



Testimony of
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**"Housing Crisis in Los Angeles
and the Critical Federal Response Needed for Renters as well as Homeowners"**

**Testimony of Larry Gross, Executive Director
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Chairwoman Waters, Ranking Member Capito and other distinguished members of the Subcommittee on Housing and Community Opportunity, thank you for the opportunity to offer testimony on the housing crisis facing Los Angeles.

I am Larry Gross, Executive Director of the Coalition for Economic Survival (CES). CES is a 36-year-old grass-roots, multi-racial, multi-cultural tenants' rights organization dedicated to assisting renters living in private and project-based Section 8, Housing Choice Voucher and other HUD-assisted housing throughout the Southern California area.

CES is a member of the National Alliance of HUD Tenants, an alliance of tenant organizations in privately-owned, multifamily HUD-assisted housing, representing thousands of tenants in every region of the country.

For an approximately twelve-year period from the mid-1990s to 2007, CES also had been overseeing a HUD Outreach and Training Grant to provide assistance to tenants living in at-risk affordable housing due to expiring project-based Section 8 contracts, HUD mortgage prepayments and buildings subject to HUD's Mark-to-Market program. Currently, we have a contract with the Los Angeles Housing Department (LAHD) to provide similar outreach and education services to tenants.

I want to take the opportunity to thank you, Congresswoman Waters for holding this hearing on these crucial issues.

THE GENERAL HOUSING CRISIS FACING THE CITY OF LOS ANGELES

Los Angeles faces a tremendous housing crisis. This is a city of renters with 61% of its residents being tenants. Yet as wages continually fail to keep pace with rents, more and more of these tenants are being forced to pay a greater percentage of their incomes as rent.

Families are forced to double up and triple up in order to cover these escalating rents, creating overcrowded conditions that rank among the worst in the nation. One third of our housing stock is substandard and poses dangerous health risks to tenants, especially small children. Tenants who are forced to move, perhaps due to these substandard conditions, cannot find comparable affordable housing in their community.

On the subsidized-housing front, L.A. currently has 63,562 affordable, rent-restricted apartments located throughout the City, in 1,826 developments serving low-income households. Most were financed with a combination of private and public funds. In the last ten years, 4,181 apartments in 284 properties have lost affordability restrictions. In the next five years, 14,594 affordable

apartments are at risk, and 6,400 more from 2013 to 2018, for a total potential loss of 21,000 rent-restricted apartments, or one third of the City's affordable rental stock in the next ten years.

Currently, about 1,000 new City-financed affordable apartments complete construction each year, few of which are affordable to the poorest Angelenos, including minimum-wage earners.

In addition, much privately-owned rental housing is potentially at risk, particularly the 600,000 plus apartments built before 1978 that are subject to the City's Rent Stabilization Ordinance.

In the past two years, 3,839 rent-stabilized apartments have been demolished to make way for new luxury rental or for-sale homes. Furthermore, from January 2001 to mid-2006, 3,374 apartments were converted to for-sale condominiums, particularly in the City's more affluent neighborhoods.

The Current Foreclosure Crisis

Making matters worse is the current economic climate in which, similar to what is happening throughout the country, the Los Angeles area has been hit with an avalanche of foreclosures.

While there has been a lot of attention, rightfully so, on the plight of the nation's homeowners facing the loss of their homes due to foreclosure, there is, in many cases, a forgotten and overlooked victim in this overall travesty confronting our country. I am referring to the nation's renters.

LAHD states that of the approximately 13,000 recent foreclosures in Los Angeles, over 3,000 units are in multifamily buildings. Since most of these units are in South Los Angeles, it is a fair assumption that the overwhelming majority of these are rent-controlled units.

The biggest issue here, in stark contrast to foreclosed single-family dwellings that are vacant, is that for the most part these rental units are occupied with tenants. These are good tenants, who have paid their rent on time, but now find themselves victims without having caused the circumstances that will likely dictate their future.

However, despite this reality, banks unfairly are evicting them solely by virtue of their misfortune of living in a foreclosed upon rental property. Banks do not want to be landlords or collect rent. They just want the tenants out.

Yet these same banks had no problem begging Congress for hundreds of billions of dollars in bailout funds—a bailout paid for by these tenants and other taxpayers.

In return for this public money, banks should be prohibited from unfairly evicting the people who are paying their corporate welfare.

The City of Los Angeles has been attempting to confront this crisis. Tenants in buildings covered by the City's rent control law enjoy certain protections from eviction by the banks.

Last December, the City extended its rent control eviction protections to all non-rent controlled rentals, including single-family dwelling rentals that have been foreclosed.

While these local measures are a step in the right direction, the housing crisis facing Los Angeles still leaves thousands upon thousands of renters throughout the area without adequate assurances that they will continue to have a decent and affordable place to call home in the near future.

THE CRITICAL FEDERAL RESPONSE NEEDED FOR RENTERS

For all of these reasons, it is imperative that the federal government take swift and bold action to support the tenants of Los Angeles and those in similar cities across the country. There are a number of important proposals that Congress can and must embrace in order to provide the much-needed relief. The remainder of my testimony is dedicated to highlighting the most critical of these proposals.

Support an Omnibus Federal Preservation Bill

The federally-assisted rental housing stock is an especially important resource because it provides homes affordable to those with worst case housing needs at a time when housing affordability challenges are growing more severe. The largest of these programs, the project-based Section 8 rental assistance program, provides affordable apartments to more than 1.3 million extremely low-income households.

The need for this housing cannot be overstated. Our nation's most vulnerable families and seniors depend on this affordable rental housing. According to HUD, between 2003 and 2005 the number of very low-income renter households with worst case housing needs increased by more than 15 percent. There are now nearly 6 million such households, the highest number reported since HUD began collecting data in 1990. According to a 2000 HUD survey, nearly 50% of federally-subsidized housing is occupied by elderly or disabled persons. More than 77,000 veterans also depend on project-based affordable housing, according to a December 2007 GAO report.

The National Housing Trust estimates that 350,000 units of subsidized housing have been lost over the past decade through conversion to market-rate housing or physical deterioration—that since Congress ended the Title VI Preservation Program in 1996. Over the next five years, contracts on more than 900,000 Section 8 units will expire. When a Section 8 contract expires, the owner can opt out of the program, ending the obligation to maintain the housing as affordable.

In addition, nearly 200,000 affordable homes in properties with HUD-subsidized mortgages are at risk of conversion to non-affordable uses when the mortgages mature over the next 10 years.

There is thus a tremendous need for a comprehensive national preservation bill to be passed by Congress. There are a number of proposals I would suggest be included in such a bill. Most of these proposals are included in material you have already received from the National Housing Trust, the National Preservation Working Group and the National Alliance of HUD Tenants.

However, below I would like to highlight a few of the most important of them:

Provide a Federal Preservation First Right of Purchase

Congress should require owners proposing to end participation in federal affordable housing programs to offer the properties for sale at fair market value to preservation purchasers, at least during the requisite notice period. Requiring a Preservation First Right of Purchase will save money in the long run by removing subsidized housing from the speculative spiral, reducing owner windfalls and guaranteeing appropriate public benefits result from the investment of federal funds.

A national Preservation First Right of Purchase would give local governments, tenant organizations and nonprofits working with the tenants the right to purchase at-risk buildings from current owners if they can assemble the requisite funds to buy them at market value. Such entities would also be able to ensure the completion of much needed rehabilitation, perhaps by refinancing through the use of affordable housing subsidies, such as HUD's Mark-Up-to-Market Program for expiring Section 8 contracts.

Empower Tenants as Partners with HUD

Tenants should be empowered as partners with HUD. In order to achieve this goal, tenants must be given access to information, including owner and management information, annual project operating budgets, HUD subsidy contracts with owners, HUD management reviews and management contracts. I also strongly support requiring the posting of such documents as Section 8 Opt Out or Renewal Notices on the internet.

We support legislation that would allow tenants to withhold their portion of Section 8 rent into an escrow fund, to be matched by HUD withholding its portion of the rent, when HUD has found an owner to be in violation of Housing Quality Standards or HUD program requirements, including tenants' Right to Organize. The legislation would also enable city governments or 10% of the residents to trigger a HUD inspection.

Furthermore, legislation should be enacted that makes tenants and their organizations "third party beneficiaries" of Section 8 and HUD mortgage contracts, with the power to bring a lawsuit in order to enforce them.

Provide Funding for Outreach and Technical Assistance Support to HUD Tenants

In 2007, the House Financial Services Committee voted unanimously to report out H.R. 3965, the Mark to Market Reform Act, with the "Green Amendment" language to require HUD to distribute the \$10 million annually currently authorized by Congress in Section 514 of the Multifamily Assisted Housing Reform and Affordability Act (MAHRA) for tenant outreach and training assistance. The Green Amendment would require HUD to award these outreach and training funds to assist in organizing the unorganized HUD tenants. This funding is crucial to ensuring the empowerment of HUD tenants and to enable them to participate in efforts to protect their rights and preserve their affordable housing.

Preserve Properties with Maturing Mortgages and Protect Tenants

There is a great need to preserve properties with maturing HUD-subsidized mortgages in order to protect the tenants from displacement. When mortgages and affordability restrictions expire, under current law neither the housing nor the tenants have access to preservation resources or protections. About 200,000 units in properties with HUD-subsidized mortgages and rent restrictions are scheduled to expire by 2013.

In 2004, Committee Chairman Frank introduced H.R. 4679 into the 108th Congress, the Displacement Prevention Act, in order to address this problem. The bill authorized assistance to owners and purchasers, for rehabilitation, acquisition or rent subsidies, in exchange for extending the term of the affordability restrictions. The bill also authorized enhanced voucher protections for tenants where the housing is not preserved. Although hearings were held, the bill was never acted upon, nor revised to reflect the suggestions made at the hearing. We need to resurrect the bill to address this potential disaster looming on the horizon.

Other Necessary Federal Responses

In addition to supporting an omnibus federal preservation bill, Congress should also support the following much-needed measures:

Increase Neighborhood Stabilization Program (NSP) Funds

Los Angeles has been fortunate to receive critical federal Neighborhood Stabilization Program (NSP) funds. The City intends to use a percentage of these funds to acquire multifamily rental buildings and transfer them to entities that commit to preserving these buildings as long-term affordable housing.

These actions by our City should be applauded. However, the NSP funding it receives falls well short of the actual need and more funding is needed.

Support Section 8 Tenant Protections upon Foreclosure

Congresswoman Waters, you deserve much credit for cosponsoring H.R. 1247, the Protecting Tenants at Foreclosure Act of 2009. Among the protections in this bill that are critical to tenants in Los Angeles are provisions that allow a Section 8 assisted tenant to remain in place for the term of the lease, and require the initial purchaser at foreclosure to assume the Section 8 housing assistance payment contract. Where the subsequent owner cannot be identified or receive payments, the law would allow public housing agencies to use Section 8 funds to pay for utility expenses for which the owner is responsible, as well as reasonable moving costs. While the bill has already been introduced in the House, it is imperative that it continues to receive active support to ensure that it is enacted into law.

Maintain Existing Funding and Provide Incremental Section 8 Housing Choice Vouchers

As a result of the deepening recession, homelessness is on the rise, according to reports from around the country. Even before the current recession, the number of low-income American families paying more than half their income for housing had been growing rapidly—from 6.2 million in 2000 to 8.1 million in 2007, an increase of 32 percent. Yet only an estimated 1 in 4 eligible families—and only 1 in 5 eligible families in the state of California—receive federal rental assistance. Congress last funded a substantial increase in rental assistance in 2001.

It is therefore critical for Congress to provide adequate renewal funding for the Section 8 programs and to fund additional vouchers to help meet the growing needs for assistance.

The Section 8 voucher program provides rental assistance to 2 million low-income families, including 289,000 families in California. To ensure that the program will serve at least as many families in 2010 as in 2009, \$16.25 billion will be needed to renew vouchers, a significant increase above the 2009 funding level. The increase in funding is due primarily to a combination of technical budget factors and increased costs in the private housing and utility markets.

In addition, Congress should heed the calls of many advocates across the country and fund 200,000 incremental housing choice vouchers. The cost of this proposal, estimated to be approximately \$1.65 billion, would be well worth it in terms of preventing a large number of Americans from becoming homeless. The California Housing Partnership estimates that nearly 5,000 of these vouchers would be allocated to Los Angeles City, with an additional roughly 2,300 vouchers going to Los Angeles County.

Fully Fund the Renewal of All Existing Section 8 Project-Based Rental Assistance Contracts

This critical program, as explained above, provides affordable rental housing to 1.27 million low-income households, including 104,000 households in California. In 2009, Congress took the commendable action of restoring the funding for this program to stable footing and providing for full one-year renewals of all contracts. It is vital that such support continue into the future—for 2010, an estimated \$7.8 billion will be needed to fully fund the renewal of all project-based Section 8 contracts.

Clarify Protections of Section 8 Voucher Tenants from Unlawful Evictions

Approximately 25,000 families receiving Section 8 voucher assistance live in units subject to the Los Angeles Rent Stabilization Ordinance (LARSO), which both limits rent increases to existing tenants and requires landlords to possess specified “good cause” grounds to evict a tenant. As mentioned above, in response to the foreclosure crisis the City Council recently extended LARSO’s good cause tenancy termination requirements to any tenant, including any of the some 15,000 Section 8 families who live in non-LARSO buildings, in the event that a lender forecloses and then seeks to evict the existing tenants.

Over the last several years, hundreds of assisted families in Los Angeles have received notices purporting to terminate their Section 8 tenancies on grounds not recognized by LARSO.

Landlords incorrectly contend that such notices are valid because HUD regulations do not prohibit the termination of Section 8 tenancies on various grounds prohibited by LARSO, including the landlords' desire to raise the rent or sell the building, and therefore that LARSO's more restrictive eviction controls are preempted. As a result of these notices, many Section 8 families who were unable or unwilling to fight the landlords in court already have lost their long-time homes.

Congress should remedy this problem by clarifying the Section 8 statute to explicitly state that the termination of voucher tenancies must be in compliance with State and local law. The failure to do so would leave tens of thousands of Section 8 families in Los Angeles, San Francisco, Oakland, New York, New Jersey and Washington D.C. (among other jurisdictions) subject to eviction by landlords seeking to circumvent local rent and eviction controls, including protections put in place to deal with the current foreclosure crisis.

In addition, Congress should also clarify the rights of tenants who have received "enhanced vouchers" due to the withdrawal of their building from various project-based federal assistance programs. Despite the fact that Congress has already explicitly provided that such tenants have a statutory "right to remain" in their current apartments, owners have nonetheless argued that such tenancies may be terminated due to a desire to withdraw from the federal program or to raise rents in circumvention of LARSO—the latter rationale being offered despite the fact that enhanced vouchers are designed to pay the owner the same level of rent that could be obtained from an unassisted tenant. Congress must make clear that tenants with enhanced vouchers indeed have a right to remain in their apartment and may only be evicted upon a violation of the terms of their lease.

Address the Lack of Investor Equity in LIHTCs

Another challenge that we face here in Los Angeles is the lack of investor equity for low-income housing tax credits ("LIHTCs"). According to a recent article published by the California Housing Partnership, the price of LIHTCs has dropped 20-25% from upwards of \$1.00 per dollar of credit to 75-80 cents cents and lower. In Los Angeles, this drying up of investor equity has hamstrung a program that for decades has enabled the new construction and preservation of affordable housing throughout the City. While the recent stimulus bill took some positive steps toward restoring the efficacy of the LIHTC program, much more needs to be done. Key among the legislative steps that should be taken is the fixing of a 4 percent floor for the so-called "4 percent credits" analogous to the 9 percent floor that has been set for 9 percent credits. A second step is temporarily allowing the exchange of unusable 4% tax credits as Congress authorized for the 9% credit program.

CONCLUSION

The members of this Committee and the rest of Congress are facing a huge burden and possess great responsibility. The nation is looking to you for leadership and action to address our escalating national housing crisis. I hope you will consider and incorporate our recommendations. Thank you.