.
9. Federal Housing Policy should leverage the learning and best practices from the HOPE VI Program to incent the increased participation by private sector real estate developers and investors in the Choice Neighborhood Program.
10. Congress should honor and institutionalize the existing MTW Agreements with agencies which have met the requirements of their agreements. Changing provisions of existing agreements creates uncertainty and increases risks and costs and discourages investment from the private sector, foundations and others.
11. Congress should expand and institutionalize the Moving to Work Program to include all large high performing housing authorities, with the goals of incenting innovation, devolving problem solving and creating programs to the local players. Smaller agencies should be completely deregulated and required to meet the agreed outcomes; submit audited financial statements and comply with the Civil Rights and Fair Housing laws. Also, where feasible, regional cooperation and collaboration should be encouraged. HUD could establish regional technical assistance to aid those agencies when problems arise. For those agencies, which fail to comply, create a competition for alternative housing providers to meet the needs of residents.
12. After a period of transition of larger agencies to Moving to Work and deregulations of smaller agencies is accomplished, the public housing side of HUD should re-position itself to become an asset manager and work with its various customers to agree on a set of desired outcomes based on the Congressional mandates relating to the investments made by the Federal Government. Opportunities to combine various departments and divisions should be actively identified.
13. The practice of hiring an independent professional consulting firm, economist or academic institution to assess the results and validate the outcomes where federal funds are utilized should be institutionalized as a best practice.
14. HUD, in recognition of a sea of changes that mixed-income community revitalization represent, needs to adapt and reform its systems, processes and subsidy programs to support public-housing assisted units after development is completed. HUD should consider subsidizing the assisted units with Section 8 project-based rental assistance, using the actual cost to operate and sustain the units in a mixed-income context. HUD should work with the other subsidy providers to harmonize the requirements of the various funding programs to reduce the overall administrative costs and burden.

15. As part of a larger reform effort, HUD should modernize its systems, processes and performance metrics to support large-scale programmatic changes.

Thank you again for this opportunity.

Respectfully submitted,

Renee Lewis Glover

Testimony of Howard Husock, Manhattan Institute

House Financial Services Committee

October 22, 2015

As we reflect on the 50th anniversary of the founding of the Department of Housing and Urban Development, it is worth keeping in mind that it was established, fundamentally, to improve the housing, and, more broadly, the lives of those of low-income. That should mean both helping as many of those of low-income as practical, ensuring that low-income housing be in good condition, and, in keeping with our social policy overall, it should mean helping the poor move up toward the middle class. Yet, on all these counts, HUD's housing assistance programs are today falling short.

There is little doubt that HUD does serve the poor, often the very poor. Half of households living in one of the more than 1 million public housing apartments or 2 million housing choice voucher units earn less than $10,000 a year. Many are not, however, moving up economically and out of HUD-supported housing—a process which would make units available for those on long waiting lists. HUD data shows that the median "tenure" in public and subsidized is more than 9 years, or four years longer than the time limit for cash public assistance. In New York City, by far the nation's largest system, that figure is 17 years. The world of public housing, in other words, is very much the face of long-term American poverty. In part, this is the result of the way we have structured the rules of the system.

Consider the following examples.

Both public housing and voucher tenants who work hard to increase their income face some of our highest marginal tax rates. Unlike private market tenants who sign a lease at a fixed rent, tenants in HUD's affordable housing must pay rent equal to 30 percent of their income. That means the more they earn, the higher their rent. It's a system that creates a significant marriage penalty, as well. At a time when there is widespread concern about the effect of single-parent families on child development, only four percent of public housing households are two-parent

families with children. But should two breadwinners choose marriage and merge two incomes, they'd face skyrocketing rents.

Just as bad, our subsidized housing system often consigns the poor to live in the sort of conditions public housing was specifically designed to replace. In New York, for instance, a 2014 report by the city's Community Service Society, noting "mounting resident outcry about elevator breakdowns, perennial water leaks, untreated mold, and long delays in getting repairs" , said the housing authority might qualify as "the city's largest and worst landlord". A 2010 report by Abt Associates for HUD estimates the public housing system's capital needs at $21 billion, including more than $22,000 per unit in family developments. HUD has since upped that figure to $26 billion, the equivalent of roughly half the Department's entire annual budget. It's also the case that the Authorities which may save money on operations in order to devote it to physical improvements may find they're actually punished: their federal subsidy payments may be reduced because they've lowered their operating costs.

It is fortunate, then, that there are important green shoots of reform among local housing authorities, steps which the Congress and HUD should strongly encourage.

First, there are the promising early results of the program called Moving to Work, a waiver program, to date limited to just a few localities, which allows public housing authorities flexibility in their rules and spending practices.

A December, 2014 report by Abt Associates found that 20 of the 34 MTW authorities have changed the rent rules to encourage "self-sufficiency", 11 have adopted work requirements, and 8 have adopted time limits for some new tenants—with a specific focus on encouraging upward mobility. Such programs are coupled with social services –from job readiness training ("workforce development") to mental health counseling--to give tenants the skills needed to move up and out. The San Bernadino (CA) housing authority, in explaining why new housing voucher holders face a time limit, emphasizes twin goals: making room for families who qualify for aid but have faced long waiting lists, and helping current tenants outgrow the need for help. "The goal of the activity," says the Authority, " is to enable the families we serve to focus on self-sufficiency efforts

while we assist them with their housing needs for a limited term." Results are promising. Incomes among the time-limited have risen by more than 12 percent and employment by 17 percent –at the same time making units available for those who'd otherwise be stuck on a waiting list. The Atlanta Housing Authority uses even stronger language in explaining its work requirement for the non-disabled, including those receiving Housing Choice Vouchers. "AHA continues to believe strongly in the value, dignity, and economic independence that work provides. The Abt report found, moreover, that 20 of 34 MTW authorities are moving to change rent rules which require tenants to pay 30 percent of their income in rent. Some have adopted income bands within which rents do not rise within income; some have adopted flat rents not linked to income. And some, recognizing both for a work incentive and the need for revenue, have adopted minimum rents of no less than $100 a month.

Spreading a "moving to work" approach to more or all of the 3,000-plus public housing authorities would help align housing policy with the successful cash welfare reform which has reduced the public assistance roll and increased labor force participation.

We are also beginning to see imaginative ways emerge to help localities find the funds they need for capital improvements, at a time when the HUD budget is unlikely to increase. In New York, Mayor Bill de Blasio has announced plans to begin to lease under-used public housing plazas for new private apartment construction, with ground lease payments available to to fund the system's maintenance backlog.

The fledgling HUD Rental Assistance Demonstration program can be a means through which authorities avoid being penalized for saving money. A guaranteed fixed per-unit HUD annual payment can be used as a bond payment guarantee that can bring in private investment capital. New York has considered major upgrades to its antiquated heating systems—but fears seeing its federal support reduced if it lowers its utility costs. The RAD program can change that—and should be expanded.

At its 50th anniversary, it is a good time for HUD to think about how it can become not just a funder of housing but an agency that can help enable and spread the kind

of reforms I've discussed. Its goal today should no longer be cutting ribbons on new apartment complexes but encouraging our subsidized housing of all kinds to be a means to help those of low-income move up along the path of upward mobility.

None of this should be taken to mean that the underlying assumptions that motivated the establishment of HUD should not be examined or questioned. Indeed, it is my own view that there are "inherent flaws of HUD", as I wrote in a 1999 paper of that title. Most strikingly, at its core, HUD was predicated on a deeply pessimistic view about American society—that the new urban poor of the 1960s, the minority poor, would not be able to advance up the socio-economic ladder as that their predecessors in poor city neighborhoods. HUD's original undersecretary Robert Wood, himself a prominent social scientist of the era, put it this way: "The historic role of the city has deteriorated badly," observed Wood. "In some city neighborhoods, blight and poverty have gone hand-in-hand for generations, and the slum is no longer a way station." Moreover, wrote Wood, "the bus has stopped running to the suburbs and the urban poor are increasingly insulated from the larger society." It is crucial to note that, in retrospect, we have learned that Wood's assertion was not accurate at the time and has continue to prove to be mistaken. We have since the emergence of a significant minority middle class and its movement to the suburbs of Atlanta, Washington, Chicago, New York and many other cities. The idea that the best we could do as a society was to improve the physical conditions associated with poverty was wrongheaded from the start.

Our challenge now is to adjust the programs which HUD administers such that they reflect a belief in upward mobility and seek to foster it. This can take many forms. It might include, for instance, encouraging and even financing the design of new, less expensive housing forms—that themselves can prove affordable by virtue of lower cost and higher density, the time-tested means of making housing affordable without government subsidies. To the extent that programs such as the low-income housing tax credit continue to finance new, so-called mixed-income housing, HUD should insists that assistance be short-term in nature. And although HUD should not make the mistake that pressuring communities to include affordable housing will lead to cross-class or cross-race understanding and tolerance, it should never forsake its core fair housing mandate—that of making

sure that any household that can afford a home or rental unit not be turned away on the basis of race or ethnicity. In short, HUD, on the occasion of its 50th anniversary, should take stock of its assumptions, its programs and their effects to date—and be open to significant modification to remain relevant.

October 21, 2015

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on House Financial Services
4340 O'Neill Federal Office Building
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters:

The National Multifamily Housing Council (NMHC) and National Apartment Association (NAA) applaud your leadership in holding a hearing entitled, "The Future of Housing in America: 50 Years of HUD and Its Impact on Federal Housing Policy." NMHC/NAA offer our congratulations to the agency and staff on the 50th Anniversary and thank the committee for addressing housing affordability – an issue that is very important to our nation's 38 million renters.

For more than 20 years, NMHC and NAA have partnered in a joint legislative program to provide a single voice for America's apartment industry. Our combined memberships are engaged in all aspects of the apartment industry, including ownership, development, management and finance. NMHC represents the principal officers of the apartment industry's largest and most prominent firms. As a federation of nearly 170 state and local affiliates, NAA is comprised of over 68,000 members representing more than 7.86 million apartment homes throughout the United States and Canada.

Rental Housing – The Supply-Demand Imbalance

America is facing significant challenges when it comes to providing our citizens with affordable housing. This is making it impossible for millions of families nationwide to find quality, affordable rental housing. For many families, the shortage of affordable rental housing creates significant hurdles that make it even more difficult to pay for basic necessities like food and transportation. Ultimately, this also impacts their future financial success.

According to a recently released report by Harvard's Joint Center for Housing Studies, in 2013 more than one in four renter households – approximately 11.2 million – paid more than half of their income for rental housing. Setting aside that real incomes in the U.S. have not risen in over three decades – clearly the key factor driving the affordability crisis – housing industry leaders agree that promoting construction is one of the vital ways to meet the surging demand for apartment homes.

The U.S. is on the cusp of fundamental change in our housing dynamics as changing demographics and housing preferences drive more people away from the typical suburban house. Rising demand is not just a consequence of the bursting of the housing bubble. In the five years ending 2014, the number of renter households was up by 4.7 million; while the number of homeowner households was down by almost 600,000. Going back 10 years, there were 8 million new renter households and just 900,000 new owner households.

Today, 38 million Americans call an apartment home. Over the next decade, there could be as many as four million additional renter households. It takes between 300,000 and 400,000 newly constructed apartments each year to keep up with demand, yet just 255,600 apartments were delivered in 2014. While this is up 37 percent from 2013, it remains a far cry from the number of apartments needed to meet a growing and serious shortage of rental housing across the country.

Building more apartment homes will help improve the supply-demand imbalance that drives these affordability challenges, but developers and localities must work together to remove obstacles to development. Even if local officials and planning boards agree that new, affordable apartments must be built, land costs, entitlement expenditures, labor expenses and property taxes all contribute to making their construction extremely costly.

Key Solutions to the Nation's Housing Challenges

The nation's challenge is to overcome these obstacles and expand the housing stock. At NMHC/NAA, we believe the solution requires a **three-pronged** answer of preservation, rehabilitation and new development:

1. **Preservation means ensuring that the financing and subsidy programs that currently keep units available at below market rents continue to be there in the future, providing some degree of certainty in the affordable housing market.** This means not only stemming budget cuts for local, state and federal housing programs, but also continuing to support programs like the Low-Income Housing Tax Credit (LIHTC).

2. **Rehabilitation is vital because it can keep existing apartment stock from dwindling further.** Every year, the industry loses between 100,000 and 150,000 units to obsolescence and other factors. Most lost units are likely at the lower end of the market, disproportionately hurting the affordable portion of the market. Consider also that the nation's apartment stock is aging; in fact, more than half (51.9 percent) of all apartments were built before 1980. Without resources dedicated to support rehabilitation efforts, more stock will evaporate from the available pool.

3. **New development is the third strategy for addressing the scarcity of units available for the population of Americans whose household incomes are below the average for their areas – and the one garnering a lot of attention and criticism.** There are too many instances where communities acknowledge that they have an affordability problem, but then hide behind "Not in My Back Yard" rhetoric to prevent the development of much-needed apartment homes. States and local communities can work together with the private sector to identify and quantify the costs associated with building affordable rental housing. Then, local officials and developers can help reduce the barriers and encourage new construction.

Congress should play an integral role in addressing housing affordability. NMHC/NAA support the initiatives and programs outlined below designed to address the shortage of affordable housing:

GSE Reform: The first and foremost priority is getting multifamily right in housing finance reform and recognizing its unique characteristics; it is the single most important factor to ensuring that the apartment industry can meet the nation's growing rental housing demand.

The bursting of the housing bubble exposed serious flaws in our nation's housing finance system. The Government-Sponsored Enterprises' (GSEs) very successful multifamily programs were not part of the meltdown and have actually generated over $24 billion in net profits since the two firms were placed into conservatorship. Preservation of the mortgage liquidity currently provided by the GSEs in all markets during all economic cycles is critical. NMHC/NAA urge lawmakers to recognize the unique needs of the multifamily industry.

We believe the goals of a reformed housing finance system should be to:

- **Maintain an explicit federal guarantee** for multifamily-backed mortgage securities available in all markets at all times;
- **Ensure that the multifamily sector** is treated in a way that recognizes the inherent differences of the multifamily business; and
- **Retain the successful components** of the existing multifamily programs in whatever succeeds them.

These principles can be achieved through a reformed structure that preserves the high quality and value of the current multifamily secondary mortgage market's activities.

Multifamily Federal Housing Administration Programs: FHA multifamily is best known for offering an alternative source of construction debt to developers that supplements bank and other private construction capital sources. It also serves borrowers with long-term investment goals as the only capital provider to offer 35-40-year loan terms. FHA lending is essential to borrowers in secondary markets, borrowers with smaller balance sheets, new development entities, affordable housing developers and non-profit firms, all of which are often overlooked or underserved by private capital providers.

In normal capital markets, FHA plays a limited, but important, role in the rental housing sector. During the economic crisis, however, FHA became virtually the only source of apartment construction capital. Applications have increased from $2 billion annually to $10 billion, and HUD anticipates that demand for FHA multifamily mortgage insurance will remain high for the next several years.

FHA's Multifamily Programs have continually generated a net profit, and have met all losses associated with the financial crisis with reserves generated by premiums paid through the loan insurance program structure. Because premiums have consistently reflected the risk associated with the underlying loans, and because underwriting requirements have remained strong within the program, FHA's Multifamily Programs are able to operate as self-funded, fully covered lines of business at HUD. Some programs have struggled during the real estate down turn; however, any losses have been covered by the capital cushion the multifamily programs collectively generate.

It is important to the apartment industry that FHA continues to be a credible and reliable source of construction and mortgage debt. FHA not only insures mortgages, but it also builds capacity in the market, providing developers with an effective source of construction and long-term mortgage capital. The FHA multifamily programs provide a material and important source of capital for underserved segments of the rental market, and do so while maintaining consistently high loan performance standards. NMHC/NAA encourage Congress to continue funding FHA's multifamily programs, including:

- HUD 221 (d)(4) Multifamily Loans – New Construction and Substantial Rehabilitation of Multifamily Properties
- HUD FHA 223 (f) Multifamily Loans for the Refinance or Acquisition of Multifamily Properties
- HUD FHA 241(a) Supplemental Loans
- HUD FHA 223(a)(7) Refinance of an Existing FHA Insured Multifamily Mortgages and Healthcare Mortgages

Multifamily Transformation Initiative: NMHC/NAA support and encourage HUD to complete the Multifamily Transformation Initiative. HUD's Office of Multifamily Programs provides mortgage insurance to HUD-approved lenders to facilitate the construction, substantial rehabilitation, purchase

and refinancing of multifamily housing projects. Completing the Transformation Initiative will restructure the organization and improve transactional and operational efficiency, enhance risk management tools and implement procedures that will result in significant savings across the organization.

Section 8 Housing Choice Voucher Program: This public-private partnership has the potential to be one of the most effective means of addressing our nation's affordable housing needs and supporting mixed-income communities. However, the program's potential success is limited by too many inefficient and duplicative requirements, which discourage private providers from accepting vouchers. These include a required three-way lease between the provider, resident and the public housing authority; repetitive unit inspections; resident eligibility certification; and other regulatory paperwork. Collectively, these make it more expensive for a private owner to rent to a Section 8 voucher holder.

The program has also been plagued with a flawed and volatile funding system that has undermined private sector confidence in the program. With Congress focused on austerity measures, insufficient funding is expected to be worse in the near-term budget cycles. Common-sense reforms that could help control costs, improve the program for both renters and property owners, and increase private housing participation include: (1) putting a reliable funding formula in place; (2) streamlining the property inspection process; (3) simplifying rent and income calculations; (4) reducing costly Limited English Proficiency (LEP) translation requirements; and (5) extending the contract term for project-based vouchers from 15 to 20 years. NMHC/NAA support the common sense provisions included in HR 3700, the "Housing Opportunity through Modernization Act of 2015," and we urge Congress to enact this legislation without delay. We hope that Congress will consider additional measures that will reduce inefficiencies and burdensome regulatory requirements.

It is also imperative for lawmakers to reinforce the voluntary nature of the program. Congress specifically made participation voluntary because of the regulatory burdens inherent in the program. However, state and federal governments are enacting laws that make it illegal for a private owner to refuse to rent to a Section 8 voucher holder. Recent examples include "source of income discrimination" provisions passed by a number of cities. While often well intentioned, such mandates are self-defeating because they greatly diminish private-market investment and reduce the supply of affordable housing.

Rental Assistance Demonstration (RAD) Program: NMHC/NAA support the Rental Assistance Demonstration that was established in 2011 as an affordable housing preservation strategy for public housing authorities (PHAs). The program allows PHAs to convert public housing properties at risk of obsolescence or underfunding into project-based vouchers or rental assistance contracts under the Section 8 program. Once the units are re-designated from public housing (Section 9 of the 1937 Housing Act) to Section 8 housing, housing authorities are able to leverage private capital to address capital needs. This allows housing authorities to work with private sector developers and managers to preserve their affordable housing stock. RAD is designed to reverse the trend of lost affordable units by accessing private capital to make up for related funding shortfalls.

Low-Income Housing Tax Credit (LIHTC) Program: While we understand the LIHTC program is not under the House Financial Services Committee's purview, we encourage Congress to take immediate action by passing tax extenders legislation that would renew several key provisions to support affordable housing. This includes making the development of affordable rental housing more possible by modifying and enhancing the LIHTC program.

Since 1986, the LIHTC program has leveraged federal dollars with private investment to produce nearly 2.8 million affordable units. It remains the most successful federal program for creating affordable housing. Beyond tax extenders, Congress should look to further enhance the program by increasing program resources so that additional affordable rental housing can be built. Additionally, lawmakers should modify LIHTC rules to help enable more households that earn less than the area median income to qualify for the program.

Affordable housing is a significant and growing challenge for American families. The demand for affordable housing cannot be met by government programs alone. Local, state and federal collaborations, and partnerships between the public and private sectors, are critical in addressing this issue. NMHC/NAA wants to be in the forefront, helping to develop creative ways for policymakers to engage the private sector to advance the shared goal of delivering safe, affordable housing.

Sincerely,

Doug Bibby
President
National Multifamily Housing Council

Doug Culkin
President and CEO
National Apartment Association

cc: Members of the Financial Services Committee

October 20, 2015

The Honorable Blaine Luetkemeyer
Chairman
Subcommittee on Housing and Insurance
House Financial Services Committee
2440 Rayburn House Office Building
Washington, DC 20515

The Honorable Emanuel Cleaver II
Ranking Member
Subcommittee on Housing and Insurance
House Financial Services Committee
2335 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Luetkemeyer and Ranking Member Cleaver:

The real estate industry is pleased that you are holding a hearing to address reforms of federal housing programs including Section 8 Housing Choice Vouchers (Voucher Program). Our industry believes it is imperative for Congress to pass legislation that will improve the Voucher Program for both residents and owners alike: maximizing the impact of taxpayer dollars and eliminating inefficiencies are a must. To that end, we support the proposals contained in H.R. 3700, the "Housing Opportunity Through Modernization Act of 2015 (the Housing Modernization Act)."

Our organizations represent owners, management companies, lenders, builders and developers, housing agencies and housing cooperatives. We have long-supported the Voucher Program, which provides rental subsidies to approximately two million very low-income households who obtain housing in the private rental market. Intended to broaden the range of housing choices for families seeking affordable housing, the Voucher Program has proven to be effective in helping low-income families find decent, safe and affordable housing. In addition, Section 8 vouchers can be leveraged to build new or rehabilitate existing affordable housing, a necessity in today's tight rental markets.

However, in spite of its overall success, the Voucher Program suffers under the weight of too many inefficient and duplicative requirements. The myriad overlapping and redundant procedures have made it difficult to administer and have deterred many professional owners and operators from participating. As such, we have worked diligently with Congress for several years now to formulate common sense legislation to streamline the Voucher Program.

The Housing Modernization Act encourages efficiency within the Department of Housing and Urban Development's (HUD) rental housing programs and facilitates greater private sector participation in affordable housing overall. An important part of this effort for the Voucher Program in particular is the streamlining of federal regulations. Simplifying the rules for program participants will reduce administrative burdens and lower costs, while increasing local flexibility. This, in turn, will incentivize more owners to participate in the delivery of affordable housing.

Several provisions of the Housing Modernization Act are particularly significant:

• **Streamlining the Property Inspection Process.** Steps have already been taken to eliminate duplicative inspections through the budget process. This provision expands those efforts by permitting immediate tenant occupancy if the unit has been inspected within the past 24 months and has no life-threatening conditions. This is important for both residents and owners alike because it reduces the length of time a unit is vacant and allows tenants to move into the unit without delay.

• **Simplifying Rent and Income Calculations.** This provision significantly reduces administrative burdens by allowing for the recertification of rent and income to occur every three years rather than annually for those on fixed incomes. A stand-alone bill with this same language passed the House of Representatives earlier this year.

• **Extending the Contract Term for Project-based Vouchers from 15 to 20 Years.** This section will help facilitate the use of project-based vouchers in Low-Income Housing Tax Credit (LIHTC) properties. The rental subsidies provided by vouchers help LIHTC owners meet the need to serve extremely low-income households. The bill also makes other changes that will advance housing opportunities and ease transactional barriers.

• **Low-Income Housing Preservation and Resident Homeownership Act of 1990 (LIHPRHA).** This provision makes technical changes and important flexibilities to properties that are subject to restrictions under LIHPRHA while ensuring long-term preservation of these affordable multifamily housing properties. This same language passed the House of Representatives with strong bipartisan support earlier this year. These provisions have no budgetary impact on the Federal Government and will facilitate recapitalization of the properties by both for profit and non-profit preservation entities.

We applaud the Committee for holding this hearing. We look forward to continuing to work together as efforts to address this issue move forward.

Sincerely,

Council for Affordable and Rural Housing
Institute of Real Estate Management
LeadingAge
Mortgage Bankers Association
National Affordable Housing Management Association
National Apartment Association
National Association of Home Builders
National Association of Housing Cooperatives
National Leased Housing Association
National Multifamily Housing Council

cc: The Honorable Jeb Hensarling, Chairman, House Financial Services Committee
The Honorable Maxine Waters, Ranking Member, House Financial Services Committee
Members of the House Financial Services Committee

"The Future of Housing in America: 50 Years of HUD and its impact on Federal Housing Policy"
House Committee on Financial Services
October 22, 2015
Questions for the Record
Submitted by Rep. Dan Kildee (D-MI)

Mr. Briggs, you have been a long-time advocate in the field of urban development in both the U.S. and worldwide. I know that you have extensive experience in developing and promoting inclusive cities and fair housing policies. In your written testimony and opening statement, you acknowledge a number of challenges that U.S. housing policy faces.

My first question is how should federal policy respond to the challenges you have identified?

> **Let me emphasize three categories of federal response. In the first category, some of the most significant federal tools are in tax and labor policy. The tax treatment of homeownership is a prime example, because it channels far more aid the middle class and the affluent than to those who face the worst burdens from unaffordable housing costs. Many thoughtful and concerned Americans, from a variety of political perspectives, have called for tax reform to address that inequity. In the labor policy domain, the federal minimum wage is another prime example. The real buying power of that wage level has eroded significantly, and it has not kept pace with housing cost increases in most of the nation's housing markets.**
>
> **In the second category, at least one very significant policy tool does not require Congress to allocate taxpayer dollars. I refer to the revenues from the government-sponsored enterprises—Fannie Mae and Freddie Mac transactions—that Congress authorized, some eight years ago, for the National Housing Trust Fund. The NHTF is the only capital program focused on expanding the supply of housing affordable to those with extremely low incomes. It is vital that that revenue stream be allowed to flow, steadily and as intended, to fund that critical housing need.**
>
> **And in the third category, there are the programs for which Congress appropriates taxpayer funds, for HUD and other agencies that**

implement key housing programs. In my testimony, I outlined several priorities: Preserving affordable housing supply rather than letting it erode further thanks to disinvestment, expanding the housing voucher program as a proven tool to combat homelessness and severe cost burdens, supporting work and economic mobility for assisted households that include working age and able adults, and encouraging inclusionary housing to reduce harmful segregation and geographically concentrated poverty and distress. But beyond these priorities, I fully agree with members of Congress, on both sides of the aisle, who have highlighted the need to reduce excessive and costly regulation as well as inflexible, one-size-fits-all rules. Some of these rules can drive up the cost of meeting housing needs in ways that are appropriate in very different housing markets across the country. These priorities are in fact complementary, and a number of them could be addressed by making key sources of federal funding contingent on local initiative to work in smarter, more cost effective, and more inclusionary ways.

My second question concerns the discussion regarding the failure of U.S. tax policy in terms of assisting our older industrial cities. Will you expand more on the specific tax policies that you believe have hindered the ability of these cities to rebound from decades of economic stagnancy?

A number of factors have contributed to disinvestment and population loss in our older industrial cities. They have struggled to regain a competitive economic base, and without that, these cities have limited and very strained fiscal capacity. Where federal tax policy is concerned, we have not created and sustained a robust set of incentives to re-invest in already built-up areas versus sprawling new development in "green field" areas. There have been notable exceptions, such as reforms to encourage infrastructure investment, but most of these have been much too short-lived to catalyze turn-around. At its best, federal reforms can trigger needed State and local reforms, for example to simplify land assembly and reclamation and target workforce and economic growth investments to boost productivity. Together, these steps could build on the assets in older industrial areas while addressing their challenges in smart ways.

My final question concerns capital funds for improvement to public housing units – what is the trajectory of this fund over time? How have the sufficiency of these

funds impacted the ability of public housing agencies to maintain the quality of their units?

> **The overall trajectory is sharply downward, particularly when we account for inflation. The appropriated funds have been severely inadequate for years now, generating a backlog in the billions of dollars and leading housing authorities to leave units vacant and neglect property upkeep. It is true that we need to give public housing authorities the rules and incentives to behave like smart, resourceful asset managers. But you cannot preserve an ageing housing stock simply by being resourceful, not when the capital at hand is a fraction of the cost of the repair and modernization required. We are placing a very large and precious public resource at severe risk.**