NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION

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Ms. Carol Galante
Deputy Assistant Secretary
Multifamily Housing
U.S. Department of Housing and Urban Development
451 Seventh Street S.W.
Washington, DC 20410

Dear Deputy Assistant Secretary Galante,

Thank you for the opportunity to participate at the recent Section 202 Stakeholder Meeting on March 24, 2010. As a follow-up to that meeting, I respectfully offer the following comments on behalf of the National Affordable Housing Management Association (NAHMA) regarding the Section 202 reform discussion topics proposed by the Department.

NAHMA generally agrees that some changes are necessary to improve the 202 program. Our members welcome the opportunity to work with you and your staff to ensure that Section 202 sponsors can provide quality housing for elderly families. We believe guiding principles for reform should include:

- Enabling sponsors to build properties that achieve economies of scale;
- Ensuring that Section 202 properties are physically and financially sustainable in the long-term;
- Encouraging supportive services which will allow seniors to "age-in-place;" and
- Pursuing a simplified regulatory framework which focuses on results rather than sponsors' processes for achieving the desired results.

Should HUD require that 202 projects leverage LIHTC equity in order to reduce per unit capital advance amounts?

We believe that HUD should not *require* leveraging LIHTC equity in order to reduce the per unit capital advance amounts. We suggest that HUD encourage and/or provide incentives for developers to leverage LIHTC equity and other funding sources to finance 202 projects. We would also encourage HUD to work with Treasury/IRS and other equity providers to streamline and simplify the process of using Section 202 grants with other funding sources.

Should HUD block grant 202 funds to states for allocation and administration of funds (similar to HOME)?

Under the current system, sponsors apply for Section 202 capital advances through the federal NOFA process. Section 202 is a federal program with a set of federal requirements. NAHMA is skeptical of the block grant concept for allocating Section 202 capital advances. We are concerned that a block grant allocation may result in different priorities and different program requirements in each state.

Should HUD provide 202 funding only to projects that are substantially ready to proceed (i.e. have local approvals, funding commitments, and underway with work drawings)?

NAHMA would welcome further dialogue with HUD on this question. Conceptually, it may be reasonable for HUD to consider this factor in the NOFA. However, HUD must balance the goal of bringing units online as quickly as possible against the reality that all development deals have elements of uncertainty. There is rarely, if ever, a "perfect" development deal. Likewise, Section 202 capital advances are often used to leverage other federal, state and local funding, which in turn, moves the development forward. *Requiring* developers to be shovel-ready as a condition of Section 202 funding could make it more difficult for smaller sponsors to secure the additional financing needed to proceed with construction. As a result, otherwise capable sponsors may be unintentionally excluded from participating in the Section 202 program.

Should HUD provide 202 funding only to sponsors that have significant track record in developing similar housing?

NAHMA would welcome further dialogue with HUD on this question. We believe it is reasonable to consider a sponsor's history in developing similar housing in the NOFA. Nevertheless, HUD must ensure that its policies do not create such high barriers to program participation that preclude funding for capable new sponsors.

Should HUD provide 202 funding only for projects that reserve some or all supported units for frail seniors?

NAHMA certainly believes that sponsors should be *permitted* to reserve Section 202 units for the frail elderly. Our members strongly support senior housing projects which provide a continuum of care for residents. We encourage HUD to continue working with stakeholders to develop further incentives for Section 202 properties to allow residents to "age in place," and also to remove regulatory barriers which make providing necessary services to frail elderly residents more difficult. However, we do not believe that HUD should *require* projects to reserve some or all supported units for frail seniors as a condition for receiving Section 202 funds.

Should HUD provide 202 funding through a national competition?

We agree that greater flexibility in the allocation process is necessary to ensure the areas with the greatest need for elderly housing receive adequate funding for feasible projects. On the other hand, if funding is skewed to only a few states or urban areas, congressional support for a national Section 202 program would greatly diminish. NAHMA urges HUD to consider the approach proposed in Title VII of the Housing Preservation and Tenant Protection Act of 2010 (H.R. 4868). Section 717 of the bill states,

> "Paragraph (3) of section 202(l) of the Housing Act of 1959 (12 U.S.C. 1701q(l)(3)) is amended by inserting after the period at the end the following: `In complying with this paragraph, the Secretary shall either operate a national competition for the nonmetropolitan funds or make allocations to regional offices of the Department of Housing and Urban Development."

Some final thoughts for consideration.

As HUD works to reform the Section 202 program for the future, NAHMA believes it is imperative to continue building new units to meet the present demands. We strongly urge the Administration to reconsider its FY 2011 budget request, which would eliminate funding for new Section 202 construction for the next five years. Eliminating the capital advances will further reduce the availability of affordable housing for the growing low-income elderly population. Moreover, if Congress does zero-out capital advances, there is no guarantee funding will resume in the future. NAHMA strongly believes Section 202 appropriations should be held to *at least* $825 million, the enacted level for FY 2010. Going forward, we hope that HUD will request strong Section 202 budgets, which include funding for capital advances and inflationary increases.

Thank you for your consideration of NAHMA's comments on HUD's proposals to reform the Section 202 program. If you have any questions regarding the material we have provided, please contact Michelle Kitchen at (703) 683-8630.

Sincerely,

Kris Cook, CAE
Executive Director