NATIONAL RURAL HOUSING COALITION

Fast Facts!

Preserving Rental Housing in Rural America

The Fiscal Year (FY) 2021 budget proposed by the US Department of Agriculture (USDA) eliminates the Section 515 Rural Rental Housing Loans authorized under the Housing Act of 1949, as amended as well as the Multifamily Preservation and Revitalization (MPR) program. The final FY 20 appropriations bill - HR 1865 - rejected similar proposals. For FY 2021, NRHC urges Congress to provide at least $200 million for section 515 and $75 million for MPR.

Proposed Funding Levels

Section 515:
FY 20 Final: $45M
FY 21 Budget: $0
FY 21 NRHC: $200M

MPR:
FY 20 Final: $60M
FY 21 Budget: $0
FY 21NRHC: $75M

Why is this important?

- As the March 2016 USDA Multi-Family Housing Comprehensive Capital Need Assessment indicated, there is a 20 year, $5.6 billion cost for maintaining and preserving existing rural rental housing developments and the approximately 470,000 units of existing rural rental housing;

- There is a pressing need for USDA to expand its efforts to preserve and maintain existing affordable rental housing in rural America, USDA has abandoned its effort to increase the quantity of rental housing in rural America. For this reason, maintaining the existing portfolio of housing development financed by USDA is essential;

- In many small communities across rural America, all affordable rental housing in town is financed by the USDA. A vast majority (92.25 percent as of 2015) of tenants have very low incomes, earning no more than 50 percent of the Area Median Income (AMI);

- The average annual income of Section 515 tenant is $13,112 each year.[i] In addition, 64.35 percent all Section 515 households are elderly or disabled tenants, 31.2 percent are headed by persons of color and 71.1 percent are headed by women;

- Today the average Section 515 property is more than 34 years old. 89% are at least 10 years old, and nearly two-thirds are more than 15 years old; and

- In addition, there is a rising tide of maturing mortgages that will result in increasing affordability issues for low- and very-low-income rural renters. As Sections 515 and 514 loans mature, those developments and their tenants are no longer eligible for rental assistance. USDA has already lost a substantial number of units, losing 2,646 units from 205 properties in 2015 alone, and this trend is expected to continue over the next several decades. USDA calculated that an average of 74 properties (1,788 units) per year will leave the program over the next 12 years (2016 – 2027). In 2028, the number properties' exiting the program is expected to increase significantly with an average loss of 556 properties (16,364 units) per year through 2032.

For the following eight years after 2032, the number of properties exiting the program increases for an average loss of roughly 22,600 units per year, peaking in 2040. (Housing Assistance Council)

If existing refinancing programs are not expanded, and new preservation policies and practices are not adopted, rural communities across the country will lose developments and units that are important sources of affordable housing.

Strategies to Preserve Affordable Housing

- In 2006, Congress established the Multifamily Housing Preservation and Revitalization (MPR) demonstration program, which successfully uses a variety of financing options, which are designed to preserve its portfolio. The goal of the MPR program is to re-capitalize properties by restructuring USDA multifamily housing loans and leveraging MPR funds with other sources of capital. This is often done in conjunction with grants, zero percent loans, deferral of loans, private debt guaranteed under Section 538 and other financing sources including section 515 and section 528 rental housing guarantees in order to revitalize the properties and extend their affordable use. The MPR effectively attracts three times its funds in investments from LIHTC and other sources, though it remains a demonstration program subject to annual appropriations.

- USDA has used MPR to preserve over 30,000 units in section 515 and 514/516. While this is progress, the fact remains that production is a drop in the bucket compared to the estimated 20-year need of $5.6 billion in preservation costs.

- In FY 20, Congress appropriated a total of $60 million for the MPR. Of that amount,$32 million was devoted to vouchers for tenants of section 515 properties prepaying mortgages after September or paying off the mortgage completely.

Section 515 Helped Pathstone Co. Build 30 Housing Units in Rural New York

- In FY16, PathStone completed the redevelopment of the 42 unit West Broadway Villas project, a USDA Rural Development Section 515 project.

- This development had been neglected for many years, and residents were subjected to unsafe housing conditions. West Broadway Villas is located in the Village of Monticello and was built in the late 1980s utilizing USDA Rural Development (RD) 515 funding dollars. It is a typical 25-year old RD funded project—modestly built with very little project reserves available to make the necessary capital improvements to extend the life of an affordable housing project.

- The property was taken back from the previous owner by USDA RD foreclosure action, and PathStone has acquired and renovated the property. The financial restructuring enabled PathStone to address all the capital needs and added a community building to create a sense of community for the residents.

- The project includes 30 units of USDA RD rental subsidy and 12 units of Project-Based Vouchers through New York State HCR. The acquisition and substantial rehabilitation of this project resulted in improved living conditions for 42 families and the long-term security of these units in an area with very little affordable rental housing.

[i] Results for the 2018 Multi-Family Housing Annual Fair Housing Occupancy Report, U.S.D.A. February 7,2019.