

Hearing concerning National Affordable Housing Trust Fund, HR 2895

The Testimony of Henry Cisneros before the Committee on Financial  
Services, United States House of Representatives  
July 19, 2007

Chairman Frank, Ranking Member Bachus, and members of the Committee. Thank you for giving me the opportunity to comment in support of H.R. 2895, The National Affordable Housing Trust Fund Act of 2007.

Thank you more importantly for your leadership to organize the content of this bill and for your legislative skills to manage the strongest chance ever to create a National Housing Trust Fund.

With your permission, I would like to acknowledge the long-term advocacy and the solid creative work done by many housing supporters, but particularly the pioneering research and creative efforts of:

- The National Low Income Housing Coalition
- The Center for Community Change, Housing Trust Fund Project
- NAACP

I would like to make four succinct points:

First, The National Housing Trust Fund is important because it is a highly focused tool for producing housing for the very poorest Americans. Across the entire continuum of housing, which includes every kind of housing from homeless shelters to move-up homeownership, the greatest need, the greatest suffering, is among families, individuals and households who are below 30% of median income, extremely low income Americans. To meet their needs, we need housing units, new production, additional housing stock, that low-income people can access.

- We need units that homeless people can move into under our national Housing First model.
- We need units of supportive housing with services.
- We need rental housing for low-income persons.
- We need housing that works with other programs, such as public housing.
- We need housing that works in conjunction with market housing, in order to integrate low-income Americans into economic opportunities.

There is no Federal program targeted precisely in this way or on this scale. We need a National Housing Trust Fund because it is focused on production of the most affordable housing.

Second, we can see from local housing trust funds that the concept works. There are over 600 local or state housing trust funds across the nation. In big cities such as New York over 4,300 units have been developed through the New York City Housing Trust Fund. In Chicago, over 5,500 rental units have been created for persons under 30% of median income.

In smaller cities with high housing costs, housing trust funds have played a necessary role. For example, in Boulder, Colorado, the goal is to make 10% of the housing stock permanently affordable. Presently 2,700 units have been created through its housing trust fund: 21,000 are rental and 600 are ownership.

In Mountain View, California, in the heart of the expensive Silicon Valley, The Housing Trust Fund of Santa Clara County has been utilized by Catholic Charities to build an award-winning single room occupancy building for persons earning between \$15,000 and \$33,000, barely over 20% of the area median income.

At the state level, Washington State is considered to be the most effective applier of a state housing trust fund. In Washington, \$500 million has been amassed over the years and leveraged into \$2 billion of housing, constituting 32 thousand units, mostly rental. So successful has been the Washington Housing Trust Fund that state leaders recently created a separate homeless trust fund.

The point is that housing trust funds work. But a corollary point is that they are indicative of why a national fund is needed. State and local housing trust funds exist because the stress of housing affordability is so severe that jurisdictions have to apply tools beyond the present programs. It is also true that states and local governments have to patch their housing trust funds together using every imaginable source of revenue. They use real estate transfer taxes, document recording fees, linkage fees on developments and many other forms of fees. The need is great, the revenue base is inadequate, and the scale is orders of magnitude off of where it needs to be.

Third, H.R. 2895 incorporates the best elements of what we have learned about housing programs in recent years:

- the need for rental production
- the focus on very low-income households
- the need for economic integration
- the need to be close to economic opportunities and public transit
- the incorporation of “green” development
- the need for state, rural, and native American housing
- the opportunity to engage faith-based institutions
- the prohibitions on administrative costs and travel
- the needed scale of 1.5 million units
- the match provisions which incentivize local participation
- the flexibility which unleashes local creativity, so that non-profit and private builders can offer their best possible projects
- the use of housing trust funds in conjunction with market projects, therefore assuring the integration of low-income units

These elements combine to create a flexible, entrepreneurial, effective source of funding for needed affordable housing.

Fourth, H.R. 2895 identifies revenues from new sources:

- Fannie Mae
- Freddie Mac
- FHA

It applies new revenues in such a way as not to cannibalize other Federal programs. It also identifies funds in such a way as to not exacerbate Federal fiscal challenges. The National Affordable Housing Trust Fund Bill as it is presently structured can generate and merits bi-partisan support.

I have had the privilege of working with my predecessor, Republican Secretary of HUD Jack Kemp, on a series of bi-partisan housing recommendations in recent years. Three years ago we published a book, *“Opportunities and Progress: A Bipartisan Platform for National Housing Policy,”* with Nic Retsinas and Kent Colton, in which we called for the establishment of a National Housing Trust Fund. I quote from our recommendation:

*“We recognize the need for a source of capital for the production, preservation, and rehabilitation of housing affordable to low-income households. We therefore recommend that the Administration and*

*Congress establish a National Housing Trust Fund for this purpose. Specifically Trust Fund money should be used to support the production, preservation, and rehabilitation of 1.5 million affordable housing units over the next ten years... It has been more than two decades since a federal housing production program specifically targeted extremely low-income households. Meanwhile, rising rents have affected such households disproportionately. A source of additional capital subsidy is needed not just too off-set the declining supply of housing and increasing costs, but also to prevent the further concentration of poor households in areas where housing costs are relatively low because of poor quality or because the market is depressed or declining.”*

In closing let me once again congratulate you and thank you for your work. Secretary Kemp and I have had the opportunity to make bi-partisan recommendations. You have the enviable opportunity to make bi-partisan policy and create the nation’s first Affordable Housing Trust Fund. When we look back on this moment ten years from now, all of you who have been associated with creating and supporting this initiative will take deserved pride in having been responsible for a needed and productive breakthrough in our efforts to provide decent housing for all Americans.