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## Ways & Means Holds Housing Hearing

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During a July 13 House Ways & Means Committee hearing focused on the challenges of increasing housing costs, Democrats defended housing assistance in the American Rescue Plan Act (ARPA) and the proposed Low-Income Housing Tax Credit (LIHTC) expansion in the House-passed Build Back Better Act (BBBA). Republicans attributed the current inflation crisis to the \$2 trillion in ARPA spending – continuing the arguments against the law and new proposed spending they expressed during a June hearing with Treasury Secretary Yellen, further fueled by today's report that consumer prices were up 9% in June over a year ago – and criticized the proposed Net Investment Income Tax (NIIT) expansion to pass-throughs in Senate reconciliation bill discussions.

In an opening statement, Chairman Richard Neal (D-MA) said housing costs are escalating, through home prices and rental costs; as homeownership is slipping out of grasp, competition builds up in the rental market; and "to make matters worse, private equity has muscled its way into the housing market." He said LIHTC is "the single largest federal investment in the supply of affordable housing" and House Democrats have proposed an expansion of the program to increase the availability of housing credits and enable the program to do more for those most vulnerable. (The House-passed BBBA included \$11 billion in LIHTC provisions, including an increase in state allocations.)

Neal also said the Neighborhood Home Investment Act, which would establish a new business-related tax credit to finance home building and rehabilitation in neighborhoods that meet certain eligibility criteria relating to poverty rates, income, and home values, "would help people afford homes in low- and middle-income communities and revitalize communities suffering from disinvestment."

In his statement, Ranking Member Kevin Brady (R-TX) noted the report of the 9% year-over-year inflation increase and said, "Rather than change course, Democrats in Congress continue to push for tax hikes that hit families, small businesses, homebuilders, developers, and skilled trades businesses the hardest. Contrast today with results in the two years after Republican tax cuts: Then, low inflation, strong real wage growth, and high housing affordability."

### Witnesses:

- Dr. Elora Lee Raymond, Urban Planner and Assistant Professor in the School of City and Regional Planning in the College of Design at Georgia Tech
- Dr. Akilah Watkins, President and Chief Executive Officer for the Center for Community Progress
- Dr. Christopher Herbert, Managing Director, Joint Center for Housing Studies of Harvard University
- Audra Hamernik, President and CEO of Nevada HAND in Las Vegas, NV
- Edward J. Pinto, Senior Fellow and Director of the American Enterprise Institute Housing Center

### In testimony:

- Raymond raised concerns about institutional investors in single-family rentals, which have moved beyond just investing in distressed property, and suggested establishment of rental housing registries, enforcement of municipal-level rental property databases, and probing for anti-competitive practices and undue market power in the home purchase and rental markets.

- Watkins said the Neighborhood Homes Investment Act would create a financing tool for single-family housing, as powerful as the LIHTC, to drive much-needed resources to investment-starved communities and enlarge and elevate the nascent affordable, single-family housing development industry that was catalyzed by Hurricane Katrina and the mortgage foreclosure crisis; and provide an incentive for the private sector to build and rehabilitate homes in struggling neighborhoods.
- Herbert said the Neighborhood Homes Investment Act deserves serious consideration as a tool for expanding the supply of good quality homes and homeownership opportunities in lower-income communities.
- Hamernik said LIHTC is the nation's primary tool to facilitate affordable housing, and said it attracts investors to the industry in a true public-private partnership and works because there is a great deal of flexibility.
- Pinto said the federal housing boom is increasingly crowding out lower-income Americans from the housing market and entry-level buyers are being pushed to the sidelines, but that enacting the House-passed BBBA's \$184 billion in housing-related expenditures would be a mistake, in part because it would overinflate the federal government's involvement in the industry.

During questioning from Chairman Neal about the importance of housing assistance, Herbert said the emergency assistance provided to renters and homebuyers, rather than causing inflation, was critically important in maintaining stability in the housing market by providing funds to pay back rents and make sure families were able to stay in their homes. (ARPA provisions included emergency rental assistance and a homeowner assistance fund). Watkins said the Neighborhood Home Investment Act would provide a tax credit for developers for homeowners to deal with the equity gap in many communities by accounting for home values.

Rep. Brady suggested massive increases in federal housing assistance would not be beneficial and raised the issue of inflation that Republicans have repeatedly blamed Democrats for. Rep. Adrian Smith (R-NE) also warned against using tax dollars to try to help the housing situation and said the proposed expansion of the 3.8% NIIT would be harmful to farms and ranches. Rep. Gregory Murphy (R-NC) was also critical of the proposed expansion of the NIIT, saying it is misleading to suggest it would only impact the wealthy. Rep. Jason Smith (R-MO) linked the \$2 trillion ARPA to the current inflation crisis and warned against additional government spending.

Rep. Mike Thompson (D-CA) said LIHTC has worked well in his fire-ravaged district and asked how the credit can be enhanced. Hamernik said more credits are necessary.

Rep. Bill Pascrell (D-NJ) suggested Republicans are being hypocritical of the ARPA when they, too, spent \$2 trillion on the 2017 Tax Cuts & Jobs Act (TCJA), and he called for fully restoring the SALT tax deduction. Pascrell said private equity investors are targeting lower- and middle-income homes and are outbidding families and driving up prices. He asked how corporate landlords lead to price increases and asked what actions Congress could take to target monopolistic investment in the housing market. Raymond said institutional investors are a big part of the surge in housing demand, and they have moved from distressed properties to outbidding average homeowners.

Reps. Ron Kind (D-WI) and Linda Sanchez (D-CA) criticized Pinto's attributing inflation seemingly solely to President Biden and the enactment of ARPA, ignoring the role of the global pandemic that has driven up

inflation in nations across the globe. Sanchez expressed concern that average Americans can't compete in the housing market and advocated expanding and improving the LIHTC and leveraging investment to expand to areas where it is needed most.

Rep. Suzan Delbene (D-WA) called for increasing the supply of affordable housing and cited her Affordable Housing Credit Improvement Act, which would revise LIHTC, rename it the Affordable Housing Credit, and provide for increased state allocations, a credit increase for certain projects designated to serve extremely low-income households, and an increase for certain bond-financed projects designated by state agencies.

Testimony is at: <https://waysandmeans.house.gov/legislation/hearings/nowhere-live-profits-disinvestment-and-american-housing-crisis>

Chairman Neal's opening statement is at <https://waysandmeans.house.gov/media-center/press-releases/neal-opening-statement-hearing-nowhere-live-profits-disinvestment-and>

Rep. Brady's opening statement is at <https://gop-waysandmeans.house.gov/hearing-opener-average-home-price-has-gone-up-100000-since-president-biden-took-office/>