



**Testimony of Deje Kondor
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**Hearing before the House Financial Services Committee
Housing and Community Opportunity Subcommittee
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H.R. 2930, The Supportive Housing for the Elderly Act of 2007

Good Morning Chairwoman Waters, Ranking Member Biggert, and distinguished members of the committee. My name is Deje Kondor and I am the Executive Director of the Presbyterian Homes and Housing Foundation of Florida, Inc. I am honored to speak to you today as a member of the Florida Association of Homes and Services for the Aging, the Florida affiliate of the American Association of Homes and Services for the Aging and as a member of AAHSA.

We are a faith based non profit organization dedicated to serving older adults for more than 40 years on the West Coast of Florida by providing them an atmosphere to enjoy affordable independent living with dignity and well-being. Although we receive no funding from the Presbyterian Church, USA, our "sponsor", we serving the Tampa Bay and Peace River Presbyteries and provide affordable non-assisted rental housing for low-income seniors in West Central Florida. With 3,095 units at 19 different sites, we are the largest non-profit sponsor of HUD housing in Florida.

Of our 19 communities, four are the "old" 202s (816 units), built between 1959 and 1974. We have three 202/8s (275 units). We also have two 202 PRACs (160 units).

We also have seven Section 236 communities, some with project based Section 8, one 221(d)(3) and two Rural Development communities.

I am delighted to be here today to speak on behalf of HR 2930. It truly is legislation that could provide us with the tools that we need to preserve our housing and to build new housing in the future. We were so honored that Congressman Mahoney chose to announce introduction of this important legislation at one of our communities, Charlotte Towers, a 97 unit Section 202/8 in Port Charlotte.

Let me tell you why this legislation is important.

We have four of the old Section 202 properties, built in the early phase of the program. They have 3%, 50 year mortgages; so the rents are fairly low considering today's rents, but the renovation needs are great with little access to capital. Only some of the units have section 8 project based assistance. Our oldest community, Presbyterian Homes of South Florida, the first Section 202 built in Florida, has a total of 216 units with only 43 project-based Section 8 units. If we were to refinance the property and renovate it, only 43 seniors would be able to pay the new rents because they have section 8 assistance paid on their behalf. The remaining 173 seniors may not be able to pay new higher rents that come with a renovated property. However, if HR 2930 passes, the seniors would receive project based rental assistance to make up the difference between what they can afford to pay and the actual rent needed to pay for the new mortgage and operating costs. They will not be displaced and the resource will remain for future very low income seniors.

At the remaining three properties, only 28 seniors have rental assistance, but it is tenant based assistance; so at those properties as well, if we were to undertake the kind of rehabilitation that is

necessary, it is unlikely that the residents would be able to pay the new rents without rental assistance.

We have made do when it was crucial for emergency repairs that our reserves would not cover. We have received two low-interest (1%) loans from the state for elevator rehabilitation at Presbyterian Towers and at Tampa Presbyterian Community. However, when we applied and were awarded another low-interest loan from Florida Housing Finance Corporation in excess of \$500,000 last year for the Tampa Presbyterian Community, the Jacksonville HUD office would not let us accept it because we had no other means to pay it back except through operating funds derived from tenant rents. We were told blithely by HUD that the “sponsor” could make the payments, not the community, as if the “sponsor” had deep pockets. Florida Housing Finance Corporation may make these loans available as deferred payment loans; therefore we have reapplied, hoping that a deferred payment loan would be acceptable to HUD.

If this legislation were enacted, we would be able to refinance all the mortgages and accomplish the substantial rehabilitation that is necessary instead of a piecemeal approach in emergency situations. Our very low income seniors would be protected from displacement and higher rents and the housing would remain affordable for future seniors.

We actually need more rental assistance now in these properties which I understand is not available. At least if the legislation passes and we undertake refinancings, rental assistance will be available. Very few of the residents are actually earning the “maximum income” of 80% of area median income. If there were Section 8 Housing Choice Vouchers available through the housing authorities, most of our residents would qualify. Although our communities have the most affordable rents in the area, our residents still would benefit from rental assistance. When we have a budget-based rent increase go into effect, it is very difficult on those residents. It is

forcing us to exclude very-low income residents from eligibility in these communities because to forego rent increases would jeopardize project operations. So the availability of rental assistance is critical to preserving housing for very low income seniors.

We have refinanced two of our three 202/8s. It was complicated and a lot of work. It took a lot longer than projected but in the end we were able to complete major rehab work. With HR 2930 enacted, perhaps it would have been more direct and certainly easier.

As I have mentioned, we also own and operate seven 236 developments. Five of them have only partial Section 8 assistance; two have none. As you know, residents of not for profit owned Section 236 developments are not eligible for enhanced vouchers or rental assistance if the mortgages are prepaid and the property refinanced unless they already are receiving rental assistance. In order to preserve the 236 inventory owned by not for profits, we would recommend extending the provision of new project based rental assistance in HR 2930 to those tenants as well as for unassisted Section 202 residents. It is necessary for preservation and avoiding displacement.

Presbyterian Homes and Housing Foundation of Florida continues to apply for new construction funding under the PRAC program. We have experienced what every Section 202 sponsor has experienced – insufficient construction dollars and initial PRAC budgets and time delays in reaching initial occupancy. As for all businesses, not for profit or for profit, time is money. The delays in processing add to the cost of any project. And our sponsor, the Presbyterian Church, USA does not and cannot contribute any funds to help out with either construction cost overruns or operational fund shortages.

The construction costs for our two PRACS were under budgeted. At our newest PRAC that opened in December 2006, concrete costs had exceeded the original budget by \$359,000 by the

time the actual construction began. There were also additional unforeseen cost overruns. We also requested amendment funding for an emergency generator because the building is 5 stories tall. It was denied by HUD. This community is located in Lakeland, Florida which sustained major damage and power outages in 2004 with Hurricanes Charley, Frances and Jean. We thought it only sensible to include an emergency generator as standard equipment like refrigerators and ranges, but to HUD an emergency generator apparently is a "luxury" expense. As well, the initial operating budget and rents were grossly under budgeted.

We applied for a "pre-occupancy rent increase" at our newest PRAC which was "initially approved" but was never "funded". So, we lost out on the additional rent to fund operations for an entire year and started out behind.

We believe that HR 2930 by delegating processing of applications to state or local housing agencies would be able to more realistically assess the needs of each community proposal more quickly. If a local or state agency had been reviewing our Lakeland community, perhaps the cost overruns caused by time delays and inadequate funding initially approved would not have occurred. A local agency would also have been more sensitive to the needs of a Florida hi rise, approving the funding necessary for an emergency generator as a cost of doing business in a hurricane prone area.

Finally, I would also like to address one of the less jazzy issues in the bill and that is HUD's obligations to provide sufficient rent increases and emergency rent increases to cover operating costs including insurance. Florida has seen exorbitant insurance premium cost increases over the last several years. Presbyterian Homes has seen its insurance premiums rise from \$700,000 to \$1.25 million from 2004 to 2006. We're waiting for the 2007 premium bill. Not only will HUD not provide rent increases to cover or reimburse these costs, but faulted us for scrubbing project

reserves to pay the bills without permission. This legislation would require HUD to address those emergency rent increase requirements and that is critical to operating senior housing responsibly.

I want to commend Congressman Mahoney and this Committee for addressing the issue of insurance coverage and urge you to look at multifamily housing coverage as well as single family housing coverage.

The rents and the subsidy payments we receive are our only source of revenue and if the rental income is not sufficient, we can not adequately operate and maintain our properties for the benefit of the seniors who live there. I should add that we provide service coordinators at almost every property, paid for out of our operating budgets or excess income at the 236 communities. We believe they are crucial to our mission of serving seniors with dignity. So this provision ensuring adequate rents is critical. One need only look at the chaos created by late HAP payments to understand why it is so important to have adequate rents. But that is an issue for another hearing, another day.

Conclusion

Because Presbyterian Homes and Housing Foundation of Florida recognizes the uncertainty and even loss of federal funds, we fear that we may not be able to remain self sufficient in the future and provide the same services we do today. The Foundation has pledged to increase its efforts to attract gifts from individuals and organizations to further ensure its mission into the future. In our bleakest moments we have even considered prepaying all our mortgages and opting out of all our subsidy contracts, simply to get out from under all the bureaucracy and uncertainties of dealing with HUD and the PBCA while continuing to serve seniors and meet our mission. But we believe that HR 2930 offers a ray of hope for assuring that we can successfully recapitalize and rehabilitate our oldest properties, protect our vulnerable seniors from

displacement, build new 202s without facing time delays and cost overruns, and operate and maintain our buildings with sufficient rental income. We want to thank you for considering this legislation and would urge its adoption as soon as possible.

