



HOUSING PRESERVATION NEWS

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Breaking News – California Advocates Succeed in Helping to Change Two Key Federal Housing Policies

Affordable housing advocates have reason to celebrate this week as we learned that Congress has included an amendment in the 2007 Supplemental Appropriations bill that allows expiring Project Based Certificates (PBCs) to be converted to Project Based Vouchers (PBVs). In addition, we are also celebrating the reversal of HUD's October 13, 2005 decision to limit rents in Low Income Housing Tax Credits properties using PBVs to the tax credit rent.

Converting Project Based Certificates to Project Based Vouchers

California is facing the loss of more than 1,390 affordable apartments that have Section 8 Project Based Certificates (PBC). The PBC program is the predecessor to the Project Based Voucher (PBV) program, which is administered by public housing authorities. When Congress converted the PBC program to the PBV program in 2000, a drafting mistake was made that allowed HUD to take the position that the PBC contracts cannot be renewed or converted. Without statutory authorization to convert them to PBVs, the PBC contracts are expiring. We have already lost 76 apartments in Santa Rosa because the contract expired in March 2007 with another 35 expiring this month in Los Angeles. While PBCs exist in other states, no other state is yet in the situation of having expiring contracts.

CHPC and other advocates in California were instrumental in persuading Speaker Pelosi and Senator Feinstein to ask the House and Senate to include authorization to convert PBCs to PBVs in the Supplemental Appropriations bill that was sent to President Bush on May 1, 2007. The President is expected to veto the bill because of the issues surrounding the war funding. We believe when the bill will go back to Congress, the PBC conversion authorization will remain in the new version of the Supplemental Appropriations bill. This is a "no-cost" amendment since the current PBC contracts are funded from the PHA's formula-based voucher allocation and the new contracts would simply continue that funding. [To see a copy of this legislation, click here.](#)

Project Based Voucher Rents vs. Tax Credit Rents

On October 13, 2005, HUD created a major problem when it inserted a surprise provision into the final rule on the Project Based Voucher program. This provision eliminated the ability of housing authorities to pay market rents to developers of tax credit financed housing developments, thus preventing developers from leveraging the additional income unless they first obtained a waiver from HUD, a time consuming and uncertain process at best. Since October 13, 2005, housing advocates have urged HUD relentlessly to reverse this damaging provision, which was inserted without the legally required opportunity for public comment. On May 1, 2007, facing the near certain prospect that the new Congress would act if it did not do so first, HUD finally issued a proposed rule change that would completely rescind the limitation on rents in tax credit buildings. In the proposed rule, HUD acknowledges that the limitation on rents has inhibited the financing of new affordable housing and reduces rather than increases the supply of tax credits. HUD believes that the subsidy layering review process will be sufficient to ensure an excess of federal subsidies isn't used. [To see a copy of the proposed rule in the Federal Register, click here.](#)

Take Action: CHPC urges all readers to sign on to the letter that will provide HUD with official comments. [Click here to see the letter.](#) Please email [Elyse Perry](mailto:ElysePerry@chpc.net) or [Matt Schwartz](mailto:MattSchwartz@chpc.net) by May 11, 2007, if you would like to sign on to the letter.