



**HOUSE FINANCIAL SERVICES COMMITTEE ANNOUNCES LEGISLATION
TO PRESERVE AFFORDABLE RENTAL HOUSING**

*LISC Welcomes Comprehensive Package Addressing Major Risks To Continued
Affordability Of Rental Housing.*

March 19, 2010

On March 18, 2010, House Financial Services Committee Chairman Barney Frank (D-MA) introduced H.R. 4868, the Housing Preservation and Tenant Protection Act. This is comprehensive legislation that represents several years of collaboration with the entire spectrum of private and public preservation stakeholders, including HUD and USDA's Rural Housing Service. LISC, along with the National Preservation Working Group, played a major role in developing the statement of need for this bill and in recommending many of the solutions included in it.

We congratulate Chairman Frank and thank him and all the co-sponsors for their leadership in this major step forward.

LISC's Vice President for Affordable Housing Preservation, Vincent F. O'Donnell, testified in July, 2009 before the House Financial Services Subcommittee on Housing and Community Opportunity in favor of the pending legislation, calling it an "urgently needed next phase: a consolidated package of reforms that will clarify HUD's preservation mandate, address new regulatory issues such as subsidized mortgage maturity; simplify and consolidate tools and resources; integrate needed resident services and resident participation; address obsolescence and the need for reconfiguration; and respond to changes in the populations served and changing markets."

The Committee will hold a hearing on H.R. 4868 on March 24, followed by a full Committee likely markup of the bill in April or May.

There are thirteen co-sponsors of the legislation, along with Rep. Frank:

Rep Joe Baca [CA]
Rep Michael Capuano [MA]
Rep Yvette Clarke [NY]
Rep William Delahunt [MA]
Rep Al Green [TX]
Rep Luis Gutierrez [IL]

Rep James Himes [CT]
Rep Ruben Hinojosa [TX]
Rep Mary Jo Kilroy [OH]
Rep Stephen Lynch [MA]
Rep Carolyn Maloney [NY]
Rep Nydia Velazquez [NY]
Rep Maxine Waters [CA]

A summary of the major provisions of H.R. 4868 follows:

Title 1—Preservation of Federally Financed and State-Financed Affordable Housing at Risk of Conversion to Market-Rate Housing

- Converts older forms of project-based rental assistance to Section 8, to prevent displacement and facilitate leverage for additional financing of capital improvements.
- Clarifies and expands the use of Enhanced Vouchers to prevent displacement, and authorizes conversion to project-based assistance.
- Creates a new voluntary Preservation Exchange Program to provide incentives to transfer or sell HUD-assisted properties to a preservation purchaser.
- Creates a Federal Right of First Refusal, to allow HUD or its Designee to ensure preservation of certain properties that are for sale.
- Protects certain state and local preservation statutes from federal preemption.
- Clarifies HUD’s duty to exercise discretion in order to preserve, and authorizes specific actions that require HUD approval.

Title II—Restoration of Housing At Risk of Loss Due to Deterioration

- Streamlines procedures to transfer subsidies from obsolete or infeasible properties to new locations.
- Strengthens HUD’s ability to require high-quality preservation purchasers.
- Requires HUD to implement a previously authorized rehabilitation grant program funded by recycling existing Section 236 resources.
- Facilitates project-based Section 8 rent adjustments that reflect physical improvements and creates flexibility for certain unit reconfigurations.

Title III—Protection of Residents

- Requires one-for-one replacement of project-based units with Enhanced Vouchers when subsidies are not retained by an owner.
- Creates more flexible tools for HUD to enforce housing quality standards, while protecting existing rental assistance subsidies.
- Clarifies tenants’ right to seek enforcement of performance standards, to withhold rent in certain circumstances, and to obtain certain property information.

Title IV—Preservation of Troubled Projects Facing Foreclosure

- Authorizes HUD to withhold subsidies in an enforcement action, while preserving the ability to resume their availability after problems have been resolved.

- Facilitates cooperation between HUD and state & local governments in the disposition of HUD-foreclosed multifamily properties.
- Restores “Up Front Grants” for rehabilitation of HUD-foreclosed multifamily properties.
- Makes permanent HUD’s duty to maintain project-based rental assistance after a foreclosure.

Title V—Incentives Under MAHRA for Owners to Maintain Housing Affordability

- Extends mortgage restructuring authority under the Multifamily Assisted Housing Reform and Affordability Act of 1997 and clarifies several Section 8 renewal provisions.
- Extends and clarifies authority to facilitate nonprofit purchase of properties with mortgages restructured under MAHRA.
- Clarifies HUD’s authority for discretionary approval of mortgage prepayments, to facilitate preservation outcomes.
- Places a \$10 million annual floor on use of project-based Section 8 funds for grants for training and technical & predevelopment assistance

Title VI—Preservation Database

- Requires creation of a public preservation database to facilitate decision-making.

Title VII—Section 202 Supportive Housing for the Elderly

- Incorporates reforms for new Section 202 properties, including ensuring that PRAC rental assistance contracts cover all reasonable project costs.
- Reforms existing provisions for refinancing of Section 202 properties, including access to reserves, affordability requirements and use of refinancing proceeds for housing and resident services.
- Creates a Senior Preservation Rental Assistance Contract, to assist tenants in “old law” Section 202 properties without current rent subsidies.
- Increases program flexibility for assisted living facilities and creates a national clearinghouse of information on availability and quality of properties.

Title VIII—Rural Housing Preservation

- Permanently authorizes an existing temporary rural housing preservation and revitalization program.
- Authorizes additional project-based rental assistance for preservation transactions.
- Authorizes rural tenant protection vouchers when subsidized mortgage subsidies are lost.
- Extends tenant protections comparable to those in HUD-assisted properties.