

**Crapo Statement at Hearing on Housing Affordability**  
*July 20, 2022*

**Washington, D.C.**--U.S. Senator Mike Crapo (R-Idaho), Ranking Member of the U.S. Senate Finance Committee, delivered the following remarks at hearing entitled, "The Role of Tax Incentives in Affordable Housing."

*The text of Ranking Member Crapo's remarks, as prepared, is below.*

"Thank you, Mr. Chairman.

"Last week we learned that consumer price inflation spiked to 9.1 percent, the highest in more than 40 years. The shelter component of the consumer price index was up 5.6 percent in June relative to a year earlier, and rents were up by nearly 6.0 percent.

"To continue battling inflation, which was fueled by last year's partisan American Rescue Plan, the Federal Reserve must aggressively raise interest rates, and may raise rates later this month by as much as a full percent.

"Inflation must be contained, or we run a risk of the Fed having to repeat what it did in late 1980 to combat runaway inflation. Painfully, then, overnight interest rates were driven to nearly 20 percent, which crushed economic activity, including housing markets, and helped lead to a deep and long recession.

"With higher interest rates set by the Fed, higher mortgage rates follow, making it all the more challenging for Americans to buy homes.

"Housing affordability is a critical issue in Idaho and all across the country.

"Nationwide, there is a shortage of about 7 million affordable rental homes available to lower income Americans and the gap between demand and supply increases each year. To provide more affordable housing, there are existing tools in the tax toolbox that provide incentives for builders to create more affordable homes.

"The Low-Income Housing Tax Credit—or LIHTC—for example, is responsible for generating a majority of all affordable rental housing created in the U.S. today and generally enjoys bipartisan support in Congress.

"In Idaho, there are currently 284 LIHTC projects located across the state providing 12,000 plus units. These projects vary in size and are split roughly between urban and rural, with about 72 percent targeted toward families and 28 percent for seniors and the elderly.

"One such project is the Valor Pointe Apartments in Boise, which targets chronically homeless veterans.

“Several members of this committee have been active in working to improve existing affordable housing credits and to create new incentives.

“Senators Young and Cantwell, as well as several other members, introduced the Affordable Housing Credit Improvement Act, which would expand and strengthen LIHTC for developing and preserving affordable housing.

“Senators Portman and Cardin introduced the Neighborhood Homes Investment Act, which would create a federal tax credit that covers the cost difference between building or renovating a home in urban and rural areas.

“Numerous other Finance Committee members are also interested in finding affordable housing solutions. Thank you all for your hard work. While LIHTC and other credits are part of the solution to developing affordable housing, we must address other drivers that are increasing housing costs generally.

“Foremost in the current economy is the need to reduce inflation. Unfortunately, it has been allowed to run rampant, and necessary Federal Reserve actions will raise the cost of housing. Builders are also feeling inflation’s effect through more expensive building materials. And, painfully high fuel prices continue to put even more pressure on builders’ budgets, making it is even more expensive to get materials to construction sites.

“Additionally, several economic factors have led to a shortage of affordable housing.

“One way to alleviate the shortage would be to look into more manufactured housing. During his time at HUD, former Secretary Carson created the Office of Innovation to evaluate new ways to provide housing, and in doing so highlighted the improved efficiency and suitability of manufactured homes.

“Zoning laws and regulatory barriers, which are often uncoordinated, unnecessary, or overly cumbersome, also present challenges to affordable housing by creating excessive costs that restrain development of affordable housing. Many of the markets with the most severe shortages in affordable housing have the most restrictive state and local barriers to development.

“We must work to reduce regulatory barriers, which requires outside-the-box approaches, as well as teamwork from local, state and federal governments, and the private sector.

“This includes initiatives like Opportunity Zones that were part of the Tax Cuts and Jobs Act, an area where Senator Scott has done a great deal of good work.

“Data released as of March 24, 2022, by the Opportunity Zone Fund Directory shows that \$49.18 billion has been committed in anticipated investments and 60 percent of those funds target investments in affordable housing and community development.

“Homes are more than just physical structures. Homes are a foundation for wealth building, family stability and community cohesiveness. It is critical that we make the American dream of homeownership as attainable for as many people as possible, which will continue to foster the economic success of the nation.

“I look forward to discussing ways to ensure affordability and accessibility of home ownership with today’s witnesses.

“Thank you, Mr. Chairman. I yield back.”