

**Testimony to the U.S. House of Representatives
Committee on Financial Services
Subcommittee on Housing and Community Opportunity**

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2128 Rayburn House Office Building
Washington, DC

Chairman Frank, Chairwoman Waters, Ranking Member Capito and members of the Committee, thank you for the opportunity to testify this afternoon on one of the most crucial issues in affordable housing.

My name is Ghebre Selassie Mehreteab. I am the chief executive officer of The NHP Foundation (NHPF), a nonprofit housing organization headquartered in New York City with offices in Washington, DC and Baton Rouge, LA.

The NHP Foundation

In 1989, The National Housing Partnership, a Congressionally chartered corporation, established NHPF as a nonprofit organization to address America's affordable housing crisis. NHPF is governed by a board of trustees composed of distinguished citizens in related fields of business and philanthropy. (See Exhibit A)

Since 1994, NHPF has preserved, or converted from market rate to affordable, 46 properties totaling approximately 10,000 units in 14 states. With a grant from the MacArthur Foundation, NHPF has developed a five-year strategic plan for the creation or preservation of an additional 5,000 to 10,000 affordable units in the United States.

At the outset, I want to state that The NHP Foundation is in full support of this Bill, the Legislative Options for Preserving Federally- and State-Assisted Affordable Housing and Preventing Displacement of Low-Income, Elderly and Disabled Tenants. By providing new tools, reforming existing programs and creating incentives for preservation-oriented ownership, the Bill will:

- (a) Assist NHPF and other large-scale nonprofit organizations in preserving the existing stock of affordable housing;
- (b) Complement the important work being done in this area by grant-making philanthropic organizations; and
- (c) Make it easier to attract private capital from banks and other institutions for preservation projects.

The Need for Preservation

The need for affordable housing in our society is a pressing one, and yet we are losing much of our affordable housing. The first order of business is to preserve the affordable housing that has already been built at great expense to the taxpayer. The loss of project-based section 8 housing is particularly damaging, since tax credit housing without Section 8 cannot serve the very poor. As a rule, preservation is cheaper, faster, and greener than new construction.

For nonprofit organizations to be successful in their preservation efforts, it requires partnership with the public sector, investment of private capital, and grants and loans from the philanthropic community.

Public Sector

The Bill takes important steps to preserve housing that was built with assistance from the federal and state governments, and it efficiently uses existing federal resources by allowing the transfer of existing Section 8 contracts and providing greater flexibility in the use of already appropriated Section 236 interest subsidy. The Bill also recognizes that government resources can not do it alone.

The full participation of banks and the philanthropic community is needed to enable nonprofit organizations to engage in large-scale preservation efforts. NHPF's successful financing model for preservation combines public subsidy, private capital and philanthropic sources. This Bill will enhance the public and private partnership model.

Private Capital

NHPF and other preservation owners rely on private lenders and investors to create and preserve quality affordable housing. NHPF has been very fortunate in partnering with Bank of America's Community Development Group.

Over the past few years, Bank of America has provided construction and permanent financing as well as tax credit equity investments which have allowed NHPF to preserve affordable housing stock. By expanding the availability of 20-year Housing Assistance Payment contracts (subject to appropriations), the Bill expands the universe of projects where investors and lenders will be willing to risk their capital and assist in preserving the affordable housing stock. The banks can not undertake preservation efforts alone. The role of the philanthropic community is the glue that binds the public sector with the private capital.

Philanthropic Sources

Like Congress, the philanthropic sector recognizes the importance of preservation as evidenced by the John D. and Catherine T. MacArthur Foundation's initiative entitled "Window of Opportunity: Preserving Affordable Rental Housing".

NHPF and other preservation oriented nonprofits have been fortunate to receive funding from the Ford Foundation, The MacArthur Foundation, Prudential Social Investments, and other philanthropic sources for our preservation work.

In addition to raising grants domestically, the Emir of the State of Qatar, through the Qatar Katrina Fund, made a grant commitment which has enabled us to create and preserve affordable housing in New Orleans and vicinity.

Reforms and new incentives in the Bill will build on the efforts of these philanthropic organizations to strengthen large-scale, mission-driven, preservation-oriented owners of affordable housing.

In conclusion, NHPF looks forward to continuing to work with the Committee and its staff on preservation issues.

Thank you again for inviting me to testify today.

Exhibit A

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