

Recent Senate Hearings Showcase Bipartisan Support for Addressing Affordable Housing Crisis

By Peter Lawrence, Novogradac, August 8, 2022

Addressing the country's affordable housing crisis has become a top priority for Congress in recent weeks. That was made evident by three recent Senate hearings on the topic, which received bipartisan support.

The week of July 18 saw several Senate committees convene hearings to discuss the nation's pressing housing needs. The Senate Banking Subcommittee on Housing, Transportation and Community Development July 19 held the [Opportunities and Challenges in Addressing Homelessness](#) hearing. The following day, the Senate Finance Committee held its hearing titled [The Role of Tax Incentives in Affordable Housing](#). The Senate Banking, Housing, and Urban Affairs Committee concluded the week on July 21 with the hearing titled [Priced Out: The State of Housing in America](#).

The expansion of the low-income housing tax credit (LIHTC) was recommended as the primary solution to the affordable rental housing crisis by the majority of witnesses and committee members at all three Senate hearings. [The Affordable Housing Credit Improvement Act](#) (AHCIA, H.R. 2573, S. 1136) and the [Neighborhood Homes Investment Act \(NHIA, H.R. 2143, S. 98\)](#), which would create a [Neighborhood Homes Tax Credit \(NHTC\)](#) to finance owner-occupied single family housing in distressed communities, were touted as the primary vehicles to ensure that incentives such as the LIHTC and the NHTC are available to increase and preserve the supply of desperately needed affordable rentals and owner-occupied homes.

LIHTC, NHTC Touted at Finance Committee Hearing on the Role of Tax Incentives for Affordable Housing

The Senate Finance Committee examined [The Role of Tax Incentives in Affordable Housing](#) during a July 20 hearing. Witnesses included [Andrea Bell](#), executive director of Oregon Housing and Community Services in Salem, Oregon; [Jerry Konter](#), founder and president of Konter Quality Homes and chair of the board of National Association of Homebuilders in Washington, D.C.; [Dr. Lee E. Ohanian](#), Hoover Institute senior fellow and distinguished professor of economics at the University of California, Los Angeles; [Benson "Buzz" Roberts](#), president and CEO of the National Association of Affordable Housing Lenders in Washington, D.C.; and [Dana Wade](#), chief production officer of real estate finance at Walker & Dunlop in Maryland.

In his opening statement, [Chair Ron Wyden, D-Oregon](#), set the stage stating that this hearing comes at a time when Americans are getting "clobbered" by climbing rents and home prices, the key drivers of inflation. He urged Congress to not only leave the LIHTC intact, but proposed expanding the incentive to address the housing crisis, along with passage of the bipartisan NHIA and the [LIFELINE Act](#).

Later in the hearing, Bell, Wade, Sen. Catherine Cortez Masto, D-Nevada; Sen. Maggie Hassan, D-New Hampshire; and Sen Mark Warner, D-Virginia, also expressed the need for the LIFELINE act to provide states and localities the flexibility to use COVID relief funds to fill financing gaps to ensure that affordable housing developments continue. On July 27, the [United States Department of the Treasury announced guidance](#) to obviate the need for LIFELINE. Wyden also discussed the topic of predatory private equity firms and how their actions have reduced housing availability since the onset of the pandemic, as discussed in the recent [House Ways and Means Committee hearing](#).

[Ranking Member Michael Crapo, R-Idaho](#), focused on inflation with hopes that the United States does not enter another recession, mimicking the 1980s. Despite inflation concerns, Ranking member Crapo supports expansion of the LIHTC initiative and believes it is responsible for generating a large portion of affordable rental housing created in the United States and Idaho. Concern about inflation was a recurring theme among the witnesses and committee members; Wade, in response to a question from Sen. Crapo, explained that long-term inflation would result in persistent high rent prices and factor into the Consumer Price Index calculation.

A proposal highlighted by both Bell and Roberts, and not mentioned in previous Senate hearings, was temporarily reducing the 50% private activity bond threshold to 25%, as proposed in both the AHCIA and the [reconciliation bill formerly known as the Build Back Better Act](#).

Wyden addressed the growing needs of the working class and the ever-increasing wealth gap in the United States. When Sen. Young spoke on the LIHTC, Wyden drew comparisons between that incentive and his proposed [Middle-Income Housing Tax Credit \(MIHTC\)](#), which was included as part of his [Decent, Affordable, Safe Housing for All Act \(DASH Act, S. 2820\)](#) to emphasize the latter's validity. Wyden asked Konter to share his thoughts on MIHTC, and he replied that he supports MIHTC because affordable rental housing for households just above the LIHTC income qualifying thresholds is increasingly unattainable, and they do not qualify for many other existing affordable rental housing programs. The [Harvard Joint Center for Housing Studies 2022](#) documented the rising housing cost burdens of renter households with incomes just above the LIHTC income thresholds.

Committee Members Aim to Find Solutions to Homelessness

Chair of the Senate Banking Subcommittee on Housing, Transportation and Community Development Tina Smith, D-Minnesota, opened the [Opportunities and Challenges in Addressing Homelessness](#) hearing on homelessness stating that nothing in your life works without a decent and affordable place to live. Chair Smith shared that in 2020, nearly 600,000 Americans experienced homelessness on any given night, with 61% being sheltered and 39% unsheltered. Albeit spearheaded by members outside this subcommittee, she touted the bipartisan AHCIA led by Sen. Maria Cantwell, D-Washington, and Sen. Todd Young, R-Indiana, that would expand and enhance the LIHTC, the single most productive tool to develop and preserve affordable rental housing for low-income households. [Ranking Member Mike Rounds, R-South Dakota](#),

echoed much of Chair Smith's statements. In addition, he discussed the red tape put in place by the U.S. Department of Housing and Urban Development (HUD) and the federal government that makes it difficult to get funds to housing providers and those in need. He suggested more funding flexibility is needed at the local level so that communities can address their unique needs. He reassured everyone that Congress could work together in a bipartisan way regarding homelessness.

The witnesses—[Ann Olivia](#), chief executive officer of the National Alliance to End Homelessness; [Kathryn Monet](#), chief executive officer of the National Coalition for Homeless Veterans; [Cathy ten Broeke](#), assistant commissioner and executive director of the Minnesota Interagency Council on Homelessness (MICH); [Isabel McDevitt](#), executive vice president of The Doe Fund; and [Jamie Kirsch](#), board member of Journey On—in their opening statements and responses to the committee members provided unified support for eradicating homelessness by way of bipartisan federal programs and legislation. None of the witnesses disagreed with Sen. Cortez Masto, D-Nevada, who asked about the need to expand the LIHTC. Several subcommittee members—Sens. John Tester, D-Montana; Chris Van Hollen, D-Maryland; and Jack Reed, D-Maryland—were also in agreement with the witnesses and their colleagues regarding the LIHTC as the leading solution to the country's housing problems. Sens. Van Hollen, Cortez Masto, Tester and Olivia also raised the need to address and increase funding for housing choice vouchers (HCVs). Several committee members and witnesses shared examples of innovative solutions employed during the COVID-19 pandemic. Sen. Van Hollen suggested the demand for wraparound services; ten Broeke shared that MICH partnered with the hospitality industry to combat homelessness through their [Hotel to Homes program](#); and chair Smith shared that the increased funds from the American Rescue Plan were used to reduce homelessness. They affirmed the need for Congress to act while considering the lingering effects of the COVID-19 pandemic.

New Housing Crisis Solutions Emerge During Banking Committee Hearings
Hearing convened by the Senate Banking, Housing, and Urban Affairs Committee—[Priced Out: The State of Housing in America](#), on July 21 and [The Rent Eats First: How Renters and Communities are Impacted by Today's Housing Market](#) on Aug. 2—examined affordability issues Americans are facing. Witnesses at the July hearing included [Dr. Lawrence Yun](#), chief economist and senior vice president of research for the National Association of Realtors; [Dr. Douglas Holtz-Eakin](#), president of American Action Forum; and [Peggy Bailey](#), vice president for Housing Policy for the Center on Budget and Policy Priorities. The second hearing included Professor [Matthew Desmond](#), professor of sociology and director of the Eviction Lab, Princeton University; [Laura Brunner](#), president and CEO, Port of Greater Cincinnati Development Authority; [Rosanna Morey](#), small property owner; [Darion Dunn](#), managing partner, Atlantica Properties; and [Diane Yentel](#), presidents and CEO, National Low Income Housing Coalition.

Noting that housing is not a new problem, Chair Sen. Sherrod Brown, D-Ohio, in his [opening statement](#) stressed that for years the country has not done enough to keep up with demand. Brown noted that last year's hearing, [Home = Life: The State of](#)

[Housing in America](#), was the first in nearly a decade on the state of housing. He also noted that since he has taken over as chair, housing has been the primary focus because it determines so much of our lives, and one of the solutions to addressing the housing crisis is the LIHTC incentive. Ranking Member Patrick Toomey, R-Pennsylvania, [blamed the current administration](#) for making “bad” housing policy decisions. Spending \$80 billion on housing in addition to hundreds of billions of dollars that the government already spends on housing subsidies, “boggles his mind,” said Toomey. Toomey questioned how the homeownership rate 52 years ago was 64% and \$2 trillion later that rate is only 65%, and African American households are faring worse than they did years ago in comparison to white households. Later, Sen. Menendez spoke on systemic housing concerns, asking Dr. Yun to list the three primary reasons African American and Hispanic households continue to lag white households in terms of homeownership. Dr. Yun replied discriminatory down-payment practices, improper credit underwriting methods, and credit scoring standards that need to be reformed. One of the motivations behind creating the [NHTC would be to help address the gap in homeownership](#) rates between African American and white households.

Among witnesses and committee members, topics such as inflation, housing vouchers, various tax credits and housing bills dominated this hearing, just as they did recent convenings. Sen. Raphael Warnock, D-Georgia, stated that he would address the issue of predatory private equity investors by developing legislation to begin researching the matter. Sen. Tester discussed the housing crisis in rural America asking Bailey to speak on the state of housing in rural versus urban America. Bailey replied these areas require different solutions, offering that manufactured homes, for instance, are a better solution for rural America. Bailey promoted the LIHTC as the best solution for financing affordable rental housing while emphasizing the need for Congress to pass President Joe Biden’s proposed [fiscal year 2023 budget that includes \\$50 billion in housing and community development-related spending and tax proposals](#), allowing for smaller rental housing properties to be financed without relying on LIHTC in the capital stack.

Ranking Member Toomey made it clear that he did not align with his fellow committee members regarding the expansion of funding and programs for affordable housing, siding with Sen. Bill Hagerty, R-Tennessee, and Dr. Douglas Holtz-Eakin, who provided new solutions to the housing crisis such as to drop the lumber tariffs, focus on construction and end artificially inflated wages associated with the Davis-Bacon Act. Dr. Holtz-Eakin stated that wages for construction workers should be based on market value where developments are located, adding that “artificial wages” will drive up the costs of building housing.

During the August hearing, the primary focus was on the [Eviction Crisis Act of 2021](#). Chair Brown’s [opening statement](#) referred to the July hearing, with Sen. Smith later referencing the meeting with regards to how it helped her understand homelessness and the need to support the Eviction Crisis Act. The LIHTC continued to be presented the main solution to the housing crisis, with Yentel agreeing that federal subsidies are necessary and the government must fund them at “full scale.” Professor Desmond stated the interventions to prevent homelessness are not “rocket science” and should

first provide families with housing to ensure stability so that families can then receive wraparound services. Sen. Toomey continued to blame the Biden administration for the housing crisis in his [opening statement](#), while expressing that “government is the problem to housing and not the solution.”

Could Senate Committees’ Focus on Housing Mean Forthcoming Housing Legislation? Compared to the recent [House Ways and Means hearing](#), the Senate hearings illustrated a more bipartisan effort to address housing and homelessness issues. Whereas the House hearing featured more partisan positions on the economy and housing market, the Senate committee members appeared to agree on bipartisan solutions to the variety of housing issues plaguing the country. Research-based evidence was provided to support the need to improve and update housing policies, expand the LIHTC, create the NHTC, consider the adoption of several housing bills, and try new and innovative strategies to rehabilitate and develop affordable housing. Though the reconciliation bill, now known as the [Inflation Reduction Act of 2022](#), announced July 27 by Senate Majority Leader Chuck Schumer, D-New York, and Sen. Joe Manchin, D-West Virginia, does not contain the main LIHTC proposals included in previous versions of the legislation, the fact that these hearings are taking place shows a desire to tackle longstanding housing challenges made ever worse by the pandemic and inflation.

For more information about the residential tax incentives promoted throughout the Senate hearings, consider joining Novogradac’s [LIHTC Working Group](#) and the [NHTC Working Group](#). To stay up to date on affordable housing trends, register for the upcoming [Novogradac 2022 Affordable Housing Tax Credit and Bonds Conference](#) in Nashville, Tennessee, and online Sept. 29-30.