APPENDIX A: AFFORDABLE HOUSING PRESERVATION POLICIES

This appendix highlights some of the affordable housing preservation policies in each of the 20 metropolitan areas examined in this report. The information provided here is from the National Housing Trust's (NHT) annual survey of state and local preservation resources.

The Low Income Housing Tax Credit (LIHTC) program is currently the largest single source of funds for affordable housing construction and preservation. Prior to the downturn in the economy, more than $8 billion was expended each year to provide affordable housing in the United States. Recently, investment in the tax credit has declined resulting in significantly less funds available for affordable housing development.

Every state housing finance agency receives an annual allocation of low-income housing tax credits and must develop a set of policies with certain criteria for allocating these tax credits among affordable housing providers who submit competing applications. Each state develops a Qualified Application Plan (QAP) outlining the policies for allocating these tax credits.

The National Housing Trust's annual survey of these policies demonstrates that states continue to allocate this key housing resource for affordable housing preservation. Forty-seven states currently prioritize preservation by awarding points to preservation projects as part of the competitive scoring criteria or go further by setting aside a specific portion of their 9 percent competitive tax credits for preservation. In all, more than 64,000 affordable apartments were preserved in 2007 using low-income housing tax credits.

Provided below are low-income housing tax credit allocation details related to affordable housing preservation for each of the states represented in this report, as well as additional state and local resources available for affordable housing preservation. Please note that NHT's survey of state and local preservation initiatives is a work-in-progress and does not necessarily reflect the full depth of any one initiative or the breadth of initiatives around the country.

ATLANTA, GEORGIA

Preservation Summary

Georgia created a $1.5 million preservation set aside for their 2009 QAP. Georgia also dedicates two sections in the state's QAP to "quality growth initiatives" and "sustainable development" which includes points for TOD projects. Georgia preserved more than 4,300 affordable apartments using tax credits between 2003 and 2007.

BALTIMORE, MARYLAND

Preservation Summary

Maryland does not have 9 percent tax credit set aside for preservation in its QAP; however, it has preserved nearly all at-risk affordable apartments by targeting 4 percent tax credits to preservation projects. Points are also awarded for TOD projects. Between 2003 and 2007, Maryland preserved more than 6,200 affordable apartments using tax credits.

In addition, the Maryland Affordable Trust Fund provides deferred payment loans or grants of up to $150,000 for capital costs, including the costs of acquiring and rehabilitating affordable housing. Maryland's Department of Housing and Community Development also offers low-interest loans to developers working to preserve affordable housing.

BOSTON, MASSACHUSETTS

Preservation Summary

Massachusetts has a multitude of programs targeted to affordable housing preservation, including a significant 40 percent set-aside for preservation in its QAP. Nearly 7,000 affordable apartments were preserved using low-income housing tax credits statewide between 2003 and 2007. Massachusetts recognizes the importance of TOD and requires consistency with the commonwealth's 10 sustainable development principles including providing transportation choice as well as awarding points to its tax credit projects located within a half mile of mass transit. Additional programs include the Affordable Housing Trust Fund, the Housing Stabilization Fund and the Capital Improvement and Preservation Fund, which all provide resources for the preservation of affordable housing projects.

Additionally, MassHousing's Section 8 Proactive Preservation Program allows existing owners of state-funded Section 8 properties that are approaching mortgage maturity and deregulation to take out equity as part of refinancing. In return for the early equity takeout, owners commit to extending affordability for 20 years.

Recently, Massachusetts received funding from the MacArthur Foundation to implement an Interagency Working Group to coordinate the housing preservation activities of state, federal, and local agencies and to create an early-warning system to support interagency decision-making and priority-setting by enhancing an existing preservation database. Additionally, the funding will support the Massachusetts Preservation Loan Fund, which will provide patient predevelopment and acquisition financing for large-scale preservation projects such as portfolio acquisitions that have few other financing options.

Boston completed a comprehensive four-year housing strategy in 2007, called Leading the Way II, which resulted in the preservation of nearly 3,600 affordable apartments.

CHARLOTTE, NORTH CAROLINA

Preservation Summary

North Carolina's QAP includes reserves 20 percent of tax credit rehabilitation projects. More than 3,200 affordable apartments were preserved statewide using tax credits between 2003 and 2007. The state provides incentives for TOD and for development located in the Charlotte Region Transit Station areas. In addition, the North Carolina Housing Trust Fund was appropriated $16 million dollars in 2008 ($132.6 million cumulatively since 1987) to provide loans, grants, and interest reduction payments for activities including housing rehabilitation.

CHICAGO, ILLINOIS

Preservation Summary

Illinois' QAP includes a $2 million set-aside for preservation, and low-income housing tax credits have been used to preserve more than 13,800 affordable apartments throughout the state over the past five years. On the local level, the City of Chicago has listed preservation of "at-risk" assisted housing as one of its preferences for awarding 9 percent credits in its QAP. Both the State of Illinois and the City of Chicago have devoted a substantial amount of private activity volume cap and 4 percent tax credits to preservation. The Illinois Affordable Housing Trust Fund receives approximately $20 million to $22 million each year and assists private developers and local governments with acquisition and rehabilitation.

In Cook County, the Preservation Compact, a project of the Urban Land Institute supported by the John D. and Catherine T. MacArthur Foundation, has announced a comprehensive series of concrete steps that will save at least 75,000 affordable rental apartments in the county by 2020. A key component of the plan is a Preservation Fund offering a suite of financing tools to assist both preservation-minded buyers and existing rental property owners seeking to maintain affordability. Other initiatives include an interagency council to coordinate housing policy responses among local, state, and federal agencies; a data clearinghouse to provide early warnings of properties at risk; technical assistance and loans for energy-efficient improvements; technical support and legal assistance to tenants in at-risk properties; and reduced operating costs for owners through property tax reductions.

CLEVELAND, OHIO

Preservation Summary

Ohio reserved up to $7 million of its 9 percent low-income housing tax credits for affordable housing preservation for 2009. As a result of their 25% set-aside, nearly 21,000 affordable apartments were preserved in the state from 2003 to 2007. The QAP lists availability and access to public transportation in its selection criteria. Additionally, the Ohio Housing Trust Fund supports a wide range of housing activities, including rehabilitation, geared toward very-low-income households. For 2008-2009, this fund was provided with $53 million each year.

The state is currently creating a comprehensive, web-accessible database of all federally-subsidized properties, enhancing outreach efforts to property owners and tenants as well as establishing a preservation loan fund to provide nonprofits and for profit developers with low-cost acquisition and predevelopment financing.

DENVER, COLORADO

Preservation Summary

Colorado does not have a preservation set-aside in its QAP, but awards 15 points for preservation developments and often uses 4 percent tax credits for preservation. Colorado has preserved more than 6,000 affordable apartments between 2003 and 2007 using low-income housing tax credits. The Colorado Housing Finance Agency also has a number of other programs in place to provide low-interest loans for existing housing acquisition and refinancing. With recent support from the John D. and Catherine T. MacArthur Foundation, Denver is establishing a new loan fund for TOD that preserves affordable rental housing near existing and planned regional public transit stations.

HOUSTON, TEXAS

Preservation Summary
At least 15 percent of Texas' tax credit allocations are reserved for "at-risk" developments. Texas also uses 4 percent tax credits for preservation and has preserved nearly 19,000 affordable apartments using tax credits between 2003 and 2007. Texas also awards points to promote TOD.

The Texas Department of Housing and Community Affairs runs a program to help preserve existing multifamily rental properties previously financed or subsidized through a state or federal housing program.

LOS ANGELES, CALIFORNIA

Preservation Summary
The state of California has a 5 percent set-aside for "at-risk" properties in its QAP and between 2003 and 2007 preserved nearly 35,000 affordable apartments with tax credits. The state QAP awards points for transit-oriented projects and proximity to community amenities.

At the local level, the City of Los Angeles has a number of preservation initiatives including the Affordable Housing Trust Fund, which prioritizes 10 percent of the funds for preservation of housing that is at risk of converting to market rate. In 2004, the Los Angeles City Council created the LA Affordable Housing Preservation Program, which enforces notice requirements, facilitates preservation transactions, monitors the City's affordable housing stock and conducts outreach to property owners, tenants, and other stakeholders. The AHPP is managed by a full-time Preservation Coordinator.

Additionally, the Los Angeles Housing Department recently received funding from the MacArthur Foundation enhance its Affordable Housing Preservation Program to undertake three complementary initiatives: 1) a robust data collection effort on affordable and market-rate housing; 2) a sustained outreach program to target owners of properties that may lose their affordability matched by a communications strategy to systematically educate residents of subsidized properties and; 3) facilitate the acquisition of properties identified as suitable preservation opportunities based on the enhanced database and extended outreach efforts.

MIAMI, FLORIDA

Preservation Summary
Florida sets aside $4 million in low-income housing tax credits for preservation projects, which is approximately 10 percent of its total tax credit allocation. Florida has also preserved a significant amount of affordable housing using 4 percent tax credits. Florida addresses TOD by awarding tie-breaking points to projects in close proximity to bus or rail stations.

Florida also provides low-interest loans on a competitive basis to affordable housing developers through a State Apartment Incentive Loan Program and through a predevelopment loan program. A pilot preservation bridge loan program has also recently been established to operate in select counties.

MINNEAPOLIS/ST. PAUL, MINNESOTA

Preservation Summary

Minnesota does not have a set-aside for preservation in its QAP; however, preservation projects are awarded points as part of the competitive application process. The state preserved more than 4,500 affordable apartments using tax credits between 2003 and 2007.

Minnesota, with the support of the MacArthur Foundation, is implementing its Preservation Plus Initiative, designed to take the state and its partners to "new preservation frontier" by institutionalizing a more a proactive and preventative approach Minnesota will fill gaps in its existing preservation infrastructure, expand successful strategies, and develop new preservation tools. The Initiative has five major components: 1) identify and resolve gaps in existing preservation processes and resources; 2) improve early detection of at-risk properties; 3) increase the operational capacity of owners and developers of existing affordable rental housing through the provision of technical assistance and asset management tools; 4) develop a preservation strategy for unsubsidized affordable housing and; 5) capitalize a new flexible revolving loan fund.

On the local level, the Minneapolis Affordable Housing Trust Fund combines housing revenue bond fees with federal HOME and CDBG funds to support the city's affordable housing. As of June 2009, $9 million was available in the Trust Fun and the proposal selection process provided points for preservation.

NEW YORK, NEW YORK

In February 2006, Mayor Bloomberg announced the expansion of his five-year New Housing Marketplace Plan to include a 10-year commitment to build and preserve 165,000 affordable apartments. The plan includes new tools to spur private investment in affordable housing, including initiatives to preserve existing affordable apartments. A major element of the city's preservation strategy is the creation of $200 million revolving loan fund called the New York Acquisition Fund, with city and foundation guarantees that will give developers the cash to acquire privately owned buildings without having permanent financing commitments in hand. This allows mission-oriented developers to compete in New York's string housing market and will spur the preservation of assisted rental apartments.

PHILADELPHIA, PENNSYLVANIA

Preservation Summary

The state of Pennsylvania has a 15 percent preservation set-aside of 9 percent tax credits and preserved nearly 13,000 affordable apartments between 2003 and 2007. The Pennsylvania Housing Finance Agency (PHFA) has partnered with the National Housing Trust Community Development Fund to provide financial assistance to qualified nonprofit corporations seeking to purchase and preserve low- and moderate-income developments throughout the Commonwealth. PHFA has also partnered with the Local Initiatives Support Corporation to provide predevelopment financial assistance to qualified preservation developments in Philadelphia.

PHOENIX, ARIZONA

Preservation Summary

Arizona does not have a set-aside for preservation in its QAP; however, projects that preserve existing subsidized housing are awarded points as part of the competitive application process. The Arizona Housing Trust Fund, with approximately $26 million total, reserved $6 million for multifamily rental housing in 2007.

PORTLAND, OREGON

Preservation Summary

The State of Oregon reserves a significant 25 percent of its low-income housing tax credits for preservation and preserved more than 3,500 affordable apartments using tax credits between 2003 and 2007. The state has also established the Oregon Housing Acquisition Project to convene stakeholders and develop strategies to preserve up to 5,840 affordable homes. This initiative was recently awarded $5 million from the MacArthur Foundation which has enabled the housing acquisition fund to continue to give affordable housing providers timely access to interim financing needed to acquire at-risk federally subsidized apartments when owners are ready to sell. An Oregon housing development grant program also provides loans and grants for housing development, including rehabilitation, of low- and very low-income apartments.

Recently, the Oregon legislature passed a lottery-backed revenue bond bill that includes $19.4 million in to help preserve existing affordable housing throughout the state.

The City of Portland prioritizes the preservation of Section 8 housing. The city requires that owners provide a 210-day notice of intention to opt out of a Section 8 contract to allow the city time to purchase the property at fair market value. Portland Housing Bureau staff have contacted the owners of every expiring-use property in the city to inquire about their plans at Section 8 contract expiration and to help facilitate transfers to new owners willing to enter into new long-term contracts. The city will utilize its portion of newly approved state wide real estate recording fee increase, the proceeds of which are dedicated to affordable housing, to help finance the acquisition of Preservation projects. The City uses Tax Increment Financing in urban renewal districts to help finance the acquisition of Preservation projects. Outside of URDs the city is utilizing the HUD Section 108 loan guarantee program which dedicates a portion of future CDBG allocations, to help finance the acquisition of Preservation projects.

SALT LAKE CITY, UTAH

Preservation Summary

The State of Utah does not have a set-aside in its QAP; however, it awards points for preservation. Between 2003 and 2007, Utah preserved more than 1,800 affordable apartments using low-income housing tax credits. Utah developers must list access to public transportation in the required market study for their application. The state's housing trust fund, the Olene Walker Housing Loan Fund, has become an important source of funding for preserving the state's invaluable supply of Section 8 and Section 515 subsidized rental units.

On the local level, the Salt Lake City Housing Trust Fund, created in 2001 is used to provide loans for the creation and preservation of multifamily rental developments and homeownership projects.

SAN FRANCISCO BAY AREA, CALIFORNIA

Preservation Summary

The State of California has a 5 percent set-aside for "at-risk" properties in its QAP and between 2003 and 2007 preserved nearly 35,000 affordable apartments. The state QAP awards points for transit-oriented projects in assessing site amenities.

San Francisco has a multitude of preservation-related initiatives aimed at preserving the cities affordable housing stock including stringent notice and code enforcement requirements to compel owners to maintain affordability.

SEATTLE, WASHINGTON

Preservation Summary

Washington State does not have a set-aside for preservation but gives preference for 9 percent credits that preserve federally assisted projects as low-income housing units. Washington State also uses tax-exempt bonds to preserve a significant number of project-based Section 8 properties.

The City of Seattle has actively used local and federal resources to preserve affordable housing. Seattle has a bridge loan program designed to help nonprofits acquire buildings while they are arranging permanent financing. In June 2009, the Seattle City Council voted unanimously to put a $145 million, seven-year property tax on the November ballot to raise money for affordable housing. The council has indicated that approximately $62 million of the funds would be reserved for people earning no more than 30 percent of the area median income.

ST. LOUIS, MISSOURI

Preservation Summary

The Missouri QAP does not have a set-aside for preservation in its low-income housing tax credit program; however, it lists preservation as one of seven housing priorities. The state incentivizes LIHTC projects to be developed near transit by providing a basis boost to those proposals within a TOD. Historically, Missouri has preserved a significant amount of affordable housing with 4 percent tax credits, including more than 9,700 affordable apartments between 2003 and 2007. The City of St. Louis created the Affordable Housing Trust Fund in 2001 and dedicated revenues from a local use tax to the trust fund. These trust fund dollars ($5 million in grants and loans in 2008) are used to provide below-market loans to for-profit developers and forgivable, deferred payment loans to nonprofits for construction and permanent financing.

WASHINGTON, D.C.

Preservation Summary

Washington, D.C., does not have a preservation set-aside of 9 percent tax credits for preservation; however, the District provides points for preservation projects with expiring use restrictions. Washington, D.C., preserved 4,887 units in 24 properties between 2003 and 2007. The District also has the $17 million Open Door Housing Fund (formerly the Housing Production Trust Fund) that offers predevelopment, acquisition and bridge financing for affordable housing development, rehabilitation, and preservation. A second trust fund, the Washington Area Housing Trust Fund, provides predevelopment and interim loans for affordable housing developers in the greater D.C. area. In the District, tenants also have a right to purchase their property before a landlord is able to sell (commonly referred to as TOPA rights) and the City provides assistance to tenant groups to aide them through this process.