



HOUSING PRESERVATION NEWS

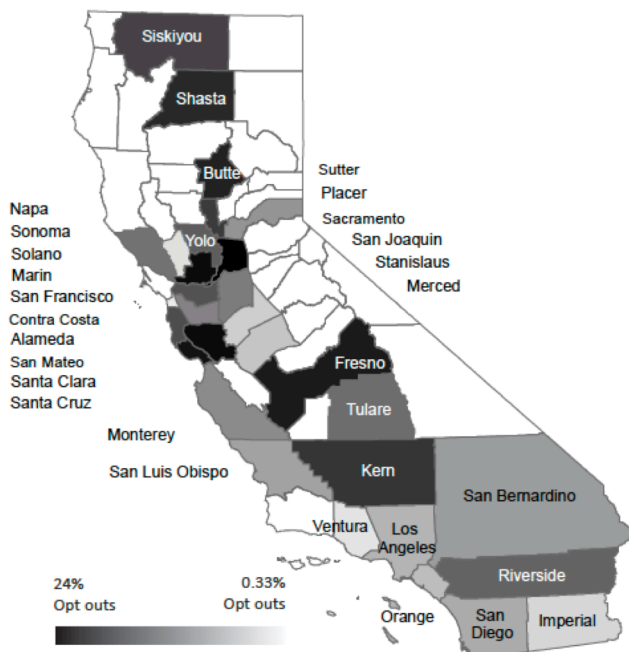
Section 8 Opt-Out Risk Rises in California: Local Government Solutions

2011 was a year of unprecedented change in California's affordable housing industry. Amidst rapidly rising rental costs and the end of critical subsidy programs funded by expiring state housing bonds and our recently terminated redevelopment program, preserving California's existing affordable housing is clearly more critical than ever. Yet, looming cuts expected to affect the FY 2013 budget for the Department of Housing and Urban Development (HUD) have prompted concerns over the adequacy of funding for annual Section 8 contract renewals and the impact of this uncertainty on property owner decisions. Even though Congress and HUD have reiterated their commitment to fully fund Section 8 contract renewals, CHPC anticipates that the renewed possibility of short funding for Section 8 contracts combined with escalating rents may persuade some profit-motivated Section 8 owners to convert their assisted rental units to market rate housing – in other words “opt out” of the program – as has occurred at several key junctures in the past. In this issue of Preservation News, we highlight effective local preservation strategies that have protected and preserved affordable housing in some localities.

California's Section 8 Rental Housing Stock

Over the next five years, dozens of project-based Section 8 contracts in California will expire without any assurance of renewal by the private landlords who own them, potentially ending the subsidies that ensure affordable housing for thousands of low-income families in the region. In the next five years, there are 67,196 Section 8 apartments in 975 properties that will reach the end of their subsidy contracts. In the next year alone, 34,666 will reach their expiration dates. Of these 34,666 homes, 23,183 (67%) are owned by profit motivated entities, some of whom may be more affected by any impacts of the federal budget pressures on HUD's ability to maintain contract renewals.

Percentage of Opt Outs by County



The Role of Local Preservation Strategies

Local governments can play an important role in promoting preservation-oriented strategies to prevent opt-outs and encourage owners to renew their Section 8 contracts to keep their properties affordable. At present, only a few local governments have invested significantly in local preservation strategies and resources. But several of these have demonstrated impressive results in limiting the percentage of their Section 8 units lost to opt outs. The percentage of total opt-outs by county ranges from a high of 24% to a low of .33% of total assisted units, as seen in the case of San Francisco County. The average percentage of opt outs statewide from 1997 to 2001 was 5.86%. View the complete table of Opt-Outs by County at the end of this newsletter.

Two counties that have a strikingly low number of opt-outs are San Francisco County (.33%) and Los Angeles County (5%). What San Francisco County and Los Angeles County have in common is that they both have aggressive local regulations to preserve affordability and limit opt-outs and have both used scarce housing funds effectively to acquire some at-risk properties. The City of Los Angeles aggressively enforced federal and state preservation notice laws, defended their local rent control laws and developed an impressive housing preservation program. Similarly, San Francisco has aggressively defended its rent control laws and invested a large portion of its scarce affordable housing resources into a strong program that has actively preserved approximately 3,000 Section 8 apartments while curbing the number of Section 8 owner opt-outs.

Local Preservation "Best Practices" Checklist	
Routine Inventory Assessment	<input checked="" type="checkbox"/>
Local Preservation Coordinator	<input checked="" type="checkbox"/>
Local Preservation Ordinance	<input checked="" type="checkbox"/>
Active communication with HUD	<input checked="" type="checkbox"/>
Enforcement of Rent Control Laws	<input checked="" type="checkbox"/>
Registered as a Qualified Entity	<input checked="" type="checkbox"/>
Funds Preservation Acquisitions	<input checked="" type="checkbox"/>

Throughout periods of uncertainty and budget cutbacks, these jurisdictions have shown a positive track record of developing strong preservation and outreach programs to prevent the loss of affordable housing in their counties. CHPC recommends that local governments look closely at these best practices and adopt similar strategies to offset the effects of federal and state budget cuts.

Resources for Preservation

CHPC’s Guide to Local Preservation Strategies identifies three key areas in which local governments can strengthen their preservation programs: Staff Activities, Regulatory Actions and Financial Assistance. A detailed summary of these activities can be found on our website here. Over the coming months, CHPC will add to the Preservation page of our website with additional resources for owners, nonprofit developers, advocates and individual tenants.

Looking Forward: Federal Policy and Advocacy in 2012

Federal policy and advocacy continues to play a critical role in the creation and preservation of affordable housing. CHPC’s 2012 federal policy priorities emphasize the preservation and modernization of the Section 8 program, as well as of other programs that are critical to recapitalizing and preserving Section 8 properties, such as the Low Income Housing Tax Credit, HOME and Voucher programs. CHPC will be helping to lead upcoming advocacy campaigns in California to secure regulatory and legislative support to improve and sustain these programs.

PRESERVATION SERVICES FOR NONPROFIT AND LOCAL GOVERNMENT STAFF

CHPC provides technical assistance, and training to help nonprofit and government agencies build and preserve affordable homes for California families and seniors. For more information, please contact our Housing Preservation Specialist, Nadia Shihab at nshihab@chpc.net or 415-433-6804 x 316, or our Housing Policy Manager, Marilyn Wacks at mwacks@chpc.net or 415-433-6804 x 313.



Opt Outs by County				
County	Section 8 Units Opted Out	Section 8 Units Remaining	Section 8 Total: Opt-outs + Remaining Units	% of Total Section 8 Units Opted Out
Alameda	520	6,938	7,458	7%
Amador	-	112	112	0%
Butte	121	619	740	16%
Calaveras	-	27	27	0%
Colusa	-	102	102	0%
Contra Costa	433	3,305	3,738	12%
Del Norte	-	39	39	0%
El Dorado	-	434	434	0%
Fresno	556	2,688	3,244	17%
Glenn	-	114	114	0%
Humboldt	-	508	508	0%
Imperial	15	422	437	3%
Kern	215	1,168	1,383	16%
Kings	-	310	310	0%
Lake	-	240	240	0%
Lassen	-	82	82	0%
Los Angeles	1,983	41,227	43,210	5%
Madera	-	121	121	0%
Marin	-	856	856	0%
Mendocino	-	480	480	0%
Merced	14	350	364	4%
Modoc	-	111	111	0%
Monterey	37	534	571	6%
Napa	14	472	486	3%
Orange	201	4,523	4,724	4%
Placer	42	654	696	6%
Plumas	-	47	47	0%
Riverside	394	3,579	3,973	10%
Sacramento	1,472	4,658	6,130	24%
San Benito	-	48	48	0%
San Bernardino	243	3,927	4,170	6%
San Diego	504	9,165	9,669	5%
San Francisco	30	8,986	9,016	0.33%
San Joaquin	130	1,659	1,789	7%
San Luis Obispo	22	386	408	5%
San Mateo	201	1,385	1,586	13%
Santa Barbara	-	709	709	0%
Santa Clara	1,561	5,656	7,217	22%
Santa Cruz	258	1,206	1,464	18%
Shasta	88	475	563	16%
Siskiyou	65	390	455	14%
Solano	285	1,329	1,614	18%
Sonoma	165	1,600	1,765	9%
Stanislaus	44	1,145	1,189	4%
Sutter	24	141	165	15%
Tehama	-	316	316	0%
Trinity	-	30	30	0%
Tulare	64	610	674	9%
Tuolumne	-	106	106	0%
Ventura	4	730	734	1%
Yolo	112	941	1,053	11%
Yuba	-	439	439	0%
TOTAL LOSS	9,817	116,099	125,916	5.86%

Note: Counties excluded from this table do not have properties subsidized by Section 8.