

PRESERVATION WORKING GROUP

May 20, 2013

Chairwoman Patty Murray
Transportation, Housing and Urban
Development Appropriations
138 Dirksen Senate Office Building
Washington, DC 20510

Ranking Member Susan Collins
Transportation, Housing and Urban
Development Appropriations
138 Dirksen Senate Office Building
Washington, DC 20510

Chairman Tom Latham
Transportation, Housing and Urban
Development Appropriations
2358A Rayburn House Office Building
Washington, DC 20515

Ranking Member Ed Pastor
Transportation, Housing and Urban
Development Appropriations
1016 Longworth House Office Building
Washington, DC 20515

Dear Chairwoman Murray, Chairman Latham, Ranking Member Collins and Ranking Member Pastor,

The Preservation Working Group (PWG) respectfully urges you to ensure that the FY14 THUD Appropriations bill includes adequate funding for the Department of Housing and Urban Development's rental assistance programs and incorporates provisions that are critical for the preservation of existing affordable apartments for low-income families.

As a national coalition of nonprofits, tenant advocates and state and local housing agencies, PWG is dedicated to the preservation and development of federally assisted multifamily affordable housing. PWG members utilize a variety of HUD's programs to ensure that low-income households have safe, decent and affordable housing.

We urge you to provide full funding for the Project-Based Section 8 program in FY2014. While the Administration requested a funding increase for this program, it will be inadequate to stop the short-funding of rental assistance contracts.

As you are aware, the Project-Based Section 8 program provides critical rental assistance to over one million households across the country, in both urban and rural communities. Over 60% of the residents served by the program are low-income seniors or persons with disabilities. Private sector owners entered contractual obligations with the federal government to supply affordable apartments for low-income households. Although short funding may be the best short-term solution to keep low-income residents housed, it is not a viable long-term strategy to preserve these units for the future. Short-funding does not save the federal government money, but instead shifts required budget authority to future years. Further, it risks an increase in owner program opt-outs, thus requiring an increase in funding for tenant protection vouchers.

Secretary Donovan indicated at the hearing on April 17th that an additional \$1.2 billion is needed over the \$10.2 billion request to fully fund contracts for 12 months in FY2014, stating:

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“...HUD will be short on funding for contracts in FY13 and will be forced to short-fund contracts in FY14. The account will be \$1.2 billion short if sequestration is not reversed. If Congress does not appropriate the money, we will short-fund the contracts...Owners will start to opt-out and HUD will lose affordable housing.”

We are concerned that extending the short-funding policy to other segments of the inventory will make preservation transactions more difficult, as lender and investor confidence erodes due to growing funding uncertainty for properties. Transactional costs will increase and owners' access to capital to undertake rehabilitation will be constrained.

The President's budget also requests \$150 million be set-aside for Tenant Protection Vouchers in the Housing Choice Voucher program. This increased amount is critical to ensuring that low-income households residing in federally-supported properties that are either being transitioned to market-rate or are no longer physically feasible have affordable housing options.

For the past two years, Congress has provided a \$10 million set aside in this program to ensure that unassisted tenants residing in HUD properties with maturing mortgages or expiring use restrictions or rental assistance contracts have access to continued rental assistance. Without this provision, these tenants are ineligible for tenant protection vouchers. We respectfully urge you to continue this set-aside in the FY2014 THUD Appropriations bill.

Additionally, we urge the subcommittees to include an extension of the two-year conversion authority authorized in PL 112-55, allowing properties receiving Rent Supplement or Rental Assistance Payment (RAP) payments to preserve affordability by converting to a longer-term rental assistance contract upon termination of the original contract. HUD has approved the conversion of over 3,000 units with this authority and has received 152 letters of interest covering 11,000 units, or almost half of the Rent Supp/RAP inventory across the country.

Finally, both the House and Senate subcommittees have incorporated a provision into previous appropriations bills that preserves affordability and enables rehabilitation of HUD-supported multifamily properties by continuing the rental assistance payments in the event of foreclosure and resale to a preservation purchaser (Sec. 217 of PL 112-55). The provision also enables the transfer of the contract to another development if the foreclosed property is no longer a viable housing option. Since this provision was first added for FY06, thousands of foreclosed units have been improved and preserved as affordable housing.

The preservation of existing affordable rental housing is critical to meeting our nation's affordable rental housing needs. For every one unit that is built, two are lost due to deterioration, abandonment or conversion to more expensive housing. Providing the essential funding and making necessary policy changes to make programs more flexible and responsive to current market trends are key to preserving the government's existing investment in rental housing.

We appreciate your consideration of these important issues and look forward to working with you and the rest of the subcommittees' members as you craft the FY2014 THUD Appropriations Act.

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Sincerely,

California Housing Partnership
CASA of Oregon
The Community Builders
Community Economic Development Assistance Corporation, MA
CSH
Enterprise Community Partners
Homes for America, Inc.
Housing Assistance Council, Washington, D.C.
Housing Preservation Project
LeadingAge
Local Initiatives Support Corporation
Lutheran Services in America
Madison Park Development Association
Maria Maffei, Affordable Housing Finance and Preservation
Mercy Housing, Inc.
National Alliance of HUD Tenants
National Church Residences
National Council of State Housing Finance Agencies
National Equity Fund
National Housing Conference
National Housing Trust
National Housing Law Project
National Low Income Housing Coalition
Neighborhood Service Organization, Detroit, MI
Preservation of Affordable Housing, Inc.
Rural Housing Preservation Associates
Stewards of Affordable Housing for the Future
Tenants & Neighbors, New York