

RURAL RENTAL HOUSING PRESERVATION

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Background

Billions of public dollars have been invested through tax breaks and subsidies over more than 50 years to create and maintain decent, affordable homes for low- and very low-income rural renters. Thousands of units have been removed from this housing stock, however, as owners prepay their mortgages or as buildings deteriorate over time. These losses outstrip the number of newly built affordable rural rentals each year. If this trend continues, tenants will continue to lose their homes, the gap between supply and demand will grow larger, and the value of current taxpayer investments used to build the new properties will be undermined.

Issues/Challenges and Opportunities

In response to a 2004 assessment that identified serious physical needs among the properties in USDA's Section 515 portfolio, the George W. Bush USDA focused attention and resources on physical preservation of the Section 515 stock. Congress helped these efforts by creating two new rental preservation programs in 2006 – a Multi-Family Preservation and Revitalization (MPR) demonstration and a Preservation Revolving Loan Fund – and adapting the previously unused Section 542 voucher program for tenants in properties where mortgages were prepaid. Section 515 funding continued to be used for both new construction and preservation of existing properties.

The Obama Administration's approach, on the other hand, has been inconsistent. Its FY12 budget requested no funding for the preservation programs and indicated all preservation efforts would be conducted through the Section 515 program. Its FY13 budget took the opposite approach, requesting funding for the preservation programs but none for Section 515. For both years, Congress has maintained funding for both Section 515 and MPR, as well as Section 542 vouchers (but not for the Preservation Revolving Loan Fund).

In August the rural housing world learned that USDA would not issue an FY12 NOFA for Section 515 new construction funds. Owners of over 100 Section 515 properties had agreed to accept incentives to keep their properties in the program and had then been placed on a waiting list. USDA believed a Supreme Court decision related to other federal funds required prompt payment of the backlogged incentives, and used its FY12 Section 515 appropriation for that purpose.

Also in August, USDA RD re-issued an Unnumbered Letter, first released in May 2011, informing field staff that the national office intended to “retire” unused Section 521 Rental Assistance. In response to questions about this policy, RD has said it intends to reuse all RA. Clarity on this issue is important because reallocation of Rental Assistance has been an essential tool in the agency’s preservation efforts.

Discussion Questions

- How do we ensure the details of a strategy to move forward? Several suggestions for advocacy and action are outlined below. Are there additional suggestions? Is there a priority ranking for what is most important, e.g., preservation vs. new development?
 - Pursue preservation of existing properties and development of new ones.
 - Propose legislation authorizing MPR, and advocate for that legislation.
 - Support authorization and funding of the Preservation Revolving Loan Fund.
 - Request and advocate for full funding for Section 515 direct rental housing loans, Section 521 Rental Assistance, MPR, PRLF, and vouchers, as well as for Section 514/516 farmworker housing, Section 538 loan guarantees, the Low Income Housing Tax Credit, HUD Section 8 vouchers, the authorized but unfunded Housing Trust Fund, and other HUD programs.
 - Implement Section 2833 of the Housing and Economic Recovery Act of 2008 to expedite sales of Section 515 properties to new owners who would keep them affordable for low-income tenants.
 - Set aside \$6 million in Section 521 Rental Assistance (RA) each year for debt forgiveness or new RA contracts in preserved properties.
 - Protect tenants of Section 515 and 514 properties by:
 - ✓ providing portable vouchers without time limits for tenants of properties whose mortgages are prepaid or foreclosed, and require owners to allow the tenants to remain in their homes;
 - ✓ under USDA’s voucher program, recertify tenants annually or when households experience hardship such as death or loss of a job;
 - ✓ adjust USDA’s voucher amounts annually to reflect inflation; and
 - ✓ make immigration restrictions consistent with those used by HUD, pursuant to the statutory provision that applies to both agencies.
- How do we document the effect of the loss of Section 521 Rental Assistance on our communities and projects?
- How do we best convey the real impact on tenants and properties to members of Congress?