



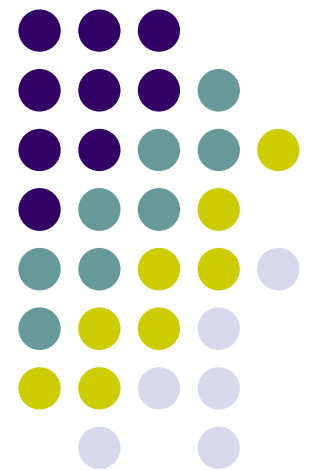
Affordable Housing
Preservation Initiative

Affordable Housing Preservation Federal Policy Context

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What is LISC?



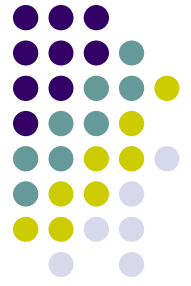
- Local Initiatives Support Corporation
 - LISC is dedicated to helping nonprofit community development organizations transform distressed communities into healthy and sustainable communities of choice- good places to work, do business, and raise children.
 - LISC local offices serve 30 urban areas and Rural LISC works with 74 partner CDCs in 36 states nationwide
- LISC's Preservation Initiative
 - 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
 - Produces information products: guides, webcasts, trainings



Overview

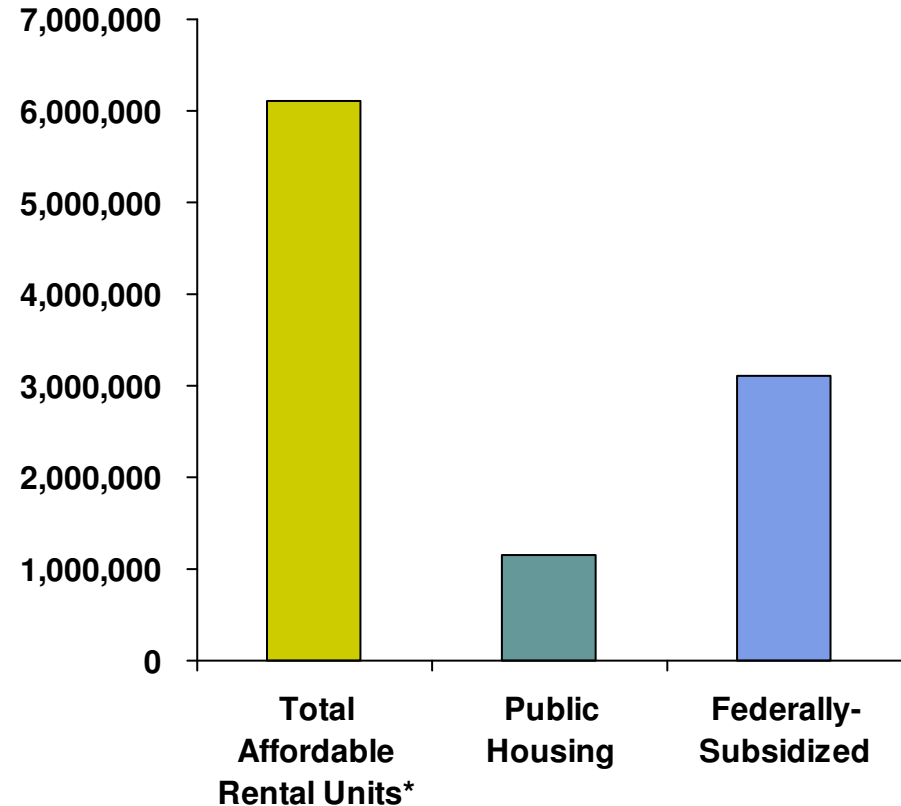
- What is the universe of at-risk affordable housing?
- Why is affordable housing at risk?
- What policies are in place and being considered to help stem the tide?

What Do We Mean By Affordable Housing?



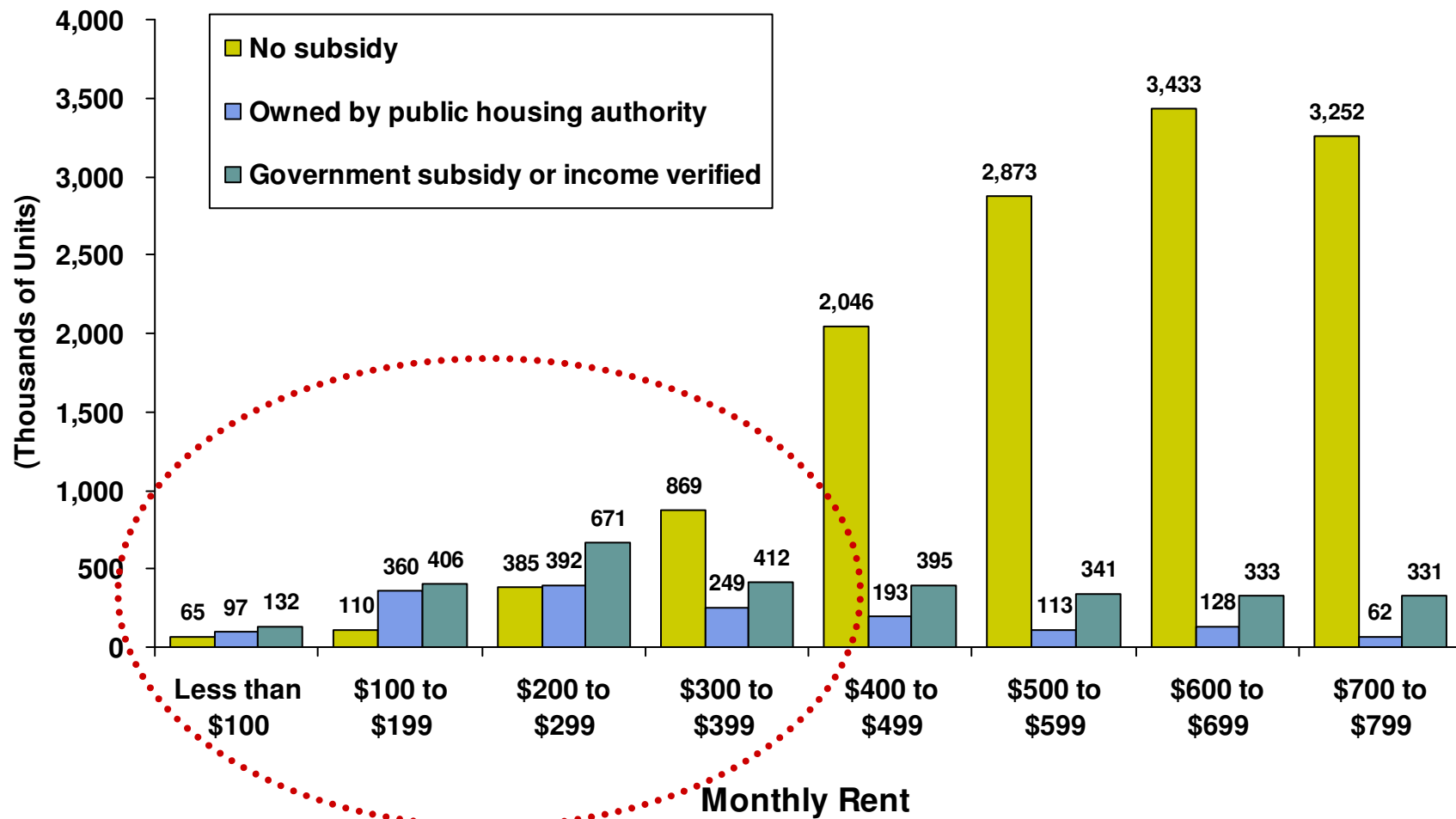
- Federally Subsidized
 - Privately owned but publicly subsidized housing through HUD, RHS, IRS
- Public Housing
 - Federally subsidized
 - State and local public housing
- Private Housing
 - “Market Rate” Affordable

Approximate Distribution of Affordable Housing by Type

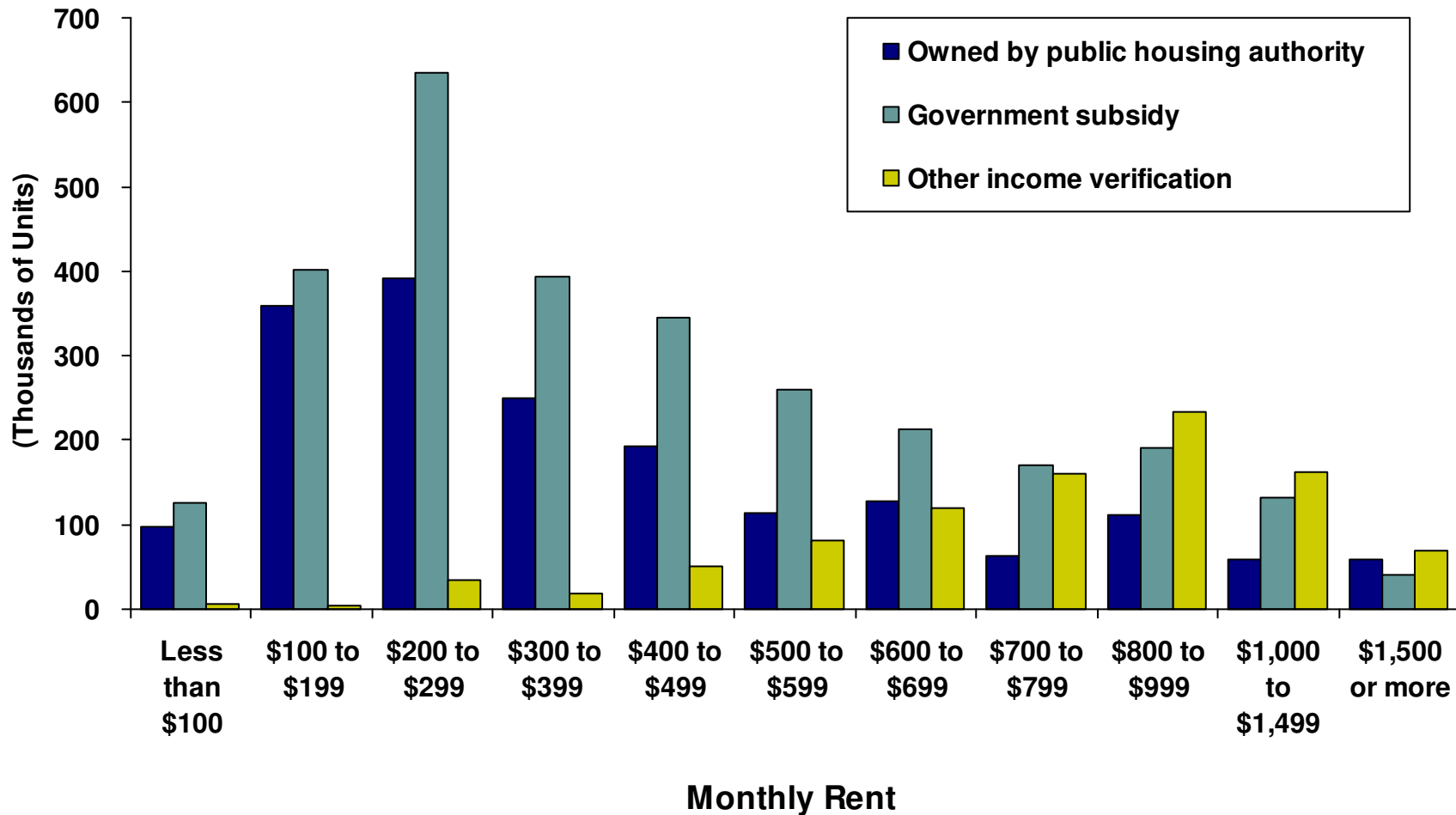




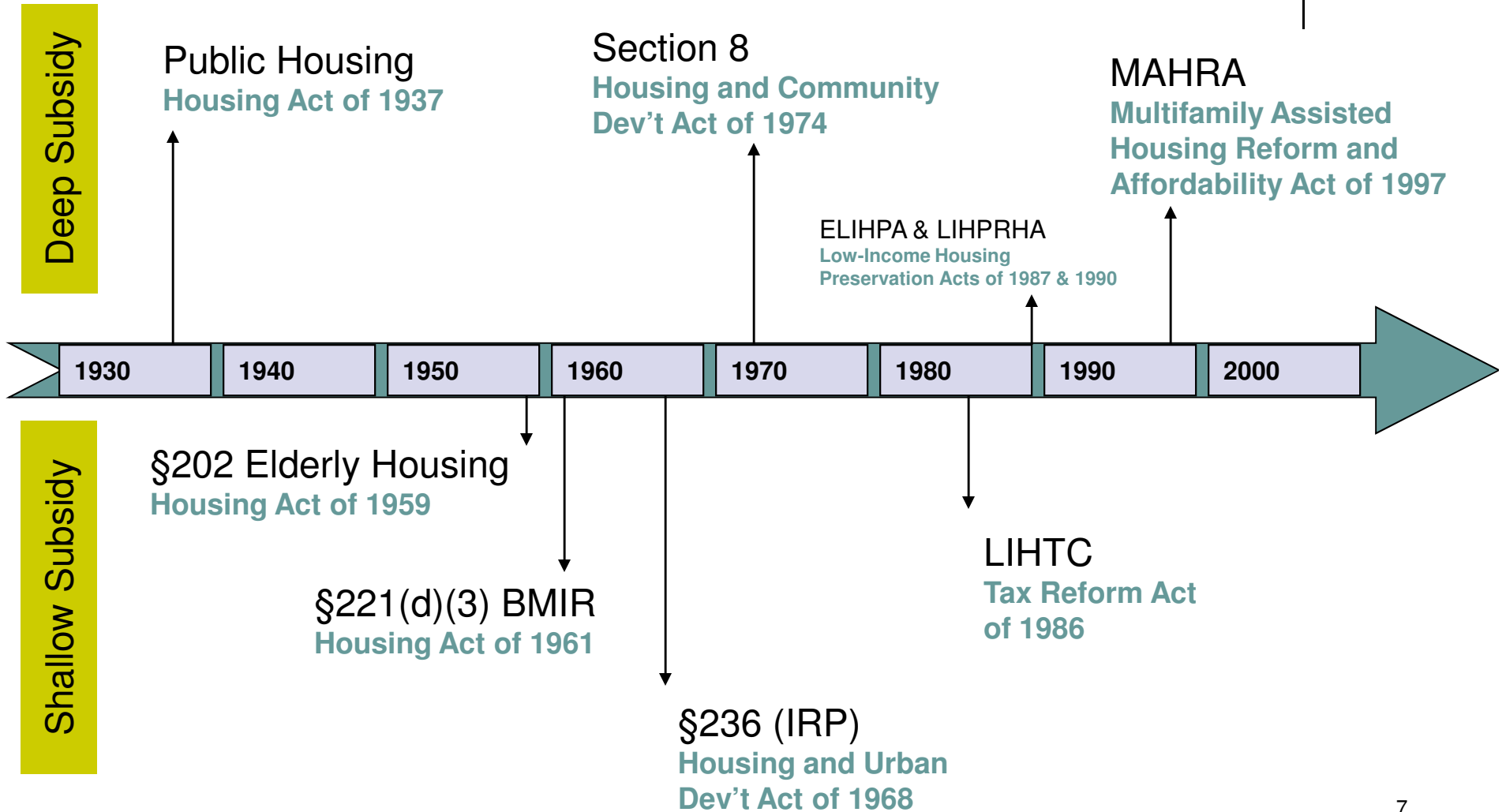
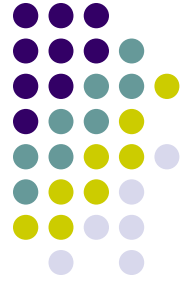
Distribution of Monthly Rents by Housing Type



Distribution of Monthly Rents by Housing Type



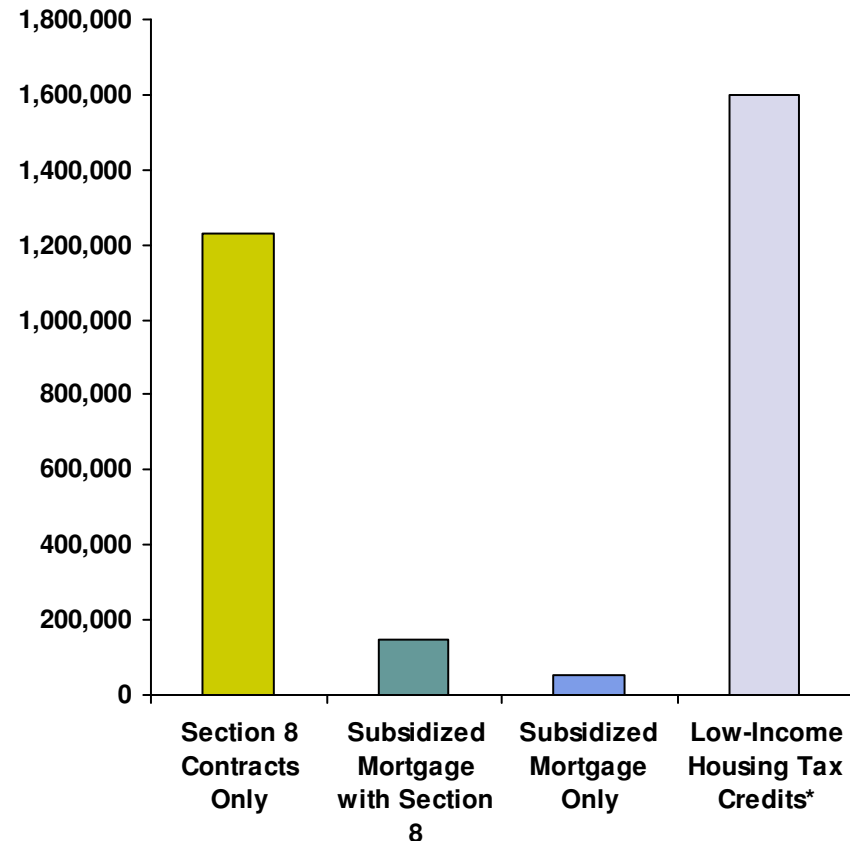
Timeline of Federal Housing Programs



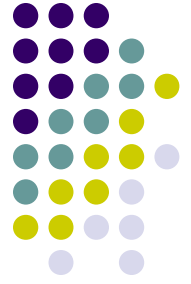


Assisted Housing Stock

- Section 8 Rental Assistance
 - Tenants pay 30% of income toward housing
- Subsidized FHA Mortgages
 - Rents are budget-based
- Low-Income Housing Tax Credits
 - Rents set affordable to targeted incomes between 40% and 60% of AMI



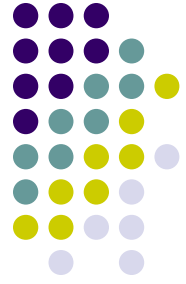
* Includes only 9% LIHTC Units



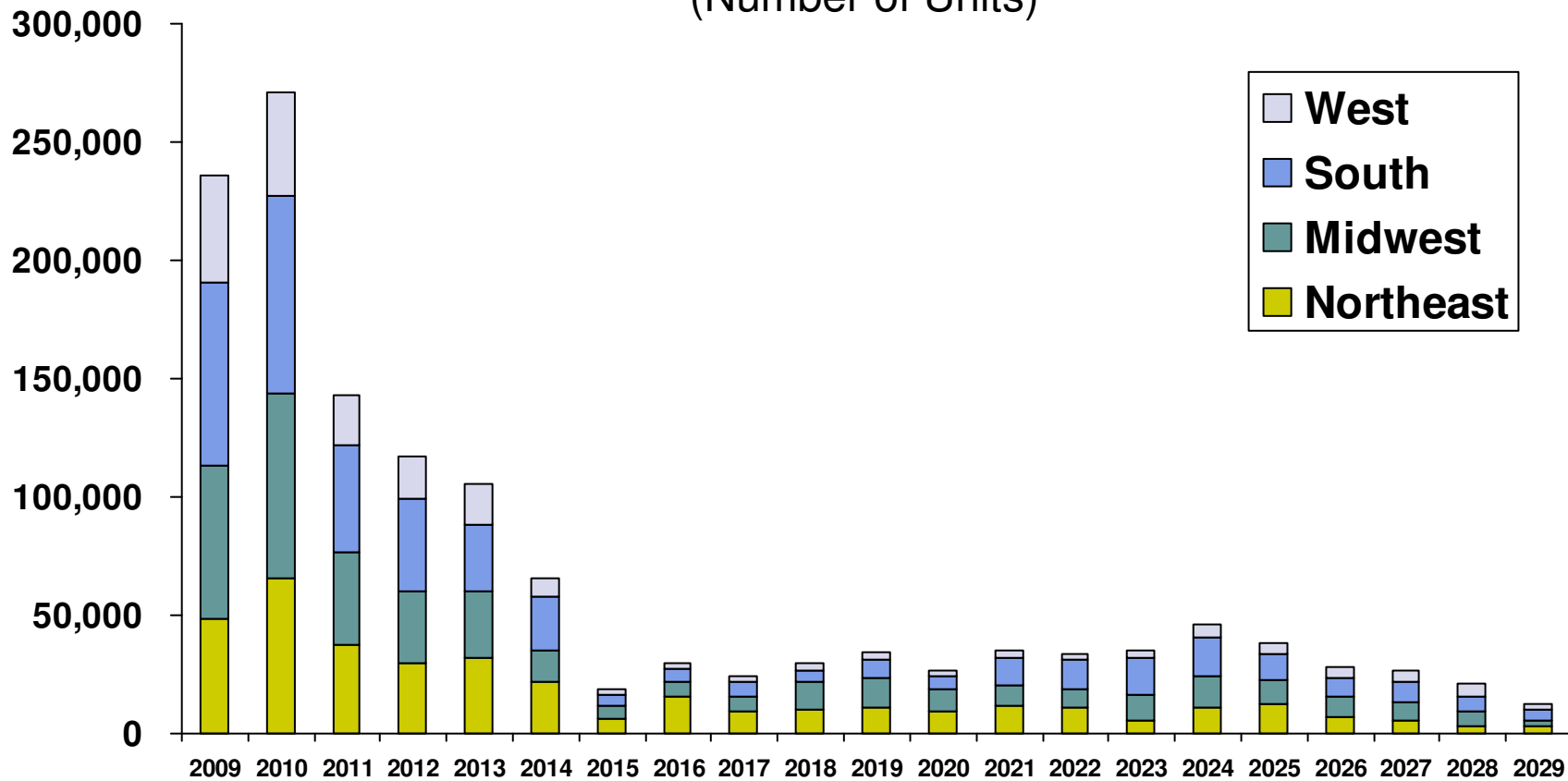
Types of Risk

- Market Risk
 - Gentrification – conversion to market rate
 - Neighborhood distress – negative impacts on property
 - Obsolescence – physical and environmental
- Policy Risk
 - Contract expiration – owners have rights to renew but can opt-out
 - Mortgage prepayment/maturity – no protection at maturity
 - Appropriations risk – HUD can only renew “subject to appropriations”
 - HUD enforcement actions – terminate S8 contract or foreclose
- Owner Capacity/Incentive Risk
 - Owner pulling money out, neglecting property
 - Unsophisticated owner misses program opportunities

Measuring the Risk: Section 8 Contracts

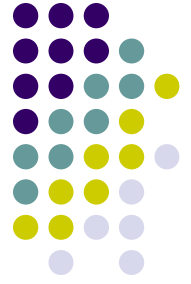


Section 8 Contracts by Year of Expiration
(Number of Units)

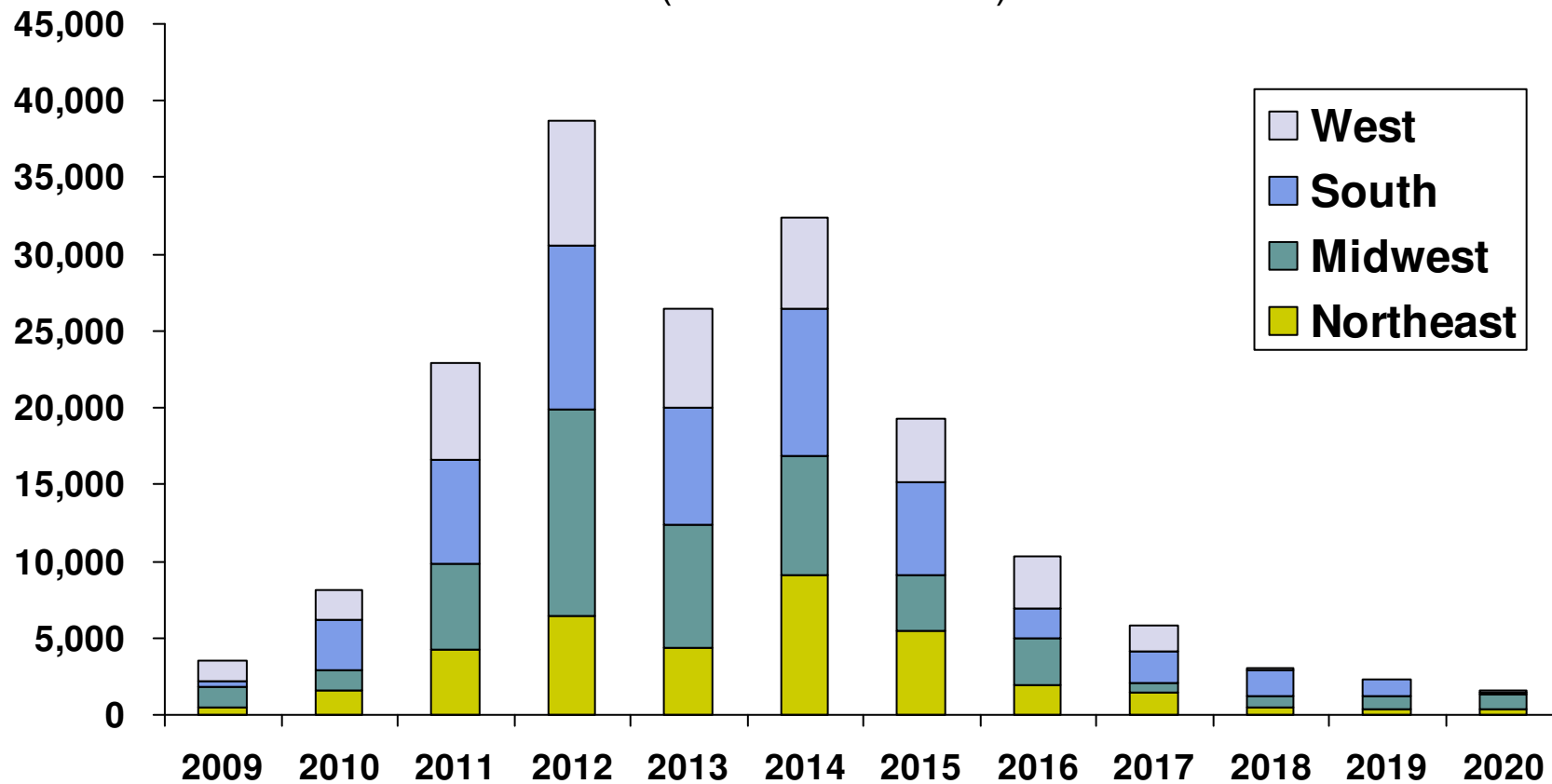


Source: LISC analysis of HUD Section 8 Contracts Database. Regions are defined by US Census.

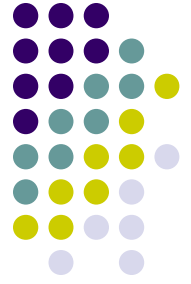
Measuring the Risk: Subsidized Mortgages



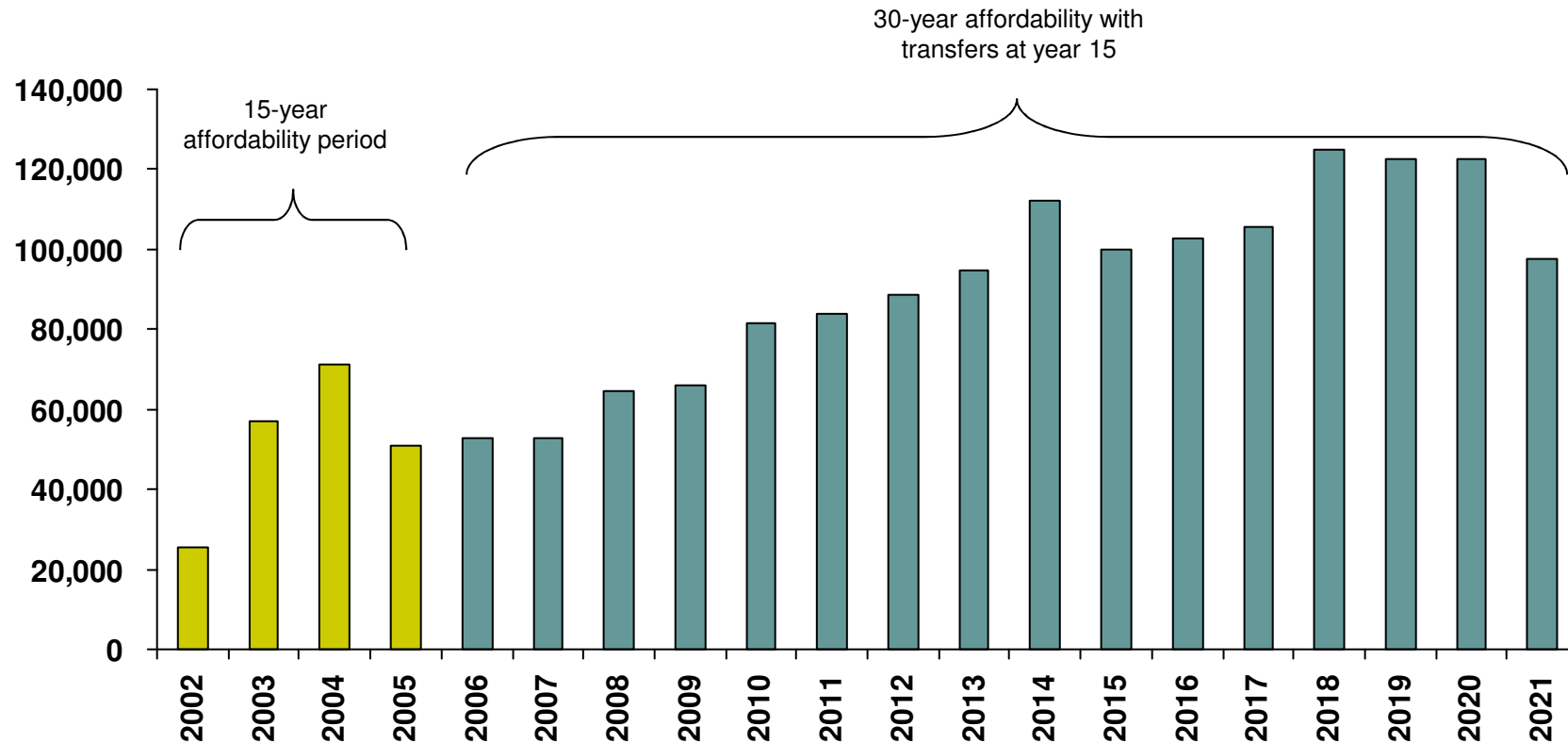
Subsidized Mortgages by Year of Maturity
(Number of Units)



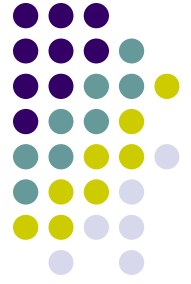
Measuring the Risk: LIHTC Year 15



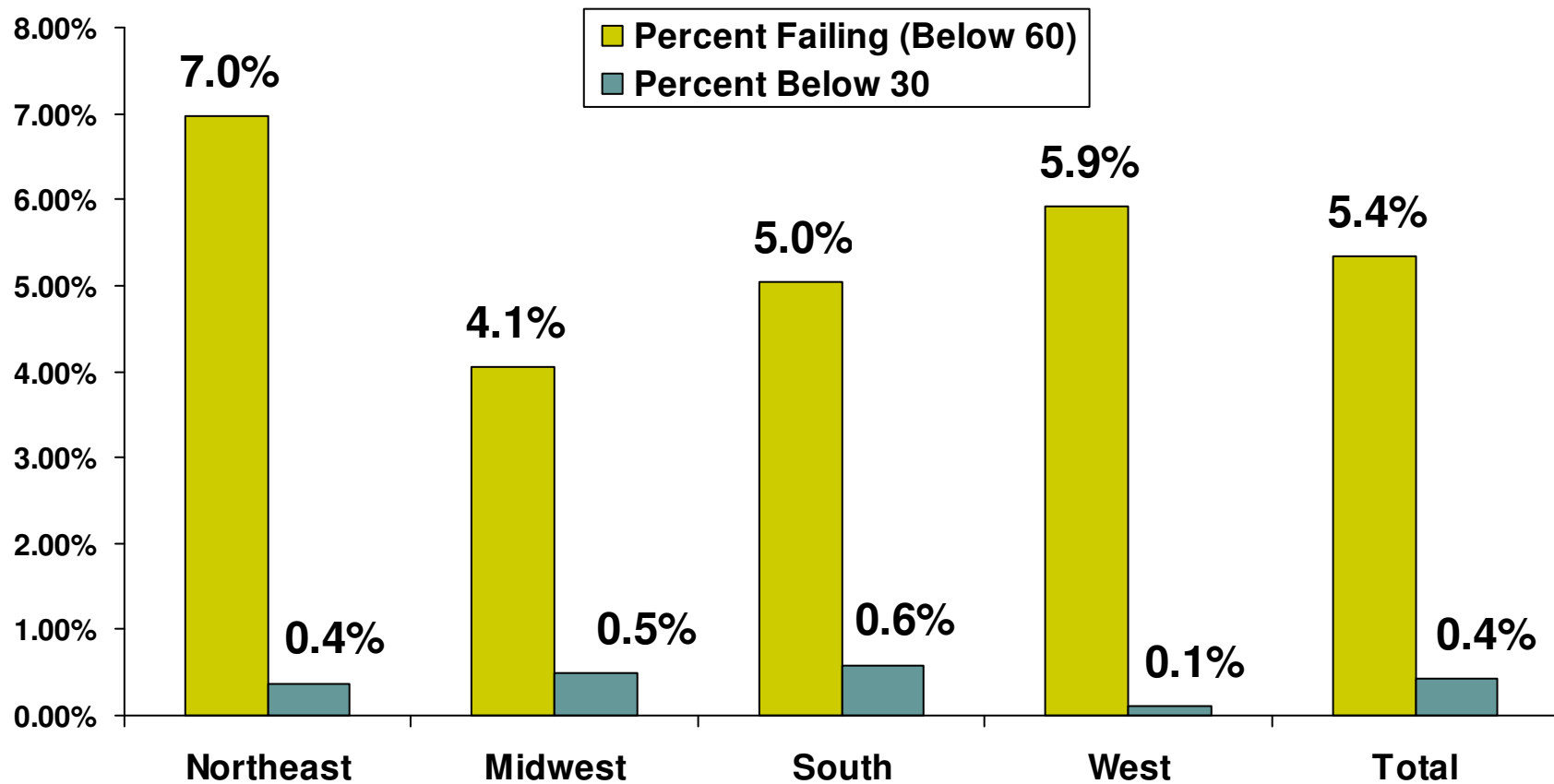
Estimate of LIHTC Volumes Hitting Year 15
(Number of Units)



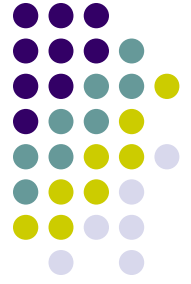
Measuring the Risk: Physical Deterioration



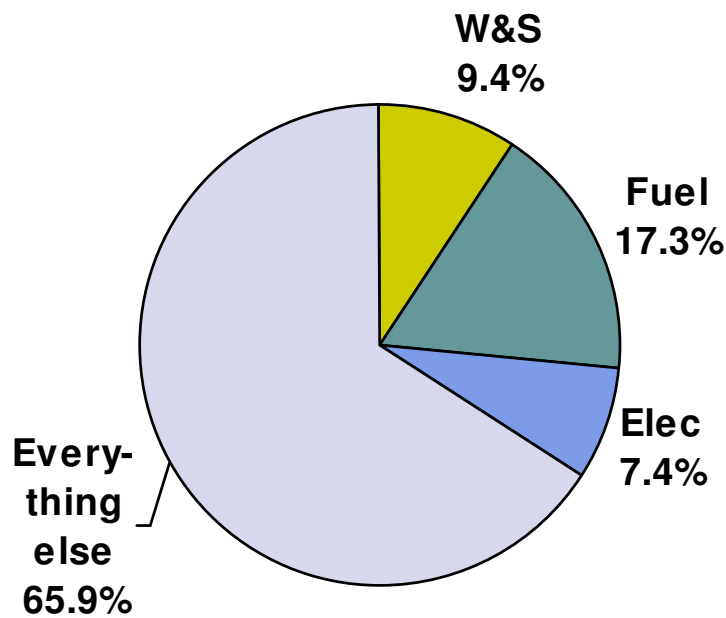
Properties with Failing REAC Scores



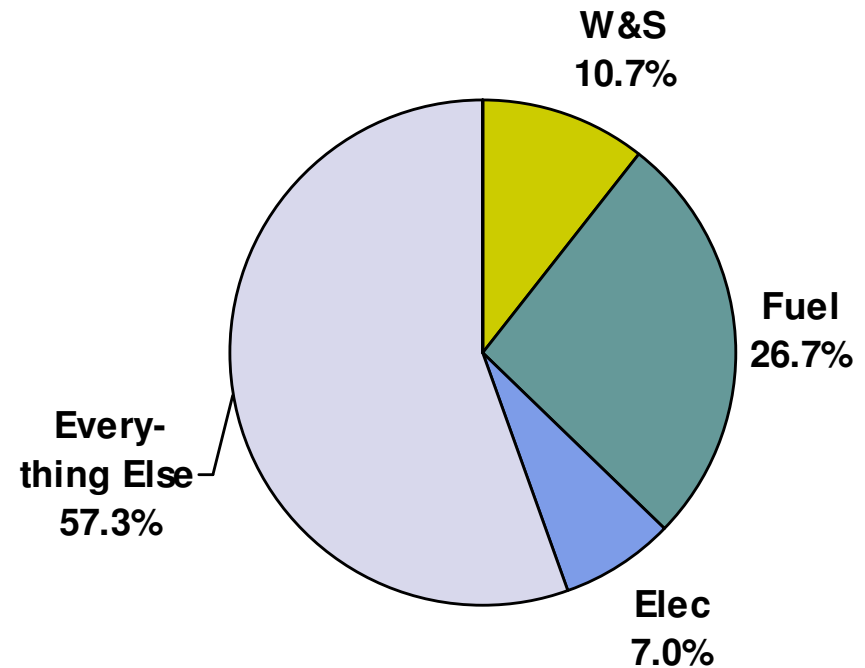
Measuring the Risk: Energy Inefficiency



NYEF Utilities as % of M&O 1997/8 vs. 2007



1997/8
M&O = \$4,261
Utilities = 34.10%



2007
M&O = \$6,325
Utilities = 44.4%

Existing Federal Preservation Tools



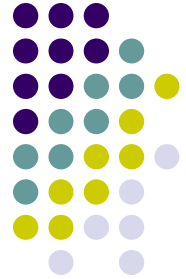
- Section 8 Contract Renewals
 - Mark to Market and M2M Green
 - Mark up to Market/Budget
- IRP Decoupling
- 202 Refinancing
- PHA Project-Based Vouchers
- Tax Exempt Bonds / LIHTC
- Enhanced Vouchers for Tenants

Preservation Elements of Stimulus Legislation



- 2008's Housing and Economic Recovery Act
 - GSE (Fannie/Freddie) Duty to Serve Preservation
 - Tax Credit Program Reforms – 10 year rule and related party ownership, coordination with LIHTC/HUD
 - Project-Based Voucher Enhancements – allows terms to 15 years
 - Neighborhood Stabilization Program – Foreclosed multifamily
- 2009's American Recovery and Reinvestment Act
 - Fully Funded Project-Based Section 8
 - Energy Retrofits for Assisted Housing: \$250 million
 - Tax Credit Assistance Program and Exchange
 - Weatherization: \$5 billion through Dept. of Energy

2009 Omnibus Preservation Bill

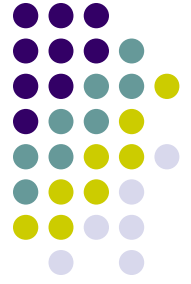


- High priority for House Financial Services
- Will include reforms to Section 202 and RHS
- Some provisions may be handled administratively by HUD

Possible Provisions of Preservation Bill

- Rent Supplement, RAP Conversion to Section 8
- Year 40 subsidized mortgage maturity
- Right to Purchase
- Project-basing Enhanced Vouchers
- Incentives to preserve HFA-financed properties
- Prohibit federal pre-emption of state preservation laws
- Rehab grants for distressed properties
- Establish HUD mandate to preserve distressed housing
- Clarify Mark-up-to-Market in LIHTC properties
- Update Mark-to-Market restructuring
- Streamline continued use of existing subsidies
- Improve tenant protections
- Tenant capacity building
- Transparent property data

Section 8 Voucher Reform Act



- House passed bill in 2007; Senate introduced 2008
- Provisions under consideration include:
 - Increase allowable share of a PHA's vouchers that can be project-based from 20% to 25%, with an additional 5% to serve homeless persons
 - Increase maximum number of project-based voucher units in a project to the higher of 25 units or 25%
 - Allow owners to choose project-based vouchers in lieu of enhanced vouchers
 - Authorizes tenant protection vouchers for HUD-insured properties in foreclosure or disposition
 - Enhanced vouchers for maturing subsidized mortgages

New Administration's Preservation Plans

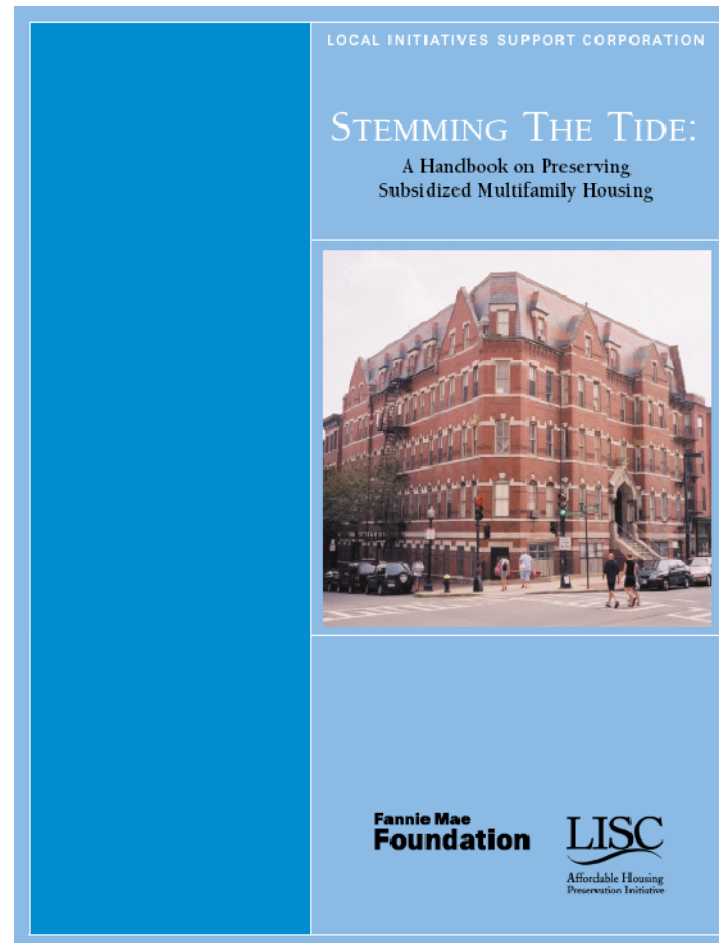
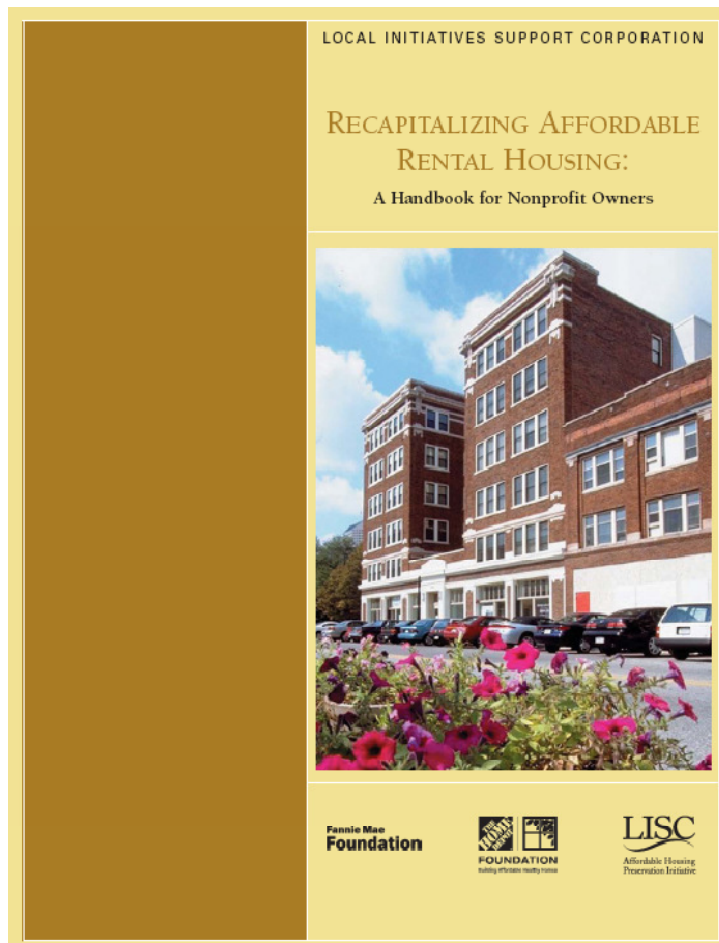


- Choice Neighborhoods
 - Expands HOPE VI concept to federally-assisted housing
 - Connection with school reform
- Prioritizing Sustainable Preservation
 - Focus on preserving housing near transit and jobs
- Considerations for New Preservation Agenda
 - Neighborhood Context
 - Balancing Incentives with New Resources
 - Incentives vs. Mandates
 - Universe of Preservation

LISC's Preservation Resources



www.lisc.org/preservation



LISC's Green Preservation Resources



www.lisc.org/greenpreservation

