



Proposal To Foster Economic Growth

Submitted to the U.S. Senate Committee on Banking, Housing and Urban Affairs
April 14, 2017

To Foster Economic Growth, Increase the Availability of Affordable Rental Housing.

Affordable homes are essential for American families to participate fully in the economy and contribute to economic growth and prosperity. They make it easier for adults to find and keep good jobs. Affordable homes also support children’s health and education in ways that increase their chances of economic success as adults. In addition, federal spending on rental assistance and affordable rental housing development provides an economic boost in communities with weak economies and high unemployment.

Affordable homes provide stability, which makes it easier for adults to keep jobs, and contributes to children’s health, success in school, and chances of long-term success.

Housing instability — such as evictions, frequent moves, living doubled-up with other families, and homelessness — is common among low-income families.¹ Yet housing instability can lead to job losses that contribute to families’ downward spiral into deeper poverty — a phenomenon that Harvard sociologist Matthew Desmond illustrates with moving examples in his Pulitzer Prize-winning study of Milwaukee families.²

Housing instability can also have severe consequences for children. Housing instability is linked to frequent school changes and absenteeism. Living in doubled-up or overcrowded housing may also interfere with children’s ability to study or complete homework assignments. Children in homeless families are also more likely to be placed into foster care. These linkages partly explain why children without stable homes consistently score lower than their peers on reading and math tests.³

Research consistently demonstrates that rental assistance is highly effective at reducing housing instability. A recent rigorous study of homelessness interventions found, for example, that rental assistance (housing vouchers, in particular) significantly reduced later housing instability for homeless families with children. Housing vouchers also had related benefits for families: they were less likely to experience economic stress, food insecurity, and domestic violence; their children also changed schools less frequently, and were less likely to be placed into foster care.⁴

Affordable homes reduce family stress and free up resources for parents to spend on nutritious food and enriching activities and materials that promote their children’s healthy and successful development. Low-income families that pay unaffordable housing

costs spend less on food, healthcare, and transportation than otherwise similar families with affordable housing.⁵ Research also suggests that they spend less on child enrichment materials and activities — such as books and other educational materials, music and instruments, and childcare — and that this may be linked to lower scores on cognitive achievement tests.⁶

Housing instability also contributes to severe family stress. A large and growing body of research shows that “toxic stress” — strong, repeated or prolonged stress that is insufficiently mitigated by family or other adult support — is common among poor families, and affects children’s brain and body development in ways that cause cognitive delays, as well as a variety of mental and physical health problems over the long term.⁷

Well-located affordable homes enable families to live in healthy neighborhoods with quality schools and close to good jobs. A large body of evidence demonstrates that the neighborhoods in which children grow up have a profound influence on their later success. Recent studies by Robert J. Sampson and Patrick Sharkey, for example, find consistent evidence that living in neighborhoods of concentrated disadvantage — particularly those where families are exposed to violent crime — adversely affects children’s academic performance.⁸ The American Academy of Pediatrics has also acknowledged that neighborhoods — particularly neighborhoods where families are exposed frequently to violent crime — can contribute to toxic stress, with its long-term implications for children’s mental and physical health.⁹

Several recent groundbreaking studies led by Raj Chetty have also quantified the benefits for children of growing up in good neighborhoods. One study found, for example, that young boys and girls in low-income families that used a housing voucher to move to lower-poverty neighborhoods were 32 percent more likely to attend college and earned 31 percent more — nearly \$3,500 a year — as young adults than their counterparts in families that did not receive a voucher. Girls in families that moved to lower-poverty neighborhoods were also 30 percent less likely to be single parents as adults.¹⁰

Affordable housing investments can provide an economic boost in communities with weak economies. Affordable housing investment — like other forms of infrastructure investment — can create good-paying jobs for blue-collar workers, and can be a good strategy in communities with weak economies and high unemployment. Where economies are weak, housing and other infrastructure investments have a relatively high “multiplier,” which means that the investments yield a bigger bang for the buck in terms of generating jobs and economic activity.¹¹ By one estimate, building 100 affordable rental homes generates \$11.7 million in local income, \$2.2 million in taxes and other revenue for local governments, and 161 local jobs in the first year.¹²

Renters — particularly those with extremely low incomes — face a severe shortage of affordable housing. Affordable housing reduces housing instability and provides a strong foundation for adults and children to participate fully in the American economy. Yet 11 million low-income families — including 7 million families headed by working-age, non-disabled adults — struggle to pay the rent every month.¹³ The vast majority of these households have extremely low incomes (below 30 percent of area median income).

While this problem must be attacked from many angles, federal rental assistance and investment in affordable housing development have a critical role to play, and must be expanded. The federal government provides the vast majority of the rental aid available in every community, yet three out of four at-risk renters currently receive no assistance.¹⁴

Policy Recommendations

A comprehensive set of solutions to end housing poverty in America includes:

1. **Rental assistance** for extremely low-income families that need long-term help to afford housing. Assistance should be provided through an expansion of Housing Choice Vouchers and the establishment of a renters' tax credit. Effectiveness will be improved by including mobility counseling to help families move to areas of opportunity that are connected to good schools, good jobs, healthcare, and transit.
2. **Emergency assistance**, including Rapid Rehousing, to help low-income households avoid eviction or foreclosure and keep a stable home.
3. **Capital** for the development and preservation of apartments affordable to the lowest income people. This includes an expansion of the national Housing Trust Fund and the expansion and improvement of the Low Income Housing Tax Credit to more deeply target the credit to extremely low-income households. In addition, we must invest in the preservation and rehabilitation of our nation's public housing infrastructure.

1. Rental Assistance

Federal rental assistance programs have a proven track record of reducing homelessness and housing poverty. A growing body of research also finds that rental assistance can improve health and educational outcomes, as well as increase children's chances of long-term success.

We recommend that Congress expand rental assistance programs, including equivalent programs on the tax side, to serve an additional 2.4 million low-income families over the next 10 years. This assistance should include:

- **1 million new Housing Choice Vouchers for homeless and at-risk families with children.**¹⁵ Vouchers are a proven tool in reducing homelessness and housing insecurity, as well as helping families climb the economic ladder. Housing vouchers help people with the lowest incomes afford housing in the private housing market by paying landlords the difference between what a household can afford to pay in rent and the rent itself, up to a reasonable amount. Administered by the U.S. Department of Housing and Urban Development (HUD), housing vouchers comprise the agency's largest rental assistance program, assisting more than 2.2 million households.
- **500,000 new "opportunity" Housing Choice Vouchers and mobility counseling to help poor families with children live in safe neighborhoods with access to good schools, good jobs, healthcare, and transit.**¹⁶ We support giving

recipients of housing assistance more choice. While housing vouchers offer families the prospect of moving to areas of opportunity, families face many barriers to moving successfully. We therefore recommend that Congress also provide funding to create a mobility counseling pilot program. Pilot funds could be used to improve collaboration between agencies and align policies and administrative systems to eliminate barriers to moving. Funds could also be used to better recruit landlords and educate families about their housing options.

A new project-based renter's tax credit for the lowest income families. A renters' tax credit could complement the existing Low Income Housing Tax Credit—which works well as a subsidy for affordable housing development, but is rarely sufficient on its own to push rents down to levels poor families can pay—and rental assistance programs such as Housing Choice Vouchers—which are highly effective, but meet only a modest share of the need.

Under the proposal, Congress would authorize states to allocate a capped amount of credits to developments for renewable periods of up to 15 years, subject to federal income eligibility rules and state policy preferences. This would allow the credit to be delivered at a limited budgetary cost, but still provide subsidies large enough to help even the poorest families afford housing. Each state's share of the credits would be set based on its population with a minimum allocation for small states.¹⁷

These proposals may easily be scaled to make incremental investments.

2. Emergency Assistance

We recommend that Congress invest in emergency assistance measures to help low-income households avoid eviction or foreclosure and keep a stable home. This should include:

- **An expansion of Rapid Rehousing programs for homeless and at-risk people that HUD currently administers.** We recommend that Congress increase funding for Rapid Rehousing programs for homeless and at-risk people.

Rapid Rehousing programs help homeless people find housing, provide temporary assistance with rent and move-in costs, and offer supportive services to stabilize them in their housing. Rapid Rehousing places a priority on moving a family or individual experiencing homelessness into permanent housing as quickly as possible, ideally within 30 days of becoming homeless and entering a program. While originally aimed primarily at people experiencing homelessness due to short-term financial crises, programs across the country have begun to assist individuals and families who are traditionally perceived as more difficult to serve. This includes people with limited or no income, survivors of domestic violence, and those with substance abuse issues. Although the duration of financial assistance may vary, many programs find that, on average, four to six months of financial assistance is sufficient to stably re-house a household.

- **Create an emergency assistance pilot program at the Department of Health and Human Services (HHS).** We encourage Congress to create an emergency

assistance pilot program, providing pilot grants to test new approaches to providing emergency aid for people facing significant economic hardship and distress, including both short-term financial and legal assistance and connection to longer term supports for those who need them. For example, small dollar grants and loans can be provided quickly to tenants that are behind in rent or need emergency car repairs in order to keep a job.

3. Capital Investment

Capital investment dollars are needed to build, preserve and rehabilitate homes affordable to the lowest income people, as well as to address other challenges, including the need to revitalize distressed communities, provide housing options for low-income families in tight or gentrifying markets and produce accessible housing for individuals with disabilities and special needs. Addressing these gaps in the rental housing market requires investment in bricks and mortar.

We recommend that Congress fund much-needed capital programs to help build and preserve affordable housing for families with the greatest needs over the next 10 years. This investment should include:

- **Significantly expanding the national Housing Trust Fund.** The national Housing Trust Fund is exclusively targeted to help build, preserve, and rehabilitate housing for people with the lowest incomes. The statute requires that at least 90% of the funds be used for the production, preservation, rehabilitation, or operation of rental housing. Up to 10% may be used for homeownership activities for first-time homebuyers: production, preservation, and rehabilitation; down payment, closing cost, and interest rate buy-down assistance. The Housing Trust Fund is administered by HUD as a block grant to the states, the District of Columbia, and the territories. Each state will distribute resources based on its annual Allocation Plan, which identifies the state's priority housing needs.

Currently, the Housing Trust Fund is funded with dedicated sources of revenue outside of the appropriations process. The initial source of funding designated in the statute is an annual assessment of 4.2 basis points (0.042%) of the volume of business of Freddie Mac and Fannie Mae, 65% of which goes to the Housing Trust Fund. In 2016, \$174 million was allocated via the Trust Fund.

- **Providing resources to rehabilitate public housing.** Public housing is home to more than 1.1 million households and plays a critical role in providing safe, decent housing to families with the greatest needs. The preservation of this important community asset must be a part of any strategy to end housing poverty. More than half (52%) of all households living in public housing are headed by a disabled and/or elderly resident, and nearly half (41%) have at least one child residing in the home. Nearly three quarters (72%) of households are considered very low- or extremely low-income, making less than 50% of the area median income, and the average annual tenant income is about \$13,400.

Despite the critical role of public housing, capital repairs have been chronically underfunded. Today, public housing faces a multi-billion-dollar backlog of unmet capital needs. As a result, public housing agencies are unable to make the repairs needed to preserve the public housing stock, which has lost 10,000 to 15,000 public housing apartments each year to obsolescence or decay.

- **Expanding and improving the Low Income Housing Tax Credit to more deeply target resources to extremely low-income families.** The Low Income Housing Tax Credit (Housing Credit) program is the primary source of financing for new affordable housing, having developed or preserved nearly 3 million affordable apartments. The Housing Credit has provided homes to roughly 6.5 million low-income families over the past three decades.

While the Housing Credit is a critical resource, it is important for Congress to continue to improve the program so that it can better serve those families with the greatest, clearest needs—homeless individuals and families, extremely low-income seniors, families with children, people with disabilities, and Native American communities. We encourage Congress to tie any expansion of the Housing Credit to reforms that ensure this vital resource can better serve our nation’s most vulnerable families.

We support the Affordable Housing Credit Improvement Act, introduced by Senators Maria Cantwell (D-WA) and Orrin Hatch (R-UT). This bill would expand the Housing Credit by 50% over five years to finance an additional 400,000 affordable apartments over the next decade and make important improvements to enable deeper income targeting. This includes incentives to make it easier for developers to serve homeless and extremely low-income families, to encourage development in Native American communities, and to give more flexibility by facilitating mixed-income developments.¹⁸

Notes

¹ A rigorous study of welfare-eligible families with children found, for example, that 45 percent of families were either homeless or living doubled-up with other families at some point during the prior year; see Michelle Wood et al, “Housing Affordability and Family Well-Being: Results from the Housing Voucher Evaluation,” *Housing Policy Debates* 19 (2008), 367 – 412. For a brief review of research on housing instability and its impact on families, see Mary Cunningham et al., *Residential Instability and the McKinney-Vento Homeless Children and Education Program: What We Know, Plus Gaps in Research* (Urban Institute, 2010).

² Matthew Desmond, *Evicted: Poverty and Profit in the American City* (Crown Publishing, 2016).

³ See Cunningham et al. (2010), Mary Cunningham, “Reduce poverty by improving housing stability,” *UrbanWire*, 2016, <http://www.urban.org/urban-wire/reduce-poverty-improving-housing-stability>, and Will Fischer, “Research Shows Housing Vouchers Reduce Hardship and Provide Platform for Long-Term Gains Among Children,” Center on Budget and Policy Priorities, 2015, <http://www.cbpp.org/research/housing/research-shows-housing-vouchers-reduce-hardship-and-provide-platform-for-long-term>.

⁴ Mary Cunningham and Josh Leopold, “We knew housing vouchers worked-- we just didn't know how well,” Urban Institute, 2015, <http://www.urban.org/urban-wire/we-knew-housing-vouchers-worked-we-just-didnt-know-how-well>.

⁵ Joint Center for Housing Studies of Harvard University, *State of the Nation's Housing 2016* (President and Fellows of Harvard College, 2016).

⁶ Sandra J. Newman and C Scott Holupka, “Housing affordability and investments in children,” *J. Housing Econ* (2014).

<http://dx.doi.org/10.1016/j.jhe.2013.11.006>.

⁷ National Symposium on Early Childhood Science and Policy, *In Brief: The Impact of Early Adversity on Children's Development*, Center on the Developing Child of Harvard University, <http://46y5eh11fhgw3ve3ytpwxt9r.wpengine.netdna-cdn.com/wp-content/uploads/2015/05/inbrief-adversity-1.pdf>.

⁸ For a brief review of this research, as well as the work by Raj Chetty and his colleagues (cited below), see Barbara Sard and Douglas Rice, “Realizing the Housing Voucher Program’s Potential to Enable Families to Move to Better Neighborhoods,” Center on Budget and Policy Priorities, 2016, <http://www.cbpp.org/research/housing/realizing-the-housing-voucher-programs-potential-to-enable-families-to-move-to>.

⁹ American Academy of Pediatrics, *Early childhood adversity, toxic stress and the role of the pediatrician: Translating developmental science into lifelong health*, 2012, <http://cirge.stanford.edu/Papers/2012/Garner/PEDIATRICS%202012%20Garner.pdf>.

¹⁰ Raj Chetty and his colleagues’ work is available at <http://www.equality-of-opportunity.org/>.

¹¹ “Improving Economic Opportunity in the United States: Testimony of Jared Bernstein, Senior Fellow, Center on Budget and Policy Priorities, Before the Joint Economic Committee,” April 5, 2017, <http://www.cbpp.org/improving-economic-opportunity-in-the-united-states>.

¹² National Association of Home Builders, *The Economic Impact of Home Building in a Typical Local Area Income, Jobs, and Taxes Generated*, 2015, [https://www.nahb.org/~media/Sites/NAHB/Economic%20studies/1-REPORT_local_20150318115955.ashx?la=en](https://www.nahb.org/~/media/Sites/NAHB/Economic%20studies/1-REPORT_local_20150318115955.ashx?la=en).

¹³ 2015 American Community Survey. Figures are for households with incomes no greater than 80 percent of area median income, and that pay gross rental housing costs exceeding 50 percent of household income.

¹⁴ “Three Out of Four Low-Income At-Risk Renters Do Not Receive Federal Rental Assistance,” Center on Budget and Policy Priorities, http://apps.cbpp.org/shareables_housing_unmet/chart.html.

¹⁵ For more on housing vouchers, see <http://www.cbpp.org/research/housing/policy-basics-the-housing-choice-voucher-program>.

¹⁶ For more on improving the opportunities for families using vouchers, see Barbara Sard and Douglas Rice, “Realizing the Housing Voucher Program’s Potential to Enable Families to Move to Better Neighborhoods,” Center on Budget and Policy Priorities, <http://www.cbpp.org/research/housing/realizing-the-housing-voucher-programs-potential-to-enable-families-to-move-to>.

¹⁷ See Will Fischer, Barbara Sard, and Alicia Mazzara, “Renters’ Credit Would Help Low-Wage Workers, Seniors, and People with Disabilities Afford Housing,” Center on Budget and Policy Priorities, March 9, 2017, <http://www.cbpp.org/research/housing/renters-credit-would-help-low-wage-workers-seniors-and-people-with-disabilities>

¹⁸ These changes in the Cantwell-Hatch bill wouldn’t, however, dedicate resources to serving the lowest-income families, so states would have to choose between building more total LIHTC units or building fewer units but making some of them affordable to lower-income families. In addition, even if states used the new flexibility, the changes would permit rents that — while lower than regular LIHTC rent limits — are still above what many families at the bottom of the income scale can afford. And finally, the new options could only be used in developments that are undergoing major construction or rehabilitation through LIHTC, a small share of the overall rental stock. For these reasons, it would be best to combine the expansion and improvements in LIHTC with the renters’ credit mentioned above, as both are needed to make housing affordable to the neediest Americans. For more information on how a renter’s credit would complement LIHTC, see <http://www.cbpp.org/blog/renters-tax-credit-would-complement-existing-housing-development-credit>.