



Legislation Text

File #: Res 0879-1999, **Version:** *

Res. No. 879

Resolution calling upon the United States, the State of New York, and the City of New York to recognize and respond to the crisis of the Section 8 Project-Based Rental Assistance program, and calling upon the appropriate committee of the Council of the City of New York to conduct hearings on the impact of the non-renewal of Project-Based Section 8 contracts.

By Council Members Lopez and Perkins

Whereas, The Section 8 Project-Based Rental Assistance program, administered by the federal Department of Housing and Urban Development (HUD), helped create more than one million units of affordable housing by attaching rent subsidies directly to units through 20-year contracts with private owners of housing projects, mostly between 1975 and 1985; and

Whereas, An artificial budget crisis caused by a surge in contract renewal applications has created a very real crisis for tenants of Project-Based Section 8 units, by leading to new Congressional rules that could encourage owners to buy out of the program or force them to default on their mortgages, jeopardizing this critical source of affordable housing; and

Whereas, When a large number of rent contracts between HUD and the project owners began to expire in the mid-1990s, the renewal of those contracts was suspended due to Congressional concerns over balancing the federal budget, the result of federal accounting rules requiring that the entire 20-year cost of any renewal had to be reflected in the budget during the first year of renewal, although actual outlays of money occur year-to-year; and

Whereas, These concerns led Congress to pass the Multifamily Assisted Housing Reform and Affordability Act (MAHRAA) of 1997, under which projects with expiring contracts receive temporary year-to-year contract renewals from HUD until their owners can either buy out of the Section 8 program by paying off their mortgages or renegotiate their contracts with HUD after restructuring their mortgages to a level at which they could be serviced at market rents; and

Whereas, The stated purpose of MAHRAA is to increase competitive discipline among project owners who have been over-subsidized by contracts that provided them with above-market rents, and to improve the financial stability of project owners who have been under-subsidized by contracts that have provided them with below-market rents, by equalizing contract rent levels with actual market rents; and

Whereas, There are concerns that the underlying purpose of MAHRAA is to help balance the federal budget by reducing overall outlays for contract renewals, primarily by encouraging owners to buy out of the Section 8 program or by reducing the contracts of over-subsidized projects, and by shifting the burden for failed projects to the Federal Housing Administration (FHA), which insures the mortgages of Section 8 projects; and

Whereas, While Congress has recently appropriated additional funding for Project-Based Section 8 contract renewals and for portable Section 8 vouchers, and has agreed with HUD to continue to renew expiring contracts on a temporary year-to-year basis, there are no guarantees that the program will continue to be adequately supported; and

Whereas, While there are some proposals to help solve the Project-Based Section 8 problem through the creation of new "sticky" Section 8 vouchers that will remain attached to units in projects that buy out of the program, and through emergency grants to failing Section 8 projects, these proposals have yet to be codified or funded; and

Whereas, There are concerns that under MAHRAA some owners, whether over- or under-subsidized, will be unable to negotiate adequate contract rents for their projects, forcing them to buy out of the Section 8 program or default on their mortgages, and leaving the FHA to pay billions of dollars in insurance claims on the outstanding mortgages; and

Whereas, Buy-outs or defaults would severely disrupt the lives of Project-Based Section 8 tenants as owners defer maintenance or shut down their projects, forcing tenants to apply for portable Section 8 vouchers and find other housing, often in tight rental markets where little affordable housing is available, such as New York City; and

Whereas, New York City is home to 735 projects containing 69,791 subsidized units with Project-Based Section 8 contracts, with a total of over \$4 billion in outstanding mortgages, including 393 over-subsidized projects with rents averaging 135 percent of market rents, and 342 under-subsidized projects with rents averaging 76 percent of market rents; and

Whereas, The owners of at least one project in New York City have already announced their intention to buy out of the Section 8 program, and the contracts of 231 Section 8 projects in New York City have already expired as of June 27, 1999, and the contracts of 16 additional projects will expire today, June 30, 1999; and

Whereas, Given that New York City, where many tenants of Project-Based Section 8 units are seniors, people with disabilities, and families with young children, cannot afford to lose any of these units through buy-outs or mortgages defaults; now, therefore, let it be

Resolved, That the Council of the City of New York calls upon the United States, the State of New York, and the City of New York to recognize and respond to the crisis of the Section 8 Project-Based Rental Assistance program, and upon the appropriate committee of the Council to conduct hearings on the impact of the non-renewal of Project-Based Section 8 contracts.

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