



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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May 3, 2010

David H. Stevens
Commissioner, Federal Housing Administration
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Dear Commissioner Stevens,

On behalf of the 1.1 million members of the National Association of REALTORS®, I would like to draw your attention to an issue regarding availability of FHA insurance for residential condominium units in mixed-use buildings. At a White House conference on March 3rd, I spoke to Secretary Donovan and expressed my concern that FHA's maximum limitations on commercial space in mixed-use buildings create an obstacle to potential purchasers of residential units in these buildings. The Secretary agreed that this was a problem and asked that I write to you.

As you know, if more than 25% of a mixed-use building is devoted to commercial space, then none of the residential units in that building are eligible for FHA mortgage insurance. The situation is even worse with respect to the government sponsored enterprises' underwriting standards which impose a 20% limitation on commercial space. I don't have to tell you how dismal the condominium market is at present. With so few lenders willing to write conventional loans for these units, they are essentially unmarketable. Under such conditions, we feel FHA has a duty to do what it can to offer hope to people for whom a condominium is the most affordable option for home ownership.

The reason we bring up the issue of mixed-use buildings is this – creating opportunities to mix residential and commercial uses in close proximity is smart land use. It can reduce the need to drive. It promotes active transportation which does not pollute and contributes to physical health. It can reduce the demand for fossil fuels and the pollution associated with their use.

This is what the White House conference I attended was about. This is what the partnership of HUD, USDOT and EPA in a Livable Communities Initiative is about.

We ask that the Federal Housing Administration review the 25% maximum limitation on commercial space in mixed-use buildings. This creates particular difficulties with 2-story buildings, since any commercial limitation under 50% forces some residential units to the ground level. In traditional mixed-use neighborhoods, commercial uses generally occupy the street-level space and residential uses are on the upper floors. We urge that the limitation on commercial space be raised to at least 50% for 2-story structures and 33% for 3-story or higher structures.

If the National Association of REALTORS® can assist in any way with this review, please let us know.

Sincerely,

Michael Flynn, Chair
National Association of REALTORS® Smart Growth Advisory Group

cc: John Anderson, Chair, Federal Housing Policy Committee
Bob Snowden, Chair, State and Local Issues Committee