Council for Affordable and Rural Housing
Serving the Affordable Housing Needs of Rural America

July 22, 2020

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Charles Schumer
Minority Leader
United States Senate
Washington, DC 20510

Dear Senators McConnell and Schumer:

The Council for Affordable and Rural Housing (CARH) is a trade association with members throughout the country who build, develop, finance, manage, own and supply goods and services for affordable rural rental housing. We are writing to you today to thank you for Congress' actions in response to the COVID-19 pandemic. As you begin consideration of additional legislation, we would ask that you include initiatives not included in previous bills that will help low-income residents who live in rural communities throughout the country.

Affordable rental housing issues affect residents and a vast array of local government, non-profit, and limited- profit participants working together in partnership. Rural renters are more than twice as likely to live in substandard housing compared to people who own their own homes. With lower median incomes and higher poverty rates than homeowners, many renters are simply unable to find decent housing that is also affordable. While the demand for rental housing in rural areas remains high, the supply, particularly of new housing, has decreased. Housing instability has well- documented effects on the education and health of this country's greatest asset, our children. Neither the private nor the public sector can produce affordable rural housing independently of the other; it needs to be a partnership.

The rural residents who live in multifamily housing administered by the United States Department of Agriculture's (USDA) Rural Development (RD) are low-income and extremely low-income families and seniors with incomes of about $12,000 per household. Approximately 63% of RD's rural rental housing households receive rental assistance from the RD's Section 521 Rental Assistance (RA) program. At the same time, almost 72,000 households do not receive rental subsidy. RA, like project-based Section 8, pays the difference between 30 percent of a resident's income and the basic rent required to operate the property. Rural renters are unable to benefit from the funding provided for many of HUD's programs since they are limited to or targeted at urban and suburban households and rural programs are administered through USDA, not HUD.

While Congress did not provide funding for rural residents who rent housing in the Coronavirus Aid, Relief and Economic Security (CARES) Act, the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act as passed by the House of Representatives would provide funding for this vulnerable segment of the rural population. CARH believes there needs to be an additional $309 million for the Section 521 program that can be used for existing RA recipients as well as to assist those renters who do not currently receive RA. RD's current budget cannot cover the existing portfolio plus RA to previous non-RA recipients who need assistance due to COVID-19 related job losses. We would strongly urge the Senate provide additional funding for the Section 521 program.

The next piece of legislation dealing with the COVID-19 pandemic, must also address the economic issues facing rural communities. The programs you support are vitally needed to preserve RD's rural rental housing portfolio. USDA's RD manages the $11.5 billion Section 515 program, and its sister Section 514 farm labor housing program, serving nearly a half-million households.

The RD Multifamily Preservation and Revitalization (MPR) demonstration program has shown preservation can be successful but the number of properties able to be preserved with current resources will not save most of the portfolio. It is simply moving too slowly and too few are preserved each year as important housing affordability is lost to mortgage maturity. The latest statistics from RD indicate that the 514 and 515 portfolios consist of 13,766 apartment complexes containing 421,816 rental homes. This is a large portfolio, but it is also a staggering decrease of 14,234 properties and over 111,000 apartment homes since the programs' inception in 1963 - an approximate 51% reduction in the housing stock. The Section 515 properties are geographically dispersed across all rural America.

In 2002, RD estimated that 4,250 Section 515 properties with 85,000 units "will physically deteriorate to the point of being unsafe or unsanitary within the next 5 years." At that time, RD estimated it would need $850 million to maintain just this portion of the portfolio, and that as much as $3.2 billion will be required for portfolio-wide rehabilitation. Little progress has been made since 2002. Adjusted for inflation, the 2002 $3.2 billion estimate is now approximately $5 billion. At the same time, the Section 514 and 515 mortgages are maturing, and the tenant protections are lost at mortgage maturity. We encourage preservation of this important resource as it is the most cost-effective way to have affordable housing.

We support initiatives that would provide $1 billion for RD's MPR program. Funding for this portfolio will not only provide for the extremely low-income families and elderly residents but will improve infrastructure and create jobs throughout rural America. For each 100 apartment units, 116 jobs (plus an additional 32 recurring local jobs) are created, generating more than $3.3 million in federal, state, and local revenue. Moreover, many rural areas are facing worker shortages due to the lack of available affordable housing near rural jobs.

Finally, we recognize that a private-public partnership is needed for providing safe, decent, and affordable housing throughout rural America. The various housing programs that receive direct funding, as well as the Housing Credit and Housing Bond programs, administered through the tax code are evidence of the success of this partnership. We support Congress' ongoing effort to provide a set 4% tax credit rate (rather than a floating rate that historically has been targeting for 4% but has been closer to 3%) for the 4% Housing Bond program. We do not believe this increases the amount or cost but allows Housing Agencies the flexibility to aggregate tax credits and attract more private capital for housing developments where needed. Rural areas are particularly sensitive to this issue as private investors will tend to invest at lower rates in the typical, smaller properties located in rural towns. That means either finding more sources to make up the gap or to not develop or preserve needed housing.

In addition, states should also have the ability to provide up to a 30% basis boost to properties in rural areas if needed for financial feasibility by qualifying rural areas as Difficult Development Areas (DDAs). Both provisions are integral to furthering preservation and are contained in separate pieces of bi-partisan legislation in both the United States House of Representatives and the Senate.

Thank you for your support of rural housing and communities throughout the country.

Sincerely,

Colleen M. Fisher

Colleen M. Fisher
Executive Director

cc: Senator John Hoeven
Senator Michael D. Crapo
Senator Charles E. Grassley
Senator Jeffrey Merkley
Senator Sherrod Brown
Senator Ron Wyden