TESTIMONY BY

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BEFORE THE

HOUSE COMMITTEE ON FINANCIAL SERVICES SUBCOMMITTEE ON HOUSING, COMMUNITY DEVELOPMENT, AND INSURANCE

FOR A HEARING ENTITLED

"THE RENT IS STILL DUE: AMERICA'S RENTERS, COVID-19, AND AN UNPRECEDENTED EVICTION CRISIS"

JUNE 10, 2020

Chairman Clay, Ranking Member Stivers, esteemed members of the Subcommittee, thank you for inviting me to provide testimony on the effects of the COVID-19 pandemic on the stability of America's renters and housing providers.

My name is Mike Kingsella. I am the Executive Director of Up for Growth Action. By way of background, Up for Growth Action is a national legislative advocacy campaign focused on eliminating structural barriers to housing. We work with a nonpartisan network of stakeholders: housing advocacy organizations, environmentalists, multifamily and single-family developers and owners, leagues of cities, chambers of commerce, planning agencies, and transit agencies.

Representatives Himes, Heck, Murphy, Vargas and Peters, authors of the New Democrat Coalition's *Missing Millions of Homes Report* said it best: "America's housing ecosystem is in crisis." This reality unites our diverse stakeholders and informs Up for Growth Action's singular mission to eliminate structural barriers to housing.

On behalf of Up for Growth Action, I commend the work of this committee for advancing critical pieces of legislation to help address our broken housing ecosystem. H.R. 1122, the *Housing Choice Voucher Mobility Demonstration Act of 2019*, H.R. 2398, the *Veteran Housing Opportunities and Unemployment Support Extension Act of 2020*, and H.R. 4351, the *Yes in My Backyard Act*, represent steps to increase housing funding and address artificial barriers to housing.

The COVID-19 health pandemic rapidly exposed the fragility of critical systems and infrastructure in our country; the housing ecosystem is no exception. This testimony will show, failure to address the looming rent crisis will have dire consequences for millions of Americans and for the housing ecosystem that underpins our economy.

Immediate Emergency Rental Assistance, medium-term stimulation of housing production that will drive economic recovery, and bold policies that - once and for all - reverse structural barriers to housing, are essential to correct not just our national housing crisis – but a devastating market failure. Emergency Rental Assistance is the most important and urgent action Congress can take today.

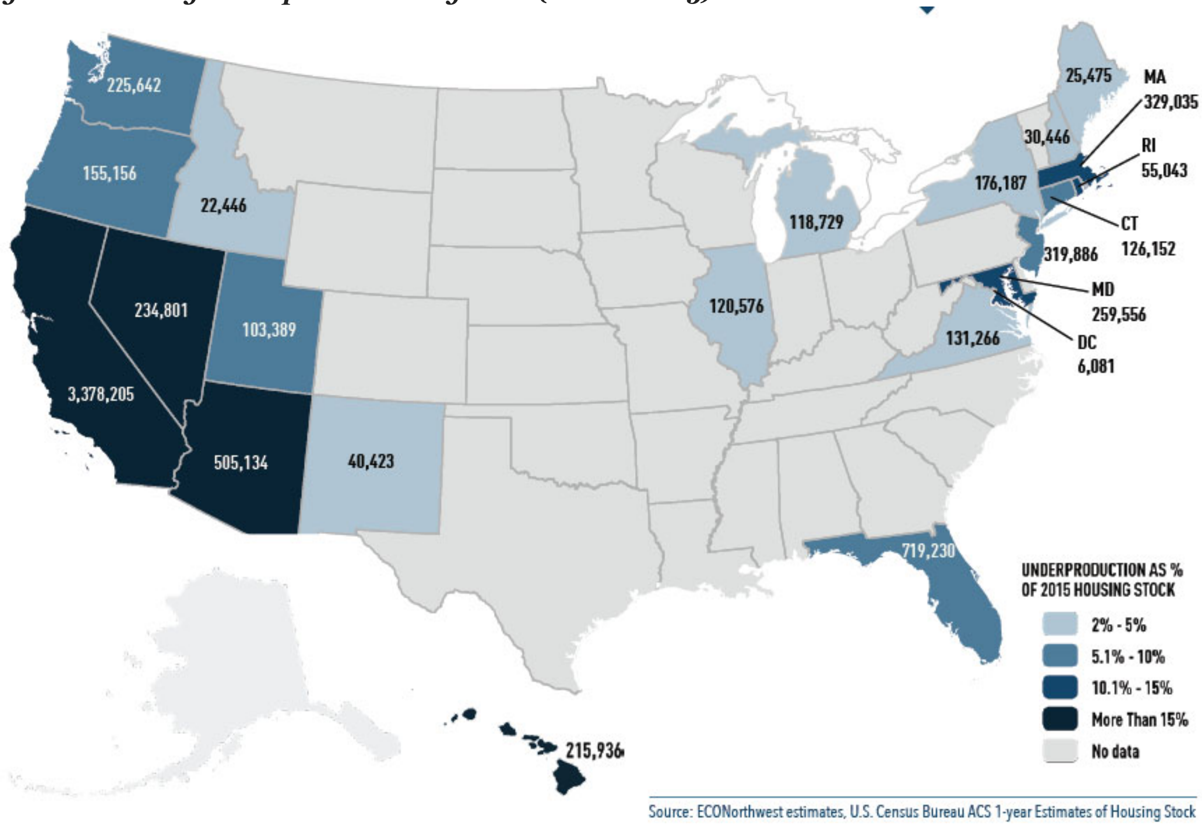
Since March, we have advocated for emergency rental assistance, first through Representative Denny Heck's *Emergency Rental Assistance Act of 2020*, and later through the *Emergency Rental Assistance and Rental Market Stabilization Act*, introduced by Senator Sherrod Brown, Chairwoman Maxine Waters, and Representative Heck. We are pleased that the provisions in the latter were included in the House-passed HEROES Act. We hope the Senate takes up this legislation immediately.

The National Housing Crisis

Even before the outbreak of COVID-19, the nation faced a severe housing crisis, driven in large part by an unprecedented shortage of homes. In the past decade, despite years of economic growth, housing starts approached the lowest levels in history. This level of underproduction resulted in a 7.3 million home shortfall of housing from 2000 to 2015. Twenty-two states and the District of Columbia suffered most acutely.[1]

[1] Baron, M., Buchman, M., Kingsella, M., Pozdena, R., & Wilkerson, M. (2020, April 9). *Housing Underproduction in the U.S.: Economic, Fiscal and Environmental Impacts of Enabling Transit-Oriented Accessible Growth to Address America's Housing Affordability Challenge*. Retrieved from https://www.upforgrowth.org/sites/default/files/2020-06/housing_underproduction_us.pdf.

Figure 1. Housing Underproduction by State (2000 – 2015)



The shortage of homes at every price point has left nearly half of American renters paying more than 30 percent of their gross income on rent.[2] More than 11 million households – most of whom have extremely low incomes – pay at least 50 percent of their gross income on rent.[3] This cost burden prevents families and individuals from saving, forces low and moderate-income households into unstable housing conditions, pushes people farther away from job opportunities, and limits economic growth across the nation. For those with the lowest incomes, high housing costs greatly increases the risk of evictions and, in worst cases, homelessness. Tens of millions of working families are not able to sustain any sudden loss of income. 42 million people have lost their jobs because of COVID-19, accelerating a crisis that we can no longer wait to address.[4]

Housing development depends on a web of interrelated inputs, namely, land, lumber, labor, and financing.[5] Any shortage of home construction relates back to a shortage of one or more of those inputs. Land use policies, development and planning regulations, financing structures, labor and supply costs, and the dynamics of existing neighborhoods interact to determine supply and

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[2] Joint Center for Housing Studies of Harvard University. (2019) *The State of the Nation's Housing 2019*. Retrieved from https://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_State_of_the_Nations_Housing_2019.pdf

[3] National Low Income Housing Coalition. (2019). The Gap: A Shortage of Affordable Rental Homes. Retrieved from https://reports.nlihc.org/gap

[4] Reinicke. C. (2020, June 6). *US Weekly Jobless Claims Hit 1.9 Million, Bringing the 11-Week Total to 43 Million*. Retrieved June 7, 2020, from https://www.businessinsider.com/us-weekly-jobless-claims-unemployment-filings-millions-layoffs-continue-coronavirus-2020-6

[5] Heck, D., Murphy, S., Vargas, J., & Peters, S. . (2018). *Missing Millions of Homes: Preliminary Findings of the New Democrat Coalition Housing Task Force*. Retrieved from https://newdemocratcoalition.house.gov/imo/media/doc/NDC%20Missing%20Millions%20of%20Homes_Housing%20TF%20Findings%20Report_June%202018.pdf

location of housing. The Obama administration's *White House Housing Development Toolkit*[6] and this administration's *Executive Order Establishing a White House Council on Eliminating Barriers to Affordable Housing*[7] each detailed the profound effects of the miscalibration of these policies.

Barriers to housing production like these add cost, decrease production volumes, and contribute to the price of rent. The National Multifamily Housing Council and National Association of Home Builders concluded in recent research that regulation accounts for 32.1 percent of the cost of an average multifamily development.[8] Recent research completed by Up for Growth, our affiliated policy and research organization, found that in the relatively low-regulation environment of Charlotte, North Carolina, rightsizing parking requirements, streamlining approval timelines and increasing zoned capacity could reduce rent by up to 12 percent.

A complex regulatory environment, combined with nation's history of discriminatory housing practices, limits the access to housing in high opportunity areas to only the most affluent of our citizens. Redlining and exclusionary zoning policies have resulted in zip codes correctly predicting access to quality education, health outcomes, and employment. We have confined communities of color to low-opportunity areas, stifling economic and social mobility. Large-scale reforms at every level of government are essential to stimulate growth of a healthy, more equitable housing landscape for every American.

Consequences of the National Housing Crisis

The rental housing market has important multiplier effects across the economy. Housing directly impacts individual household budgets, the mortgage, banking and finance industries, and the construction and property maintenance industry. Just as importantly, however, the rental housing market has less direct, but far-reaching, effects on the economy and the environment. The rental housing market's importance to the larger economy cannot be overstated. If the housing crisis continues without intervention, the economic and social repercussions will be severe – particularly for the lowest income and most marginalized populations.

Effects on Individuals

The more than 44 million renter households in the U.S. span the income spectrum, geographies, and demographics. The supply and demand imbalance created by the national housing crisis demonstrates one of the most basic economic principles: when supply is too low, prices increase. This is the reality in rental markets where the number of low-cost units fell by 3.1 million homes from 2012 – 2017.[9] Low-cost rental homes make up only 25 percent of the entire rental housing stock, despite the fact that low-income renters, those making 80 percent or less of area median income, comprise over 60 percent of the entire renter population.[10] This disparity means that families and individuals who already face significant financial challenges can find little relief in the rental market and remain most susceptible to sudden economic downturns.

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[6] The White House. (September 2016). *Housing Development Toolkit*. Retrieved from https://www.whitehouse.gov/sites/whitehouse.gov/files/images/Housing_Development_Toolkit%20f.2.pdf.
[7] Exec. Order No. 13878 (2019). Retrieved from: https://www.govinfo.gov/content/pkg/FR-2019-06-28/pdf/2019-14016.pdf
[8] National Association of Home Builders and National Multifamily Housing Council. (June 2018). *Regulation: Over 30 Percent of the Cost of a Multifamily Development*. Retrieved from: https://www.nmhc.org/contentassets/60365effa073432a8a168619e0f30895/nmhc-nahb-cost-of-regulations.pdf.
[9] Joint Center for Housing Studies of Harvard University. (2020). *America's Rental Housing 2020*. Retrieved from https://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_Americas_Rental_Housing_2020.pdf
[10] National Low -Income Housing Coalition. (2020). *The Gap: A Shortage of Affordable Homes*. Retrieved from https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2020.pdf

Cost burdening outpaces wage earning, which means that even households that are employed full time struggle to make monthly rent payments. A full-time minimum wage worker cannot afford to rent a two-bedroom apartment anywhere in the United States. In fact, a minimum wage worker must work 127 hours a week to afford a two-bedroom apartment or 103 hours a week to afford a one-bedroom apartment.[11] More than half of food service, maintenance and cleaning, and healthcare support jobs are cost burdened, even when fulltime employed.[4] These industries are critical to the nation's infrastructure, and they are also some of the most susceptible to COVID-19 related job loss.

Disproportionate Impacts on Low-Income Households

The housing crisis places financial strain on the overall economy and on individual households, but the lack of affordable rental homes and the resulting burdens are most acutely felt by low-income communities of color. 71 percent of extremely low-income renters, those making less than 30 percent of AMI, are severely cost-burdened which means that more than 50 percent of their income goes to rent payments.[5] When rent payments are such a large share of household budgets, people must make difficult decisions about what necessities to pay for and have few resources left for crisis. Families and individuals who are already economically marginalized stand little chance of economic mobility.

People of color experience cost burdening at a higher rate than white people. According to research from Harvard University's Joint Center for Housing Studies, 55 percent of Black renter households and 53 percent of Hispanic renter households are cost-burdened, compared to 43 percent of white households.[4] Historically, policies like redlining and exclusionary zoning have limited black and brown communities' access to quality, affordable housing in the highest opportunity areas. This history persists today, and housing is often an obstacle rather than an opportunity for growth. Quality housing in opportunity rich communities is among the most urgent and important social equity issues the country faces.

Effects on the Environment

Beyond individual household impacts and equity concerns, the consequences of the housing crisis extend into more macro levels. Choices about how we plan our communities have significant impacts on the environment. The post-WWII era of housing development in the U.S. meant expanding into suburban green fields outside of city centers.

Over the past two decades, consumer tastes have shifted and today there is far more demand for living in walkable urban neighborhoods than in the expansionary period following World War II. Existing exclusionary zoning and other restrictive land use policies in these walkable, high opportunity and job rich locations have limited the ability for builders to deliver housing in these places where housing is high in demand. This has the effect of driving up prices for scarce housing in walkable places and forcing individuals in search of affordable options to continue to commute long distances from jobs and opportunities. Research from University of California at Berkeley finds that the carbon footprint of households in the suburbs can be double or triple that of households in the urban core.[12]

Up for Growth's *Housing Underproduction in the U.S.* report found that if the 7.3 million underproduced homes across the U.S. were allocated to land uses more responsive to consumer

[11] National Low Income Housing Coalition. (2019). *Out of Reach 2019*. Retrieved from https://reports.nlihc.org/sites/default/files/oor/OOR_2019.pdf

[12] University of California at Berkeley. (2020). *Cool Climate Network Calculator*. Retrieved June 8, 2020, from https://coolclimate.berkeley.edu/calculator

demand and in places that have greater access to jobs and opportunity, the U.S. would consume only 24 percent the land it otherwise would for housing production and vehicle miles traveled and consequent carbon emissions would decrease by as much as 35 percent in places like California. (Baron et. al., 2018, p.14-16)

Effects on the Economy

The housing shortage is most acute in high-demand areas: those with good-paying jobs, strong economies, reliable transit, and numerous amenities. The shortage of homes reduces the number of people who can live in economically vibrant areas and increases prices, leading to higher shares of household incomes being disproportionally directed to housing costs and away from other spending. Economists suggest the spatial mismatch in labor caused by the housing shortage and associated affordable housing crisis could be a $1.6 trillion annual drag on the national economy.[13]

Up for Growth's *Housing Underproduction in the U.S.* report put this underproduction in stark terms: From 2000 through 2015, the U.S. failed to produce 7.3 million homes needed to keep up with historic demand. The research found that building these underproduced units over a 20-year period could contribute up to $2.3 trillion to national GDP, a 2.4 percent increase over baseline economic forecasts. (Baron et. al., 2018, p.4)

Effects of Fiscal Revenues

Up for Growth's *Housing Underproduction in the U.S.* report also found that building 7.3 million homes would contribute $264 billion of federal payroll and income tax revenue compared to a baseline forecast. In the peak year of housing production, the additional federal revenue generated would equal 6.2 percent of the current federal deficit. (Baron et. al., 2018, p.4)

How the COVID-19 Pandemic has Worsened the National Housing Crisis

In a recent research note, Brookings observed that "the COVID-19 crisis seems poised to accelerate or intensify many economic and metropolitan trends that were already underway, with huge implications of their own."[14] The COVID-19 pandemic and associated economic shocks has further worsened our national housing crisis.

Research by the Terner Center for Housing Innovation at U.C. Berkeley suggests that approximately 16.5 million renter households are living in renter households have where at least one income earner works in an industry most likely to be immediately affected by COVID-19 related closures and layoffs. And 7.1 million of those households were *already* rent-burdened. The impacts are likely to be worse for renters living in high-cost states or metropolitan areas.[15]

The health of the housing ecosystem, and the health of our entire economy, begins with consistent rent payments. Property owners rely on steady rent payments to meet debt obligations, pay property taxes, meet payroll, and maintain and operate buildings. Lenders depend on mortgage payments to meet obligations to investors and maintain a steady flow of

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[13] Florida, R. (2015, May 18). *The Urban Housing Crunch Costs the U.S. Economy About $1.6 Trillion a Year*. Retrieved from https://www.citylab.com/equity/2015/05/the-urban-housing-crunch-costs-the-us-economy-about-16-trillion-a-year/393515/

[14] Muro, M., Hadden Loh, T., Ross, M., Schuetz, J., Goger, A., Bateman, N., Frey, W., Parilla, J., Liu, S., & Tomer, A. (2020, April 14). Retrieved from https://www.brookings.edu/research/how-covid-19-will-change-the-nations-long-term-economic-trends-brookings-metro

[15] Kneebone, E., & Murray, C. (2020, April 24). *Estimating COVID-19's Near-Term Impact on Renters*. Retrieved from https://ternercenter.berkeley.edu/blog/estimating-covid-19-impact-renters

liquidity into the system. Local governments rely on rental payments to support property tax revenues and utility payments to balance the books and provide reliable public services.

Rent payments are the cornerstone of the housing ecosystem and any major loss in rental income will create disastrous economic effects. Residential rent payments alone total nearly $50 billion each month.[16] Rent payments are not an isolated transfer directly from renters to landlords, but instead underpin an entire marketplace of landlords, property management staff, maintenance crews, and local contractors. As unemployment claims remain at historic highs, preserving these jobs is critical.

Figure 2. Regional Plan Association Infographic on the Distribution of Rent[17]

Landlords and Property Owners

Of the nearly 20 million rental properties in the United States, 14.3 million are owned by individual property investors.[18] These individual landlords account for nearly 20 million of the 48 million rental units across the country. These units are more likely to be single family homes, duplexes, or other missing middle housing, which fills a critical housing need in this country. These property owners do not have cash reserves to cover large scale rental income loss for a sustained period, especially given the added costs of maintenance during the COVID-19 crisis.

Research from the Urban Institute finds that owners of small unit properties – those with fewer than 20 units – tend to have lower incomes and are more likely to rent to tenants with lower incomes who are more likely to be in COVID-19-impacted industries.[19] An analysis by Harvard's Joint Center for Housing Studies estimates that 20 percent of these renters will have difficulty paying rent. In contrast, only 12 percent of renters in larger buildings are likely to face similar

[16] ECONorthwest. (2020) *Emergency Rental Assistance: National and State Estimates*. Unpublished research.
[17] Regional Plan Association. (2020). *To Get Through the Coming Rent Crisis, We Need Everyone to Do Their Part*. Retrieved from https://rpa.org/latest/lab/to-get-through-the-coming-rent-crisis-we-need-everyone-to-do-their-part.
[18] U.S. Census Bureau. (2020). U.S. Census Bureau. *Rental Housing Finance Survey*. Retrieved June 5, 2020, from https://www.census.gov/data-tools/demo/rhfs/#/?s_type=1&s_tableName=TABLE2
[19] The Urban Institute. (2020, May). *Small Multifamily Units*. Retrieved from https://www.urban.org/sites/default/files/small_multifamily_units_0.pdf

challenges. These renters are also much more likely to live in homes that are not subject to federal eviction moratoria.[20]

As with many other industries, landlords and property owners – particularly affordable housing owners - operate under very tight margins. These margins are already strained by new COVID-19 related maintenance and safety costs, and without targeted relief, many will simply not survive the crisis.

As President and CEO of the affordable housing lender Community Preservation Corporation Rafael E. Cestero observed:

> "Our most vulnerable Americans are now facing historic levels unemployment and are being forced to choose between paying rent and affording life's necessities. The Emergency Rental Assistance Act will get critical rental assistance into the hands of these families, keeping people off the streets and allowing them the peace of mind that comes from knowing their living situation will remain stable. This rental income will also ensure that owners of affordable housing and small rental buildings, which already operate on thin margins, will be able to keep their properties safe and up to code."

Workers

As discussed earlier, U.S. rental payments account for approximately $50 billion each month. Rent and utility payments make up majority share of the housing sector's 15 percent to 18 percent contribution to GDP.[21] According to the National Multifamily Housing Council and the National Apartment Association, the rental housing industry supports over 17 million jobs. As the two organizations put it, "We are working alongside public officials to put residents and employees at ease. Yet as more residents face job loss or furloughs and are unable to fulfill rent obligations, many owners/operators fear they, too, will not be able to satisfy financial obligations required to operate their properties."[22] Without on-time and in-full rent payments, millions of workers directly and indirectly dependent on rental housing are put at significant risk.

Banking Sector and Credit Markets

A rent non-payment crisis poses significant risk to America's financial system. Debt service and repayment of loans on rental housing depends on individual renters making payments to property owners. Banks rely on current payments to ensure solvency to their depositors; loans in Fannie Mae, Freddie Mac, and private label Mortgage Backed Securities must be kept current to deliver repayment to investors – including pension funds – that provide liquidity. Large-scale non-payment of rent would increase probabilities of default and loss severities across the banking sector and credit markets, increasing systemic risk across America's financial system.

Like the actions taken in 2008 to stem systemic financial meltdown, emergency rental assistance is the type of swift intervention that must be taken to preserve this ecosystem. Lack of

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[20] Airgood-Obrycki, W. (2020, May 26). *COVID-19 Rent Shortfalls in Small Buildings*. Harvard Joint Center for Housing Studies. (May 26, 2020). Retrieved from https://www.jchs.harvard.edu/blog/covid-19-rent-shortfalls-in-small-buildings

[21] National Association of Home Builders. *Housing's Contribution to Gross Domestic Product*. Retrieved June 8, 2020, from: https://www.nahb.org/News-and-Economics/Housing-Economics/Housings-Economic-Impact/Housings-Contribution-to-Gross-Domestic-Product

[22] Richardson, B. (2020, April 7). *Apartment Industry Calls on Congress to Provide More Support to Renters, Rental Operators*. Retrieved from https://www.forbes.com/sites/brendarichardson/2020/04/07/apartment-industry-calls-on-congress-to-provide-more-support-to-renters-rental-operators/#2bb10c3c5197

action now and a potential financial market collapse would cost the American taxpayer more than emergency rental assistance today.

The current crisis could have a huge impact on future housing production. After first quarter lending data became available, the Mortgage Bankers Association observed, "property investors and lenders have now turned more of their attention to their existing portfolios instead of new business opportunities."[23]

Jim Morell, President and CEO of the Shelton, Washington-based Peninsula Community Federal Credit Union:

> "As a financial cooperative, we are concerned about the impact a large volume of mortgage forbearances will have on the liquidity of mortgage services. Peninsula Credit Union relies on non-bank servicing companies like credit union services organizations (CUSOs) to support member needs to affordably borrow for the purchase of homes and loans directly to borrowers for bare land and construction loans. The longer the CUSO or credit union is without payments due to borrower deferment, liquidity issues will arise, and the result will be a significant reduction of affordable mortgage lending and housing construction.

Local Governments

Local governments on the front lines of this crisis are requesting federal emergency rental assistance. Carl Schroeder, Government Relations Advocate with the Association of Washington Cities, an association that represents Washington State's cities and towns:

> "We are very concerned that without significant action many housing vulnerable people in our communities risk falling into homelessness. Our state's homelessness response system was not adequate before the pandemic and is not prepared for that influx. We are particularly concerned about what will happen after the expiration of the Governor's eviction moratorium. We fear that tenants still will not be in a position to pay rent without assistance."

Cities and counties rely on property taxes to maintain budgets and pay for critical infrastructure, including schools, police and fire departments, road maintenance, and public works. On average, property taxes make up 47 percent of local budgets and are the largest single source of revenue.[24] While property taxes are a less significant portion of state budgets, the downstream effects of COVID-19 related state budgetary shortfalls will dramatically reduce funds to local governments, making property tax revenue even more important for keeping local governments afloat. The Center for Budget and Policy Priorities estimates that state budgets will experience a more than 25 percent shortfall in fiscal year 2021, and that revenue could fall to levels not seen since the worst years of the Great Recession.[25]

This major loss in revenue is compounded by increased costs associated with health and safety measures taken to mitigate the impact of the pandemic. Furthermore, critical public works infrastructure relies on consistent utility payments. These payments are directly tied to rental

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[23] Mortgage Bankers Association. (2020, May 7). *Commercial/Multifamily Borrowing Declines 2 Percent in the First Quarter of 2020*. Retrieved from https://www.mba.org/2020-press-releases/may/commercial/multifamily-borrowing-declines-2-percent-in-the-first-quarter-of-2020

[24] The Tax Policy Center. (2020 May). *The Tax Policy Center Briefing Book: The State of State (and Local) Tax Policy*. Retrieved June 4, 2020, from https://www.taxpolicycenter.org/briefing-book/how-do-state-and-local-property-taxes-work

[25] Center on Budget and Policy Priorities. (2020, June 4). *States Grappling with Hit to Tax Collections*. Retrieved from https://www.cbpp.org/research/state-budget-and-tax/states-grappling-with-hit-to-tax-collections

units, and cities and counties cannot maintain these public works without consistent payments. The loss of tax revenue from rental housing would be a major blow to local governments, and emergency rental assistance is critical in ensuring these tax payments continue. The National Energy Assistance Directors Association estimates that the number of Americans eligible for the Low-Income Home Energy Assistance Program (LIHEAP) has grown from 28 percent to 36 percent because of the pandemic. There is concern that the funds allocated by the CARES Act for additional LIHEAP assistance will not be enough to cover Americans' growing need for help paying their utilities.[26]

Proposed Legislative Solutions to Address America's Housing Crisis

COVID-19 will continue to have unprecedented devastating impacts on public health, jobs, and the economy. The immediate effects of the crisis have sent millions of households into dire situations – leaving millions of families and individuals to make difficult financial decisions. Ensuring that people have access to affordable, quality housing should be a public policy priority, as shocks to the rental market will spill over into every sector of the economy and stifle recovery. To prevent the crisis from getting worse – and to solve it once and for all – action is needed in the immediate, intermediate, and long-term horizons.

Immediate - Emergency Rental Assistance

As the coronavirus pandemic continues to ravage the healthcare systems, the economy, and labor markets, millions of households are facing unprecedented economic and health burdens. The crisis has disproportionately affected low-income communities and those without access to safe, affordable housing. Uninterrupted access to housing is central to providing the stability essential to recovery.

In the period prior to COVID-19, nearly 50 percent of all renters were cost-burdened. And renters earning between 0-80 percent AMI represent most of that statistic.[27] These renters pay nearly $22 billion in rent each month and are most at-risk of losing jobs because of COVID-19.[28] Because cost-burdening disproportionately affects very-low to low-income households, this segment also represents those with the fewest savings, and are least able to absorb sudden financial shock.

Andrea Ponsor, CEO of the Stewards for Affordable Housing for the Future explains why not addressing the need for emergency rental assistance will create additional barriers to production of housing – at a time when housing is needed most:

> "When tenants can't pay the rent – and the unpaid rent is mounting – landlords don't have enough money to make debt service payments and operate the properties. And at the same time, these properties are including tens of thousands of dollars of unplanned expenses on cleaning, safety and services to keep residents stable during the pandemic. That has long term consequences for the preservation of rental homes, both because repairs and plans for upkeep aren't being followed, but because unpaid rent will make lenders and investors more cautious about the risk of investing in rental housing in the future. This makes it harder to finance the preservation of affordable homes."

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[26] Wire, S., & Phillips. A. (2020, May 22). *States are Reopening from Coronavirus Shutdowns. What Happens to Frozen Utility Payments?* Retrieved from https://www.latimes.com/politics/story/2020-05-22/coronavirus-shutdowns-consumers-unpaid-utility-bills-loom-as-costly-problem

[27] ECONorthwest. (2020). *Emergency Rental Assistance: National and State Estimates*. Unpublished research.

[28] Ibid.

Large scale federal action is necessary for Americans facing eviction associated with COVID-19-related work disruptions. Keeping millions of people housed in properties that are clean and healthy while minimizing the financial burden on property owners is critical. Rental assistance cost estimates range from $24 billion — $96 billion, depending on the percentage of renters who become unemployed and the duration of unemployment. The low estimate assumes a low share of renters requiring assistance for 3 months; the high estimate assumes a high share of renters requiring assistance for 6 months.[29]

The National Low Income Housing Coalition estimates that it will cost $99.5 billion just to keep extremely-low and very-low income renters (those making less than 50 percent of Area Median Income) in their homes.[30] Intervention is critical to prevent a massive eviction and housing crisis that will exacerbate the public health risks of COVID-19 and stall economic recovery. Federal emergency rental assistance is critical for protecting millions of vulnerable Americans from losing their homes and for preventing a housing market crisis.

Millions of households are experiencing prolonged job loss and wage reduction. As a result, the number of households paying rent on time and in full is likely to continue to dwindle. As cash flows dry up for property owners who, in turn, cannot pay lenders, the crisis deepens. 74 percent of multifamily properties are owned by individuals who face significant economic hardship as rental income withers.[31] Without rent income, landlords may be forced to defer property maintenance, lay off property management staff, and default on mortgage obligations, resulting in few options for employees, renters, and all levels of the real estate market.

The full extent of rent nonpayment may not be visible for several months, but with staggering unemployment numbers and with no certain path for a return to pre-COVID economic conditions, rental assistance is critical. Swift, preemptive action from the federal government can prevent the upending of the housing market.

Expanded Unemployment Insurance (UI) benefits and the one-time $1,200 per person stimulus payment included in the CARES Act have offered relief to financially burdened renters, but that money will not go far enough to keep people housed or to ward off a looming housing crisis. The Expanded $600 per week UI benefit is set to expire on July 31, but high unemployment rates are likely to continue far beyond this state. State unemployment offices have been delayed in processing claims and are under-resourced to reach an unprecedented number of filers, particularly as eligibility has been expanded to part-time and contract workers. In fact, research from the Economic Policy Institute finds that for every 10 successful UI filers, 3-4 additional filers were unable to make a claim through the system and 2 additional people avoid applying entirely because of the difficulty of the process.[32] While UI benefits offer financial relief, the dollars must cover all household expenses, including increased healthcare costs, so there is still potential for high rental non-payment rates, particularly as the economic impacts of the crisis continue into the summer.

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[29] Winkler, M.. (2020, April 28). *Up for Growth Legislative Brief: Emergency Rental Assistance*. Retrieved from https://www.upforgrowth.org/sites/default/files/2020-05/UFGLegislativeBriefERA04-28-2020_0.pdf

[30] Aurand, A., Emmanuel, D., & Threet. D. (2020, May 8). *NLIHC Research Note: Emergency Rental Assistance Needs for Workers Struggling Due to COVID-19*. Retrieved from https://nlihc.org/sites/default/files/Emergency-Rental-Assistance-Needs-for-Workers-Struggling-due-to-COVID-19.pdf

[31] National Multifamily Housing Council. (2019). *Quick Facts: Ownership and Management*. Retrieved from https://www.nmhc.org/research-insight/quick-facts-figures/quick-factsownership-and-management/#ownsaptunits

[32] Ben Zipperer and Elise Gould. (April 28, 2020). *Unemployment filing failures*. Economic Policy Institute. Retrieved from: https://www.epi.org/blog/unemployment-filing-failures-new-survey-confirms-that-millions-of-jobless-were-unable-to-file-an-unemployment-insurance-claim/.

Historically, unemployment rates have directly tracked with an increase in homelessness. UI benefits are not enough to cover rent and household costs. The temporary eviction moratoriums and increased UI benefits will delay but not prevent a rise in homelessness. Columbia University researchers estimate that homelessness will increase 40-45% this year, which will leave more than 800,000 people without housing.[33] Even absent a pre-existing housing crisis, the COVID-19 would have sent dire shockwaves across the rental housing market. Such significant economic blows and job loss would have left millions of people at risk of losing their homes. Because the pre-COVID rental market was already in crisis, the effects of the pandemic are even more significant. More direct emergency rental assistance is necessary-particularly for those who do not presently receive federal housing assistance through the U.S. Department of Housing and Urban Development. Congress must create an emergency rental assistance program for those who are impacted by the COVID-19 crisis and struggle to cover housing expenses.

Eviction moratoriums and mortgage forbearance periods provide short-term relief that is quickly coming to an end, but without direct financial assistance to cover lost payments, these protections are merely delaying eviction and another housing market crisis. Put simply, letting the rent go unpaid is not a realistic solution for tenants, landlords, and the health of the economy.

Fortunately, the House has already laid groundwork for efficiently providing support through the $100 billion of direct rental assistance included in the HEROES Act. The legislation utilizes the Emergency Solutions Grant (ESG) program to provide states a method for quickly distributing needed aid through a proven and existing program. The legislation acknowledges the staggering number of Americans made financially insecure by COVID-19 by expanding eligibility to those making up to 120 percent of AMI.

I encourage this committee to continue its work to ensure this legislation ultimately becomes law.

Intermediate – Economic Stimulus

Beyond the immediate imperative to address large scale non-payment of rent, Congress has an opportunity to advance specific legislation to expedite shovel-ready housing to stimulate the economy in the near term.

Up for Growth Action encourages Congress to support the following legislation:

- H.R. 3077, the *Affordable Housing Credit Improvement Act of 2019* and associated proposals to fix the 4 percent Low Income Housing Tax Credit and reform the 50 percent bond test to a 25 percent test, which would enable limited volume cap to extend to twice the number of homes it currently is available to in states where the volume cap is the limit.

- H.R. 3316, the *Neighborhood Homes Investment Act*. The bill would establish a new business-related tax credit to support home building and rehabilitation in neighborhoods that meet certain eligibility criteria relating to poverty rates, income, and

[33] Community Solutions. (May 2020). *Analysis on Unemployment Projects 40-45% Increase in Homelessness This Year*. Retrieved from: https://community.solutions/analysis-on-unemployment-projects-40-45-increase-in-homelessness-this-year/.

home values. The bill would go a long way in addressing the shortage of quality housing options in rural and exurban places throughout the U.S.

- H.R. 4307, the *Build More Housing Near Transit Act*, and the related Section 2703 in the *INVEST in America Act*, recently released by the House Transportation & Infrastructure Committee. This legislation makes housing a higher priority in the evaluation of fixed-guideway public transit applications to the New Starts Capital Investment Grant program, and encourages project sponsors to prepare Housing Feasibility Assessments as part of such applications to ensure investments in transit are more closely aligned with housing and land use policies.

- H.R. 4351, the *Yes in My Backyard Act*, legislation that passed the House of Representatives on March 3, 2020. This bill enhances existing reporting requirements in consolidated plan reporting to provide CDBG recipients the opportunity to report on the extent to which they are eliminating barriers to housing. The bill is under consideration in the Senate.

- H.R. 5187, the *Housing is Infrastructure Act of 2019*; in particular, Section 13, *Community Development Block Grant (CDBG) Funding for Affordable Housing and Infrastructure*. This legislation appropriates $10 billion in CDBG funding available to local governments demonstrating responsible streamlining of development approvals by eliminating barriers, including: high density and multifamily restrictions, off-street parking requirements, height limitations, and eliminating or reducing impact fees for housing.

Together, these legislative proposals will increase housing production, drive job creation, and expedite economic recovery.

Long Term – Remove Structural Barriers to Housing

With half of the nation's renters meeting the HUD definition of cost burdened, the United States is facing an unprecedented housing crisis. The U.S. GDP is $1.6 - $2.3 trillion dollars lower than it should be, and commutes are up 20 percent since 1980 because housing prices are forcing more American's to "drive until they qualify" for more affordable homes.[34]

Unfortunately, many impediments to housing and processes that enable Not-in-My-Backyardism are under local control, and cities have not been able to resolve core opposition to new housing without significant political downsides. New York University's Vicki Been, Ingrid Gould Ellen, and Katherine O'Regan, concluded in a recent paper "there is a need to revisit whether the political economy of local opposition to new development has become such an impediment to larger societal goals that the distribution of power between local, regional, and state governments and between the states and the federal government should be changed."[35]

Up for Growth Action agrees. An important part of the solution to this challenge will come from a stronger federal and state role in setting minimum standards around housing and encouraging and supporting local governments to take actions that eliminate barriers to housing.

[34] Holder, S. (2018, April 25). *Where Commuting Is Out of Control*. Retrieved from https://www.citylab.com/transportation/2018/04/where-commuting-is-the-worst/558671/

[35] Been, V., Gould Ellen, I., & O'Regan, K. (2017, October 26). *Supply Skepticism: Housing Supply and Affordability*. Retrieved from https://www.law.nyu.edu/sites/default/files/Been%20Ellen%20O%27Regan%20supply_affordability_Oct%2026%20revision.pdf

We applaud the range of options represented in the following bills:

- H.R. 5187, the *Housing is Infrastructure of 2019*, takes a carrot approach by appropriating $10 billion in CDBG funding made available to local governments to remove barriers,

- H.R. 4351, the *Yes in My Backyard Act*, a transparency bill that puts a spotlight on the extent to which local governments reduce barriers, and,

- H.R. 4808, the *Housing, Opportunity, Mobility, and Equity Act of 2019*, conditions funding of CDBG and Surface Transportation Block Grants on local governments enacting and executing plans to remove barriers.

Up for Growth Action will continue to support members of Congress to advance policies that eliminate unnecessary and structural barriers to housing.

Conclusion

The United States is already suffering from an unprecedented housing shortage. COVID-19 has further destabilized housing, healthcare, and the national economy. Individuals and households are forced to choose between paying rent, or providing their families with necessities, like groceries, childcare, and healthcare. Unemployment has risen to unprecedented levels, leaving low-income workers with dangerously few resources and little choice over how to use them. Landlords and property owners, bankers and credit markets, an even local governments are bracing for downstream effects of widespread rent non-payment.

Without federal intervention, the current rent crisis will grow into an eviction crisis. Congress must act to ease the suffering of American families, and to mitigate the downstream effects at every level of our economy. Immediate emergency rental assistance, intermediate policies to stimulate housing development, and long-term focus on deconstructing discriminatory barriers to housing are essential to creating a stable and healthy American housing ecosystem.

Up for Growth Action looks forward to working with you to secure the health and stability of housing for all Americans.