



November 1, 2015

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Hensarling:

The National Multifamily Housing Council (NMHC) and National Apartment Association (NAA) applaud your leadership in holding several hearings on affordable housing issues. We are pleased that you recognize the need for new ideas on how best to fight the problems of poverty and housing affordability. To that end we are writing to make our contribution to this critical discussion.

For more than 20 years, NMHC and NAA have partnered in a joint legislative program to provide a single voice for America's apartment industry. Our combined memberships are engaged in all aspects of the apartment industry, including ownership, development, management and finance. NMHC represents the principal officers of the apartment industry's largest and most prominent firms. As a federation of nearly 170 state and local affiliates, NAA is comprised of over 68,000 members representing more than 7.86 million apartment homes throughout the United States and Canada.

Our sector is a competitive and robust industry that helps today's 38 million renters live in a home that is right for them.

Rental Homes: The Nation's Changing Housing Preferences and Dynamics

There's no question that the nation is on the cusp of fundamental change in housing dynamics as shifting demographics and housing preferences drive more people away from the typical suburban house. In the past five years ending in 2014, the number of renters was up by 4.7 million; homeowners were down by almost 600,000.

Rising demand for rental apartments is not just a consequence of the bursting of the housing price bubble. The growing demand for rental housing began well before the foreclosure crisis. Going back 10 years, before the recession, **there were eight million new renter households and just 850,000 new owner households.**

These changing demographics *demand* a fresh look at our nation's housing policy. The following statistics help explain:

- **Married couples with children, the most likely single-family residents, are now only 21% of households, down from a high water mark of nearly 50%.** Single-person households (28%), single parent households (17%) and roommates (6%) collectively account for 53% of all households, and these households are more likely to rent.¹;
- **Eighty million Millennials** are beginning to enter the housing market, primarily as renters². Harvard's Joint Center for Housing Statistics (JCHS) estimates that Millennials will create 24 million new households between 2015 and 2025.³; and
- **Fully 77 million baby boomers, as well as other empty nesters,** have the option of downsizing as their children leave the house and many will choose the convenience of renting.⁴

According to Harvard's Joint Center for Housing Studies, the number of renter households **could rise by up to 4.0 million in the next decade** (depending upon the rate of immigration)⁵.

Rental Home Demand Across the Country is Outstripping Supply

This growing demand is taking place in a supply-constricted market after new construction virtually shut down during the housing crisis. The following statistics provide an overview of today's apartment stock:

- **We need to build an estimated 300,000 to 400,000 apartment units a year to meet expected demand.** Yet, just 255,600 apartments were delivered in 2014. While this is up 37% from 2013 it is still a far cry from the level needed.⁶
- In addition, **the existing apartment stock is aging and at risk of being lost.** According to the JCHS (2013), a large share of apartments were built during the construction booms in the 1960s and 1970s, in order to accommodate the large number of Baby Boomers that were beginning to move out on their own.⁷ Almost one-third (31%) of all occupied apartments in the U.S. were built between 1960 and 1979.⁸

Rental Housing: An Economic Boom

The good news is that the rental housing industry is stepping up to meet this rising demand, and that activity is contributing significantly to our economy, driving dollars and jobs that strengthen local communities.

- Apartments and their residents **contributed \$1.3 trillion to the national economy** in 2013⁹.
- All the economic activity supports **12.3 million jobs**.
- The economic impact from apartment operations alone totaled \$69.1 billion in direct spending in 2013¹⁰.

The Affordability Struggle

Because rental housing construction is unable to keep up with demand, there is a shortage of affordable housing.

- The total number of “severely cost-burdened households” (those paying more than half their income on housing) for low-income households with someone working full-time increased from 38.6 to 42.4 % from 2007 to 2011.¹¹
- The JCHS estimated that there were only 58 affordable units for every 100 very low-income households in the United States in 2013¹².
- Over 27% percent of renters are severely cost-burdened, which is more than twice the rate for homeowners.¹³ Only about a quarter of households eligible to receive federal assistance actually received subsidies.¹⁴

We understand that you are looking for solutions to the problems of poverty and housing affordability – these are very difficult issues and we recognize that policies need to be developed to address this growing need. NMHC and NAA agree that affordable housing is a significant and growing challenge for American families. As a result, we are working with our members to help develop creative ways for policy makers to engage the private sector to advance the shared goal of delivering safe, affordable housing.

Once our committees have developed policy recommendations we will forward them to you. In the meantime, we refer you to the attached letter we submitted to the Committee for the October 22 hearing entitled, “The Future of Housing in America: 50 Years of HUD and Its Impact on Federal Housing Policy.”

In the letter, we discussed the affordability challenges in more detail. Additionally, we included a number of suggestions aimed at streamlining existing programs that can address our affordability issues, such as the Section 8 Housing Choice Voucher program, the Low Income Housing Tax Credit, Multifamily Federal Housing Administration Programs and more.

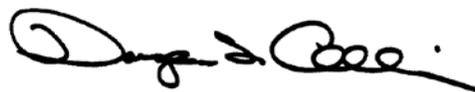
Like you, however, we understand that the demand for affordable housing cannot be met by government programs alone. In fact, the reality of shrinking federal resources dictates that we develop creative ways for policymakers to engage the private sector. Local, state and federal collaborations, and partnerships between the public and private sectors, are critical. But for those to be successful we must address the burdensome regulations, rules and mandates that limit the private sector's ability to develop and preserve affordable housing.

NMHC and NAA want to be at the forefront of developing solutions to help legislators create a balanced housing policy, one that reflects our nation's need to establish policies for a variety of housing choices to meet citizens' financial and lifestyle needs. We look forward to being a resource and partner to the Committee in identifying new solutions to address the changing housing challenges.

Sincerely,



Doug Bibby
President
National Multifamily Housing Council



Doug Culkin
President and CEO
National Apartment Association

cc: The Honorable Maxine Waters, Ranking Member Financial Services Committee

¹ 2014 Current Population Survey, Annual Social & Economic Supplement, US Census Bureau.

² Annual Estimates of the Resident Population by Sex, Single Year of Age, Race Alone or in Combination, and Hispanic Origin for the United States: July 1, 2012, US Census Bureau. Echo Boomers are defined as those born 1977 through 1994.

³ Harvard Joint Center for Housing Studies, "The State of the Nation's Housing" (2014), available at <http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/sonhr14-color-ch3.pdf>, p. 16.

⁴ Annual Estimates of the Resident Population by Sex, Single Year of Age, Race Alone or in Combination, and Hispanic Origin for the United States: July 1, 2012, US Census Bureau. Baby Boomers are defined as those born 1946 through 1964.

⁵ Harvard Joint Center for Housing Studies, "The State of the Nation's Housing" (2015).

⁶ US Census Bureau, New Residential Construction, updated 6/2014.

⁷ Harvard Joint Center for Housing Studies, "America's Rental Housing" (2013), available at http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs_americas_rental_housing_2013_1_0.pdf, p. 15.

⁸ 2013 American Community Survey 1-Year Estimates, US Census Bureau, "Tenure by Units in Structure by Age", updated 10/2014.

⁹ National Apartment Association and National Multifamily Housing Council, "The Trillion Dollar Apartment Industry"

¹⁰ National Apartment Association and National Multifamily Housing Council, www.weareapartments.org

¹¹ Harvard Joint Center for Housing Studies, "The State of the Nation's Housing 2013: Housing Challenges" (2013), available at http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2013_chap6_housing_challenges.pdf.

¹² Harvard Joint Center for Housing Studies, "The State of the Nation's Housing 2015: Housing Challenges" (2015), available at <http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs-sonhr-2015-ch6.pdf>

¹³ Harvard Joint Center for Housing Studies, "The State of the Nation's Housing" (2014). Available at <http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/sonhr14-color-ch6.pdf>, p. 27.

¹⁴ Harvard Joint Center for Housing Studies, "The State of the Nation's Housing" (2014). Available at <http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/sonhr14-color-ch6.pdf>, p. 30