

New England Housing Network

**Federal Budget and Legislative Priorities
May 2010**

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New England Housing Network Federal Budget Priorities for FY2011

National Housing Trust Fund and New Project-Based Vouchers

The New England Housing Network strongly supports funding of \$1 billion to capitalize the National Housing Trust Fund (NHTF) and \$65 million for project-based vouchers to support NHTF homes.

The National Housing Trust Fund was created as part of the Housing and Economic Recovery Act of 2008, but has not yet been capitalized. Once funded, the NHTF will support the production, preservation, and operation of rental homes for the lowest income people in the United States. The NHTF is the first federal rental housing production program that is specifically targeted to extremely low income households since the Section 8 program was established in 1974. More than 2,250 organizations representing every Congressional district have signed a letter in support of this critical priority.

We urge Congress to pass HR 4213, the “Tax Extender” bill, which capitalizes the Trust Fund at \$1.065 billion, as well as extending the Tax Credit Exchange Program for nine percent Low Income Housing Tax Credits.

Housing Choice Voucher Program (Section 8)

Established thirty-six years ago, the Section 8 Housing Choice Voucher program is the nation’s largest and one of its most successful low-income housing assistance programs. It covers the gap between what voucher holders can afford to pay for housing (30 percent of adjusted income) and the fair market rent for a modest apartment, as determined by HUD. Nationally, the program helps over two million households to rent and, increasingly, own modest housing in the private market. Approximately 150,000 New England households receive tenant-based assistance. The vast majority are senior citizens, people with disabilities, and working families with children. Housing vouchers play a critical role in lifting these families out of poverty (or reducing the depth of their poverty) and providing them a successful foundation on which to build more independent and successful lives. Throughout the program’s history it has enjoyed broad, bi-partisan support.

The President’s budget requests \$17.1 billion to renew vouchers in 2011, an increase of \$875 million above the 2010 funding level in a budget that freezes overall funding for non-security discretionary programs. This amount is expected to be just enough to renew all vouchers in use this year. The increase is necessary to help bridge the gap between lagging tenant incomes during economic hard times and housing costs that continue to rise in spite of the weak housing market. The increase will also help pay for the renewal of new vouchers for veterans and other targeted groups that Congress has funded over the last several years.

The New England Network appreciates that the Obama Administration has made the renewal of Housing Choice Vouchers a priority and supports HUD’s \$17.1 billion proposal to fully fund voucher renewals. We urge Congress to adopt this request.

As in 2009, however, we continue to be concerned about shortfalls in voucher renewal funding for individual housing agencies. Annual cost adjustment factors have been insufficient to make up for falling tenant incomes in markets experiencing strong rent increases. According to HUD, the 2010 appropriation funded only 99.5 percent of renewal costs, leaving an unfunded gap of about \$80 million. HUD's supplemental funding has failed to cover these shortfalls for many agencies. Fortunately, most will be able to draw on reserves to fill this gap and avoid cuts in voucher assistance. As agency reserves are at historically low levels, however, it is important that Congress fill this gap in 2011 by providing enough funding to cover 100 percent of renewal costs.

While we appreciate that the HUD budget sets aside \$85 million for 10,000 new vouchers for those who are homeless or at risk of homelessness, this is woefully inadequate given the enormity of unmet need. According to the Center on Budget and Policy Priorities, from 2000 to 2008 the number of low-income renters paying more than half of their income for housing increased by 2.3 million nationally, or 38 percent. *Out of Reach 2010*, the National Low Income Housing Coalition's (NLIHC's) recently released annual report, found that fully 71 percent of extremely low-income renter households spend more than half of their income on housing costs. New England is particularly hard hit, having one of the most expensive housing markets in the country: three out of our six states were among the 10 least affordable states in the country, five were among the 15 least affordable, and four were among the ten least affordable states for non-metro, or rural, areas, when measured by the NLIHC's "Housing Wage," the amount a household must earn to afford a modest two bedroom apartment.

Against this backdrop of unmet need, Congress has not appropriated funds for a significant number of new, broad-based vouchers since FY 2001, when about 87,000 new vouchers were funded. In the intervening time, the Section 8 program underwent a number of difficult years. From 2004 to 2006, housing vouchers for approximately 165,000 low-income families were lost due to funding cuts and instability in the program. Since 2007, more adequate renewal funding and an improved funding formula have lead to the restoration of rental assistance for about 100,000 families. Together with the 50,000 specialized vouchers that have been funded over the last few years, the number of vouchers currently in use still does not quite rise to the level of six years ago. As the nation continues to struggle to emerge from the combined effects of the recession of the last two years, the foreclosure crisis and unprecedented levels of employment, this is simply not enough.

The New England Network joins the NLIHC in calling for 250,000 new vouchers in the FY11 HUD appropriations bill.

Other positive features of the proposed HUD Section 8 budget that the Network supports:

- A renewal formula based on the calendar year -- HUD proposes to base voucher renewal funding for 2011 on agencies' calendar year 2010 voucher leasing rates and costs, rather than the federal fiscal year ending in September. By using the most recent voucher cost information as a basis for next year's funding, HUD will more accurately be able to predict voucher renewal funding needs, which should help to avoid the kinds of shortfalls agencies have seen in past years.

- The authorized voucher cap would be lifted – HUD proposes eliminating the cap on the number of vouchers each agency is authorized to administer. This should allow agencies to administer their programs more efficiently and effectively and, in some cases, possibly assist more families than they are currently allowed to serve.
- A balanced approach to agency reserves – Reserve policies have undergone numerous policy changes over the last several years that have left some agencies with insufficient reserves to absorb unanticipated cost increases in their voucher programs, while others have accumulated reserves that far exceed their needs. The HUD budget would allow reserves equal to 6 percent of an agency's 2011 renewal funding. Reserves in excess of that amount would be used to offset the agency's 2011 renewal funding. The Network supports this policy as a balanced approach.

While we welcome these policy changes proposed as part of the HUD budget, the Network urges Congress to make these and other critical Section 8 reforms permanent through the long overdue passage of the Section 8 Voucher Reform Act (SEVRA).

Finally, the Network strongly supports *full funding of project-based rental assistance contract renewals*. The President's budget includes \$9.29 billion, which should be adequate to fund all project-based contracts for the full twelve months of FY 2011, according to HUD budget documents.

CDBG and HOME Programs

Community Development Block Grant (CDBG) and HOME programs are highly valued resources for cities and states struggling to ensure opportunities for low and moderate income residents to live in safe and attractive homes. These bedrock programs have funded projects that improve the quality of life across New England, including rental housing, homeownership, infrastructure improvements and economic development.

The President's FY11 HUD budget reflects the Administration's plan to freeze non-security and non-veterans discretionary funding at the FY10 level for three years. However, not all HUD programs are level funded. For example, the HOME program, which was funded at \$1.825 billion in FY10, is slated for an 11% cut. This funding reduction is in sharp contrast to the HOME program's long term success. HOME has helped produce more than one million affordable homes nationally since Congress created it in 1990 to provide a flexible resource to meet communities' highest priority affordable housing needs. The HOME program helps approximately 143,000 families secure affordable housing each year. Ninety percent of HOME funds must benefit families with incomes of 60% or less of the HUD adjusted median income (AMI) and rental properties with five or more HOME units must reserve 20% of the apartments for families earning 50% or less of the HUD AMI. However, HOME has consistently exceeded those requirements by assisting families with incomes well below the HOME limits. HOME funds often assist seniors, persons with disabilities and the homeless in ways which directly respond to local priorities.

The CDBG program is slated for level funding in the President's FY11 budget (\$3.99 billion). While this is good news, the region's share of CDBG funds could suffer if the formula used to distribute these funds is revised. The Administration's FY11 Budget proposes \$150 million for a

new Catalytic Investment Competition Grants program to provide competitive grants under the CDBG Program. These grants are intended to create jobs and spur economic development. HUD Secretary Shaun Donovan said the program was designed to support "job creation and large scale transformative projects in hard-hit neighborhoods."

The New England Network strongly supports level funding the HOME program, raising the state minimum from \$3 million to \$5 million, and increasing the percentage of HOME funds which can be used for CHDO operating expenses from 5% to 10%. The Network supports the Administration's level funding of CDBG and urges that the guidelines for the Catalytic Investment Grants be structured to permit competitive applications from non-urban areas. Any changes to the CDBG funding formula should be thoroughly vetted. If changes are implemented which shift funds, states and communities must be held harmless.

HUD Section 202 and 811 Programs

The HUD 202 Supportive Housing for the Elderly program provides capital advances and project-based rental assistance to enable private, non-profit sponsors to create secure, barrier-free, and supportive housing facilities for households age 62 or older and with incomes less than 50% of the HUD area median. The Section 811 program is similar, but it targets low income persons with physical or developmental disabilities (including those with mental illness), allowing them to live in the community as independently as possible. It is the only HUD program that produces affordable and accessible housing for non-elderly people with disabilities. Both programs play vital roles in the delivery of housing and supportive services to vulnerable seniors and the disabled in all areas of New England. The region's non-profits have been highly successful in utilizing these programs. For example, we were one of first areas of the country to combine the Section 202 program with the Low Income Housing Tax Credit program.

The President's FY11 budget eliminates the capital grants (used to construct new facilities) for both programs, limiting the fund for use in providing rental assistance in existing 202 and 811 housing. The Senate Budget Committee passed a budget resolution on April 23 that has yet to come to the Senate floor. The Chairman's summary of the Mark supports full funding for the Section 202 and 811 programs.

The New England Housing Network strongly supports this Congressional action, and urges the New England delegation to actively seek funding levels for the 202 and 811 programs at FY10 levels which were \$825 million for the Section 202 program and \$300 million for the Section 811 program (\$187 million for 811 if vouchers are moved to the Section 8 account).

Homelessness

In recent years, many communities have substantially reduced the number of people experiencing homelessness by implementing proven solutions. Nevertheless, the number of homeless and at risk continues to rise throughout New England as a result of the recession and job losses, especially among families with children. Below are specific programs for which increased resources from Congress in FY11 would help communities further their progress on ending homelessness in the United States.

Top Priority: Fund 250,000 new Section 8 Housing Choice Vouchers in FY11, including:

- 10,000 new HUD-VA Supportive Housing (HUD-VASH) vouchers, and
- \$85 million for the Administration's proposed Housing and Services for Homeless Persons Demonstration.

A leading contributor to homelessness is the lack of affordable housing. By providing more Housing Choice Vouchers, including some targeted to veterans, families, and individuals with disabilities, communities will be able to make more progress on ending homelessness. Housing coupled with services is a model proven to end homelessness for families, individuals, and veterans experiencing homelessness. The HUD-VASH program helps veterans who are chronically homeless access permanent housing that is coupled with supportive services. The Administration's proposed Demonstration would provide 6,000 vouchers linked with services within HHS and the Department of Education for families, as well as another 4,000 vouchers linked with Medicaid case management, substance abuse treatment, and mental health services for individuals.

Top Priority: Provide \$2.4 billion in FY11 for HUD's Homeless Assistance Grants Program. Last year, Congress passed the HEARTH Act, reauthorizing HUD's Homeless Assistance Grants program for the first time in nearly 20 years, which made changes to the way program funding is allocated. In order to fully implement the HEARTH Act, \$2.4 billion is needed in FY 11. This will also help cover the increasing costs of renewing current projects and allow communities to continue developing new permanent supportive housing and rapid re-housing programs. The requested increase is especially important since Homeless Prevention and Rapid Re-Housing funding under the Recovery Act will run out next year.

Other Priorities:

Provide \$120 million for SAMHSA Homeless Services Programs in FY11, including \$15.8 million for the Administration's proposed Housing and Services Demonstration.

Additional resources are needed for the SAMHSA Homeless Services programs to fund essential mental health and substance use treatment services linked to permanent supportive housing and other housing programs targeted to homeless and at-risk families, youth, and individuals. The Administration has proposed providing \$15.8 million within these SAMHSA Homeless Services Programs to support its proposed demonstration coupling housing with supportive services.

Provide \$165 million in FY11 for Runaway and Homeless Youth Programs.

The Runaway and Homeless Youth Programs are essential to prevent exploitation of youth on the streets and to support reconnection to their families, schools, employment, and housing options. America's homeless youth are denied services because communities lack outreach, shelter, and housing programs. Providing \$165 million in FY11 would allow communities to expand Transitional Living opportunities and rapid re-housing activities, as well as to achieve enhanced family reunification.

Public Housing

New England has approximately 75,000 public housing units which need ongoing funding for operations, repairs, modernization, and resident services. The region's public housing stock is generally older than in other parts of the country, placing it at greater risk of deterioration without reinvestment. This resource is extremely important because it provides permanent housing for some of the region's lowest income families, elders, and people with disabilities who could not otherwise afford to rent apartments in the private market.

Operating Subsidies: The President's proposed FY11 budget includes \$4.83 billion for the public housing operating fund, essentially the same amount as FY10. We believe that this amount should be adequate to fully fund public housing operating subsidies for the year using HUD's current formula. The New England Housing Network supports \$5.08 billion for the public housing operating fund.

Capital Grants: The President's proposed FY11 budget includes \$2.02 billion for the public housing capital fund. This is a reduction of nearly half a billion dollars over a two-year period. We believe that this loss in capital dollars for desperately needed improvements to public housing, especially at this time of greatly increased need for affordable units, is penny-wise but pound foolish. Foreclosure rates in the New England states continue to remain high and are not projected to fall anytime soon. This has resulted in an unprecedented number of homeowners and renters being displaced and in need of affordable housing. Our shelters are burgeoning with new clients that have lost their residences due to layoffs, hour cutbacks, or overtime curtailment. Without the half a billion dollars in capital funds to maintain and repair our aging public housing stock, many units will be taken off line by necessity – there just won't be enough money to keep them minimally habitable.

We understand that the Administration believes this reduction in capital funding is justified for FY11 because \$4 billion in public housing capital improvement money was included in the stimulus package. However, it is important to understand that the stimulus funding for public housing capital improvements has been used to address critical system needs that were postponed because of yearly budget cuts to the public housing capital fund by the previous Administration. The total capital needs of the country's public housing are estimated at \$20 to \$30 billion.

The New England Housing Network supports a substantial increase in funding for the nation's public housing capital fund, which was funded at \$2.43 billion last year.

Choice Neighborhoods Initiative: The President's FY11 budget proposes \$250 million in funding for the Choice Neighborhood Initiative as a replacement for the HOPE VI program. As described below, HUD's proposal should be revised to incorporate the lessons learned from HOPE VI, so that units are not lost, residents are protected, and targeted neighborhoods retain affordable housing. The program should also be structured to permit competitive applications from non-urban areas. With these provisos, the New England Housing Network supports increasing start up funding for the Choice Neighborhoods Initiative to \$500 million.

Resident Opportunity and Supportive Services (ROSS): ROSS links public housing residents with supportive services, resident empowerment activities, and assistance in becoming economically self-sufficient. The Administration's budget eliminates all funding for this important resource. The Network requests that the program be restored at \$55 million, a \$5 million increase over FY 10.

Sustainable Development

The New England Housing Network supports the mission of HUD's Office of Sustainable Housing and Communities to create strong, sustainable communities by connecting housing to jobs, fostering local innovation, and helping to build a clean energy economy. The President's FY11 budget includes \$150 million for HUD's Sustainable Communities Program and \$527 million for Department of Transportation's (DOT) Livable Communities Program. The Sustainable Communities Planning Grants, administered by HUD in collaboration with the DOT and the Environmental Protection Agency (EPA), are also critical tools for local communities to create workable plans.

The Network encourages the Administration to also provide resources to local and statewide non-profit housing and community development organizations to increase their capacity to work with transportation and environmental groups in their communities. As with HUD's other new programs, this one too should be structured to permit competitive applications from non-urban areas. The proposed special category for regions with a population of less than 500,000 is out of scale with rural New England.

Housing Counseling

Housing counseling is a critical tool in assisting low and moderate income households to become successful homeowners. Under HUD's Housing Counseling Program, local non-profit organizations provide a variety of services to low income homebuyers, including budget and credit counseling, educational workshops, foreclosure prevention, and post-purchase counseling. In addition, national and regional intermediaries assist in administering and monitoring the program on a broad level.

The Network supports \$100 million for the Housing Counseling Program, which represents a \$12.5 million increase from FY2010 (the President's budget proposes level funding of the program)

Lead Paint

The appropriations for HUD's lead hazard reduction and healthy homes programs have been steady the last few years at \$140 million, with additional money made available in 2009 from the stimulus package. The President is requesting a continuation of the appropriation at \$140 million for FY11 (\$96 million for lead hazard control, \$40 million for healthy homes, and \$4 million for technical studies). These amounts do not meet rising national demands and leave many needed programs unfunded. New England, with its aging housing stock, is particularly in need of these resources. Senators Jack Reed and Olympia Snowe have written a letter asking colleagues to support an increase in the appropriations for the healthy homes and lead poisoning prevention

efforts at HUD, to a total of \$225 million, including \$70 million for healthy homes, \$96 million for lead hazard control grants, and \$50 million for lead hazard reduction in high risk areas.

The Network supports the efforts of Senators Reed and Snowe to increase the FY11 appropriation for lead hazard reduction and healthy homes programs. This funding level would expand successful lead hazard reduction efforts to more jurisdictions and move healthy homes programs out of the study phase, allowing grantees to substantially increase the number of families they can assist.

LIHEAP (Low Income Home Energy Assistance Program)

LIHEAP is a vital safety net for millions of vulnerable low-income households—the elderly and disabled living on fixed incomes, the working poor, and families with young children. This is especially true in New England with a long heating season and a heavy reliance on high-cost home heating oil, kerosene and propane (for example, during the 2009-2010 heating season, 82% of Vermont’s LIHEAP clients relied on these three fuels).

Nationally, the number of households which have been assisted through LIHEAP has jumped from 5.7 million in FY08 to 8.8 million in FY10 (57% increase). Some of this increase resulted from greater use of the program by the residents of southern states which were the beneficiaries when the Obama administration released \$490 million in emergency heating funds in February, 2010, using a formula that took into account colder-than-normal temperatures and, for the first time, unemployment levels. Northern states are now getting fewer dollars, even though heating costs take a bigger bite out of residents' pocket books. The average cost of heating a home with natural gas in the South is \$740, the government says, while it can cost \$2,500 to \$3,500 using heating oil in Maine.

As the current economic crisis exerts additional pressures on low income households, energy assistance will become increasingly vital. The strain families are experiencing is mirrored at the state level where each LIHEAP dollar buys less fuel and burgeoning applications reduce the average level of assistance.

The President’s FY11 budget appropriates \$3.3 billion for LIHEAP (\$2.51 billion in regular funding and \$790,000 in contingency funding), nearly \$2 billion less than in FY10. The Administration has proposed the creation of a trigger for additional LIHEAP funds to be released when energy prices or participation in the Supplemental Nutrition Assistance Program (SNAP, formerly known as Food Stamps) increases above certain levels. According to the budget, this trigger would result in an estimated \$2 billion in mandatory budget authority in FY11. We urge the New England Congressional delegation to support funding at a level no less than \$5.2 billion—the FY10 amount.

Manufactured Housing

Manufactured housing is the largest source of unsubsidized affordable housing in the nation. Much of this housing is located in manufactured housing parks, with an increasing number found in parks that are resident-owned and managed. For example, in New Hampshire, Resident Owned Communities constitute 20% of all the parks in the state. It is important for Congress and

federal agencies to be sensitive to the unique features of such housing to avoid the exclusion of such communities from policies and programs.

In particular, the HOME program, multifamily mortgage insurance programs, and the Capital Magnet Fund need to permit and encourage full access by manufactured housing generally and Resident Owned Communities in particular (including parks in the process of being converted to resident ownership). Allocating authorities should not be permitted to impose additional regulations on the use of HOME and CDBG funds that result in excluding this housing from eligibility under these programs. Program rules should also clearly recognize that assistance to resident-owned communities does not constitute assistance to individual families.

New England Housing Network Federal Legislative Priorities for 2010

Section 8 Voucher Reforms

The Section 8 Voucher Reform Act (SEVRA) proposes major legislative changes to the voucher program – the first since 1998 when Congress enacted "QHWRA," the Quality Housing and Work Responsibility Act. Many organizations in the Network have been working with this program since before QHWRA, and have seen the program grow and evolve into a successful and critically important resource for nearly 140,000 New England low-income households receiving tenant-based assistance, including families, elders, and people with disabilities. SEVRA would build on that record of success by improving and streamlining program rules while retaining core program characteristics.

In the 110th Congress, SEVRA (H.R.1851) passed the House of Representatives by a strong, bipartisan vote of 333-83. Companion legislation, S 2684, was introduced in the Senate but remained in the Banking Committee.

In this Congress, SEVRA (H.R. 3045) passed the House Financial Services Committee on July 23, 2009. A floor vote in the House and the introduction of a companion bill in the Senate are both expected to occur soon.

The New England Housing Network strongly supports SEVRA and urges Congress and President Obama to approve it this year. Some of SEVRA's most important provisions include:

Funding Formula: Provides for a stable funding formula, which will encourage agencies to serve the maximum number of families with available funds because it bases funding on cost data for the most recent calendar year. This would ensure that every agency has the security of knowing it has enough funding to renew all its vouchers each year.

Authorization of Incremental Vouchers: Authorization for a one-time appropriation of 150,000 incremental vouchers (both tenant-based and project-based). New vouchers would provide desperately needed housing for the thousands of households currently on Section 8 waiting lists nationwide.

Administrative Fees: Ties each agency's administrative fee payments to its voucher utilization, thereby creating an incentive for agencies to lease the maximum number of vouchers that can be funded within the agency's budget.

Tenant Protection Vouchers: Directs HUD to issue tenant protection vouchers to replace all lost federal housing subsidies, whether or not they are occupied at the time the subsidy was eliminated.

Re-screening: Prohibits re-screening arising from vouchers being issued in connection with issuance of tenant protection and enhanced vouchers, and protects local eviction protections from federal preemption

Rent Burdens: Requires annual reports on rent burdens and encourages public housing authorities (PHAs) to increase payment standards to reduce undue rent burdens and prevent excessive voucher utilization in higher poverty neighborhoods, by requiring HUD to approve payment standards up to 120% of FMR when rent burdens exceed reasonable limits.

Tenant Rent Payments: Streamlines the rules that determine the amount voucher holders and public and assisted housing tenants are required to contribute toward their rent each month, while maintaining income-based rents and the key principle that tenants should not pay more than 30 percent of income for rent.

Income Targeting: Revises the targeting requirement to the higher of (a) 30 percent of the local area median income or (b) the federal poverty line. This change would give agencies in the lowest-income areas added flexibility to serve low-wage working families.

Housing Quality Inspections: Requires inspections every two years rather than annually; allows PHAs to rely on comparable inspections performed for other housing assistance programs; and permits a household to move into a unit that fails initial inspection for a non-life-threatening reason with the first month paid.

Portability: Requires the agency in the jurisdiction where the voucher holder wants to move to absorb the voucher and provides the agency with the funding to do so.

Project-Based Voucher program: Provides some much needed changes to allow greater use of this production tool, including provisions to allow project-basing of 25% (rather than 20%) of funds, plus 5% for households who are homeless, disabled or located in areas where vouchers are difficult to use.

Project-Based Enhanced Vouchers: A proposed amendment would create the option to convert portable Enhanced Vouchers to either a new form of project-based Section 8 or project-based vouchers.

Deconcentration of Poverty: Establishes deconcentration as a performance goal.

Earned Income Disregard: Promotes work by disregarding a percentage of the earned income of all employed individuals.

Preservation of Existing Affordable Housing

The preservation of the existing affordable housing stock continues to be of utmost concern to the Network. Hundreds of thousands of American households live in rental units that were developed with mortgages and/or project based rental assistance contracts from either HUD or USDA Rural Development (RD).

Many of those units were developed in the late 1970's or early 1980's, and their mortgages are beginning to mature or are subject to prepayment. In addition, Section 8 contracts continue to expire and are renewable at the owner's discretion. A recent GAO report noted that there are 23,000 HUD subsidized properties nationwide, of which 11,267 have HUD-assisted mortgages.

Twenty-one percent of those properties, comprising 101,000 units, will mature in less than ten years. HUD-subsidized properties with state Housing Finance Agency mortgages are in a similar situation. The recent dislocation in the homeownership market and the economic downturn have made the continued need for affordable rental housing even more urgent.

Rural rental housing is equally at risk and serves very low-income tenants in markets where other rental options are extremely limited. In a study conducted of RD's Section 515 sponsored properties in 2003-2004, RD found that annual tenant household income was less than \$10,000. As of 2004, nearly 10,000 RD 515 properties were eligible for prepayment. In the New England states of Maine, New Hampshire, and Vermont, there are over 12,000 units of 515 housing. In Maine alone, 1,849 units in 79 properties are due to expire over the next four years.

On March 17, 2010, House Financial Services Committee Chairman Barney Frank (D-MA) introduced H.R. 4868, the Housing Preservation and Tenant Protection Act. This comprehensive legislation is intended to maintain the affordability of over 1.7 million units of government-assisted privately-owned rental housing. It represents several years of collaboration with the entire spectrum of private and public preservation stakeholders, and is a welcome response to the comprehensive proposal made by the National Preservation Working Group (NPWG), an association of national, regional and local stakeholders committed to the vitality of our affordable housing stock, including HUD and USDA's Rural Housing Service. The New England Network congratulates Chairman Frank and thanks him and all the co-sponsors for their leadership in this major step forward.

H.R. 4868 will achieve the following objectives:

- **Encourage Long-Term, Responsible Ownership:** Provides resources and tools to incentivize the transfer of affordable HUD-subsidized properties to preservation purchasers, including both nonprofits and for-profits, who agree to maintain the housing as affordable in the long run. Strengthens HUD mandate to protect long-term affordability.
- **Prevent Displacement of Tenants:** Prevents displacement of disabled, elderly, and other low-income tenants by closing gaps in existing law. Ensures that all low- and moderate-income tenants in federally-subsidized or state-subsidized housing are eligible for vouchers to help pay costs of increasing rents if subsidies expire or are terminated.
- **Improve Physical Conditions:** Streamlines programs and provides resources to improve physical conditions in subsidized housing. This includes stronger standards for owners interested in acquiring HUD-subsidized housing, restoring funding to grant programs for distressed housing, and allowing market-based Section 8 rents to support rehabilitation.
- **Address Decline and Strengthen Neighborhoods:** Strengthens and makes permanent the ability to replace outdated, physically obsolete or economically non-viable projects with better quality housing, and permits mixed-income solutions by allowing project-based Section 8 contracts to be transferred to multiple other projects.
- **Facilitate Private Financing of Subsidized Housing:** Improves the ability of properties to attract financing by giving owners new project-based rental assistance options. These measures include authority to extend the Mark-to-Market debt restructuring program to October 1, 2015 and a number of programmatic improvements.

- **Protect Residents' Rights:** Gives tenants the tools they need to help hold owners accountable for achieving housing quality standards.
- **Increase and Improve Disclosure:** Creates a national database of HUD and RHS assisted properties to enable policymakers and the public to more effectively monitor and preserve the existing stock of federally-subsidized affordable housing.
- **Strengthen Senior Housing:** Gives HUD and affordable housing industry the tools needed to preserve and recapitalize the Section 202 elderly housing portfolio.
- **Preserve the Rural Housing Stock:** Makes permanent a rural housing revitalization demonstration program designed to preserve and recapitalize Section 515 properties.

HR 4868 would permanently authorize the RD Multi-Family Housing Revitalization Demonstration **Program (MPR)**, which as a pilot program has provided a key tool in preserving rural multifamily housing in recent years. We are concerned, however, that there is no funding for MPR in the Administration's 2011 budget. Rural preservation is still a great need throughout the country and in New England, and would benefit the poorest and most vulnerable residents.

H.R. 4868 also incorporates the preservation provisions in H.R. 2930 & S. 2736 of the 110th Congress, reforming the Section 202 program. These measures will provide important new recapitalization and preservation tools, including authorization of a new Senior Preservation rental assistance contract made available to nonprofit owners as project-based rental assistance for units not already covered, and expansion of authority to provide enhanced vouchers. These measures also broaden the eligible uses of refinancing proceeds and refinancing methods, clarify rent increase protection for unassisted tenants and authorize subordination, sale and restructuring of existing debt. Some of these measures were included on a temporary and modified basis in the FY 2009 and FY 2010 appropriations acts, but their language requires clarification, and permanent extension is

Low Income Housing Tax Credits

The Low Income Housing Tax Credit (LIHTC) program has been the single most important resource for creating affordable rental housing since its creation in 1986. In the last 24 years, the LIHTC program has produced more than 2.4 million apartments with rents affordable to low income families, seniors, homeless individuals, and those with special needs by providing investors with federal tax credits in exchange for equity. This federal program is administered by the states, which allocate tax credits according to their own policies and procedures.

The economic crisis has significantly impacted the LIHTC program, driving down available LIHTC capital by 30-40%. In addition to this loss of overall capital, the price investors are paying for the tax credits has fallen, resulting in less subsidy for housing development. Thankfully, two good things have happened: 1) Congress acted to provide short term remedies; and 2) the financial services industry is on its way back.

Congress passed both "The Housing and Economic Recovery Act" (HERA) and "The American Reinvestment and Recovery Act" (ARRA). In ARRA, Congress created the Exchange Program that is operated by the Treasury Department. Under the Exchange Program, if a developer

cannot find an investor to buy the tax credits, the state LIHTC allocating agencies may exchange those credits with Treasury and receive money from Treasury to then invest directly in the proposed housing. The Exchange Program was extensively used in New England, allowing the continuation of housing development, and providing development and construction jobs in our communities.

HERA and ARRA helped greatly, and the LIHTC capital markets have settled down to some extent. There is still more that is needed to be done this year. With the overall loss of capital, this is an investor-driven market, and investors are being very demanding with respect to acceptable terms and projects in which they will, or will not, invest. For example, smaller deals in more rural markets and service-enriched housing struggle to find investors. Congress needs to act to continue the Exchange Program and to create new incentives to attract more investors and more dollars into the LIHTC program.

Currently, several bills are aimed at addressing the LIHTC program, including the “Tax Extenders Bill” (HR 4213), Senator Cantwell’s “Job Creation and Affordable Housing Act” and Senator Bingaman’s “LIHTC Recovery Act” (S. 3141). These bills address the following, which we urge you to support:

(1) Extend the Exchange Program for FY10 and expand it to include the 4% Low Income Housing Tax Credit. This will help bridge the equity gap resulting from depressed credit prices in all LIHTC projects.

(2) Permit taxpayers to carry back for up to five years unused Low-Income Housing Tax Credits. This proposal, which has two versions, aims to increase investments in low-income housing, including attracting nonbank investors.

Housing for the Elderly

HUD’s Section 202 program was created through the Housing Act of 1959. For the past several years Congress has been working on some important reforms that will improve the efficiency of the program, facilitate refinancing that is often necessary for capital improvements, preserve existing facilities, use the assisted living conversion program more effectively to renovate projects, and more easily allow the 202 program to be combined with other funding sources to create more apartments.

These important changes passed the House last year, but a lack of time stopped the bill in the Senate. Currently the Senate Banking Committee is marking up the bill (SB118), having received HUD comments. In the House, the bill is included in HR 4868, the broader Preservation bill. The New England Housing Network strongly supports passage of what is now SB 118 in this legislative session, along with passage of HR 4868.

Public Housing: Choice Neighborhoods Initiative

Legislation is currently being developed to authorize the Choice Neighborhoods Initiative. Hearings were conducted in March by the House Financial Services Committee. The Choice Neighborhoods Initiative seeks to build on the successes of HOPE VI. It is designed to coordinate the redevelopment of not only public and assisted housing communities, but their surrounding neighborhoods as well.

Our experiences with HOPE VI in New England have been mixed. The program was used successfully in Massachusetts to transform deteriorating public housing communities into successful affordable housing developments. However, in other states, the program resulted in the demolition of many more units of low income housing than it replaced. With the high cost of rents in New England, every affordable housing unit is of critical importance; preservation is essential to the health of our communities. Therefore, in advance of established program guidelines for Choice Neighborhoods Initiative, the New England Housing Network encourages the inclusion of the following important principles into the program's design:

- Preservation of all units of public housing affected by neighborhood transformation efforts funded with program monies;
- Comparable resident eligibility and long-term affordability for all replacement units affected by neighborhood transformation efforts funded with program monies;
- Elimination of re-screening and re-admission processes for all residents affected by neighborhood transformation efforts funded with program monies; and
- Strong resident participation requirements in all phases of neighborhood transformation efforts funded with program monies.
- A program design that enables competitive applications from non-urban areas.

Community Reinvestment Act

The Community Reinvestment Act (CRA) is an essential tool for providing housing to lower-income people because the CRA requires banks to invest in these communities. The CRA remains the primary motivation for many community development loans and investments that serve lower-income people, e.g., investments in the low-income housing tax credit program. Yet, the financial services industry is very different today compared to 1977 when the CRA was passed. We encourage Congress and the CRA regulators to have an open dialogue on how the CRA can be modernized to continue to serve its vital role for our communities, lower-income people who need help with housing, and the groups who work to provide that housing.

We believe that any congressional legislation and any action by the CRA regulators must:

- Send the clear message that CRA activities are a core responsibility for banks and other financial institutions;
- Continue to require that CRA activities be safe and sound investments;

- Consider the impact that any proposed changes could have on low-income housing; and be creative to ensure that smaller, and often more rural communities, have access to CRA credit and capital.

We specifically encourage serious consideration of the “CRA Modernization Act of 2009,” HR 1479. This act aims to increase the level of accountability and public input while expanding the institutions subject to the CRA. If passed, this bill would leverage substantial sums of additional credit and capital for America’s neighborhoods.