

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

November 10, 2015

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Hensarling:

I was very interested to hear about your call for Americans to bring new ideas to the table on how to best fight the problems of poverty and housing affordability in commemoration of the 50th anniversary of the Department of Housing and Urban Development (HUD). I too have taken this momentous occasion to reflect on the future of the agency, and I truly commend your efforts to welcome innovative ideas from all Americans on how to improve this vital federal agency. It is so important to hear from a wide range of perspectives, especially those of public housing residents and other recipients of HUD assistance. So as you hear from Americans about their ideas, I stand ready to work with you to implement bipartisan reforms that will improve HUD programs for the benefit of their recipients, as well as taxpayers, and expand them so that they can reach more needy families. However, in your effort to seek out new ideas,

I urge you not to neglect the existing, evidence-based, time-tested approaches and principles that should inform any efforts to improve HUD's capacity to serve those in need of safe, decent and affordable housing. These approaches and principles concern ending homelessness, improving the voucher program, addressing housing scarcity for extremely low-income families, and confronting the racial wealth gap.

Ending Homelessness

For example, we know how to solve homelessness in this country, and we know that doing so will save millions of taxpayer dollars. Years of research have shown that the "Housing First"¹ model is the most successful way to address chronic homelessness, and that this is far more cost-effective than allowing those who are chronically

¹ "Housing First" is an approach to ending homelessness that centers on providing people experiencing homelessness with housing as quickly as possible – and then providing services as needed. This approach has the benefit of being consistent with what most people experiencing homelessness want and seek help to achieve.

homeless to remain without shelter. A study analyzing the results of *Project 50*, a coordinated effort among multiple government agencies to provide permanent supportive housing and supportive services to the most vulnerable chronically homeless individuals living in Los Angeles, found that the public saved an average of \$4,774 for every person that was housed, yielding a total savings of over \$3.284 million for the 133 people housed through the effort.² Similar results have been found in other major cities like New York and Chicago as well as smaller cities like Connecticut and rural contexts like Maine. The success that the nation has seen towards the goal of ending veteran homelessness (including chronic veteran homelessness) has been made possible through strong bipartisan support for and funding of federal programs dedicated to veteran homelessness. Indeed, because of the support of Democratic and Republican Members of Congress, along with the Obama Administration, we have seen a 33 percent reduction in veteran homelessness since 2010, simply because we have provided the needed housing vouchers and wraparound services.

However, there has not been similar bipartisan support for the non-veteran, chronically homeless population. There is simply no excuse for Congress' failure to invest the resources necessary to end chronic homelessness, particularly when we can simultaneously save taxpayer dollars that are needlessly being spent on emergency room services and other public resources on which chronically homeless people are otherwise forced to rely.

Improving the Voucher Program

We also know that the Section 8 Housing Choice Voucher (HCV) program is most successful when its recipients have the option to move into neighborhoods of opportunity should they choose to seek it. However, time and time again, we hear about housing discrimination that limits the ability for HCV holders to choose to live in certain neighborhoods. For example, the Department of Justice recently filed a complaint against the Housing Authority of the County of Los Angeles (HACoLA), alleging that HACoLA had colluded with the Los Angeles Sheriff's Department and the cities of Palmdale and Lancaster to discourage African-Americans from using Section 8 vouchers in those cities.³ The DOJ allegations included documented police misconduct and disproportionately high rates of voucher termination in those cities. The lack of a federal civil rights statute that protects against discrimination based on source of income directly hinders the efficiency of the Section 8 HCV program. Nevertheless, Congress has failed to provide this basic protection that would significantly enhance the effectiveness of HUD's largest program.

² Actionable Intelligence for Social Policy, University of Pennsylvania (2015, August). Project 50: Ending Chronic Homelessness with Permanent Supportive Housing and Integrated Data Systems. Accessed at: http://www.aisp.upenn.edu/wp-content/uploads/2015/04/IDS_ExamplesOfIDSBenefit_LaCounty_Project50.pdf

³ Complaint, United States v. Housing Authority of the County of Los Angeles, 15-CV-5471 (2015, July 20)

In addition to these things that we know so well, there are several incremental reform proposals for HUD programs that have been around for years with bipartisan support, and could go a long way to increasing efficiency and effectiveness of several HUD programs. For example, my prior Section 8 reform bills⁴ included bipartisan language that would facilitate better use of the project-based voucher program in tight rental markets and develop housing for homeless and other vulnerable populations. In fact, I have re-introduced this language as a standalone bill this Congress, *The Project Based Voucher Improvement Act of 2015* (H.R. 3827), with support from several organizations. My bill was also included in Housing and Insurance Subcommittee Chairman Luetkemeyer's (R-MO) housing bill, *The Housing Opportunity Through Modernization Act of 2015* (H.R. 3700). Thus, as we think about reform, it is important to keep in mind that bigger is not always better, and that incremental reforms have the potential to reap significant efficiencies at little to no cost.

Addressing Housing Scarcity for Extremely-Low Income Families

Furthermore, we know that vouchers alone cannot solve our nation's housing problem, given that all of the available data demonstrates that there remains a supply problem, particularly for extremely low-income (ELI) households. We know that the largest deficit of affordable housing is among these ELI families, and that there is virtually no private investment into affordable housing for this group without federal funding.⁵

We also know that the lack of affordable housing depresses our economy. For example, a report from the University of Chicago and the University of California, Berkeley concluded that the lack of affordable housing in major metropolitan areas costs the U.S. economy an estimated \$1.4 trillion each year in lost wages and productivity. Investing in affordable housing can help alleviate this economic loss while also boosting economic activity through job creation. When the American Reinvestment and Recovery Act (ARRA) invested \$4 billion in capital fund dollars for the public housing program, it generated thousands of jobs and created an additional \$2.12 in economic activity for every \$1.00 spent by the Federal Government.⁶

This is why it is critical that we invest in innovative solutions that will address the deficit of affordable housing, particularly for ELI households. The National Housing Trust Fund (HTF) is the only federal program dedicated to producing affordable housing units for extremely low income households, but it has yet to be capitalized

⁴ The Section 8 Voucher Reform Act of 2011 (H.R. 1209); The Section 8 Voucher Reform Act of 2009 (H.R. 3045)

⁵ National Low Income Housing Coalition (2014, December). The Alignment Project: Aligning Federal Low Income Housing Programs with Housing Need. Accessed at: http://nlihc.org/sites/default/files/Alignment_Report_1214_1.pdf

⁶ Econsult Corporation (2011, March). Public Housing Stimulus Funding: A Report on the Economic Impact of Recovery Act Capital Improvements.

since its creation. This program has the potential to alleviate the housing cost burden for thousands of ELI families while also boosting our economy continues to be subject to Republican attacks.

It also remains critically important to fully support the public housing program. Public housing has served an important role on the continuum of affordable housing since the 1930s. The public housing program is integral to our nation's social safety net, providing housing for 1.2 million families. It serves a population of "hard to house" people who face challenges that often make it impossible for them to rent a unit in the private market. Over the last several years, public housing has been plagued by chronic underfunding, resulting in a backlog of capital needs of over \$26 billion and rising. We continue to lose units to demolition and disposition to the tune of over 130,000 units lost since 2000, and many families are currently experiencing deteriorating living conditions. The government has been inattentive in its responsibility for the care and condition of public housing for years, which is why we are currently faced with this challenge of preserving public housing. The Federal government should renew its commitment to serving those most in need by providing the full amount of funding that the public housing program so desperately requires.

Confronting the Racial Wealth Gap

Finally, I think it is important to remember that it was American housing policy that substantially created the modern American middle-class, by providing for single-family homeownership via the Federal Housing Administration programs following the Second World War. Unfortunately, while public policy was investing in the housing outcomes of White Americans during this era, it was at the same time denying mortgage insurance to minority households, and instead forcibly segregating these Americans into poorly-located, substandard public housing. The opportunity to build wealth through housing was therefore denied to entire generations of minority households, and we still live with that legacy today. We must reckon with this fact if we are to seriously think about generational cycles of poverty, as you seek to do. Indeed, the average wealth of a White household is 20 times that of a Black household, and 18 times that of a Latino household, according to recent data from the Pew Research Center. Similarly, the homeownership rate for White households is at 72 percent, while the rate for Black and Hispanic households is only around 43 percent, also according to Pew.

While substantial progress has been made since the creation of our national housing policy, the choices that we made decades ago still live with us today. But just as we chose to create segregated neighborhoods with vastly unequal levels of opportunity, so too can we choose to undo that legacy with a new era of public policy. I believe that Americans naturally want to work, want to achieve self-sufficiency, and

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want to provide safe, decent and affordable housing for their families. We simply need to invest in their communities in ways commensurate to our disinvestment in those communities in the past.

For example, the recent housing crisis disproportionately affected minority communities, in part due to reverse redlining tactics of lenders who targeted these neighborhoods for subprime loans despite the individual qualifications of borrowers. In the aftermath of the crisis, the Neighborhood Stabilization Program (NSP), which I authored, invested billions of dollars into those communities that were hardest hit by the housing crisis. This investment helped stabilize neighborhoods, raise property values, provide affordable housing to low- and moderate-income families, and created thousands of jobs. Last Congress, I introduced legislation, *The Project Rebuild Act of 2013* (H.R. 1397), which would build upon the success of NSP by providing additional funding and expanding the program to include commercial properties. This legislation would provide much needed economic stimulus to the communities that need it the most.

In short, I believe that the solutions to our nation's housing problems don't require massive overhauls or restructurings. Instead, the solutions are already right at our fingertips; we just lack the will to properly fund and execute on these evidence-based, time-tested ideas.

I appreciate your renewed attention to housing issues this Congress, and I look forward to working with you on bipartisan solutions to address this nation's affordable housing crisis. I believe that we can agree that HUD can do more, and that we can do more to help increase HUD's capacity to do more. So, in addition to your consideration of new ideas from a variety of perspectives, I hope that you will also keep in mind these things that we already know about what works, and what is needed in terms of assisted housing in America.

Sincerely,

A handwritten signature in black ink that reads "Maxine Waters". The signature is written in a cursive, flowing style with a long horizontal line extending from the end of the name.

MAXINE WATERS
Ranking Member