CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 8, 2010

H.R. 4868
Housing Preservation and Tenant Protection Act of 2010

As ordered reported by the House Committee on Financial Services on July 27, 2010

SUMMARY

H.R. 4868 would authorize appropriations for and amend programs that provide federal assistance to the owners and residents of multifamily housing. The legislation's provisions are intended to preserve the availability of housing that is affordable to low-income families. CBO estimates that enacting this legislation would decrease direct spending by $19 million over the 2011-2015 period and $11 million over the 2011-2020 period. Enacting the bill would not affect revenues. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending.

Additionally, CBO estimates that implementing H.R. 4868 would have discretionary costs of $21.3 billion over the 2011-2015 period and $57.6 billion over the 2011-2020 period, assuming appropriation of the necessary amounts.

H.R. 4868 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) because it would preempt state and local laws. CBO estimates the cost of complying with the mandate would be small and would fall well below the threshold established in UMRA for intergovernmental mandates ($70 million in 2010, adjusted annually for inflation).

H.R. 4868 would impose a number of mandates on the private sector, as defined in UMRA, including increasing the reporting requirements on owners of low-income housing, and requiring certain owners of low-income housing to continue to accept certain tenants. CBO estimates that the aggregate costs of complying with those mandates would not exceed the threshold established by UMRA for private-sector mandates ($141 million in 2010, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4868 is shown in the following table. The costs of this legislation fall within budget functions 600 (income security) and 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011-2015	2011-2020
CHANGES IN DIRECT SPENDING												
Conversion of Rent Supplement and Rental Assistance Payment Contracts												
Estimated Budget Authority	-95	0	0	0	0	0	0	0	0	0	-95	-95
Estimated Outlays	26	18	-42	-37	-30	-14	-5	-4	-2	-1	-64	-91
Authority to Assign Flexible Subsidy Loans												
Estimated Budget Authority	7	7	7	7	7	7	7	7	7	7	35	70
Estimated Outlays	7	7	7	7	7	7	7	7	7	7	35	70
Residual Receipts												
Estimated Budget Authority	2	1	1	1	*	*	*	*	*	*	5	5
Estimated Outlays	2	1	1	1	*	*	*	*	*	*	5	5
Approval of Prepayment of Debt												
Estimated Budget Authority	*	0	0	0	0	0	0	0	0	0	*	*
Estimated Outlays	*	0	0	0	0	0	0	0	0	0	*	*
Use of Unexpended Amounts												
Estimated Budget Authority	5	0	0	0	0	0	0	0	0	0	5	5
Estimated Outlays	5	0	0	0	0	0	0	0	0	0	5	5
Total Changes in Direct Spending												
Estimated Budget Authority	-81	8	8	8	7	7	7	7	7	7	-50	-15
Estimated Outlays	40	26	-34	-29	-23	-7	2	3	5	6	-19	-11
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Title I												
Estimated Authorization Level	5,363	5,668	5,846	6,031	6,237	6,442	6,673	6,921	7,168	7,405	29,145	63,754
Estimated Outlays	717	2,513	4,217	5,380	6,057	6,247	6,451	6,683	6,925	7,167	18,884	52,357
Title II												
Estimated Authorization Level	250	250	250	250	0	0	0	0	0	0	1,000	1,000
Estimated Outlays	25	100	175	225	225	150	75	25	0	0	750	1,000
Title III												
Estimated Authorization Level	5	11	17	22	28	35	41	48	55	62	83	324
Estimated Outlays	3	9	14	20	26	32	38	45	52	59	72	298
Title IV												
Estimated Authorization Level	1	1	1	1	1	1	1	1	1	1	5	10
Estimated Outlays	1	1	1	1	1	1	1	1	1	1	5	10
Title V												
Estimated Authorization Level	287	155	213	274	337	405	455	460	468	474	1,266	3,528
Estimated Outlays	246	134	189	249	312	378	435	458	465	471	1,130	3,337

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	By Fiscal Year, in Millions of Dollars											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011-2015	2011-2020
Title VI												
Estimated Authorization Level	15	15	15	16	16	16	16	17	17	17	77	160
Estimated Outlays	4	11	15	15	16	16	16	16	17	17	61	143
Title VII												
Estimated Authorization Level	1	1	1	1	1	1	1	1	1	1	5	10
Estimated Outlays	*	1	1	1	1	1	1	1	1	1	4	9
Title VIII												
Estimated Authorization Level	59	68	78	88	98	0	0	0	0	0	391	391
Estimated Outlays	30	51	71	80	91	47	20	0	0	0	323	390
Title IX												
Authorization Level	10	15	15	15	15	15	15	0	0	0	70	100
Estimated Outlays	10	15	15	15	15	15	15	0	0	0	70	100
Total Changes in Spending Subject to Appropriation												
Estimated Authorization Level	5,991	6,184	6,436	6,698	6,733	6,915	7,202	7,448	7,710	7,960	32,042	69,277
Estimated Outlays	1,036	2,835	4,698	5,986	6,744	6,887	7,052	7,229	7,461	7,716	21,299	57,644

Note: * = less than $500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 4868 will be enacted before the beginning of calendar year 2011, that the amounts estimated to be necessary will be appropriated for each year and that outlays will follow historical patterns. Components of the estimated costs are described below.

Direct Spending

CBO estimates that enacting H.R. 4868 would decrease direct spending by $19 million over the 2011-2015 period and $11 million over the 2011-2020 period. Because several provisions of the legislation would change the expected cash flows associated with existing federal loans, those changes constitute a modification of the existing loans. Under credit reform procedures, the costs of loan modifications are estimated on a present value basis and recorded in the budget as changes in direct spending.

Conversion of Rent Supplement and RAP Contracts. Section 101 would allow owners of multifamily properties that receive rental subsidies through the Department of Housing and Development's (HUD's) Rent Supplement or Rental Assistance Payment (RAP) programs to convert their contracts to the project-based Section 8 program. There are currently 30,000 housing units under contract in those two programs. On average, the properties in those programs have enough funding available to pay a portion of their tenants' rents for the next four years. Should property owners opt to convert to the project-based Section 8 program, any unused budget authority from the old contracts could be used only for the initial 12-month period of the new contract. All rent subsidies for future years would need to be provided by the Congress in future annual appropriation acts.

Property owners who decide to convert to the new contracts would be giving up a guaranteed stream of funding in future years. As a result, CBO anticipates that owners of properties with below market rents would be the most likely to convert because that would allow rents to be set at market rates. Although the government would pay higher annual rent subsidies under the new contracts, the conversion would result in direct spending savings because multiple years of spending for the old contracts would no longer occur. The increased cost of the new contracts would be realized in the future as appropriations for the project-based program are made each year.

Based on data provided by HUD, CBO estimates that approximately 40 percent of the units would be converted to new contracts under this program. We estimate that the savings from converting the old contracts to new ones would total $91 million over the 2011-2020 period. The new discretionary costs for those conversions are discussed below under the heading "Spending Subject to Appropriation."

Authority to Assign Flexible Subsidy Loans. Section 109 would authorize HUD to forgive, defer, or assign any debt created pursuant to section 201 of the Housing and Community Development Amendments of 1978 to facilitate the preservation of affordable housing. Using data from HUD, CBO estimates that there are currently 725 Flexible Subsidy loans outstanding with an average unpaid balance of $800,000. Under current law, HUD allows the deferral of debt payments only to preserve affordable housing. In recent years it has allowed deferrals for about 9 properties a year. (On average, HUD receives a payment of about $140,000 for each deferred loan). Under the bill, CBO expects that HUD would forgive the debt of about 10 properties per year instead of allowing a deferral of debt payments. CBO estimates that enacting this provision would cost $70 million over the 2011-2020 period.

Residual Receipts. Several provisions in H.R. 4868 would expand the eligible uses of funds placed into the residual receipt account of a subsidized multifamily housing property. Owners of multifamily housing that receive a subsidy from HUD agree to allow the agency to restrict the amount of earnings that owners may withdraw from the property. Any net earnings on the property above those allowed in the agreement with HUD are deposited in a residual receipt account controlled by HUD. For some properties, the entire unused balance of funds remaining in the residual receipt account is returned to HUD when a property's rent subsidy contract is terminated. Since 2005, about $4 million per year has been received by HUD from residual receipt accounts; however, such recoveries will decline over time as the number of contract expirations decline. Based on data from HUD, CBO estimates that expanding the eligible uses of residual receipt funds would lower the amount recovered by HUD each year and cost $5 million over the 2011-2020 period.

Approval of Prepayment of Debt. Section 721 of the bill would allow owners of properties financed with a section 202 loan to refinance if the new financing were used to improve the project, even if refinancing would not result in a lower interest rate. Loans made to such properties prior to 1974 have interest rates of approximately 3 percent, and borrowers may not prepay their debt under current law. Based on data provided by HUD, CBO estimates that HUD currently holds about 250 loans of this type with a total unpaid balance of about $135 million. In conjunction with section 725, this refinancing provision would slightly increase direct spending.

Section 725 would allow HUD to approve the subordination of existing debt in lieu of prepayment. (Subordinated debt is placed in a lower priority for debt collections.) When refinancing to address a property's physical needs, CBO expects that the owners of section 202 properties would be more likely to subordinate those low-interest loans than to prepay them because the interest rates on those old loans are lower than current market rates. Issuing new primary debt on top of the existing 3 percent loans would increase the risk of default for those loans. Based on data provided by HUD, CBO estimates that the section 202 loans have an annual default rate of 0.25 percent. CBO expects that under section 725 of H.R. 4868, the majority of those loans would be refinanced by 2014 and that the default rate for the loans would increase but remain below 1 percent per year. CBO estimates that the increased risk of default would increase the cost of the loans by less than $500,000 in 2011 on a net-present-value basis.

Use of Unexpended Amounts. Section 723 of the bill would expand the eligible uses for savings generated by refinancing section 202 loans. Those new uses would include reducing the number of rental units that are functionally obsolete and equity payments to the project owner. This section would eliminate the restriction on the amount of savings that owners can use to provide supportive services to elderly tenants as well as restrictions on the owners' ability to direct savings to other properties.

CBO estimates that these provisions would increase the prepayment rate and increase the likelihood that HUD would approve the transactions. Based on data provided by HUD, CBO estimates that several additional properties would have their loans prepaid each year (with an average current interest rate of about 9 percent). CBO estimates such prepayments would cost $5 million in 2011 on a present value basis.

Spending Subject to Appropriation

CBO estimates that implementing H.R. 4868 would have a discretionary cost of $57.6 billion over the 2011-2020 period, assuming appropriation of the necessary amounts.

Title I: Preservation of Federally Financed and State Financed Affordable Housing. Title I would authorize a number of programs intended to preserve the availability of affordable multifamily housing for low-income families. In total, CBO estimates that enacting the provisions in the title would cost $18.9 billion over the next five years and $52.4 billion over the 2011-2020 period, assuming appropriation of the necessary amounts.

*Conversion of Rent Supplement and RAP Contracts***.** As mentioned above, section 101 would allow owners of multifamily properties that receive subsidies through HUD's Rent Supplement or Rental Assistance Payment programs to convert their contracts to the project-based Section 8 program. Federal subsidies for the new contracts would be subject to the availability of appropriations. Based on data provided by HUD, CBO estimates that owners would convert approximately 14,000 units of multifamily housing to project-based Section 8 at an average annual cost of about $10,000 per unit. The net cost of the new contracts would be reduced over time due to the reduced need for tenant protection vouchers at the end of the original contract term. On net, and assuming the appropriation of the necessary amounts, CBO estimates that implementing this provision would cost $653 million over the 2011-2020 period.

Preservation Rehabilitation. Sections 102 and 105 would authorize the appropriation of such sums as necessary for grants or loans to rehabilitate properties that participate in a HUD multifamily housing subsidy program. Approximately two million units would be eligible for such assistance. Based on information provided by industry groups, CBO estimates that the cost to rehabilitate those federally subsidized properties would average between $30,000 and $50,000 per unit.

In 2010, the Congress appropriated $2.5 billion for the capital improvement needs of about one million public housing units. Assuming the appropriation of a similar amount per unit for multifamily housing that receives federal assistance each year, and adjusting for inflation, CBO estimates that subsidizing the rehabilitation of those properties would cost $500 million in 2011 and about $42 billion over the 2011-2020 period.

Project-Based Rental Assistance. Section 102 also would authorize the appropriation of such sums as necessary for HUD to provide project-based rental assistance for units with tenants living in subsidized multifamily properties that are otherwise eligible for assistance but do not currently receive any rent assistance. Based on information from the Congressional Research Service and the Department of Agriculture, CBO estimates that there are about 190,000 such units in federally subsidized properties. Based on data provided by HUD, CBO estimates that the average cost of project-based rental assistance for eligible tenants residing in those units would be about one-third of the average annual cost of $7,700 for the programs as a whole because most families residing in unassisted units are likely to have higher incomes than those receiving rental assistance. Assuming that half of the current population of tenants would be eligible for assistance, a 10 percent turnover rate each year, and that upon turnover the current families would be replaced by families with incomes similar to program averages, CBO estimates that implementing this provision would cost $9 billion over the 2011-2020 period.

Training and Technical Assistance. Section 105 also would authorize the appropriation of such sums as necessary to provide training and technical assistance to the participants in the preservation exchange program to promote the preservation of affordable housing. Based on amounts provided for HUD's other training and technical assistance programs, CBO estimates that implementing this provision would cost $121 million over the 2011-2020 period.

Securitize FHA Risk-Sharing Mortgages. The Government National Mortgage Association (GNMA) is responsible for guaranteeing securities backed by pools of mortgages that are insured by certain federal agencies. In exchange for a fee charged to lenders or issuers of the securities, GNMA guarantees the timely payments of scheduled principal and interest due on the pooled mortgages that back those securities. Because the value of the fees collected by GNMA is estimated to exceed the cost of loan defaults in each year, the Administration estimates that the GNMA's mortgage-backed securities (MBS) program will have a subsidy rate of -0.24 percent in 2011, resulting in a net receipt to the federal government.

Section 111 would provide GNMA with new authority to also securitize loans made under the Federal Housing Administration's (FHA's) multifamily risk-sharing program. Based on information from GNMA, CBO estimates that GNMA would guarantee about $500 million in new loan guarantees in 2011 and about $1 billion in new loan guarantees annually in subsequent years. Thus, CBO estimates that implementing the MBS program under this legislation would result in about $20 million in additional offsetting collections (a credit against discretionary spending) over the 2011-2020 period, assuming future appropriation actions continue to authorize a dollar limitation for the GNMA securities program.

Title II: Restoration of Housing at Risk of Loss Due to Deterioration. Section 206 would authorize the appropriation of such sums as necessary for fiscal years 2011 through 2014 for grants or loans to owners of federally assisted multifamily housing for retrofitting the property. Such improvements would be aimed at lowering the property's energy consumption, carbon emissions, or use of raw materials. In 2009, $250 million was provided to HUD for such purposes and to date the program has performed the retrofits at a cost of approximately $13,000 per unit. Assuming appropriation of similar amounts through 2014, CBO estimates that implementing this provision would cost $1 billion over the 2011-2020 period.

Title III: Protection of Residents. Section 301 would require HUD, subject to the availability of appropriated funds, to issue tenant protection vouchers to replace certain multifamily dwelling units that cease to be available as assisted housing. Currently, HUD only issues tenant protection vouchers for units that have been occupied within the past 24 months. Over the past six years, HUD has issued an average of 13,000 tenant protection vouchers for the eligible properties each year. Based on information provided by HUD, CBO estimates that about 700 additional vouchers would be issued each year (assuming a 95 percent occupancy rate for properties losing assistance) at an average cost of about $8,000. Assuming renewals of all new vouchers annually and appropriation of the necessary amounts, CBO estimates that implementing this provision would cost $298 million over the 2011-2020 period.

Title IV: Preservation of Troubled Projects Facing Foreclosure. Section 405 would require HUD to make Housing Assistance Payments (HAP) for project-based rental assistance by the first business day of each month. If a HAP payment is not made within 30 days of the due date, HUD would be required to pay the property owner interest on the amount of such payment at a rate determined by the Secretary of the Treasury. Interest payments would be made from amounts made available for the management and administration of HUD. Based on data from HUD and the Government Accountability Office (GAO), CBO estimates that approximately 2 percent of HAP payments are more than 30 days late with an average delay of about 60 days. Assuming an average interest rate of around 5 percent, CBO estimates that the payment of interest for late HAP payments would cost about $10 million over the 2011-2020 period, assuming availability of the necessary amounts.

Title V: Incentives under MAHRA for Owners to Maintain Housing Affordability. Title V would extend the Multifamily Assisted Housing Restructuring and Affordability Act of 1997 (MAHRA) for five years to October 31, 2015, and would amend several provisions of the act. In total, CBO estimates that the provisions in this title would cost $3.3 billion over the 2011-2020 period, assuming appropriation of the necessary amounts.

Moderate Rehabilitation Rents. Section 503 would change how rents are determined when properties assisted through the Moderate Rehabilitation program (Mod Rehab) renew their contracts. Mod Rehab provides a rental subsidy to properties that have been rehabilitated previously. Currently, rents for such properties are renewed at the lesser of existing rents (adjusted by an operating cost factor), 120 percent of the fair market rent (as determined by HUD), or comparable market rents, which are generally higher than the other options. The provision would allow rents for those properties to be renewed at comparable market rents.

About 23,000 units are currently subsidized through the Mod Rehab program and owners may choose to leave the program when their contract expire and instead receive enhanced tenant-based vouchers. Many owners opt out of the Mod Rehab program because the rents under that program are often below market rates and tenants with enhanced vouchers would pay higher market rents. Based on data from GAO and HUD, CBO estimates that about 2,000 units have left the program each year since 2005.

Allowing rents under the Mod Rehab program to be set at market levels would increase the estimated cost of rental assistance if the owner of that property would not have otherwise opted to leave the program to take tenants with enhanced vouchers. Based on HUD data, CBO estimates that about 70 percent of Mod Rehab units have rents that are around 25 percent below market rates. Increasing the rents to match market rate would cost about $3,000 per unit for each year that the property would have stayed in the program. Assuming an attrition rate similar to the past few years and appropriation of the necessary amounts, CBO estimates that this provision would cost $231 million over the 2011-2020 period.

Nonprofit Debt Relief. Sections 505 and 506 would increase the number of properties that are eligible to receive debt relief. Assuming appropriation of the necessary amounts, CBO estimates that implementing those provisions would cost $90 million in 2011, reflecting the present value of forgone debt repayments.

Section 505 would expand the period of eligibility for qualified nonprofits to receive debt relief when acquiring a property that has been through the mark-to-market debt restructuring process. Under current law, HUD can forgive or assign a property's secondary mortgage if the property is acquired by a qualified nonprofit entity and HUD's guidelines require that any transactions resulting in debt relief must occur within three years of debt restructuring. The bill would extend that period to the later of seven years or two years after the date of enactment.

HUD has completed 86 such transactions to date. Based on HUD data, CBO estimates that the federal government loses about $600,000 of expected secondary mortgage payments (on a present value basis) per property as a result of such debt forgiveness. This loss is partially offset by HUD's requirement that the seller of a restructured property pay at least half of any cash-out proceeds at the time of sale as a partial repayment of the second mortgage (such payments have averaged about $100,000).

Under the bill, CBO estimates that about 1,500 properties would be eligible for debt relief if acquired by a qualified nonprofit. Based on the program's recent experience, CBO estimates that about 5 percent of those properties would be transferred to a qualified nonprofit and have their debt forgiven. Thus, CBO estimates that expanding the period of eligibility for nonprofit debt relief would cost $39 million in 2011, assuming appropriation of the necessary amounts.

Similarly, section 506 would allow debt relief if a qualified nonprofit becomes the general partner of a limited partnership that owns a property (general partners may hold as little as one-half of one percent interest in the limited partnership). In some instances, CBO expects that becoming the general partner would be a more attractive transaction for a qualified nonprofit than acquiring title to the property. Based on information from HUD and industry groups, CBO estimates that implementing this provision would lead to about 100 more transactions involving debt relief. Assuming appropriation of the necessary amounts, CBO estimates that allowing debt relief for such transactions would cost $51 million in 2011.

Rent Adjustments. Section 507 would amend MAHRA so that certain properties with above-market rents would not have the rent reduced when owners renew their rental assistance contracts. Based on data from HUD, CBO estimates that over 280,000 units of multifamily housing, primarily in properties financed by state housing authorities, would avoid rent reductions under this provision. Under current law, CBO estimates that rent would be reduced on average by about $1,300 per year when existing contracts expire on those properties. Assuming appropriation of the necessary amounts, CBO estimates that allowing these units to maintain current rents would cost $2.9 billion over the 2011-2020 period.

Otherwise Eligible Projects. Under section 511, multifamily properties with federally insured mortgages that are ineligible for debt restructuring because rents are at or below those for comparable market units, would become eligible for restructured mortgages. The provision would allow HUD to exercise this authority for up to 10 percent of all units for which mortgage restructuring is completed. Based on information provided by HUD, CBO estimates that the debt for about 40 properties per year would be restructured under this provision.

The properties that could obtain debt restructuring under this provision would either receive rent increases or maintain current rents, consequently CBO expects those properties would have low default rates in the absence of debt restructuring. As a result, CBO estimates such restructurings would cost $95 million in 2011, assuming the availability of the necessary amounts.

That cost includes some offsetting savings for a few properties that would default in the absence of the restructuring. Based on HUD data, CBO estimates that the average unpaid principal balance for properties eligible for debt destruction is about $2 million. The average partial payment of claim for properties that have had their debt restructured is about 80 percent of the unpaid balance and the repayment rate on the new secondary mortgages amounts to about 2 percent per year. On average, CBO estimates that for those properties that would have defaulted on their loans, restructuring mortgage debt would save the government about $1 million per project.

Exception Rents. Under current law, HUD can set rents above 120 percent of the fair market rent (FMR) for up to 5 percent of all units that are subject to debt restructuring. Section 512 would increase this authority for up to 9 percent of all such units. Based on HUD data, CBO estimates that such exception rents are, on average, about 14 percent higher (or $1,500 per year) than they would be if limited to 120 percent of the FMR, and that expanding this authority would affect about 100 units per year. CBO estimates that this provision would cost $7 million over the 2011-2020 period.

Title VI: Preservation Database. Section 601 would require HUD to establish a publicly available database of subsidized multifamily properties throughout the country. The section also would authorize the appropriation of such sums as may be necessary to provide grants to states and units of local government to enable the collection information on state and local assistance provided to multifamily housing properties. Based on amounts provided for other state and local data collections efforts and assuming appropriation of the necessary amounts, CBO estimates that implementing this provision would cost $143 million over the 2011-2020 period.

Title VII: Section 202 Supportive Housing for the Elderly. Section 741 would authorize the appropriation of such sums as are necessary for HUD to establish a publicly available repository regarding the availability and quality of multifamily developments for elderly tenants. Based on amounts provided for similar data clearinghouse programs, and assuming appropriation of the necessary amounts, CBO estimates that implementing this provision would cost $9 million over the 2011-2020 period.

Title VIII: Rural Housing Preservation. Title VIII would require the Rural Housing Service (RHS) within the Department of Agriculture to implement a program aimed at preserving rural rental housing supported by Section 515 of the Housing Act of 1949 by restructuring loans on existing properties. In total, CBO estimates that this provision would cost $390 million over the 2011-2020 period.

Preservation of Multifamily Housing. Section 802 would allow RHS to provide financial incentives, such as loan forgiveness and direct loans, to owners of Section 515 housing who agree not to prepay their mortgages and continue to participate in the Section 515 program. The provision would authorize the appropriation of such sums as may be necessary each year over the 2011-2015 period to implement those financial incentives. Based on information from RHS, CBO estimates that about 250 properties would undergo a mortgage restructuring at an average cost of about $21,000. Thus, CBO estimates that such mortgage restructuring would cost $275 million over the 2011-2015 period.

Rural Tenant Protection Vouchers. Section 803 would authorize the appropriation of the necessary amounts for the 2011-2015 period for RHS to provide housing vouchers to certain families who would be displaced if property owners prepay the mortgages on properties where they now reside. Based on information from RHS, CBO estimates that families in about 2,000 units would be eligible to receive vouchers and that the average voucher would cost $3,500. CBO estimates that this provision would cost $115 million over the 2011-2015 period, assuming the vouchers are renewed annually and the value would be adjusted for anticipated inflation.

Title IX: Housing Assistance Council. Section 901 would authorize the appropriation of $10 million in 2011 and $15 million a year over the 2012-2017 period to provide financial assistance to the Housing Assistance Council to increase the capacity of community-based organizations to develop affordable housing projects in rural areas. Assuming appropriation of the authorized amounts, CBO estimates that this provision would cost $100 million over the 2011-2020 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 4868, as ordered reported by the House Committee on Financial Services on July 27, 2010

	By Fiscal Year, in Millions of Dollars											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011-2015	2011-2020
NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	40	26	-34	-29	-23	-7	2	3	5	6	-19	-11

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 4868 contains an intergovernmental mandate as defined in UMRA because it would preempt state laws that govern how surplus funds from housing projects are distributed to owners of those projects in some cases. While the preemption would limit the application of state and local laws, it would impose no duty that would result in significant additional spending. Consequently, CBO estimates that the costs would fall well below the threshold established in the UMRA for intergovernmental mandates ($70 million in 2010, adjusted annually for inflation). In general, state, local, and tribal governments would benefit from the continuation of existing HUD grants, the creation of new grants, and broader flexibility included in the bill.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 4868 would impose a number of private-sector mandates, as defined in UMRA, on current private property owners who offer low-income housing under a number of programs administered by the Department of Housing and Urban Development.

The bill would place a mandate on current owners of low-income housing. It would prohibit any rules or restrictions that limit the lawful use or possession of firearms in their properties. CBO estimates that the direct cost of complying with this mandate is likely to be small.

The bill also would place a mandate on certain owners of low-income housing. Those owners would be required to accept certain tenants even after their contract to provide low-income housing had expired. However the owner would receive rent from those tenants that is designed to equal market rates. Consequently, CBO estimates the direct costs of this mandate to be small.

Additionally, the bill would place a mandate on owners of certain low-income housing for the elderly. Those owners would be required to periodically report certain information about their properties to the Secretary.

The bill also would place a mandate on owners of certain low-income housing who plan to end their agreements to provide such housing. It would require the owners to provide written notice to the Secretary, state and local government where the property is located, and each tenant, of the owner’s plan at least a year before the agreement is ended.

The bill also would place a mandate on owners of certain low-income housing who plan to sell such housing properties. H.R. 4868 would require that those owners first give the state housing agency 90 days to inspect and offer to purchase the housing before they contract with a third party to sell the property. On the one hand the owner is not required to accept any offer made by the state housing agency. On the other hand, the mandate could reduce the willingness of certain buyers to purchase this housing because of the increased waiting time. CBO estimates that the cost of this mandate would not exceed the threshold established by UMRA for private-sector mandates.

While H.R. 4868 would impose a number of private-sector mandates, as defined in UMRA, on private property owners who currently receive project-based assistance and other federal housing assistance, CBO estimates that the aggregate cost of complying with those mandates would not exceed the threshold established by UMRA for private-sector mandates ($141 million in 2010, adjusted annually for inflation).

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