

**Democratic National Convention
2016 Platform Drafting Committee
June 8, 2016
Testimony by Sheila Crowley, Ph.D., MSW**

Chairman Cummings and members of the committee, I am Sheila Crowley. I have recently retired after 17 years as the President and CEO of the National Low Income Housing Coalition. I am testifying today as a private citizen. I am grateful to Senator Sanders for inviting me to testify and honored to be with you today.

Having a home to which one can return at the end of the day is fundamental to human existence. Whether a simple rented room or a mansion, a home is the place where one should be assured of privacy, rest, safekeeping of belongings, comfort, warmth, and the security of knowing that it is yours. A home is a common human need and a human right. It is essential to success in all other spheres of modern life.

Yet like so many other aspects of the American economy, housing, the physical manifestation of home, is riddled with inequality. Federal, state, and local housing policy and housing finance are weighted in favor of the better off. Eviction, foreclosure, housing poverty, homelessness, substandard conditions, unfair lending, and illegal discrimination are experienced by millions of people in the United States every day. We can and should do better.

I will focus my testimony on the housing needs of the lowest income people, which will by necessity be about rental housing. While 63% of households in the U.S. own or have mortgages on the houses in which they live, home ownership is not the preferred form of tenure for many people. People with insufficient and/or irregular income are best served by balanced housing policy and a robust rental housing market.

Housing poverty is experienced by a person or a family who does not have enough money to pay the monthly cost of a modest, decent home and also pay for food, medicine and other basic needs. People who are elderly or disabled and whose only income is from Social Security or Supplemental Security Income (SSI), and people working in the low wage work force are most vulnerable to housing poverty. Housing poverty is also the condition of a community that fails to provide sufficient modest, decent housing for all its members, so that some members are forced to live in unsafe, unstable housing or go without housing altogether to pay for food, medicine, and other basic needs. Balanced housing policy and a robust rental housing market would assure a supply of housing that is affordable for every member of the community.

In 2014, there were 43.2 million renter households and 46.8 million rental housing units. Of the renter households, 10.4 million were extremely low income (ELI), meaning they had incomes of 30% of the area median or less.¹ There were only 5.8 million rental housing units that they

¹30% AMI is \$26,010 a year in Baltimore, \$14,430 in Miami, \$25,740 in Minneapolis, and \$32,130 in San Francisco.

could afford, using the standard affordability measure of no more than 30% of household income spent on housing related costs. ELI households are the only income group for whom there is an absolute shortage of rental housing. Moreover, because higher income people rent some of the units that ELI households can afford, the real shortfall in rental housing supply for ELI households is 7.2 million units.²

A household that spends more than 30% of its income for housing is considered cost burdened. If total housing costs exceed half of household income, it is severely cost burdened. The lower one's income, the more dangerous cost burden becomes. Nationwide, 88% of ELI renters are cost burdened with 75% of ELI renters severely cost burdened.³

Faced with untenably high housing costs, people seek out more income with second or third jobs or resort to extralegal means of satisfying the landlord. They scrimp on other necessities, foregoing heat or food or medicine. They are at the whim of unreliable, but no or low cost, forms of child care or transportation. Any disruption in pay – illness, car trouble, attending a parent-teacher conference – can upend even the most carefully planned budget. Non- or late payment of rent looms large every month and is a source of unrelenting stress.⁴

Poor families have high rates of involuntary residential mobility (forced moves) due to eviction. Facing eviction for falling behind in rent, many struggling tenants, especially women, move out ahead of the process server. The next housing situation is sure to be worse than the last. People careen from living with friends and relatives to stays in cheap motels to sleeping in their cars, and finally to emergency shelters or the street.

I urge the committee to read *Evicted: Poverty and Profit in the American City* by Matthew Desmond and *\$2.00 a Day: Living on Almost Nothing in America* by Kathryn Edin and Luke Shaefer.⁵ Both books provide graphic narratives of the struggles of people eking out an existence in the U.S. economy. Desmond's research finds that eviction is both a consequence and cause of poverty with a wholly inadequate housing market and a legal system that is heavily tilted in favor of even the most unscrupulous landlords. Edin and Shaefer show the intersection between the loss of the safety net for poor mothers and exploitation by employers and even family members with whom they are forced to double-up. The families featured in these books all are episodically homeless.

Housing poverty, residential instability, and homelessness have consequences far beyond housing. Education is disrupted with children churning through schools as they move from place to place. Just this week, the *New York Times* reported that 47% of the students in one city

² Aurand, A. et al. (2016). *The GAP: The affordable housing gap analysis 2016*. Washington, DC: National Low Income Housing Coalition.

³ Ibid.

⁴ Some of the content in this paper is derived from my chapter titled "Homelessness is about housing" in Burnes and DiLeo (Eds.). (2016). *Ending Homelessness: Why We Haven't, How We Can*. Boulder, CO: Lynne Rienner.

⁵ Desmond, M. (2016). *Evicted: Poverty and profit in the American city*. New York: Crown, and Edin, K. and Shaefer, L. (2015). *\$2.00 a day: Living on almost nothing in America*. Boston: Houghton Mifflin Harcourt.

school were homeless.⁶ A safe and affordable home is also essential for good health or to maintain treatment for chronic health problems. Pediatrician Megan Sandel calls decent and affordable housing a vaccine that benefits both the individual and the community. A stable home is a precursor to succeeding in the workforce. All the goals we have for our citizens – child well-being, educational achievement, sound public and personal health, a productive workforce, aging with dignity – depend on a foundation of good housing. Policy makers and community leaders who fail to recognize the centrality of good housing to the health of our people, our communities, and our economy are short-sighted and neglecting their responsibilities.

It is all too common for Americans to think that housing poverty and homelessness have always been part of the American landscape. In fact, as recently as 1970, the market showed a small *surplus* of rental housing that people in poverty could afford.⁷ Tracing the decline in the supply of low cost rental housing and the concomitant rise in homelessness starts in the 1970s with a stagnating economy and early indicators of growing income inequality. Urban revitalization and gentrification brought the permanent loss of hundreds of thousands of low cost city dwellings, often the housing of last resort for the poorest of the poor. An estimated one million single room occupancy units were lost in the U.S. between 1970 and 1980.⁸

The traditional housing economic model relied on “filtering” in the housing market. New housing in better neighborhoods is built to attract an upwardly mobile population, who vacate older housing in less desirable neighborhoods. Rents in the older housing go down, making them affordable for lower income people. This way, the supply is constantly replenished. But filtering can only bring rents down so far. Once the rent that the prospective tenants can afford goes below the minimum cost to maintain and operate the housing, the owner will stop investing in the property or look for other ways to use the property that will provide a return. With falling incomes and the resulting mismatch between what it costs to operate even the lowest cost housing and what low income people could pay, the supply of low cost housing dwindles and eventually disappears.⁹

A major overhaul of federal housing programs occurred with the “Housing and Community Development Act of 1974,” which established the Section 8 program to replace public housing to produce and subsidize new affordable rental housing. The Ford and Carter Administrations had ambitious budgets to add tens of thousands of new units and housing

⁶ Harris, E.A. (June 6, 2016). Where nearly half the pupils are homeless, school aims to be teacher, therapist, even Santa. *The New York Times*.

⁷ Daskal, J. (1998). *In search of shelter: The growing shortage of affordable rental housing*. Washington, DC: Center on Budget and Policy Priorities.

⁸ Frank, K.A. (1998). Single room occupancy housing. In W. Van Vliet (Ed). *Encyclopedia of housing* (pp. 538-540). Thousand Oaks: Sage.

⁹ Apgar, W.C. (1993). An abundance of housing for all but the poor. In G.T Kingsley & M.A. Turner (Eds). *Housing markets and residential mobility* (pp. 99-123). Washington, DC: Urban Institute Press.

vouchers for several years. However, the federal investment took a precipitous decline in the early days of the Reagan Administration.¹⁰ Additions to federally subsidized housing dropped by 66% from the 1970s to the 1980s.¹¹

Support for low income housing programs took another big drop in the mid-90s in the wake of the Gingrich Revolution.¹² The FY1997 appropriations bill for the U.S. Department of Housing Development (HUD) zeroed out new housing assistance for the first time.¹³ While some HUD budgets in the ensuing years have added a modest number of vouchers, there have been more losses than gains. The FY1997 budget marked the onset of a two decade defensive posture to protect HUD low income rental housing programs. The FY2017 budget will be more of the same.

Even when there is funding, communities fight the siting of new multi-family housing, especially for low income households, anywhere near them. The loss of low cost rental housing must also be examined through the lens of persistent race discrimination. Resistance to investing in and siting of new low income rental housing is often a thinly disguised objection to people of color moving into a neighborhood. The Affirmatively Furthering Fair Housing rule issued by the Obama Administration in 2015 holds the promise of combating NIMBYism, but a much greater federal investment in low income housing is needed.

Unlike food and health care to which one is entitled in the U.S. if one's income is low enough to be eligible (SNAP, Medicaid, etc.), housing for low income people is not an entitlement. Because of funding limits and because HUD programs are discretionary and subject to annual appropriations, only 25% of eligible households actually receive federal housing assistance,¹⁴ about 4.6 million households with 10 million people.¹⁵ The total federal investment in low income rental housing, including through the tax code, is \$50 billion for FY16. Most of these dollars go to maintain existing housing assistance and do not make a dent in the 7.2 million ELI rental housing shortage.

Contrast federal spending on low income housing, which is clearly inadequate, with the subsidies to homeowners through the tax code. OMB estimates that the combined value of the deductions for mortgage interest and property taxes and the exclusions for capital gains and imputed rent equals \$253 billion in tax expenditures in 2017. The mortgage interest deduction

¹⁰Dolbeare, C. & Crowley, S. (2002). *Changing priorities: The federal budget and housing assistance 1976-2007*. Washington, DC: National Low Income Housing Coalition.

¹¹Burt, M. (1992). *Over the edge: The growth of homelessness in the 1980s*. New York: Russell Sage Foundation.

¹²Dolbeare & Crowley.

¹³DeParle, J. (1998, October 20). Slamming the door. *The New York Times Magazine*, 52-57, 68, 94-95.

¹⁴Center on Budget and Policy Priorities. (2015). *Policy basics: Federal rental assistance*. Washington, DC: Author. <http://www.cbpp.org/sites/default/files/atoms/files/PolicyBasics-housing-1-25-13RA.pdf>

¹⁵U.S. Department of Housing and Urban Development. (2013). Picture of subsidized households. Washington, DC: Author. <http://www.huduser.org/portal/datasets/picture/yearlydata.html>

alone costs \$69 billion and subsidizes mortgages up to \$1,100,000.¹⁶ By simply setting the upper limit on the mortgage interest deduction at the first \$500,000, an additional \$95 billion would be generated over ten years. Only 5% of all mortgages between 2012 and 2014 were for more than \$500,000.¹⁷ This is just one example of how federal spending priorities are out of sync with national need.

What follows are my policy recommendations to include in the platform for the 2016 Democratic National Convention pertaining to low income rental housing:

1. **Fund the National Affordable Housing Trust Fund at a minimum of \$5 billion a year.** As a Member of the House in 2001, Senator Sanders introduced the bill to create the National Affordable Housing Trust Fund with Representatives Barbara Lee (D-CA) and John McHugh (R-NY) as original cosponsors. The National Housing Trust Fund (NHTF) provides new money to produce, preserve, rehabilitate, and operate rental housing that is affordable for ELI households and is the first new money for rental housing specifically targeted to ELI households since 1974.

After numerous twists and turns, the NHTF was enacted in 2008 with the dedicated funding source of an annual assessment on Fannie Mae and Freddie Mac. However, that assessment was suspended until this year when the NHTF will be implemented at long last. Unfortunately, the funding level is much lower than originally projected, at just \$174 million.

The Johnson-Crapo bipartisan housing finance reform bill (S. 1217) in 2014, which was supported by the Obama Administration, created a mechanism which would have provided up to \$4 billion a year for the NHTF. Representative Keith Ellison's "Common Sense Housing Investment Act" (H.R. 1662) would provide an average of \$13 billion a year over ten years for the NHTF through modest changes to the mortgage interest deduction. The idea is to create dedicated funding streams, not subject to annual appropriations, on the mandatory side of the budget to assure reliable and robust funding for the NHTF.

2. **Commit to Ending All Homelessness.** The Obama Administration has done an admirable job at reducing homelessness among veterans and people with chronic mental illness and/or addictions. But ending homelessness, especially among families, in the U.S requires a much larger investment in rental housing through the HUD homeless assistance programs, the NHTF, and housing vouchers.

¹⁶http://www.whitehouse.gov/omb/budget/Analytical_Perspectives (see Supplemental Materials, Tables 14-1 to 14-4)

¹⁷ Crowley, S, et al. (2015). *A rare occurrence: The geography and race of mortgages over \$500,000*. Washington, DC: National Low Income Housing Coalition.

3. **Preserve and Improve Public and Assisted Housing.** These hard units of affordable rental housing are a precious and endangered resource that should be protected and preserved for continued use by future generations. The disinvestment in public housing is staggering. We have lost 300,000 units of public housing since its peak of 1.4 million. A conservative estimate is that the backlog in capital investments to bring the existing stock up to current building standards is \$26 billion.

For the privately owned, federally assisted properties, funding must be assured to renew all contracts each year and to provide for needed replacement reserves. Moving the funding for these contracts to the mandatory side of the federal budget should be explored.

4. **Protect, Improve, and Expand Housing Vouchers.** Today, 2.4 million households are assisted with housing vouchers. Several thousand vouchers were lost under sequestration and have not been restored. We must assure that not one more voucher is lost.

To better use the voucher resources we have, Congress should incentivize regional voucher administration, implement small area Fair Market Rents nationwide, and authorize cost-based vouchers to be used with newly produced or restored rental housing units. Congress also should add source of income as a protected class under the Fair Housing Act.

Finally, the voucher program should be moved to the mandatory side of the federal budget and expanded over time to become an entitlement, starting with all ELI people who are elderly or disabled.

5. **Fully Fund All Other HUD and USDA Low Income Housing Programs.** The appropriations to these programs should be restored to the highest level possible.
6. **Fully implement Affirmatively Furthering Fair Housing (AFFH) Rule.** Coupled with new housing resources, AFFH holds the promise of expanding the affordable housing supply and thus expanding true housing choice for all low income people. Whether one wants to remain in a revitalized community that protects existing residents from displacement or move to new opportunities, a sufficient supply of affordable housing is required.
7. **Make the Protecting Tenants in Foreclosure Act Permanent.** In the wake of the foreclosure crisis, Congress passed the “Protecting Tenants in Foreclosure Act (PTFA)” in 2009. Based on research that 40% of households who lost their homes due to foreclosure were renters and the lack of protection for tenants against eviction after foreclosure in all states but NJ and DC, Congress set a federal standard that new owners of foreclosed properties must honor existing leases or provide at least 90 days notice when there is no lease.

Unfortunately, PTFA sunset in 2014. Senator Richard Blumenthal (D-CT) and Representative Keith Ellison (D-MN) have introduced bills (S. 730 and H.R. 1354) that would reactivate and make PTFA permanent. These bills would also add a private right of action to improve

enforcement of the law.

8. **Include Housing in Criminal Justice Reform.** As we have incarcerated more poor black and brown men over the last 20 years, prisons have become a defacto part of our low income housing system. The U.S. spends \$80 billion a year to house 2.2 million people in our prisons and jails. We now recognize that this injustice must be addressed and housing has to be part of criminal justice reform.

The housing response has to be more than making it easier for people coming out of prison to access existing affordable housing; there is not enough housing for everyone in need. The response should include redirecting some of the money we spend on prisons to housing and jobs so that people will succeed when they come home. We must not repeat what happened when we deinstitutionalized public psychiatric hospitals in the 1970s and 80s without a community-based housing plan.

9. **Reduce income inequality.** Finally, an affordable housing agenda also must include improving incomes and benefits so that people can better afford housing in the market. This means increasing the minimum wage to at least \$15 an hour and indexing it for inflation, requiring employers to provide basic benefits like paid sick and annual leave, expanding high quality and affordable child care, and protecting and expanding the Earned Income Tax Credit. It also means taxing income from capital gains at the same rate as earned income and other means of reducing income inequality.

Thank you again for the opportunity to offer these comments. I look forward to your questions.

Sheila Crowley
540-907-2993
Sheilamccrowley@gmail.com