



Comments by Jon Gutzmann
Homes For All Conference
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Thank you Mr. Donovan and Mr. Ellison for caring about preserving the public housing program. Thank you Mr. Donovan for all that you did helping PHA's secure the Recovery Act funding for needed capital improvements. Thanks for your commitment to work more closely with your Public Housing Industry partners on phase two of this legislation. As I said in my August 26, 2010 letter, I support voluntary conversion of a portion of the portfolio. Thank you Congressman Ellison for the call inviting me to meet with you so you could better understand my concerns about PETRA. I am grateful for that call, our meeting and for your abiding belief in the importance of the public housing program. I know you truly get it.

My outlook regarding PETRA II generally embraces views expressed by Sheila Crowley, President of the National Low Income Housing Coalition and Congresswoman Maxine Waters of California. Sheila Crowley: "that this bill is at best a work in progress." Maxine Waters: "that for 8 years (she) fought the Bush Administration's repeated attempts to eliminate the nation's public housing stock, first slashing its funding, then enacting policies to limit the number of public housing units rebuilt...and that (she) "is afraid this entire concept of leveraging and mortgaging is based on the premise that we've given up on trying to adequately fund the public housing capital account."

I have not given up. I am proud of my record over the last 30 years to help preserve the 1.2 million units of public housing; a record that includes fighting attempts from the right to eliminate the program and from the left to over-regulate the program. I am proud to be a small part of owning and managing this vital safety net program whose portfolio comprises less than 1% of all the housing stock in America. I am proud of the record of the St. Paul Public Housing Agency in providing quality, safe and affordable housing to over 20,000 people.

It was in that spirit that I offered my August 26th letter to Secretary Donovan regarding PETRA. PETRA II addresses some of my concerns. I appreciate the new language reinforcing that conversion is voluntary. I also appreciate the language strengthening anti-privatization. But my letter is still perhaps 75% valid and deep concerns remain with PETRA II.

I will only have time today to discuss eight of those concerns. However, I have a handout that expounds on my own concerns and literally lists 200 issues and questions from resident advocacy organizations and industry representatives that need to be addressed by the Department. This transformational legislation cannot be accomplished in a lame duck session of Congress. Portions of it might be ready for adoption in three to five years.

1. **Industry Principles:** PETRA II builds on some of the principles articulated by the three public housing advocacy groups in September. But more work remains. A conversion initiative must have as its overriding priority the preservation of public housing. HUD should propose and Congress should provide full funding for the Operating Fund and the Capital Fund. Three of the 200 or so critical points needing additional work are: (A) rent setting: properties in low cost areas will not have high enough market rents to leverage the funding they will need to accomplish their modernization needs. (B) “mobility” could create turnover rates that will jeopardize the property; will make the properties a portal to section 8; and isn’t fair to applicants on the section 8 waiting list that have more severe housing needs. (C) Regionalization of Section 8 could create an inefficient super bureaucracy that will harm applicants and remove accountability that local public governance provides.

A handout of the Industry Principles for Recapitalizing and Preserving the Public Housing Stock is attached. A link to it and others I reference today can be found at our website: www.stpha.org.

Mr. Secretary and Congressman Ellison, please keep the dialogue open with the industry groups as PETRA II makes its way through Congress. We have more work to do to perfect this bill before it can be passed into law.

Furthermore Mr. Secretary, the PHADA response of October 6 to the Urban Institute paper on PETRA bears closer reading regarding “tone at the top” and substance on this matter.

2. **Ensuring Capital Fund Program (CFP) proportionality for the non-converted remnant public housing portfolio coupled with HUD being a stronger advocate for the remnant public housing portfolio.** Mr. Ellison, I appreciate your saying this was my strongest criticism of PETRA I. It remains my chief concern. Even if PETRA II becomes law tomorrow there would still be a remnant public housing portfolio of perhaps 750,000 units existing in perpetuity...assuming that conversion is truly voluntary. I would like to work with you to craft an amendment to your bill ensuring there will be no net loss of capital and operating funding for the non-converted public housing portfolio. Mr. Secretary, I would really appreciate hearing more from the Department about the positive, important role the

traditional, non-converted, public housing program plays in communities all across America. These are the PHAs that obligated the \$4 billion Recovery Act funding in record time and created thousands of jobs, by the way...not some new hybrid PHA model envisioned on the PETRA drawing board. And as I have written, submitting budget requests to Congress cutting the Capital Fund fuels speculation that the Department's end game strategy for PETRA is forced conversion of all public housing coupled with eventual zeroing out of the Capital Fund. Many of my colleagues remain wary of being "starved into submission" regarding PETRA II. We will resist that.

3. **Fear of privatization:** PETRA II protections against privatization are better than round one. However, there is still notable concern about unintended consequences of adding debt to the public housing portfolio. We already know that the "promised land" of Section 8 project-based contracts is not foolproof. Many properties in that portfolio are lost each year because they simply carry too much debt. It is not an accident that the highly regarded Minnesota Housing Finance Agency initiated a program called the "Minnesota Preservation Plus Initiative" to identify which existing multi-family projects in Minnesota can be retained and which will be lost due to limited preservation resources. This latest initiative builds on years of collaborative work by local funders to preserve existing multifamily projects. HUD would do well to work with Minnesota Housing to learn from their nationally recognized efforts to preserve the existing multifamily project-based portfolio in Minnesota. However, the fact that this initiative is necessary to preserve the privately financed affordable housing inventory (the world HUD says public housing must migrate to in order to survive), should be sobering for PETRA advocates and public housing preservationists.

4. **More on the Existing Public Housing Program:** Why am I pressing for HUD's increased advocacy of the existing Public Housing funding model along-side a model converting a portion of the portfolio? Because the existing model works for many PHAs across the nation. Even with the perils of the annual appropriation cycle, many PHAs get the job done without the need for a new funding mechanism. These include large PHAs like my own, as well as mid-size and small PHAs. The high performing PHAs should be seen by HUD as its laboratory of best practices, including managing their assets with the money Congress currently appropriates. These are the PHAs that embody former President Bill Clinton's conviction: working hard and playing by the rules.

Some examples from the St. Paul PHA: High Performer designation by HUD for 20 consecutive years; 99% occupancy of 4249 units for 15 consecutive years; average unit turnaround of 13 days "key to key" (on the approximately 800 units vacated per year); zero financial audit findings for 12 consecutive years; rent collections over 99% for 18 years;

consistently obligating all capital funds a full year ahead of HUD deadlines, awarding millions of construction dollars to qualified women, minority, disabled, and Section 3 business owners each year; etc.

And next year, we will complete a \$34 million, nine year renovation of our largest family development, McDonough Homes. Constructed in 1952, McDonough Homes is the PHA's oldest and largest family development. We began renovation in 2002 using approximately 50% of our annual Capital Fund Program (CFP) award each year for construction contracts. We maintained 99% occupancy of the development during construction. We will complete this "HOPE VI scale" renovation without the need for private debt financing while preserving the housing resource for all existing residents. No relocations. No need for one-for-one replacement. No loss of inventory. We accomplished this same feat years earlier on two separate 314 unit family sites. Mr. Secretary, that is how a high performing PHA gets it done with current appropriations.

And we are not alone. PHAs all across Minnesota and this nation have this same record of accomplishment using existing appropriations and existing rules. The nation's largest PHA, NYCHA is a well run agency. It could use some more money (as could all PHAs) but it has not lost any of its 160,000 units. In fact, it just added 20,000 more. Some leading PHAs have already expressed that conversion will work for a portion but not all of their properties. Many small PHAs, elderly properties, HOPE VI properties, and to some extent MTW agencies, will not benefit from PETRA II. Keep this portion of the portfolio as is. Be its champion. It is far from broken.

- 5. Reality Check on Two Stated Goals of PETRA:** The Department repeatedly cites the loss of 150,000 units of public housing over the last 15 years as a key rationale for PETRA. Yet, HUD has approved the loss of each and every one of these units. Over 25,000 units have been approved for demolition or disposition by this Administration in the last 20 months. I understand there is a pipeline of units in process for disposition. And I understand that many dispositions involve one-for-one replacement. Yet if PETRA II became law tomorrow, is the Department confident these losses will end? Where is the specific nexus in this legislation between conversion and loss prevention? Even though we have lost 150,000 units, PETRA II is not specifically addressing preservation, either through its rent setting or its selection criteria which emphasize de-concentrating poverty and regionalization. Thus, it may not accomplish the goal of preserving units and stopping the attrition. Plus, by using criterion, such as "location" to decide whether or not to extend contracts, the bill opens itself up to actually losing more properties.

The Department also repeatedly cites the existence of 12 or 13 separate rental assistance programs that would be streamlined and simplified under PETRA. Of course, each of these

programs was created by an Act of Congress with distinct and often competing constituencies in mind. For example, the Section 811 program is allowed by statute to provide housing for “disabled only;” the Section 202 program is allowed by statute to provide housing for “elderly only;” public housing is prevented from discriminating in a similar manner in its admission policies. Is HUD really intent on seeking Congressional approval to merge all elements of these disparate programs? I have not seen anything close to that in PETRA II. Is this really program consolidation? Seems more headline than fact.

For public housing advocates, PETRA II seems to saddle public housing with even more regulation while the other 11 or 12 rental assistance programs are allowed to essentially operate as is. We have been told by HUD officials to recognize as a “political reality” that the multifamily world will never accept all the public housing regulation (tenant protections, lease and grievance procedures, resident Board members, community service, Section 3, etc.) that would come their way if all 13 rental assistance programs were truly merged. Is this fair? What entitles that portion of the affordable housing portfolio to maintain firewalls “protecting” it from the “burdens” of the public housing regulatory world? And if the public housing regulations and protections aren’t inherently in the best interests of all low-income residents and society as a whole, then why do they exist in public housing?

6. **Not a Level Playing Field:** Some PHAs desiring to convert their portfolio will be at a competitive disadvantage with their peers given the limitations of their enabling legislation. 3200 PHAs with possibly 3200 different state enabling statutes or city charters exist in America. The St. Paul PHA is restricted by our state enabling legislation to owning and managing the federally funded public housing and section 8 programs. We cannot create a non-profit affiliate, which means we cannot access tax credits, which means we cannot avail ourselves of the best private financing tool out there, which means our cost of borrowing will be higher, which means our deals have greater risk, etc. I know HUD has heard similar concerns from its own legal staff regarding restrictive state laws. How has PETRA II addressed this significant issue?
7. **Other Preservation Bills and Initiatives:** PETRA II should be combined with the best features of Representative Frank’s preservation bill, with the best of the NAHRO/PHADA voluntary conversion bill, and with other sensible amendments that are likely to emerge. Certain aspects of Representative Frank’s public housing preservation bill (H.R. 5814) are far more appealing to PHAs than PETRA, including capital fund loan guarantees, utility cost savings, allowing the use of capital funds to create new public housing units, grants to convert public housing units to assisted living facilities. etc. Each one of these provisions is workable and genuinely promotes preservation of this scarce and precious housing resource.

I hope Mr. Ellison and Mr. Donovan will affirm their support for these provisions of H.R. 5814 and abandon competing or conflicting provisions in PETRA II.

8. **Consider making PETRA II a voluntary demonstration program with an evaluation component.** HUD has said the MTW program has value and is willing to allow a limited expansion. Everyone wants to add an evaluation component to MTW, yet it affects only thirty-some PHAs. Certainly something as bold as potentially “transforming” the entire 1.2 million unit public housing inventory affecting 3200 PHAs deserves careful analysis and study. Mr. Ellison, please consider a second amendment I will draft making PETRA II a voluntary demonstration program with rigorous evaluation.

9. **Hundreds of other Questions and Concerns.** Handout. These and hundreds of questions will follow once PETRA II is formally introduced. I maintain they all need attention, consideration, and detailed responses before PETRA II is ready for enactment.

Conclusion: I continue to believe that HUD and Congress have a **permanent obligation** to maintain a viable Conventional Public Housing program fully funded with annual Operating and Capital Fund appropriations. Public Housing is different from the other 12 rental assistance programs for all the reasons Congress continues to adorn it and only it, year after year, with special regulations as mentioned above. The Department promotes all these existing regulations for public housing under PETRA II, while creating new “distinctions” for Public Housing relative to the multifamily portfolio, such as different standards for rent setting, and the huge topic of mobility. No one, it seems, can resist layering the Public Housing program, and only it, with more regulation and social engineering. A demonstration program converting a portion of the portfolio, coupled with incremental statutory changes (along the lines of H.R. 5814) makes far more sense. The non-converted Conventional Public Housing portfolio must be championed and defended by HUD as job number one. Residents and other stakeholders have a right to expect nothing less from the Department and all of us who work in this field.

I will continue working with Secretary Donovan, Congressman Ellison, and others to advocate for adequate Congressional funding to preserve this crucial safety net program for the thousands of residents who rely on it for their health and safety. Thank you for considering my comments and recommendations.

Jon Gutzmann
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ATTACHMENT 1 TO JON GUTZMANN'S COMMENTS ON "PETRA II"

Here are some of the comments and questions raised by other housing industry stakeholders and observers.

RENTS

1. How will comparable market rents be established?
2. Will PHAs conduct these studies themselves?
3. If not, will they have a right to appeal?
4. How will HUD decide which properties get an exception rent?
5. Will there be an upper limit on the dollar amount of repairs that can be done/unit?
6. How many properties will be able to complete their capital backlog under this structure?
7. What role will location play in choosing which agencies get exception rents?
8. Will standards be applied consistently?
9. What will prevent favoritism or political pressure in playing a role about which properties get exception rents?
10. Is basing the maximum rent on markets a good idea, since markets are so different?
11. Why should properties in high market areas, in essence, get more funding for repairs than properties in low cost areas?
12. Will some properties get enough to modernize to a higher standard than others?
13. Why should MAHRA properties be able to exceed exception rents, but not public housing ones?
14. Will HUD use operating fund reserves to lower exception rents?
15. Will HUD try to induce PHAs to request below market rents?
16. What will be the sound underwriting criteria HUD will use to guarantee the property's financial stability?
17. Will HUD use the 2000 Abt capital fund report to base its replacement reserve estimate or will HUD use actual needs over the next 20 years?
18. Why does HUD believe converted properties will be required to pay real estate taxes?

RESIDENT CHOICE

19. Why will resident choice apply only to the place-based properties that have converted to PETRA?

20. Why does the Secretary have discretion to reduce the 24 month waiting period?
21. Is it fair to require contract administrators to provide one out of three turnover vouchers for resident choice for other housing authorities?
22. Is it fair to provide public housing residents tenant based vouchers ahead of applicants on Section 8 waiting lists who may have more severe housing needs?
23. Cannot public housing residents apply for vouchers along with all other income-eligible Americans?
24. Will not people move into converted public housing just to receive a voucher?
25. Will not allowing section 8 applicants to move to public housing waiting lists increase this phenomenon?
26. Will not the increased turnover in public housing jeopardize the financial stability of some properties?
27. Is it not true that a great deal of public housing was not built to market standards, restricting its ability to compete with today's market rate properties?
28. What is HUD's plan if turnover is so great that the property goes into foreclosure?
29. How is that public housing residents are considered trapped when Resident Characteristics Report shows that one-half of move-ins stay less than a year.

REGIONALIZATION

30. Why does the Department promote mobility when the Moving to Opportunity experiment showed no improvements in education, employment or earnings?
31. Why promote mobility when Moving to Opportunity showed that boys actually suffered deleterious consequences?
32. Why promote mobility when Moving to Opportunity showed that it can lead to the hyper mobility that harms children's educational prospects?
33. Why should HUD spend \$3000 per unit on mobility counseling when \$8000 per unit would pay for another voucher for an extremely low-income family with severe housing needs?
34. What evidence does the Department have that regional administration of section 8 will facilitate mobility?
35. Will not creating metropolitan administration create a super-bureaucracy that will make it harder for voucher holders to find housing?
36. Do not local administrators know their landlords and rental markets better and are therefore able to lease up more vouchers?
37. Does not this local expertise help them keep costs down by negotiating rents with landlords?
38. Will administrative costs increase with the addition of middlemen, such as statewide administrators?
39. How will public governance occur in metropolitan administration?
40. Will not changing section 8 administrators increase instability and reduce voucher utilization rates?

BORROWING MONEY

41. Will not some form of loan guarantee be necessary to attract private capital?
42. Are not credit markets reluctant to loan at the moment?
43. What will properties do if they cannot attract a loan?
44. Will properties be expected to attract funding from other sources, such as the Low Income Housing Tax Credit program?

USE AND FORECLOSURE

45. What happens if the Secretary chooses not to purchase a property in foreclosure?
46. What aspects about 'location' would lead the Secretary to decide not to extend a contract?
47. Is not the standard of 'repeated violations' of regulations too low to use to deny a contract extension, since two incorrect rent certifications could be considered 'repeated violations?'
48. If a non-profit is deemed to be a 'housing authority' does it become a public entity and have a priority to purchase foreclosed properties?
49. Does allowing the Secretary to suspend payments to a PHA upon threat of foreclosure possibly cause additional problems by not providing enough funding to heat and maintain the property?
50. Should the Secretary have the right to impose 'corrective actions' in case of a foreclosure when the problem may simply be lack of revenue due to an inadequate rent structure or excessive turnover due to resident choice?
51. How can one evaluate the usefulness of the Secretary's right to purchase with no description of the regulations that will guide it?

RENT ADJUSTMENTS

52. Does the bill call for more than one rent adjustment methodology for project-based contracts to have one for converted public housing properties and one for converted multifamily ones?
53. Why is a negative rent adjustment prohibited for project-based contracts, but not for project-based vouchers?
54. Why, after each five year review of comparable market rents 'must' a decrease in rent be instituted if warranted, while only 'considering' an increase to be instituted if warranted?

REGULATIONS

55. Which physical inspection standard will be adopted for converted properties?
56. Why is Section 3 applied to these converted properties, but not to other multifamily ones?
57. Is an applicant or tenant's right to 'review' an adverse decision different from the right to an 'informal hearing?'

ADDITIONAL FINANCIAL RESOURCES

58. Is it fair to allow capital funds to be used at converted properties, after they have had their rent restructured, or is that in essence double-dipping.
59. How much money remains in multifamily contracts that can be put in the Rental Assistance Conversion Fund?
60. What will this money be used for?
61. Since PHAs are required to conduct physical needs assessments, how could HUD possibly be justified in collecting up to \$100,000 per property as a fee?

ONE FOR ONE REPLACEMENT

62. Why is HUD allowed to replace hard units with vouchers in the case of a contract termination, but PHAs are not when they dispose of or demolish units?
63. How can HUD apply standards, such as voucher success rate and deconcentration of poverty, to determine whether or not vouchers can be used, when they have never required HAs to adhere to these standards?
64. How can HUD require the creation of hard units without providing any funding?
65. Why is voucher success rate a relevant standard when applicants on the section 8 waiting list will be helped by additional vouchers regardless of the success rate?

PROJECT BASED VOUCHERS

66. Should not the development of administrative fees be done through negotiated rulemaking?
67. Why cannot 100 percent of units in a converted public housing project become project-based vouchers?
68. If demolished or disposed of public housing units must be replaced by hard units, why have such a low cap on the number of tenant-based vouchers than can be project based?
69. Should agencies close to the cap be allowed to petition to exceed the cap?

OTHER ISSUES

70. What does the Secretary envisage doing to facilitate energy efficiency in these converted units?
71. What amount of time will the Secretary allow to bring flat rents to contract rents?
72. What is the purpose of facilitating identifying non-profits as public housing authorities?
73. Why does the Secretary need subpoena power?
74. Will cash flow from converted properties be fully fungible?
75. What assurance is there that capital and operating funds will continue to get appropriated at the same level of eligibility as converted properties each year in the future?

MORE ISSUES

76. How does “regionalization” advance the goals of PETRA?

77. Doesn't it raise new complications and risk losing local support for housing programs?
78. Is "tenant mobility" a necessary component of PETRA?
79. Doesn't "mobility" obscure the goals of simplifying programs and financing?
80. Won't "mobility" from converted public housing "end the Housing Choice Voucher/Section 8 program as we know it"? It would delay Section 8 admissions further; waiting lists will stay closed longer.
81. Aren't PHAs at risk of losing control of their funding, if the Secretary can suspend payments to the PHA and use the funding to pay a lender directly.
82. Why not provide FHA insurance for any loan from a private that finances capital improvements in public housing?
83. Is public housing protected from privatization, if HUD has discretion to modify the use restrictions at foreclosure or bankruptcy?
84. With tight federal budgets, will (how can) TRA result in MORE funding for public housing?
85. Will properties with the greatest needs be able to borrow on the private market without a federal loan guarantee (FHA or other)? At what interest rates?
86. Is there/Should there be a limit on the interest that could be charged the PHA to borrow money for capital improvements?
87. Is there/Should there be a restriction on "bundling" or "securitizing" loans to PHAs, to keep them out of the secondary mortgage market?
88. HUD claims PETRA would work to finance public housing and preserve the public housing. It should present tables on how many public housing developments fall into different categories of backlog need, what it would cost to eliminate the backlog and bring them up to 'mixed income' standards, how much they would have to borrow to address those needs, what their operating budget would have to be in the future to cover their operating, maintenance and utility costs in the future as well as pay off their loans and establish reasonable reserve levels, etc.
89. All the discussion about PETRA so far is speculation, without solid, fact-based estimates concerning what proportion of the public housing stock could actually be preserved under PETRA without additional outside sources of funding.
90. HUD has instead implied that the levels of funding that HUD would provide under the PETRA subsidy would be enough to preserve most public housing developments without additional sources of subsidy. If HUD does not think that is the case, HUD should say so up front, and provide the data HUD has used to develop its estimates.
91. The key question for determining PETRA's workability would be the per unit distribution of capital needs, and the cost of financing those needs, in the public housing stock that remains today.
92. If we really don't know where the PETRA approach would work and where it wouldn't, why not offer it as one option to PHAs, but also allow other PHAs to continue within the present system – AND have HUD request full funding for public housing operating and capital programs for PHAs that stay within that system – rather than proposing to cut the public housing capital fund in the future as HUD as proposed?

93. Does HUD have the costs right? HUD uses \$25,000 per unit backlog. Many think that's too low. Where does the money come from to provide this additional rental assistance. PHAs think it's likely to be a zero sum game, so HUD would take money from another account, e.g. capital funds, to fund this.
94. Rent-setting is a key issue. PHAs fear that they wouldn't be able to get 'exception rents' that were adequate to allow them to fund these programs. So why not simply use HUD's existing Section 8 program, and give the PHAs the choice, rather than creating a new hybrid program?
95. Credit enhancement is a key issue. Will lenders be interested? It is hard to assume that lenders—assuming that they'll be back in the market for making loans someday—would lend without credit enhancements and loan guarantees.
96. I don't think it would be necessary to have 'extremely large upfront investments in public housing' to address the current backlog, pay for new accrual needs as they occur, and bring public housing up to standard. Adding another \$2.5 billion per year to the current level of \$2.5 billion per year for the public housing capital program would do fine.
97. Which public housing developments had high capital backlog needs that were beyond the reach of the current public housing capital program?
98. How large were those backlog needs at individual developments?
99. What would it cost to bring those developments up to current standards that would enable them to attract a somewhat higher-income clientele?
100. How much money would have to be borrowed to do this?
101. How much money would be expected to come from tax credits (LIHTC) and other sources?
102. What would be the borrowing costs on the loans?
103. Would loans be available from the private sector, which is currently enmeshed in the mortgage foreclosure crisis?
104. What would the annual debt service on these loans be?
105. Would PHAs get any additional subsidy from HUD to cover the costs of this debt service?
106. Would PHAs have to cannibalize funding from other developments to ensure that loan repayments could continue to be made on their 'PETRA-fied' developments?
107. What if there still wasn't enough money to cover their costs?
108. Would PHAs have to increase the rental income they received from their units?
109. How would the PHAs do this?
110. What if that still were not enough?
111. Would the PHAs have to sell off the developments, or would the banks foreclose?
112. What would happen then to the developments and to the residents?
113. Why weren't PHAs going to be allowed to administer the vouchers that would be used to move people out of public housing developments?

114. How would the new regional mobility entities be established and who would control and administer them?
115. Would additional vouchers be provided by the federal government to implement the new mobility programs without making other households who are already on the voucher waiting list wait even longer?
116. How many public housing units and developments really need this new 'preservation' approach?
117. Most important, how much would this whole new system require in annual appropriations to enable PHAs to preserve most of the public housing stock and also provide more opportunities for household mobility?
118. What calculations did HUD make of these estimated costs, and what facts and methodologies did HUD use to make these estimates?
119. Can HUD offer some specific calculations for specific high-needs projects to prove that HUD's beliefs are sound and workable?
120. What process or procedures are the Administration planning to utilize for the selection of obsolete and distressed public housing for purposes of revitalization, replacement, rehabilitation, and/or rebuilding.
121. What will be HUD's criteria for the selection and implementation of the first units to participate in this program and why is this not specified in the legislation?
122. How is HUD planning to deal with the likely significant costs that will be needed for rebuilding, revitalizing and rehabilitating the obsolete and distressed stock of public housing?"
123. What are HUD's expected costs under PETRA if HUD's expected goal is to preserve all the public housing units and any replacement units?
124. What is the preservation goal – 100% of the units or some percentage of the units and some Section 8 vouchers?
125. How would these policies be implemented?
126. How and who will make these decisions?
127. How many staff does HUD estimate it will need to utilize on this program and where would the additional needs and staffing come from and at what cost annually?
128. If HUD uses the FHA mortgage insurance program as a partial or complete backstop for financing the revitalization, rebuilding and/or rehabilitation of obsolete or distressed public housing under PETRA, how will HUD preserve this housing as low-income housing if there is a default on the FHA insurance?
129. Will FHA absorb the losses?
130. How would HUD expect to deal with this issue?
131. If after foreclosure the properties are owned by a PHA or other entities such as nonprofits (and perhaps for-profits), would there not be additional costs?
132. If not, why not?
133. If there would be additional costs, who would be responsible for paying these costs and what is the estimate for these costs?

134. Are there any provisions designed to promote regulatory reform under PETRA?
135. Is HUD planning to use pro formas to analyze the preservation of PHA developments under PETRA?
136. Has HUD looked at this approach?
137. If not, how does HUD plan to analyze an individual PHA development's economic viability under PETRA?
138. What is HUD's current strategy, including its expected cost analysis for rebuilding, redevelopment and rehabilitation, for separate obsolete and distressed PHA properties under PETRA?
139. In addition, what did HUD use to assess the cost of building HOPE VI projects and are there any best practices or lessons learned from HOPE VI that can be used for PETRA?
140. What will HUD do if there is a lack of funding to meet the costs of rebuilding, revitalizing or rehabilitating?

OWNERSHIP ISSUES

141. There is concern that the lack of Federal ownership will be, in the long term, a disincentive for investing in public housing. Even though underfunded today, it can be argued that federal ownership helps retain ongoing federal investment.
142. Under PETRA, without federal ownership, properties can be at risk due to borrowing and poor management of the development or an economic crisis such as we have experienced in recent years. What protects these resources long term?
143. Under PETRA, it appears that the Federal Government reserves the right to turn public housing properties over to non-profit organizations. There is not an absolute requirement that these resources be owned by a 'governmental entity'.
144. PETRA's priority for public ownership may have limited effect. Many PHAs are part of City Government and if the PHA risks its property, the respective city, county etc, especially in times of economic difficulty may be unwilling or unable to take on the responsibility of the PHA, this would leave a non-profit as the only viable alternative. With current federal ownership, this scenario could not happen. It appears that PETRA II does not make federal ownership a requirement.
145. PETRA has some conditions under which HUD can shift ownership or remedy matters by awarding of vouchers. However the 'or provide vouchers' language in PETRA could result in the elimination of hard units.
146. If vouchers are used to replace hard units, will these be new vouchers specifically for this purpose or will they be allocated from existing vouchers?
147. PETRA allows for a distinction between the PHA administering the contracts and the "entity administering the contract for PBC assistance". Who determines who administers these contracts and does a public housing conversion provide the PHA with the absolute right to administer the contract/s?

FUNDING ISSUES

148. There appears to be a specific amount in the legislation to launch PETRA but what is the source of the funds ongoing?

149. As PETRA funding is established will it have its own Section 8 (n) budget line, will it be under a general Section 8 line, or will it derive from the program from which it was converted e.g. public housing? The answer to these questions could significantly impact other PHA programs.
150. Many sections are “subject to appropriations etc. There should be presumption that converted public housing units would receive priority for renewals, if funding was not available for all units. If not, how will HUD allocate the funds and where will HUD take funding from to meet their contractual commitments for these new contracts?
151. There should be language that specifically states the sources of funding to finance the Conversion contracts, should not in any way diminish the funding on a per unit basis for traditional public housing, capital and other funds that are for public housing that has not been converted. There should be similar language protecting HCV from reductions related to conversion.
152. The Legislation appears to preserve the \$25 per unit and other funding supports for residents that are part of the Public Housing program. Yet rents for the converted units are based upon market conditions. Is there additional funding etc. that allows for costs that are not part of a current Section 8 program but required to be part of PETRA?
153. As PETRA funding commits HUD for subsequent years and PETRA is voluntary, then does this language need to clarify that in subsequent years, this funding must come from Section 8 appropriations so that public housing is not obligated to pay for converted units? Further, given the contract obligation to fund the converted units, MPHA is concerned that if full funding is not provided by the Congress, the Secretary will likely make cuts to the Housing Choice Voucher program as there are no contracts obligating those funds for 20 – 30 years. Is the legislative language clear that funding for PETRA cannot result in the loss of Housing Choice Vouchers or funding for the HCV program?
154. There could be less funding for HCV and traditional public housing, if HUD provides enhanced vouchers under PETRA when non-PHA owners opt out.
155. How does the conversion impact the appropriations? If converted, then an appropriation for Section 8(n) would be the source of funding and not the HCV program as currently exists. If there are insufficient appropriations, what place do these contract hold in the allocation of funds for Section 8(n)?
156. With PETRA funded under the ‘subject to availability of funds’ and given the requirements on the Secretary for converted Public Housing it seems rational to clarify that if funding is not sufficient, then converted public housing gets funded prior to other contracts. This language should be part of PETRA.
157. PETRA assigns a number of activities to be funded in part from the Conversion Trust Fund, how will this trust fund be replenished. Conversion carryover requirements should be funded on top of rents paid that are based upon market conditions.
158. PETRA has a strong ‘Green’ component for conversion. However if conversion has a green component requirement, then has HUD allocated funding to held defer this cost?
159. It is unclear if the assumptions made for ESCO funding; e.g. HUD continuing to pay subsidy as if the energy improvements were not made, so that the financing costs of the energy improvements could be paid for, would be preserved and PHAs made whole under PETRA. How are the financials related to ESCOs addressed in PETRA? Does

PETRA require lenders be able to cooperate with PHAs in adjusting financing Agreements when there is a PETRA conversion?

160. MPHA supports language that owners of Converted Public Housing must agree to renewals. Is there a requirement that such an offer must be reasonable and reflect market conditions?
161. Grandfathering of Rents under PETRA II: Does PETRA require that these rates will be provided in such a way that is does not create a proration impact as often happens with public housing when appropriations are not sufficient to cover the costs.
162. For adjustment of rents, how does the 'subject to appropriation' language impact these provisions?
163. The Administrative Fee language under PETRA states the Secretary may establish and pay a fee to entities administering rental assistance for properties converted to project-based voucher assistance that differs from the fee payable for tenant-based vouchers. It is not clear if all entities who administer the Section 8(n) contracts will receive a fee and how those fees are funded and determined.
164. If the definition of Project Based assistance in Section 16 of the Act is amended to include Section 8(n), then do all appropriations and funding go through this channel to support the program, and neither public housing nor Section 8 HCV programs are impacted by the funding or lack thereof for this section of the act?

MOBILITY / RESIDENT RIGHTS/CHOICE IMPACT:

165. Does "subject to availability of resources" mean the availability of resources is tied to additional congressional appropriation or use of existing resources as implied by the 1/3 turnover clause that one third of vouchers are going to be allocated for 'Resident Choice'?
166. The set-a-side provision delays housing for up a minimum of 1/3 as the 12,000 persons on MPHA's Section 8 waiting list would have delayed access to a voucher due to allowing families in converted units to receive a regular voucher . Does the 1/3 allocation of voucher requirement, also require PHA's who have voucher programs to award their vouchers to PHA's who do not have voucher programs so that those converted developments can have a way to provide vouchers after the two year period?
167. PETRA requires that the new Project-Based contracts allow terminations for only good cause. This is a new requirement, where in traditional PB and Section 8 programs a landlord can terminate the tenancy for other reasons. This action protects residents but adds an additional requirement to owners.
168. To the extent that these rights require additional administrative costs that are not part of a current Section 8 program – are there funds available? How are the costs of providing for these rights addressed in PETRA? If Congress does not allocate sufficient funds for these activities, will the PHA's (PETRA) administrators still be required to provide for these activities?
169. There are PETRA Provisions that appear to be contradictory on Waiting List issues: How does the pre-conversion waiting list interact with the Section 8 waiting list and the remaining part of the project that is traditional public housing?

REGIONALIZATION ISSUES

170. PETRA provides the Secretary authority to regionalize voucher programs and/or award of contracts to administer the new rental assistance contracts for converted properties – to derive extra resources for ‘choice’. This could take away PHA rights to oversee their converted properties and takes Section 8 Administration from local control. It could also add to non-Section 8 costs as some PHAs who jointly operate a PHA and Section 8 program share offices, staff and assist with Central Office and other overlapping costs. How are these issues addressed by PETRA?

ONE FOR ONE REPLACEMENT ISSUES

171. It is unclear if the one for one replacement of hard units is after the conversion and once the contract is in effect or part of the conversion. Does the one for one replacement apply to the original number of public housing units or become effective once the conversion is complete and apply to future actions?
172. It appears that PETRA allows for some of the units during the conversion to be replaced by project basing Housing Choice Vouchers,(up to 20% in PETRA II – up to 50% in PETRA). If this is the case, there can be a net loss of public housing units, a net loss of Housing Choice Vouchers as they would now be project based and then an additional requirement that those who move into the new converted units would get access to a Housing Choice Voucher after two years. This creates a multiple threat and loss to low income families.

FORECLOSURE ISSUES – DEFAULT OR BANKRUPTCY

173. Deleting the section in PETRA that creates the Lender Participation exception poses a lot of unanswered questions. Based upon our negotiations with New Market Tax Credit lenders, it is likely this clause that now would be binding on lenders, could result in lenders adding new requirements for borrowing and other agreements which would result in more costs to PHAs. MPHA is not opposed to the change, but recognizes that Lenders have a great deal of power and leverage in these situations.
174. If the property goes into foreclosure, where does HUD get the funds for the required purchase? If there is no threat of having the government release the property to the lender, then the costs to the government of recovering the property will likely be very high. The Conversion Trust fund is available for numerous uses. Its continuance is subject to appropriation. If there is an economic crisis like one we are currently experiencing, even if modestly funded, the Conversion Trust would likely be woefully inadequate to meet this purpose. Are the funds for purchase and/or eliminating foreclosure coming from Section 8 or Public Housing allocations? If so, then are the remaining fund targeted for funding the Conversion Contracts prorated to absorb the loss?

REGULATIONS - ISSUES

175. Are the physical and financial requirements measured as PHAS or SEMAP? The new flexibility is a positive action. Will there be a high performer designation under PETRA and any financial benefits for achieving such designation as there is for public housing?

176. PETRA requires owners to comply with the operating and replacement reserve requirements and any limitations on the use of cash flow established by HUD. Will these requirements be determined by negotiated rule making or by HUD only?
177. PETRA would change how the limit on the share of vouchers that may be project-based is calculated. The limit would be determined based on the number of units assisted, rather than the share of funding. Are converted public housing units considered in this formula or is this limited to units project based out of the HCV increment? Does this mean if an Agency has a limited number of vouchers, that only 40% of its public housing units can be converted? Is public housing conversion exempt from this limitation?
178. PETRA allows that a non-profit can be designated a PHA. Who determines when this happens? When a non-profit gets a PHA designation how does the non-profit address jurisdictional issues with governmental PHA in the same area? Does this designation then make the non-profit a governmental entity that can operate as governmental entity and take advantage of allowances given to governmental entities?
179. MPHA is very supportive of Section 3. The Section 3 requirements for public housing “infect” all other sources of funding. If a converted public housing gets linked to converted PBV developments, mixed finance developments, or other types of developments, does this language require all development activities to be treated as if they were public housing sourced for Section 3 purposes?

CAPITAL INVESTMENT ISSUES

180. Under PETRA, the Project Base model appears to infuse more cash to the PHA under the mortgage allowance (at least for the short term). PHAs who go through the conversion can borrow using their property as a basis for a mortgage. What kind of commitment is Congress/HUD going to make to ensure sufficient capital funds to PHAs that opt out of conversion or are among the last to convert. It is difficult to believe that Congress will continue to fund the Capital Fund and the conversion costs. This may put traditional PHAs at additional risk.
181. Why the requirement that tenants have to be eligible for a housing choice voucher after 24 months of occupancy? This infers that public housing is found in places/locations residents would want to “escape from”! Not true in many, many areas and particularly in Minnesota. Also, if the public housing the residents are already living in are in census tracts that do not have a high minority concentration or extreme poverty (or are in such areas, but the area are undergoing revitalization), then why not exempt those properties’ from this requirement?
182. Will HUD assure PHA’s that don’t opt for this voluntary program that the current operating fund and capital fund programs for traditional public housing will continue to be decently funded, and that HUD will ask Congress for sufficient annual appropriations?
183. With so much in the draft bill subject to appropriations, how does this program offer any more security of needed funding that the current public housing program? Give PHAs contracts like the private sector has been offered with the Section 8 New Construction programs and that would definitely attract private capital and eager lenders.

184. Since the rent for the properties are going to be based on fair market rents set for private landlords, why continue to include requirements that private landlords do not have to meet such as Davis-Bacon, Section 3, Community Service, Annual Plans, and Resident Councils? All of these requirements entail costs that must be paid for from operating revenue.
185. Why would a housing authority want to pay HUD a fee of \$100,000 to convert? One small western agency has 3 properties with a total of 160 units that would cost \$300,000, or almost \$2,000 per unit for HUD's conversion fee.
186. If there are two housing authorities in the same area and only one has Section 8, is the housing authority with the Section 8 program going to be forced to give vouchers to the other agency?
187. HUD is promoting consolidation of public housing agencies. Why expand the definition of a public housing agency to include, for the purpose of Section 8, non-profits which increases the number of public housing agencies?
188. How is a small rural housing authority going to compete with a metro housing authority for tax credits for a major renovation in a market of limited interested investors who want large projects in a metro area?
189. If a housing authority manages to get a bank to give them a long term loan (e.g., 20 years) for renovation and it needs to refinance in 15 years when the life cycle is over for many items, is HUD going to increase funding for the possible increase in interest rates and inflation?
190. Funding mobility: PETRA would significantly expand mobility options for residents of public housing, but at the expense of the people already on local voucher waiting lists. Under the mobility provisions, residents of converted units who want to move after two years would go to the top of the voucher waiting list. This is unfair. PETRA needs to authorize enough new vouchers to carry out its mobility proposals fairly.
191. The core premise of the preservation objectives of PETRA is that the capital needs of public housing are so extensive that there will never be enough money in the HUD budget to address this backlog. And yet, no HUD Secretary in recent memory has actually asked for enough money to restore public housing to high-quality properties. It could not hurt to ask.
192. PETRA would codify the right to organize currently enjoyed by residents of HUD-assisted housing in regulation and expand it to public housing residents. Unfortunately, their ability to exercise these rights would be diminished because funding for resident participation would no longer be assured for each public housing agency.
193. Currently, each PHA must direct \$25 per unit per year to its tenant organizations. PETRA would change the funding stream for tenant organizations to a competitive grant program. While the current system is flawed, a competitive grant by definition will produce winners and losers. Existing PHA resident organizations might be defunded with no access to alternative resources. HUD should assure funding is available to all viable public housing resident organizations.
194. Rent simplification, program consolidation, and resident empowerment can be pursued by other means, such as the Section 8 Voucher Reform Act and HR 4868, the comprehensive preservation bill filed by Rep. Barney Frank.

195. NAHT's major objections to PETRA have to do with the ownership and financing model and the risk of privatizing public housing, especially under future administrations. Successful implementation of PETRA depends on the ability of strong legislation to make it through Congress and the good will and capacity of future HUD administrations. We are concerned that these conditions cannot be guaranteed.
196. Permanent Preservation: Properties receiving PETRA assistance should be maintained as affordable housing for either the maximum legally allowable term (99 years) under state law or the "useful life of the property." Do not convert public housing to "expiring use" housing.
197. Keep Public Housing Public: Public housing for low-income people must be maintained under public or social ownership in perpetuity, whether through a public agency, legitimate mission-driven nonprofit organization, or resident-controlled entity such as a resident-run nonprofit or limited equity cooperative.
198. PETRA should ensure this by barring private equity investors, including limited partner investors as in the Low Income Housing Tax Credit program. The provision in PETRA allowing PHA officials to participate in privatized ownership entities or partnerships should be dropped due to conflict of interest issues.
199. Explore Other Capital Strategies: Before turning to private capital, HUD should first evaluate the use of the \$4 billion provided in the stimulus bill for PHA capital needs and complete an updated capital needs assessment. When new assessment is in, the administration should mount a priority effort to request increased capital funding to make up the shortfall.
200. HUD and the GAO should conduct a long-term cost comparison of financing public housing repair needs from annual appropriations versus the use of private capital. We also ask that HUD consider public agency bond financing, treating public housing as infrastructure. Why not expand the Rebuild America bond program to include public housing? HUD could also utilize existing authority for PHAs to borrow funds against future capital repair funding streams, rather than against physical assets.
201. Loans or investments that use publicly-owned land or buildings as collateral or as the underlying asset must not collectively indebt the property by more than 49 percent of the post-rehabilitation value.
202. Loans made on converting buildings must only be FHA or other federal guaranteed loans to further ensure that the building or land cannot revert to any type of private ownership in case of default.
203. Specific standards in areas such as permanent loan modification rates, community investment and lending record, and lack of involvement in predatory credit (such as payday lending) must be met before a financial institution is allowed to provide financing for or profit from converted properties.
204. It's time for the federal government to establish guiding principles and a framework to promote effective and equitable public-private partnerships around infrastructure development. There are ways to ensure public ownership of precious national assets while encouraging a modest return on investment for private investors.
205. Strategically tie reform to the administration's broader agenda. Aligning PETRA with other new initiatives is essential to maximizing positive outcomes for low-income people and communities of color.

206. HUD should not paint all public housing with the same brush. Only developments that really need repairs should be allowed to participate in PETRA. HUD needs an updated assessment of the physical condition, and cost of repairs, of every public housing development in the country.
207. PETRA should not be funded at the expense of other HUD programs, especially the expansion of the housing voucher program for families now living in private apartments that are too expensive or so run down that they put the tenants' health and safety at risk.

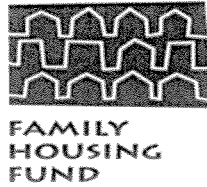


Principles for Recapitalizing and Preserving the Public Housing Stock

The public housing portfolio is an irreplaceable public asset, much of which is at significant risk of being lost due to enormous capital backlogs. A recapitalization initiative based on conversion is critical to preserving many of these properties. At the same time, policymakers should not view conversion as the solution for the entire inventory. These are the principles which should guide the preservation of public housing:

1. Public housing authorities (PHAs) should have the option to convert appropriate public housing properties, on a voluntary basis, to other affordable housing subsidy models with adequate, predictable, and reliable funding including project-based Housing Choice Vouchers (HCVs) or project-based Section 8 Rental Assistance administered by HUD's Office of Housing. PHAs should have the flexibility to choose which project-based subsidy to use for each conversion.
2. A new conversion initiative must have as its overriding priority the preservation of public housing assets. Should policymakers choose to pursue other collateral goals (such as the regionalization of voucher administration or the expansion of resident choice/mobility beyond requirements currently in effect under the existing project-based subsidy forms), new policies intended to advance such goals should be considered separately from any preservation initiative.
3. HUD should propose and the Congress should provide full funding for the Operating Fund and Capital Fund. Initial property conversions should be funded separate from and supplementary to full funding for the operating and capital costs of public housing. PHAs that opt not to convert public housing developments must not have their future operating and capital funding reduced to offset the costs of conversions.
4. All PHAs should have sufficient and timely access to a range of flexible tools capable of addressing the unmet capital needs of developments. Financing options should include tax credits, debt financing, credit enhancements (e.g. FHA insurance, other federal guarantees), direct grants, and other resources.
5. Any preservation program should maintain low-income housing use restrictions and public control of converted assets. Use restrictions should be coterminous with the contract. In the unlikely event of foreclosure, policies should be put in place that protect tenants by maintaining public control of the assets and, when necessary, providing suitable alternative housing with project-based assistance.

6. A new conversion initiative must ensure a rent that is adequate to pay for all operating expenses, including any taxes or payment in lieu thereof, all debt service, a sufficient level of reserves, and the full costs of other federal requirements imposed from time to time on PHAs with respect to the operation of their projects.
7. Any new preservation initiative involving conversion should ensure fungibility of net operating income among converted and non-converted properties within a PHA's portfolio
8. Under conversion, costs unrelated to property operations (e.g. costs for contracted oversight, application fees) should be separately funded.
9. A new conversion-based preservation initiative should feature a reasonably sized initial implementation phase, and HUD should be required to employ a selection process that ensures the participation of a diverse set of PHAs.
10. Residents of converted properties should have the same rights regarding placement on HCV waiting lists as public and assisted housing residents.
11. PHAs should have the flexibility to utilize HCVs as replacement units for demolished or disposed-of public housing units.
12. A comprehensive public housing preservation policy must include other tools and approaches in addition to conversion to ensure the preservation of public housing properties that elect not to participate in or are not suitable candidates for a conversion initiative.



Minnesota Preservation Plus Initiative

Minnesota has a unique history of taking a systemic, long-term approach to stabilization/preservation needs and has a nationally recognized system. The long-standing tradition of commitment to preserving existing affordable housing as a cost-effective means of providing decent, safe affordable housing to all residents; to maintaining locational choice, especially for communities of color; and to renewing community economic vitality has achieved remarkable results. Local efforts rely on collaborative working groups that share information, coordinate funding and debt restructuring, and support and encourage innovative approaches to preservation.

With funding from the MacArthur Foundation through its State and Local Housing Preservation Leaders Program, the Minnesota Preservation Plus Initiative (MPPI) will expand, accelerate, and leverage the existing work being done in Minnesota to move meaningfully toward a stronger emphasis on *prevention* activities. Each of the initiative activities described below will provide an opportunity to expand the local and national knowledge base for best practices and policies related to affordable rental housing preservation.

MPPI Policy and Research Activities

1. *Fill existing gaps through development of a policy framework to address preservation challenges around federal programs and existing portfolios.*

Existing local preservation working groups will work with the Housing Preservation Project to collect data and identify specific local strategies and policies to proactively address gaps related to impending problems around project-based Section 8 opt-outs, Section 515 prepayments, expiring Low Income Housing Tax Credits, maturing Section 236 mortgages, expiring rental assistance contracts, properties with low HUD REAC scores, and portfolio acquisition opportunities when ownership change is necessary or desirable.

2. *Significantly expand the application of Minnesota Housing's property risk predictive model.*

Early detection of at-risk properties is the most cost-effective form of preservation and requires careful monitoring of financial, physical, and operational conditions. Minnesota Housing has developed a risk analysis tool that has proven effective in flagging properties showing early signs of trouble. Current resources only allow use of this tool on properties where Minnesota Housing holds the first mortgage. A pilot project to expand this system to properties with Minnesota Housing deferred loan financing is underway. More information on performance of this deferred loan portfolio is critical because these loans serve the most vulnerable segment of the affordable housing stock – units that cannot be supported by

traditional loan instruments – as well as the most vulnerable low-income residents, including formerly homeless or at-risk singles and families.

3. *Provide technical assistance to property owners by expanding access to pioneering asset management tools developed locally for supportive housing providers to providers of standard affordable housing.*

An important determinant in preventing the loss of affordable housing is having trained and skilled owners and management. The Family Housing Fund, Hart-Shegos & Associates, and several supportive housing providers have developed a set of tools to build operational capacity specifically within supportive housing. This unique tool, known as The Asset Manager,[™] is used to assess operations, asset management, and program development activities. Local preservation capacity will increase significantly with the ability to offer this tool to developers/managers of all types of affordable housing, and work is underway to support the modification, testing (through a pilot program), and production of this tool for use in standard affordable rental housing.

4. *Fund a feasibility study to explore local threats to existing unsubsidized but affordable properties. Develop for future testing an acquisition/preservation strategy to maintain this housing stock.*

In Minnesota, the existing preservation system addresses federally and locally subsidized properties, but there is a comparatively less systemic response to unsubsidized yet affordable properties. Selective and strategic acquisition of affordable unsubsidized properties could achieve preservation goals by avoiding gentrification, demolition, conversion, and increasing costs due to speculative transfers. It could also potentially increase affordability if such properties could be owned and managed by nonprofits over the long term in ways that would keep some or all of the rents increasingly more affordable than properties held by for-profit owners. Finally, there is the potential that access to affordable units can be increased for lower income households by dedicating units previously occupied by higher income households to lower income tenants upon unit turnover. The Initiative will include a feasibility study to explore threats to this stock, consider how the issue varies in both metropolitan and rural areas of the state, and make recommendations for specific policies and strategies to identify and preserve these units.

MPPI Lending Activities

1. *Establish a flexible pool of philanthropic resources to create a revolving fund for a variety of short-term investment needs.*

The Family Housing Fund and Greater Minnesota Housing Fund, both local housing intermediaries, provide flexible, quickly accessible resources locally, but their capacity is limited. The existing statewide preservation system will greatly benefit from a flexible, open-pipeline pool of lending resources to create a revolving fund for a variety of short-term investment needs. Flexibility and a very low interest rate are crucial to the success of this pool. Foreseeable uses for this pool include emergency repairs; predevelopment planning, site control, and/or bridge financing consistent with existing local priorities and new prevention policies as described above; and assessment and acquisition of unsubsidized affordable properties, pending outcomes from the proposed feasibility study.