Support Rural Housing Programs in FY 2020

Sending Office: Honorable Maxine Waters
Sent By: Janae.Ladet@mail.house.gov

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Deadline: COB March 29

Dear Colleague,

Please join us in sending the following letter to appropriators to urge them to adopt several programmatic and funding requests that will help preserve affordable rural rental housing and protect thousands of rural residents who may otherwise face significant rent increases or displacement.

The U.S. Department of Agriculture's (USDA's) Rural Rental Housing Loans (Section 515) and Farm Labor Housing Loans (Section 514) provide financing for affordable multifamily development in rural areas. These programs are coupled with Rural Rental Assistance (RA) which helps ensure affordable rents for tenants in these properties. However, when Section 515 and 514 loans mature, the RA contracts terminate, resulting in serious concerns about affordability and tenant displacement. Over the next ten years, according to data from the USDA, thousands of tenants will be at risk as a direct result of the maturation of hundreds of these loans.

The following programmatic and funding requests will help protect these tenants by ensuring that vouchers and other resources are available, and by investing in the preservation of aging multifamily properties in rural areas.

- Expand eligibility for the Rural Development Voucher Program (RDVP) beyond Section 515 to also include Section 514 properties;
- Fund RDVP at $35.5 million;
- Eliminate certain incentives for owners of Section 515 and 514 property owners to prepay their loans;
- Allow RHS to annually adjust the voucher subsidies to account for changes in household income;
- Fund the Multifamily Preservation & Revitalization (MPR) Demonstration at $70 million, the Section 514 program at $50 million, and the Section 515 program at $50 million to help invest in the rehabilitation of these properties; and
- Oppose the Trump Administration's proposed rent increases.

Section 514 and 515 properties make up a significant part of the affordable housing stock in rural America, and Congressional action is needed to preserve these properties and protect the tenants who call these units home. The deadline to sign on is COB March 29. Please contact Janae Ladet with Chairwoman Waters office at Janae.Ladet@mail.house.gov if you would like to sign on or have further questions.

Thank You,

Chairwoman Maxine Waters

March 25, 2019

Chairwoman Lowey, Ranking Member Granger, Chairman Bishop, and Ranking Member Fortenberry,

As you consider the fiscal year (FY) 2020 appropriations bill for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies, we urge you to provide relief for thousands of rural residents who may otherwise face significant rent increases or displacement. As you know, Rural Rental Housing Loans (Section 515) and Farm Labor Housing Loans (Section 514) are often coupled with Rural Rental Assistance (RA), which ensures tenants pay no more than 30 percent of their incomes for rent but this RA is only made available for the duration of the mortgage term. Because RA contracts terminate when a loan matures, is prepaid, or foreclosed upon, there are serious concerns about the continued affordability of those properties and the risk of tenant displacement as many of these loans are reaching the end of the mortgage life cycle. In fact, the Housing Assistance Council estimates that nearly all Section 514 and 515 loans will have matured by 2050. We urge you to consider the following funding and programmatic requests to programs administered by the USDA's Rural Housing Service (RHS) that will help protect rural residents by ensuring that vouchers and other resources are available to invest in the preservation and revitalization of aging Section 515 and 514 properties.

Provide Robust Funding and Targeted Reforms to the Rural Development Voucher Program

Funding and Eligibility

The Rural Development Voucher Program (RDVP, or RD vouchers) is critical to ensuring that Section 515 and 514 tenant households can remain stably housed. 63 percent of Section 515 and 514 households are headed by a very low-income elderly person or a person with a disability. While Section 515 households are eligible for RD vouchers if a 515 mortgage matures or is prepaid, eligibility for RDVP does not extend to residents in properties 514 mortgages that mature or are prepaid, even though they are similarly at risk of displacement. **We respectfully urge that the FY 2020 appropriations bill include language that extends eligibility for RDVP to both Section 515 and 514 residents.** Further, without additional funding and, as we explain below, without a change in RD's issuance of vouchers to households that do not need them, advocates anticipate that RDVP will continue to experience funding shortfalls, as it has over the last six years. **For these reasons, we urge you to increase funding for the RDVP to $35.5 million for FY 2020, an amount that the National Housing Law Project estimates is necessary to account for the mounting number of outstanding vouchers, the running gap between voucher obligations and appropriations over the last three year, as well as rising voucher costs, which have gone up on average $233 per voucher.**

Eliminate Incentives for Prepayments

Additionally, we urge you to eliminate certain incentives for owners of Section 515 and 514 properties to prepay their loans. First, RD currently offers vouchers to all households residing in prepaid developments, even when there are use restrictions in place that would preserve affordability for existing tenants in the absence of vouchers. In properties where use restrictions are in place, fully funded RD vouchers are unnecessary because the affordability of the unit is protected by the use restriction and the availability of RD vouchers actually acts as an incentive for owners to prepay, which undermines the Emergency Low-Income Housing Preservation Act of 1978 (ELIHPA). **To this end, we**

urge you to include the following language : *"RHS shall not issue vouchers to residents who remain in developments that are prepaid subject to any restrictive use agreements entered pursuant to section 502(c)(5)(G)(ii). Thereafter, RHS shall annually review and approve all proposed rent increases to residents that are not fully protected by the use restrictions and issue, to these residents, limited voucher assistance that covers the cost of all approved rent increases."* This change is expected to reduce the cost of operating the voucher program for the next several years.

Second, when owners want to prepay their Section 515 or 514 loans, the Emergency Low-Income Housing and Preservation Act (ELIPHA) requires owners to offer their developments for sale to non-profit or public entities if RHS determines that the prepayment will materially impact minority housing opportunities in the development and the community in which it is located. Unfortunately, RD is using the availability of RD vouchers to mitigate the impact that a prepayment will have on minority housing opportunities. This undermines the purpose of the prepayment restrictions that were enacted by the ELIHPA by allowing owners to accept RD vouchers, instead of preserving the property's affordability by offering their developments for sale to a non-profit or public entity. In 2005, when the vouchers were first authorized, the Conference Committee Report accompanying the Fiscal Year 2006 appropriations made it clear that the voucher program was not intended to modify the use restrictions imposed by ELIHPA. RD's current practice should, therefore, be remedied by **including the following language in the FY 2020 appropriations bill:** *"Provided further, That RHS shall not consider the availability or issuance of vouchers in determining, in accordance with Section 502(c)(5)(G)(ii), whether a prepayment will have an adverse impact on minority housing opportunities on current residents in the development or in the community."* In addition to eliminating these incentives to prepay, the language proposed above should also save substantial amounts of money in operating the RDVP account.

Allow for Adjustment of Rental Subsidy Calculation

Finally, there is language that has been included in the past several appropriations bills that permanently fixes the subsidy amount of the voucher at the difference between comparable market rent and tenant paid rent for the unit. This language precludes RHS from adjusting the voucher subsidy once a voucher has been issued, which creates extreme hardship for tenants who have a change in household size or a loss of income after the voucher is issued. This is particularly harmful to elderly households when one person in a two member household dies. The rent for the remaining household member may double as a result of RHS' inability to adjust the voucher subsidy. **We therefore request that the following sentence be excluded from the FY 2020 appropriations bill**: "*Provided further, That the amount of such voucher shall be the difference between comparable market rent for the section 515 unit and the tenant paid rent for such unit*…" This will allow the Secretary to base the voucher amount on the fair market rents and 30 percent of tenant income, in accordance with the relevant statute, and remove the barrier to making income and household size-based adjustments for tenants.

Provide Robust Funding for Preservation

While RD vouchers are an important part of ensuring that residents are not displaced, they do not address the underlying problem of an aging affordable rental housing stock in rural America that is in desperate need of rehabilitation. The most recent assessment of the capital needs of Section 515 and 514 properties was conducted three years ago and estimated that the reserves deficit for the 515 and 514 programs is in excess of $5.596 billion.[1] The Section 515 and 514 programs can be used to rehabilitate aging properties, and the Multifamily Preservation & Revitalization (MPR) Demonstration also helps preserve and improve Section 515 and 514 properties through loan restructuring, grants for non-profits, no interest loans, and debt deferral. However, the funding levels for these programs are wholly insufficient to meet the growing need for capital to rehabilitate these aging properties. This is particularly true because RD has been using MPR appropriations to fund the RD voucher shortfalls. **Therefore, we respectfully request that you provide $50 million for the Section 515 program, $50 million for the Section 514 program, $20 million for the Section 516 Farm Labor Housing Grant**

program, and $70 million for the MPR demonstration program for FY 2020 in order to invest in the rehabilitation of these aging properties.

Oppose Rent Increases

The President's FY 2020 budget proposal seeks to establish a $50 per month minimum rent for low-income tenants in Section 515 multifamily or Section 514 farm labor housing. Such a proposal would significantly raise rents on extremely low-income tenants earning less than $2,000 per year, most of whom are seniors and individuals with disabilities on fixed incomes. We urge that this proposal be rejected as it was in 2014 and 2015.

Thank you for your consideration of these important issues and for your efforts to protect families who depend on the USDA's rural housing programs. If you have any questions about this letter, please contact Janae Ladet with Chairwoman Waters office at Janae.Ladet@mail.house.gov .

Sincerely,

MAXINE WATERS	WM. LACY CLAY
Chairwoman	Chair
Committee on Financial Services	Subcommittee on Housing, Community Development and Insurance

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[1] CoreLogic and RSM US LLP, "USDA Rural Development Multi-Family Housing Comprehensive Property Assessment," March 2016, available at: https://www.rd.usda.gov/files/reports/USDA-RD-CPAMFH.pdf