



Affordable Housing
Preservation Initiative

Preservation Challenges, Resources and Issues

Arizona Housing Alliance

**Affordable Housing
Preservation Summit**

February 25, 2011

LISC Programs for Developing, Preserving, Investing in the Physical Environment

- **Low income Housing Tax Credits - NEF**
- **Affordable Multifamily Housing Preservation**
- **Housing Authority Resource Center**
- **Green Development Center**
- **Vacant Properties – National Vacant Properties Campaign**
- **Consortium for Housing and Asset Management [CHAM]**

Properties That Need Preservation Of Affordability

- **Privately Owned Multifamily (for-profit, nonprofit, coop)**
- **Federally-assisted (mortgage, operating subsidy): HUD, USDA, LIHTC**
- **Use, rent and dividend restrictions**
- **Potential to reposition use**
- **Financial or physical distress; obsolescence, inefficiency**

Why is this property in play?

- Subsidized mortgage prepayment (end of regulatory agreement)
- Section 8 HAP contract expiration/opt-out (loss of subsidy)
- LIHTC year 15 (end of regulatory agreement)
- Need for recapitalization or greening
- Owner desire to exit
- Economic distortions/disinvestment (exit tax problem)

Context Matters

- Strong market
- Weak market
- Owner issues
- Enforcement history
- Neighborhood factors

Why Is It Being Preserved?

- **Shortage of affordable rental units**
- **More choices for households**
- **300,000 affordable units lost from 1995 to 2003; 1.4 million units still at risk (NHT)**
- **Minorities disproportionately displaced by opt-outs and conversions**

Why Is It Being Preserved?

- **Loss of units has negative impact on the communities we support**
- **Replacement costs more than preservation**
- **Replacement may not be feasible at same scale**
- **Opportunity to improve energy & water use and healthy living environment.**

How Does LISC Preserve It?

- **Financing: predevelopment, acquisition, bridge & mini-perm**
- **Project-specific technical assistance**
- **Support for local and state preservation strategies and partnerships**
- **Knowledge sharing**
- **National partnerships**
- **Policy development and advocacy**

Is Preservation Green?

- **Balance priorities of energy, health and environment**
- **Integrated System Design**
- **Materials; Disposal**
- **Energy & water use**
- **Indoor air quality**
- **Green Rehabilitation of Multifamily Rental Properties [Bay Area LISC CNA Guide, *Getting Started With Green Preservation*]**

Green Rehab Goals: More Than Just Energy

Energy and Water Conservation

Reduce energy consumption

Renewable energy sources

Reduce water consumption

Building Envelope

Healthy Housing

Ventilation

Moisture management

Integrated pest management

Reduce exposure to volatile organic compounds (VOCs)

Implement smoke-free policies

Environmental Impact

Recycled materials

Resident recycling

Local materials sources

Divert demolition and construction waste from landfills

Minimize water run-off

Current Preservation Issues

- **Resources**
 - Federal
 - State & Local
- **Legislative Initiatives**
- **HUD Administrative Changes**

Federal Preservation Budget Issues

- Project-based Section 8
- Tenant Protection Vouchers
- General Provisions: One year extensions of special preservation authorities
- Rental Housing Revitalization (formerly, PETRA) – Re-framed as a Preservation Demonstration
- Choice Neighborhoods & Sustainable Communities
- Section 202 – One account for capital funds, traditional PRAC rental assistance and new Preservation Rental Assistance.
- FHA, GNMA volume limits

State and Local Resources & Activities

- Primary Financing: HFAs – Taxable, Volume-Cap Tax-Exempt Financing
- LIHTC Allocation
- Gap financing
 - Trust Funds
 - General Obligation Bonds
 - HOME, CDBG, WAP, Project-Based Vouchers
- Partnerships
- Data collection and analysis: Early Warning Systems, portfolio analysis, priorities
- Legislation

Preservation Legislative Initiatives

H.R. 4868 (Frank):

- Encourage long-term and responsible ownership of HUD subsidized housing;
- Prevent the displacement of tenants and improving the physical conditions of subsidized housing;
- Reduce blight and strengthen neighborhoods;
- Protect residents' rights by increasing and improving disclosure;
- Strengthen senior housing; and
- Preserve the rural housing stock.

Preservation Legislative Initiatives

SEVRA

- **Project-Based Voucher Refinements**
- **“Year 40” Enhanced Vouchers**
- **Project-based Rental Assistance in lieu of Enhanced Vouchers**

Preservation Legislative Initiatives

H.R. 6468: Preservation, Enhancement, and Transformation of Rental Assistance Act of 2010 (Ellison)

- Authorize Conversion of Rent Supplement, §236 RAP and S.8 Moderate Rehabilitation contracts to renewable and consistent project-based rental assistance.
- Address capital repair backlog in public housing by leveraging debt through similar project-based rental assistance.
 - Ensure long-term affordability
 - Promote increased tenant choice and other tenant protections
 - Big Picture: Harmonize all rental housing programs

Preservation Legislative Initiatives

Section 202 Supportive Housing for the Elderly Act of 2010 (S. 118)

- Permits refinancing of “old law” §202 properties (1959-1974) to address physical and extend affordability.
- Creates a new Senior Preservation Rental Assistance Contract for older, unassisted §202s.
- Unexpended refinancing proceeds can provide affordable rental housing and related social services for the elderly.
- Permits reconfiguration of unmarketable efficiency units to one bedroom units.
- Permits subordination of §202 and other debt in connection with a refinancing.
- Authorizes HUD to waive prepayment of a flexible subsidy loan in connection with preservation of affordability of a §202 property.

HUD Administrative Initiatives

- **Cross-cutting and interdepartmental initiatives:**
 - Choice Neighborhoods
 - Domestic Policy Council Working Group on Rental Housing Programs
 - Rental Housing Revitalization Preservation Demonstration (formerly, Transforming Rental Assistance)
 - Joint efforts with the Energy Department on implementing the Weatherization Assistance Program in multifamily housing

HUD Administrative Initiatives

- **Cross-cutting and interdepartmental initiatives (continued):**
 - Improved alignment of HUD programs with the Low Income Housing Tax Program.
 - Revision of FHA rules for construction period escrows;
 - Revision of FHA multifamily loan documents;
 - Consistency of subsidy layering guidelines state HFA procedures;
 - Streamlined Processing of multifamily mortgage insurance applications involving LIHTC.

HUD Administrative Initiatives

- **Field Office Activities:**
 - Increased waiver authority to expedite processing and further preservation goals;
 - Explicit preservation performance goals
 - Mandate for outreach to multifamily owners to encourage preservation decisions.

HUD Administrative Initiatives

- **Preservation-Related Policy Changes:**
 - Major revision to Section 8 Renewal Guide pending, implementing many policies recommended by LISC and other national preservation stakeholders;
 - Revised policies for restructuring and subordinating legacy Flexible Subsidy and Section 202 loans;
 - Development of standards for mortgage underwriting and rehabilitation to promote energy-efficiency and other green objectives (for preservation and new production)

HUD Administrative Initiatives

- **Preservation-Related Policy Changes (continued):**
 - Forthcoming: expanded access to property residual receipts; access by nonprofits to accumulated property equity; improved coordination of REAC property inspection procedures with planned rehabilitation efforts;
 - Funding for tenant outreach and education in properties threatened with conversion;
 - Improved standards for new owner qualifications and stability of financing when multifamily properties are transferred.

LISC Green Preservation Initiatives: Local Work

Boston: Barr Foundation Green Retrofit

- 11 CDCs (collectively owning over 5,700 units)
- Five CDCs: asset management capacity-building grants
- Six CDCs: access to full-time shared energy/asset manager
- Benchmarking, engaging auditors, planning retrofits, assembling funding, etc. and creating a plan for greening the portfolio and property management operations
- LISC providing funding, technical assistance/training, and policy advocacy

LISC Green Preservation Initiatives: Local Work

Bay Area

- **Green Physical Needs Assessments –**
 - Trained and collaborated with Onsite Insight
 - Working on local experiments using different teams and scopes
- **Green Operations & Maintenance Manual**

LISC Green Preservation Initiatives: Local Work

New York City

- Weatherization Assistance for Multifamily Housing
- \$15M from DHCR to weatherize 2,143 units
 - Partnering with Enterprise Community Partners to complete the work
 - Targeting Year 15 portfolio, HPD units, TPT, Section 202, Section 8
 - Subgrantee awards made from \$60.3 million ARRA funds

Preservation Initiative Results

- Provided \$80 million in financing since 2002 to preserve 15,000 homes
- Supports LISC local offices and our nonprofit partners with financing, project-specific TA, creation of preservation strategies and partnerships, and policy analysis
- Information products such as the *Stemming the Tide, Recapitalizing Affordable Rental Housing, Getting Started with Green Preservation, and Green Rehabilitation of Multifamily Rental Properties: A Resource Guide.*

Case Study

Community Housing Partners is Greening Rural Housing Preservation



Community Housing Partners Down to Earth Green Initiative

- Long-time LISC Preservation Initiative partner: regional affordable housing developer working in Virginia, Kentucky, North Carolina, and Florida.
- CHP commits to combining “green” development principles and affordable housing preservation, with Down to Earth green initiative

Community Housing Partners Down to Earth Green Initiative

- **EarthCraft Multifamily Energy Efficiency Standards [Southface Energy Institute and Greater Atlanta Home Builders Association partnership]**
- **LISC support for CHP preservation work: loans and lines of credit for acquisition and predevelopment costs.**

Community Housing Partners Down to Earth Green Initiative

- **Projects:**
 - **Rutledge Hills, a 48-unit Rural Housing Service Section 515 property in rural Amherst County**
 - **Virginia and Lafayette Square, a 106-unit Section 515 property in Williamsburg, Virginia.**

Case Study

300 Putnam Avenue, Brooklyn Bridge Street Development Corporation



300 Putnam Avenue, Brooklyn Bridge Street Development Corporation

- **52-unit building with subsidized mortgage and project-based Section 8.**
- **Severely distressed: Residents and neighbors abandoned by owners and HUD to criminals and disrepair**
- **Sense of chaos**
- **HUD Enforcement action to terminate project-based S.8 subsidy and foreclose**

300 Putnam Avenue, Brooklyn Bridge Street Development Corporation

- **LISC and Urban Homesteading Assistance Board (UHAB) recruited Bridge Street Development Corporation (BSDC) to redevelop.**
- **Strategy with tenants, HUD, multiple City agencies and other stakeholders to manage HUD foreclosure process and maintain project-based Section 8.**
- **LISC financial support – predevelopment grants and loans; acquisition loan through LISC-supported NYC Acquisition Loan Fund.**

300 Putnam Avenue, Brooklyn Bridge Street Development Corporation

Outcome

- **Eviction of criminals and illegal occupants**
- **Thorough rehabilitation.**
- **Affordable, well-managed energy efficient building helping to stabilize the neighborhood.**

Case Study

Salem Towers, Malden, MA

New England Communities, Inc.



Salem Towers, Malden, MA

New England Communities, Inc.

- 81 unit, 9 story octagonal structure: one elevator; balconies are 2nd egress.
- Completed in 1965, oldest §202 property in New England.
- No project-based subsidy [consistent with “old-law” §202 status]
- 3.625% 48 year Mortgage matures in 2014, with unpaid balance of less than \$2,000 per unit.
- §202 rules until recently prevented refinance and recapitalization.

Salem Towers, Malden, MA

New England Communities, Inc.

- **Single-purpose nonprofit owner, Congregation Beth Israel, does not have redevelopment capacity and wishes to exit from active ownership, while ensuring the long-term viability and affordability of the property.**
- **Property will be sold to a joint venture consisting of the existing single-purpose nonprofit and a private developer, with a transfer in fifteen years to the local housing authority.**

Salem Towers, Malden, MA

New England Communities, Inc.

- **Tax-exempt bond - 4% LIHTC financing**
- **New Section 8 Enhanced Vouchers (EVs), pursuant to new authority in the FY 2009 appropriations bill for “old-law” §202 properties**
- **Malden Housing Authority Project-Based Vouchers will replace EVs on turnover. HUD waiver obtained.**
- **HOME funds**
- **Gap financing from state general obligation bond programs**

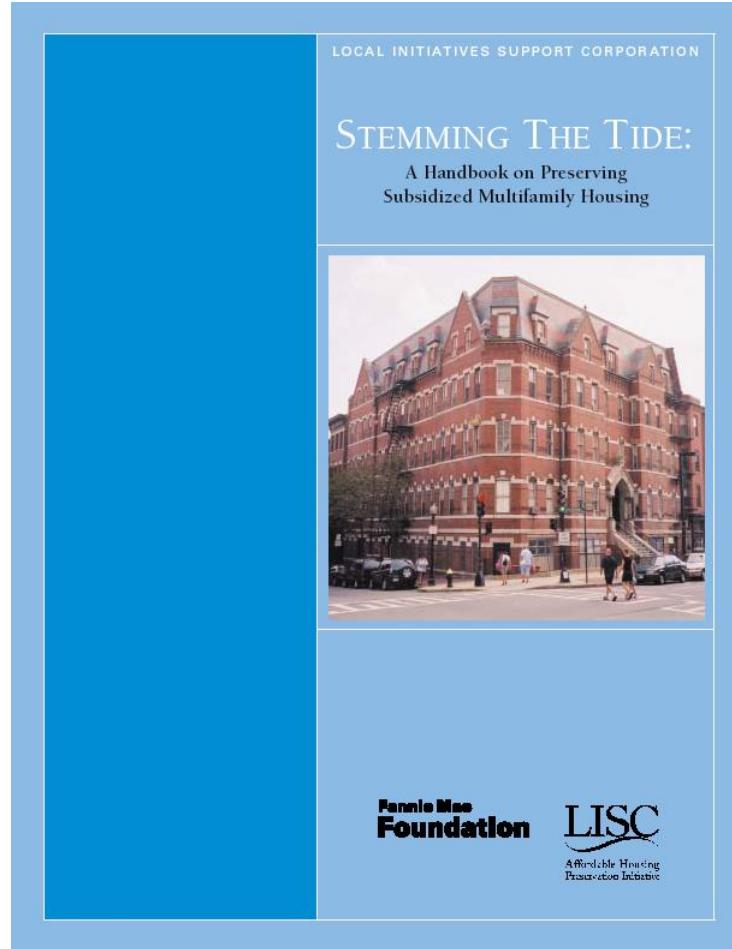
Salem Towers, Malden, MA

New England Communities, Inc.

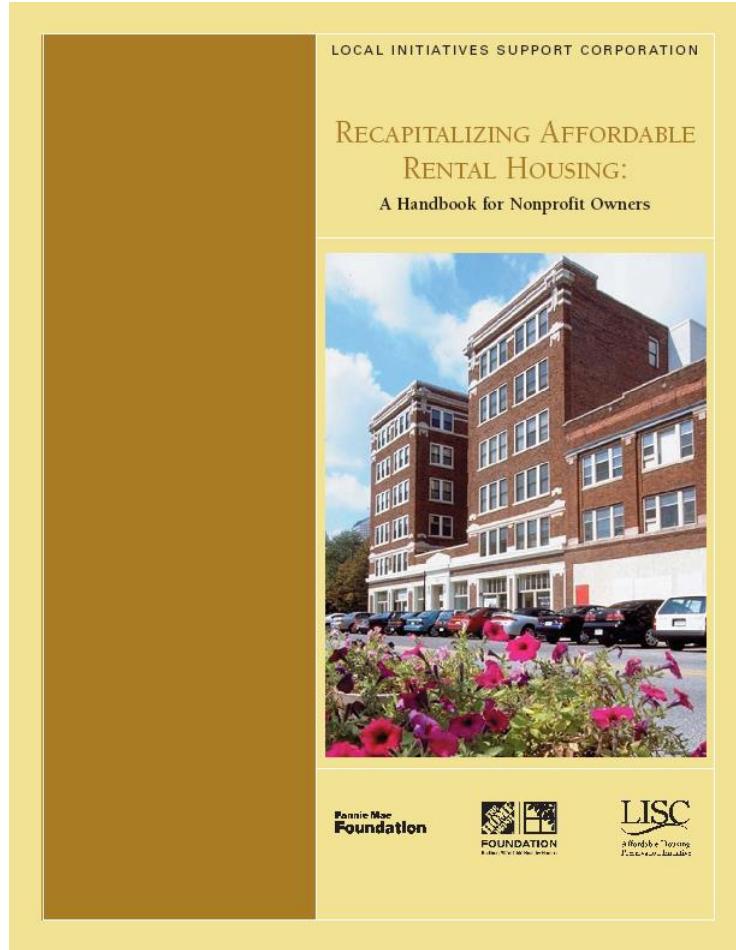
Outcome

- **Second elevator; upgrade original single cab.**
- **Eight (8) accessible units for persons with disabilities**
- **Twenty-four (24) larger units adaptable for persons with disabilities**
- **Expanded common facilities: 800 s.f. to be added**
- **Common area restrooms made accessible**
- **Major site improvements for accessibility and traffic safety**
- **New entrance, drop off area added**
- **New windows, heating and air conditioning units**
- **New carpeting and flooring in apartment units**
- **Upgraded kitchens and baths**

Publications: Preservation Basics

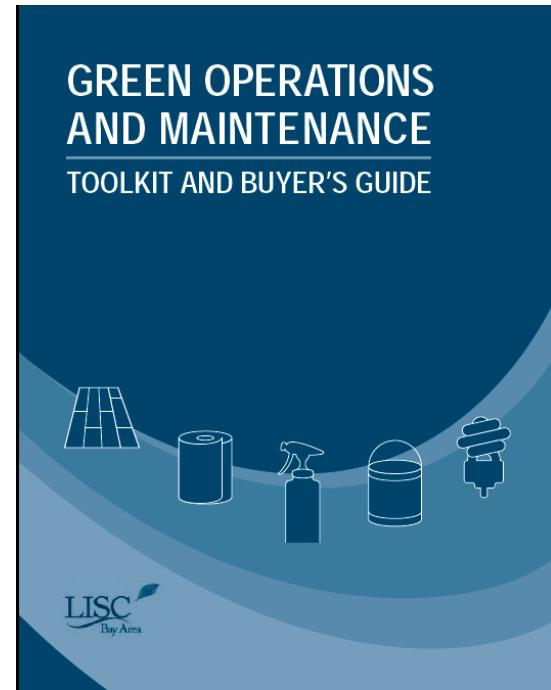
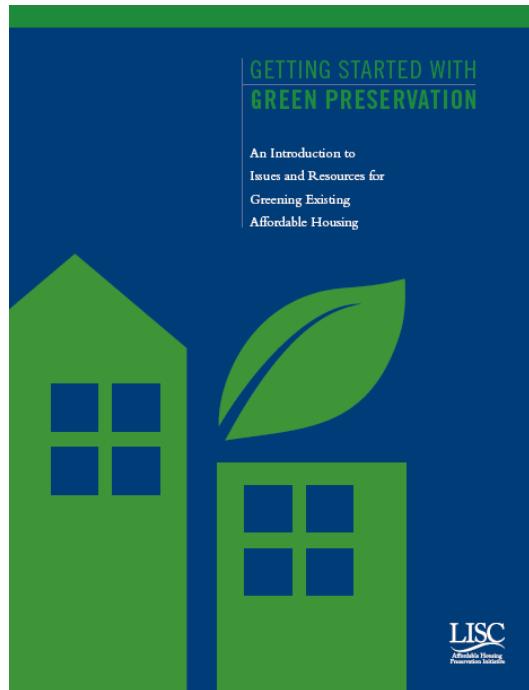
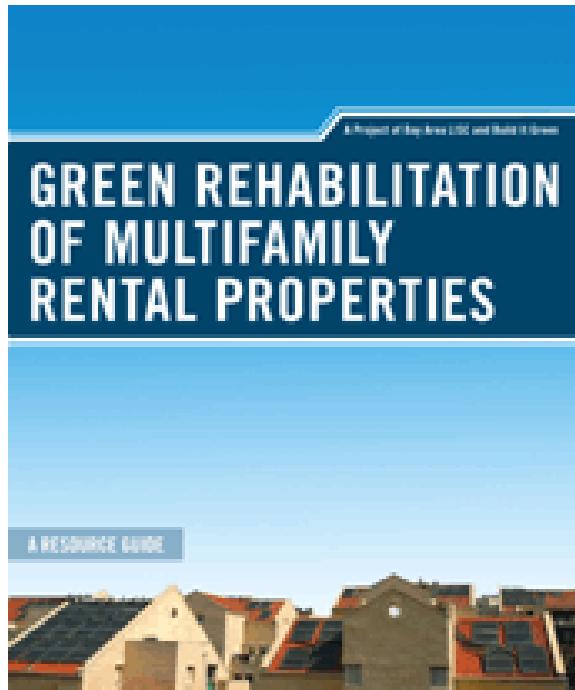


Publications: Nonprofit Owners



Publications: Green Preservation

www.lisc.org/greenpreservation



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