



HOUSING PRESERVATION NEWS

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Federal Housing Policy Agenda for 2007

The 109th Congress adjourned on December 8 without passing an appropriations bill that would include critical funding decisions for HUD programs for FY 2007. There is some uncertainty as to whether or not Congress will pass an appropriations bill for FY 2007 or if a CR will run through September 30, 2007.

Housing advocates have an opportunity to persuade the Democratic controlled Congress to make some important fixes to several existing programs. These fixes in many cases are budget neutral, which we have been told are more likely to be passed as opposed to changes that require a substantial amount of funding. CHPC has developed the following federal legislative priorities for 2007 for preserving and creating affordable housing in California. For a more detailed description of these priorities, click on the priority.

A. Short-Term Priorities

(Note: Items 3 and 4 are budget neutral and Item 5 produces budget savings; we urge that all of these items be included in a separate authorizing bill as early as possible in the 110th Congress)

1. **2007 Spending Bill** – Oppose using a Continuing Resolution to fund FY2007 housing programs. A preliminary analysis by the Center for Budget and Policy Priorities indicates that a CR for FY2007 would cost California tens of millions of dollars in funding for our most important federal housing programs including approximately \$90 million in Section 8 housing vouchers, \$35 million in HOME and CDBG funds and \$20 million in Homeless Assistance grants. It is critical to California that Congress pass a spending bill for HUD and USDA as early as possible in 2007. Alternatively, if the Congressional leadership determines that a CR is the only viable approach, the formula for the CR should be set as the higher of 2006 appropriations, the Senate or the House spending levels for these programs.
2. **Public Housing Funding** – Stop the deep cuts to public housing funding which are putting more than 40,000 public housing units in California serving our lowest income population in financial jeopardy. Restore some of these cuts in the form of supplemental spending for 2006 and 2007 to address the steep rise in utility costs.
3. **Project Based Section 8 Voucher Program Funding** – Rationalize the Voucher Funding Formula to better conform to actual need and prevent the waste of this resource that is unnecessarily putting dozens of California Housing Authorities in financial jeopardy and costing out state thousands of existing vouchers. These changes, which are revenue neutral, received bipartisan support in the Section Eight Voucher Reform Act (SEVRA) contained in H.R. 5443, which was approved by the House Financial Services Committee.
4. **Project-Based Section 8 Voucher Program** – Reverse damaging changes that HUD made without notice in the publication of a Final Rule in October of 2005 where they eliminated the ability of housing authorities to pay market rents to developers of tax credit financed housing developments. This little known component of the Voucher program has been used by California housing authorities in partnership with affordable housing developers to leverage hundreds of millions of dollars in additional private funding to create hundreds of additional apartments for our lowest income residents at no cost to the federal government. We must reverse damaging changes made by HUD without notice in the publication of a Final Rule in October of 2005. These changes, which are again

revenue neutral, received bipartisan support in the Section Eight Voucher Reform Act of 2006 (HR 5443), which was approved by the House Financial Services Committee.

5. **Section 8 Mark-To-Market Reauthorization** – Extend the Mark-to-Market program five years to September 30, 2011 and include the additional provisions provided in S. 3511. The Multifamily Assisted Housing Reform and Affordability Act (MAHRA) expired on September 30, 2006 but was temporarily extended through the current CR, which expires on December 8. MAHRA must be extended beyond the expiration of the current December 8 CR and must have the exception rent authority increased from the current 5% limit to 9% along with a resetting of the time period governing the window of eligibility in which nonprofit preservation entities can obtain debt forgiveness.
6. **Tenant Protection Vouchers** – HUD should provide tenant protection vouchers for all units in a property that is opting out or prepaying regardless of whether or not a unit is vacant. Congress should require HUD to provide tenant protection vouchers for all units in properties where owners opt-out of Section 8 contracts and/or prepay HUD-subsidized mortgages without agreeing to continued affordability for all tenants.
7. **Clarify State and Local Authority to Enact Preservation Laws** - California and several other states and localities have enacted preservation laws in order to address the conversion of low-income housing to market rate. Recent court decisions have held that these preservation laws are invalid because they are preempted by the Low Income Housing Preservation and Rental Homeownership Act of 1990 (LIHPRA). LIHPRA expressly preempts state and local laws to the extent they are inconsistent with LIHPRA and impair the flow of federal incentives under LIHPRA plans, or restrict or inhibit prepayment by eligible properties. Congress should clarify that LIHPRA's preemption provision applies only to properties regulated by a LIHPRA plan of action while further clarifying that state and local preservation initiatives for at-risk federally subsidized properties are not preempted.

8.

B. Longer Term Priorities

Passage of Federal Exit Tax Relief - Senate Bill 3616 and its companion bill H.R. 3715 address potential tax consequences that have hampered preservation transfers of older HUD properties by providing “exit tax” relief to owners. The bills would waive the depreciation recapture tax liability for federally assisted housing investors if they sell their property to a “qualified preservation entity.”

Preservation of Rural Rental Housing - Congress should amend H.R. 5039 to ensure the successful transfer of 515 properties and the ability of qualified entities to acquire these properties and preserve the affordability for the longest period of time.

Extension of Section 318 – Transferring Project-Based Section 8 Contracts - Extend HUD's project-based Section 8 transfer authority permanently to allow the transfer of Section 8 contracts from one project to another project in the same community.

Improvements to the Efficiency of the Low Income Housing Tax Credit Program – Permanently set the value of the Low Income Housing Tax Credit at 9% and 4% respectively and make a number of other improvements to increase the value of the LIHTC and Tax-Exempt Bond financing.

New Funding To Support the housing needs of Extremely Low Income households – Request 100,000 new Section 8 tenant vouchers and an additional \$400 million in HOME funds for extremely low income households as proposed by Senator Feingold in S. 4063.

Creation of a National Housing Trust Fund – Find a permanent and dedicated source of federal revenue to support the creation of a national housing trust fund whose goal over the next decade is that is focused on producing and preserving 1,500,000 apartments affordable housing for extremely low and very low income households.

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