

This regulation prevents many non-profit agencies—which often have deep ties to our communities—from assisting the homeless.

Like many districts and states, the State of Alabama faces many challenges in addressing the needs of our homeless. We can accomplish this by correcting any unintended legislative consequences and taking action to create the most fast-acting and efficient system of housing assistance possible.

The Housing Assistance Efficiency Act addresses these problems by increasing efficiency, eliminating red tape, and expediting the process of providing safe, stable shelter for homeless communities.

I congratulate my colleague from California, Congressman PETERS, for remaining vigilant and continuing to be a voice for our most vulnerable communities. This is a valuable opportunity to eliminate barriers and offer a faster and more financially responsible approach to assisting the homeless.

While we continue our efforts to help the homeless, we must remain mindful of our long-term goals. I urge my colleagues to help pass this legislation and reaffirm our commitment to the alleviation of homelessness in all of our communities.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Missouri (Mr. LUETKEMEYER) that the House suspend the rules and pass the bill, H.R. 1047.

The question was taken; and (two-thirds being in the affirmative) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

PRESERVATION ENHANCEMENT AND SAVINGS OPPORTUNITY ACT OF 2015

Mr. LUETKEMEYER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 2482) to amend the Low-Income Housing Preservation and Resident Homeownership Act of 1990.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 2482

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Preservation Enhancement and Savings Opportunity Act of 2015”.

SEC. 2. DISTRIBUTIONS AND RESIDUAL RECEIPTS.

Section 222 of the Low-Income Housing Preservation and Resident Homeownership Act of 1990 (12 U.S.C. 4112) is amended by adding at the end the following new subsection:

“(e) DISTRIBUTION AND RESIDUAL RECEIPTS.—

“(1) AUTHORITY.—After the date of the enactment of the Preservation Enhancement and Savings Opportunity Act of 2015, the owner of a property subject to a plan of action or use agreement pursuant to this section shall be entitled to distribute—

“(A) annually, all surplus cash generated by the property, but only if the owner is in material compliance with such use agreement including compliance with prevailing physical condition standards established by the Secretary; and

“(B) notwithstanding any conflicting provision in such use agreement, any funds ac-

cumulated in a residual receipts account, but only if the owner is in material compliance with such use agreement and has completed, or set aside sufficient funds for completion of, any capital repairs identified by the most recent third party capital needs assessment.

“(2) OPERATION OF PROPERTY.—An owner that distributes any amounts pursuant to paragraph (1) shall—

“(A) continue to operate the property in accordance with the affordability provisions of the use agreement for the property for the remaining useful life of the property;

“(B) as required by the plan of action for the property, continue to renew or extend any project-based rental assistance contract for a term of not less than 20 years; and

“(C) if the owner has an existing multi-year project-based rental assistance contract for less than 20 years, have the option to extend the contract to a 20-year term.”.

SEC. 3. FUTURE REFINANCINGS.

Section 214 of the Low-Income Housing Preservation and Resident Homeownership Act of 1990 (12 U.S.C. 4104) is amended by adding at the end the following new subsection:

“(C) FUTURE FINANCING.—Neither this section, nor any plan of action or use agreement implementing this section, shall restrict an owner from obtaining a new loan or refinancing an existing loan secured by the project, or from distributing the proceeds of such a loan; except that, in conjunction with such refinancing—

“(1) the owner shall provide for adequate rehabilitation pursuant to a capital needs assessment to ensure long-term sustainability of the property satisfactory to the lender or bond issuance agency;

“(2) any resulting budget-based rent increase shall include debt service on the new financing, commercially reasonable debt service coverage, and replacement reserves as required by the lender; and

“(3) for tenants of dwelling units not covered by a project- or tenant-based rental subsidy, any rent increases resulting from the refinancing transaction may not exceed 10 percent per year, except that—

“(A) any tenant occupying a dwelling unit as of time of the refinancing may not be required to pay for rent and utilities, for the duration of such tenancy, an amount that exceeds the greater of—

“(i) 30 percent of the tenant’s income; or

“(ii) the amount paid by the tenant for rent and utilities immediately before such refinancing; and

“(B) this paragraph shall not apply to any tenant who does not provide the owner with proof of income.

Paragraph (3) may not be construed to limit any rent increases resulting from increased operating costs for a project.”.

SEC. 4. IMPLEMENTATION.

The Secretary of Housing and Urban Development shall issue any guidance that the Secretary considers necessary to carry out the provisions added by the amendments made by sections 2 and 3 not later than the expiration of the 120-day period beginning on the date of the enactment of this Act.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Missouri (Mr. LUETKEMEYER) and the gentlewoman from California (Ms. MAXINE WATERS) each will control 20 minutes.

The Chair recognizes the gentleman from Missouri.

GENERAL LEAVE

Mr. LUETKEMEYER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their re-

marks and include extraneous material on this bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. LUETKEMEYER. Mr. Speaker, I rise in support of H.R. 2482, the Preservation Enhancement and Savings Opportunity Act of 2015.

As my colleague from Minnesota, a longtime advocate of this preservation bill, will explain shortly, this bill provides technical changes to the Low-Income Housing Preservation and Resident Homeownership Act of 1990, or LIHPRHA, to allow property owners access to their profits while ensuring long-term preservation of affordable, multifamily housing properties.

By correcting the inequities resulting from a fixed return on investment, we are providing for continued preservation of an important asset and facilitating future recapitalization to maximize the remaining useful life of the LIHPRHA properties without any cost to the Federal Government.

HUD recognized the need to address this issue in the administration’s fiscal year 2015 and fiscal year 2016 budget requests. Administratively, HUD has removed the limitation on distributions in similar circumstances where it had the authority to do so but has determined it lacks such authority with the LIHPRHA portfolio.

This bill ensures the continued viability of the properties through continued adherence to the use agreement. This includes compliance with physical need requirements and requirement to provide for any identified capital needs.

I would like to reemphasize that this provision does not result in a cost to the Federal Government and ensures long-term preservation. I thank the gentleman from Minnesota for his hard work on this issue.

Mr. Speaker, I reserve the balance of my time.

Ms. MAXINE WATERS of California. Mr. Speaker, I yield myself such time as I may consume.

This bill is the product of years of thoughtful consideration and negotiations. I am very pleased with the compromises that were reached on this bill, especially some additional tenant protections that include rent affordability restrictions for existing tenants.

There are currently about 640 properties that are subject to restrictions in the Low-Income Housing Preservation and Resident Homeownership Act of 1990, otherwise known as LIHPRHA. LIHPRHA imposed some significant restrictions on property owners, which have proven to be problematic by making it more difficult for property owners to preserve these aging properties.

This bill would help address this issue by providing affected property owners with greater flexibilities on the condition that they comply with basic requirements that ensure that the properties are adequately maintained

and that tenants do not see dramatic increases in rents.

By providing these flexibilities, property owners will have better access to capital to carry out repairs and other improvements that will help preserve these aging properties and ultimately benefit tenants. Particularly in light of the current rental housing crisis, this is an important bipartisan measure that seeks to preserve our affordable housing stock. I urge my colleagues to support this bill.

Mr. Speaker, I reserve the balance of my time.

Mr. LUETKEMEYER. Mr. Speaker, I yield such time as he may consume to the distinguished gentleman from Minnesota (Mr. PAULSEN), who has been an advocate on this issue for a long, long time.

Mr. PAULSEN. Mr. Speaker, I rise in support of the legislation, the Preservation Enhancement and Savings Opportunity Act. Let me start by thanking the gentleman and the ranking member of the committee for their long efforts to bring this legislation forward with support.

As was mentioned, in 1990 Congress enacted the Low-Income Housing Preservation and Resident Homeownership Act, or LIHPRHA, to preserve and extend the availability of low-income housing throughout the country.

Many low-income housing properties at that time were nearing the end of a 20-year period of the owner's obligation to maintain below-market rents for qualified tenants, and Congress was worried about a flood of thousands of properties coming out of the low-income housing pool.

Congress used LIHPRHA to create new incentives, in the form of low-interest restructured mortgages, to entice property owners to maintain their properties as low-income housing. In exchange for the incentives, owners who agreed to extend low-income use of properties became obligated to operate properties as low-income housing for 50 years or the remaining useful life of the properties, whichever would be greater.

Property owners also agreed to a fixed cap on their allowed annual cash distributions from rents from the properties. The cap was designed to provide the owners with an 8 percent equity return, based on property values at the time. The income from the properties above the cap is still the owner's money, but it is held at HUD in an account that the owners have no right to access until the end of that 50-year period.

These 8 percent distribution limits, while initially workable, over time have resulted in very adverse and unexpected consequences, in particular relating to the Federal income tax liabilities of the owners. Initially, owners were able to offset a portion of their taxes owed with depreciation and mortgage interest deductions. The 8 percent cash distributions were sufficient to meet those tax obligations.

However, since that time, rents have increased, and deductible mortgage interest and depreciation deductions have decreased for LIHPRHA property owners. This effectively means that the annual Federal taxable income of the owners has increased substantially, despite the fact that their allowed cash distributions have remained capped at a constant dollar amount fixed in the 1990s.

Mr. Speaker, in recent years, for example, owners' income tax liabilities have often been more than double the amount of cash permitted to be distributed to them under the law, and this is unfair to LIHPRHA property owners. It will only worsen over time.

Fortunately, there is a simple solution to the problem. The Preservation Enhancement and Savings Opportunity Act will allow LIHPRHA property owners to access their funds held at HUD, after all operating expenses and property maintenance costs have been paid. More importantly, removing the limitation on distributions will not result in any cost to the Federal Government, as the funds belong to the owners and not to HUD.

The legislation also requires individuals refinancing LIHPRHA properties to provide adequate rehabilitation and replacement reserves. It includes protections for low-income housing tenants from excessive rent increases.

Removing the limitation on distributions and the refinancing provisions will facilitate additional recapitalization of these properties by private sector developers and other preservation entities, which will in turn extend the availability of low-income housing across the country for those who most need it. This all happens at no additional cost to American taxpayers.

Mr. Speaker, I insert into the RECORD a letter to Chairman HENSARLING and Ranking Member WATERS from nine national housing organizations endorsing this bill.

I close by asking my colleagues to join me in support of this legislation.

JUNE 11, 2015.

HON. JEB HENSARLING,
Chairman, Committee on Financial Services.

HON. MAXINE WATERS,
Ranking Minority Member, Committee on Financial Services.

DEAR CHAIRMAN HENSARLING AND RANKING MEMBER WATERS: The undersigned organizations urge you to support H.R. 2482, the Preservation, Enhancement and Savings Opportunity Act of 2014. The bill provides technical changes to the Low Income Housing Preservation and Resident Homeownership Act of 1990 (LIHPRHA) while ensuring long-term preservation of these affordable multifamily housing properties.

When LIHPRHA was enacted, property owners were provided incentives to maintain the affordability of the properties for low and moderate income renters for the remaining useful life of the properties in exchange for relinquishing the right to prepay the mortgage after 20 years. As part of the process, the owners' equity contributions in the property were redefined but a contractual limitation on property income distributions remained, even though all surplus funds belong to the ownership entity. Such a limita-

tion was workable twenty years ago, but as the mortgages mature the annual distribution becomes insufficient to address increasing tax liabilities.

The bill would remove the limitation on distributions and provide the ownership entity/sponsor access to its own funds to address tax liabilities or other expenses while ensuring continued preservation and adherence to the properties' use agreements. Such action provides additional incentives for future investors to recapitalize these multifamily properties, therefore extending their useful life and the continuation of a scarce housing resource for years to come. For the last 15 years, HUD has administratively removed limitations on distributions where it had the authority to do so. HUD has concluded that it lacks this authority with the LIHPRHA portfolio.

The bill's changes to LIHPRHA have no associated budgetary or tax cost to the Federal Government and ensure the preservation of an important housing resource. We urge you to support H.R. 2482.

Sincerely,

Council for Affordable and Rural Housing (CARH); Institute of Real Estate Management (IREM); Institute for Responsible Housing Preservation (IRHP); Mortgage Bankers Association (MBA); National Affordable Housing Management Association (NAHMA); National Apartment Association (NAA); National Association of Home Builders (NAHB); National Leased Housing Association (NLHA); National Multifamily Housing Council (NMHC).

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Ms. MAXINE WATERS of California. Mr. Speaker, I have no additional speakers. I encourage support for this bill, and I yield back the balance of my time.

Mr. LUETKEMEYER. Mr. Speaker, I urge support of H.R. 2482, and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Missouri (Mr. LUETKEMEYER) that the House suspend the rules and pass the bill, H.R. 2482.

The question was taken; and (two-thirds being in the affirmative) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

PRIVATE INVESTMENT IN HOUSING ACT OF 2015

Mr. LUETKEMEYER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 2997) to authorize the Secretary of Housing and Urban Development to carry out a demonstration program to enter into budget-neutral, performance-based contracts for energy and water conservation improvements for multifamily residential units.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 2997

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Private Investment in Housing Act of 2015".