



NATIONAL
HOUSING
TRUST

*State and Local Tools to Preserve and
Improve Affordable Rental Housing*

***Presentation by Michael Bodaken, President NHT
Oregon Housing and Community Services
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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 more than 4,800 affordable apartments.*
 - Lends early money to developers to help them purchase and renovate affordable apartments. *Loans have helped preserve nearly 5,000 homes.*
 - Educates policymakers of the need to dedicate resources towards the revitalization of existing affordable apartments.

National Housing Trust, State & Local Preservation Tools

National Housing Trust



The National Housing Trust has helped to save more than 22,000 affordable apartments in 41 states.



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NHT Community Development Fund

- Nonprofits looking to purchase affordable housing often need "early money" for due diligence.
- NHTCDF is exclusively dedicated to providing predevelopment and bridge financing to preserve and revitalize affordable apartment homes BEFORE the take out financing is in place.
- Our loans have supported the private investment of more than \$400 million, helping to preserve nearly 5,000 affordable apartments and homes.
- Partner with other loan funds.



NHT/Enterprise Preservation Corporation

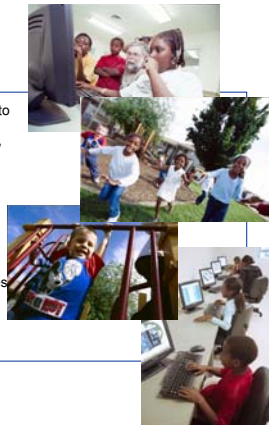


"Preserving Affordable Housing, Creating Community Assets"

- NHT and the Enterprise Foundation launched venture almost seven years ago
- Organization to buy and hold where no local nonprofit interest lies in preserving. Has preserved 4,800 units in Mid-Atlantic, Midwest, South, and Southeast
- Staffed by ten underwriters and asset managers employed by NHT
- Often partners with other for profit and nonprofit developers

Friendship Court Charlottesville, VA

- Piedmont Housing, was offered opportunity to purchase last available affordable housing property in rapidly gentrifying Charlottesville, VA.
- NHT/Enterprise took risk and shared guarantees w/ Piedmont.
- Preserved and improved property.
- Now local nonprofit shares in fees.
- Services on site include after school activities computer activities, job training and Earned Income Tax Credit returns.
- Property fully occupied.



National Issue: Local Challenge



- While preservation is a national challenge, the wide variety of local conditions requires a local, special response.
- Intervention requires a local understanding of the market, the population being served, and often the support for preservation at the local and state level.
- Many states have resources dedicated to development and/or preservation of affordable housing.
- Many cities & counties also have resources dedicated to development and/or preservation of affordable housing.
- Resources come in the form of soft loans, grants, allocation of tax credits, or tax relief (e.g. real estate tax abatement).

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Good News:

States are increasing resources for preservation

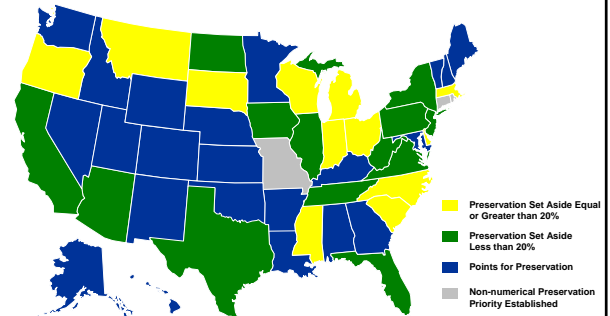


- 9% low income housing tax credits
- Private activity bonds and 4% credits
- State housing trust funds
- Predevelopment and bridge loans
- Other tax incentives

For details on State and Local Preservation Initiatives, see www.nhtinc.org

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States are using 9% competitive tax credits for preservation



As of July 2008 · www.nhtinc.org

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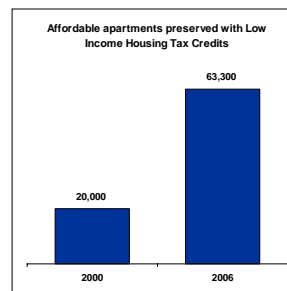
State LIHTC Preservation Set Asides



- Five years ago, 6 states set aside 9% credits for preservation.
- Today, 46 states prioritize preservation through points or a specific preservation set-aside in their competitive tax credit program.
- 25 states set aside a portion of their 9% tax credits for rehabilitation/preservation:
 - ✓ DE – 78% set-aside
 - ✓ MS, SD, WI – 40%-60% set-aside
 - ✓ IN, MA, MI, MT, NC, OH, OR, SC – 20%-35% set-aside
 - ✓ NY, PA, TX, VA, WV – 15% set-aside
 - ✓ FL, IA, ND, TN – 10%-12% set-aside
 - ✓ CA, IL – less than 10%
 - ✓ AZ, NJ – set aside 2 and 3 properties respectively

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Increasing Use of Housing Tax Credits for Preservation



- In 2000, approximately 20,000 affordable apartments were preserved using low income housing tax credits
- By 2006, the number of affordable apartments that were preserved using low income housing tax credits more than tripled to more than 63,000 apartments.

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Private Activity Bonds & 4% Credits



- Almost every state has a surplus of 4% tax credits and private activity bonds at its disposal. Almost every state uses bonds for preservation.
- At least two states have gone further:
 - ✓ Maryland has preserved significant amounts of older assisted properties with private activity bonds (almost 4,000 apartments in just the last 4 years).
 - ✓ In New York, the governor created the Housing Opportunity and Preservation for the Empire State (HOPES) program, preserving 2,500 apartments with \$123 million of private activity bonds and 4% credits in 2006.

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State Housing Trust Funds: Preserving Affordable Housing



"Housing trust funds now have a proven record as an invaluable resource for affordable housing preservation"

Mary Brooks, Director, Housing Trust Fund Project, Center for Community Change

- 30 state housing trust funds support affordable housing preservation.
- Some states award preference for preservation, including Florida, Indiana, New Jersey, Utah, Vermont, Washington and the District of Columbia.
- In 2006, New Jersey sets aside a portion of its trust fund money for affordable housing preservation activities.
- Housing trust funds provide a continuous stream of funding not dependent on annual appropriations and are often the most flexible funds jurisdictions have available for affordable housing.

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State Preservation Examples



- **Wisconsin Housing and Economic Development Authority:** Deployed tax credits to preserve and improve more than 1,900 affordable apartments in 62 properties over the last 4 years. Committed \$20 million of its own cash resources to preserve 1,990 units from 2005-2006, and committed an additional \$10 million in 2007.
- More than 1,000 federally subsidized apartments have recently been preserved with the **Oregon Affordable Housing Tax Credit** with several thousand additional affordable apartments lining up for OAHTC financing over the next few years.
- New York State Housing Finance Agency's new **"Mitchell Lama Rehabilitation and Preservation (RAP)" program** will offer flexible, low-cost financing to upgrade facilities and keep rents affordable.
- Virginia and Washington State have developed **nonprofit CDFIs** that fund predevelopment or provide bridge financing for preservation.

- For additional details on state and local preservation programs:
 - www.nhtinc.org

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Local Preservation Examples



- Fairfax County, Virginia has **"Penny for Affordable Housing Fund."** Raises \$25 million each year -- preserved more than 2,200 affordable apartments in first 2 years.
- Montgomery County, MD uses **state/local tax revenue** for preservation.
- New York City developed a \$220 million **"Acquisition Fund."**
- Cook County, Illinois: **The Preservation Compact**



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Preservation is Green



Comprehensive climate change response must include improving existing buildings

- ✓ Residential buildings account for 36% of electricity consumption in the U.S.
- ✓ Over 20% of U.S. carbon emissions are from residential buildings
- ✓ Half of the buildings that will be in use in 2030 have already been constructed

The greenest building is the one that is already built

- ✓ It takes 65 years for a new energy efficient building to save the energy lost when demolishing an existing building
- ✓ Existing housing is located in developed areas near transportation and utility services, conserving energy and construction waste

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"Preservation of affordable housing is inherently energy and resource efficient."



Eric A. Goldstein, Urban Program Co-Director
Natural Resources Defense Council

- **Preservation is energy efficient.** It produces less waste and uses less new materials and energy than new construction.
- There are many ways to integrate **green technology** and methods into the rehabilitation process to improve energy efficiency and conserve water through the use of green design and materials.
- These improvements produce **utility savings** for owners and residents, **lower maintenance costs**, and provide a **better living environment**.



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Incentives for Green Preservation



- State and local **resources for green development** include green tax credits, rebate programs, sales and property tax exemptions, loans and grants.
- Nearly every state incorporates some green incentives into its LIHTC program. QAP Incentives take three forms:
 - **Threshold Requirements:** 24 states make green building a minimum requirement for tax credit allocations.
 - **Points:** Almost 40 states award points to tax credit projects that include environmentally friendly building practices. Points are awarded for energy-efficient appliances, sustainable building techniques, and sustainable building materials.
 - **Non-Numeric Preference:** 6 states offer a non-numeric preference for green proposals.

For additional information on programs and resources relevant to preservation developers, see: www.nhtinc.org/pub_pol_green.asp

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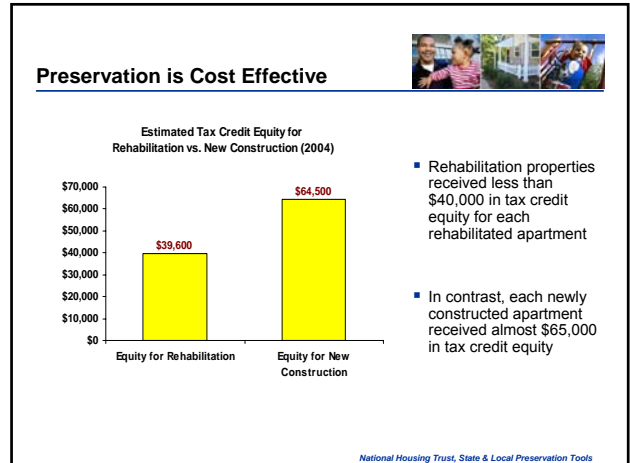
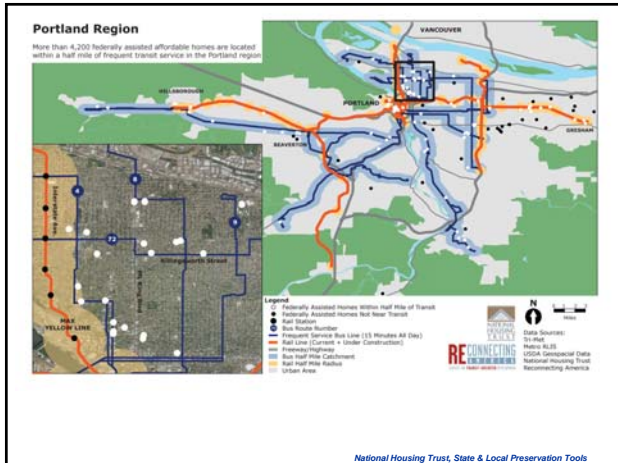
Injecting Equity into Smart Growth: Preserving Housing Near Transit



- Much of the federally assisted housing stock is located in neighborhoods with access to affordable transportation options.
- Reconnecting America and NHT identified project-based Section 8 properties within a ½ mile of existing or proposed rail stations in 8 cities: Boston, Chicago, Cleveland, Denver, NYC, Portland, St. Louis, and Seattle.
- 100,000 units in 8 cities examined are within a half mile of existing or proposed rail stations.
- The number of units near public transportation increases dramatically when you include frequent service bus lines.



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Acquisition Funds

- Problem:** developers often face problems accessing permanent financing in time to meet need to close quickly.
- Solution:** Set up Acquisition Fund that takes out properties temporarily allowing purchasers time to line up permanent financing.
 - NY
 - DC
 - Chicago
 - Los Angeles
 - Atlanta
 - Montgomery County proposal
 - OR

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NY City Acquisition Fund

- NYC Acquisition Fund provides bridge financing to acquire properties in short time frame
- Just received Harvard's "Innovation in Government" Award.
- \$200 Million Fund:
 - \$8 Million NYC
 - \$32 Million from various foundations
 - Senior lender debt covers \$160M.
- First loss a combination of city/foundation contributions.

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DC Site Acquisition Fund (SAFI)

- Administered by 9-member Advisory Board appointed by mayor
- CDFIs do the underwriting; not the city.
- Revenue source is 15% of the real estate transfer tax
- Generates approximately \$30 million, with match by local CDFIs
- First loss by DC up to 25%

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Chicago's Preservation Fund

- Still in planning stages
- Raising \$100 M for short to mid term acquisition loans for preservation buyers to purchase and improve at risk properties.
- MacArthur Foundation will invest in the fund.
- Smaller loans for existing, private owners to maintain existing rental properties.
- LISC and CIC are lead originators.
- More like the NY model. City, foundations and major lenders.

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For more information:



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