

**TESTIMONY OF DIANNE HUNT, PRESIDENT OF SYRINGA PROPERTY
MANAGEMENT AND MEMBER OF
THE COUNCIL FOR AFFORDABLE AND RURAL HOUSING (CARH)**

**COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS SUBCOMMITTEE
ON HOUSING, TRANSPORTATION, AND COMMUNITY DEVELOPMENT**

UNITED STATES SENATE

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Chairwoman Smith, Ranking Member Lummis, and members of the Committee, I would like to submit written testimony regarding legislation soon to be introduced “Rural Housing Service Reform Act of 2023”. I would like to focus my remarks on the provisions in the bill that would if enacted into law, decouple the Section 521 Rental Assistance from USDA 515 or 514 mortgages. Thank you for allowing me the opportunity to provide testimony on this very important issue.

I began my real estate career in 1973 and became active in the affordable housing industry in 1978 as an employee of a development/management company. I have been committed to the rural housing development industry continuously since that time. In 1989, I founded Syringa Property Management, at a time when the Low-Income Tax Credit and other affordable housing programs were relatively new. I have always been a strong supporter of these programs and have seen firsthand the positive impact they have had on disadvantaged communities and low-income residents throughout rural America. From its modest beginnings with a staff of just two people with seven developments, Syringa has grown to become one of the largest management firms of affordable housing with over 100 properties across 11 states (30 in Wyoming and 54 in Idaho), many of which are rural development properties. Over the years, Syringa has been retained by a variety of clients including non-profit organizations, full profit motivated owners, Native American Tribal Councils, and the federal government. I applaud the members of this Committee for maintaining a strong focus on our rural communities at such a critical time for residents in vulnerable rural areas.

Affordable Rural Rental Housing Is A Necessity

Throughout my career, I have seen the growing and overwhelming need for affordable housing in rural America. With today’s high inflation and poverty rates, many renters are simply unable to find decent housing in rural communities. While the demand for rental housing in rural areas remains high, the supply, particularly of new housing, has decreased. The United States Department of Agriculture’s (USDA)/Rural Development (RD) Section 515 rural multifamily housing and Section 514 farm labor multifamily properties are vital for addressing affordable rural housing needs—both through preservation of those diminishing portfolios and through the need for new production. Rental assistance under the Section 521 Rental Assistance (RA) program is essential for many family and elderly households residing in rural America. At the same time, most federally supported multifamily properties are 35+ years old and need

modernization. These properties have suffered from federal funding shortages and statutory and regulatory barriers that make recapitalization either difficult or impossible.

Rental Assistance—An Essential Program

The Section 521 Rental Assistance (RA) program is an essential component of the Section 514/515 programs. RA provides deep subsidy to very low-income residents by paying the difference between 30 percent of a resident's income and the basic rent required to operate the property, subsidizing 63 percent of Section 515 units. The RA program must continue to provide sufficient funds for both current levels of RA and sufficient additional RA to support increasing program costs. RA budgets have been constrained for the last few years, even before the sequestration issues impacting the program at the end of 2013. Historically, RA budgets on a per unit basis are about *half* of other rental subsidy programs. Much of that has been achieved by delaying needed repair and operating funds.

According to RD, the average household income in rural housing properties is \$14,665 and the average income of RA households is \$12,501. RA is sorely needed for these low-income residents. I can tell you from my own experience that there is more need than there is rental subsidy. Even though most RD properties receive either RA or HUD subsidy through Section 8, many properties and residents do not.

Over the next decade, as much as three-quarters of all Section 515 mortgages will mature, including many on my own properties, and with it the end of related Section 521 RA contracts. This will strand approximately 250,000 families and elderly persons and leaving them without the ability to house themselves. Under current law, when a Section 515 mortgage expires, Section 521 RA also expires. There is no budget authority to replace these mortgages. It's important that RD is granted the authority to decouple RA from the Section 515 program, allowing RD to continue offering RA to certain properties that no longer have a Section 515 loan.

Many of the properties in my portfolio that have expiring mortgages are projects in very small rural communities. One such property, Valley Homes, is located in Greybull, Wyoming, which has a population of approximately 1,800. Valley Homes is a section 515 property and was built in 1975 for persons 62 or older and/or disabled. The project includes 15 units that house elderly and disabled tenants including one tenant who is permanently confined to a wheelchair. These older properties have very low replacement reserves due to the relatively low cost of development at the time they were built, and as these properties age, there may not be adequate funds to make needed capital repairs. These small properties are in need of preservation, and they need creative financing to address these preservation needs that cannot currently be met by USDA.

Syringa currently manages properties throughout Wyoming, including the resort areas of Jackson and Cody (adjacent to Yellowstone National Park). These RD properties are essential for housing families and disabled persons in the resort areas. As the property values for these properties have increased, there is more pressure to pre-pay these loans when the restrictive use covenants expire, so preservation of these properties is crucial now more than ever.

Currently, with RA tied to the Section 515 loan, in order to protect residents to the maximum extent, owners have to run through the complex processing of RD mortgage loan assumption, even when it makes little financial sense to maintain the Section 515 loan. While decoupling the Section 521 from the Section 515 loan is different than what HUD calls decoupling, it would put the RA contracts on the very logical path to being an important preservation tool. **I strongly support the legislation soon to be introduced by Senator Smith and Senator Rounds that would permit the permanent decoupling of Section 521 RA from the Section 515 loan, thus allowing RA to continue to protect residents and fund affordable housing past the expiration or prepayment of the multifamily mortgage loan. I also support the standalone legislation to be introduced by Senator Shaheen regarding permanent decoupling.**

Administrative Steps Needed

I also strongly support increasing staffing resources for RD's MHF office. The MFH staff is comprised of dedicated, committed professionals doing their best under very difficult circumstances. My staff interacts constantly with the MFH staff, and it has been clear that MFH teams need additional resources to address rising workloads, retiring employees, and the increasing need for tools that will provide funding for the preservation of the existing portfolio. Staffing issues have created tenant related service problems with delays and processing inaccuracies. I am encouraged that some additional staff have recently been added to the MFH office but understand that there remains a need for further hires. I hope that the agency will be able to employ those needed individuals in the near future and obtain funds to upgrade its very outdated IT systems and keep current with tenant's needs.

Thank you again Chairwoman Smith, Ranking Member Lummis, and members of the Committee for this opportunity to discuss these important rural housing issues with you today.