

## Affordable Housing Preservation

Preserving affordable housing continues to be critically important. The nation's foreclosure and credit crisis has pushed many families from homeownership to rental housing. With homeowner markets unstable, the number of renter households rose by 3.4 million, or nearly 10 percent, between 2004 and 2009, according to "The State of the Nation's Housing 2010" by the Joint Center for Housing Studies of Harvard University.

As former homeowners enter the rental market, a surging number of renters are competing for a limited supply of affordable housing, exacerbating market pressures. The loss of affordable housing properties due to demolition, abandonment, or conversion to more expensive housing has reduced further the options available to low-income renters.

Between 1997 and 2007, the number of units with real rents under \$400 including utilities, about what a household earning the full-time minimum wage could afford at 30 percent of income, fell by 244,000 to 6.6 million.

The Joint Center found that the greatest contributor to the diminishing supply of low-cost rental housing is demolition and removal from the stock. Of the units renting for under \$400 in 1997, 13.4 percent were lost to demolition, disaster, or other reasons by 2007. Another 2.2 percent were lost to abandonment or conversion to nonresidential uses.

Affordable housing typically can be preserved for about 60 percent of the cost of building a new affordable unit, and it is often infeasible to build new affordable units in the same locations where existing units are at risk of conversion to other uses. Preservation also reuses resources and has less of an environmental impact than demolition and new construction.

During the 111<sup>th</sup> Congress, House Financial Services Committee Chairman Barney Frank (D-MA) introduced [H.R. 4868](#), the Housing Preservation and Tenant Protection Act, to stem the loss of affordable rental housing units across the country. The bill would have provided resources and incentives to help prevent the further loss of federally and state-financed affordable housing due to conversion to market-rate housing, deterioration, and foreclosure, and to prevent the displacement of low-income tenants.

At NCSHA's request, H.R. 4868 included a provision to eliminate the prohibition of Ginnie Mae securitization of HFA Risk-Sharing loans. This amendment would have facilitated the sale of bonds to fund HFA loans necessary for the development and preservation of affordable housing. The bill also contained language proposed by NCSHA to offer the owners of state assisted or financed properties with maturing mortgages the option of accepting a project-based Section 8 Housing Assistance Payment (HAP) contract, to help preserve the affordable properties.

The President's FY 2012 Budget proposes to spend the following amounts on preservation of properties with other types of housing assistance: \$37 million to continue Rent Supplement assistance payments on behalf of qualified low-income tenants in approximately 12,700 units that have not converted to Section 8; \$398 million for Section 236 Rental Housing Assistance Program payments; and funding to amend Rent Supplement and RAP contracts in state-aided

multifamily housing projects to address cost increases beyond the maximum annual payment limitation previously established for the affected contracts.

The Administration also proposes to allow a 30 percent “basis boost” for Housing Credits for tax-exempt bond-financed developments involving the preservation, recapitalization, and rehabilitation of federally financed housing that is subject to a long-term use agreement limiting occupancy to low-income households. Current law permits a 30 percent basis boost for developments located in qualified census tracts (QCT) or difficult to develop areas (DDAs) and for buildings designated by the state allocating agencies as requiring the basis boost for financial feasibility, unless any portion of the building is financed by tax-exempt bonds subject to volume cap.

Under the Administration’s proposal, the basis boost for bond-financed preservation developments would be limited in each state to developments assisted by a total amount of tax-exempt bonds that could not exceed 0.4 percent of the state’s volume cap for the calendar year in which the bonds are issued (regardless of which year’s volume cap is taken into account in issuing the bonds). Each state’s Housing Finance Agency (HFA) would determine which developments receive the boost.