WRITTEN STATEMENT FOR THE RECORD

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IN COLLABORATION WITH THE NATIONAL ASSOCIATION OF COUNTIES

HEARING ENTITLED A BLUEPRINT FOR PROSPERITY: EXPANDING HOUSING AFFORDABILITY BEFORE THE U.S SENATE COMMITTEE ON THE BUDGET

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INTRODUCTION

Chair Whitehouse, Ranking Member Grassley, and distinguished members of the Committee, thank you for the opportunity to testify today on the state of our nation's housing crisis, the local approach counties are taking to address it and the critical role the intergovernmental partnership plays in crafting comprehensive solutions to ease the financial burden placed on our residents due to the rising cost of housing.

My name is Kevin Boyce, and I serve as the President of the Board of County Commissioners in Franklin County, Ohio. Additionally, I have the honor of serving in leadership and advocacy roles for the National Association of Counties (NACo), including as Co-Chair of the recently concluded Housing Task Force and Vice Chair of the Telecommunications and Technology Policy Steering Committee.

ABOUT AMERICA'S COUNTIES

Counties are one of America's original forms of government, dating back to 1634 when the first county governments (shires) were established in Virginia. Counties are highly diverse, not only in my home state of Ohio, but across the nation, and vary immensely in natural resources, social and political systems, cultural, economic and structural circumstances, public health and environmental responsibilities. Counties range in area from 26 square miles (Arlington County, Virginia) to 87,860 square miles (North Slope Borough, Alaska). The population of counties vary just as widely from Loving County, Texas, with just under 100 residents to Los Angeles County, California, which is home to roughly ten million people. Of the nation's 3,069 counties, approximately 70 percent are considered "rural," with populations less than 50,000, with 50 percent of those having populations below 25,000. At the same time, there are more than 120 major urban counties, including my home of Franklin County, Ohio, which collectively house, and provide essential services to, more than 130 million people.

Many of our responsibilities are mandated by states and the federal government. Although county responsibilities differ widely, most states grant counties significant authorities. These authorities include construction and maintenance of roads, bridges and other infrastructure; assessment of property taxes; record keeping; running elections; and overseeing jails, court systems and public hospitals. Counties are also responsible for child welfare, consumer protection, economic development, employment/workforce training, land use planning, zoning and environmental protection.

Ensuring that housing remains accessible and affordable to all residents is also a critical component of these responsibilities. Though the specifics look different in each county, day-to-day, counties work tirelessly to increase housing supply and affordability using various tools, including; tax policies, building permits and code enforcement, land use and zoning, down payment and closing cost assistance, infrastructure development, and community planning. While counties continue to efficiently and effectively utilize these tools to address the housing crisis, we must continue to receive the support of federal programs, policies and funding to sustain our efforts.

ABOUT FRANKLIN COUNTY, OHIO

Franklin County, Ohio is the largest county in the state of Ohio with over 1.3 million residents. By 2050, the Central Ohio region is expected to grow by more than a million residents, with an estimated regional population increasing to 3.15 million. Of that, Franklin County is expected to absorb at least half of the regional growth, welcoming more than twice as many newcomers as any other nearby county. We, like many other large, growing regions, have a shortage in the available housing stock. According to a report commissioned by the Building Industry Association of Central Ohio, housing permitting must increase approximately two-fold from recent trends to meet the projected housing need of over 100,000 new housing units in just the next decade. At least 270,000 additional units are needed by 2050. From 2010-2019: 58 percent of all new units built were multi-family. Central Ohio needs to build 11,000 houses annually to keep pace with growth. We are growing faster than any other region in the state, but at an estimated 0.89 percent annually, it is a much more manageable rate than metros, such as Austin, Texas, or Boise, Idaho, which have been growing at twice the rate of Central Ohio.

In 2019, the Franklin County Board of Commissioners approved the Affordable Housing Magnet Fund. This increased the permissive real property transfer tax by a rate of ten cents ($0.10) per hundred dollars of value. These additional general fund revenues were dedicated to the purpose of encouraging the development of new affordable housing units throughout Franklin County by providing gap financing to developers seeking the 4 percent Low Income Housing Tax Credit. To date, 11 projects have been approved and funded by the Franklin County Board of Commissioners, totaling 1,239 units and over $13 million committed by the county.

The arrival of federal dollars in response to the coronavirus pandemic has been transformational in Franklin County. For example, $600,000 of American Rescue Plan funds supported a magnet fund project constructed by the local housing authority. Additionally, Franklin County has received $89 million through the Emergency Rental Assistance Program in two different tranches plus a voluntary reallocation of unspent funds from the State of Ohio and an additional reallocation of unspent funds from the Department of Treasury. Through the end of 2023, over $62 million has been expended by the Franklin County Board of Commissioners to the Franklin County Jobs and Family Services Prevention, Retention, and Contingency Program, the Columbus Urban League and Impact Community Action agency.

Franklin County has been addressing community conditions such as homelessness and evictions, that existed before the pandemic and have since been exacerbated. In fiscal year (FY) 2023, the Community Shelter Board, the local lead response agency on homelessness, reported serving 7,865 people who were provided with safe emergency shelter while experiencing homelessness, including 1,910 children and 196 expectant mothers.

THE ACUTE NEED FOR MODERATELY-PRICED, QUALITY HOUSING IN ALL COUNTIES

For a growing number of Americans, the cost of housing is crowding out the rest of their household budget. That's forcing many families into living situations that affect their health and well-being, the length of their commutes and their chance to build generational wealth or to contribute to a vibrant community where they feel like they have a stake.

In 18 percent of counties, households currently spend more than 3.5 times their annual income to afford a typical home. Nearly a quarter (23 percent) of households that occupy rental units are severely cost-burdened, spending more than half of their annual income on rent. There is a shortage of more than 3.8 million homes across the country, according to Freddie Mac, and it will take more than 20 years to close the housing unit gap despite the recent acceleration in development, according to the National Association of Realtors.

These statistics lend context to a problem that counties know all too well: housing affordability is increasingly out of reach for residents. In Valley County, Idaho, a small resort community outside of Boise, the median home price is $650,000, while the median household income is only $75,000 – primarily driven by the influx of wealthy households. First responders, service-sector and healthcare workers, teachers and other integral community members face the choice of commuting several hours or living in homes not intended for long-term habitation like Recreational Vehicles (RVs). For children from the community, there is virtually no path that leads to raising a family in the county where they've grown up.

In Franklin County, which is home to the capital city of Columbus, four out of every ten renters are cost-burdened, spending more than 30 percent of their annual income on housing. The lingering impacts of decades of unjust housing policies like redlining, access to financial institutions and affordable financing still cloud the pathways to homeownership for many black and brown residents. In addition to the historic exclusion some community members faced, housing is becoming increasingly expensive due to supply not keeping pace with the rapidly growing population. Since 2010, the population within the county has grown 14 percent to over 1.3 million, while total housing units in the county have increased only ten percent, further widening the gap.

Stories like these are not the exception but a commonality across many counties in this country. Housing fulfills the basic human need for shelter and is the foundation for better health, consistent education, a stronger workforce, improved financial wellness, and lowered demand for the public sector safety net.

THE PERFECT STORM FOR A HOUSING AFFORDABILITY CRISIS

Many colliding factors contribute to the current housing affordability crisis. Housing costs have been steadily rising, often outpacing inflation or wage growth. Roughly half (46 percent) of renters and over one in three homeowners (35.1 percent) were cost-burdened in 2021, including 23 percent of renters and 9 percent of homeowners who were severely-cost burdened, spending at least half of their household income on housing throughout the year.[1] Compounding these burdens, the median price of a home surged by more than $107,000 between Q1 2020 and Q1 2023.[2] Furthermore, rents have increased by 16 percent between January 2020 and March 2023, with additional rent increases expected in the coming months.[3] With wage increases struggling to keep pace for many in the workforce over the last several decades, the increase in the costs of housing is straining renters and homeowners alike.

Not only are Americans facing higher housing costs, but the stock available for renting or owning is also increasingly limited and, too often, in disrepair. Nearly 80 percent of homeowners who currently have a mortgage, hold an interest rate below five percent, keeping housing inventory down around record lows.[4] This has led to existing-home sales declining 19 percent to 4.09 million in 2023, according to the National Association of Realtors, compared to the year prior. That number exceeds the lows of the subprime mortgage crisis and is the lowest full-year level in 30 years. Moreover, the number of available rental units has been cut nearly in half over the past decade (10.6 percent in Q1 2010 vs. 6.6 percent at in Q3 2023).[5]

For the available homes, the Philadelphia Federal Reserve concluded roughly one-third had significant non-cosmetic deficiencies in 2022, conveying an estimated price tag of $149.3 billion for repairs.[6] Increased repair costs are, in part, a byproduct of older housing stock. The Median age of homes increased to 43 years old in 2021.[7] Plus, elevated construction costs (materials and labor) during the pandemic exacerbated the challenge.

As the population demographics continue to shift, approximately 40 percent of housing stock lacks accessibility, like an entry-level bedroom and bathroom necessary to serve older generations and those with reduced mobility.[8] Moreover, the increasing frequency of natural disasters significantly threatens the existing housing stock. Throughout 2022, there were 18 unique billion-dollar natural disasters; when combined with the past seven years, the total price tag exceeds $1 trillion, constituting more than one-third of the entire disaster cost over the past 42 years.[9] Another direct consequence adversely impacted housing costs is the rising home insurance prices. According to a Policygenius Home Insurance Pricing Report, home insurance policy premiums rose by an average of 21 percent at renewal from May 2022 to May 2023, with the expectation that they will continue to rise given the increased frequency and fiscal impact of these disasters. Moreover, more than 39 million properties – 27 percent of the total US properties – are at risk of higher premiums or the loss of coverage.[10] In addition to evolving population demographics, for many counties across the country, domestic migration is beginning to play an increasing role in their local affordability crisis, due to an acceleration by the pandemic and the rise of remote work.

Though housing has been a critical discussion for decades, the problem has grown in scope. During the pandemic, a sample of landlords reporting collection rates above 90 percent fell from 89 percent in 2019 to 62 percent in 2020.[11] Those experiencing particular hardship during the pandemic tended to be low-income or of Hispanic origin.[12] Additionally, as flexible work options become more mainstream anecdotes of individuals seeking a different environment to work from – in a lower cost-of-living area – have skyrocketed and, in some cases, are pricing locals out of their home communities.[13]

THE IMPACT OF HOUSING AFFORDABILITY ON COUNTY OPERATIONS

County governments are inextricably linked to affordable housing because of the role they play in housing. Most county governments collect property taxes and provide property assessments. They also often provide much of the regulatory framework around housing, from planning and zoning to administering building permits. Furthermore, county governments provide a range of health and human services on which homeless and low-income populations rely. Therefore, is a prime concern for counties.

From county budgets to the services that counties provide their residents, housing affordability has wide-ranging effects on county operations. When the prices of homes near job centers are too high for the workforce, residents end up commuting long distances each day for work, thereby wearing down county transportation infrastructure more quickly. Between 1990 and 2019, the average commute time in the U.S. increased by 19 percent, from 22.4 minutes to 27.6 minutes.[14] This change is significant because county governments own and maintain 46 percent of America's public roads and over 38 percent of all bridges.[15] The more use that roads and bridges receive, the more often counties need to maintain and repair them. In counties where housing costs are especially high, some of the workforce may even work in one county but live in a neighboring county where housing is more affordable.

Aside from county transportation infrastructure, high housing costs place pressure on county social services. A county without affordable housing for all levels of income can experience increased levels of homelessness, as residents with very low incomes are pushed out of their homes with no other housing options they can afford. Although not all low-income residents may be in danger of homelessness, as rents and property values increase, many may find themselves in an unstable housing situation, where the loss of a job, a medical emergency or even one missed paycheck can result in an eviction. Housing instability can lead to employment instability, when individuals struggle to keep a job under the stress of a potential or an actual eviction.[16] Housing instability impacts family health and educational outcomes for children, affecting county residents – and service delivery systems – over the long-term.[17]

Furthermore, housing affordability shapes county economies. In the short-term, when county governments invest in and promote the development of affordable homes, they generate jobs directly in the fields of construction, architecture and engineering, as well as indirectly in local restaurants, retail stores and other businesses once people move into the new homes. A study by the New York State Association for Affordable Housing (NYSAFAH) found that between 2011 and 2015, affordable housing projects created 329,400 jobs and generated $54.5 billion in new economic activity.[18] In the long-run, affordable housing has even greater effects on a county's economy. Residents living in housing they can afford will be more stable in their employment, counties will be better able to attract a more talented workforce and businesses will be more likely to locate in areas with housing that is affordable for their employees. Affordable housing, therefore, has direct economic benefits on counties.

THE COUNTY ROLE IN HOUSING

Housing affordability is complex, multifaceted and interdependent. So too are county authorities and resources on housing local housing policy, financing and regulation. Because of the varied authorities, each county's approach to addressing the challenge is different, reflecting their unique needs, values and priorities, while considering the varied relationships and resources available. Generally speaking, a county's role in housing falls under one of these five "pillars."

1. **<u>Land Use, Zoning, Infrastructure and Community Planning</u>**

   The macro aspects of local housing policy are the foundation for generating affordability. In new and existing developments, improper or restrictive land use can drive up costs. Similarly, the total cost of new developments often depends largely on the value of the land and how much preparation must be performed to make the parcel ready for construction. Because zoning changes are quickly reflected in land prices, zoning and land use policies should be focused on ensuring that the right development opportunities exist rather than attempting to balance specific costs and benefits. Counties have a handful of levers to influence these macro aspects, including reviewing zoning and land use policies, understanding the landscape of existing housing stock, and helping to defray upfront infrastructure costs for new projects.

2. **<u>Regulations, Codes and Associated Fees</u>**

   The micro-aspects of housing pertain to how each development or individual interacts with housing. Developing property for housing requires following a set of codes and regulations to ensure safety, and counties often issue permits and conduct code enforcement. Some developments require studies or carry other special fees associated with construction, while other local regulations may impact affordability tangentially, like insurance premiums.

3. **<u>Intergovernmental Nexus</u>**

   Counties and the federal government work together to support local communities in addressing housing affordability. Federal funding – often through the U.S. Department of Housing and Urban Development (HUD) or U.S. Department of Agriculture's Rural Housing Service for rural counties – is used by counties to supplement local resources, administer housing programs, build infrastructure that supports new development and assist low-income residents. Conversely, counties educate federal representatives on local priorities to ensure Congress and executive-branch agencies have the relevant information to decide on housing issues impacting counties. Housing is a complex public policy topic that requires input from all sectors and stakeholders, along with a strong intergovernmental framework for policy and funding coordination.

4. **Community Engagement, Partnerships and Education**

Much of the work required to increase housing stock depends on engagement with the community. Housing is a foundational element to community prosperity, contributing to health, economic mobility, safety and resilience. Sometimes conversations on housing can be limited to numbers and finances, but communicating the importance of housing as a critical component of the community's infrastructure can help to advance housing priorities, even when direct authority over issues like land use and zoning are limited or not within the county's purview. Public stakeholders are essential to reframing conversations on housing needs. Not only can counties partner with other governments and community organizations to advance housing, but local leaders can also serve as an educational body to inform residents.

5. **Finance, Lending and County Tax Policy**

Investment – often a blend of financing, lending and county tax policy – is required to successfully develop new housing, maintain existing housing stock, and navigate housing support systems. Property taxes are the primary driver of most county finances and can significantly affect land use. Additionally, some counties work with financial institutions or leverage federal programs to provide direct support to individuals or incentives for new developments. Looking holistically at county financing, tax and policy touchpoints can help to foster housing affordability. Like all things, housing is competing for an increasingly limited amount of capital. Local leaders can work to make housing projects more attractive through financial, tax and other policy and program tools.

It is also important to recognize that each policy or ecosystem pillar does not exist independently but are pieces of a whole. The land use and zoning plans in a community ultimately impact the county tax base and services; the partnerships established within a community can inform state and federal advocacy efforts; use of federal funds can reflect financing of new developments; and local regulations can have significant implications on community engagement. Recognizing this interconnection is important to understanding the levers and opportunities available to counties to foster affordability and quality.

NACO HOUSING TASK FORCE

In November 2022, then NACo President Denise Winfrey (Board Member, Will County, Ill.) launched the Housing Task Force, a group of 33 elected and professional county housing experts. The task force was initially charged with two goals: to elevate county-led solutions to address the housing affordability crisis confronting America's counties and, important to today's hearing, identify intergovernmental opportunities for partnership on housing issues.

The task force work began in November 2022, with an in-person convening to explore the county's role in housing. Led by co-chairs Sherry Maupin and myself, Kevin Boyce, Commissioners from Valley County, Idaho and Franklin County, Ohio, respectively, task force members engaged in discussion with experts from the Harvard Joint Center for Housing, the U.S. Department of Housing and Urban Development, and the Aspen Institute on county authority, challenges and solutions to housing affordability.

After a series of virtual gatherings, the task force met again in February 2023 during the NACo Legislative Conference in Washington, D.C., and explored these areas with in-depth conversations on homeownership, rental housing and technology solutions. The task force also participated in an open discussion with White House senior leadership on the federal-to-county nexus and areas for intergovernmental collaboration. Over the following months, the task force again met virtually with experts from around the country to discuss the financial, administrative and policy levers counties can employ to effect change.

During the final in-person meeting in May 2023 in Dallas County, Texas, task force members explored some of these solutions in action. From the task force work, a recommendation guide for local leaders seeking to advance housing affordability has been born. The framework is not intended to be an immediate fix, or silver bullet to the current crisis facing our nation, but to be a guide – a point of origin – for leaders seeking change.

Though county authority on housing is complex and varied, the task force guide aimed to be another tool in the toolbox from which local leaders can draw ideas, inspiration, projects and solutions that can be tailored to fit the unique needs of each community. Though the work of counties on advancing housing affordability is not done, the release of the recommendation framework marked a milestone in the county effort to build strong communities and ensure equitable access to safe, quality and reasonably priced housing for every resident in every county across the country.

POINTS FOR CONSIDERATION

Looking towards finding comprehensive policy solutions that effectively address the current housing crisis, the following portion of the testimony will provide you with ideas on how Congress can enhance current and future housing programs to ensure that we have the required tools to reduce the cost burdens facing homeowners and renters alike.

In collaboration with the National Association of Counties (NACo), I offer the following recommendations for your consideration:

- **Invest Additional Federal Resources to Adequately Support Housing Needs**
- **Modernize and Strengthen Current Federal Programs**
- **Provide More Direct to Local Government Funding Opportunities**
- **Simplify Programs and Reduce Burdensome Compliance Requirements on Local Governments**

Invest Additional Federal Resources to Adequately Support Housing Needs

Currently, it's estimated that the United States is 3.8 million units short of meeting the current housing demand, which is double the number from 2012.[19] Conventional, federal government housing policy has been dominated by demand-side interventions. For example, reducing a homeowner's tax bill through the mortgage interest deduction, or Federal Reserve purchases of mortgage bonds, are ways to help assist families with the ability to afford housing, but it doesn't directly address the root cause: pressure on the supply-side.

Conversely, in response to the increased costs correlated with the supply-side constraint, Congress has focused on housing assistance programs, like the Housing Choice Voucher Program and homelessness assistance, to help address the impact of the increased cost of housing for lower income Americans. Let me be clear, these are critical housing and assistance programs that counties ardently support and rely on, and who also require additional funding and modernization. But until policymakers address the supply shortfall, millions will continue to be priced out of the market and forced to rely on subsidized housing to survive.

In order to meet the moment, Congress must increase annual investments in programs designed to increase the housing supply. The current authorized funding levels for these programs - namely the HOME Investments Partnership program, Community Development Block Grant, Low-Income Housing Tax Credit, USDA Rural Housing programs, Housing Trust Fund, Capital Magnet Fund - do not accurately reflect the demonstrated need and demand for housing leadership and resources that exists across America's counties and regions. Through sustained investments in these programs, we would gradually see the growth in rents and home prices begin to moderate, allowing wages to catch up, making housing more accessible and affordable for all families.

Future costs incurred through increased investments in these programs pale in comparison to the negative economic impact associated with the continued failure to address the current supply-side shortfall. Currently, the shortage of affordable housing in major U.S. population centers costs our economy $2 trillion each year in lower wages and productivity.[20] Families who have an inability to access affordable housing options are often times locked out of job opportunities that would increase their earnings, causing a direct slowdown in growth of our gross domestic product (GDP). More specifically, a recent study estimated that GDP growth would have been 13.5 percent higher between 1964 and 2009 if people had access to more affordable housing options, translating to a loss in U.S. economic activity of more than $1.6 trillion annually due to lost wages and productivity.[21]

While we understand the current robust debate around the size and scope of the federal budget, these programs have provided tangible return-on-investment of taxpayer dollars and should be the type of investments congress continues to prioritize. For example, in 2020, every dollar invested into CDBG projects led to $3.64 from other public and private sources; this totaled $3.41 billion leveraged across 5,700 CDBG projects.[22] Furthermore, since it launched it 1992, the HOME Program has led to the completion of over 1.3 million affordable units, while leveraging $4.52 in public and private funds for every dollar invested.[23] Just these two programs have supported millions of jobs, generated hundreds of billions in local economic impact and built or preserved millions of affordable housing units.

Modernize and Strengthen Current Federal Programs

As is too often the case in large bureaucratic systems, action from our regulatory and legislative bodies trail the rapid rate of change that takes place in the market, and our current housing situation is no different. Most of the significant federal housing programs have not been updated in decades, leaving local policymakers with outdated tools to address the unique needs within their county. In order to fully maximize the federal government's commitment to alleviating the housing crisis, modernization of current programs must take place. Below, is a compilation of some of the top housing legislative priorities for NACo. This is not an exhaustive list, and more information related to NACo's federal housing priorities and recommendations can be found in NACo's American County Platform.

Community Development Block Grant Program (CDBG)

The Community Development Block Grant (CDBG) program provides annual grants on a formula basis to assist urban, suburban and rural communities in improving housing conditions and expanding economic opportunities for low- and moderate-income individuals. Counties utilize the flexibility of CDBG funds to support projects that meet their local priorities in addressing community and economic development, housing, water, infrastructure and human service needs, ultimately improving the quality of life for county residents.

Over 200 urban counties are designated as "entitlement communities" and receive CDBG grants directly. Entitlement communities receive 70 percent of all CDBG funds, while states receive the remaining 30 percent. Non-entitlement communities, which are typically rural counties, must compete for funding via the state formula allocation.

CDBG provides increased opportunities for counties to plan, implement, and evaluate local community development and housing assistance programs. Under the program, county officials, and particularly those whose counties receive urban county designation, are afforded additional, flexible resources to address long-range physical, social, housing and economic development needs in their jurisdictions in a comprehensive manner. While the program continues to provide positive results for counties, **improvements are now needed to promote further use of resources to local-based challenges in the 21st Century**.

Congress needs to reauthorize the CDBG program with the following recommendations:

1. **Update the authorization level to meet today's demand and rising costs of construction**. Accounting for no additional increases, and simply keeping pace with inflation, the program would be currently authorized at nearly $12 billion. In addition to decreased purchasing power, entitlement communities within the program have increased sixfold since its inception in 1974.
2. **Provide Additional Eligible Use of Funds Flexibilities**, including adding new construction and "planning and implementation of activities designed to affirmatively further fair housing" as eligible use of funds.
3. **Increase the Public Service Cap**, from 15 percent to 20 percent.
4. **Permanently Authorize CDBG-DR,** by passing S. 1686, *the Reforming Disaster Recovery Act*.

HOME Investment Partnerships Program

HOME provides significant resources for communities to address social and economic needs of residents especially vulnerable and disadvantaged populations; the program's wide range of uses allows communities to adapt funding to meet priorities specific to their locality. While the program continues to provide positive results for counties, having never been reauthorized since its enactment in 1992, improvements are now needed to promote further use of resources to local-based challenges in the 21st Century.

Congress should strengthen and modernize the HOME program by **passing S. 3644, the *HOME Investment Partnerships Reauthorization and Improvement Act***.

Low-Income Housing Tax Credit (LIHTC)

The Low-Income Housing Tax Credit provides state housing agencies with the authority to issue tax credits, which help to subsidize the acquisition, rehabilitation or new construction of rental housing targeted to lower-income households. Developers typically then sell the credits to private investors to obtain funding to begin the project. Once the housing is placed in service, investors can claim the credit over a 10-year span.

While counties are not direct recipients of LIHTC, it is an important tool to stimulate private investment in the production of affordable housing, where it accounts for virtually all of the apartments constructed or rehabilitated for low-income renters.

Since it was created, the LIHTC has subsidized over 47,500 projects and 3.7 million housing units, using an average of $8 billion in forgone revenue to subsidize the costs of building more than 107,000 units across 1,411 projects each year. Today, the LIHTC is the largest source of affordable housing financing in the United States.

Though it has a successful track record, there is still a growing need for affordable housing units throughout the country. To meet demand and thus, reduce housing costs, Congress must **pass S. 1557, the *Affordable Housing Credit Improvement Act***, to further strengthen and expand the LIHTC program.

USDA Rural Housing Service Programs

Rural counties face an increasingly complex set of challenges when it comes to addressing housing accessibility and affordability issues. On one hand, the pandemic has increased domestic migration, with thousands of people leaving cities and urban communities for certain rural counties, attracted to the lower costs, larger houses and land plots, and “small-town charm.” While other rural counties continue to face the consequences of decades of disinvestment – struggling to attract new jobs, residents and talent to bolster their local economy. This keeps large-scale investments into new construction by the private sector undesirable, access to credit rare for rehabilitation projects and raises the cost of construction due to the lack of workforce in the region.

These issues represent a small set of unique challenges facing rural counties across the country, which is why improving and modernizing the suite of USDA Rural Housing Service programs is paramount to keeping working families stably housed. **Congress can achieve this through the passage of S. 2790, *the Rural Housing Service Reform Act of 2023*.**

<u>Provide More Direct to Local Government Funding Opportunities</u>

Counties utilize community planning, land use, zoning and enact policies and other regulations that affect both the access and affordability of housing within their communities. Although, counties are prioritizing this work, they lack the resources and capacity to fully address the challenges associated with our current housing landscape and rely on our federal partners.

County governments are those closest to the people, giving us an unparalleled perspective on the needs within the community. This proximity makes us uniquely positioned to implement and administer vital intergovernmental systems, facilitate cooperation of all levels of government, and deliver results and impact for our residents and businesses at the community level. **NACo supports legislation that recognizes counties as essential intergovernmental partners through long-term, direct investments in local governments.** In addition to our proximity to those we serve, counties have proven to be good stewards of taxpayer funds through the administration of numerous federal programs.

County Solutions Spotlight: Direct Aid for Housing Projects

- *Charleston County, South Carolina:* Allocated $30 million in ARPA funds toward housing with $11.5 million provided for gap financing to affordable housing developers. The largest developer recipient, Bridge North Charleston, plans to build 20 townhouses and sell them at below-market prices to buyers with low- to moderate- incomes. Other recipients of gap financing assistance include One80 Place, a nonprofit that aims to use the financing to construct a 70-unit apartment building for individuals who have experienced homelessness, and the Humanities Foundation, who aims to use the financing to convert a former school into an 82-unit apartment building for low-income elderly residents.

- *Essex County, New York*: Allocated a large share of COVID relief funding ($300,000) to seed a new Essex County Land Bank, which received state approval to operate in May 2023. This new land bank will focus on property stabilization by acquiring vacant properties, increasing the availability of affordable housing, fostering economic development and growth and engaging community stakeholders.

- *Olmsted County, Minnesota*: is working with the Mayo Clinic to address housing affordability. As part of the Coalition for Rochester Area Housing established in 2017, the Mayo Clinic, Olmsted County and the City of Rochester have pledged a collective $28 million to advance regional housing priorities, with $10 million coming from Olmsted County's American Rescue Plan Act allocations. The economic impact of these efforts is expected to exceed $200 million by enhancing homeownership for working individuals and families, increasing homeownership for Black, Indigenous and People of Color (BIPOC) families, creating and preserving affordable rental housing and expanding housing options for seniors. Banding together, the coalition also has a stronger footing to attain federal and state grants designated for particular entities like counties, nonprofits or cities, making the partnership more effective at advancing housing priorities.

- *Arlington County, Virginia*: Arlington County invested combination of local Affordable Housing Investment Fund and federal Community Development Block Grant and HOME Investment Partnerships financing for a total of $11,021,000 in County support. The nearly $4 million in HUD funding was particularly critical to the project and contributed to achieving the County's Consolidated Plan goals of creating and preserving affordable housing. The project leveraged about $3.40 in other funds (such as LIHTC equity, deferred developer fees, etc.) to every $1 in County funds that were loaned. The project did not originally include units serving very low income households, but after finance closing occurred, the Cadence was awarded $3 million in Amazon Reach funds to "buy down" ten units, creating 5 units up to 30 percent AMI and 5 units up to 40 percent AMI.

  The Cadence is a new apartment community located in Arlington, Virginia, owned and operated by the nonprofit Wesley Housing Development Corporation. It is 100 percent affordable, with 97 units ranging in affordability from 30-70 percent of area median income. This property will also serve special populations, including persons with disabilities, through the 10 on-site Permanent

Supportive Housing units. The residents in these units, who may otherwise be at risk of homelessness, will be provided affordable housing and will pay no more than 30 percent of their income towards rent - while also receiving support services to ensure successful community living.

- *King County, Washington:* King County is in the process of distributing $26 million in funding to local organizations to create up to 760 units of affordable housing to meet the growing demand for accessible housing for low-income households. Federal funding sources include the HOME Investment Partnership Program and the Community Development Block Grant Program. Local funding sources include the Regional Affordable Housing Program and revenue from the Homeless Housing Document Recording Fee Surcharge.

  The funding will go toward construction of 10 affordable housing developments that total 760 units. The awarded projects will generate 673 new and 32 renovated rental units throughout the region, including unincorporated King County. The funding also goes toward projects to build 55 new homeownership units.

Simplify Programs and Reduce Burdensome Compliance Requirements on Local Governments

According to a 2012 GAO report, federal housing assistance programs were housed in 20 different government agencies, spanning 160 programs and activities during fiscal year (FY) 2010. This has created a myriad of issues for counties, and other grantees, since the majority of federally financed projects are supported by multiple funding streams, including various federal sources. Coming with each funding stream is its own set of compliance and reporting standards, submission deadlines and other requirements. Ensuring projects remain compliant comes at a considerable administrative cost and typically drags out project completion timelines. **Greater alignment of federal standards between agencies (labor, procurement, environmental) would not only save time, but administrative costs associated with projects supported by multiple federal entities**. Furthermore, the reduction in costs associated with the administration of a project, would allow more resources to be allocated directly to the housing initiatives.

In addition to streamlining and reducing administrative burdens within the programs themselves, we need to ensure that initial application process for the grants and other resources aren't prohibitive for smaller, more resourced constrained counties. **Therefore, we urge congress to pass the bipartisan S. 2286, *Streamlining Federal Grants Act***. By reducing the complexity and other barriers, it would level the playing field for smaller counties and communities, allowing them greater access to compete for these transformational funds.

CONCLUSION

As Congress considers upcoming budgetary decisions and legislative proposals, it is imperative that housing policy remains a top priority and policymakers prioritize long-term solutions that will increase the supply of affordable housing stock.

Chairman Whitehouse, Ranking Member Grassley and distinguished members of the committee – thank you for the opportunity to testify today. We appreciate your attention to mounting crisis. Counties across America look forward to working together to strengthen our communities and make sure all Americans have access to safe and affordable housing options. Thank you again for the opportunity to testify today on behalf of America's 3,069 counties.

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