Council for Affordable and Rural Housing

Serving the Affordable Housing Needs of Rural America

Second Position Paper by the Council for Affordable and Rural Housing on the Aging Multifamily Rural Housing Portfolio

December 7, 2009

COUNCIL FOR AFFORDABLE AND RURAL HOUSING

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EXECUTIVE SUMMARY

In 2003 the Council for Affordable and Rural Housing's (CARH) members prepared the first Position Paper on the Aging Multifamily Rural Housing Portfolio. The purpose of this paper released on March 10, 2003 was to express concerns about the federal government's neglect of the very important and successful Section 515 rural multifamily housing portfolio. In updating this paper, we are also including the Section 514 farm labor multifamily portfolio, which suffers from the same preservation issues. When the original paper was released, we had already seen how the severe funding shortages had strained operations. We believe that this portfolio is worth safeguarding because it provides an essential housing resource for rural America. As any property ages, it requires more attention and periodic rehabilitation. Building systems begin to fail and need replacing at or after the fifteenth anniversary from construction or substantial rehabilitation. In some cases this has already begun to happen as Section 514 and 515 properties are typically 30 years old and the vast majority have not been rehabilitated. These properties have suffered from federal funding shortages and statutory and regulatory barriers that exist that make preservation difficult. The portfolio is more exposed today due to the economic conditions that permeated this country last year. The portfolio for many years has relied on the Low Income Housing Tax Credit (LIHTC) program. Lack of investors in the LIHTC, particularly in rural housing has put this important segment of the affordable housing market even more at risk. CARH is updating its Position Paper to alert the public about the work that remains. There are many steps that can be taken. Though several steps already have been taken, it simply isn't enough.

In order to save the $11.5 billion Section 515 program, and its sister Section 514 farm labor housing program, we need a special appropriation of $1 billion a year for five years. RD's current demonstration efforts have shown preservation can be successful but the number of properties able to be preserved with current resources will not achieve portfolio preservation in any reasonable time period. This funding will allow RD to preserve 1000 properties a year for seven years, which is RD's stated goal. While new appropriations and new rent subsidy will be needed, one way to help pay this amount is through leveraging deposits in the Rural Housing Insurance Fund into a new, revolving loan program.

The present, acute funding shortages are the result of USDA's neglect of RD's multifamily programs, as well as a lack of coherent oversight in Congress. This should be corrected by moving the appropriations for RD to the Congressional housing and development subcommittees on the House and Senate Appropriations Committees, rather than the current agriculture subcommittees. If necessary, RD should be moved to HUD to finally align housing oversight and housing programs.

Congress should also implement a series of smaller, more targeted measures to reverse the neglect of the Section 514/515 programs. Congress and USDA should restore interest subsidy to the 538 program, and guarantee equity loans under Section 515t. Congress should enact preservation tax incentives to remove the burden of recapture taxes.

Congress should continue to support the Low-Income Housing Tax Credit, through extension of the Exchange program in 2010, a five year carry-back, and a targeted revision to the passive loss rules. This will help support the affordable housing effort more generally while the financial markets recover from the current recession. These supports are particularly important to rural areas, where smaller properties must struggle more than larger, urban properties for investor attention.

RD can and should continue its efforts to revise its administrative procedures to make these programs more viable. RD should increase its National Office's supervision of its policies so that there is consistency throughout the RD system. RD should revise its budgeting system to conform to the cost realities of properties, rather than encouraging deferral of repairs and reducing property value. RD should also allow rent flexibility to encourage more targeted rent rates.

INTRODUCTION

CARH owners and managers are on the front line of operating and preserving the nation's largest single source of affordable housing for rural America: the rural multifamily housing programs, and in particular, the Section 515 Program, an $11.5 billion housing inventory.[1] CARH members include private for-profit and non profit developers and managers, as well as federal, state and local housing and finance agencies. We know from experience that each entity brings special talents yet they share a common goal of providing decent, safe and affordable housing for lower income Americans. This portfolio is very productive but consists largely of aging properties facing rising operating costs and deferred maintenance. CARH members take seriously their mission of providing decent, safe, sanitary affordable housing to more than 450,000 residents, 59% of whom are elderly, and 24% are disabled. While Section 515 is a low and moderate income program by design, in practice the average annual household income of our residents is $11,200 (and $9,200 for those residents who are assisted by Rural Development ("RD") rental assistance), which is extremely low income.[2]

DEFINING THE PROBLEM

The Section 514 and 515 Programs, funded by private capital and government under Section 514 and 515 of the Housing Act of 1949, operates through a successful public-private partnership. The 514 and 515 portfolio consists of 15,977 apartment complexes containing 452,610 units[3], and comprises 50% or more of subsidized properties outside of many metropolitan counties and 9% inside metropolitan areas.[4] The Section 514 and 515 portfolio is by and large nearly 30 years old.

Past studies conclude that there are nearly 14 million families and elderly persons with critical housing needs, a significant proportion of which are rural residents.[5] The burden of this need falls disproportionately on non-metropolitan areas.[6] Consequently, federal housing programs must address non-metropolitan and rural housing needs more effectively. Any failure to do so will exclude a significant number of Americans from our national economy. Unfortunately, prior gains in addressing these housing needs through the Section 515 program are eroding, due in large part to an overall shrinking of the rental housing supply.[7]

Funding shortages and regulatory barriers threaten the ability to operate, maintain and rehabilitate older buildings. Real estate of all types is periodically updated and rehabilitated as an essential and typical part of property operation and maintenance.[8] This is especially true of the subject multifamily and seniors housing apartment complexes, which are in constant use, and which successfully provide homes to hundreds of thousands Americans.

In 2002, RD, through the Rural Housing Service ("RHS") estimated that 4,250 Section 515 properties with 85,000 units "will physically deteriorate to the point of being unsafe or unsanitary within the next 5 years."[9] RD estimated it will need $850 million to maintain just this portion of the portfolio, and that as much as $3.2 billion will be required for portfolio-wide rehabilitation.[10] Little preservation progress has been made since 2002. Adjusted for inflation, the 2002 $3.2 billion estimate is now approximately $3.8 billion.[11]

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We believe that streamlining current procedures and creating flexibility in existing programs are the best ways to address existing properties. We categorically believe that maintaining the existing housing stock is more cost effective, and less expensive, than allowing that stock to deteriorate and be replaced with new housing. The prospect of a new housing program to replace these affordable units is highly remote; no comparable program has been created in over 30 years. Moreover, this portfolio constitutes a multi-billion dollar government investment. These properties are the government's mortgage security, and the government has a strong interest in their continued maintenance and good repair.

Most importantly, these units constitute a vital social resource by providing a decent home in which the elderly and families can live with dignity.

Since the first CARH Portfolio Preservation Paper, the problem of a deteriorating and shrinking affordable housing supply has only grown more acute. The United States Department of Agriculture ("USDA") commissioned report, The Comprehensive Property Assessment Report[12] in 2004 found that while USDA and owners managed to avoid serious health and safety problems, many properties will have significant physical needs in the immediate future. The report found that project reserves will be insufficient to meet these crucial capital needs, and that rent increases alone will not solve the problem.

Prepayment and conversion to market-rate rents is not a realistic option for most of the Section 515 portfolio. Prepayment has been estimated to only reach about 3,900 of the more than 16,000 properties in the total portfolio. Only those properties have both (a) enough equity to make prepayment feasible and (b) the original right to prepay.[13] Congress removed the prepayment right for the pre-1989 properties and replaced it with the Emergency Low Income Housing Preservation Act of 1987 ("ELIHPA"), which, as the title suggests, was supposed to be a short term solution. The process was intended to swap owner equity for "incentive" payments and, in the process, extend low-income restrictions. However, Congress slashed funding for incentives, and never restored owner's prepayment rights, leaving owners remaining in the program without the ability to receive a financial return on investments in the 515 program, creating a barrier to raising new capital.

Many properties are most needed as affordable housing, and do not have an independent economic purpose, even though they are in good condition. Government funding sources, either through loans, tax incentives and/or guarantees, are needed to maintain many of these properties. Unfortunately, since the fall of 2008, lending and private equity investment in affordable rural housing has virtually ceased as a fallout of the credit shortage in the wider economy. While all affordable housing is a victim of the current lack of credit and capital, rural areas have been particularly hard hit, where the small size, community specific focus and remoteness have always been barriers to attracting private capital.

More importantly, the current recession has created turmoil among residents and applicants. CARH members report a material change where residents are moving to find work or moving into Section 515 properties as a last resort after losing jobs. We are greatly concerned that some current or former residents are at a tipping point towards homelessness.[14]

We believe that any analysis of the Section 515 portfolio and its ability to provide residents with housing is driven by the financial status of the properties themselves. The proposals described below make the most sense when viewed against the context of the Section 515 portfolio. In sum, the most valuable properties have some financing options, but we must account for the needs of all properties:

> "Superior" Properties -- These properties are in superior condition with a consistent history of positive cash flow and are located in areas with rents significantly higher than the Section 515 rent limits. These properties have sufficient equity to attract private funding sources and sale offers in a healthy economy. In that sense, these properties were able previously to finance preservation strategies, but have been largely unable to do so since fall 2008.
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> "Performing" Properties -- These properties are in good to superior condition but do not have a significant history of positive cash flow. Rents are at or above market and are most valuable as affordable housing. These properties are fully serving their intended purpose.
>
> "Marginal" Properties -- These properties are in fair to good condition. They have been able to produce enough income to operate but rely heavily on Rental Assistance from RD. These properties are generally productive.
>
> "At Risk" Properties -- These properties are in fair condition, largely occupied, but have too little subsidy to pay taxes, mortgage and needed maintenance at the same time. However, these properties are needed and can be more productive with a reliable subsidy stream.
>
> "No Market" Properties -- Properties with significant vacancy rates and cash flow problems. These properties are generally, but not always, located in economically depressed areas or areas where RD will not permit a rent increase. Often these properties have not received enough income to keep up with deposits to the reserve account and have a shallow financial cushion.

Owners have faced declining options over the years. RD has kept rents down and created processing barriers to rent increases. Rent processing problems have also resulted in owner returns not being paid or even budgeted. The Owner's return is never assured, but when budgeted, serves as prudent underwriting to provide a contingency for successful operations. Owners have also found most of the original investment basis and tax benefits taken away through the Tax Reform Act of 1986.

Owners also need to sell for estate planning or other reasons. This is particularly applicable to this portfolio, which has many properties with individuals as general partners. After 20 years or so of operations, these people seek to retire or, increasingly, pass on.

Additionally, CARH members estimate that immediate and near term modernization needs for most of the portfolio range from $15,000 per unit to as much as $60,000 per unit, depending on location and area of the country. For example, members in Florida estimate immediate and near term needs at $15,866 per unit, while members in New York and Ohio estimate needs at $30,000 to $60,000 per unit. These needs represent costs to properties currently performing but have not had capital to replace components for 30 years.

I. FUNDING SOLUTIONS

A. Provide $5 Billion for Section 515 Preservation

Rehabilitation creates cost savings, for years when one factors in efficiency from new improvements. From repairing aged roofs to providing units with air conditioning, improvements made to this vital resource greatly enhances residents' lives and creates jobs all over the country.[15] Notwithstanding the significant cost of such rehabilitation, CARH members estimate that replacing this housing could cost five times rehabilitation, if not more. RD has advised CARH that it values this portfolio at $11.5 billion.

In addition to the return on investment being restored, owners will need to hire construction supervisors or provide additional supervision and a construction supervisor or developer fee should be allowed, which 514/515 do not allow currently from 514/515 funds.

Funds provided through Section 514 and 515 and other sources will also work to ensure the continued financial viability of these vital projects. Without funds for needed rehabilitation and repair, these projects will not be able to maintain the required level of financial feasibility and meet resident needs. We believe that $5 billion, or $1 billion a year for five years is a reasonable investment to save a $11.5 billion portfolio.

RD's flagship preservation effort currently is the Multi-Family Housing Revitalization Demonstration Program, or "MPR". CARH supports the MPR, and, notwithstanding extremely limited resources, RD and participating owners have worked to preserve nearly 300 properties. However, this is the culmination of four years of effort. RD has stated to CARH its very reasonable goal of processing 1000 properties a year for seven years. Unfortunately, 300 obligations in 4 years represents less than 2% of the 515 properties, and without more resources it will take at least another 50 years to address current financial needs through MPR. It may take even longer as many of the MPR transactions relied on third party financing no longer available in today's debt and equity markets.

USDA's funding commitment does not adequately reflect that MPR is RD's priority. Indeed, USDA could take advantage of credit reform rules, and has not done so. Most of the Section 515 mortgages that could be restructured under MPR were originated before credit reform. As such, RD should not need new budget authority to restructure most loans, but USDA has not allowed RD to proceed under existing budget authority.

One way we may be able to pay for a portion of the needed funds is with a new revolving loan program. We propose utilizing deposits in the Rural Housing Insurance Fund, not needed in the current fiscal year, to loan to eligible properties at the applicable federal rate of interest, currently floating around 4.5%. Half of the interest would be used to cover RD salaries and expenses to administer the program, and/or for a contractor to assist RD with asset management. The funds would be backed by a voluntary guaranty or pledge of Section 515 reserve funds from owners of participating properties. In exchange, the reserve accounts would receive the other half of the interest charged, providing additional reserves for 515 repairs. This proposal would more fully utilize the Rural Housing Insurance Fund, provide security for the Fund, and additional repair funds for Section 515 properties.

B. Rental Assistance

The Section 521 Rental Assistance (RA) Program is an essential component of the Section 514/515 program. RA provides deep subsidy to very low-income residents by paying the difference between 30% of a resident's income and the basic rent required to operate the property. Sixty-three percent of 515 units are subsidized with RA. The RA Program must continue to provide sufficient funds for both current levels of RA and sufficient additional RA to support increasing program costs. Also, there needs to be a "first in line" for RA and override the administrative requirement giving preference to the most rent-burdened over otherwise eligible, needy residents who have waited for a longer period. More importantly, there needs to be additional RA to remove rent overburden, the condition of tenants paying more than 30% of income in rent, without reducing project operating income. Some Section 515 projects also utilize HUD Section 8 Rental Assistance. An alternative to additional RA would be expanded Section 8 for rural properties.

USDA has been reluctant to commit resources to fund identified project capital improvements necessary to provide decent, safe and sanitary housing. That historical reluctance has depressed operating budgets below current project needs and forced owners to defer needed maintenance in some cases. As this reluctance stems in large part from 42 USC 1490(a)(1)(C)(i), which allows RD to require budgets that do not fully fund project needs, we propose amending 42 USC 1490(a)(1)(C)(i) to insert "capital needs" after "utilities" to read:

> "the amount determined by the Secretary to be necessary to pay the principal indebtedness, interest, taxes, insurance, utilities, capital needs and maintenance. . . ."

One quick fix to make RA more efficient is to provide 20 year contracts, subject to annual appropriations. Not only would this reduce the costs associated with reprocessing contracts on an annual basis without increased appropriations, it would also create more reliable subsidy. This will help attract potential investors and lenders to Section 514 and 515 projects. The 20 year approach is consistent with that taken by U.S. Department of Housing and Urban Development ("HUD") on project based Section 8 contracts, which has created greater investor and lender interest in project Section 8 projects.

C. Transfer Rural Development Funding Responsibility

CARH members have had a long and positive experience working with RD and, before it the Farmer's Home Administration. Unfortunately, USDA has neglected RD and it has become increasingly clear by the continual funding restrictions and staffing shortages that housing and development on the multifamily side are not priorities for USDA. In fact, RD's multifamily programs were the only housing programs that did not receive monies through the American Recovery and Reinvestment Act of 2009 (“ARRA”). Clearly, the multifamily portfolio could have used some of these funds for immediate preservation needs. We have taken notice of the billions of additional spending for housing and community development through the HUD budget. RD’s budget should be considered with similar housing budgets in the same subcommittee in each of the House of Representatives and Senate. It may be that the only way to accomplish this is to move RD itself to HUD. Moving RD and its budget to HUD will provide a greater focus on housing and development and bring more attention to budgetary needs. Keeping the rural programs in its own division at HUD will help maintain the rural character of the 514/515/521/538 programs. Alternatively, if USDA can commit to funding RD and its affordable rental housing programs as a priority, to be assessed autonomously within USDA, then USDA should be able to appreciate fully the acute funding shortages the Department has created and to take steps to reverse those shortages.

D. Restore Interest Subsidy to 538

The Section 538 program was enacted in 1996 as Section 538 of the Housing act of 1949 to build new affordable rural housing as well as preserve the existing Section 515 portfolio. Each year most Section 538 loans completed carried interest subsidy, which reduces the interest rate and makes low-income affordability possible. Congress’s removal of the interest subsidy has made the 538 program all but irrelevant, as it now effectively addresses only moderate income needs.

CARH strongly recommends that the interest subsidy be restored. We believe a ready source for funding Section 538 interest credit can come from what RD refers to as “overage.” Overage is the difference between the 30% of income a resident must pay and the lower basic rents. Overage amounts are submitted to the government on a monthly basis with the mortgage payment. We estimate that program-wide this amount is $12 million annually. This sum should remain in affordable rural housing. Also, it is in line with past budget amounts for 538 interest subsidy.

E. Fund Equity Takeout Loans Under 42 USC 1485(t)

A long neglected tool in Section 515 is 515(t), where USDA is authorized to guarantee equity loans to provide a fair return and further preservation resource for properties that are 20 years old or older. This program should be funded and implemented. It will provide owners a further incentive to remain in the 515 program and provide further resources to recapitalize properties.

II. SOLUTIONS THROUGH THE TAX CODE

A. Preservation Tax Incentives

Another barrier to preservation and tenant protection is an unintended one, resulting from a conflict between the tax code and market forces. Almost all Section 515 properties were constructed through limited partnership arrangements whose structure makes it exceedingly difficult to introduce new capital into these properties, either through additional capital contributions from current owners or through the transfer of such properties to new owners.

Most were also created before the 1986 Tax Reform Act. Because rent restrictions limit cash flow, new capital contributions would only generate additional passive losses that cannot be utilized by current investors. Yet, if the current owners sell a property it is almost impossible to generate sufficient cash to pay off the steep recapture taxes that would be owed. The best alternative for current limited partners is to hold the investment until death, enabling their heirs to acquire the property with a stepped up basis that avoids any recapture taxes. While that is a perfectly rational decision at the partner level, it is not consistent with sound housing policy and risks imposing far higher costs on the federal government as these capital-starved properties either continue to deteriorate as affordable housing or are sold off as market rate housing as a means of generating cash on the sale to pay off exit taxes for investors.

A modest change in the tax rules must be adopted to preserve the stock of Section 515 affordable housing. This could be accomplished by waiving the depreciation recapture tax liability where investors sell their property to new owners who agree to invest new capital in the property and to preserve the property as affordable housing for another 30 years. Since very few investors subject themselves to recapture taxes today, opting instead to pass on the property to their heirs at a stepped-up basis, the cost of this proposal should be modest while the benefit to the federal government of extending the affordability restrictions will be far-reaching. This concept is embodied in H.R. 2887, the Affordable Housing Tax Relief Act of 2009.

B. Extend Exchange Program Increase

Congress should extend the Section 1602 Low Income Housing Tax Credit (LIHTC) exchange program as established in the American Recovery and Reinvestment Act of 2009 for FY 2010. Congress should also modify it to include four percent LIHTCs for multifamily housing tax-exempt bonds. This will allow some 515 properties to apply for needed resources. While rural properties must have specialized financial tools that will address rural needs, some rural properties will also benefit from a general, active affordable housing financing program.

C. Tax Credit Carryback Period

Extending the current LIHTC carryback period from one year to five years will stimulate investment interest in LIHTCs in general. In the short term, LIHTC investors should be permitted to carryback for up to five years LIHTCs from their 2008-2010 income tax returns, but only to the extent they immediately reinvest LIHTC amounts carried back in new affordable rental housing. The alternative minimum tax relief provided under the Housing and Economic Recovery Act of 2008 (“HERA”) should be extended to LIHTCs carried back.

Congress should also permit taxpayers to carryback LIHTCs claimed after 2008, generated by new developments up to five years during the ten-year period that LIHTCs are generally taken. This will enable new investors to participate where they might otherwise be uncertain if the will have ten straight years of positive taxable income.

D. Allow New Investors in Tax Credits

The Federal Internal Revenue Code restricts potential LIHTC investors through passive loss limitations, limiting the ability of associations that are not real estate professionals from investing. LIHTCs should be available to S Corporations, Limited Liability Companies, and closely-held C Corporations to the same degree LIHTCs are currently available to widely held C Corporations, to offset revenue with LIHTCs that would otherwise be taxable when passed through to the owners of these businesses. To ensure high standards of oversight, such entities should have at least $10 million in annual gross receipts, be formed for reasons other than just avoidance of Federal income tax, and have an expectation of reasonable asset management. This proposal is aimed at accessing substantial investment capital available from sophisticated financial institutions and businesses that happen not to be widely-held Schedule C corporations. Indeed, this change would allow the 1,954 commercial banks and 55 savings institutions invest in low-income housing tax credits in the communities in which they operate.[16]

III. ADMINISTRATIVE CHANGES

A. Make the RD Structure More Rational

Preservation efforts rely strongly on consistent application of government policies. Consistency allows properties to attract additional resources and conserve costs as owners replicate successful preservation strategies. RD has national programs that should operate under national standards, but which in practice are implemented through a loose confederacy. RD is administered on a state-by-state basis with State Directors reporting to the Under Secretary for Rural Development instead of the Administrator. Each State Office has leeway to establish and implement the same federal programs in vastly different ways than other offices, creating a jumble of interpretations to what should be a uniform set of standards. The 2002 GAO Study, at page 8, notes that many owners are so frustrated with the programs, they may prepay to leave the program, even if prepayment is not economically advantageous.

We believe that RD should have uniform national standards and lines of authority, similar to current HUD operations. We recommend that the Under Secretary for Rural Development delegate to the RHS Administrator the ability and authority to review any State Director decision and to hear any appeal by a USDA customer about State or District Office processing.

B. Servicing Assets

RD has streamlined its multifamily regulations, which created some efficiencies. However these rules at 7 C.F.R. Part 3560 have been interim for years and need correction in many key areas. RD has many comments and much experience to improve these rules further.

One of the most administratively time consuming tasks is budgeting. State RD offices review and set budgets and rents through a time-consuming review, no matter how small the request. We ask that RD adopt a national policy that allows cost-of-living ("COL") increases based on general economic data. In most areas, in most years, operating costs increase due to inflation and other general economic factors. Owners that have project-specific needs in excess of those COL increases can then request additional, project-specific increases where appropriate.

Owners are limited to 8% of initial equity, and initial equity is usually 5% of the construction cost of a property. As a result, an owner's five percent total return is just 0.4% of initial value (8% of the 5% of construction cost). For example, if initial construction cost is $1 million, the initial equity is 5% or $50,000 and the return is limited to 8% of that sum, which would be $4,000 per year. After 20 years of inflation this distribution based on that original

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value is usually less than the margin for error in the annual budgeting process. Returns are also the first thing to go if the property faces an unexpected cost. Properties should budget a reasonable asset management fee. Current RD regulations discourage owners from advancing funds to properties to meet short-term needs. The limited return limits the ability to repay advances even if funds are later available. RD should allow owners a priority repayment in order to encourage advances to protect operations.

RD should utilize the authority it already provides itself in its Section 3560 regulations to approve preservation properties with rents up to 150% of comparable rents for comparable units ("CRCUs"). CRCUs are not determined in a public and open manner, and there is still no evidence they reflect the marketplace. Where CRCUs do, the concept undermines the original agreement and structure of the 515 and 514 programs, which are budget-based. When developing these properties owners are typically required to verify that no private financing is available. The housing in the area has been often below USDA standards, making it unreasonable in most cases to verify any CRCUs.

C. Rent Flexibility

While occupancy is high throughout the 515 program, at approximately 95%, "At Risk" and "No Market" properties have sustained vacancies. Typically, there is a need in their local community but the affordable, unsubsidized rents are still too high for applicants and there is not enough RA to further subsidize those units. These vacancy problems create financial distress. Allowing borrowers to offer rental incentives or concessions will reduce vacancies and increase project income. An example of rental incentive/concession would be to allow borrowers to discount basic rent to secure additional leases, thus generating additional income from units that have historically remained vacant. New applicants who benefit from the reduced basic rent would be required to pay the higher of the reduced rent or 30% of their adjusted income less the utility allowance. Allowing such rental incentives/concessions will enable many properties to continue to prosper and serve the intended purpose.

At the same time, RD should require minimum tenant rents. A minimum $50 per month rent is reasonable for residents. Certain hardship exceptions should be part of the rent standard. We understand that a minimum rent could raise $12 million for the program that, in turn, could be used for additional RA.

CONCLUSION

Much has been accomplished but much remains. This Second Position Paper provides multiple options, all of which are needed, to restore the 515 program to long-term viability and safeguard the housing for another generation. Since the first Position Paper in 2003, preservation successes have shown us long term success is extremely achievable with additional resources. The slow pace of preservation has demonstrated that if we do not receive needed resources soon to preserve and rehabilitate properties, we will loose much of the portfolio leaving the residents with no alternative housing in which to live.

[1] Testimony of Tammye H. Trevino, Administrator, Rural Housing Service, United States Department of Agriculture, Before the House Committee on Financial Services Subcommittee on Housing and Community Opportunity (July 15, 2009).

[2] Revitalizing Rural Development's Multi-Family Housing (MFH) Portfolio "Saving and Creating Decent, Safe, and Sanitary Affordable Homes for Rural Renters" Presentation by Laurence Anderson, Director, Multi-Family Housing Preservation and Direct Loan Division of the Rural Housing Service, Florida CARH, September 15, 2009.

[3] "RHS Multifamily Inventory Shows Small Decline in Housing Projects, Units," Housing and Development Reporter, at 523 (August 31, 2009); July 14, 2009 unnumbered letter from Tammye H. Trevino, Administrator, Housing and Community Facilities Program, USDA ("July 2009 Letter").

[4] Connecting The Dots: A Location Analysis of USDA's Section 515 Rental Housing and Other Federally Subsidized Rental Properties in Rural Areas, (May 2008).

[5] Stegman, Quercia, McCarthy "Housing America's Working Families," New Century Housing (June, 2000).

[6] General Accounting Office's September 2000 report entitled "Rural Housing Options for Optimizing the Federal Role in Rural Housing Development."

[7] Millennial Housing Commission, Meeting Our Nation's Housing Challenges, May 30, 2002, pp. 16-19 ("MHC Report").

[8] "What We Have Learned About Properties, Owners, And Tenants from the 1995 Property Owners and Managers Survey", by Howard Savage, U.S. Census Bureau. "Homeowner Remodeling Trends Affect Contractor Workloads," Housing Economics, April 1990.

[9] USDA OIG Report No. 85401-4-CH "Rural Development Compliance with Federal Managers' Financial Integrity Act Reporting Requirements," March 2002.

[10] See GAO Report "Multifamily Rural Housing, Prepayment Potential And Long-Term Rehabilitation Needs For Section 515 Properties," May 10, 2002 ("2002 GAO Report"), p.3.

[11] Inflation calculation at www.data.bls.gov ($3.2 billion in 2002 is calculated at $3.8 billion in 2009).

[12] The Comprehensive Property Assessment and Portfolio Analysis, ICF Project Team, November 17, 2004

[13] 2002 GAO Report

[14] "Higher Tenant Turnover Causing Financial Problems for Projects," Housing and Development Reporter, at 525 (August 31, 2009).

[15] "The Local Impact of Multifamily Construction in a Typical Metro Area, Income, Jobs and Taxes Generated" National Association of Home Builders (June 2009). For every 100 units of rental housing, it is estimated 122 local jobs are created, with 32 recurring local jobs also created.

[16] "Subchapter S Tax Status Draws More Bank Converts," Directors & Trustees Digest, February 1, 2004.