

(R-97-47)

RESOLUTION NUMBER R- 287747

ADOPTED ON AUG 0 5 1996

WHEREAS, throughout the country, many apartments built in the early 1970's received federally insured mortgages in exchange for reserving units for low-income households at affordable rents; and

WHEREAS, in exchange for the federal very low interest loan, a participating apartment owner originally agreed to provide low rents to lower income tenants for 40 years. However, this agreement included a prepayment clause; after twenty years the owner was allowed to pay off the loan, and convert to market rents; and

WHEREAS, as the first twenty-year deadline approached, the threat of losing nearly one million affordable housing units nationally galvanized Congress to enact the National Affordable Housing Act of 1990, whereby owners of those units could have availed themselves of public incentives in exchange for significantly extended affordability restrictions; and

WHEREAS, the recently signed Housing Opportunity Extension Act of 1996 made sweeping changes to this system. For the first time since 1987, owners at their sole option are allowed to prepay their mortgages and convert to market rates. Subject to funding availability, tenants in these buildings are to receive a special kind of Section 8 subsidy, which will protect them from rent increased for one year; and

WHEREAS, the 1996 Extension Act also eliminated the Low Income Housing Preservation and Resident Homeownership Program (LIHPRHA) equity loan program. With a few exceptions, owners no longer have the option of keeping the property and getting additional federal funds. Owners are now left with only two ways to recover the equity from the properties: Sell to a nonprofit or local government (who can still get HUD funding); or prepay the mortgage and convert the property to market rents; and

WHEREAS, early analysis by HUD suggest that the remaining available funds (a total of nearly \$700 million) will not be enough to fund all of the likely sales nationwide; and

WHEREAS, Housing Commission staff will also work with the City's Intergovernmental Relations Department to encourage Congressional consideration of changes to statutes and regulations that will enable private for profit owners of "at risk" properties to utilize tax-exempt financing to refinance their property while maintaining a degree of affordability that would not otherwise be possible; and

WHEREAS, in addition, nonprofits are currently applying for federal funds to buy 664 apartments in seven other similar properties, which the owners have decided to sell. If the federal program runs out of funds and nonprofits cannot buy all of these properties and keep them affordable, those units could be converted to market rate rents as well; and

WHEREAS, the entire State of California is highly impacted by at-risk projects wherein affordable housing units could be lost to prepayment of federally insured mortgages; and

WHEREAS, the loss of approximately 3,000 local affordable

housing units through prepayment of federally insured mortgages would have a combined detrimental effect on the entire region of San Diego. Additionally, there are approximately 2,000 affordable units which are at-risk, over the next ten-year period, due to expiring rent and occupancy restrictions related to local, state, and federal programs, making a total of approximately 5,000 affordable units at-risk in the City; and

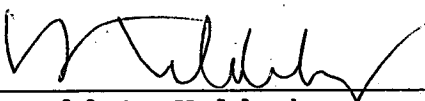
WHEREAS, the affected jurisdictions in the San Diego region have agreed to cooperate and work together to request Congressional action to mitigate this problem, NOW, THEREFORE,

BE IT RESOLVED, by the Council of The City of San Diego, that the U.S. Congress is respectfully requested to take appropriate action to prevent the loss of affordable housing units through the prepayment of federally insured mortgages.

BE IT FURTHER RESOLVED, that the U.S. Congress is also requested to include in the FY97 Federal Budget sufficient funds to support the necessary subsidies for acquisition of "at-risk" properties by nonprofit agencies and sufficient funds to support special Section 8 subsidies to low-income households detrimentally affected by the prepayment.

APPROVED: JOHN W. WITT, City Attorney

By

  
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