TESTIMONY
OF RENEE LEWIS GLOVER,
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BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
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Chairman Hensarling and Ranking Member Waters,

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

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

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

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

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

Coming out of the great depression of the 1930's and in response to the dire housing conditions in America, public housing was embraced and the U.S. Housing Act of 1937 (1937 Act) was passed. The 1937 Act was the first recognition that the Federal government had to regulate and invest in the housing needs of its citizens, especially citizens at the lower end of the economic spectrum. The United States has grown and changed dramatically since 1937 and although the nation is not perfect, it is, without question, the strongest and most productive nation in the world. American citizens have united around a shared vision of freedom and opportunity and a common set of principles and beliefs articulated in the United States Constitution. The United States is a nation of immigrants and to build our nation, Americans from very different backgrounds have had to overcome differences in race, ethnicity, religion and culture through nation building strategies, enlightened self-interest and struggle (sometimes peaceful, sometimes not). These challenges will continue because more immigrants are coming.

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

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

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

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

While need has skyrocketed, public resources for affordable housing have remained flat or even decreased. According to the Center on Budget and Policy Priorities, recent federal budget cuts due to sequestration resulted in 100,000 fewer low-income families with rental assistance vouchers, even as the number of families eligible for vouchers has increased significantly. In addition, the HOME Investment Partnership program, a critical source of gap financing for affordable housing developments has been cut by more than 50% since 2010, while the Community Development Block Grant (CDBG) program has been cut by 25% over the same period. Most recently, the Senate's 2016 budget bill proposes to virtually eliminate HOME, cutting funding to three percent of its inflation-adjusted 2001 funding level.

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

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

HISTORY

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

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

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

Not long after the Civil Rights Laws were passed in July 1964, HUD was created in 1965 as an important tool for ending numerous Civil Rights injustices in housing, neighborhood segregation, access to housing finance and redlining. The Civil Rights Laws ended segregation in public places and banned employment discrimination on the basis of race, color, religion, sex or national origin, but did not address neighborhood segregation, access to housing or housing finance. The Civil Rights Act was later expanded to bring disabled Americans, the elderly and women in collegiate athletics under its umbrella. The Civil Rights Act also paved the way for two major follow-up laws: the Voting Rights Act of 1965, which prohibited literacy tests and other discriminatory voting practices, and the Fair Housing Act of 1968, which banned discrimination in the sale, rental and financing of property.

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

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

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

THE BIG IDEAS

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

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

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

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

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

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

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

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

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

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

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

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

Because of the factors described above and the innovation, creativity, high level of participation by private sector real estate professionals, attraction of real estate professionals to local housing authorities and HUD, the HOPE VI Program accomplished transformational outcomes for families, neighborhoods and cities and other localities. As a result, Congress, on a bipartisan basis, continued to fund the HOPE VI Program every year since its enactment until 2010. Given the national scale and transformational impact of the effort, HOPE VI had its critics. Notwithstanding the outstanding results, some advocates worried about loss of affordable hard units; others worried about families choosing not to return to the new communities; and yet others worried about work requirements imposed on non-elderly, able-bodied adults and higher expectations and standards.

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

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

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

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

Accomplishments From These Programs

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

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

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

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

RECOMMENDATIONS

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

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

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

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

Thank you again for this opportunity.

Respectfully submitted,

Renee Lewis Glover