U.S. House of Representatives, Committee on Financial Services

"Building Back Better: Examining the Need for Investments in America's Housing and Financial Infrastructure"

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Chairwoman Waters, Ranking Member McHenry, and members of the Committee, thank you for the opportunity to provide testimony on the need for robust investment in America's housing infrastructure. I commend the Committee for its commitment to housing as a critical component of community infrastructure, jobs, and individual success in life.

We are just beginning to emerge from this pandemic in which 22 million people lost their jobs and livelihoods between February and April 2020 and are still struggling with 8.4 million fewer jobs than before the pandemic hit. Recovery should focus on what people need: they need stable homes and good paying jobs to sustain their families. Prioritizing housing that's affordable for Americans as an infrastructure investment allows us to do both.

I am President of the Solutions Division of Enterprise Community Partners, a national nonprofit on a mission to make home and community places of pride, power and belonging for all. To make that possible, we listen to what our communities need and bring everything under one roof to deliver it to them. That means we advocate on a nonpartisan basis for sound public policy at every level of government; we develop and deploy programs and support community organizations on the ground nationwide; we invest capital to build and preserve rental homes; and we own and operate 13,000 apartments and provide resident services for 22,000 people. All so that people not only make rent, they build futures. This end-to-end approach, combined with 40 years of experience and thousands of local partners, has enabled Enterprise to build and preserve 793,000 affordable homes, invest $61 billion in communities and improve millions of lives. Our strategic priorities are advancing racial equity, building climate resilience and upward mobility, and creating and preserving affordable housing.

At Enterprise, we are working urgently to provide housing and to advance racial equity on multiple fronts, including working to create equitable access to capital so that Black, Indigenous, and other People of Color and others who have been denied access can participate in the development of affordable housing. Our Equitable Path Forward is a five-year, $3.5 billion nationwide initiative to help dismantle the deeply-rooted legacy of racism in housing – from the types of homes that are built, where they're built, who builds them, and the wealth that is generated from them. The multipronged initiative establishes an equitable path forward for Black, Indigenous, and People of Color and other historically marginalized housing providers by filling the gaping capital gap from decades of systemic racism, strengthening providers through advisory services and other nonfinancial support, and creating new career pathways to diversify leadership in real estate.

Despite our progress, the need for more affordable homes is overwhelming. At this moment, we need to drive public financing toward what we want our cities and communities to look like, and toward what our people are telling us they need. This infrastructure package could be the largest investment in affordable housing for decades, so we need to prioritize the good that can come with it: jobs, livelihoods, homes that are more resilient to our new climate reality, and the chance to advance racial equity and economic mobility for Americans.

In this testimony, I will describe why the nation's affordable housing stock is equally important to build and maintain as roads, bridges, and other types of infrastructure. And how with adequate scale and scope of investment from the Federal Government, we can build an equitable path forward from Covid-19 - a future where home and community are steppingstones to more.

Equitable Recovery Starts with Rebuilding our Economy

Job Creation & Economic Mobility

A major infrastructure package must create the jobs and economic growth that Americans need, and research shows that investing in housing is an efficient way to do both. Housing programs can get people to work in every community and do it quickly, in fact, housing construction is the fastest way to create jobs for people who need them now. There are shovel-ready projects in every county across the country that could immediately bring construction jobs to people who need work, while creating affordable homes over the long term. Hundreds of thousands of housing units are currently in a state of disrepair, including an estimated capital backlog of more than $70 billion in the public housing stock alone, meaning there are thousands of projects just waiting to be funded.

In addition to creating job opportunities, investments in affordable housing serves as catalyst for local economies by attracting and leveraging public and private resources to increase tax revenue. A recent study from the National Association of Home Builders (NAHB) shows that building 1,000 average rental apartments generates 1,250 jobs and $55.91 million in taxes and revenue for local, state and federal government. There is also a carryover effect on local business who benefit from increased purchases from the affordable housing developers buying construction materials and the employees who serves as neighborhood customers. It is estimated that the shortage of affordable housing costs the American economy about $2 trillion a year in lower wages and productivity.[1] Additionally, an analysis from Enterprise Community Partners found that both the speed and impact of public investments in housing match or outpace those of other infrastructure investments, such as transportation. Our analysis emphasizes that investments in America's housing infrastructure pay dividends in a number of ways: more jobs, more growth, and more housing options.

Research from the Urban Institute also emphasizes that housing - including housing quality, affordability, and stability - can be an essential tool for upward mobility, giving families a strong

[1] Heather Voorman, "Housing Infrastructure: Why We Should Make the Case to Congress", Affordable Housing Finance, August 20, 2018.

foundation to move out of poverty.[2] These finding are supported by a report from Harvard's Raj Chetty, which confirms the relevance of housing location and stability for children's future prospects. His research found that each year a child spends in a high-poverty neighborhood – as opposed to a lower-poverty neighborhood– decreases that child's chances of going to college, increases their chances of becoming a single parent and decreases their expected earnings as an adult. [3]

These findings make current trends in our country all that much more concerning. Over the past 38 years, nearly 4,300 neighborhoods, inhabited by roughly 16 million Americans, crossed the high-poverty threshold.[4] As of 2018, there were a total of 6,400 high-poverty neighborhoods nationwide. The persistent shortage of affordable homes in well-resourced areas in America remains a barrier holding working families back from moving up the ladder and accessing greater economic opportunity. Not only can we help support and revitalize communities across the country through housing investment, we can create good paying jobs and spur economic mobility along the way.

Housing Affordability Challenges in America

Housing continues to be most Americans' greatest monthly expense, and the economic fallout brought on by the Covid-19 pandemic has only exacerbated our nations affordability challenges. Yet even before the pandemic struck, a long-time crisis in housing affordability was already putting housing stability at risk for millions of Americans. According to the U.S. Census Bureau's 2019 American Community Survey, 37 million households were spending above the federal affordability standard of 30 percent of income on their housing, including over 10.5 million households nationwide spending more than half of their income on rent.[5] Families living under these economic conditions are often forced to make painful choices between housing, food and medication. Feeding America estimates that 1 in 5 children experienced food insecurity in 2020. The growing mismatch between incomes and housing costs is making it harder and harder for families to make ends meet, let alone achieve their full potential

Racial Equity

Poverty alone does not explain our affordability challenges: after two decades of mostly stagnant wages and rapidly rising rents, more people than ever are competing for a limited supply of affordable rental homes, creating intense demand and affordability challenges. Between 2010 and 2019, more than 4 million new renter households entered the market, including a surge in the number of high-income renters. The fallout of the 2008 housing crisis also laid bare the disproportionate impacts of housing affordability challenges, with lower-income households of color significantly more affected by losses of

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[2] Pamela Blumenthal, John McGinty, "Housing Policy Levers to Promote Economic Mobility," The Urban Institute (September 2015): http://www. urban.org/research/publication/housing-policy-levers-promote-economic-mobility.

[3] Raj Chetty, Nathaniel Hendren, Lawrence F. Katz, The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment, Harvard University and National Bureau of Economic Research (August 2015): http://www.equality-of-opportunity. org/images/mto_paper.pdf.

[4] August Benzow, Kenan Fikri, "The Persistence of Neighborhood Poverty: Examining the power of intertia and the rarity of neighborhood turnaround across U.S. cities," Economic Innovation Group (May 2020): https://eig.org/wp-content/uploads/2020/04/Persistence-of-Neighborhood-Poverty.pdf

[5] Joint Center for Housing Studies of Harvard University, "America's Rental Housing 2020,"Cambdirdge, MA: Author.

home equity, foreclosures and evictions, and restricted access to future mortgage financing. The result was a dramatic decline in homeownership rates among households of color from which they have still not fully recovered, even as white homeownership rates have largely rebounded to pre-crisis levels. Currently, Black Americans have the lowest homeownership rates of any subset of our population by race or ethnicity.

Communities of color across the nation also bear the scars of our country's history of redlining and blockbusting. We can see their impact in the persistent segregation of Black and Brown neighborhoods, in the decades of disinvestment they have experienced, in the vacant or abandoned buildings, in the overcrowded homes, and in the disparate outcomes in health faced by communities of color throughout this nation. Long- standing racial inequities also continue to plague our rural communities. Communities of color in the rural South, along our nation's southern border and in Tribal areas see disproportionate amounts of poverty and inadequate housing as a reflection of systematic disinvestment. The impacts are clear: while Black households make up only 12% of the population, they make up nearly 46% of people in HUD-assisted housing and 40% of the people experiencing homelessness.

Our Changing Climate

Making matters worse, communities with low property values and residents of modest means bear the brunt of our changing climate. Research has shown, for example, that formerly redlined neighborhoods can run 5 to 20 degrees Fahrenheit hotter in the summer.[6] For those who do not have adequate access to air conditioning or the means to pay for cooling, this exposure can be dangerous, with every degree increasing the risk of death by 2.5 percent. In the city of Los Angeles, low income households have an energy burden, the percentage of one's income spent on energy bills, that is 3.7 times higher than non-low-income households. Data points like these show us that much of our nation's housing stock is not routinely designed, built, or retrofitted in a way that responds to this climate reality. In fact, buildings are themselves responsible for nearly 40% of US energy related greenhouse gas emissions today.

As a nation we are also underinvesting in preparing for the impacts of extreme weather events. Despite growing interest and commitment, regions are not mitigating or adapting at the necessary pace of change. In the extreme, the lack of physical infrastructure and natural systems necessary to withstand extreme weather conditions has led to displacement of entire communities of people, from Alaska to Louisiana to Puerto Rico. This lack of investment and forethought leaves our communities vulnerable. While disasters don't take into account whether a neighborhood is high or low income, low-income households and vulnerable communities generally pay the highest price when a major disaster strikes. Low-income populations and people of color are less likely to have the resources necessary to prepare for a storm and they are more likely to lack savings before disasters strike.

Federal Investment

Over the past decade as many of these trends accelerated, the Federal Government, as part of the Budget Control Act of 2011, enforced caps on non-defense discretionary programs. These budget caps have resulted in housing assistance programs falling to near their lowest levels in 40 years, relative to GDP. Public housing and the HOME Investment Partnership program saw some the deepest cuts. In fact,

[6] Brad Plumer, Nadja Popovich, "How Decades of Racist Housing Policy Left Neighborhoods Sweltering," The New York Times, August 24,2020.

funding for HOME between Fiscal Year 2011 and Fiscal Year 2017 was cut nearly in half, reducing the production of affordable homes by 69 percent on an annual basis.

Our deteriorating housing and neighborhood infrastructure are hyper-local challenges, but they require a Federal solution. Mayors and governors have stepped up, testing innovations and scaling up unique solutions to the affordable housing crisis, raising billions to build and preserve affordable housing, permanently house the homelessness and stabilize our citizens at greatest risk. Ballot proposals to fund affordable housing initiatives have passed at a historic pace – indeed, the American people are appealing to the federal government to solve the affordability crisis. Ask any mayor of any small town or large city in America, Democrat or Republican, and they will tell you lack of affordable housing is among their biggest concerns. So much more has to be done. State and local governments are bound by constitutional and statutory requirements to balance their budgets. Only the Federal Government has the resources to respond to the need at scale.

The 116th and 117th Congress astutely recognized the critical role that housing plays in Americans' lives, and further acknowledged the scale of the need, by approving close to $75 billion dollars in housing assistance in stimulus packages since the start of the pandemic. This historic investment demonstrates not only how badly every day Americans are suffering financially, but also that we have neglected this problem for too long. We applaud Congress for recognizing the role it can and must continue to play in scaling up proven housing solutions.

Housing Is Infrastructure

Affordable housing is fundamental to our national infrastructure and must be part of any federal infrastructure plan. Infrastructure is commonly understood as the underlying elements—buildings of all types, including residential; networks and other physical structures; and resources we collectively invest in and rely on—that are necessary for the economy to function. At the most basic level, in order for America's workers—our teachers, our nurses, our mechanics, our clerks—to stay productive, they need both a stable place to call home and a reliable way to get to their jobs. A home serves as the foundation for employment and financial independence and having a good-paying job is frequently a prerequisite for having a safe home that you can afford. These days in particular, it's so much more than a roof over our heads -- home is where some of us go to work, where our children go to school and where we stay to keep safe and healthy.

Power to Transform Communities Still Reeling from Foreclosure Crisis

A bold investment in our nation's housing infrastructure would finally advance local efforts to repair our hardest hit communities and unlock the supply of desperately needed affordable housing. Many of these places have made great progress in addressing the vacancy and blight brought on by the 2008 financial crisis, spending billions to demolish, rehabilitate and rebuild uninhabitable structures, but more needs to be done. The City of Detroit, for example, still has more than 22,000 vacant housing units to contend with despite having addressed more than 50,000 vacant housing units in the last decade. Still, there is hope. With an investment in housing infrastructure, we can fundamentally transform our aging housing stock, and with it, the lives of millions of Americans.

Reverse Past Injustices

While federal policies created the racially bifurcated and inequitable system of housing and community development that exists today, they also have the power to undo these wrongs. It is vital, therefore, that as we think and plan for housing as a component of any infrastructure package, we must also ensure such a package is designed to counter injustices created by past policies, to equitably allocate funds and programs to meet the needs of communities of color, and to remove barriers to accessing stable and affordable housing in neighborhoods of opportunity. Rather than being subjected to blight; the lack of transportation, grocery stores and quality health care; and under-valued and under-assessed homes, our communities of color deserve dignity. This necessitates that we rebuild our neighborhoods, preserve the rapidly expiring stock of subsidized affordable housing, secure the long-term affordability of unsubsidized rental homes, convert underutilized properties into affordable housing, and remediate hazards in the home, all while ensuring access to quality education, jobs, transportation, healthcare and economic mobility.

Centering racial equity in housing is not just good policy, it is also good business. When communities of color have better access to stable and affordable housing options, they experience less residential turnover, which saves housing operators the cost of carrying vacant units and searching for new tenants. Households with housing affordable to them also retain more of their income, which allows for more discretionary spending, investing in education and health, and saving for the future.

For too long we've let America's children, workers and retirees languish in unsafe or unaffordable housing that's disconnected from jobs, good schools, health care, and grocery stores. It's time to make the investments necessary to ensure that every American has access to the resources they need to realize their full potential. That means investing in our housing infrastructure.

Ensuring the Stability and Prosperity of our Next Generation through Investment in Resilience

Fighting Climate Change with New Construction and Modernization of Existing Housing

Housing stability extends beyond the costs of monthly rent payments. It is also vital that housing is stable during moments of stress, whether it be an unpredictable natural disaster or extreme temperatures in summer and winter. Housing built or renovated to green building standards reduces instability. It also leads to more predictable utility expenses, a daily benefit regardless of the weather outside. Green building allows residents to not have to choose between paying their utilities, rent or putting food on the table, and it responds better during climate crisis—ensuring a holistic affordability strategy that keeps residents on their feet. We must commit to green building standards to prepare our communities to be climate ready.

Green building standards address energy, water, location efficiency, health and wellness while ensuring that the affordable housing produces healthy living environments with affordable utility expenses. Homes that are certified to green building standards provide benefits to both residents and property owners while also improving health outcomes. A Southface Institute study demonstrated that green housing developments spent 12 percent less on energy (common areas) per square foot than non-green developments and residents used 14 percent less energy per square foot. These families saved nearly $8/month and $96/year, which can translate to the purchase of healthier, quality food. Additionally, seniors saved more than $10/month and $122/ year on energy costs. This savings can cover the cost of 1-2 medical prescriptions a month. [7]

Based on the benefits, it may be surprising that green building practices are not standard across the housing sector, especially the affordable housing sector. Where states require or provide incentives in order to receive financing from the LIHTC program, many subsidized affordable housing projects do meet green building standards. In fact, 30 state LIHTC programs include green building programs such as Enterprise Green Communities.

However, green building policy is not consistent across all states nor across all affordable housing funding streams. Where there are not incentives, developers face an uphill battle. Developers, investors, and other stakeholders involved in building affordable housing must ensure that each project is financially viable, and concern about additional front-end costs is a very real factor that can deter affordable housing developers from building to green standards, particularly as construction costs in general continue to trend upwards. In the current affordable housing financing structure, it is challenging, if not impossible, for developers to add on upfront costs, even if the savings and benefits are quickly realized by owners and residents.

Without a concerted and coordinated effort, housing around the country will continue to be built or renovated without green building standards and will be unprepared to meet the demands of a changing climate. It is essential for the Federal Government to lead the way, providing multi-pronged solutions that holistically address educational, capacity, policy, institutional and capital barriers in order to ensure that affordable housing does not exacerbate climate change and is prepared to withstand climate change.

Enterprise Green Communities launched in 2004 to help developers, investors, builders, policymakers, and other partners make the transition to a green future for affordable housing. Over the past 17 years, Green Communities has provided a range of services to accomplish this goal including: developing and updating the Green Communities Criteria and program platform to raise the standard of sustainable housing for low-income communities nationwide and help advance the field; working directly with the developer community to build capacity and understanding of a holistic approach to green building; and outreach to decision-makers at federal, state, and local levels to develop and promote policies that facilitate green affordable housing development.

Enterprise Green Communities is the nation's only national green building program designed explicitly with and for the affordable housing sector. Today, because of our efforts, more than half of the states in the nation require that affordable housing developments receiving public funds comply with our standard.

Our newest program version was developed to translate the collective expertise of leading housing and green building practitioners into a clear, cost-effective framework for all affordable housing types. The newest version includes a Path to Zero Energy, water quality standards, and a new approach to resilient affordable housing in rural areas. The benefits of green building are clear, attainable and

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[7] Alex Trachtenberg, Sarah Hill, Dr. Andrew McCoy, Teni Lapido, "The Impact of Green Affordable Housing," Southface and the Virginia Center for Housing Research, January 2016. https://www.southface.org/wp-content/uploads/2016/07/impact-of-green-affordable-housing-report-1.pdf

significant, and will ensure that housing is not only built, but is stable, healthy, affordable and climate ready for many years to come.

We recommend setting green building as the minimum quality standard for all new construction and substantial rehabilitation projects built with funding from HUD, ensuring that federal funding supports climate-ready, affordable homes. These minimum standards must ensure that when we are rehabilitating and building affordable housing that we are making climate ready homes. These standards will ensure that whether a resident is facing the slow creep of rising temperatures or the sharp impact of a hurricane, that they are able to survive and thrive.

Some HUD programs such as the Choice Neighborhoods program and the Community Development Block Grant- Disaster Recovery program have implemented green building standards that address both climate change mitigation and adaptation. However, there are not common or consistent standards across all HUD programs, leading to grantee confusion. In order to facilitate the move to common green building standards, we recommend the inclusion of technical assistance to ensure local jurisdictions and their stakeholders have the technical expertise needed to implement and ensure compliance with applicable standards.

In addition to building standards, innovative state and regional programs have also shown the impact of investing in resilient community development that integrates housing and transportation in order to reduce greenhouse gas emissions and support sustainable, connected neighborhoods. In California, for example, the Affordable Housing and Sustainable Communities program creates affordable housing conveniently located near the places families need to go—such as jobs, grocery stores, and schools, while also investing in transportation infrastructure that help make walking, biking, and taking public transit safe and convenient options. Designed specifically to benefit low-income communities—disproportionately communities of color—that have been historically excluded from community-serving investments, local innovations like this demonstrate how we can integrate and advance our goals for housing, transportation, climate resilience, and addressing longstanding patterns of racialized disinvestment. Federal funding could scale programs like this, which through an integrated approach create transformational community and societal benefits larger than the sum of any one of its parts.

Disaster Recovery and Preparedness

In the past year, disasters across the U.S. caused nearly $95 billion in damage. The billions of dollars spent exemplify why preparedness is crucial. If we were able to spend more funding on mitigation rather than recovery efforts, communities would be in a much better place when an event does occur. The impacts of our changing climate put millions of households at risk of uninhabitable conditions, exacerbating the vulnerabilities of lower income households and communities of color. Investing in resilient infrastructure saves lives, reduces disaster costs, enables business continuity, creates jobs, and addresses social inequities.

Disasters uproot whole communities, damaging homes and infrastructure on a scale rarely experienced before, but the reality is that communities must expect and be prepared for similarly severe hurricanes, floods, and fires in coming years. The nation's infrastructure, including housing, needs to be brought to a state of repair, currently insufficient to meet growing current and future needs of communities. There is an interdependency between homes and infrastructure that needs to be elevated and amplified especially as shocks and stressors like climate change come forward.

The recent severe winter storms that swept across Texas resulted in power grid failures causing widespread blackouts, leading to uninhabitable homes that left millions of households in crisis. Similarly, in 2017, Hurricanes Maria and Irma destroyed Puerto Rico's electricity grid, which caused the longest power outage in US history and billions of dollars in damage. Puerto Rico's power grid was decimated, with 80 percent of long-distance transmission lines and all local distribution lines damaged. The damage and financial loss brought by the disaster-induced power failure in both cases underscores the urgent need for action that treats homes as essential components in our infrastructure systems.

A study by the Government Accountability Office (GAO) shows that climate change could "affect every aspect of the grid from generation, transmission, and distribution to demand for electricity" and cost billions of dollars a year. The fortification of the nation's energy grid is crucial: we need to invest in sustainable and resilient power grids (e.g., offshore wind, decentralized grids, microgrids, grid security, and solar batteries). Dependency on centralized water and energy grid distribution has grown cumbersome to manage and maintain in areas of extreme fire and flood risk. It will be critical to invest in decentralizing electrical grids where feasible to handle the changing conditions and habits of households, businesses and institutions in rural, tribal and island communities.

As the leader on climate resilience in the affordable housing industry, Enterprise aims to address these gaps to promote social and economic prosperity. We invest in disaster recovery and resilience work because people of modest means are most likely to be harmed by disasters and tend to be the slowest to recover. Through our Building Resilient Futures initiative, we are working to ensure that sustainable, resilient, affordable housing becomes the norm and that communities are equipped to withstand and recover from disasters. Despite growing interest and commitment, our housing, infrastructure, and regions are not mitigating or adapting at the necessary pace of change. It's time for America to invest in modern infrastructure that is built to last. We recommend that the infrastructure package:

- **Improve and harmonize federal infrastructure requirements**. We recommend increasing alignment and coordination between agencies at all levels of government to create the right incentives to develop resilient infrastructure, including affordable multifamily housing, as well as a federal framework for rating resilient infrastructure.
- **Ensure that all federally-funded infrastructure projects – including housing – are built to resilience standards**. These standards should be appropriate for the region, from earthquake to fire to flooding to extreme heat. Federal rebuilding grants, which are typically disbursed through HUD and FEMA, come with standards for resilient rebuilding, such as increased elevation of homes and critical facilities located in the 100-year flood plain. However, non-disaster-specific federal resources available for infrastructure projects, affordable housing and other public facilities do not always require resiliency standards. Therefore, we recommend to consistently require a consideration of flood risk and other foreseeable risks over the course of the useful life of infrastructure as well as encourage strong building codes through federal incentives and tax credits. A study released this November by FEMA, Building Codes Save: A Nationwide Study of Loss Prevention, shows that modern building codes continue to be one of the most cost-effective ways to safeguard against natural disasters and if all new construction adopts I-codes,

it could result in a $600 billion loss avoidance by 2060. Despite this, 65 percent of counties, cities, and towns across the country still have not adopted modern building codes.

- **Invest in resilient infrastructure through flexible predevelopment funding**. FEMA's Building Resilient Infrastructure and Communities (BRIC) program has allowed states to implement projects that will strengthen our collective resilience in the long term. However, state and local needs far exceed available funding. This exemplifies the need to expand predevelopment funding. Recent studies by the International Council of Sustainable Infrastructure and the Milken Institute emphasized that catalytic predevelopment capital has the potential to close the funding gap that prevents projects moving from concept to construction. The federal government should also assess whether or not the proposed project takes into consideration future risk prior to providing the funding. Prioritizing projects that incorporate resiliency criteria such as Enterprise Green Criteria would incentivize grantees to integrate resilience standards in order to receive the funding.
- **Create a National Infrastructure Bank to further private investments in resilience**. The need for resilient infrastructure finance is on the rise, as we continue to witness higher frequency and intensity of climate change-induced extreme weather events. However, state and local governments face challenges in funding resilient infrastructure, largely due to the inflexibility of federal systems in enabling state and local governments to leverage private financing for resilient infrastructure development. Enterprise encourages Congress to establish a National Infrastructure Bank (NIB) to enable states and cities to leverage private financing, such as private loans or loan guarantees, to rehabilitate and enhance the resilience of the U.S. infrastructure, including affordable housing. Revenues generated from resilient infrastructure projects would be used to repay these loans and recapitalize the NIB to fund new investments. To ensure that projects receiving NIB financing are meeting the resilience needs of cities, legislation creating a NIB should be designed with the following principles in mind: 1) provide funds to complement, not replace, existing federal programs such as the Highway Trust Fund and State Revolving Funds, and 2) provide financing options for a variety of infrastructure projects (e.g., energy, water, transportation, communications).
- **Implement temporary to permanent housing solutions post-disaster in rural and Native communities**. Far too often temporary FEMA housing provided in Native communities post disaster becomes *de facto* permanent housing due to replacement housing never being developed or due to extreme overcrowding in existing housing. Many families never recover or regain their housing post-disaster and are permanently displaced. Implementing solutions such as RAPIDO that enable quick installation of modular and stick-built housing that easily transition into permanent resilient housing will not only minimize the financial loss and disruption to communities, these innovations can provide cost saving in the delivery of disaster recovery programs.
- **Provide at least $10 billion in CDBG-Disaster Recovery funds** for communities harmed by the worst Presidentially declared disasters since 2019, including in California, Alabama, Florida, Iowa, Louisiana, Michigan, Oregon, and Puerto Rico. These disasters include wildfires, earthquakes, and Hurricanes Delta, Laura, and Sally, and the impacted communities require Federal assistance beyond the emergency aid provided by FEMA. Enterprise strongly supports

the permanent authorization of CDBG-DR. In the 116th Congress, the House voted on a bipartisan basis to permanently enact CDBG-DR through the Reforming Disaster Recovery Act of 2019 (HR 3702).

Overall, there is a wide variety of strategies that can be deployed to preserve the nation's infrastructure including the existing housing stock and keep housing and communities safe. These include retrofitting infrastructure, weatherizing buildings, upgrading homes, as well as modernizing the electricity grid. But most importantly, as we build resilience, we need to do so equitably and comprehensively with mitigation being a community-wide effort that benefits all parts of the community.

Production, Preservation, and Rehabilitation: Making Housing Safe, Healthy, and Connected

Low-Income Housing Tax Credit

The Low-Income Housing Tax Credit (Housing Credit) is responsible for the lion's share of affordable housing built and preserved across the country. A successful public-private partnership, the Housing Credit has financed nearly 3.5 million affordable homes since the program was authorized in the Tax Reform Act of 1986, providing approximately eight million low-income families, seniors, veterans, and people with disabilities homes they can afford. It has provided affordable housing in all 50 states, US territories, and the District of Columbia, as well as to all types of communities, including in urban, suburban, and rural areas.

As discussed above, there is a severe shortage of rental housing affordable for low-income families in the US, and the production of new affordable rental homes is not keeping pace with the rising demand. Strengthening and expanding the Housing Credit is the best way to increase the availability of affordable housing.

The Housing Credit is not only critical to the health and overall well-being of families across the country, but also has far-reaching economic benefits that strengthen local communities' infrastructure. In addition to promoting better health outcomes, improving children's school performance, and helping people gain employment, the Housing Credit has generated $617 billion in wages and business income and $214 billion in tax revenues. In a given year, there are approximately 90,000 to 100,000 people in jobs supported by the Housing Credit, including jobs in construction, manufacturing, wholesale and retail, finance, and property management.

By strengthening and expanding the Housing Credit program through the inclusion of the Affordable Housing Credit Improvement Act (AHCIA) in the infrastructure package, the Federal Government will harness private sector dollars to create jobs and fortify the nation's infrastructure, and therefore **Enterprise recommends the inclusion of the AHCIA in the infrastructure package**.

The AHCIA is bipartisan, bicameral legislation previously introduced in both the 115th and 116th Congress that would strengthen and expand the Housing Credit program. In the 116th Congress, the legislation gained widespread support and was cosponsored by 233 Representatives (including 69 percent of Ways and Means Committee Members) and 41 Senators (including 50 percent of Senate Finance Committee Members).

This updated legislation is estimated to result in the production of over 2 million additional affordable homes over the next decade, supporting the creation of nearly 3 million jobs and generating more than $346 billion in wages and business income and nearly $120 billion in additional tax revenue.

By strengthening and expanding the Housing Credit program through the passage of the AHCIA, the federal government will simultaneously be fortifying the country's infrastructure. In order to protect this critical work, Enterprise is advocating for the passage of an additional provision to reinforce the Housing Credit program: the provision to correct qualified contracts.

Under the qualified contract provision in Section 42 of the Internal Revenue Code, an owner of a Housing Credit property may, after Year 14, approach the Housing Credit allocating agency to request a qualified contract. This request begins a one-year period during which the allocating agency seeks a qualified buyer to purchase the property and maintain it as affordable for the duration of the extended use period. If the allocating agency fails to identify a qualified buyer within one year, the property is released from the affordability requirements of the Housing Credit program. At that point, the owner is free to either sell the property at market value without any deed restriction or continue to own and manage the property charging market rents.

While the original intent of this provision was to create a limited return and some liquidity for investors at a time when the Housing Credit was an unproven program, it has come to function as a nearly automatic affordability op-out after just 15 years of affordability. This is because the qualified contract formula price in nearly all cases significantly exceeds the market value of the property as affordable housing. As a result, it is extremely rare for the allocating agency to find a buyer willing to pay the qualified contract price. More owners are using a qualified contract as a strategy to flip Housing Credit properties to market—and thus capitalize on the differential between affordable and market rents—after only 15 years of affordability, a far shorter affordability period than Congress intended.

The qualified process is resulting in the premature loss of well over 10,000 low-income units annually. As of 2018, approximately 65,500 units nationwide have already been lost, and in that year alone, owners served notice to state allocating agencies that they wanted to begin the qualified contract process on additional properties comprising approximately 10,400 units. The need to correct the qualified contracts issue has become a top priority for Enterprise and other national partners. It is critical to protecting the strong infrastructure that the Housing Credit program helps to create for low-income families across the country.

State and Local Partnerships

Affordable, private market rental housing is disappearing rapidly as residents are priced and pushed out of their homes and communities. This country is currently facing a shrinking supply of this essential housing, often due to rising rents, eviction, and displacement. As a result, there are fewer and fewer affordable options for low-income residents, and new affordable housing production is not keeping pace with this loss. The acquisition of unsubsidized affordable housing and preservation as permanently affordable housing is a successful place-based strategy to keep households stabilized while growing the supply of deed-restricted affordable housing.

In many places, such as California, local leaders are working creatively to preserve the supply of this precious housing stock. City-led preservation funding programs, the regional Bay Area Preservation Pilot, and California's Project Homekey are all current examples of public-nonprofit partnerships that are taking on the challenge. The Bay Area Preservation Pilot provides low-cost loans for up to 10 years to nonprofit developers seeking to acquire and preserve existing market-rate affordable multifamily properties located in areas with high-frequency transit service. Project Homekey is California's $800 million program to purchase and convert underutilized buildings – including hotels, motels, vacant apartment buildings and other properties – into service-enriched interim and permanent housing for people experiencing or at risk of experiencing homelessness. Our Enterprise team in California is currently working with the State of California and philanthropic partners to deployed an additional $46 million to support operating costs and wraparound services as well as additional technical assistance and capacity building for local governments and trusted housing and homeless service providers.

Together, these initiatives accelerate acquisition, address the financing gap in preservation deals, provide fast-acting capital, help fund crucial resident services, and provide stable, affordable homes for our communities. Federal authorization of programs to deliver funding to support property acquisition, conversion, and preservation through an updated Neighborhood Stabilization Program or through allocations to Community Development Financial Institutions are needed to accelerate and scale these proven strategies.

Neighborhood Homes Investment Act

In hundreds of communities across the country, neighborhood revitalization is at standstill because of the so-called "value-gap" — where the cost of rehabilitating or building a home is greater than the post-construction value of that home. Where this value gap exists, investors have no economic incentive to provide capital and the infrastructure of these communities will only continue to deteriorate. This issue is more pressing than ever, particularly given the economic fallout of Covid-19.

The Neighborhood Homes Investment Act (NHIA) is a federal proposal to break this stalemate and we recommend its inclusion in the infrastructure package. Introduced in both the Senate and the House (S. 98 and H.R. 2143), the legislation would offer tax credits to attract private investment for building and rehabilitating owner-occupied homes, creating a pathway to neighborhood stability through sustainable homeownership.

The lack of capital for reinvestment in low- and moderate-income neighborhoods has exacerbated racial inequity, particularly the disparity between African American family wealth and the family wealth of every other ethnic and racial group in the country. As investment-starved neighborhoods continue to decline, so do the assets of the families that own property within them.

Modeled after the successful Housing Credit and NMTC programs, the NHIA would produce new equity investment dollars for the development and renovation of family housing in urban, suburban, and rural neighborhoods. It is estimated that each $1 billion in NHIA investment would result in 25,000 homes built or rehabilitated, $4.25 billion of total development activity, 33,393 jobs in construction and construction-related industries, $1.82 billion in wages and salaries, and $1.25 billion in federal, state, and local tax revenues and fees.

This tax credit would improve property values, increase family wealth, decrease blight and abandonment in distressed neighborhoods, and create more and better housing options, which all indirectly enhance multiple determinants of health and well-being for American families across the country. A currently non-existent financing tool, the NHIA would ultimately help revitalize and bolster our nation's infrastructure where it is needed most, especially for communities of color.

Public Housing

Housing in the 21st century shouldn't just be affordable. It must be safe and healthy, too. Unfortunately, the quality of our existing housing stock has been in decline for decades. Nowhere is this more visible than in public housing. The nation's 1.1 million units of public housing have not been sufficiently maintained, to say the least. Thousands are in need of basic repairs as well as major replacements like new roofs, elevators and water heaters. The shortfalls in funding and neglect of public housing have led to poor outcomes in the lives of low-income Americans. For example, children and adults develop respiratory issues when apartments are infested by pests and mold. Sometimes, this neglect can have dire consequences – carbon monoxide leaks have killed at least 13 public housing residents since 2003.[8]

The issues are so extensive that every year we lose an estimated 10,000 to 15,000 units of public housing simply because they become uninhabitable. This ongoing neglect has led to a capital backlog of $70 billion. This should be address through supplemental funding for the Public Housing Capital Fund. If we aren't able to ensure older affordable properties remain habitable, the pressure to raise rents on the remaining supply of unsubsidized affordable rental homes will increase. These units cannot be replaced at the rents they currently charge, so preservation is the most cost-effective strategy to maintain the existing supply of homes affordable to lower-income renters. Furthermore, following the American Recovery and Reinvestment Act (ARRA) that was passed in 2009, we saw Public Capital Fund dollars move into the economy faster than investments in highway infrastructure.

There are also local examples for how to rebuild and reimagine our public housing, if new resources are made available. The HOPE SF program in San Francisco program is rebuilding, with local dollars, new mixed income developments on former multi acre public housing sites, while ensuring that all current and historic residents have the opportunity to return to renovated units, if they choose. The hundreds of millions of improvements per project will address decades of institutional neglect and will allow for the redevelopment of 2,000 units of public housing with no displacement, plus new affordable and market rate units as well. The HOPE SF program is based in a reparations framework that acknowledges the isolation and marginalization of families of color in large public housing sites, several of which were built as temporary housing for World War II war effort workers, but still stand today. Making more federal funding available for initiatives like this across the country would allow us to scale this first-of-its kind redevelopment and anti-displacement approach for national impact. **We recommend addressing the $70 billion capital backlog in public housing.**

Lead Safe Homes

Exposure to lead, at even low levels, can damage a child's developing brain and cause lifelong problems. For children born in this year alone, lead exposure is estimated to cost the United States nearly $84 billion in reduced productivity, premature mortality, added costs in health care, education, criminal justice, and social assistance over their lifetimes.

Lead poisoning robs children of their potential and is, essentially, irreversible. Preventing lead poisoning before it occurs is imperative. In many of our legacy cities, lead-based paint and the dust that created by lead-based paint is the most common cause of lead exposure. Replacing lead water pipes is crucial, but

[8] Suzy Khimm, ""How Many More People Have to Die?' Carbon Monoxide Kills Two more in Hud Housing". NBC News, May 3, 2019.

we must also remediate homes with deteriorating lead-based paint, to prevent a child from ever being poisoned. In other words, lead poisoning is public health crisis with a housing solution.

In Cleveland, for example, lead poisoning rates are about four times the national average. The Lead Safe Cleveland Coalition is modeling the solution by creating lead safe homes by pairing proactive home inspection with public-private resources for property to remediate their properties. Investment into the creation of lead safe homes not only protects our future generations of children, but it makes a major down payment toward improving our aging housing stock.

Broadband

The pandemic has highlighted the extraordinary importance of bridging the digital divide and providing equitable access to fast, reliable broadband services. Technology has facilitated a shift toward online platforms – from banking to telemedicine – but many communities have been left behind. This is particular true in low-income, rural and Tribal communities where access to broadband can make or break economic growth development. Access can also determine whether residents can access some of their basic needs, whether that be education or healthcare. What's more, people of color, seniors and other low-income residents are significantly more likely to be unable to access internet connections.

More than twenty states have established their own offices to look at expanding access and supporting broadband networks in rural, suburban, urban, and Tribal communities, and to close the current digital divide affecting 18 million Americans based on race, zip code, and household income. Georgia, for example, created a groundbreaking map that identifies broadband dead zones at the address level and created plans to reach 80,000 homes and businesses in rural Georgia over the next 4 years. Virginia has invested $124 million to support connections to over 140,000 homes and businesses, with three times the cost efficiency and six times the build speed of comparable federal programs. And New York City's new "Broadband Where Feasible" program requires all projects receiving HPD new construction capital assistance to be designed, financed, and constructed to provide high-quality internet access and service as part of lease contracts at no additional cost to tenants. **We recommend the provision of additional federal funds with flexible conditions to permit more states and cities to achieve universal broadband access and bring this critical infrastructure to more households.**

Provide High Impact Investments for Proven Federal Affordable Housing Programs

America's existing housing supply is a long-term asset which must be maintained before its quality suffers further from years of financial neglect. Just like improving a municipal water system, investments made in affordable housing pay dividends for all members of the community, driving economic growth, providing access to opportunity, and reducing health care costs for individuals and the government. Appropriating additional money to protect that investment is effective policy and economically sensible asset management.

Partially as a result of constraints placed on policy makers as a result of the 2011 Budget Control Act, HUD's budget has steadily declined over the past decade, which has contributed to the discouraging trend of qualified Americans in need of assistance not receiving support. In fact, since the early 1980s

HUD assistance has failed to reach at least 70% of eligible households. Enterprise supported the proposals put forth in the 116th Congress that demonstrated a commitment to investment in housing such as the *Housing as Infrastructure Act* and the *Moving Forward Act*, as well the Biden-Harris Administration for the outline they provided for the American Jobs Plan. All three of these measures would provide critical federal resources to American families that would enable them to emerge from the other side of this pandemic stronger than ever.

Congress can smooth this recovery, create jobs, help businesses generate income, and keep families safe and thriving in the years to come by ensuring that there is adequate supplemental funding for the following affordable housing and community development programs:

- **The HOME Investment Partnership program (HOME)**. The impact of Covid-19 has been immediate and severe, on low-income residents and people of modest economic means and the mission-driven groups that develop and operate affordable housing for this population. The complexity and diversity of these challenges requires flexible solutions that are capable of meeting local needs as they arise. HOME is our country's most flexible and proven affordable housing program for delivering resources to communities of all sizes, and similar to the Public Housing Capital Fund, HOME was deployed in an effective and efficient manner following the passage of ARRA in 2009. **We recommend the inclusion of $35 billion for HOME.**
- **The Community Development Block Grant (CDBG) program**. CDBG is a critical resource for communities nationwide to invest in low- and moderate-income neighborhoods, producing and preserving homeowner and rental housing, providing fundamental infrastructure, vital public services and public improvements, and spurring economic development and public-private partnerships at the local level. The flexible nature of these funds also allows them to address a wide range of challenges faced by both small rural towns and major metropolitan areas, making it an effective tool for localities in their effort to stabilize and maintain affordable housing and vibrant communities. These funds are commonly also used for water and sewer, sidewalks, and other community infrastructure projects. **We recommend the appropriation of at least $10 billion for CDBG.**
- **The national Housing Trust Fund (HTF).** HTF is a valuable program that exclusively focuses on providing funding to help build, preserve, and renovate housing that is affordable to people with the lowest incomes, including people experiencing homelessness. **We recommend a one-time appropriation of at least $45 billion for the national Housing Trust Fund.** This money would supplement the annual funding that the HTF receives from Government Supported Enterprises (GSEs) and provide the HTF with the resources and certainty it needs to continue its important work.
- **The Section 4 Capacity Building for Community Development and Affordable Housing program**. The economic fallout from Covid-19 is causing financial strain for many local nonprofit affordable housing organizations throughout the country. Section 4 is the Federal Government's most important program for providing flexible operating resources to nonprofit affordable housing and community development organizations and has been used before to sustain local groups during times of economic distress. During the financial crisis, Section 4 received a special appropriation of $28 million in the Recovery Act, allowing high-performing nonprofit enterprises to stay operational until economic circumstances returned to normal. **Enterprise urges Congress**

to provide a supplemental round of funding of at least $40 million for the Section 4 Program to ensure these community development organizations can further expand their important work.

- **Native American Housing Block Grant program.** Our first Americans have extraordinarily high rates of overcrowding and homes that lack kitchens or plumbing. Our national infrastructure package must ensure that tribes and tribally designated housing entities receive resources for expanding the supply of housing and modernizing existing homes. **Enterprise is calling for $2 billion for the Native American Housing Block Grant program to provide them the opportunity and flexibility to design housing programs that fit their unique community needs.**
- **Supportive Housing for the Elderly program (Section 202).** The Section 202 program is the only programs that exclusively provides housing assistance and supportive services for seniors. As we emerge from a pandemic that has had a dramatic impact on our elderly population it is essential, we provide this community with the resources they need to remain stably housed during the recovery, **we recommend $2.5 billion for Section 202**.
- **Supportive Housing for Persons with Disabilities program (Section 811).** According to the Technical Assistance Collaborative, close to five million nonelderly adults with significant and long-term disabilities have Supplemental Security Income levels equal to only 20% of AMI and would be unable to afford housing with out federal assistance. **In order to provide this community with the assistance they deserve, Enterprise urges congress to provide $2.5 billion for Section 811.**
- **Monitoring and Fair Housing Enforcement.** In addition to providing substantial funding for HUD's housing programs listed above, **we recommend the inclusion of $5 billion of funding for HUD monitoring and fair housing enforcement**.
- **The Capital Magnet Fund (CMF)**. CMF grants support the preservation, rehabilitation, development or purchase of affordable housing for low-income communities, as well as related economic development and community service facilities such as day care centers, workforce development centers and health care clinics. The program provides funding that nonprofit developers and lenders cannot find elsewhere – funding to do predevelopment work, create revolving loan funds, establish loan loss reserves, and provide loan guarantees – all critical pieces of affordable housing and community development. **We recommend the inclusion of at least $12 billion for the Capital Magnet Fund**.
- **USDA's Rural Utilities Service (RUS) Programs**. RUS provides much-needed infrastructure to rural communities. These include water and waste treatment, electric power and telecommunications services. All of these services help to expand economic opportunities, improve the quality of life for rural residents and are critical for the provision of safe, sanitary housing. Through Rural Utilities Service Water and Environmental Programs (WEP), rural and tribal communities obtain the technical assistance and financing necessary to develop drinking water and waste disposal systems. The Electric Program provides leadership and capital to maintain, expand, upgrade, and modernize America's vast rural electric infrastructure. Loans to build broadband networks and deliver service to rural households and businesses, provide

capital for rural telecommunications companies and broadband providers. **We recommend the provision of additional funding to support the grant components of these programs to rapidly increase the development of much needed rural infrastructure.**

- **Multifamily Preservation and Revitalization (MPR)**. In many rural communities, the rental housing financed by USDA - mostly through its Section 515 Rural Rental Housing program - is the only affordable housing. According to a 2016 USDA report, the cost to preserve and maintain this portfolio of some 400,000 units over 20 years totals $5.6 billion. According to a recent report by the Housing Assistance Council, mortgage maturing projects between 2016-2027 total over 700 developments and close to 18,000 units per year. Over the next four to five years, maturities will accelerate averaging up to 3,000 developments and up to 92,000 units with that trend continuing through 2050. When these units enter the private market, rent for thousands of families will increase dramatically. **Enterprise recommends providing $1 billion for USDA's Multifamily Housing Preservation & Revitalization Demonstration program.**
- **Rural Community Development Initiative**. Rural low-income areas experience distinct capacity challenges in responding to local affordable housing and community development needs. It's often difficult for these communities to apply for and receive public and private resources due to capacity constraints, which typically include small, under-resourced local governments and fewer community development organizations. The USDA's Rural Community Development Initiative program is an important resource for funding nonprofit housing and community development organizations that invest in housing, community facilities, and community and economic development projects in rural areas. **Enterprise urges Congress to increase the Rural Community Development Initiative to $12 million.**

Ensuring Funds Are Used Strategically and Efficiently

As a matter of good government, all Federal funds come with requirements to ensure taxpayer dollars are used prudently. The magnitude of an infrastructure package invites opportunities to better support recipients through dedicated technical assistance resources. Technical assistance resources enable Federal agencies to support governmental and nonprofit recipients of funding to better plan for and administer their infrastructure programs and projects. The small investment of funds on the front end can set jurisdictions up to absorb supplemental funding quickly and deploy it strategically. Additionally, technical assistance provides support for recipients to better understand and comply with the myriad requirements that necessarily accompany government grants and contracts. **We recommend providing dedicated technical assistance resources for housing and community development programs with appropriations in the infrastructure package.**

Providing Training and Job Opportunities for American Workers

The United States has lagged behind our global competitors for decades in the amount we have invested in work force and labor market developments. The infrastructure package can accomplish multiple objectives, including opening new pathways for Americans looking to increase their skills. **We recommend the provision of dedicated resources for job training to ensure that the nation can have all hands-on deck for our recovery.** Job training allows workers to retool their skills for the modern economy and show up ready to work, no matter what skills are needed. When our workforce is better trained it builds out our capacity as a nation and has a carryover effect within our communities. Focusing on local residents with low incomes allows a meaningful opportunity to take advantage of new employment opportunities in trades with higher wages.

Tracking Results Uniformly Across Programs

The reality of Federal housing and community development programs is that they are scattered across multiple agencies and lack common reporting requirements. It is impossible to compare investments and results on an apples to apples basis. The creation of an historic investment in our nation's recovery should be designed with metrics and evaluation in mind, so that we can identify successes and challenges in order to make mid-course corrections. Common reporting on workers trained, jobs created, and homes rehabilitated or built from the ground up will enable careful study of the trade-offs of multiple approaches to recovery and allow Congress, the Executive Branch, and the public to evaluate how to improve expenditure of taxpayer funds going forward. **We recommend that Congress require common reporting so results can be carefully measured, and accountability is prioritized.**

Conclusion

On behalf of Enterprise Community Partners, I offer my thanks to Chairwoman Waters, Ranking Member McHenry, and the Committee for leadership on these issues and recognition of the need for bold action to move our country forward in a more promising and hopeful direction. On behalf of Enterprise, we look forward to partnering with you on ensuring this infrastructure package delivers jobs, enhanced resilience to our changing climate, increased racial equity, and economic mobility so hard-working American families can build and sustain wealth. Let's seize the opportunity to build back our country stronger than ever before.