

Hearing on Expanding Housing Access to All Americans

HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT

OF THE

COMMITTEE ON WAYS AND MEANS

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FIRST SESSION

July 14, 2021

COMMITTEE ON WAYS AND MEANS
Subcommittee on Oversight
Hearing on Expanding Housing Access to All Americans
July 14, 2021 – 2:00 PM
Witness List

Jeff Tucker, Senior Economist, Zillow

Gerald Howard, Jr., CEO, National Association of Home Builders

Staci Berger, President and CEO, Housing and Community Development Network of New Jersey

Lilian Faulhaber, Professor of Law, Georgetown University

John Persinger, CEO, Erie Downtown Development Corporation



HOUSE COMMITTEE ON WAYS & MEANS

CHAIRMAN RICHARD E. NEAL

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS SUBCOMMITTEE ON OVERSIGHT

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Chair Pascrell Announces Oversight Subcommittee Hearing on Expanding Housing Access to All Americans

House Ways and Means Oversight Subcommittee Chair Bill Pascrell, Jr. announced today that the Subcommittee will hold a hearing on “Expanding Housing Access to All Americans” on Wednesday, July 14, 2021 beginning at 2:00 PM EDT.

This hearing will take place remotely via Cisco Webex video conferencing. Members of the public may view the hearing via live webcast available at <https://waysandmeans.house.gov/>. The webcast will not be available until the hearing starts.

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record can do so here: WMdem.submission@mail.house.gov.

Please ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Wednesday, July 28, 2021.**

For questions, or if you encounter technical problems, please call (202) 225-3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but reserves the right to format it according to guidelines. Any submission provided to the Committee by a witness, any materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

ACCOMMODATIONS:

The Committee seeks to make its facilities and events accessible to persons with disabilities. If you require accommodations, please call (202) 225-3625 or request via email to WMDem.Submission@mail.house.gov in advance of the event (four business days' notice is requested). Questions regarding accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available at <https://waysandmeans.house.gov/>

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EXPANDING HOUSING ACCESS TO ALL AMERICANS

Wednesday, July 14, 2021

House of Representatives,

Subcommittee on Oversight,

Committee on Ways and Means,

Washington, D.C.

The subcommittee met, pursuant to call, at 2:03 p.m., via Webex, Hon. Bill Pascrell [chairman of the subcommittee] presiding.

*Chairman Pascrell. Thank you and good afternoon, welcome. I call to order the Subcommittee on Oversight. Thank you for joining us.

We are holding this hearing virtually, in compliance with the regulations for remote committee proceedings.

Before we turn to today's important topic, I want to remind members of a few procedures to help you navigate this virtual area.

First, consistent with the regulations, the committee will keep microphones muted to limit background noise. Members are responsible for unmuting themselves when they seek recognition, or when recognized for their five minutes.

And the second thing is, when members are present in the proceeding, they must have their cameras on. If you need to step away to attend another proceeding, please turn your camera and audio off, rather than logging out of the platform.

Third, we will dispense with our practice of observing the Gibbons rule. Instead, go in order of seniority for questioning, alternating between majority and minority, beginning with members of the Oversight Subcommittee first.

I thank you for all your continued patience as we navigate these procedures to continue serving our country together.

And with that I will now turn to the important topic of today's hearing: expanding housing access to all Americans.

So good afternoon, everybody, brothers and sisters, welcome to the Oversight Subcommittee's hearing on expanding housing access to all Americans.

Just two weeks ago, our subcommittee examined barriers to higher education, especially for low-income students and people of color. We learned that the enormous cost of higher education is holding back a generation. For many, the cost of college is prohibitive, and without a degree they cannot enter the middle class. And those that borrow have mountains of debt that can take a lifetime to pay off.

Today's hearing focuses on another equally crucial component of economic opportunity and stability in our country, and that is access to affordable, safe housing. Extensive research shows that home ownership is a gateway to the middle class. But like higher education, housing has been out of reach for many. The pandemic only made it worse. Today a staggering eight million households face foreclosure or eviction. Only 52 percent of the households earning below the median family income own a home.

So since 2008 the United States has had a housing shortage and, with it, a drastic increase in home prices. The disruption of existing supply chains during the pandemic simply exacerbated these problems -- what we pay for plywood, et cetera, et cetera, all the way down the line. Although things have started to level off a little bit in the last three weeks.

So the supply of homes has fell a catastrophic 30 percent. The pandemic wreaked havoc on renters. It is estimated that six million renters are behind on rent payments. That is roughly one out of seven in America. The CARES Act put a temporary eviction moratorium in place, but also provided rental aid that has been painfully slow in reaching people, unfortunately.

Minority Americans face systemic obstacles to accessing affordable and secure housing. Segregated housing policies in our country, including redlining, have left minorities behind for generations. Home ownership among Black Americans is at a rate of 46 percent, compared to 76 percent for White Americans. These disparities and discrimination are a stain on us all, and a disgrace to do this -- disgrace to our great country. And we could do something about it.

Congress tried to incentivize Home ownership with itemized deductions for mortgage interest and property taxes. But these benefits were gutted by the 2017 tax scam of the Republican Party, and it has been proven. That is data. Follow the facts. The Low-Income Housing Tax Credit is another tool that could encourage investment in multifamily housing. I have seen positive results of -- like my own town, Paterson, New Jersey. Our witnesses could talk about this credit, and how to make it better.

With the first round of the Child Tax Credit flying into parents' bank accounts this week -- tomorrow, to be exact -- we are providing direct relief for families, many of whom are

struggling to pay their rent or mortgage. Today we may hear a panel of housing experts. I look forward to their suggestions for minimizing the obstacles to obtaining affordable and secure housing.

*Chairman Pascrell. But first I want to yield to my brother on the other side, Mr. Kelly, our ranking member, for his opening remarks.

You have five minutes, Mr. Kelly.

*Mr. Kelly. Thank you so much, Chairman, my brother. Listen, thanks for holding the hearing today on expanding housing access.

Now, unaffordability in the housing market is a real concern, and Republicans support removing Federal and local barriers to affordable housing and home ownership. Now, as you know, Republicans have long supported many tax credits, such as the Low-Income Housing Tax Credit, the New Markets Tax Credit, and the opportunity zone incentives, all of which are designed to help bolster communities in need, including as a way to make housing more affordable.

Now, recently, with Brian Higgins, we introduced a bipartisan, bicameral piece of legislation called the Neighborhood Homes Investment Act. This legislation aims to infuse equity into homes that have degraded over time. The bill would support the revitalization for distressed urban, suburban, and rural neighborhoods by closing the value gap. And that is a

situation that arises when the cost to build or revitalize a home is more than the value of the home after that work is done. Now, if enacted, this bill would help close that gap, and would be another tool in the tool belt of local cities and towns to help strengthen their communities.

But now, not all of these tax credits alone will be useful to every community. We have to recognize that each of our communities may face slightly different barriers related to affordable housing.

Now, back home in my district, in Erie, Pennsylvania, our challenge is not necessarily access to housing, but an issue of a waning economy. And I would just mention -- and John Persinger can jump on this -- we have the lowest income zip code in the United States of America, 16501, which is hard to believe. If you were to ask somebody that, where do you think the lowest income and zip code would be, I don't think many people would say, "Oh, I think it is probably Erie, Pennsylvania.'" Well, I am not happy about that, but that is the lowest.

Now, we have a good amount of housing stock, but a lot of the houses -- for what people have paid. So that makes it really difficult to keep up with repairs to keep houses from deteriorating.

Now, you know I am in the automobile business. We look at a car that somebody wants to trade in, and we find out what they owe on it, and they may be upside down, which means they have a

negative equity situation. Any time we look at re-evaluating a car, or reconditioning a car, we are looking at it as a five-to-one return of what you spend. I want you to relate that now to what you would have to do to these homes, these houses, to upgrade them.

This is an experience that is important to highlight, as part of today's discussion, which is why I am thankful to have John Persinger here to tell us more about what is happening in Erie, Pennsylvania and similar towns across the Midwest and Northeast. As you know, owning a home, although it is a part of the American dream, is not easy. There are real challenges and real costs.

Now, if we are going to address these barriers in the housing market, we need to make sure we are looking at all the perspectives. Now, John is the CEO of Erie Downtown Development Corporation. That is a long title. That means he is in the trenches of trying to figure out how to infuse new life and new capital into our community, up in Erie. He has done a fantastic job in this. John and his team are working out some really innovative projects. And a key part of his work is financing.

One of the key tax incentives you will hear John talk about is opportunity zones. This important tax credit is really helping to bring new economic growth, jobs, and housing into Erie and the surrounding area. That is why I am hoping -- and I know that we can work together on this, Mr. Pascrell -- to figure out how best to strengthen the opportunity zones for the future.

I want to say one final thing about how we can work together to address this challenge of housing affordability. There is certainly a policy role for local governments, and even the Federal Government, when it comes to housing affordability. And we need to find the right mix of policies to help address this issue. But massive subsidy increases alone are not going to address the root causes of rising housing prices. When it comes to helping Americans afford suitable housing, there is no substitute for a strong, dynamic economy that comes from pro-growth policies that create good jobs and lead to rising wages.

Republican policies prior to the pandemic created one of the strongest economies we have ever seen in our history, which improved housing affordability across the country. Now, while we discuss the best combination of Federal policies that impact housing, we should also refocus our energy on returning to the pro-growth, pro-job policies that were so successful prior to the pandemic.

Now, I want to thank all of our witnesses for being here today. We really value your input, and look forward to your testimony.

*Mr. Kelly. With that, Mr. Chairman, I yield back. And again, we thank you for holding this today. This is a great, great hearing for all of us to listen in on.

*Chairman Pascrell. It is a great, great subject to talk about. I think your idea about helping those older homes in Erie

-- I know a little bit about the history of Erie, it is a great American city, a great history. It lost its population, a lot of its population, and it needs to come back. And if you don't have good housing, you are not going to come back. I don't care how many big office buildings you put up. They go hand in hand.

So I thank you, Mr. Kelly, and we are looking forward. And I know that you are working with Brian Higgins, so we are going to get something done on that, hopefully, okay?

*Mr. Kelly. Thank you, sir.

*Chairman Pascrell. Okay, now we are going to start with our first witness, Jeff Tucker. He is a senior economist at Zillow, where he focuses on the housing market.

So, Mr. Tucker, we are honored to have you here, as we are with all our witnesses. And you are up. You got five minutes.

STATEMENT OF JEFF TUCKER, SENIOR ECONOMIST, ZILLOW

*Mr. Tucker. Thank you, Chairman Pascrell and Ranking Member Kelly. It is my pleasure to appear before you today. I want to thank you and the subcommittee for holding this important and timely hearing.

As you said, my name is Jeff Tucker. I am a senior economist at Zillow. From our founding, Zillow has sought to empower consumers, industry professionals, policymakers, and researchers to better understand the housing market.

The COVID-19 pandemic has caused many Americans to rethink their housing choices. At Zillow we believe our nation is in the early stages of what we call the great reshuffling, as new opportunities for remote work, a reassessment of housing needs, and a perfect storm of demographic shifts have led to unprecedented demand for housing. This demand, augmented by historically low interest rates and a decade of low housing construction, has led to a severe supply-demand imbalance, intensifying the challenges of housing access and affordability for many Americans.

Nationally, the housing market is experiencing the hottest -
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*Voice. -- within seven minutes --

*Mr. Tucker. -- the lowest --

*Voice. I can see if --

*Chairman Pascrell. Time out. Time out. Somebody shut off their voice, so we don't have to hear you.

The witness -- you are not going to lose any time -- the witness is trying to communicate with all of us.

*Mr. Tucker. All right, I will resume.

So this is the hottest housing market on record: the fastest price appreciation, the lowest inventory, the shortest time on the market. The typical home value is about 15 percent higher than a year ago, and homes are now selling in just 7 days, at the median, compared to a previous record low of 22 days in 2019.

Overall, the nation's housing market proved resilient throughout the pandemic, and will remain on solid ground. This is, in part, due to decisive actions by lawmakers and regulators throughout the pandemic, which helped to avert a potentially catastrophic wave of foreclosures and evictions when millions of Americans lost their livelihoods last year. Clearly, the housing market not only avoided a downturn, but, on the contrary, experienced a dramatic upturn in price appreciation.

It is fair to ask why. As an economist, I would answer supply and demand. The Millennial generation is entering its prime home-buying years, with some 46 million Americans currently aged 26 to 35 years old. That is five million more people in that age range than just a decade ago. It is even three million

more than the largest wave of Baby Boomers to pass through that age range a generation ago. That meant America entered the pandemic with an unprecedented number of people who were likely to want to buy their first home in the near future, and the pandemic accelerated that buying decision for many, as the need for more space and the availability of more location options due to remote work became front of mind.

After the 2007 crash, the pace of homebuilding in the U.S. slowed sharply. Cumulatively, that meant perhaps 8 million fewer homes were built between 2007 and 2020 than otherwise might have been. While homebuilders are now finally ramping up production, major headwinds are constraining their ability. Issues such as restrictive zoning, supply chain constraints, and labor shortages are limiting the pace of construction and raising the costs of every home that does get built. Even with the needed supply-side policy fixes, it would take years to dig out of a hole that was over a decade in the making.

Looking ahead, Zillow's forecast for home value appreciation shows annual home value growth potentially peaking as high as 20 percent later this year, before decelerating in 2022. We still expect the typical U.S. home will be worth 13 percent more in June of next year than it was in June of this year.

Home prices cannot continue growing at 15 or 20 or 30 percent in some areas forever, but even 1 year of such rapid growth is pushing the cost of Home ownership out of reach for many Americans. If market conditions continue with supply and

demand-side challenges still unmet, there is a risk that U.S. home ownership may decline in the coming years. The Urban Institute recently predicted just such a decline in home ownership, which would translate to about 3.3 million fewer owner-occupied households in 2040, and that decline is much more pronounced for Black households. These projections mean that racial disparities in overall wealth stand to worsen considerably, if Home ownership gaps continue widening on their current trajectories.

Policies that encourage more housing supply are critical, as well as targeted assistance to would-be buyers with the most difficulty getting on the housing ladder. Easing outdated restrictions on government-insured mortgages, and updating real estate regulations written for an analog era would help spur more options for buyers, reduce the stress of selling, and ease some of the friction in the home sale market, potentially helping more people end up in the right home for their families.

Finally, we cannot expect to achieve broadly accessible home ownership without sustained economic growth, running long enough to bring secure, well-paying jobs to every American worker who is looking for one.

In conclusion, I want to emphasize that not one policy or economic trend has gotten the housing market to this point, nor should one be viewed as a silver bullet. These complex issues will require Federal, state, and local decision-makers to utilize all the tools available. Zillow stands ready to partner with

policymakers to provide data and transparency to help consumers access affordable housing.

I want to thank the members of the subcommittee again for holding this hearing, and I welcome your questions.

[[The statement of Mr. Tucker follows:](#)]

*****COMMITTEE INSERT*****

*Chairman Pascrell. Jeff, great job, great opening, great witness. And obviously, you will get some questions later on.

Our next witness is Gerald Howard, and he is the chief executive officer of the National Association of Home Builders. And I am sure all of us in our own districts work very closely with the home builders, locally and nationally.

So, Gerald, it is all yours. Five minutes.

STATEMENT OF GERALD HOWARD, JR., CEO, NATIONAL ASSOCIATION OF
HOME BUILDERS

*Mr. Howard. Thank you, Mr. Chairman and Ranking Member Kelly. We appreciate your holding this important hearing. And I have to tell you, on behalf of the homebuilding sector, we hope this is the first of what should be a series of hearings on housing and housing policy, since it has truly been since 1990 that Congress has examined American housing policy holistically. We believe that that has led to inefficiencies and problems with our commitment to housing, and with the programs that we have, working at the best of their ability for the taxpayers. So we truly hope that this is the beginning of something big.

For background, NAHB's members are involved in all aspects of residential and light commercial construction, including building, remodeling, multifamily construction, multifamily management. To put it into context, our members build 80 percent of all the housing units that are constructed in the United States in a given year. Collectively, we represent over 3 million workers in the industry, and last year the share of gross domestic product for housing was 17 percent of the economy.

While we were a bright spot for the economy in 2020, we are still facing many of the challenges that Jeff alluded to. And I would like touch on a couple of those.

First, I would say that what we call the challenges are the five Ls. They are labor, lots, lending, lumber, and legal.

Labor. There is a significant shortage in skilled labor for our industry, and Congress and policymakers across the spectrum should be active in helping to teach American children that working in the construction trades is a noble profession, and affords good incomes, job security, and job freedom, working with their own hours and owning their own companies.

Also, our immigration policies need to be examined, in terms of providing labor. As for many immigrants, including my own relatives, working on construction was their first step on the economic ladder.

Lots. We need to free up more land for development, with regulations being eased at the Federal, state, and local levels.

Lending. Acquisition, development, and construction lending is always circular. But in this case, we need to make it more consistently available to builders around the country.

Lumber. Everyone who has spoken has already touched on that subject. The lumber problems we are having right now in this country are unprecedented, and we need to examine the supply chain.

I am happy to announce that only today Commerce Secretary Raimondo has scheduled a hearing, or a meeting, rather, a gathering, with the lumber supply chain. And we are looking

forward to that happening sometime in the next week or so. So that is a great step in the right direction.

And legal is regulatory. Right now, the cost of regulations for the average price of a house is roughly 24 percent of the cost of construction, 32 percent of the cost of construction for a multifamily unit. And I am told that in San Diego County, California, which is the worst for regulatory burdens, it is over 50 percent of the cost of a house that is in compliance with regulatory burdens that are placed on it. Those regulations are Federal, state, and local regulations. Clearly, it is difficult to build housing that is affordable to an average citizen, when over 50 percent of the cost is in regulations.

Jeff Tucker touched on it, fixing any one of these alone would not necessarily solve the problem. However, I think we need to start looking at them all, as I mentioned, holistically. First the supply chain, and conversations with Secretary Raimondo are giving us some optimism.

However, we also believe that the United States needs to get back to the table with Canada, and examine the Canadian softwood lumber agreement. That has been expired for several years now, and it is very inconsistent with what is going on in policy.

Next we should also look at the Low-Income Housing Tax Credit. It is the single most effective housing production tool that we have ever had in this nation. It has been picked at around the edges, improved somewhat over time, but a holistic re-

examination of the credit and improvements of it is also necessary.

Third, importantly, and what I think is going to be newsworthy, is we would like to recommend a reassessment of the mortgage interest deduction. With the tax changes that have been put in place, only the wealthy take the mortgage interest deduction. We don't believe that that is the best expenditure of the taxpayers' dollars. We would like to recommend a tax credit, similar to one that then Chairman Brady was looking at during the tax reform process several years ago, but a tax credit, rather than a deduction, that would be targeted toward lower-income people.

With that, Mr. Chairman, I want to thank the committee and say we look forward to working with you to solve all of these problems.

[The statement of Mr. Howard follows:]

*****COMMITTEE INSERT*****

*Chairman Pascrell. Thank you very much, Mr. Howard, and it would be nice if you could put that on one sheet, some facts, get it to our members. I think it would be very helpful, because you introduce some very important things that we need to do, maybe, and we need to look at. And I definitely agree with you, I hope that this is the beginning of a few hearings. This is a very big subject that has been neglected for so many years. And now we see we are, like, in a bind with our senior citizens. So thank you very, very much for your remarks.

And now our next witness is Professor Lilian Faulhaber. She is the professor of taxation at a great university, Georgetown, Georgetown Law.

Lilian, are you there?

*Ms. Faulhaber. I am here. Thank you so much. Can you hear me?

*Chairman Pascrell. It is all yours.

*Ms. Faulhaber. Excellent. Thank you.

STATEMENT OF LILIAN FAULHABER, PROFESSOR OF LAW, GEORGETOWN
UNIVERSITY

*Ms. Faulhaber. Chairman Pascrell, Ranking Member Kelly, and members of the subcommittee, thank you very much for inviting me to testify. I am honored to be here. I am a professor of law at Georgetown University, where I teach and write about Federal income taxation, tax policy, and international taxation. As a tax expert, my goal today is not to advocate for a particular policy, but instead to talk about the design choices that Congress makes when crafting tax policy.

When designing tax incentives, there are three fundamental questions that Congress should be asking: first, is this helping the Americans that Congress is aiming to help; second, is this creating an incentive for the behavior Congress intends to encourage; and finally, does this have unintended consequences, in terms of either the behavior it encourages, or the Americans it helps or hurts?

In order to help you answer these questions, I want to talk through several tax policy design choices that Congress must make when designing any incentive. While these might seem technical in some ways, the point I want to make today, and the point I make in my written testimony is that these design choices can have a major impact on whether or not tax incentives actually increase access to housing.

So let me start first with whether a tax benefit should take the form of a deduction or a credit. Deductions, like the home mortgage interest deduction or the State and Local Tax Deduction, are known as upside down subsidies because higher-income taxpayers receive larger benefits from them than lower-income taxpayers, and taxpayers who do not have enough income to owe taxes receive zero benefit. Furthermore, if Congress designs a deduction as a below-the-line, or itemized, deduction, then only about 10 percent of taxpayers will get any benefit at all from this benefit, since the vast majority of Americans do not itemize their deductions.

Credits, in contrast, are dollar-for-dollar reductions in taxes. So the benefit does not change depending on whether a taxpayer is higher-income or lower-income. But a credit may still be limited, if Congress designs it as a non-refundable credit. While refundable credits allow taxpayers to receive the full value of the credit, regardless of tax liability, non-refundable credits are limited to tax liability. So higher-income taxpayers are more likely to receive the full benefit from non-refundable credits. The first-time homebuyers credit was refundable for much of its life, meaning that that was something where lower-income taxpayers could benefit fully.

A second tax policy design choice is whether and how to limit the benefits of a tax incentive. I talk about that in my written testimony, and I am happy to take questions on it. But let me focus the rest of my time on the third and fourth choices.

The third design choice that I want to talk about is how to target the tax incentive. When looking at housing policy, Congress can focus on a variety of issues: the supply of affordable housing, the ability of individuals and families to incur the initial expenses of renting a home, the ongoing rental payments, the ability of individuals and families to incur the additional expenses of buying a home, or the ongoing cost of home ownership. Congress, therefore, needs to decide what types of access to housing are most important.

Is it the supply of affordable housing? The Low-Income Housing Credit focuses on this by creating an incentive for developers to build or rehabilitate affordable rental units.

Or is it, instead, the ability of individuals and families to afford their rent? We do not currently have rental incentives at the Federal level, but some states such as Massachusetts do allow deductions for rent, and such an incentive could help offset some of the ways the Internal Revenue Code favors homeowners over renters.

Or is it, instead, the ability of individuals and families to buy homes? If that is the concern, then many economists suggest that the main barrier to home ownership is the ability of buyers to pay the downpayment and closing costs. The First-Time Homebuyer Credit focused on those initial expenses, but the home mortgage interest deduction and state and local tax deduction focus instead on the ongoing cost of Home ownership.

So one major design choice is this one: Which of these types of housing acts to encourage, and what expenses associated with that housing acts as to subsidize? This is important, because subsidizing the wrong expenses can have the effect of not encouraging the behavior Congress hopes to incentivize, or even of creating unintended consequences like increasing the cost of housing.

One final design consideration is whether an incentive should be in the Internal Revenue Code at all, or whether it should be structured as a subsidy. Direct subsidies are unlikely to be upside-down subsidies, and they are unlikely to limit their benefits depending on whether someone takes a sufficient amount of other deductions, or has sufficient tax liability to offset the benefit. They also do not require Americans who want access to housing to come up with the money up front, and then wait until they file their tax returns months later to receive the benefit.

As I said at the outset, seemingly technical details such as whether a deduction is above the line or below the line, whether credit is or is not refundable, and what expense is being subsidized could make a major -- can make a major impact on whether or not Americans are able to benefit from the tax incentive, and whether or not the tax incentive succeeds in improving access to housing.

*Chairman Pascrell. Can you --

*Ms. Faulhaber. Yes, thank you.

*Chairman Pascrell. You are doing a good job, but you have a final sentence or two?

*Ms. Faulhaber. Sure. The Joint Committee on Taxation estimates that the Home Mortgage Interest Deduction and the Low-Income Tax Credit, together, will cost \$175 billion over the next 5 years. And I hope that this has helped you make sure that that and all the other money spent on housing is money that is well spent.

[[The statement of Ms. Faulhaber follows:](#)]

*****COMMITTEE INSERT*****

*Chairman Pascrell. Very good.

*Ms. Faulhaber. Thank very much for having me.

*Chairman Pascrell. We have been talking a lot about the home mortgage situation, and how it is treated in each state. And very interesting. And of course, that is the first deduction that we have on the books from the Civil War. And that home owner's deduction, as you know, has a limit of \$10,000 threshold right now, and that is part of the debate.

But what you are saying is very, very important, I think, to which direction we go. We can't just throw money at the problem. I know my brother, Kelly, says that a lot of times, and it is true. You got to have the right plan, the right program to help these -- it is like looking at Erie all over again. Just putting money in the pot is not going to solve the problem. We have to have the right programs, and I am glad we are talking about it today, and I thank you very, very much for your presentation.

And now I want to call on Mr. John Persinger. He is the CEO of the Erie Downtown Development Corporation. I am anxious to hear about him. I know Mr. Kelly is anxious to hear. And I am sure that we are going to all be educated, and be able to make better decisions in the future.

So go right ahead, John.

STATEMENT OF JOHN PERSINGER, CEO, ERIE DOWNTOWN DEVELOPMENT
CORPORATION

*Mr. Persinger. Thank you, Chairman Pascrell, and thank you, Ranking Member Kelly. Thank you to all the distinguished members of the Ways and Means Oversight Subcommittee for giving me this opportunity to share a perspective on the housing market in Erie, Pennsylvania.

I am the CEO of the Erie Downtown Development Corporation, a nonprofit formed in 2017 by private-sector community leaders -- Erie, and expand housing access through property development. The EDDC and our partners are investing more than \$100 million over the next 3 years to develop 12 projects across 3 blocks in the heart of downtown Erie, which, as Congressman Kelly pointed out, is home to one of the poorest zip codes in America. The median income in 16501 is approximately \$10,800.

None of the work that we are doing would be possible without the financial support of the Erie Downtown Equity Fund. The community leaders who formed the EDDC also raised \$27.5 million for the Erie Downtown Equity Fund. We call the Erie Downtown Equity Fund transformational capital, because it serves the following purposes: acquisition capital, to enable the EDDC to acquire properties; development capital, to pay for architects, construction managers, and other professionals, in order to develop plans that will attract additional investment; patient

capital, to allow for the recovery of a soft real estate market; first at-risk capital, to attract additional investment; and gap financing, to fill gaps on project capital stacks.

Transformational capital is so desperately needed in Erie because of the economics of the local real estate market. In 1960 Erie had a population of about 140,000. Today that number is around 95,000. What this means is that we have more houses than our city needs. Out of approximately 45,000 single family homes in the city, 6,600 homes are vacant or abandoned. Another 9,500 homes show moderate to severe distress.

To give you a sense of the weak nature of our real estate market, we are spending \$25.5 million on 2 of our properties, which will house 28 residential units, a new food hall, and a new grocery store. When we sought bank financing, the appraised value of these properties came back at \$7.7 million. So we are spending 25.5, and they appraised at 7.7. The bank was only willing to provide financing for up to 90 percent of the appraised value, leaving us with a gap of \$18.6 million.

This is typical for development projects, particularly housing projects in the area where most properties only appraise for 65 percent of what it cost to acquire and develop. This means that there are significant financial gaps to replace aging, deteriorating, and overabundant housing stock.

I know that the Federal Government has created several tax credit programs to fill these gaps. However, as we have

experienced in Erie, these tax credit programs are not an easy solution. Most tax credit programs require an affordable housing component. But in Erie, as noted, there is an abundance of middle-class homes that need investment.

It is also difficult to get allocations to small to mid-sized cities. In the 20 years of the New Market Tax Credit program, there has only been one New Market deal in Erie. That happened in 2020, and it wasn't one of our projects. We have actually hired a consultant and, to date, we have struck out with 35 different community development entities for an allocation in New Markets for various reasons. But our geographic location is often cited.

Speaking of consultants, the compliance requirements made tax credit programs cost prohibitive. We spent over \$100,000 in 2 years on historical preservation consulting fees, and have yet to close on the Historic Tax Credit deal. Many community organizations, let alone middle-class families from Erie, Pennsylvania, simply cannot afford these fees. In a way, these tax credit programs have been more successful at creating legal, accounting, and consulting jobs in big cities, than in helping communities like Erie.

Where we have found the most success in attracting outside investment is through the opportunity zone legislation. In contrast to tax credit programs, opportunity zone projects are not limited to low-income housing, allowing middle-class families to benefit from the investments. OZs don't require us to wait on

an allocation of tax credits from the Federal Government or a third-party intermediary. And OZs don't require us to hire expensive consultants. All that we need are investable projects, and investors with capital gains.

So as Congress considers ways to expand housing access to all Americans, I would encourage Congress to understand the housing challenges in communities like Erie, and to critically assess the performance of tax credit programs in these communities.

Thank you again for giving me this opportunity, and I look forward to your questions.

[\[The statement of Mr. Persinger follows:\]](#)

*****COMMITTEE INSERT*****

*Chairman Pascrell. I think you gave a great presentation. I am interested in Erie, because I come from a large city, myself. And instead of losing population, we are poor, but we stayed the same in terms -- we grew our population. Every town is different. And I think you started to talk about that in the midst of what you were presenting to us, John, and you did a great job for -- and I was visualizing this movie in my own mind, from the very beginning to now in front of us.

But choosing the right plan is so critical to what you want to do. So thank you for your presentation. I appreciate it.

Now we are going to turn to Dr. Staci Berger. She is the president and CEO of the Housing and Community Development Network of New Jersey. I am grateful for her dedication to creating affordable housing and revitalizing communities in my state.

One of the problems we have is that our -- whether her camera is working or not. So Staci --

*Ms. Berger. Can you see me, Mr. Chairman?

*Chairman Pascrell. I don't see you, but we are going to try to see you. But we are certainly going to hear you. Don't get discouraged, Staci.

*Ms. Berger. Oh, hardly ever. I appreciate the opportunity to be here. I understand, from the tremendous folks at tech support, that some of you can see me, but that all of you can

hear me, and so I appreciate the opportunity, and am happy to do my very best to give my testimony.

*Chairman Pascrell. We want to hear your testimony.

STATEMENT OF STACI BERGER, PRESIDENT AND CEO, HOUSING AND
COMMUNITY DEVELOPMENT NETWORK OF NEW JERSEY

*Ms. Berger. Thank you so much. Good afternoon, everyone. Thank you, Chairman Pascrell, Ranking Member Kelly, and members of the Subcommittee for the opportunity to testify before you about our nation's housing affordability crisis.

My name is Staci Berger and I am, in fact, the president and CEO of the Housing and Community Development Network of New Jersey, the statewide association of over 275 nonprofit community developers, housing advocates, and private-sector partners working to ensure that everyone has a great place they can afford to call home. The Network is the state's largest HUD-certified housing counseling intermediary, and I am pleased to serve on the board of the National Low-Income Housing Coalition.

We believe that people thrive when they have a safe, affordable place to live. Unfortunately, we still have a long, long way to go to create a balanced housing market that gives everyone a fair chance to live in the community of their choice. Today NLIHC released its annual national report, Out of Reach, detailing the housing wage. That is the hourly wage a full-time worker needs to earn in order to afford a modest, two-bedroom rental apartment. This year our national housing wage is 24.90 an hour. That is three times the national -- the Federal minimum wage.

New Jersey is among the least affordable places to rent. To afford a modest rental home, a New Jersey family must earn almost \$32 an hour, or about \$66,000 a year. A minimum wage worker would have to work about 107 hours a week, year round, no vacation, no breaks, no sick time. Next door, in Pennsylvania, a household must earn about \$20 an hour, 19.95, when the average renter wage is only 16.43 an hour. Affordable rentals are simply out of reach for too many Americans.

Millions of tenants, as we know, were struggling to pay rent before the pandemic. Now, six million renter households risk losing their homes when the Federal eviction moratorium ends. Congress provided billions in emergency rental assistance, but some funds have been slow to reach eligible renters. They need time and assistance, and our neighborhoods need protection from unscrupulous investors who are buying up distressed properties.

We can all see it is a seller's market, but who is buying? Home ownership is the single largest mechanism by which families create and maintain wealth. We know that Black and Brown families, though, are much less likely to be homeowners. Here in New Jersey, 77 percent of White households own a home, but less than half of Black households do. Residents and communities of color suffer from extremely pervasive and persistent racial wealth gaps that is intertwined with our housing affordability crisis.

Researchers at the New Jersey Institute for Social Justice found that, "Black people, through slavery, racially restrictive

covenants, exclusion from the GI bill, redlining, predatory practices, and other policies have been systematically denied the same opportunities for wealth building through home ownership than has been afforded to White households.'" The Institute also found the median net worth for New Jersey's White families is \$352,000, the highest in the nation. But for our Black and Latino families, it is just 6,100 and \$7,300, respectively. According to the Institute, it would take a Black family 228 years to achieve the wealth that the average White family has today.

Congressional action is urgently needed to address this racial housing wealth gap. Thankfully, Congress passed the American Rescue Plan, helping distressed homeowners who are disproportionately people of color, through the Home Ownership (sic) Assistance Fund. As a nation, though, we must -- can and must do better to build back better and more equitably.

A former board member of mine used to say it doesn't take a rocket scientist to create affordable homes. That seems quaint after the events earlier this week, where billionaires went to space. We believe that if -- I believe that, if billionaires can go to space, we can make sure everyone in America has a place to live.

We have an unprecedented opportunity to invest in the housing market and help make -- mitigate systemic and institutional racism. Housing is infrastructure, and Congress should include the following house campaign priorities in any

infrastructure bill: expansion of the housing choice vouchers to pave the way toward universal rental assistance; \$70 billion to repair and preserve public housing; and \$45 billion for the National Housing Trust Fund to build and preserve new homes affordable to America's lowest income and most marginalized households. We thank President Biden for including two of these priorities in the American Jobs Plan, and we know that all three are included in the House Financial Services Committee Chair Maxine Waters's bill.

Congress should also include funding for the rehabilitation of homes with lead paint. To help address the eviction crisis, which disproportionately impacts single women with children, single Black women with children, we urge Congress to pass the bipartisan Eviction Crisis Act of 2021.

More resources for -- developments will create more affordable homes, as proposed in the bipartisan bill being shepherded by Congresswoman Walorski.

Finally, we support the House Appropriation Subcommittee on Transportation, Housing, and Urban Development's proposal to create new housing vouchers, and nearly double housing counseling assistance. Our taxation policy already favors the wealthiest homeowners, providing subsidies through the mortgage interest deduction. The shortage of affordable homes for both renters and homeowners is exacerbated by systemic and institutional racism, and economic injustice that we continue to see around our

country. Congress can and must make the needed investments in our neighbors and our communities to begin to repair this damage.

Surely, if we can go to outer space, we can make certain that everyone has a place to call home. Thank you.

[[The statement of Ms. Berger follows](#):]

*****COMMITTEE INSERT*****

*Chairman Pascrell. Thank you very much, Staci Berger. Thank you for your presentation. Now we are going to go to the questions, questioning of our witnesses by the members on both sides of the aisle of this committee.

So at this time I am going to open the hearing for questions. We will now -- objection, each member will be recognized for five minutes to question our witnesses. The witnesses will respond with short, concise answers, and if our questions can be short and concise, then we are going to be doing well. All members should be able to ask questions.

As mentioned earlier, we are not going to observe the Gibbons rule in the remote setting, and we will instead go in order of seniority for questioning, alternating between minority and majority, beginning with the members of the Oversight Subcommittee.

Members are reminded to unmute yourselves when you are recognized for your five minutes.

We are going to begin by recognizing myself for some questions. My first question goes to Ms. Berger.

I want to welcome you to the subcommittee again, Ms. Berger. I want to thank you for all you do in the State of New Jersey to find and keep affordable housing, especially during this disastrous pandemic.

What is the outlook for affordable housing in New Jersey, as we begin to reopen our state?

And who are the most vulnerable to a housing crisis, in your mind?

*Ms. Berger. Thank you so much again, Chairman, for having me. It was nice to see you in Paterson a few weeks ago, at the signing of the Fair Housing -- Fair Chance in Housing Act, and it is good to be here again. I apologize that I seem to still be having some technical difficulties, but I am going to try to get through and answer your question.

We -- you know, here in New Jersey, throughout the pandemic, our residents have benefitted from the leadership of Governor Phil Murphy and Lieutenant Governor Sheila Oliver, who also serve as -- serves as the commissioner of our department of community affairs. We have had a public health emergency since March 2020, during which we have had a moratorium on evictions and foreclosures. It is a little different, and because we are in New Jersey we like to think we are a little better than the rest of the national moratoriums and the CDC moratorium.

Our moratorium prevents landlords and banks from removing or having removed tenants and homeowners based on their inability to pay during the public health crisis. We call this an eviction moratorium, but it is really a removal moratorium, because people can still have evictions and foreclosures filed against them. About 90,000 evictions have already been filed, and we believe that that is going to disproportionately impact the most vulnerable and -- among us, the people who have been frontline and essential workers. We know that the pandemic and the health

crisis disproportionately impacted Black and Brown residents in New Jersey, and we believe the addiction crisis will do the same.

Our legislature recently passed two bills that worked together to stave off the tsunami of evictions that we hope won't happen. The first part of that legislation to -- prevents landlords from evicting tenants based on their inability to pay during the public health crisis, and instead converts that unpaid rent into civil debt. And landlords, therefore, cannot evict people for non-payment of rent.

Second, the -- it creates a rental navigator program, so that people have access to emergency rental assistance, can help get the paperwork done quickly, and they can access mediation and other housing stability services.

There are some privacy protections, as well, and we believe that those are really important, because we know the eviction crisis overall disproportionately impacts single Black women, single heads of households, much more so --

*Chairman Pascrell. Ms. Berger --

*Ms. Berger. -- than anyone else.

*Chairman Pascrell. Excuse me, I want to get through this -

-

*Ms. Berger. Sure.

*Chairman Pascrell. -- and the members have to have time to ask questions, too.

How many New Jersey families do you estimate have been helped by the moratorium?

*Ms. Berger. Well --

*Chairman Pascrell. -- you anticipate will happen to them when it expires?

*Ms. Berger. Well, so two things. We think there -- we know that there are hundreds of thousands of families that have been helped through the moratorium here, in New Jersey, and millions around the country. Six million families, nationally, are being protected through the end of July. And so, when the eviction moratorium expires at the national level, those six million families are very much at risk. Here in New Jersey I would say we probably have a half a million families, between 300 and 500,000 families that are at risk. But our moratorium goes further and longer than the national moratorium.

So we know that we need emergency rental assistance to get out to everyone. Folks need time and help to get that money.

*Chairman Pascrell. Mr. Howard, your testimony notes that the built-for-rent market is relatively small right now. What are you -- what are your projections for institutional investor ownership growth in the single family home market? For instance, by private equity firms.

And how should we protect against the adverse impact that increased institutional investment in this market would have on prospective home buyers, especially first-time buyers?

Can you be as brief as possible?

*Mr. Howard. Well, I can be very brief, Mr. Chairman. Supply and demand. I think that the institutional investors are taking advantage of a market with low supply and huge demand. And if we can build more homes that are for sale, that -- and that are affordable, that the average prospective home buyer will be able to be in the market without having to rent to buy first. It is simply a matter of supply.

*Chairman Pascrell. And a good response. These are things that we should be alarmed at.

I was a big advocate of the opportunities program. When I see some people make a lot of money and quickly jump out of the market, and not do what they were supposed to do, really.

And now I want to recognize my good friend, Mr. Kelly from Pennsylvania, who is the ranking member on this committee, for five minutes to ask his questions.

*Mr. Kelly. Thank you, Chairman. I am going to go to John Persinger.

And John, I think that you being here today is really important, because you are actually doing these things. And again, this isn't in any way disparaging of what any of the other witnesses have said. You have been an on-the-ground advocate for completely changing downtown Erie.

If you can, I want you to just share a couple of things of how the opportunity zones compare to other tools, such as Federal tax credit, and what is the most helpful tool for Erie.

And then also, one of the things I want to point out, because I have always heard about real estate, it is always about location, location, location, and that drives the market value. But your work is also adding a grocery store to what is currently what USDA would describe as a food desert, meaning there is no place for these people to shop, so it keeps them from moving into that community.

Now, what kind of an impact will this have on the downtown community in Erie?

Because you have actually done it. And I mean this, you are the template for success throughout the entire country. You are working in the poorest zip code in America, and you are having great success. So if you could just share with us, John.

*Mr. Persinger. Certainly. Well, thank you, Congressman, and I appreciate the recognition and the kind words. It wouldn't -- none of this work would be possible without you and your staff helping us and, of course, passing through the opportunity zone legislation.

I would say, of the \$100 million that -- of investment that we are pouring into downtown Erie, the 27.5 million is coming from the local equity fund, our board organizations, and we wouldn't be -- even be able to attract opportunities on

investments without that local equity fund. Frankly, the opportunity zone incentive isn't great enough to come into Erie without that transformational capital taking a back seat to other investors. And so that is one thing that I wanted to point out from the beginning.

But a few points that I made about the tax credit programs in my opening statement, most --

[Audio malfunction.]

*Mr. Kelly. Uh-oh.

*Mr. Persinger. -- decent supply of affordable housing. Where we need assistance is for middle-class family homes and market-rate housing. The MasterCard Center for Inclusive Growth has done some data analytical work for us. They identified that 95 percent of the housing in downtown Erie is affordable housing. Ninety-five percent of any one product group is not a diverse marketplace. And so what we are trying to do is diversify the market by bringing on more market-rate housing, which is not supported by these tax credit programs. That is, again, why we have had to turn to opportunity zones.

Another area where tax credits -- where we have struggled with tax credits, is trying to get an allocation from the Federal Government, or from a community development entity. I mentioned we have hired a consultant who has been helping us to try and get an allocation. We have approached 35 different community development entities, and 35 have all said no. Some have

specific projects in mind that don't align with what we are trying to do. But more often than not, we hear that, "It is because you are in Erie, and we don't have an office there, so we can't keep eyes on the project," or, "We don't have staff on the project." And so communities like Erie that don't have these big, nonprofits that are getting these allocations suffer.

And then the third point that I would make about the tax credit programs is they are extremely cost prohibitive. And I have pointed out we have paid over \$100,000 in historical tax credit consulting fees, but we have also paid out several hundred thousand dollars in legal fees, and attorney fees, trying to comply with the Historic Tax Credit process, but also just trying to, in general, work on these projects.

And also, even opportunity zones, they require some legal and accounting compliance. It is not nearly as complicated as the tax credit program, so our fees aren't as high, but those fees are cost prohibitive for community organizations, they are cost prohibitive for many families in Erie, Pennsylvania.

So, again, we have been successful in helping to attract the additional 73 million that we need, through opportunity zones. And I would also say that the genius of opportunity zones is that it leaves it up to the actors on the ground to determine what projects they need funded.

And if you are considering additional legislation, I would encourage Congress to keep in mind that communities across the

country are different. We are a very large, diverse country. What we need in Erie, Pennsylvania may be different than what we need -- what is needed in Paterson, New Jersey. So if you can craft legislation that allows for that flexibility for actors on the ground who know their communities the best, who are working on these projects, then that would be a benefit to Erie and communities like Erie.

*Chairman Pascrell. Thank you.

Thank you, Mr. Kelly. I am sorry, Mr. Kelly.

*Mr. Kelly. I was just saying that I think that this is something you and I can really take a look at, because I think Gerry and Jeff and, I think Staci, everybody is saying -- and Lilian is saying the same thing. Sometimes there is not a one-size-fits-all. And if we can make that path easier to traverse, and not put all these obstacles in the way -- I am not saying they are not necessary to have oversight, but let's not get to the point where there is so much overreach that we can't ever get to the goal that we are trying to achieve.

And I think that that is an incredible return on investment for taxpayers, to see that what we are putting into these communities has a positive return --

*Chairman Pascrell. Right.

*Mr. Kelly. -- and improves the lifestyle of everybody in that community.

*Chairman Pascrell. We are getting -- complement one another, really, and that is the programs that they select are very critical to the success we are going to receive, because, as you said, not everything fits. This is -- they are very unique towns. They have unique incomes.

And when we treat everybody the same, not only do we get inadequate results, but we probably open it up to any kind of fraud, or any kind of attempt to use Federal money in a way simply to fill your own pockets. And if we are going to spend money, we want people -- we want to see results. We want to see results in those towns. And I think John is a perfect example, what he presented. Every one of those witnesses are talking turkey. They mean what they say. And I think they are complementing one another, in my opinion. That is my opinion.

*Mr. Kelly. We share the same opinion.

*Chairman Pascrell. Thank you. I want to call on now -- your time has expired. But based on that, the members in attendance, and consistent with the committee practice, we will move to a two-to-one questioning. After our friend from Indiana, Representative Walorski, we will go to two-to-one.

The chair now recognizes Mr. Suozzi from the State of New York.

*Mr. Suozzi. Thank you, Mr. Chairman --

*Chairman Pascrell. Mr. Suozzi --

*Mr. Suozzi. Thanks so much for setting up this hearing. I really appreciate it. It is a great topic. I have so many things I want to say. I know I have limited time, but, you know, home ownership is the American dream for most people. That is how it is people manifest the American dream, and the idea of owning your own home. And, you know, everybody likes home ownership. Developers like home ownership; they make a lot of money. Banks like home ownership; they lend a lot of money. Governments like the idea of homeowners who are going to be responsible to get more involved in their community. The homeowners like home ownership. Everybody likes home ownership.

And, you know, one universal thing that is happening in our country is that young people don't get married in their early twenties anymore. When they built Levittown, which has got a lot of problems that I will talk about in a second, but when they first built Levittown, which is the first standardized, mass-produced housing in the country in the 1940s, it was affordable housing for returning veterans after World War II to start their families. Well, they all got married in their twenties. Now, if you get married, you get married in your late twenties, early thirties, even. So young people don't get married at the same time they used to, they are not ready to buy a house at the same time as they used to in the old days.

Another thing that is universal is that new housing that is built by developers, supported by the banks, et cetera, et cetera, is usually done on massive tracts of unadulterated virgin

land for suburban sprawl. And, you know, the fastest growing suburban in the country in the forties and fifties was Nassau County, Long Island. But, you know, before the Great Recession in 2008, the fastest-growing place in the country was Las Vegas, desert land, big, wide swaths of land. Arizona, a lot of southwest -- southeastern property, big wide swaths of land, buy it cheap. Now you got irrigation, you can do air conditioning. You put double-high ceilings, you build places that are less expensive than the older communities, and they are brand new, and they have got -- they use up a lot of water and a lot of air conditioning and energy. It causes problems with climate.

So we have got a big problem throughout our country that African Americans do not own as many homes as non-African Americans. It is a big problem in our country. Levittown, where I am from, is a great example of that for my county, Nassau County, where they said, "You can't buy a house here, you can't get a -- you can't take advantage of Federal programs because you are Black.'" And as we have heard from so much testimony here, the greatest transfer of wealth from generation to generation has been from home ownership.

Well, whole generations of African Americans were left out of the American dream because they couldn't buy a house in Levittown and places like that, that were the fastest-growing places in the country. That is where all the wealth was created. It was transferred from low-income, young parents down to their children, but Blacks were left out of it completely. And that is

cyclical. It has gotten worse as time has gone on, because you have seen more wealth transfer down to White families, less wealth transfer down to Black families, and then they couldn't buy homes. It got worse and worse, and we have seen the decline in the numbers.

So it is not the same all over the country, one size doesn't fit all. But places like Erie that we have heard so much about today, and places like -- places in New York share a lot of similarities. It is hard to build new housing in those places. The developers, the banks, other people aren't necessarily looking to invest there, in these older communities. You have got to deal with assembling properties. You have got to put it together. They have got to deal with legacy issues. It is a lot easier to develop in the desert somewhere, where we can pump the water in and get the air conditioning.

So we have got to figure out how can we incentivize home ownership in these communities, and how can we make it available to African Americans in our country. So we have got to figure out what policies we can do to do that.

One thing that I know is that African Americans live in some of the same states, in large numbers, where the State and Local Tax Deduction is really important. Taxes are higher in New York, and New Jersey, and California, and Illinois, and Pennsylvania, and Massachusetts, and other states that have these challenges. And if you are fortunate enough to finally get a house, you need

the SALT deduction, the State and Local Tax Deduction, in order to continue to stay in that house.

So we have got to, number one, get more people into housing, especially African Americans. And number two, we have got to make it possible for people that are in those houses to stay in those houses. But they can't stay if their state and local taxes are no longer deductible, because the taxes are higher in these same communities where African Americans live.

So I am sorry I am not asking questions. I just have a lot of thoughts I have in my mind about this stuff. We need to encourage development in our older communities. The taxes are higher in those older communities. They need a State and Local Tax Deduction to make -- to help make them affordable, and to hold on to those properties, once they get in there.

*Voice. Okay, yes.

*Mr. Suozzi. And we have to do more things to make it possible for African Americans to buy homes. Okay, I --

*Chairman Pascrell. Mr. Suozzi, great job. You didn't stop, you didn't take a breath. I don't know how you do it, but you went right on, five minutes, and you were basically in concert with what all the witnesses were saying, but you took a different angle, in terms of how people are left out in this thing, and how it compounds over generations. Thank you very much, Mr. Suozzi.

*Mr. Suozzi. Thank you, Chairman.

*Chairman Pascrell. Now I am going to call on the dynamic young lady from Indiana, Mrs. Walorski.

*Mrs. Walorski. Thank you.

*Chairman Pascrell. Five minutes.

*Mrs. Walorski. Thank you. Thank you to all of our witnesses for being here today, as well. One major obstacle, obviously, that we have talked about to expanding our workforce, growing economic opportunity, and allowing hardworking people to stay and start a family, is a severe lack of housing problem in America.

Furthermore, a lack of affordable housing is blocking job growth and hindering economic mobility. Many employers are struggling to find workers, as some potential employees are unable to find housing in the areas where the jobs are located. Some employers are even taking matters into their own hands.

I was pleased to hear that the Coop Group, a great Hoosier company, is partnering with the Indiana Housing and Community Development Agency to tackle the issue of housing availability in Indiana. Solving the issue of affordable housing will need an all-hands-on-deck approach, and I am grateful for the ingenuity on display in my home state.

For the sake of hardworking Hoosiers looking for better employment opportunities and for our businesses, both large and small, addressing this affordable housing crisis is the key to creating jobs. That is why I back strengthening and expanding

the Low-Income Housing Tax Credit, which has supported over 5 million jobs per year, provided \$617 billion in wages and business income, and generated \$214 billion in tax revenue since its inception.

Mr. Howard, I am grateful to you for highlighting this critical legislation in your testimony. The Affordable Housing Credit Improvement Act -- and I am proud to champion that with a bipartisan group of colleagues: Representative DelBene, Wenstrup, and Beyer. This legislation would build on and preserve more than 2 million affordable homes, support 3 million jobs, provide \$345 billion in wages and business income, and generate 119 billion in tax revenue over the next 10 years.

As you know, the housing credit is both a model of a public-private partnership and a supply-side solution that directly expands the stock of affordable housing through a market-based and localized approach. The local approach and private delivery of the solution means housing resources through the credit can be targeted to assist the areas that need it the most.

The critical expansion of housing credit resources provided by our bill will help to address affordable housing concerns, not just in urban areas, but in small towns, rural communities that make up Indiana's 2nd district. These resources will help working families, people with disabilities, seniors, veterans, and so many others when the market-rate rental housing is unattainable. This would have a wide-ranging impact on people's lives. Affordable housing has shown to increase job security and

workforce productivity for residents that can lead to improved physical and mental health outcomes.

In addition to increasing state allocations by 50 percent, and reducing the bond financing threshold to allow for more affordable homes to be built or preserved in a more efficient way, my legislation would also provide a rural basis boost of up to 30 percent, expanding the equity available to finance important affordable housing development in areas where production has been difficult, including so many rural communities that make up America.

Mr. Howard, can you tell us more about the challenges of affordable housing in rural areas, and explain how this basis boost proposal and other important provisions of the AHCIA can help address these challenges?

[No response.]

*Chairman Pascrell. Where are you, Mr. Howard?

[No response.]

*Mrs. Walorski. Mr. Chairman, if he is not there, I yield back the balance of my time.

*Chairman Pascrell. So we will continue. Go right ahead.

[No response.]

*Chairman Pascrell. You have no other questions?

*Mrs. Walorski. No, I yield back the balance of my time, if Mr. --

*Chairman Pascrell. Well, thank you. I thought your presentation before the question was very dynamic. And I thank you for your input. I am very interested in your bill, and I think it can go places. That is my estimation. I am only the chairman, but that is my estimation.

*Mrs. Walorski. Well, that is -- Mr. Chairman. So thanks.

*Chairman Pascrell. The chair now recognizes for five minutes the gentlelady from California, Ms. Chu.

*Ms. Chu. Thank you so much. Thank you, Mr. Chair.

Ms. Berger, I am very concerned about the lack of affordable rental housing in my district in Southern California, which is one of the most expensive places to live in the country. In order to combat the growing homelessness crisis in our region, I have succeeded in including in the 2022 Transportation and Housing and Urban Development appropriations bill \$3 million for the San Gabriel Valley Regional Housing Trust.

I also strongly support Congressman DelBene's legislation to expand and improve the Low-Income Housing Tax Credit, and I am one of the Members of Congress supporting the \$45 billion request for the National Housing Trust Fund mentioned in your testimony. The request includes \$26 billion be reserved for permanent supportive housing, which has been so critical to reducing

homelessness in cities like Pasadena in my district, and across the country.

So would you discuss how the trust fund grant dollars can be paired with the Low-Income Housing Tax Credits to ensure that we can house individuals and families experiencing homelessness?

Are there any additional policy changes this committee should consider to help nonprofit developers produce more affordable rental housing, especially for high-cost areas like mine, with a multitude of people struggling to afford housing, including those experiencing homelessness?

*Ms. Berger. Thank you so much for asking that question, and for your leadership on these issues, Congresswoman. I know I don't -- I believe that you all still can't see me, but I understand that you hear me loud and clear, and so I am happy to try to answer your question in the time allotted.

The most important thing that we believe that you can do in this committee is to expand the Housing Trust Fund, pairing it with LIHTC resources is a critical component to extending affordability for America's extremely low-income residents. Many states and localities use LIHTC funding to help build homes for tenants at about 50 percent of their area median income. But for lower-income residents at 30 percent or below, who are often our frontline and essential workers, even those apartments are just too expensive. They are simply out of reach. Pairing the Housing Trust Fund with LIHTC makes some of the homes that are

being built even more affordable to tenants at the lowest income level.

Even better -- and I only learned this recently -- adding dollars to the Housing Trust Fund can make rent more affordable for everyone. Mark Zandi, the chief economist for Moody's, found that increasing the Housing Trust Fund to \$45 billion a year annually, for 10 years, would lower rents for all of America's tenants by 10 percent. So we can actually invest in our -- in building homes and creating more affordable homes for our lowest-income renters, and provide a benefit to all Americans at every income level by investing that \$45 million a year -- \$45 billion a year for 10 years in the Housing Trust Fund.

*Ms. Chu. Well, thank you for that. I really appreciate it.

Mr. Howard, are you still with us? Can we hear you?

[No response.]

*Ms. Chu. Uh-oh, it doesn't look like it. So --

*Chairman Pascrell. We are going to try to get somebody to call on Mr. Howard to see if his electronics are hooked up correctly.

*Ms. Chu. Okay, well, I --

*Mr. Howard. It says connecting to audio.

Mr. Chairman?

*Chairman Pascrell. Yes.

*Mr. Howard. I am sorry, this is Gerry Howard. I am back. I apologize. There were terrible storms going through where I am right now. I think that is the culprit.

*Ms. Chu. Oh, oh, well, then, just in time, Mr. Howard. Thank you for addressing in your testimony the fact that first-time home buyers face significant hurdles in saving for downpayments, and the absence of any tax incentives to help. And while downpayments are critical, there are also other structural barriers that can deter would-be home buyers from the housing market, such as low credit scores, student loan debt that makes the debt-to-income ratios appear too high, and even mortgage documents that are not provided in languages beyond English.

And in your testimony you also note that reforming housing-related tax deductions into tax credits would be better-targeted assistance to lower and middle-income Americans to afford their first home. So could you expand on that idea further, including what actions Congress could take?

And also, I appreciated what my colleague, Tom Suozzi, said about the SALT deduction. Also, could you say how this would work in a high-cost area, like my district in Southern California, that has been hit so hard by the recent \$10,000 limitation on the SALT deduction?

*Mr. Howard. Yes, ma'am, thank you for the question. We believe that the recent changes to the tax code have rendered the

mortgage interest deduction completely ineffective as an incentive to homeownership. Rather, we believe it is a tax deduction that is taken by wealthy people who would buy their homes, regardless of whether or not there was an incentive. So we believe that we should reexamine this.

There is no question that incentives for home ownership are important. As the chairman noted at the outset, it was the first deduction put into the tax code. However, we think a credit would be much more effective now. In fact, during the debate on the last tax reform bill, we worked very hard with then-Chairman Brady to put something like that into that bill. Ultimately, obviously, it was not included.

So we believe that a tax credit, a permanent tax credit for home ownership, with heavier targeting toward first-time home buyers, is something that would work very well across the country. And we would love to be part of the process of putting something like that into place.

With respect to the SALT deduction, we don't believe that the Federal Government should be taxing the taxes of anyone at the state or local level. And we believe that this should be re-evaluated. At the same time, we understand that the low-tax states do not want to bear an unequal burden. But I believe that, with a bipartisan effort, there should be some reasonable compromise for this issue.

*Ms. Chu. Thank you, I yield back.

*Chairman Pascrell. Thank you, Ms. Chu, for your questions, and thank you for -- the members -- the witnesses, rather, for responding in clear tones and clear voices. We are going to go now to Mr. Schneider.

You have five minutes, Mr. Schneider.

*Mr. Schneider. Thank you, Chairman Pascrell, and I want to thank you for hosting this hearing on a critically important issue to all Americans who desperately need housing, and I want to thank our witnesses for taking the time to share your perspectives with us.

Importantly, the research and insights on how we can make housing more affordable and accessible in this country is something that I think we all need to hear.

The pandemic posed severe housing challenges to people in my district and across America. Families who do not know the future of their jobs and industries wondered how they would make another month of rent payments. Homeless shelters struggled to find locations, given social distancing recommendations and limitations posed by this disease. And young people managing overwhelming student loan debt at the same time as these high rent costs saw their dreams of owning a home slip further and further away.

As the witnesses have discussed today, home ownership is one of the critical features of building wealth and maintaining a stable middle-class lifestyle, but it is still out of reach for

so many, especially as they try to recover from the economic hardships they experienced during this pandemic.

If I can start with Ms. Berger, in your testimony you say that home ownership is the single-largest mechanism by which families create and maintain wealth. You also talked about how certain groups are systemically left out. I fundamentally believe our laws and housing policies should be working to bridge these inequities, not exacerbate them. Our laws should specifically protect against housing discrimination of any kind, which is why I introduced the Fair and Equal Housing Act. This legislation would include sexual orientation and gender identity as protected characteristics under the Fair Housing Act, a law that currently mandates non-discrimination for housing on the basis of race, color, religion, national origin, sex, family status, or disability.

Ms. Berger, can you speak a little bit more about the long-term and intergenerational effects of being discriminated against or disadvantaged in the housing market, and what we can do in Congress to address it?

*Ms. Berger. I would be happy to. I am not -- I have to say I am not familiar with the legislation that you just referenced, but I would love to learn more about it, and I look forward to doing that.

I do think that, at least in New Jersey, we have had a very long history of making sure that people are protected under the

law, that there is no discrimination against folks for their status of any kind, or -- but there is an issue that we have heard about a lot, and that is, for renters who have a Section 8 voucher, that they are simply not able -- that they are not overtly discriminated against, that they are sort of -- sort of passive discrimination, where, you know, a tenant calls and says, "I would like to come look at an apartment," and suddenly that -- as soon as they mention that they have a rental voucher, that apartment is no longer available.

So I think we really do need to look at ways for the Federal Government and the state governments around the country to address that as a serious issue that, you know, we have to be able to address, because people need to be able to use their voucher. And if they can't, it is a form of discrimination. So even though it is against the law -- and we have even seen that in some of the rent -- emergency rental assistance programs, that, as they roll out, some of the landlords have said they don't want to take that emergency rental assistance because they don't -- they would prefer to evict their tenants.

And so it is deeply problematic that people have access to rental assistance, which so many folks have fought for, and folks in Congress worked so hard to get, for a landlord to then turn around and say, "Well, I don't have to take that." In New Jersey you do have to take it, but it is often hard to prove that. And so I think --

*Mr. Schneider. Yes, you know -- I am sorry, I just -- I have limited time, so --

*Ms. Berger. Sure.

*Mr. Schneider. Thank you. I want to turn to Mr. Howard for a second.

You spoke about the importance of home ownership for building wealth and, in particular, how to incentivize first-time home buyers. But we have seen with Millennials, people now in their thirties, this is the peak age for buying homes, but they are facing significant challenges, from having to pay the high cost of rents over their lifetime, having to double the impact of the Great Recession and then the pandemic, as well as student loans.

Can you touch base on where we should focus our attention on these young buyers to help them afford their first home?

*Mr. Howard. Yes, sir. Thank you.

First I would refer back to my earlier answer, with respect to reexamining the mortgage interest deduction and creating a credit that would be targeted much heavier towards first-time home buyers.

Secondly, I would look at programs that help make up for the lack of ability to save for a downpayment. The Mortgage Revenue Bond Program in the past has been successful in that regard, and there have been other downpayment assistance programs, either

through direct subsidy or through state and local governments that have been very successful. I think that they need to be re-examined and revitalized.

And to my earlier point in my opening statement, I truly believe that examination of our housing policy needs to be holistic to make up for some of the inefficiencies that have been pointed out here today.

*Mr. Schneider. Great, thank you, and just to clarify one thing you were talking about when we were talking about the cap on the SALT deduction, the sense that -- and I will put my words there, I don't want to put words in your mouth, but I think you will agree -- that that cap is a double taxation, taxing what people are paying in their local communities to fund their parks, their schools, et cetera. The Federal tax on that is an unfair tax that has a limit on home ownership and community development. Is that a fair statement?

*Mr. Howard. It is, sir, and we are against double taxation at every level, from the SALT deduction to the estate tax. We think that double taxation at the Federal level is inappropriate.

*Chairman Pascrell. Okay, thank you, guys. Thank you, Mr. Schneider. Your time is up. It has gone over a little bit, but thank you for your questions, and thank the witnesses for their responses.

Without objection, I am going to allow Mrs. Walorski to briefly summarize her question for Mr. Howard.

*Mrs. Walorski. Thank you, Mr. Chairman.

Mr. Howard, just -- I was talking about my bill that you had referred to, and talking about that 30 percent basis boost in rural areas. Could you just tell us about the challenges of affordable housing development in rural areas, and explain how this basis boost proposal and the other provisions of the AHCA can help address those challenges?

*Mr. Howard. Yes, ma'am. Thank you for the opportunity.

We believe that basis boost is exactly what is needed to help stimulate and make more effective the Low-Income Housing Tax Credit in rural areas, because, by doing so, the -- it will enable the builders to come in and have less of an extra mortgage on the bill -- on the properties. That mortgage will result in them being able to ask for lower rents.

And when you are talking about building in rural areas, the disparity in incomes and rents make the current machinations of the Low-Income Housing Tax Credit unwieldy, if not impossible to address. So we fully support your bill, and particularly that provision.

*Mrs. Walorski. Thank you, Mr. -- and Mr. Chairman, I yield back. Thanks so much.

*Chairman Pascrell. You are welcome, and good question. And thank you for Mr. Howard's response.

And now we are going to go for five minutes. The gentleman from Ohio, the distinguished Dr. Wenstrup.

*Mr. Wenstrup. Well, thank you, Mr. Chairman. Thanks for all the witnesses today. This has been very valuable.

I will say one thing. As a soldier, I want to know. If anybody is not getting their GI benefit for whatever reason that they have earned, I want to know about it, because this is one opportunity for people in America to break the cycle of poverty, to serve their country, and to be able to get an education, whether it is a four-year degree, or a vocational school. This is the opportunity. And I don't want anyone to miss out on that, if they have earned it.

Mr. Howard mentioned some great things today. And speaking of vocations, I think it is important to know that this country can't function without the hard-working people that take up the jobs of construction vocations, and they are what makes America work.

I also appreciated your discussion about the cost of regulations, and specifically mentioning today about lumber in our supply chain. I was on a call today with the Consul General from Canada, and we discussed that issue in particular, and something has got to be done on that. So I hope that we can keep pushing, and get some influence on that.

And I also appreciate what Ms. Faulhaber had to say about the intended and unintended consequences, and the results that

you may get, and the variety of plans. It was very to the point, and I appreciated that so much. And what we have heard today and many times is one size doesn't fit all. And I think that, if we legislate, we have to legislate with flexibility that fits the location.

And so with that, I wanted to go back to Mr. Persinger.

You mentioned opportunity zones versus -- let's see, New Market Tax Credits, Historic Tax Credits. I am from Cincinnati. You know what 3CDC, Cincinnati Center City Development Corps, has done. Over-the-Rhine was the most dangerous neighborhood in America most of my life, until this took place, 3CDC came in. You saw, you know, the local businesses get involved with all of this. You know, the national headquarters for Kroger is right near Over-the-Rhine. Procter and Gamble is right near Over-the-Rhine. And this this neighborhood created opportunities. The pastors in that area now say people have the opportunity to find jobs, right there in their neighborhood, that they can walk to, and elevate themselves, and then maybe start to become a homeowner. And so a lot of opportunity there.

But we use the New Market Tax Credits and Historic Tax Credits very well. And it was interesting to see that didn't really work for you. So, again, going back to this one size does not fit all, I would love to have your take on us allowing flexibility and other opportunities besides just what worked in one place, which may not work in another.

*Mr. Persinger. Certainly. Well, Congressman, I owe a huge debt of gratitude to Cincinnati, to 3CDC. Steve Lieber, who is the CEO, and his staff have spent an incredible amount of time with us, showing us their projects, sharing their lessons learned, and we wouldn't be where we are at without them. So I have to mention how indebted we are to them. So thank you for that -- for this question.

*Mr. Wenstrup. Yes, that became the destination place. When people come to Cincinnati, that is where they want to go, as opposed to 60 years of don't go anywhere near there. Right? So --

*Mr. Persinger. It is incredible, the transformation that has occurred in there. And it is a very -- it is an incredibly diverse, lively, welcoming neighborhood.

And one thing that I wanted touch upon, and I didn't with Congressman Kelly's question, is about that flexibility on the ground, because we are talking about housing today, and we are talking about putting a roof over people's heads. But it is not enough to think about just putting a roof over their heads. We have to think about the other aspects of individual lives. We have to think about -- another thing we need to think about is putting food on their table.

And so, what Congressman Kelly mentioned is that, through the opportunity zone legislation, we are putting in a grocery store in a USDA-designated food desert. For decades, downtown

Erie has struggled to attract a grocery store. We are fortunate, because of our investment from our partners, to be able to spend the money to acquire the buildings, turn them around, buy the equipment for the local grocery store, and find local partners to go into this space.

Now, I am looking out my window across the street at a 100-plus-unit affordable housing building. The individuals that live there are primarily senior citizens and the disabled. For them to get groceries, they walk four, five, six blocks to get to a Rite Aid and a Dollar General, which, as anyone who has been in a Rite Aid or Dollar General, is very limited in the terms of the fresh produce and nutritional substance that we all need to live healthy lives.

So going back to the importance of crafting legislation that gives flexibility to actors on the ground, I would encourage you all to be thinking about not just the physical buildings, the physical housing where people are going to live, but what else -- what additional amendments that people need in their lives to live fruitful, healthy, substantive lives. And that is, again, why we point to the genius of the opportunity zone legislation.

*Chairman Pascrell. Thank you for your response, and thank you, Mr. Wenstrup, for your questions. Right on target.

And now I would like to ask Ms. Plaskett from the Virgin Islands to take the microphone and give us five minutes of questions.

*Ms. Plaskett. Thank you so much, Mr. Chairman. Thank you for this really informative hearing. And, you know, I am delighted by my colleagues' questions. Every --

[Audio malfunction.]

*Chairman Pascrell. You are muted. Unmute.

*Voice. We can't hear you, Stacey,

*Ms. Plaskett. Someone keeps taking me off of mute. Okay, great.

I really want to thank everyone for all of their amazing questions. I wanted to ask something to Professor Lillian Faulhaber.

One of the most significant challenges for home ownership is the downpayment, which increases as mortgage rates rise, as well. For my constituents in the U.S. Virgin Islands, we don't have access to private mortgage insurance, PMI, that is available on the mainland, which can reduce the downpayment requirements to as little as five percent of the costs.

Earlier this year, my colleague, Chairman Greg Meeks of Financial -- on the Financial Services Committee, introduced the American Dream Downpayment Act, which provides low-income families with a tax-exempt savings account which would support their funds for a downpayment. However, middle-income individuals are excluded from any Federal subsidized downpayment

program targeted to low-income individuals, such as HUD's HOME program.

In what ways can Congress provide financial relief through tax benefits, especially with a goal to reduce savings for a downpayment?

*Ms. Faulhaber. Thank you so much for your question. So I think that this actually highlights several important issues in designing something around home ownership.

So the first is just the importance of downpayments, relative to the ongoing cost of ownership. I mentioned that economists suggest that, if you want to focus on home ownership, you want to focus on those initial costs, right, getting together the money for a downpayment, for the closing costs, for all of that. And that is different from focusing on the ongoing costs.

The other issue is, when you give a tax benefit that kicks in a year after you actually make that expense, that is not helping low-income individuals actually gather the money. Right? Knowing that I have to get money somehow, I have to borrow from family members or from neighbors -- many of whom don't have it -- so that I get a tax credit in a year is different from saying when I go into that room and sign the papers, I have cash.

And so I think something like a tax-exempt savings account actually makes a lot of sense, if you want to focus on getting money in people's hands at the time of closing, rather than

paying people later for the money that they had to sort of gather together for that.

*Ms. Plaskett. Thank you. Thanks so much for that.

This is a real issue, Mr. Chairman, and I think we really have to tackle this in some constructive ways. I want to thank you for this.

A question for Mr. Tucker. Often, higher wages are typically available in large, urban cities: New York, San Francisco, Los Angeles, other places. However, these cities tend to have a significant level of income inequality among minority groups. Because of the high cost of living and housing shortages, people who have lived in these cities are actively being pushed out from their homes when rent increases, and the next available rental unit is unaffordable.

Moreover, my constituency also face additional costs before and after home building: necessary cistern construction, exorbitant costs for windstorm insurance.

How can we ensure affordable housing is available for low-income buyers who seek to build a long-term home?

And what lines of tax benefits would best be suited to mitigate the housing shortages in these cities for low-income families?

*Mr. Tucker. Thank you for the question, Ms. Plaskett, that is a fantastic question.

I think the fundamental goal here needs to be to increase housing abundance, including in cities like the ones you listed with high-wage jobs. To the extent that housing is especially scarce, it is going to be higher-income people outbidding and eventually potentially displacing lower-income residents. So I think that is one more reason that a sort of all-the-above approach of permitting and often -- permitting more market-rate housing, and also including, for instance, inclusionary zoning, which would require those market-rate housing units to come along with designated low-income housing units, is one place to start.

And then, certainly the tax credit programs geared -- you know, the Low-Income Housing Tax Credit program, all the tax credit programs we have been talking about today -- play a major role in incentivizing the construction of actual, genuine, truly affordable housing in cities around the country.

*Ms. Plaskett. Thank you. My time is up.

Thank you so much, Mr. Chairman. I yield back.

*Chairman Pascrell. You did a great job, Ms. Plaskett. You know, the more I think about all these questions from both sides of the aisle, I don't want the question-and-answer now, but I ask -- what could we do to get public housing and private housing together, and partnerships that would make things a lot more affordable, whether we use bonding, whatever we are going to use?

I just think it is a possibility that we should be using more and thinking about, and I think it would help both sides,

both the private and public housing. And I thank you for your questions.

The chair now recognizes for five minutes the gentleman from Texas, Mr. Doggett.

*Mr. Doggett. Well, thank you, Mr. Chairman. And thanks to each of these witnesses. All have offered insightful testimony on a wide range of issues.

I can tell you, being here in Texas, in Austin particularly, but also in San Antonio and other parts of the district that I represent, affordable housing has been a major concern that seems to just be getting worse, as a major problem. As yesterday's new Labor Department numbers show, housing costs, which measure both the cost of rent and home ownership, are continuing to grow.

We approved some significant assistance in the American Rescue Plan for those who are struggling to make their monthly rent payments. Unfortunately, in Texas, state Republicans have bungled getting this relief to those who need it the most. They seem to be better at building barriers, whether it is building a barrier to rent assistance, or building a barrier to voting, or building a worthless barrier along the Rio Grande River. And home ownership, which is a source of financial security for so many Americans, is increasingly just out of reach, as our witnesses today have told us.

Ms. Berger, let me ask you about the Rescue Plan that Congress has approved. You have indicated that, while it is

aiding many people more quickly in your state of New Jersey than in places like Texas, where we have a recalcitrant state government, that there are still some issues about how quickly this aid gets to the people that are desperate for it. How do you believe we can speed up the aid, either now or in any future legislation that we might be considering?

*Ms. Berger. Thank you for the question, Congressman. I have tried to switch devices. Maybe some folks can see me, maybe not. But as long as you can hear me, that is the important thing.

The most important thing we can do to make sure that rental assistance gets out to folks quickly is to give it to rent -- to tenants if landlords won't accept it, and to make the process for tenants really low barriers, so that there are not huge numbers of documents that need to be provided. And certifications, a simple attestation from a tenant, you know, that they need it, based on their experience during COVID, should be enough. And so making it very simple, straightforward, and easy to get.

*Mr. Doggett. Thank you. I know that too many of my constituents are just a paycheck or two away from homelessness, and we have got to expedite it. How would a permanent emergency rental assistance program help those who are trying to pay the rent when they face an unforeseen bill?

*Ms. Berger. The Eviction Crisis Act of 2021, Congressman, would allow people to access small sums of money -- 250 to \$300 -

- to make sure that they can make their rent. Sometimes people put off paying their rent -- often times they put off paying their rent when they need to make emergencies to their car -- make emergency repairs to their car, for example, or the utility bill is higher than they expected, or their children grow through a pair of shoes. Anybody --

*Mr. Doggett. Right.

*Ms. Berger. -- who has had kids -- so just having access, and knowing that that small amount of money can keep people safe and stably housed would be a huge asset to our entire nation and our economy, because it keeps people working.

*Mr. Doggett. Thank you very much.

Mr. Persinger, you made a very important point about tax credits, about which the usual concern in our committee is limited to how much more we can get to expand them. I think each one of these credits, as you suggested, needs critical review that I hope Chairman Pascrell will be able to pursue.

I have been hearing the same thing from some people here in Texas, that the consultants and the accountants and the lawyer fees often add not only the complexity that you reference, but they cost our Treasury a huge amount for the limited benefits that are ultimately provided for the purpose we intended.

While I appreciate your testimony about opportunity zones, I don't think it is either/or. A common criticism of opportunity zones, now backed up by more and more academic research, is that,

while they work well in some places, they have done little overall to help lower-income people in the areas they were designed to aid, and instead are mainly giving tax breaks to wealthy real estate investors and high-end developments. I believe we need to reform opportunity zones, not to make them more complex, but to ensure that the opportunity is for improving disadvantaged areas, not just an opportunity for wealthy investors to avoid more taxes.

Mr. Howard, thanks for your advocacy on behalf of our home builders. I have met with my local homebuilders, who outlined a number of policy changes that would help. I certainly agree that we need to act on the Canadian softwood issue.

And with your comments about immigration, with the construction labor shortage that I see from home builders here in Texas, do you agree that Congress should give a priority to immigration reform that would permit the entry of more immigrants who want to work, that that would be a big help for home building?

*Mr. Howard. Yes, sir, I do. We have been in favor of comprehensive immigration reform for many, many years, and through several presidential administrations. And we have more than past the time to get it done, and get it done soon. We need a supply of immigrant labor that is in this country legally, and that wants to work. And we know that they are out there.

*Mr. Doggett. Thank you very much, and I hope you will keep talking to our Republican colleagues about that, so we can build the basis for bipartisan reform like that which passed the Senate many years ago, but which seems to be caught up in political rhetoric and ideology at present.

*Chairman Pascrell. Thank you, Mr. Doggett, I appreciate --

*Mr. Doggett. Thank you.

*Chairman Pascrell. I thank the witness, as well. The chair now recognizes for five minutes the gentleman from Pennsylvania, Mr. Smucker.

*Mr. Smucker. Thank you, Mr. Chairman, and thank you for holding this hearing today on this important topic.

Affordable housing has been a problem in my community for quite some time, and we have taken advantage of many of the programs that have been already mentioned here, some of the tax credit programs like the Historic Tax Credits, the New Market Tax Credits, and other programs to provide for additional affordable housing units here in our community. So these are all, I think, a great discussion.

The opportunity zone in Lancaster City, which is one of the communities in the district that I represent, is providing the incentive for investment in a new project that will bring dozens of new and, in this case, market-rate but affordable housing units online. And so I have been, you know, grateful to be able to see that access, and those programs work in my community.

I am very concerned today. You know, we talk about these programs, and they help, often, individuals on the lower income scale. But I think Mr. Doggett just mentioned that home ownership is becoming less affordable for many young families, you know, who are, you know, working to scrape together the dollars for a downpayment, and then are closely looking at what that monthly mortgage payment will be, compared to their income.

And, you know, today I am seeing inflation that is really impacting that equation for a lot of families. And I am concerned about the policies of this Administration that have resulted in that inflation. I was just reading an article today in Politico, where Larry Summers, who is the former Treasury Secretary, was talking about -- and I will quote the article, I have it right here -- he has been warning since February that President Joe Biden's big spending agenda has created the risk of inflation spike this year, and he is now more concerned about that than ever before. And I think, as we look at these policies that are being implemented, we have to consider what the impact is of just spending dollars to -- or printing dollars to spend trillions of dollars. and how that will impact this.

You know, the inflation rate today is double the rate of the wages that -- wage increase. And so that just means that formula doesn't work for so many more families. And I am particularly concerned -- and Mr. Howard, you mentioned this -- and I was a builder myself for many years, prior to serving in the state Senate and then in Congress, but I -- so I have talked to many,

many builders who are members of the National Association of Home Builders, and I have talked to individuals with the Associated General Contractors of America, as well.

And I had one builder here just this week told me they had to raise their average price of their home by \$80,000. And some of the figures that you already mentioned, single family home construction costs have increased dramatically. AGA has put that at an average of 26 percent. Multifamily home construction costs have increased even more over the past year. But doesn't that -- Mr. Howard, this is really going to impact the affordability of homes and the ability of many young families to buy homes. Am I not right on that?

*Mr. Howard. You are absolutely right, Mr. Smucker. Inflation across the board will increase the cost of housing from putting the first shovel in the ground, to ultimately giving the mortgage to the ultimate home buyer. Every step of the way will face increased costs. And obviously, that impacts housing affordability. So we are very concerned about inflation.

And you are correct, the cost of building a house has gone up by well over 25 percent, just in lumber alone, in the last year.

*Mr. Smucker. Mr. Howard, I am almost out of time, I guess I talk too much, but doesn't that feel to you like sort of the elephant in the room here?

We are talking about a lot of programs that, you know, are intended to help people afford houses, while at the same time policies are being implemented that is resulting in inflation that is going to massively impact the housing market. Isn't that the elephant in the room?

*Mr. Howard. There certainly are contradictory policies, and that is my point that we need to look at everything holistically.

We have already informed the Administration that some of the housing programs that they would like to see put in place would be far less effective if costs keep going up.

*Mr. Smucker. Thank you very much. I am out of time.

Thank you, Mr. Chairman.

[Pause.]

*Mr. Suozzi. [Presiding] Okay, thanks very much. I see that time has expired. Now I want to recognize Mr. Evans from Pennsylvania.

[Pause.]

*Mr. Evans. I thank you for this opportunity. Home ownership rates among Black households have fallen for 30 years. I am very troubled by -- can you hear me okay?

*Mr. Suozzi. Yes, we hear you, Mr. Evans.

*Mr. Evans. I am very troubled by the persistent home owner gap between Black and White Americans, the dwindling supply of quality housing in Low-Income to moderate families.

The question I want to ask, particularly to Ms. Berger and Mr. Tucker -- Ms. Berger, based on your experience working with vulnerable communities, minority families, why does home ownership remain out of reach for the typical working families?

And the question I want to ask to Mr. Tucker, Mr. Tucker, how could we improve existing downpayment assistance program to ensure that first-time home buyers can compete with cash buyers when buying a conventionally-financed mortgage?

*Ms. Berger. Congressman, is the first question to me?

*Ms. Berger. Yes.

*Ms. Berger. Thank you so much for asking. As I said in my testimony, a lot of what keeps Black and Latino families from purchasing a home is systemic and institutional racism. And that has been perpetuating for hundreds of years. And as a result, folks simply have less wealth to be able to purchase a home.

There are great Community Reinvestment Act loans that are available. I am not sure that everybody knows about them. Making sure that people have access to downpayment assistance programs that include a good complement of low-interest mortgage rates, downpayment assistance, no points, no PMI, and expanded credit opportunities really can go a long way. And so, when we look at modernizing CRA, which I know is something people talk

about sometimes, we need to be very careful we don't throw out the baby with the bath water there.

One other thing is to make sure that folks who are on Section 8, using a Section 8 voucher, have an opportunity to use the Section 8 to home ownership program, because we believe that really can allow folks to have that monthly payment to become a homeowner. It takes some work, and it takes a good nonprofit, and a good housing counseling entity. But the process is there. We need to make sure the resources and the folks know that that exists.

*Mr. Evans. Mr. Tucker?

*Mr. Tucker. Yes, I will jump in on the second part of that question there.

There are very helpful programs, as you mentioned, including downpayment assistance programs, and FHA, and VA loans that are a major way in which low-income, and especially buyers of color, are able to access home ownership. Some of the biggest challenges, especially in a market like this, where homes are selling in a single week, is the extra time and red tape and regulatory burden that goes along with qualifying for an FHA and VA loan.

I hate to say it, but a lot of sellers right now look askance at a buyer coming in with an FHA or VA loan, because they expect a higher risk that things may fall through, because they are being subjected to much more rigorous and time-consuming

regulations that, frankly, I think were kind of written for a time in which the housing market could take several weeks for a home to sell, so people had that amount of time. And at the moment it is a matter of speed. So conventionally-financed or cash buyers are going to outpace people with FHA and VA loans.

*Mr. Evans. I would like to thank both of you. I yield back the balance of my time. Thank you, Mr. Chairman.

*Mr. Suozzi. Thank you, Mr. Evans, and now I would like to recognize Congressman Horsford from Nevada.

*Mr. Horsford. Thank you, Mr. Chairman. Thank you for this hearing.

We know that home ownership is one of the main ways to build generational wealth, yet many Americans run into the issue of access to and affordability of housing and the barriers that keep low-income and, quite often, minority and communities of color, from owning homes. Too many of my constituents feel that the cards are stacked against them.

The fact of the matter is Americans who are looking to rent or buy a home know we are in a housing crisis. There are simply not enough homes, especially not enough homes that people can afford. According to the National Association of Home Builders, this is because of the five Ls, as Mr. Howard talked about earlier today, that have been troubling home builders, labor lending, local regulatory restrictions, lots, and lumber. The spike in lumber pricing is adding more than \$36,000 to the cost

of an average single family home. And as the home builders' economists estimate, that is for every \$1,000 increase in the cost of a home, 153,967 U.S. households are then priced out of the market. Here in my state in Nevada, that number is 1,449 households per \$1,000 increase.

During the COVID-19 pandemic the supply of homes fell 30 percent, as the pandemic presented significant challenges in the home building supply chain. Since the Great Recession, we have watched home prices increase drastically over the last decade. Home prices in the U.S. have risen sharply during the coronavirus pandemic.

So Mr. Howard, one of the major contributing factors to this looming crash in the housing market is the lack of housing supply. Currently, HUD has programs like the HUD 203(k) loans that can be used to renovate existing properties, and bring much more housing supply to the market. How can we use the current programs within HUD to increase supply?

*Mr. Howard. Well, quite often -- Mr. Horsford, thank you for the question -- quite often builders who are building for the first-time homebuyer market and the affordable housing market work with their banks and their local governments to cobble together a series of HUD, state programs, tax incentive programs to make these projects pencil out.

The simple fact is, more often than not, it takes more than one or two programs. And quite frequently, the builders don't

have the time or, even in many instances, the sophistication to get that engaged, to go through an application process, buy land on the speculation that they are going to qualify and get the projects and the subsidies that they need for these projects, and it just doesn't pan out.

So what we need is, if we can, to streamline that process, one way or another, to make it easier for developers who want to and can build an affordable product to be able to avail themselves of this plethora of unrelated and, very often, contradictory programs, to be able to provide it for the hardworking women and men of Las Vegas and the United States, in general.

*Mr. Horsford. Thank you. Thank you. Just changing subjects briefly, I spoke to Secretary Fudge recently about the role that student loan debt plays in limiting home ownership across the board, but particularly for Black people. We discussed how the Black-White home ownership gap in 2020 was 26 percentage points, which is only slightly lower than the 26.8 percentage point gap in 1960. That is unacceptable, and it must be addressed.

So while I applaud the work that HUD has done to rethink student loan debt calculations for FHA loans, due to the current market many FHA loans are being outbid by conventional loan and cash buyers.

What can we do to make FHA loan home buyers more competitive in the housing market? Staci?

*Ms. Berger. Thank you. Thank you, Representative. Thank you, Congressman.

What we can do to make the -- I am sorry, I missed the end of your question. My Internet is just being --

*Mr. Horsford. Well, just with the issue that FHA home loan -- home buyers are being priced out by conventional loan or cash buyers. So what can we do to make them more competitive in the housing market?

*Ms. Berger. Sure. I mean, we can make the process a little more -- a little less cumbersome, but we also need to make sure that we are not exposing people to potentially predatory products. So I think we need to just balance what Mr. Tucker had said earlier, about the cumbersomeness and the regulatory oversight.

It is not completely fair to make -- to take some of those regulations off, because we did see a huge problem with predatory lending. So I just want to be careful, when we pursue balancing that, that we are not putting people at risk again.

*Mr. Suozzi. Thank you, Ms. Berger.

*Mr. Horsford. Thank you, Ms. -- thank you, Mr. Chairman. I yield back.

*Mr. Suozzi. Thank you, Mr. Horsford. I now want to recognize Congressman Gomez from California for five minutes.

*Mr. Gomez. Thank you, Mr. Chairman. I -- you got a little younger since I --

*Mr. Suozzi. Hey, I want to know. How come you guys, every time you say, "Thank you, Mr. Chairman," you are smiling whenever I have been doing this now?

[Laughter.]

*Mr. Suozzi. The reaction --

*Mr. Gomez. I represent downtown Los Angeles and the east side of LA. And Ms. Chu is the district just next to me. And she mentioned about the affordability issues in her area, which are great, but in my district 1 house, 2 bedroom, 869 square feet, 1 bathroom on a 4,000-square-foot lot would sell for about \$900,000. So --

*Mr. Suozzi. Oh, my gosh.

*Mr. Gomez. This is a different ballgame that we are seeing in my district and in California. And to say this is a problem just because of the pandemic is missing the point. I actually studied urban planning at UCLA, and there was always a deep correlation between this kind of housing cost, sprawl when it came to overcrowding, you name it. It was always pretty directly correlated.

And our housing policy in California and LA was sprawl. Just build out as far as the eye can see. Leave no patch of land vacant. But it was still, like, the one-story, single-family homes. And sprawl has come to an end in California. I mean, unless you count Nevada and Arizona as suburbs of Los Angeles, which many do, then there is really nowhere else to build here, except up.

So I am deeply concerned, because people are getting priced out, and people are concerned because the only people that can afford these homes are people who are making a lot more money. And we are having more and more people living on the streets than ever before. It is a terrible situation. But I actually think - I am for the \$45 million in housing, I am for the Low-Income Housing Tax Credit, I am for all this. I still feel like it is going to fall short, which is a deep, deep concern of mine.

But one of my main questions -- I want to go to Mr. Howard -- is what is driving the shortage of both single and multifamily affordable housing for the -- for low-income families?

And what can this committee do to help drastically ramp up production to meet the needs? I mean drastically ramp up.

*Mr. Howard. Well, as I have mentioned, Congressman, thank you -- thank you for the question. Well, first, as a native of Arizona, we would probably rather like to think of LA as a suburb of Arizona. But thank you for the question.

And what needs to be done is addressing the five Ls. Right now, in the near term, we have to get the supply chain fixed through, you know, our economy expanding, through people getting back into the workforce, and also going to the table with Canada on lumber.

We need to convince more people, both our own citizens, our own children growing up, as well as immigrants, to go into the trades and give us the labor that we can build with and build at a reasonable rate.

We need to have more lots available, whether in places like Los Angeles that are infill lots, or whether other places that are growing. There is some expansion of city limits.

We also need to make sure that the banks are lending at a reasonable rate and a consistent rate. The banking regulations need to be reevaluated.

And finally, we need to also make sure that we are no longer participating or practicing any type of discriminatory selling or buying practices. We need to truly talk the talk of diversity and equity in housing as an industry and as a country.

*Mr. Gomez. Mr. Howard, thank you for mentioning equity, and it is a big issue.

And as a co-chair of the committee -- Racial Equity Initiative, we recently hosted a tax professor, Dorothy Brown, who is a colleague of Ms. Faulhaber. So I just wanted to ask Ms.

Faulhaber, how can we reform our tax code to make housing incentives more equitable?

It is -- disproportionately impacts people of color and the working class.

*Ms. Faulhaber. Yes, this is a great question. And I am so glad that you heard from Professor Brown. She is fantastic, and she has been working on this.

So I think the important thing to realize is just how much the tax code is sort of layered on top of our society. Right?

So one of the things we haven't been talking about that much -- I know that the chairman mentioned it right at the start -- is the issue of segregation. And when we are talking about the difference in home ownership across races, we also need to acknowledge the wealth gap that is built into that. So it is not only that there are lower rates of home ownership, but when homes are owned they are generally less -- they are worth less, and they increase in value less.

And so one concern with things like the home mortgage interest deduction or things like -- well, let's start with the home mortgage interest deduction -- is that it could actually lead to being capitalized into the cost of homes, so actually making homes more expensive in certain situations, which keeps them out of -- it takes away the access for housing for individuals. And it actually makes the racial wealth gap more extreme.

For the Low-Income Tax Credit (sic), there are concerns that localities impose sort of NIMBYism in determining what gets the Low-Income Tax Credit. And so making sure that that type of local control can't actually limit who can go into the types of housing, the benefits, or the type of housing that benefits from some of those credits is put into already-segregated areas.

So this is a huge question. I know that your time is up, and I apologize, and I am happy to talk about it more, but I think this is something we really need to pay attention to when looking at housing and the tax code magnifying the injustices that we have in society now.

*Mr. Gomez. Yes, thank you. And, Mr. Chairman, I know my time is up, but wealth creation is something we have got to focus in on. But even people whose home values have gone up, or minorities, there have been a lot of stories about appraisals coming back a lot lower because of who was occupying that home, and then switching out a different person to stand in as the occupant, then all of a sudden the appraisals go up. That is a big concern of mine, because we tell people, "Buy a home, buy a home, that is the way you create wealth, that is how you will be able -- can take money out, pay for your kid's school, start a business," and then it is being undermined by these appraisals. So I don't know how widespread it is, but it is something we have to look into.

With that, I yield back.

*Chairman Pascrell. [Presiding.] Thank you, Tom. Thank you very much. And thank you very much, Congressman, for your questions. Tom, thanks for filling in. I appreciate that. And I want to thank our witnesses for joining us today.

Please be advised that members have two weeks to submit written questions to be answered later in writing. Those questions and your answers will be made part of the formal hearing record.

With that, the subcommittee stands adjourned.

[Whereupon, at 4:05 p.m., the subcommittee was adjourned.]

Submissions for the Record

[Fiscal Equity Center, Testimony](#)

[National Multifamily Housing Council and National Apartment Association, Testimony](#)