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September 3, 2015

Tony Hernandez, Administrator  
Rural Housing Service, U.S.D.A.  
14<sup>th</sup> and Independence Streets  
Washington DC.

Dear Tony,

As a follow-up to my letter of August 19, I am writing to again request that RD take immediate action to stop rental and farm labor housing owners who have exhausted their RD rental assistance contracts from raising residents' rents and thereby causing severe hardships, displacements, and evictions. I renew my request because I have become aware of the fact that owners are, in fact, increasing residents' rents with at least RD's explicit support, if not at its direction, and that their actions, which are in clear violation of the law, are causing resident displacement.

In Byrdstown, TN, the owner of a 20-unit Section 515 development with all units receiving rental assistance, the owner advised the residents, some of whom were not paying any rent, on July 21, that effective September 1, their rental assistance would be terminated and that their rent would increase to \$600 per month. While I understand that the owner reduced the rent to \$300, even that amount is beyond the reach of anyone who has a zero, or negative, rent. This has caused many residents to move from the development and to relocate to other housing which is not affordable to them.

The RD office was clearly aware of what is going at the development because it agreed to, and in fact did, provide residents with Letters of Priority Entitlement. While we are grateful that the RD office did make it easier for some residents to find alternative RD housing, RD should have informed the owners that what they are doing is illegal and prevented them from raising rents.

The Tennessee project is not the only project that has been raising residents' rents. This morning's Des Moines Register has a story detailing the fact that several Iowa developments are increasing their rents and threatening the displacement of hundreds of residents.

<http://www.desmoinesregister.com/story/news/2015/09/01/housing-watchdog-usda/71531088/>. Another development in Texas has also seen fit to substantially increase residents' rents because of its exhaustion of its rental assistance contract. I am confident that other owners are doing, or will do, the same thing when their funding expires at the beginning of the next fiscal year on October 1.

I reiterate the position that I articulated in my August 19 letter, that allowing owners to increase residents' rents by more than 10 percent is a clear violation of RD's statutory framework. As I mentioned in my letter, Section 1490a(3)(C) extends to all Section 514, 515 and 516 developments.

The legislative history of the Pub. L. 89-181, which is the source of Section 1490a(a)(5), makes it abundantly clear that Congress intended to limit raises in resident contributions in RD rental and farm labor housing to 10 percent per year.

In the Section by Section analysis of the Senate Report accompanying S. 1338, which was ultimately incorporated as Section 517(c) of Pub. L. 89-181, the report states:

Section 513(b)(1) amends the first sentence of Section 521(a)(2)(A) which provides that units financed under Sections 514, 515 and 517 be rented to tenants at rates which do not exceed 25 percent of their income. Section 513(b) requires that tenants contribute the highest of: 30 percent of their monthly adjusted income; or, if the tenants are receiving welfare payments from a public agency, the portion which is identified by the Secretary of HUD under Section 3 of the United States Housing Act of 1937. **The rent paid by a tenant cannot increase by more than 10 percent during any twelve month period, unless the increase is a result of an increase in income.**

*Id.* Pg. 52 (Highlighting added).

This problem has not been caused by passage of the legislation precluding the renewal of rental assistance contracts within their 12 month terms. It was caused by RD not properly calculating the need for Rental Assistance by individual projects. Owners have known that their contracts were short-funded from the time that the contract was entered into. Neither they nor the residents have been given an opportunity to appeal the decision of the amount that they were awarded. They were deprived of their due process rights under 42 U.S.C. § 1480(g).

I, therefore, request that RD take immediate action before this problem get worse and RD attracts more negative publicity and law suits.

Sincerely yours.



Gideon Anders  
Senior Attorney