



Preserving Affordable Rural Rental Housing



Enterprise Community Partners

MISSION AND VISION

Unmatched **breadth, scale and expertise** across the entire spectrum of affordable housing...



...creating a positive feedback loop that does it **all under one Enterprise roof.**

OUR VISION

A country where home and community are steppingstones to more.

OUR MISSION

To make home and community places of pride, power and belonging, and platforms for resilience and upward mobility for all. We focus on three pillars:

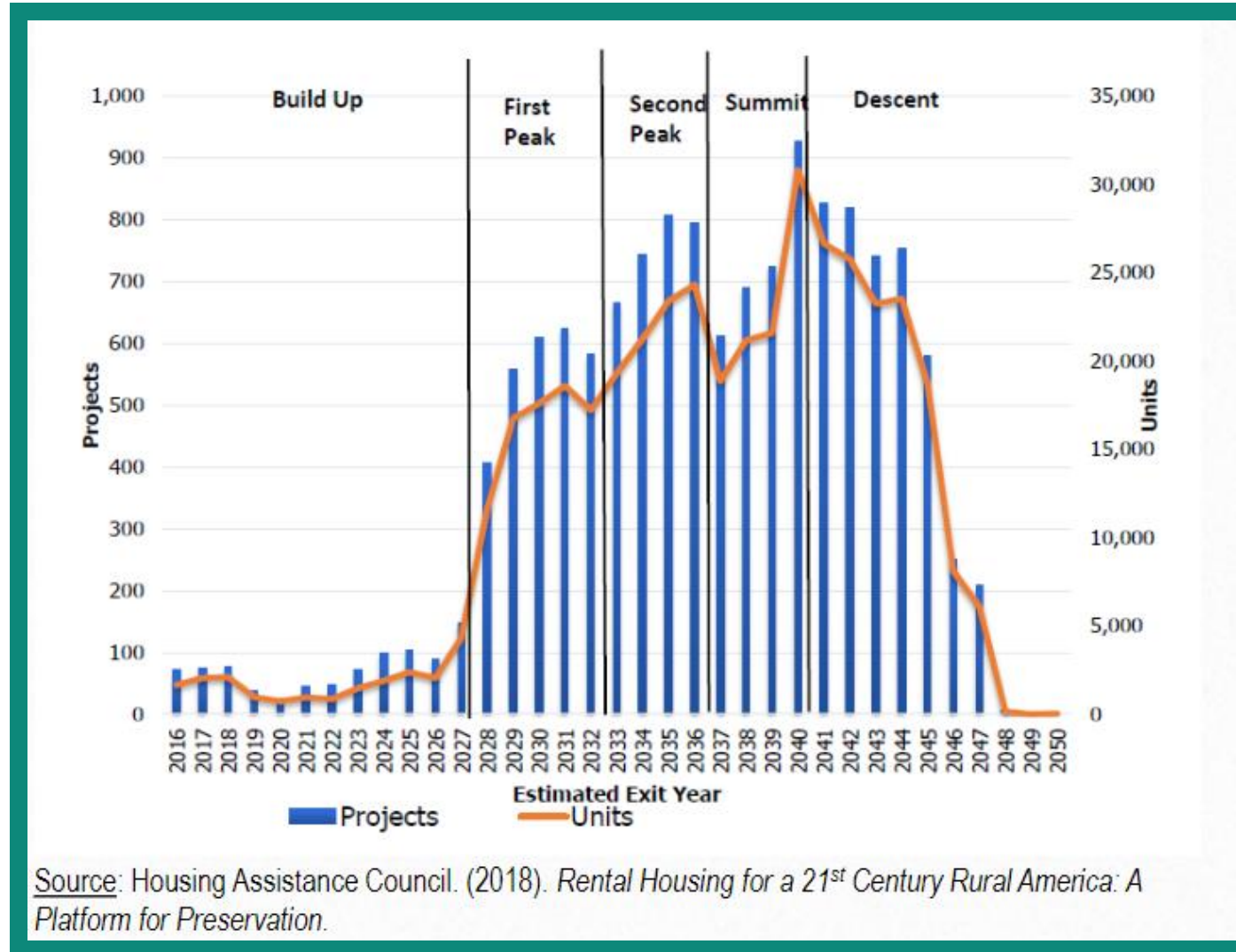
- Increase Housing Supply
- Advance Racial Equity
- Build Resilience and Upward Mobility

Why Rural?

- Poverty remains a challenge in many rural communities. 70 percent of the 473 persistent poverty counties in the United States are rural.²
- USDA Section 515, the largest federal affordable rental housing program for rural communities is largely at risk of losing restriction and rental assistance.
- LIHTC New Construction Not Reaching Many Rural Communities (size, scale, incentives)
 - Incomes
 - Cost of Construction
 - Market

515 stock is at high risk of being lost

MATURING USDA SECTION 515 ESTIMATED LOSSES



Source: Housing Assistance Council. (2018). *Rental Housing for a 21st Century Rural America: A Platform for Preservation*.

Opportunities that Come with Preservation of Section 515

- Costs less than new construction
- Prevents displacement
- Keeps low -income individuals and vulnerable populations such as Seniors & People With Disabilities, housed
- Keeps Valuable Subsidies in State
- Avoids NIMBYism
- Already developed, sited



Much of the housing stock was developed over thirty years ago and needs rehabilitation and recapitalization

Many of these units also need to be modified to meet ADA compliance guidelines, a critical feature given that a significant percentage of units house older adults



Challenges that come with Preservation of Section 515

- Current owners want to maximize profit/sales price in transfer
- Relocation may be required, which can be both difficult and costly
- Additional sources will need to be leveraged in order to meet the Capital Needs of the properties
- Can be difficult to navigate the 515 transfer process

USDA 515 Technical Assistance

- Enterprise has contracts to that enable us to provide nonprofit organizations and housing authorities across the country with technical assistance and training to preserve USDA 515 properties.
- We are currently providing targeted technical assistance to over 30 organizations as they work to preserve subsidized housing stock in their communities. This TA will support the preservation of over 750 units.
- In response to market demand, we are working to expand our TA to other affordable housing developers employing a fee-for-service model.





USDA RD Multifamily Housing Portfolio

Enterprise Community Partners Preservation Academy

August 6, 2024

USDA Rural Development MFH Portfolio

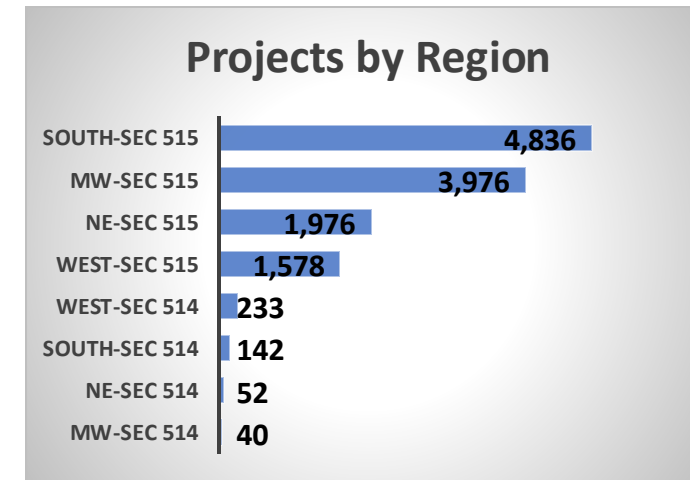
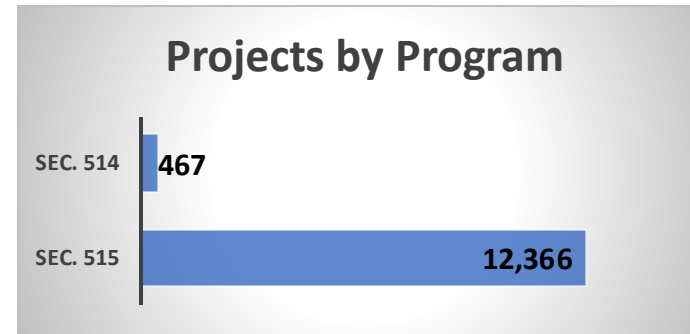
- RD properties are a significant source of affordable housing nationwide with nearly 13,000 properties and more than 400,000 units
- Many RD properties are in communities where it is not feasible to build new affordable housing, making it even more important to preserve the existing stock.
- The average age of properties in the RD portfolio nationwide is around 36 years old. The portfolio has significant deferred maintenance and rehabilitation needs.
- RD properties with deep, project-based subsidy serve the lowest-income households. The average annual household income of tenants receiving RD rental assistance is less than \$14,000 and the overall average household income is \$16,600.

Portfolio Overview by Project

Data as of April 4, 2024

Program	Projects	Average Age	Total Units	RA Units	HUD Sec 8 units
Sec. 515	12,366	36	387,839	295,937	20,734
Sec. 514	467	25	16,720	12,344	0
TOTAL	12,833		404,559	308,281	20,734

Program	Rental Code	Projects	Average Age	Total Units	RA Units	HUD Sec 8 units
Sec. 515	Family	7,701	36.6	247,060	183,707	13,900
	Elderly	4,391	35.3	130,210	104,497	5,967
	Other	274	34.5	10,569	7,733	867
Sec. 514	Family	454	21.1	16,676	12,312	0
	Other	13	18.6	44	32	0
TOTAL		12,833	29	404,559	308,281	20,734



Sec. 515 Multi-Family Housing projects :

- Family and Elderly housing
- Congregate housing
- Group homes
- Rural cooperative housing

Sec. 514/516 Farm Labor Housing projects:

- Off-farm labor housing
- On-farm labor housing

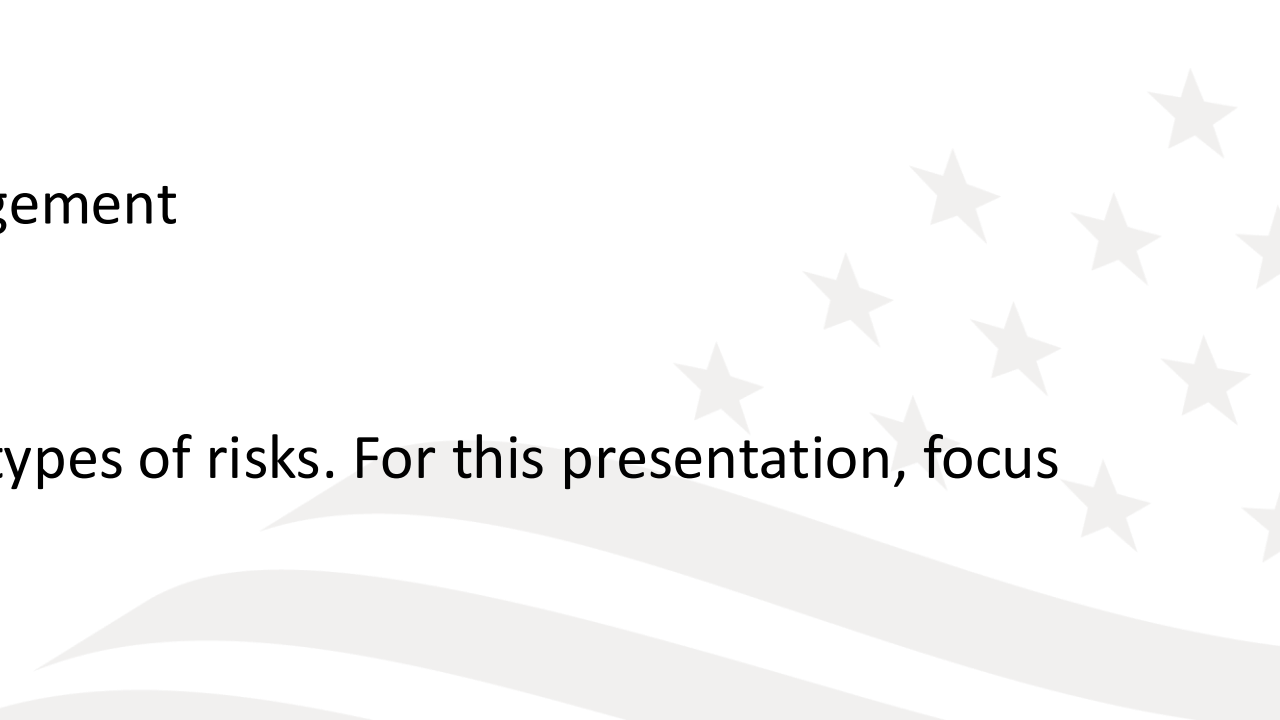
Minnesota MFH Portfolio Information

Data as of Oct 1, 2023

	Minnesota	Nationwide
Number of Properties	428	12,912
Number of Units	9,200	406,290
Average Adjusted HH Income	\$20,840	\$16,620
Average Adj HH Income for RA Tenants	\$14,190	\$13,696
Share of HHs with RD Rental Assistance (Section 515 properties)	67%	76%
Average Rent (all units)	\$584	\$622
Occupancy Percentage	93%	93%

Source: [Results of the 2023 MFH Annual Fair Housing Occupancy Report \(usda.gov\)](https://www.usda.gov/press-releases/2023/10/01/2023-MFH-Annual-Fair-Housing-Occupancy-Report)

RD MFH Preservation Challenges

- Mission risk/loss of properties due to program exit
 - Maturing mortgages
 - Prepayments
 - Property and portfolio risks
 - Poor physical condition
 - Troubled ownership and/or management
 - Financial weakness
 - Poor community/market viability
 - Properties can be subject to multiple types of risks. For this presentation, focus on mission risk.
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Mission Risk: Loss of Properties Due to Program Exit

- Mortgage maturity: When the project loan reaches its natural maturity date, the owner can make a final payment and exit the MFH program. Tenants no longer receive rental assistance but are eligible for RD vouchers. Beginning in FY24, RD will offer owners of maturing mortgage properties the option of a Stand Alone Rental Assistance (SARA) contract, but participation is voluntary.
- Prepayment: Certain properties are eligible for RD loan prepayment. If an owner applies for prepayment, RD assesses the potential impacts based on the need for the housing and a civil rights analysis. Depending on the outcome of this analysis, the owner may be allowed to exit the program without restrictions, with restrictions, or may be required to offer the property for sale to a nonprofit. If the loan is prepaid, tenant protections are in place and tenants are eligible for vouchers.

Mission Risk – Program Exit National Dataset

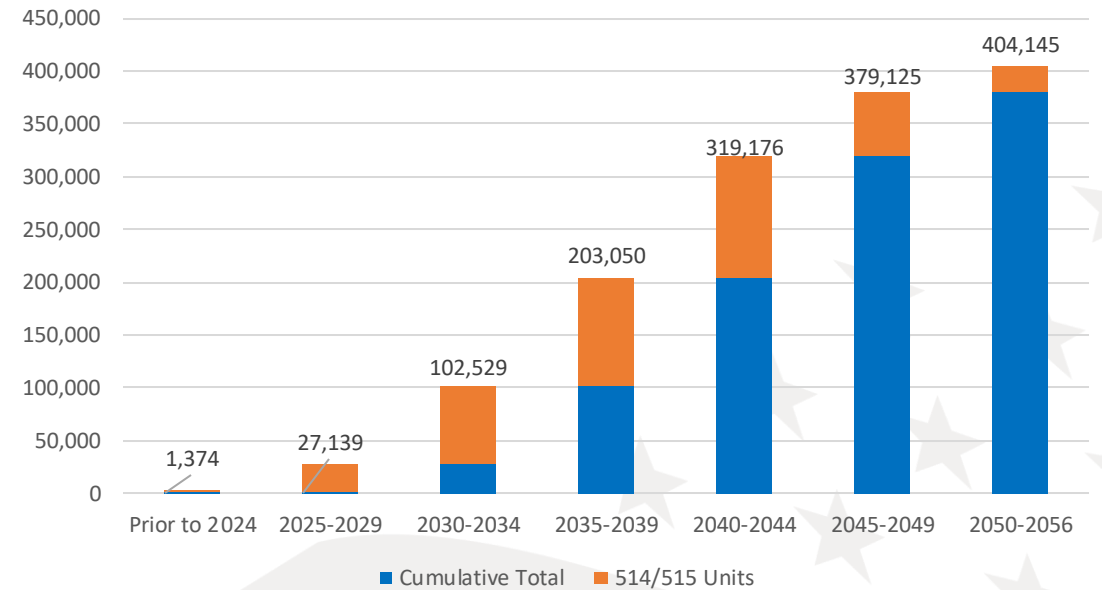
Data as of March 30, 2024 (this dataset is updated quarterly)

Section 514 and 515

Estimated Program Exit Year Range	Sec 514	Sec 514 Units	Sec 515	Sec 515 Units	Cumulative Unit Total	TOTAL Projects	Sec 514 %	Sec 515 %
Prior to 2024	10	303	56	1,071	1,071	66	2.2%	0.5%
2025-2029	43	981	857	24,784	1,374	900	9.4%	6.9%
2030-2034	63	1,859	2,526	73,531	26,158	2,589	13.7%	20.4%
2035-2039	112	4,325	3,188	96,196	99,689	3,300	24.4%	25.8%
2040-2044	131	4,297	3,491	111,829	195,885	3,622	28.5%	28.2%
2045-2049	65	2,793	1,597	57,156	307,714	1,662	14.2%	12.9%
2050-2056	35	2,037	646	22,983	364,870	681	7.6%	5.2%
TOTAL	459	16,595	12,361	387,550	404,145	12,820		

- Many loans are coming to their natural maturity date in the next 10-20 years.

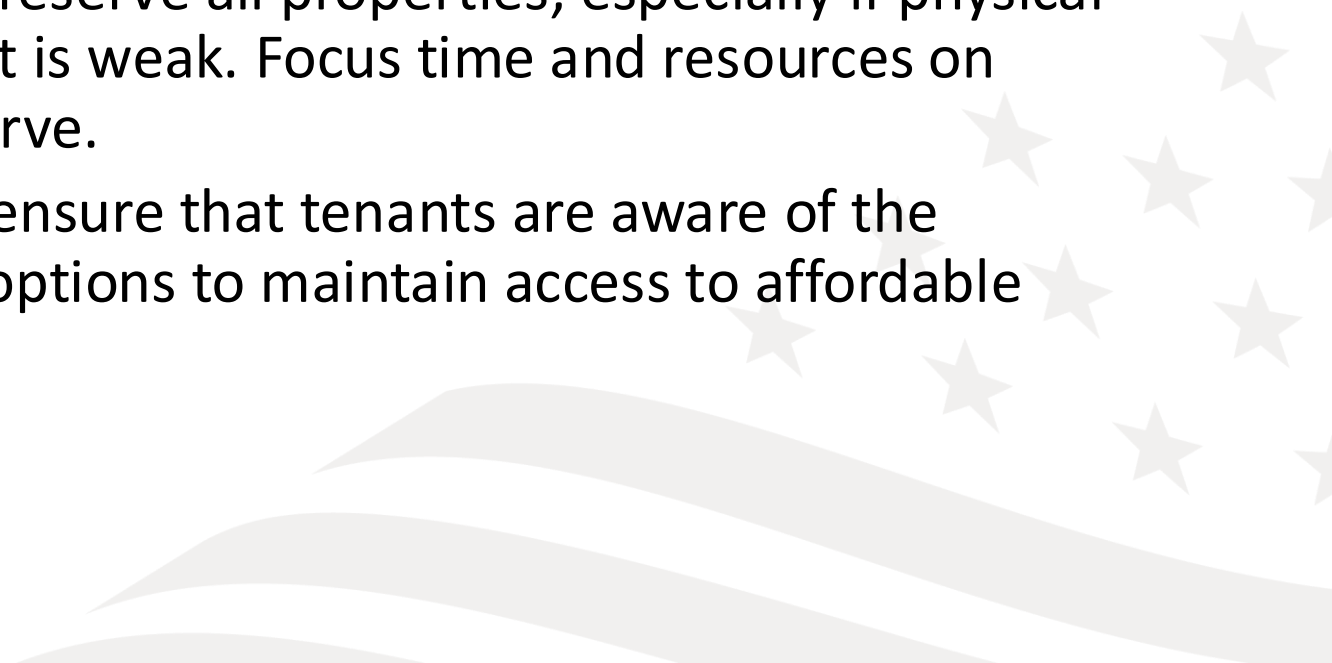
514/515 Unit Maturity Exit by Years



Strategies and Resources to Improve Preservation Outcomes

- Decoupling Section 515 loans from Section 521 RA at mortgage maturity (authority provided for the first time in FY24) to leverage third-party lender/funder investments in rehabilitation and preservation.
- RD funding for rehabilitation of current MFH properties, including Section 538 loan guarantees, Section 515 subsequent loans, and the Multifamily Preservation and Revitalization (MPR) program.
- Nonprofit transfer technical assistance is available to assist NPs and gov agencies to acquire and preserve 515 properties. TA is available is nationwide. Contact info for TA providers is at [MultiFamily Housing Non-Profit Transfer Technical Assistance Grants | Rural Development \(usda.gov\)](#)

Strategies to Improve Preservation Outcomes

- More training and education for all prospective preservation buyers, including events like the Preservation Academy.
 - Improvements and adjustments to the RD transfer process, including the Simple Transfer Pilot Program.
 - Recognize that it is not possible to preserve all properties, especially if physical condition is very poor and/or market is weak. Focus time and resources on properties that make sense to preserve.
 - Where preservation is not feasible, ensure that tenants are aware of the resources available to them and all options to maintain access to affordable housing.
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MFH Contacts for Production and Preservation Division

Request a concept call about a proposed transaction:

Processing and Report Review Branch 1 (Northeast and Midwest)

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Questions?

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