



Affordable Housing Preservation Summit:

State & Local Preservation Efforts

by Tracy Kaufman
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National Housing Trust



- Committed to safeguarding affordable housing.
- Only national nonprofit engaged in housing preservation through real estate development, lending **and** public policy initiatives.
- The National Housing Trust:
 - Partners with investors to raise capital to buy and renovate affordable apartments. *Preserved 5,300 affordable apartments.*
 - Lends early money to developers to help them purchase and renovate affordable apartments. *Helped to preserve over 6,000 apartments.*
 - Lends for permanently affordable homeownership with capital from those who participate in our socially responsible investing. *Facilitated development of over 4,500 homes in 30 states.*
 - Educes policymakers of the need to dedicate resources towards the revitalization of existing affordable apartments.

What is affordable housing preservation?

- When a privately owned, subsidized rental property is preserved, action is taken to ensure the federal subsidy and low-income restrictions remain in place, preserving long-term affordability.
- This is usually combined with raising new capital to repair the property.
- Often the property is transferred to a new owner who is committed to the long-term affordability of the property.



Hazel Hill Apartments, 147 apartment homes in Fredericksburg, VA preserved by NHT/Enterprise



Why is this stock at risk?



Market Risk

- Strong market- Gentrification
- Weak market- Downward pressure on rents

Policy Risk

- Owners “opt out” or mortgages are prepaid or mature
- HUD takes enforcement action

Owner Capacity/ Interest

- Owner may want out of the business
- Owner may lack capacity to maintain/ recapitalize housing

Preservation is the essential first step in solving our housing dilemma



Stable rental housing is critical to Arizona's healthy communities.

Nearly 3 out of every 10 Arizona households rent. It is *stable* housing, not tenure, that is key to providing quality of life benefits.

The supply of affordable apartment homes is decreasing.

Between 1997 and 2007, the number of apartments renting for \$400 or less per month declined by 16%.

Preserving affordable housing is cost effective.

Rehabilitating an existing affordable apartment uses 40% less tax credit equity than new construction.

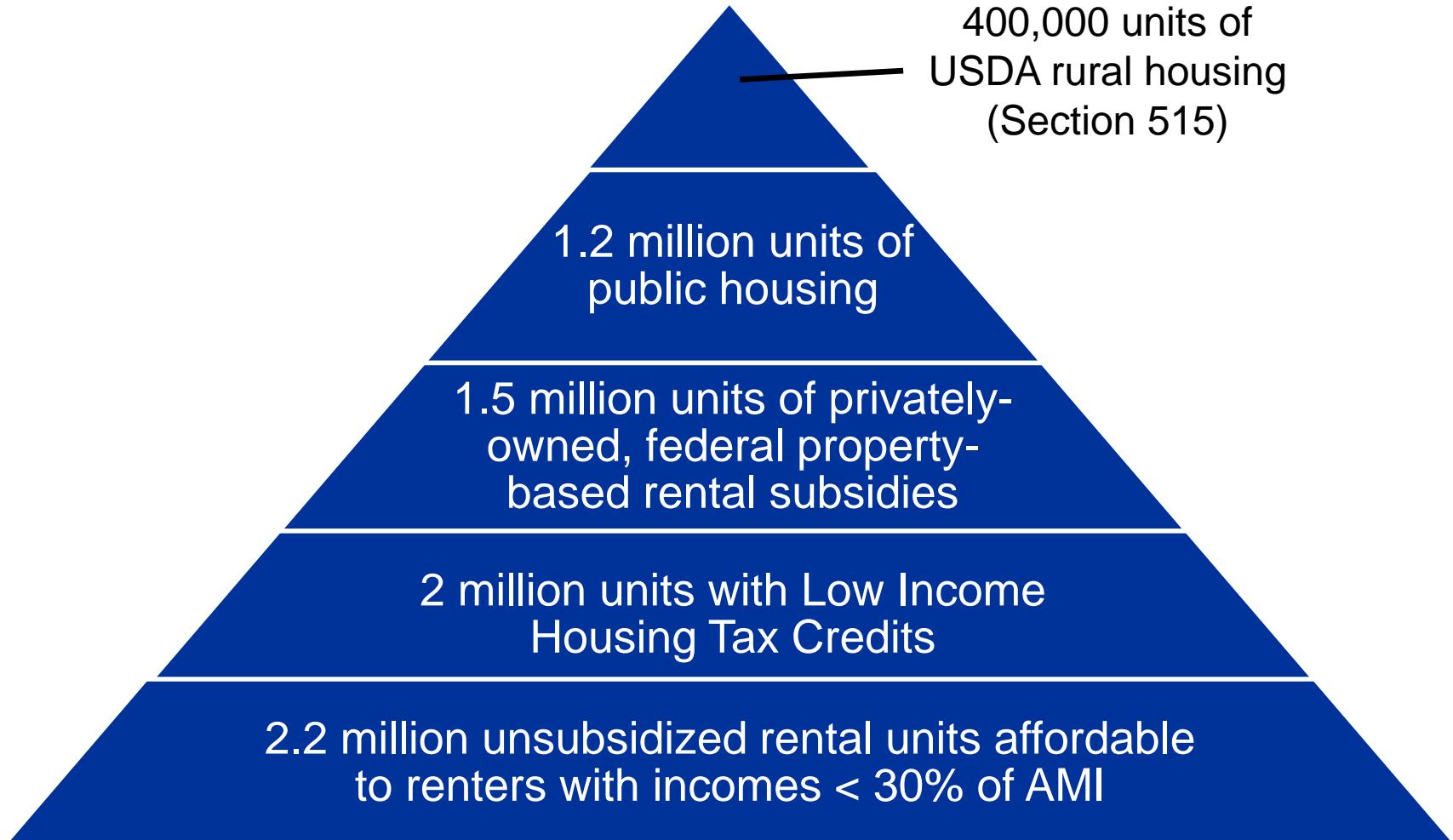
Preserving affordable housing creates jobs quickly.

Rehabilitating existing housing is faster than building new housing, creating local jobs sooner.

Preservation is inherently green and energy efficient.

The greenest building is the one already built. Rehabilitation produces less waste and uses less new materials than new construction.

What do we want to preserve?



Components of Effective Preservation Strategies



Data Collection and Analysis

- Identify “at risk” affordable housing
- Assess resource needs

Policy and Program Coordination

- Align program requirements to support preservation
- Breakdown agency silos

Outreach and Technical Assistance

- Improve capacity of preservation-minded organizations
- Work with owners to understand their plans

Dedicated Funding for Preservation

- LIHTC and housing trust fund set asides
- Public-private funds for predevelopment, acquisition

Commitment to Sustainability

- Incentives for green preservation
- Integrate affordable housing preservation into TOD

Effective Preservation Strategies:

Information Sharing



- Good policy follows good information: local data about the at-risk stock are essential.
- Create an Early Warning System with property data that indicate whether a property is at-risk.
- Visit www.nhtinc.org for data on HUD assisted properties. Reports include: Housing subsidy program; contract term; ownership status; property's contract rents in relation to Fair Market Rents; property inspection scores, etc.

 **NATIONAL
HOUSING
TRUST**

Special Report: Expiring Section 8 Contracts in Arizona
(Properties are sorted alphabetically by city and property name)

This report includes properties in Arizona with contracts expiring BEFORE the end of fiscal year 2014.

Section of Act	Interest Rate	Unpaid Balance	Refinanced?	In M2M?	M2M Option	PAE	Completed M2M?	Below Market?				
			N	No								
S8 Contract #	Expiration Date	Contract Status	Rent Category	Program	Assisted Apts	Total Apts	# Effic.	# 1 BR	# 2 BR	# 3 BR	# 4 BR	# 5+ BR
AZ16014008	6/30/2012	Active	98.0%	Sec 8 NC	60	60	0	0	44	8	8	0
PROJECT: FHA #: 123EH07 BUCKEYE VILLA APARTMENTS , 300 SOUTH 9TH STREET, BUCKEYE, AZ 85326, 623-386-3547 Metro Area (MSA) Phoenix-Mesa, AZ												Ownership Type: Profit Motivated
Owner Info: Tucson East Apartments, LLC, 21620 N. 19th Avenue, Suite A13, Phoenix, AZ 85027, 623-434-0175												
Management Info: James Associates Management Equity Services, 21644 N. 9th Avenue, Suite 200, Phoenix, AZ 85027, 623-434-0175												
Most Recent REAC Score and Release Date: 89c 2/25/2009 2nd REAC Score and Release Date: 75c 2/27/2008 3rd REAC Score and Release Date: 52c 11/29/2006												
Section of Act Interest Rate Unpaid Balance Refinanced? In M2M? M2M Option PAE Completed M2M? Below Market?												
S8 Contract # Expiration Date Contract Status Rent Category Program Assisted Apts Total Apts # Effic. # 1 BR # 2 BR # 3 BR # 4 BR # 5+ BR												
Owner Info: NATIONAL CHURCH RESIDENCES OF SURPRISE AZ, 2335 NORTH BANK DRIVE, COLUMBUS, OH 43220, (614) 451-2151 Metro Area (MSA) Phoenix-Mesa, AZ												Ownership Type: Non-Profit

Information Sharing: Oregon's Housing Acquisition Project



- Formed a team of high level housing industry experts from the public, nonprofit, and private sectors to meet regularly.
- Created a complete database of properties at risk of conversion.
- Linking interested sellers of properties with preservation-oriented buyers, provide technical assistance to buyers, and refer buyers to development consultants.
- Raising the profile of preservation in the advocacy community and moving it towards the top of the policy agenda.

www.preserveoregonhousing.org

Everyone Deserves an Affordable Home

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Preserve Oregon Housing

About Us | Loans | Programs | Preservation Database | Resources | Facts

Preservation Database - Search

Search by...

Property Name (enter any part of the property name)

Company Name (Owner) (enter any part of the company name)

County (select up to five)

Year Built (Between) to

Status

Overall Expiration Date to

Subsidy Program Type

City

Zip Code (5 digits)

Submit

Effective Preservation Strategies:

Policy and Program Coordination



State/City	Approach
Illinois	Interagency Council coordinates housing agencies at the federal, state, county and city levels in Cook County through the tracking of at-risk properties, coordination of resources and outreach to owners.
Massachusetts	<ul style="list-style-type: none"> • Prioritization matrix to guide funding for pres across state agencies; • Developing a shared appraisal guidelines across state agencies; • Achieving consensus on the pres set-aside in the QAP, etc.
Minnesota	<ul style="list-style-type: none"> • Common application and joint review process (Minnesota Housing, the Family Housing Fund, the Greater Minnesota Housing Fund, and others are all coordinated funding partners) • Minneapolis and St. Paul and Hennepin and Ramsey Counties: collaborating partners, coordinating application processes with the Consolidated RFP.
Portland	2 level interagency working groups – manager and staff level with senior officials to look at policy issues and staff level to look at technical & specific property issues.
Others	<p>Ohio Preservation Compact: partnership involving local, state, federal and private for profit and nonprofit orgs.</p> <p>Washington State: common applications; collaborative review and awards; standardized policies & practices; coordinated closings; cost benchmarking</p>

Effective Preservation Strategies: *Outreach & Technical Assistance*



- **Florida Housing Coalition:** MacArthur Foundation grant to build the capacity of nonprofit housing developers to preserve affordable rental housing.
- **Family Housing Fund (MN):** Increasing the operational capacity of owners and developers of existing affordable rental housing through the provision of technical assistance and asset management tools.
- **Ohio Preservation Compact:** Providing technical assistance to nonprofits; coordinating an extensive set of services offered by all the partners, including extensive set of TA; developing outreach materials and working to engage tenants in preservation activities.
- **Illinois:** Created a supportive housing institute that helps non-profits learn how to navigate the complex process of developing housing with support services.

Effective Preservation Strategies:

Funding for Preservation



- **Low Income Housing Tax Credits**
 - Competitive 9% tax credits
 - Private activity bonds and 4% credits
- **State & Local Housing Trust Funds**
- **Predevelopment and Bridge loans**
- **Financing for Green and Proximity to Transit**

Funding for Preservation: Tax Credit Equity for Preservation



- Enacted in 1986 and has been one of the most important and successful federal housing programs ever created.
- Has created or preserved nearly 2 million homes for families, elderly people and people with special needs (currently, approx. 125,000/year).
- Provides tax credits that developers use to raise capital for the acquisition, construction, or rehabilitation of affordable housing for low-income families.
- LIHTCs are allocated and administered by state housing agencies.



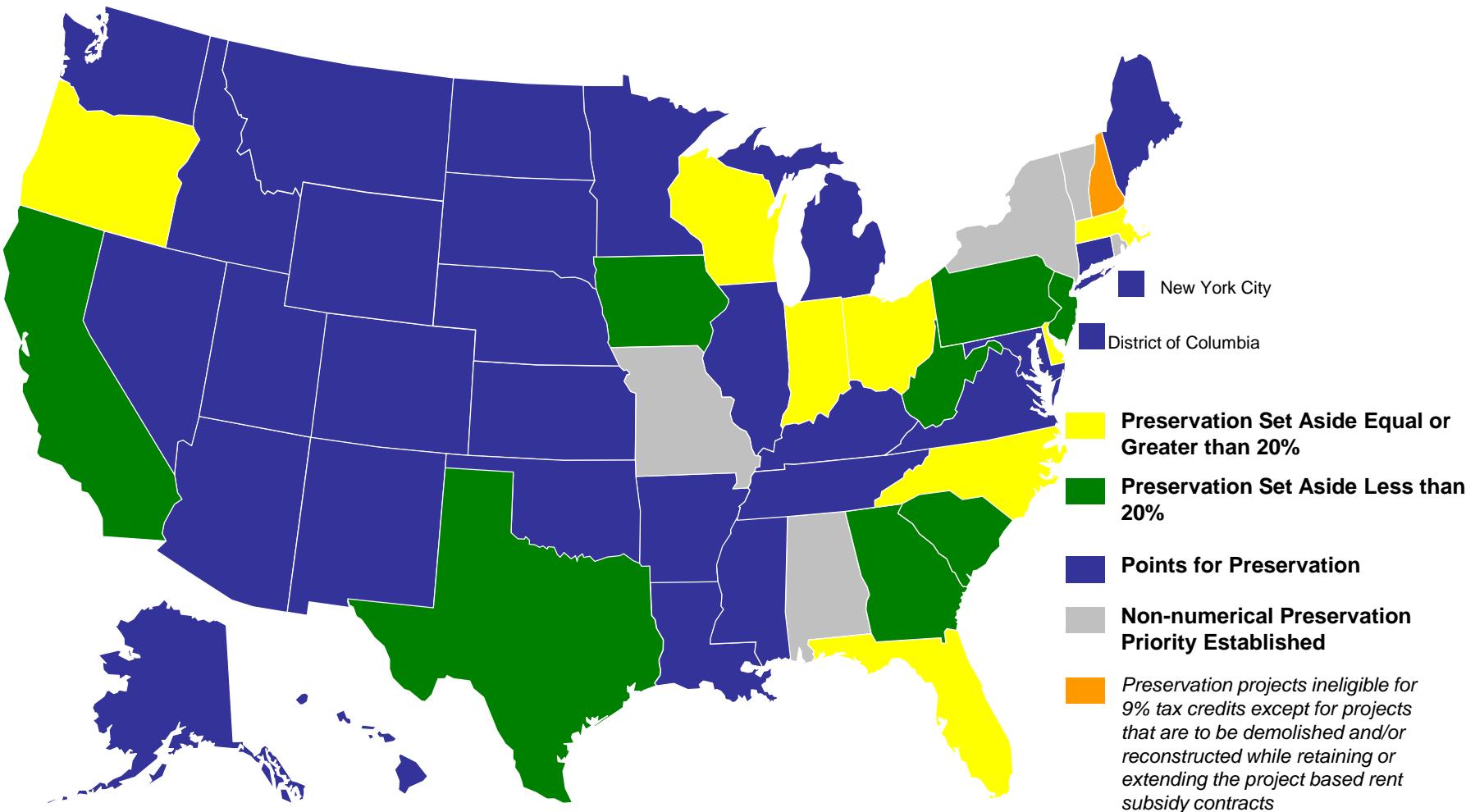
Funding for Preservation: Qualified Allocation Plan Incentives



- Agencies can establish other selection criteria and promote other objectives in a variety of ways
 - Threshold requirements
 - Set-asides
 - Points
- In virtually every state, QAPs are revised each year, providing an opportunity to influence the priorities
- Public Input
 - Pre-draft stakeholders meetings/focus groups
 - Post-draft public hearings
 - Post-draft public comment period
- Timeframe varies from state to state



Funding for Preservation: Targeting Tax Credits to Preservation



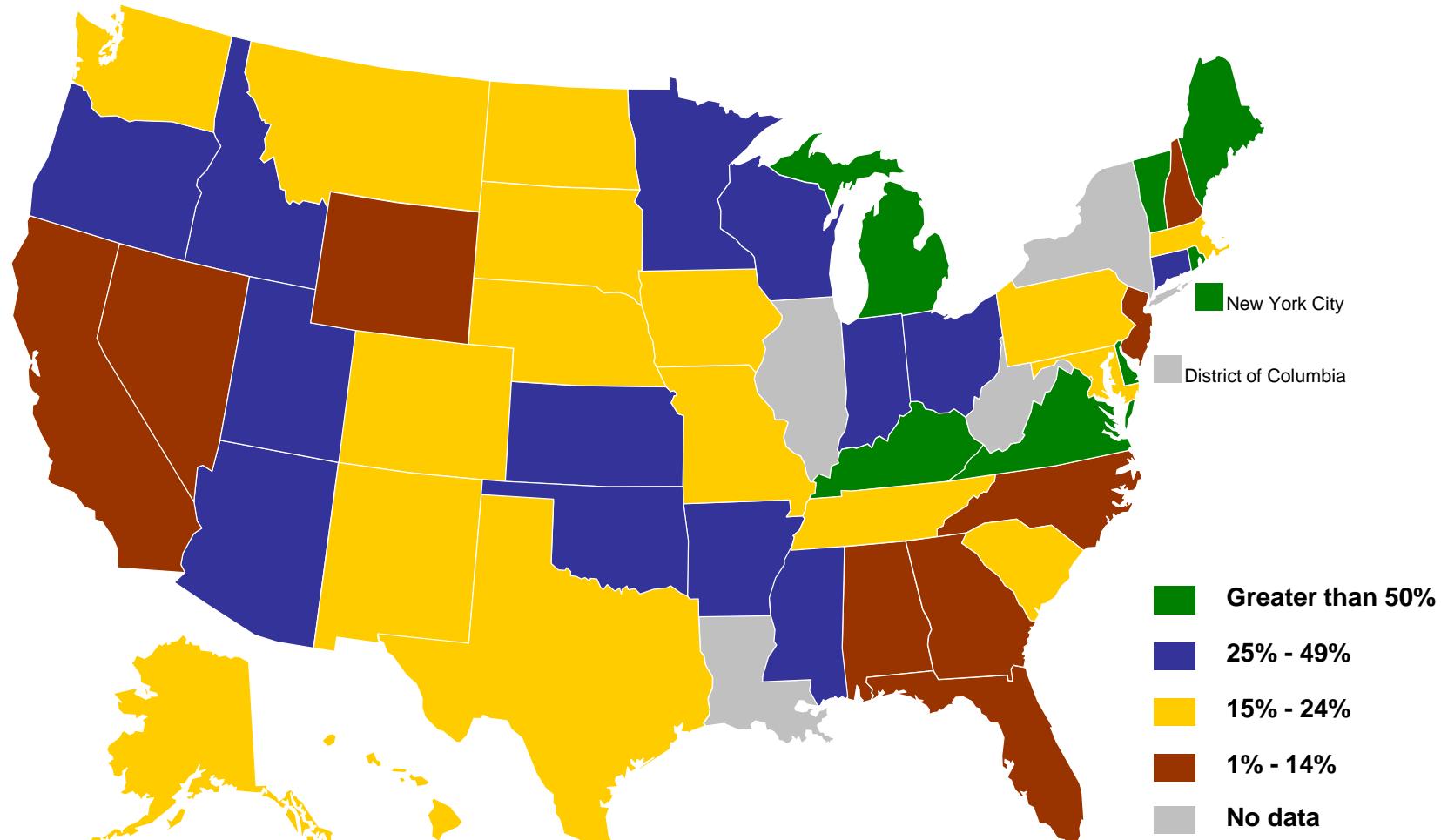
Funding for Preservation:

Targeting Tax Credits to Preservation



- 45 states prioritize preservation through points or a specific preservation set-aside in their competitive tax credit program.
- Currently, 16 states include preservation set-asides in their current QAP:
 - ✓ DE, FL, MA, OH – 40%-50% set-aside
 - ✓ IN, NC, OR, WI – 20%-35% set-aside
 - ✓ IA, PA, SC, TX, WV – 10%-15% set-aside
 - ✓ CA, GA – less than 10%
 - ✓ NJ – preservation will be 1st funded in final cycle.
- 30 states incentivize preservation in the scoring criteria for their competitive tax credit program.
- 4 states direct a 30% basis boost towards preservation.
- 10 states specifically include unsubsidized affordable housing.

Funding for Preservation: **LIHTC Allocations to Preservation (2008-2009)**



Funding for Preservation: LIHTC Allocations to Preservation



States are deploying significant percentages of their tax credits for preservation (2008-2009):

- ✓ Greater than 50% for preservation: 7 states (plus NYC)
- ✓ 25 – 49% for preservation: 13 states
- ✓ 15 – 24% for preservation: 17 states
- ✓ 1 – 14% for preservation: 9 states

Funding for Preservation: Pennsylvania's LIHTC Approach



Significant Preservation Problem:

- More than 37,100 assisted units in project-based Section 8 properties will expire before 2016.
- More than 300 rural Section 515 properties with 9,800 affordable apartments that may be at risk

The Approach:

- 2010 QAP includes a 15% set aside for preservation
- Preservation through Smart Rehab Program

The Success so far:

- ✓ From 2003 to 2009, more than \$65 million in 9% tax credits deployed to preserve at least 129 properties with more than 8,400 affordable apartments.
- ✓ Additional 47 properties with almost 8,000 units preserved with 4% tax credits over same timeframe.



Funding for Preservation: Michigan's LIHTC Approach



Significant Preservation Problem:

- More than 36,800 assisted units in project-based Section 8 properties will expire before 2016.
- More than 600 rural Section 515 properties with 16,500 affordable apartments that may be at risk

The Approach:

- Includes preservation “targets” but no specific set-aside
- Use scoring criteria to incentive preservation
- Provide 30% basis boost for preservation

The Success so far:

- ✓ From 2003 to 2009, more than \$63 million in 9% tax credits deployed to preserve at least 166 properties with more than 11,200 affordable apartments.
- ✓ Additional 63 properties with more than 10,000 units preserved with 4% tax credits over same timeframe.



Funding for Preservation: Texas' LIHTC Approach



Significant Preservation Problem:

- More than 39,300 assisted units in project-based Section 8 properties will expire before 2016.
- More than 740 rural Section 515 properties with 22,100 affordable apartments that may be at risk

The Approach:

- 15% set-aside for “at risk” developments
- Points for rehabilitation (say something about sustainable communities)
- Rehab wins in tie-breaker



The Success so far:

- ✓ From 2003 to 2009, preserved at least 183 properties with almost 18,000 affordable apartments with 9% tax credits.
- ✓ Additional 49 properties with almost 9,000 units preserved with 4% tax credits over same timeframe.

Funding for Preservation: Other State Approaches



- MA increased preservation set-aside to 40% and has preserved almost 4,000 affordable homes.
- GA created a new preservation set aside.
- OR uses its 25% set aside to preserve more than 2,800 homes since 2003.



Funding for Preservation: Private Activity Bonds & 4% Credits



- Depending on local market conditions, many states use bonds and 4% tax credits for preservation.
 - ✓ Maryland has preserved significant amounts of older assisted properties with private activity bonds (more than 7,600 apartments in the last 7 years).
 - ✓ Michigan and Tennessee have continued to utilize 4% tax credits – each preserving an average of more than 1,440 apartments each year since 2003.
 - ✓ States as diverse as California, Florida, Georgia, Missouri, Ohio, Pennsylvania and Virginia have been able to use 4% tax credits for a significant amount of preservation

Funding for Preservation: Agencies Respond to Market Volatility



- Decreased pricing for LIHTCs threatened viability of affordable housing proposals
- State Housing Finance Agencies attempted to help troubled deals survive:
 - Lower Minimum pricing requirements
 - Flexible use of funds
 - Additional Flexibility and QAP Modifications
 - Provision of Additional Subsidy
 - Requests for Additional Credits
 - Use of ARRA funds – TCAP & Exchange

Funding for Preservation: State & Local Housing Trust Funds



- State/local governments are dedicating scarce resources to affordable housing development/preservation in the form of soft loans, grants, or tax relief.
- At least 30 **state housing trust funds** support affordable housing preservation. Some states award a preference for preservation (including CO, IL, IN, LA, UT, VT, WA and DC).
 - **Indiana's Affordable Housing and Community Development Fund:** preservation projects are a priority for the Fund
 - **The Louisiana Housing Trust Fund:** Creates affordable housing for very low, low and moderate-income individuals and families. As of 2009, one-third of the Trust Fund went to preservation projects.
- Many more local and county trust funds support preservation.

Funding for Preservation: Predevelopment/Acquisition Financing



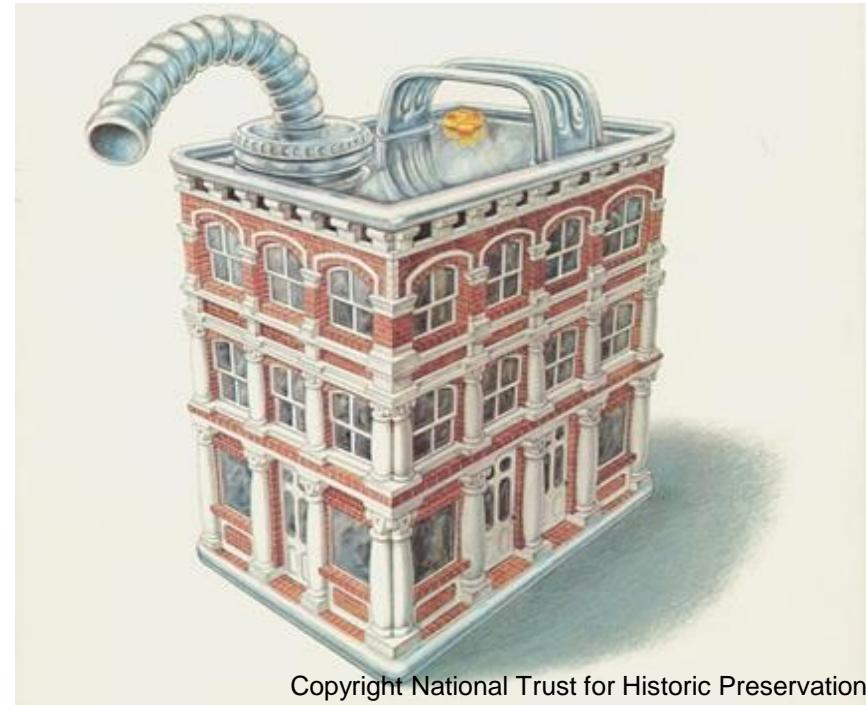
- **Problem:** Mission-driven developers need quick access to equity and predevelopment money to hold at-risk properties while they pursue permanent financing and due diligence.
- **Solutions:**
 - Create a short term fund that allows mission-driven developers access to cash to hold the property and then seek long term financing to “take out” the short term financing.
 - Non-profit CDFIs: WA and VA.
 - NYC Acquisition Fund: Awarded Harvard’s 2008 Innovation in American Government Award.
 - Denver created a Transit Oriented Fund that will, among other things, provide short term funding to preserve housing near transit.
- **Challenge:** Limited access to permanent financing.

Effective Preservation Strategies:

Commitment to Sustainability



- Reducing energy consumption is critical to the financial survival of rental homes, saving taxpayer money, and reducing the impact of energy costs on low income families' budget.
- State and local **resources for sustainable development** include green tax credits, funds for location near transit, rebate programs, sales and property tax exemptions, loans and grants.
- Nearly every state incorporates some **green incentives** into its LIHTC program.



Copyright National Trust for Historic Preservation

Commitment to Sustainability: *Targeting Tax Credits Towards Green*



- States use their QAPs to prioritize green building and energy efficiency through the following methods:
 - ✓ Threshold criteria
 - ✓ Points in the project scoring criteria;
 - ✓ Directing the 30% basis boost toward green projects.
- Standards Used:
 - ✓ USGBC's LEED, Enterprise Green Communities, EarthCraft, others
 - ✓ Many states combine above standards or develop their own
 - ✓ Importance of incorporating separate green criteria for new construction and rehabilitation

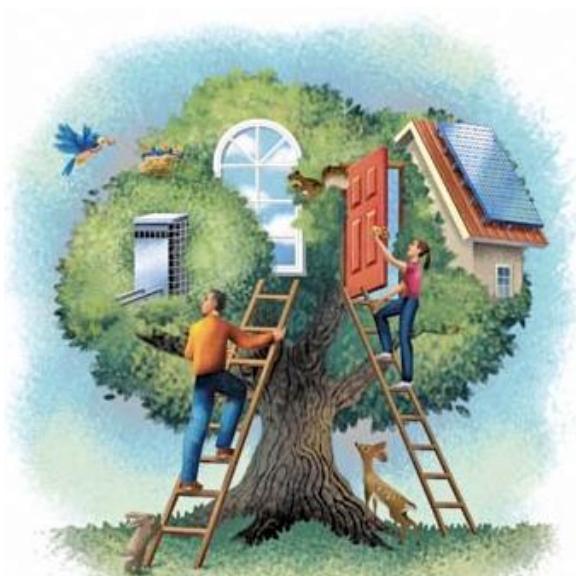


Commitment to Sustainability: *How state target green development*



32 state prioritize green points
in their QAP

- ✓ 14 states have a minimum green threshold criteria
- ✓ 21 states distinguish between new construction and rehabilitation in their green requirements or scoring criteria
- ✓ MI and TX use their basis boost for green-oriented projects
- ✓ 4 states use a non-numeric priority for green



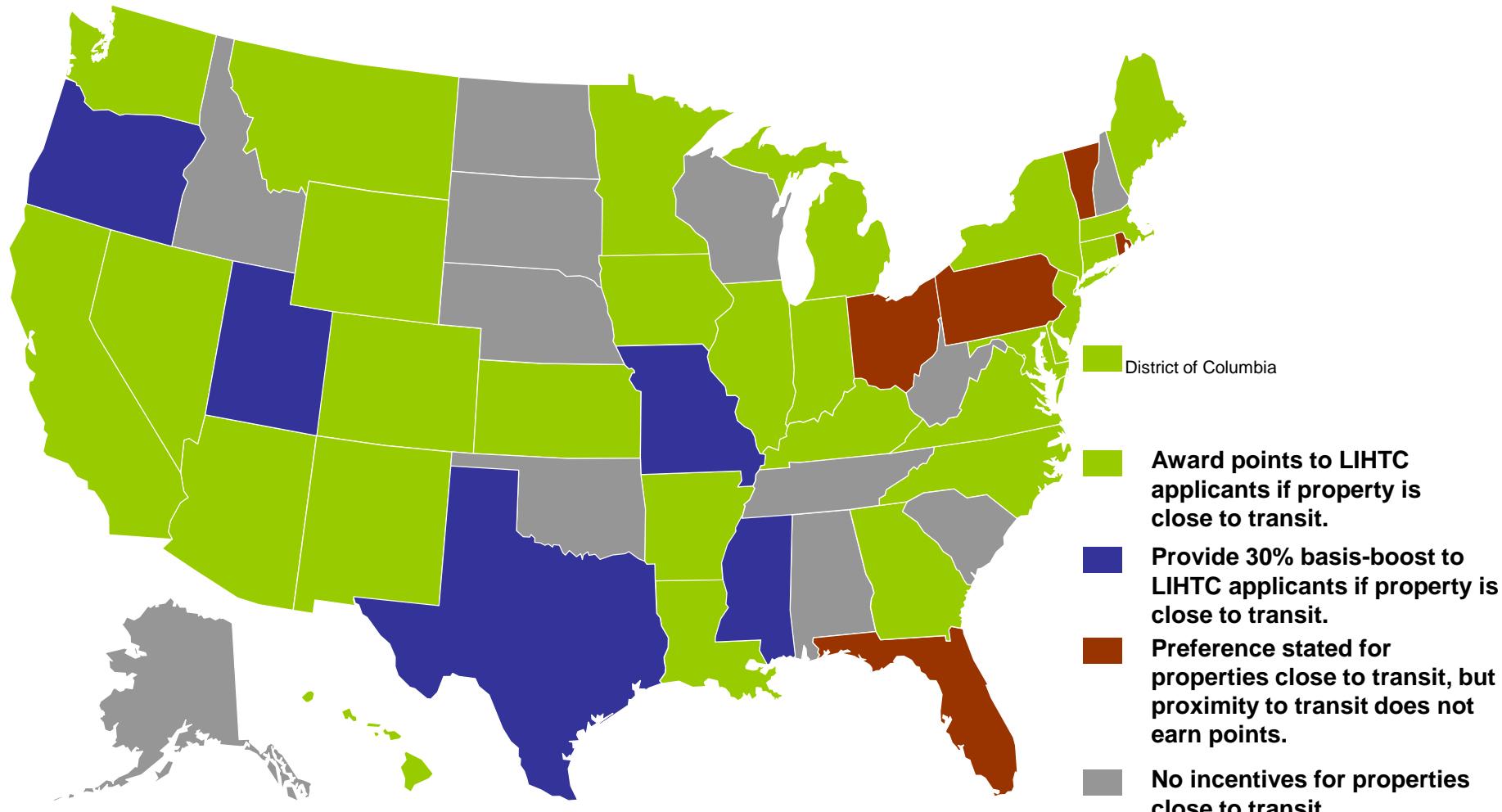
Commitment to Sustainability: Preservation Near Transit



- Provide alternatives to suburban sprawl, thereby reducing transportation costs, traffic congestion, air pollution and emissions of greenhouse gases
- Improve access to jobs, schools, services and opportunity-rich neighborhoods for low- and moderate-income families
- Avoid displacement of low- and moderate-income families in areas where new transit access brings rising property values
- Provide people who are elderly, disabled and/or “transit-dependent” with the ability to accomplish daily activities and live independently



Commitment to Sustainability: Proximity to Transit & QAPs



Commitment to Sustainability: Proximity to Transit & QAPs



32 states incentivize projects located near public transit:

- 29 states award points to applicants whose property is located near public transit
- At least 5 states direct the 30% basis boost toward projects located near public transit



Commitment to Sustainability: Weatherization of Multifamily Housing



- ✓ Set aside funds to target multifamily housing:**

Kansas, Florida, Massachusetts, Oregon, Wisconsin, etc.

- ✓ Develop partnerships between the state HFA and WAP agency:**

New Jersey, Pennsylvania, Rhode Island

- ✓ Identify temporary WAP providers with multifamily experience:**

New York, Colorado

- ✓ Eliminate obstacles to multifamily participation:**

Kansas- eliminated landlord contribution requirement

Available Online.....

Find state by state breakdown of all of this and more online:

- ✓ QAP analysis of preservation, green, transit and other sustainable communities incentives
- ✓ Allocation of tax credits (both 4% and 9% tax credits)
- ✓ Energy programs/resources relevant to preservation (Weatherization, SEP, utility programs, etc)
- ✓ State Trust Funds
- ✓ Other preservation programs (grants, loans, tax rebates, etc)
- ✓ Green and sustainable communities programs relevant to preservation



www.nhtinc.org

The screenshot shows the homepage of www.nhtinc.org at the top. Below it is a large image of a diverse group of people. The left sidebar contains links for About Us, Why Preserve, Policy Advocacy, State and Local Preservation Resources, Real Estate Development, Lending, Newsroom, and Housing Data. The main content area shows the 'State and Local Preservation Resources' page, which includes a brief description of the trust's role in advancing state and local policies for affordable housing, a list of preservation incentives, and a map of the United States showing state-by-state preservation resources.

www.nhtinc.org

About Us Why Preserve Policy Advocacy Real Estate Development Lending Newsroom Housing Data

Home > Policy Advocacy > State and Local Preservation Resources SHARE

State and Local Preservation Resources

At one time, the federal government was the sole decision-maker in how to allocate resources for affordable housing. That time has long since passed. For at least a decade, the task of preserving existing affordable rental housing has increasingly come to rest on the shoulders of state or local government officials who now direct the allocation of billions of dollars towards both new and existing affordable housing.

The National Housing Trust advances state and local policies that preserve affordable multifamily housing. **Click on a state below for a list of preservation related incentives in each state's Qualified Allocation Plan**, which governs how the state allocates its Low Income Housing Tax Credits. Among the types of preservation incentives included are:

- Preservation set-asides
- Preservation points in QAP scoring criteria
- Green threshold requirements and incentives
- Sustainable communities criteria
- Transit-oriented development incentives

For a summary of preservation resources in all states, click [here](#)

A map of the United States where each state is colored according to its preservation resources. States are color-coded in shades of blue, green, and yellow, representing different levels of resources or incentives available.

For more information:

**Tracy Kaufman
National Housing Trust**

- ◆ **E-mail:** tkaufman@nhtinc.org
- ◆ **Address:** **1101 30th St, NW, Suite 400**
Washington, DC 20007
- ◆ **Phone:** **(202) 333-8931**
- ◆ **Web:** www.nhtinc.org

