

**Statement of Tony Chrisman
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**Before the Subcommittee on Agriculture, Rural Development, Food and Drug
Administration, and Related Agencies**

Good morning, Chairman Moran, Ranking Member Merkley, and distinguished Members of the Subcommittee. My name is Tony Chrisman and I am a Rural Housing Developer and Property Manager from Enterprise, Oregon. It is an honor to appear before you today to discuss an urgent situation involving the USDA Rural Development Multifamily Housing Rental Assistance Program.

My companies have developed, owned, and managed affordable housing complexes for 26 years. We have developed over 50 affordable housing projects and manage an additional 50 projects representing over 3000 households across rural Oregon and Washington. We currently employ approximately 200 people.

75 percent of our housing projects have been funded through USDA Rural Development multifamily housing programs and receive Project Based Rental Assistance directly from USDA Rural Development. Rental Assistance is a payment made on behalf of low income tenants which pays part or all of their monthly rent and utilities based upon the tenants' income.

I am here to bring your attention to the current crisis that has occurred in the USDA Rental Assistance program. This summer, we were alerted to the fact that the Rental Assistance

Program faced a shortfall in funding due to new language that was included in the “Consolidated and Further Continuing Appropriations Act, 2015.” We received a single notice from USDA Rural Development that one project we managed was going to run out of Rental Assistance in 30 days and would not be eligible for further payments for 5 months. We were very concerned. We began doing additional research on the balance of our USDA Rural Development properties to determine if other projects would be affected. What we discovered was alarming. Due to a change, apparently requested by USDA Rural Development, in the language of the “Consolidated and Further Continuing Appropriations Act, 2015” Rental Assistance contracts could no longer be renewed as they had been in previous years. In addition, due to the fact that USDA RD budgeted each project’s Rental Assistance based upon a state-wide average and not their actual budgets, any projects which had higher than the state-wide average of Rental Assistance faced a shortage.

In August of this year, USDA Rural Development failed to provide Rental Assistance to many of our properties. As of October 15, our companies have 17 projects representing 770 low income households that have not received Rental Assistance for at least one month. The amount of the Rental Assistance not paid to date is \$365,000. For a small companies such as ours, the consequences of this situation could bring an end to our business. We received no official notice or any indication from USDA Rural Development that payments would not be made with one exception. These payments generally represent about 80% of the total monthly revenue for each affected property.

We have no idea when payments may resume and if payments will be made in arrears. Virtually no communication has been forthcoming from USDA Rural Development. We are left in a no win situation with tenants who are unable to afford their rent and USDA Rural Development unwilling or unable to pay rental assistance on their behalf.

What is happening with our companies and tenants is playing out in other parts of the country right now. USDA RD Rental Assistance supports 272,322 units of affordable housing in 14,900 properties across the United States. We have talked to other affordable housing owners and managers across the country and have discovered that they are experiencing the same thing and payments of Rental Assistance are not being made. Many owners and managers of these properties have given the low income tenants notice that they need to pay the much higher rents that result from the USDA Rental Assistance not being paid on their behalf. Several newspapers across rural America have documented that low income tenants are now being asked that their portion of the rent increase dramatically.

If this situation is not remedied significant impacts will occur. First, without regular Rental Assistance payments, most tenants cannot afford the full rent on their own and as a result, they face being displaced and possibly homeless. The average household income in our portfolio is less than \$10,000 per year. The average household incomes of the families that live in USDA Rural Development properties is extremely low and these tenants represent some of the most vulnerable members of our society. The way USDA Rural Development has dealt with this matter will result in tenants with the lowest incomes and

the greatest needs being displaced from housing that many of them have lived in for years.

Second, the 14,900 existing USDA funded properties across the country will face foreclosure, bankruptcy, and will default on their financial obligations. In our case, since many of our projects have been funded with Federal Low Income Housing Tax Credits and additional funding sources such as State low income housing loans and commercial loans, serious financial outcomes will result.

Our companies' business has primarily been to preserve older affordable housing projects by acquiring the properties and using a multitude of State and Federal funding mechanisms to recapitalize, rehabilitate, and preserve the properties in order to keep the valuable federally funded rental assistance. The state of Oregon and Washington have funded and invested in numerous projects specifically to preserve projects like these across rural areas. The shortage of Rental Assistance puts all of this work at risk. State and Commercial financing will dry up if the availability of the Rental Assistance is lost. Banks and Investors will stop investing in the low income housing tax credits that have been used to fund these properties. Losses will be large.

Finally, the third consequence of this situation is that many jobs across rural America will be in jeopardy as these projects fail and the managers, contractors, and support staff will be terminated.

It is our understanding that several things need to happen to in order to remedy this current situation.

First, language limiting the ability of USDA Rural Development to renew contracts only once a year must be removed from next year's budget. The recently passed Continuing Resolution addresses this issue until December, but unfortunately it does not deal with the longer term issue. We need this language removed from future budgets.

Second, according to industry groups, it appears that the USDA RD Rental Assistance Budget is not sufficient to meet the requirements of the program. Although the USDA has repeatedly insisted that their budget was sufficient, it clearly was not sufficient and USDA ran out of rental assistance funds this past summer for many projects. Industry groups believe the budget is short by approximately \$220 million. USDA Rural Development has not been forthcoming about the exact amount of the shortfall.

There are numerous other proposals that could make this program more effective and return the focus to managing the properties and supplying housing for low income rural families. However, if the current Rental Assistance Crisis is not fixed none of these proposals will matter.

Thank you for allowing me to testify and I look forward to answering any questions you might have.