July 23, 2014

The Honorable Mark Pryor  
Chairman  
Agriculture, Rural Development, Food and Drug Administration,  
and Related Agencies Appropriations Subcommittee  
Senate Appropriations Committee  
SD 255  
Washington, D.C. 20510

The Honorable Roy Blunt  
Ranking Member  
Agriculture, Rural Development, Food and Drug Administration  
and Related Agencies Appropriations Subcommittee  
Senate Appropriations Committee  
SR 260  
Washington, D.C. 20510

Dear Senators Pryor and Blunt:

The undersigned organizations would like to take this opportunity to write to you regarding the Section 521 Rental Assistance ("RA") program administered by the United States Department of Agriculture’s (USDA) Rural Development (RD) agency. We thank you for the continued support of the RA program, the more than a quarter million extremely low income households that depend on RA, and the more than 14,000 owners and apartment complexes that work with the RA, providing housing to their customers and neighbors. We have concerns that a provision in S. 2389 the FY 2015 USDA, Rural Development, Food and Drug Administration and Related Agencies Appropriations Act, would put certain apartment complexes financed by RD’s Section 515 and 514 programs in financial jeopardy.

Of critical importance to rural multi-family housing providers and residents is the preservation of the Section 521 Rental Assistance (RA) program. The RA program is the essential lynchpin as it provides vital rent subsidies to the very lowest income residents. It is a stable source of cash flow to the businesses, nonprofit and public owners, large and small, that rely on the RA program to provide housing, meet their mortgage and reserve payments, pay third party lenders, equity investors, make payroll and provide local jobs across the country.

We appreciate that S. 2389, does not include language proposed by the Agency that would have required that residents pay a $50.00 minimum rent and language which would have also given broad discretion to the Secretary for renewing RA contracts. The undersigned organizations however, are concerned with the RA language in S. 2389, which would prohibit renewing of RA contracts within the same 12-month period ("re-renewal"). We would urge you to delete this language.
A central feature of the RA contract process has been RD’s flexibility in reviewing individual project annual budgets, which each project must submit as a matter of law, and setting the RA contract for payments. RA contracts have changed over the years from multi-year to single year to save the federal government budget authority. We understand that RD has internal procedures for assessing rents against statewide averages, leaving about three percent of contracts short annually. Rents fall short because: a property’s rents fall outside statewide averages; RD-approved rents or utility allowances increased during a contract period; higher-needs residents moved in during the year; or a project used a higher percentage of RA units than in the past. As RD had the ability to renew contracts, a rental short-fall had not been an issue. Eliminating this re-renewal flexibility will create hardships to owners and residents and will not encourage financial discipline because RA contract overruns are typically outside the owners’ control.

Further, this re-renewal prohibition is unnecessary because RD has already established an upper limit on rents in the comparable rent process. We believe that juxtaposing the re-renew prohibition, along with the requirement to renew all RA contracts for one-year, will require RD to increase rents for all RA contracts that need re-renewal. For RD to be in compliance with both provisions simultaneously, RD will need to establish an operating cushion for every other RA contract. This will increase demand for RA and will require RD to go back to Congress to increase the RA appropriation or be in violation of the one-year renewal statutory requirement.

Many properties, particularly those recently preserved with funding from other public and private sources, will default on their current obligations to Fannie Mae, Freddie Mac, Ginnie Mae, private lenders and equity investors jeopardizing Section 515 properties and inviting foreclosure actions. This will fatally compromise current and future efforts to leverage non-RD resources to preserve these properties. We do not believe that the new authority included in the bills will meet Congress’ goal of setting the RA program onto a sustainable course.

Again, we thank you for your support of RD’s multifamily programs. We look forward to working with you to ensure that all the agency’s programs are adequately funded and continue to serve this country’s low-income residents throughout rural America.

Sincerely,

Avesta Housing, Maine
CEI (Coastal Enterprises, Inc.)
Community Housing Partners
Council for Affordable and Rural Housing
Housing Action NH
Housing Assistance Council
Institute for Real Estate Management
Institute for Responsible Housing Preservation
Mercy Housing
Motivational Education & Training, Inc.
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National Affordable Housing Preservation Associates, Inc.
National Housing Law Project
National Housing Trust
National Leased Housing Association
National Low Income Housing Coalition
Network for Oregon Affordable Housing
VT Affordable Housing Coalition

cc: Senate Appropriations Committee