

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

January 9, 2020

Memorandum

To: Members, Committee on Financial Services

From: FSC Majority Staff

Subject: Full Committee Hearing entitled, “On the Brink of Homelessness: How the Affordable Housing Crisis and the Gentrification of America Is Leaving Families Vulnerable”

The Committee on Financial Services will hold a hearing entitled, “On the Brink of Homelessness: How the Affordable Housing Crisis and the Gentrification of America Is Leaving Families Vulnerable,” at 10:00 a.m. on Tuesday, January 14, 2020, in room 2128 of the Rayburn House Office Building. This will be a single-panel hearing with the following witnesses:

- **Karen Chapple**, Professor and Chair of the Department of City and Regional Planning, University of California, Berkley
- **Matthew Desmond**, Maurice P. During Professor of Sociology & Director of the Eviction Lab, Princeton University
- **Priya Jayachandran**, President, National Housing Trust
- **Jeffrey Williams**, Tenant Advocate

Additional witnesses may be added.

Background

According to the most recent data collected by the Department of Housing and Urban Development (HUD), there are more than half a million people experiencing homelessness in this country, which is defined as living in either emergency shelters or places unfit for human habitation.¹ HUD’s McKinney-Vento Homeless Assistance grants are the main sources of federal funding to help people who are experiencing homelessness. However, there are millions more people who are on the brink of homelessness due to unaffordable rents or other hardships, many of whom are housing unstable, which includes households that spends more than 50 percent of their income on rent, is living in motels without alternative adequate accommodations, or is doubled up with another family.² HUD programs can help those who are at risk of homelessness by providing rental assistance to low income households such as the Section 8 Housing Choice Voucher program. Other HUD programs can help prevent homelessness by investing in the supply of affordable housing, such as the National Housing Trust Fund, the Home

¹ U.S. Department of Housing and Urban Development, [*Secretary Carson certifies annual data: Homelessness ticked up in 2019, driven by major increases in California*](#) (Dec. 20, 2019).

² U.S. Department of Housing and Urban Development, [*The 2014 Annual Homeless Assessment Report to Congress: Additional Forms of Homelessness and Housing Instability*](#) (2014).

Investments Partnerships program, and the Community Development Block Grant (CDBG) program. Funding for each of these programs, however, has not kept pace with actual needs.³

Rents have continued to increase for low-income families at a higher rate than wages, while the supply of affordable housing has decreased by four million units since 2011.⁴ As a result, there is a shortage of 7 million homes that are affordable and available to extremely low-income renters,⁵ and no state has an adequate supply of affordable housing.⁶ Moreover only one in four households who qualify for federal housing assistance receives it due to a lack of funding.⁷ Consequently, the majority of extremely low income households are severely rent burdened, meaning they are spending more than 50 percent of their income on rent, including 72 percent of households earning less than \$15,000 a year.⁸ According to HUD's most recent report to Congress on "worst case housing needs"—which is defined as households that are very low-income renter households who receive no housing assistance and pay more than 50 percent of their income for rent or live in severely inadequate units—the number of households in the United States experiencing worst case needs was 8.3 million in 2015, up from 7.7 million in 2013 and nearly as many as the record high of 8.5 million in 2011. Because extremely low-income households spend the bulk of their income on rent, they are particularly at risk of eviction and homelessness.⁹ For many of these families, a single unanticipated expense, such as a large medical bill or a car repair payment, can cause them to lose their housing.

Current Issues Contributing to the Rental Housing Crisis

Lack of Investment in Affordable Housing

Without federal investments, the private market is largely unable to develop, operate, or maintain rental housing affordable to the lowest income households.¹⁰ For example, the National Association of Homebuilders testified before the House Financial Services Committee that builders and developers would gladly serve families at all incomes if they "could simply make the numbers work," but that "it is impossible to build new apartments affordable to low-income families without some type of government assistance...."¹¹ This is because the cost of developing and operating such housing typically outstrips the amount of revenue a landlord would be able to generate by setting rents affordable to these households. However, despite the significant growth in the number of households eligible to receive HUD assistance, federal affordable housing programs have been underfunded for decades.¹²

Adjusting for inflation, the budget authority for federal housing assistance programs in the 1970s was nearly three times higher than in 2018.¹³ HUD's budget has significantly declined since Congress enacted the *Budget Control Act of 2011*. Since 2010, there have also been substantial cuts to funding for public

³ [*Housing in America: Assessing the Infrastructure Needs of America's Housing Stock, Hearing Before the H. Committee on Financial Services*](#), 116th Cong. (2019) (statement of Diane Yentel, President and CEO, National Low Income Housing Coalition).

⁴ Joint Center for Housing Studies of Harvard University, [*The State of the Nation's Housing 2019*](#) (2019).

⁵ Households with income at or below the Poverty Guideline or 30% of AMI, whichever is higher.

⁶ National Low Income Housing Coalition, [*The Gap: A Shortage of Affordable Homes*](#) (March 2019).

⁷ Center on Budget and Policy Priorities, [*Three Out of Four Low-Income At-Risk Renters Do Not Receive Federal Rental Assistance*](#) (Aug. 2017).

⁸ Joint Center for Housing Studies of Harvard University, *supra* note 3.

⁹ Data from the American Housing Survey has shown that poor households that are severely cost burdened are more likely to fall behind on paying the rent and face eviction. National Low Income Housing Coalition, *supra* note 6.

¹⁰ Diane Yentel, *supra* note 3.

¹¹ [*Housing in America: Assessing the Infrastructure Needs of America's Housing Stock, Hearing Before the H. Committee on Financial Services*](#), 116th Cong. (2019) (statement of Steve Lawson, Representative, National Association of Home Builders).

¹² Diane Yentel, *supra* note 3.

¹³ *Id.*

housing, housing for the elderly, and housing for people with disabilities, and other programs. While the Housing Choice Voucher program and Project-Based Section 8 Rental Assistance program have received modest funding increases, such increases were required to keep up with rising operating costs for previously authorized assistance and have not resulted in substantial increases in the number of households assisted.

This chronic underfunding has also directly resulted in the loss of federally subsidized units due to disrepair, leaving some communities with fewer important resources to help residents afford their homes. The Public Housing Authorities Directors Association (PHADA) estimates that there is an estimated \$70 billion backlog in needed capital repairs to address substandard and unsafe conditions in public housing, and more than 10,000 public housing units are lost each year due to disrepair.¹⁴ Other federally assisted housing is also facing significant capital investment needs that have been exacerbated by decreased federal funding or lack of new federal funding for key programs like the CDBG, HOME Investment Partnerships program, and the Native American Housing Block Grant (NAHBG) program.¹⁵

Gentrification and Displacement

While there is no consensus on a single and consistent definition of gentrification, it can generally be understood as a form of neighborhood change that occurs when higher-income households move into low-income neighborhoods, increasing the demand for housing and rent prices.¹⁶ While gentrification can benefit long term neighborhood residents by lowering poverty rates, deconcentrating poverty and exposing residents to more economic opportunity, it can also create negative consequences. The impact of gentrification on rent prices can cause the displacement of longstanding residents, which often disproportionately affects people of color as well as the local cultures and communities they are tied to. Gentrification can also cause “exclusionary displacement,” wherein low-income residents who wish to move into gentrified neighborhoods are limited in their choices to do so because of the rent prices in those neighborhoods.¹⁷

Research has shown that when lower income residents are displaced by gentrification, they move to higher poverty neighborhoods with fewer resources such as public transportation and employment opportunities.¹⁸ Another study conducted by the Federal Reserve Bank of Philadelphia found that gentrifying neighborhoods lost low-cost and affordable rental units at five times the rate of non-gentrifying neighborhoods.¹⁹ The study concluded that the preservation of existing federally assisted housing can be particularly important in gentrifying neighborhoods to ensure that long-term, low-income residents who want to stay in their neighborhood can do so.

Short-Term Rentals

¹⁴ Public Housing Authority Directors Association, [*Fact Sheet: Funding for Public Housing Through an Infrastructure Bill*](#) (2019).

¹⁵ From FY10 to FY20, funding for CDBG and HOME have decreased by 35 percent and 36 percent respectively after adjusting for inflation. National Low Income Housing Coalition, [*Changes in Funding Levels for Key HUD programs \(FY10-FY20\)*](#) (Dec. 23, 2019); from 2000 to 2017, funding NAHBG has fallen 27 percent. David Reich et al., Center on Budget and Policy Priorities, [*Block-Granting Low-Income Programs Leads to Large Funding Declines Over Time, History Shows*](#) (Feb. 22, 2017).

¹⁶ U.S. Department of Housing and Urban Development, Policy Development & Research, [*Managing Community Change: A Dialogue on Gentrification*](#) (2016).

¹⁷ Karen Chapple, Urban Displacement Project, [*Displacement: The misunderstood crisis*](#) (2015).

¹⁸ Lei Ding et al., Federal Reserve Bank of Philadelphia, [*Gentrification and Residential Mobility in Philadelphia*](#) (2016).

¹⁹ Seth Chizeck, Federal Reserve Bank of Philadelphia, [*Gentrification and Changes in the Stock of Low-Cost Rental Housing in Philadelphia, 2000 to 2014*](#) (January 2017).

The growth of short-term rentals facilitated by online platforms may also be contributing to the rental housing crisis, particularly in cities that attract tourists and have tight rental markets.²⁰ Through these online platforms, tourists can book a stay in another person's home or apartment rather than staying in a hotel. This can create an incentive for property owners to rent available units to tourists rather than long-term renters because doing so can be more profitable.²¹ In some cases, landlords have converted whole residential buildings into short-term rentals, and have evicted tenants to be able to list their units on Airbnb.²² In one example, a man was evicted from his rent-controlled apartment in San Francisco after his landlord told him a family member would move in; however, the landlord instead listed the apartment, as well as another, for \$145 a night on Airbnb, more than double the evicted tenant's previous rent.²³ To the extent that available units that would otherwise be rented to long-term residents are being listed as short-term rentals, this could have an impact on the supply of affordable rental housing in certain markets. For instance, a study showed that in 2014, short-term rentals removed over 7,000 units from Los Angeles' already limited supply of rental housing.²⁴ Additionally, studies have shown that Airbnb has led to modest rent increases in neighborhoods with a high density of Airbnb listings.²⁵

Impact of the Rental Housing Crisis: Evictions and Homelessness

According to the best available data, an estimated 2.3 million evictions were filed in the U.S. in 2016—a rate of four filings per minute.²⁶ Families are most commonly evicted because they cannot afford their rent. However, research has shown that tenants facing eviction are typically not deeply in debt, but rather owe smaller sums of money that are often equivalent to less than their monthly rent.²⁷ In Richmond Virginia, the city with the second highest eviction rate, the median amount owed to a landlord is \$686.²⁸ Poor women, particularly women of color, are more likely to be evicted than men.²⁹

The direct consequences of an eviction can drive families more deeply into poverty: families can experience homelessness and job loss, while children are often forced to leave their school, disrupting their education. Matthew Desmond stated in his book, *Evicted: Poverty and Profit in the American City*, "Eviction is a cause, not just a condition of poverty."³⁰ One particular consequence of eviction is that landlords are unwilling to rent to families based on their eviction record. Landlords often hire housing screening agencies to perform background checks on potential tenants. Using information acquired from housing court databases, these agencies report eviction data to landlords who then deny families housing

²⁰ Steven Hill, American Prospect, [*Evictions and Conversions: The Dark Side of Airbnb*](#) (Oct. 19, 2015).

²¹ For instance, in parts of New York City, landlords could earn 200 percent or more than the median long-term rent. Alastair Boone, CityLab, [*What Airbnb Did to New York City*](#) (March 5, 2018).

²² Steven Hill, *supra* note 20.

²³ *Id.*

²⁴ Dayne Lee, Harvard Law & Policy Review, [*How Airbnb Short-Term Rentals Exacerbate Los Angeles's Affordable Housing Crisis: Analysis and Policy Recommendations*](#) (Vol 10, 2016).

²⁵ *Id. See also*, Kyle Barron et al., Harvard Business Review, [*Research: When Airbnb Listings in a City Increase, So Do Rent Prices*](#) (April 17, 2019).

²⁶ This is likely an underestimate, as some states have laws sealing eviction cases to protect tenants, while some states do not consistently track eviction cases, particularly in rural areas. This estimate also does not include informal evictions, where landlords evict tenants outside of the judicial system. David Brancaccio and Katie Long, Marketplace, [*Millions of Americans are evicted every year — and not just in big cities*](#) (April 9, 2018).

²⁷ Emily Bader, N.Y. Times, [*Many Renters Who Face Eviction Owe Less Than \\$600*](#) (Dec. 12, 2019).

²⁸ Emily Badger and Quoctrung Bui, N.Y. Times, [*In 83 Million Eviction Records, a Sweeping and Intimate New Look at Housing in America*](#) (April 7, 2018).

²⁹ Matthew Desmond, MacArthur Foundation, How Housing Matters, [*Poor Black Women Are Evicted at Alarming Rates, Setting Off a Chain of Hardship*](#) (March 2014).

³⁰ Matthew Desmond, *Evicted: Poverty and Profit in the American City* (2016).

based on these records.³¹ Families are often unaware that such records are being reported and have little opportunity to appeal or explain their record. Moreover, screening agencies will report on a family's eviction years after the eviction actually happened. Families have reported that because they had an eviction on their record, they have been unable to find landlords willing to rent to them, even several years after the eviction actually occurred.³² As a result, these families have been forced to live in substandard apartments, stay in overpriced motels, or experience homelessness.³³

Additionally, studies show that the lack of affordable housing is the underlying cause to increases in homelessness. For example, one study found that cities with higher housing costs have higher homelessness rates.³⁴ A Zillow study found that if the share of income that people spend on rent increased by 2 percent in Los Angeles, 4,227 more people would likely experience homelessness.³⁵ Former U.S. Interagency Council on Homelessness (USICH) Executive Director Matthew Doherty stated that, "high cost and low vacancy rates are putting more people at risk of entering homelessness, and they're making it harder and harder for people to find housing as they strive to exit homelessness."³⁶ In 2019, homelessness increased by 2.7 percent, with almost 568,000 people, experiencing homelessness, including 53,692 families with children.³⁷

Legislative Proposals

- **H.R.1856, "The Ending Homelessness Act of 2019"** introduced by Chairwoman Waters is a bill that would provide \$13.27 billion over five years to several critical federal housing programs and initiatives, which includes funding for new units of affordable housing, new vouchers, case management, and technical assistance. The targeted funding in this bill is projected to end homelessness in America.
- **H.R. 5187, the "Housing is Infrastructure Act of 2019"** is a bill sponsored by Chairwoman Maxine Waters that would authorize more than \$100 billion in federal investments for the nation's affordable housing infrastructure, including public housing, supportive housing for seniors and people with disabilities, housing affordable to the lowest-income people, and rural and Native American housing.
- **The "Stable Families Act"** is a discussion draft from Representative William Lacy Clay that would establish a demonstration program to provide short-term financial assistance to extremely low-income families at risk of eviction.
- **The "Housing Emergencies Lifeline Program (HELP) Act of 2019"** is a discussion draft from Representative Ayanna Pressley to provide protections for tenants who have been evicted from their homes by making several key changes to Fair Credit Reporting Act. The legislation would also create a database of eviction information.

³¹ Screening agencies generate reports that specify whether a person was ever a party in a landlord-tenant proceeding, and if so, the type of case and the amount of rent or damages sought by the landlord. These reports can be misleading since they provide no context of the circumstances of a person's eviction record, including whether there was a final disposition. Paula A. Franzese, Fordham Urban Law Journal, [A Place to Call Home: Tenant Blacklisting and the Denial of Opportunity](#) (2018).

³² *Id.* See also Megan Pauly, VPM NPR News, [After VPM Report, Anonymous Callers Help Evicted Family Move From Motel To Apartment](#) (Dec. 20 2019).

³³ *Id.* See also Matthew Desmond, *supra* note 30.

³⁴ Andrew Khouri, L.A. Times, [High cost of housing drives up homeless rates, UCLA study indicates](#) (June 13, 2018).

³⁵ Chris Glynn and Alexander Casey, Zillow, [Homelessness Rises Faster Where Rent Exceeds a Third of Income](#) (Dec. 11, 2018).

³⁶ Alastair Boone, [CityLab, Homelessness in High-Cost U.S. Cities Is Driving a Nationwide Increase](#) (Dec. 7, 2017).

³⁷ U.S. Department of Housing and Urban Development, *supra* note 1.