

**Opening Statement of The Honorable Dana T. Wade
Chief Production Officer, FHA Finance, Walker & Dunlop
Before the U.S. Senate Committee on Finance
Wednesday, July 20, 2022**

Chairman Wyden, Ranking Member Crapo, and other Members of this Committee, thank you for the opportunity to testify today. My name is Dana Wade, and I am a Chief Production Officer at Walker & Dunlop (NYSE: WD), and former Commissioner of the Federal Housing Administration and Assistant Secretary at the Department of Housing and Urban Development. I was also a former staffer for both the Senate Banking and Appropriations Committees, so it is a special honor for me to be on the other side of the dais.

Walker & Dunlop, where I work, is one of the largest providers of capital to the multifamily industry in the United States, and the fourth-largest lender for all commercial real estate. We are based in Bethesda, MD and employ over 1,400 people across the country. As a top affordable housing lender and the 6th largest Low-Income Housing Tax Credit syndicator, we see every day both the need to produce more affordable housing and the barriers that stand in the way.

This Committee's hearing on the topic comes at a time when the need for decent, safe, and affordable housing has never been more critical. Make no mistake about it, our nation has faced an affordable housing crisis for years, which has only been exacerbated by the COVID-19 pandemic as well as inflationary pressures that have driven up costs for food, gas, and other essentials.

According to nonprofit Up for Growth's report, "Housing Underproduction in the U.S.," the housing deficit has more-than-doubled in recent years, resulting in a current shortage of 3.8 million homes.¹ While that number is almost hard to grasp – and some estimates even double it – it does paint a very real picture of what Americans face in their day-to-day lives. People simply do not have adequate access to good, quality housing near their places of work or their children's schools.

Further, Up for Growth reported, "In October, 2021, nearly half of all Americans said that the availability of affordable housing was a significant issue in their local community, up 10 percentage points from 2018. In a ranking of community concerns, housing affordability outpolled drug addiction, the economic and health effects of COVID-19, and crime."²

¹ Up for Growth, *Housing Underproduction in the U.S. 2022*, July 18, 2022, <https://www.upforgrowth.org/underproduction>.

² Up for Growth, *Housing Underproduction in the U.S. 2022*, July 18, 2022, <https://www.upforgrowth.org/underproduction>.

Millions of Americans spend hours and hours in cars, and on trains, buses and other means of transit going back-and-forth between work and home, because they cannot afford to live closer to work. And most of them do not have the option to work virtually. Many spend more time in transit than they do with their families, which robs them of the ability to do things like have family dinners, help their children with homework, and attend school sports games, just to name a few. And the alternative is often making the choice to live in less desirable, and more distressed neighborhoods, which brings with it a range of problems including crime, subpar education, lack of healthcare, and an aging housing stock.

The bottom line is that millions of Americans are just tapped out: over 10 million low-income households spend more than half of their monthly income on rent.³ That's 25% of all renters. And this is not a problem limited to certain urban areas or high-cost cities like New York, San Francisco, and Washington, D.C. Lack of affordable housing supply is a challenge across the country in urban, suburban, and rural areas where a plethora of constraints such as labor shortages, land restrictions, and building cost increases have limited the creation of new housing units.

Given the widespread and acute need for more affordable housing, this Committee's consideration of legislation, The Affordable Housing Credit Improvement Act, which would both expand and improve the Low-Income Housing Tax Credit (LIHTC), is an important step forward.

Since its enactment by President Ronald Reagan in 1986, LIHTC has financed the development of nearly 3.5 million affordable rental homes across the country.⁴ The Housing Credit has supported over eight million low-income households.⁵ These include veterans of the armed forces, senior citizens, formerly homeless families and individuals, people recovering from opioid addiction, people with disabilities, and low-wage workers.

Virtually no new affordable housing is built today without the Housing Credit, period.

I'd like to provide a real-world example of LIHTC's impact in communities. We recently financed and provided LIHTC equity for a 100-unit affordable townhouse development in Cayce, South Carolina called Abbott Arms. Ninety-seven percent of Abbott Arms residents use Housing Choice Vouchers, and the property will restrict rents on 100 percent of the units to 60 percent of area median income (AMI). In addition, the owners have partnered with a local non-

³ Joint Center for Housing Studies of Harvard University, *America's Rental Housing 2022*,

https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2022.pdf.

⁴ Novogradac, "DASH Act's Middle-Income Housing Tax Credit Would Finance 344,000 Affordable Rental Homes for Households Just Above LIHTC Income Limits," Dirk Wallace and [Peter Lawrence](#), September 2, 2021, <https://www.novoco.com/notes-from-novogradac/dash-acts-middle-income-housing-tax-credit-would-finance-344000-affordable-rental-homes-households>.

⁵ Affordable Housing Finance, *Factsheet*, August 13, 2020, https://www.housingfinance.com/news/updated-fact-sheets-show-lihtcs-impact_o.

profit to hire a full-time Community Life Director who will focus on creating community partnerships and coordinating services and activities for the residents. These include monthly community gatherings, holiday events, partnerships with local food pantries, children's programs, adult education programs, and elderly care. In addition, a full-time on-site learning coach will help provide tutoring services for school-age children at no cost to residents.

Having a secure and stable place to live will increase the quality of life for these residents and allow them to have a better economic future. We have many other examples across-the-board of LIHTC properties housing formerly-homeless populations, seniors, military veterans, as well as working families.

In addition, there are added benefits of the LIHTC program, including lower vacancies in LIHTC properties, very strong protections for affordability like a 15-year compliance period and the ability to claw back credits, and a low cumulative foreclosure rate of about 0.57%.

LIHTC, while a cornerstone for affordable housing, is one part of the housing ecosystem. The efficacy of LIHTC and other housing programs that can bridge the affordability gap and increase the housing stock is at risk without serious and meaningful reforms that reduce regulatory barriers at the federal, state, and local levels.

When you pass an apartment building on a busy street housing hundreds of families, it is the outcome of a long, complex, and sometimes arduous, process. It involves extensive underwriting and diligence to adhere to governmental standards by companies like Walker & Dunlop as the tax-credit syndicator, lender, and risk-manager. It involves layers of planning, reviews, government approvals, and the hard work and financial investment of the development partners. It involves hundreds of American jobs throughout planning, design, and construction, and requires dozens of materials transported and made by Americans.

A lot has to go right to produce multifamily housing, and a lot can go wrong.

Quite literally, unnecessary bureaucratic hurdles can make or break a project. An estimated 40 percent of development costs can be attributed to regulation at the federal, state, and local levels.⁶

As one example at the federal level, HUD's current 75-decibel limit on noise at the potential development site is outdated and prevents many transit-oriented projects from being built. In addition, the unpredictability and lack of clarity when it comes to environmental and labor

⁶ National Multifamily Housing Council and National Association of Home Builders, *Regulation*, Paul Emrath and Caitlin Sugrue Walter, 2022, <https://www.nmhc.org/globalassets/research--insight/research-reports/cost-of-regulations/2022-nahb-nmhc-cost-of-regulations-report.pdf>.

requirements compound timing issues for construction projects. All the while, labor and material costs are at record highs, and securing contractors and storing building products are especially time-sensitive tasks. Waiting for governmental reviews and decisions involving federal statutes such as the National Environmental Policy Act (NEPA) can take months and jeopardize the project. And that is just at the federal level. The fate of affordable multifamily housing really rests in the hands of local jurisdictions.

A recent article in *The New York Times*, which focuses on the surge of homelessness, discusses issues impeding housing at the state and local levels. It cites the example of zoning policies across the State of California, where laws in both Los Angeles and San Francisco restrict 76 and 85 percent of land for single-family housing, respectively. The article states that “California has 23 available affordable homes for every 100 extremely low-income renters — among the worst rates of any state.”⁷

Zoning policies like density limits, requirements for parking, height restrictions, lengthy permitting and approval processes, and other land-use restrictions create a perfect storm that can often stymie new development.

That said, some local jurisdictions have reached their breaking point and are making positive reforms. States including California, Oregon, and Maine have all recently passed some form of legislation to end single-family zoning and allow the construction of more than one home per parcel of land.⁸

Similarly, experts at the Urban Land Institute (ULI) recently worked with the city of Boise, Idaho to tackle the growing affordability issues in the area, which accelerated as a result of migration to southwest Idaho during the COVID-19 pandemic. In fact, Zillow reported a 59% increase in housing prices during the first quarter of 2022 alone.⁹ ULI’s recommendations include changing land-use policies to allow density in an expanded city core and other commercial centers, as well as creating incentives for development and lower-cost units like fee and permit waivers, fast-track permitting, and streamlining of local reviews for affordable units.¹⁰

While zoning and other issues are the purview of local citizens and their governments – as they should be – policymakers at the federal level can provide a forum for best practices and use other

⁷ *The New York Times*, “Homeless in America,” German Lopez, July 15, 2022,

<https://www.nytimes.com/2022/07/15/briefing/homelessness-america-housing-crisis.html>.

⁸ NPR, “There’s a massive housing shortage across the U.S.,” Arnold, Benincasa, Ganun, and Chu, July 14, 2022,

<https://www.npr.org/2022/07/14/1109345201/theres-a-massive-housing-shortage-across-the-u-s-heres-how-bad-it-is-where-you-l>.

⁹ Up for Growth, *Housing Underproduction in the U.S. 2022*, July 18, 2022, <https://www.upforgrowth.org/underproduction>.

¹⁰ Up for Growth, *Housing Underproduction in the U.S. 2022*, July 18, 2022, <https://www.upforgrowth.org/underproduction>.

federal resources such as LIHTC to encourage the development of housing. In addition, given the many pieces that must work together to make housing more affordable, it is essential that the private sector as well as government at all levels standardize policies, practices, and timelines.

For instance, during my tenure as FHA Commissioner, HUD announced a pilot program that would better integrate FHA financing with federal Housing Credits. It has largely been a success, providing thousands of affordable units, but it is just one smaller solution to a bigger problem.

We need both the combination of a lot of smaller solutions as well as the big ideas to solve the housing crisis. I appreciate the work of this Committee in considering policies to make housing more accessible, secure, and affordable, and am happy to answer any questions you have.

Appendix – LIHTC Case Studies

Kentonwood Apartments (Portland, OR):

Walker & Dunlop financed Kentonwood Apartments, a 44-unit, 100% income-restricted development in Portland, Oregon’s Kenton neighborhood.

- To finance the development, our team secured a combination of financing sources, including a \$3,030,000 Federal Low Income Housing Tax Credit (“LIHTC”).
- Kentonwood Apartments will address the needs for affordable housing in an expensive market, offering rental housing for low- and moderate-income households. The development will offer 44 apartment units, comprised of a mix of studio and three-bedroom unit types within one, 5-story walk-up apartment building on a 0.13± acre site in the Kenton neighborhood of North Portland. The property is also located in the Interstate Corridor Urban Renewal Area (ICURA). All of the units will be targeted to households meeting 60 percent or less of the Area Median Income (AMI) restrictions for the market area.
- Amenities will include a community amenity room, courtyard, bike room, and high-speed internet, all with Energy Star appliances & other resource-efficient measures for sustainable energy use. The subject is located very near the Max Light Rail Kenton Station and offers easy bus access – this will be a walkable, transit-oriented, and diverse community.

Amber Woods (Indianapolis, IN):

Amber Woods, financed by Alliant Capital (now part of Walker & Dunlop), involved the acquisition and rehabilitation of 200 LIHTC units for families earning less than 60% of the area median income in Indianapolis, IN.

- Amber Woods is a two-phase development with one-, two-, and three-bedroom apartments. Twenty units are set aside for families with disabilities and the units are fully accessible.
- Social services will be provided by Pathway, Community Alliance of the Far Eastside, and United Way, along with tenant services provided through the management company, which will include: quarterly resident meetings, holiday events, a monthly development newsletter, and a social service coordinator.
- Community Alliance of the Far Eastside will provide residents with a food pantry and clothing pantry as referred by the management company and summer youth activity

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referrals. Pathway will provide residents with classes in resume building, computer training, and after-school activities. The Property Manager will provide residents with referrals to agencies providing counseling services.

- All social services are being provided at no cost to the residents.

Abbott Arms (Cayce, SC):

Walker & Dunlop recently financed and provided LIHTC equity for a 100-unit affordable townhouse development in Cayce, South Carolina called Abbott Arms.

- 97 percent of Abbott Arms residents use Housing Choice Vouchers, and the property will restrict rents on 100 percent of the units to 60 percent of area median income (AMI).
- The owners have partnered with a local non-profit to hire a full-time Community Life Director who will focus on creating community partnerships and coordinating services and activities for the residents. These include monthly community gatherings, holiday events, partnerships with local food pantries, children's programs, adult education programs, and elderly care.
- In addition, a full-time, on-site learning coach will help provide tutoring services for school-age children at no cost to residents.