



Senate Committee on Banking, Housing and Urban Affairs

Hearing on “The State of the Nation’s Housing Market”

Testimony of Diane Randall, Executive Director

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Thank you, Senator Dodd and members of the Senate Banking Committee for the opportunity to testify today on “The Nation's Housing Markets.” I am Diane Randall, Executive Director of the Partnership for Strong Communities, a Connecticut based organization dedicated to solutions to homelessness, the development of affordable housing and the creation of vibrant communities. I am also a member of the Board of Directors of the National Low Income Housing Coalition, which works on solving the housing problems of the lowest income people in our country.

For millions of Americans—many of them vulnerable by disability or age— the opportunity to own a home, even with a very generous home ownership tax credit, is beyond their reach. For these Americans, the American Dream is a safe, secure, affordable rental home. The opportunities for Congress to intervene with solutions for the low-income rental market are immediate and can have dramatic benefits—not only for the nation’s economy but also for people who need the security of an affordable rental home. Indeed, one of the lessons from this housing crisis is that efforts to fix *only* the home ownership market is not an adequate housing policy—for our nation, our states or our local communities.

It is important to understand that there is no such thing as *the* Nation's Housing Market. There are thousands of markets, each with its own needs, and it is critical that Congress provide states and localities with tools and resources that can be tailored to address conditions in those different markets.

Let me give you a snapshot of the picture in my state—Connecticut—a wealthy state that nonetheless has deep pockets of poverty, with an unemployment rate of 8.1% which, while less than the nation's 9.7% unemployment rate, shows no signs of declining.

- In Connecticut, nearly half (48.2%) of renting households pay more than 30% of their income for housing. For many of these folks, managing the family budget is high wire act, deciding among the priorities of food, healthcare, transportation or clothing. Forget things like music or dance lessons for the kids or even a trip to the movies.
- Connecticut's suburban and rural towns have very little supply of multifamily housing, especially affordable housing. This results in relatively few rental homes available and affordable to Connecticut's low-income population.
- The "housing wage" for renters in Connecticut has risen to \$21.60 hour in 2009 from about \$14/hour in 2001. In order to afford a 2 bedroom rental home, a family would need an annual income of more than \$45,000, more than the median wage of nearly half the occupations in Connecticut. (*see end for footnote)
- The percentage of Connecticut homes valued under \$200,000 shrunk from more than 65% of the total in 2000 to less than 20% in 2008. Even if they could muster the down payment and receive a tax credit, low-income households have few opportunities to become homeowners in Connecticut due to very high housing prices and limited supply.

Across the country, the same story has played out. The National Low Income Housing Coalition has culled information from the American Community Survey showing that some renters in every income category are paying more than 30% of their income for housing. These data demonstrate that as income decreases, the number of renters paying more than 30% of their income for housing dramatically increases, with 86% of renters earning less than \$20,000 a year paying over 30% for housing. In other words, the poorer you are—and recent reports indicate that throughout the country household incomes are declining—the greater your challenges in finding a home you can afford.

The Americans living in poverty and facing growing rent burdens in rural, suburban and urban communities include people with disabilities, veterans, the elderly, families with young children. People with disabilities who rely on Social Security Income as their sole source of income continue to be our nation's poorest citizens.

- The monthly federal Social Security Income payment in 2008 was \$637 per month. About half of the states provide a modest supplement to this income. In Connecticut, the supplement is \$168 per month, bringing the SSI income up to just \$805 a month.
- In our state, 34,289 non-elderly adults with disabilities would need 116% of their income to rent a one-bedroom apartment, according to “Priced Out in 2008,” a report by the Technical Assistance Collaborative.

Many of those with low incomes are also at an **increased risk of experiencing homelessness**, particularly during these difficult economic times. The need for affordable and supportive rental housing to prevent and end homelessness is critical. Connecticut's 2009 Point in Time Count of homelessness conducted eight months ago challenges some traditional assumptions about homelessness. The one day snapshot of people who are living outdoors or in emergency shelters

demonstrated a shift: homelessness is growing at a faster rate in suburban and rural towns than in our urban centers— a finding consistent with national studies. Findings from the Connecticut 2009 Point in Time Count also show:

- 4,154 people were homeless; 801 of those people were children
- 32% of families were working at the time of the count and 78% said they had income from some source.
- 60% of adults in homeless families had a 12th grade education or higher.
- 57% of adults in families reported no history of hospitalizations for mental illness or drug/alcohol abuse. Yet, 43% of Connecticut families had to leave their last place of residence due to problems with rent or eviction.
- The number of individuals who are homeless over the course of a year in Connecticut is estimated at over 30,000.

Has the current housing crisis increased the availability of rental housing for low-income households? Quite simply, that is not the case. The loss of regular income experienced by millions of Americans—whether through unemployment, reduction in work/benefits, or crises related to mortgage/foreclosure problems— pushes more lower incomes households to look for affordable rentals. This pressure on the low-income rental market, in turn, drives up rents for these homes.

The market for rental housing for low-income households is not the same as the market for those who have higher incomes and an increased ability to pay more for housing. Although recent reports indicate that rental prices may be declining in some markets, these reports are coming primarily from large rental buildings that generally rent to higher-income segments of the market.

There also appears to be a recent influx of troubled properties into the rental market as individual owners try to rent properties that they can no longer afford themselves. However, these owners are likely to sell once market conditions turn favorable, adding to instability in the rental market. These properties generally have high maintenance costs, making rents high or making the properties vulnerable to neglect and eventual abandonment if the owners are unable to make enough on rent to cover their costs.

Another problem that exacerbates the low-income rental market is the **loss of nearly 200,000 public housing units** over the past decade, according to the Center for Budget and Policy Priorities. Additional private sector units were also lost due to poor condition, condo conversions and sales, and demolitions.

Our communities stand at risk to lose thousands of rental housing units over the coming decade if we don't **act to preserve the units that currently are home to low-income households**. The homes in need of preservation are falling into disrepair, becoming obsolete or need to be recapitalized to extend the affordability. Connecticut faces a huge challenge in preserving our state housing portfolio—over 17,000 units of housing inhabited by low-income elderly and families. Preservation of this housing and other affordable government assisted housing is drawing heavily on our state's allocation of Low Income Housing Tax Credits, our tax exempt bond cap and the very limited state capital subsidy programs, making it virtually impossible to develop more than 150-200 units of net, new rental housing each year that is dedicated to low income households in Connecticut.

Benefits of Low Income Rental Market Working

Health, education and employment outcomes for individuals with disabilities and families with children are vastly improved when rental housing is affordable and safe for low income people.

- Our aging rental housing stock in the Northeast often has problems with environmental hazards, including lead, asbestos, mold, and dust mites. These factors have sparked significant increases of asthma in urban schools, the leading cause of absenteeism and diagnoses in school-based health clinics according to CT's Department of Education.
- The rate of school stability -- students finishing the year in the same school they started in -- is 95% in Connecticut's affluent school districts BUT only 77% in its 6 poorest districts. Children who move in mid-school year are more likely to underperform, have learning disabilities and exhibit violent behavior. Most (58%) cases of mobility -- moving from one school to another - are the result of residential moves, often because of affordability or housing quality issues.
- Stable housing reduces public health costs. Connecticut's supportive housing Demonstration Program developed mixed income housing for 282 formerly homeless people in nine different locations in the 1990's. The tenants who have psychiatric disabilities and/or addictions experienced a 72% reduction in in-patient Medicaid costs according to a 2002 study published by the Corporation for Supportive Housing. Connecticut has produced nearly 4,400 units of permanent supportive housing, using federal, state and philanthropic resources; housing that has helped people get back to work and school and restored property values in communities that benefited from the housing investment.

In Connecticut and in every state, we need Congress to respond affirmatively to the low income housing market; states and communities across the country look to the federal Administration and

Congress to offer leadership on a rational housing policy that assures all Americans have opportunity for a home they can afford.

Thank you for the leadership you have provided—this spring passing legislation that protects renters in foreclosure, and through ARRA establishing a homeless prevention and rapid re-housing program and the tax credit assistance program and tax credit exchange program to keep the Low Income Housing Tax Credit program moving. These steps are *very* important. Let me suggest in closing a few additional immediate actions you could take to further bolster the low income housing rental market and our economy—to assure the American dream of a safe, affordable home for all.

A Few Modest Solutions for the Low Income Rental Housing Market

1. **Fully renew all Section 8 tenant and rental assistance** in order to prevent homelessness and assure stability for people who currently have housing choice vouchers.
2. **Fund 200,000 new housing choice vouchers a year for ten years**—begin immediately to ramp up new tenant based and project based vouchers over a 10 year period to create long term affordability/stability and mixed income communities.
3. **Enact SEVRA**—Section 8 Voucher Reform Act that improves the ability to project base vouchers, streamlines the program and improves the funding formula
4. **Fund the National Housing Trust Fund**-capitalize at \$1 billion immediately; Senator Jack Reed's bill SB1731 offers a viable option to assure that this program which has wide bi-partisan support could be operational in 2010. Find a permanent source of funds to increase annual support of the National Housing Trust Fund to \$15 billion a year, This new program would require 90% of the funds to be used for production and preservation of multi-family

rental housing, all serving very low income households, with an emphasis on serving extremely low income households

5. **Enact SB 1481, The Frank Melville Supportive Housing Investment Act**—which modernizes the Section 811, Housing for Persons with Disabilities and creates a demonstration program with project-based rental assistance
6. **Advance the Livable Communities Act**—an initiative that recognizes and encourages effective community development planning and practice that includes affordable housing, based on the local housing market, needs and plans. Incentives and project based vouchers could insure that low income households would have housing opportunities through this initiative.

*Housing wage information on all states and additional data on the low income housing market is available at www.nlihc.org, National Low Income Housing Coalition

Other resources for information on housing that prevents and ends homelessness and meets the needs of people with disabilities:

www.csh.org, Corporation for Supportive Housing
www.naeh.org, National Alliance to End Homelessness
www.tacinc.org, Technical Assistance Collaborative