

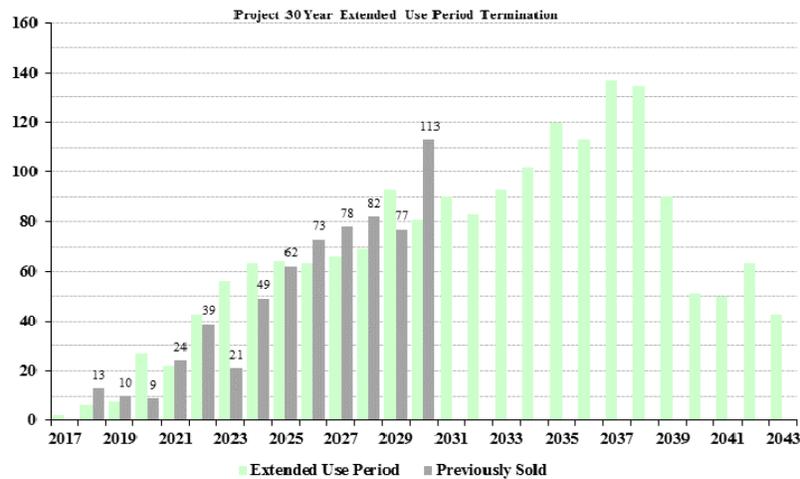


National LIHTC Stock: nearly 3 million units

- Urban, suburban and rural markets across the country
- Housing for families, seniors, people with special needs
- Deep affordability: 64% of residents are at or below 40% of AMI, according to HUD

**Extended use expiration is approaching-
will be a rising wave in coming years
Housing Credit stock will become an
urgent preservation focus**

Enterprise Extended Use Pipeline (30 years assumed, varies by state)



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Recent dynamics (unanticipated when LIHTC program created):



- Scope of affordability crisis
- Rapidly rising rents, focus on multifamily as a real estate opportunity
- LIHTC portfolios trading at year 15 and during extended use as a “land-banking” strategy, priced assuming flipped to market
- Entry of REIT and other real estate capital into market as portfolios trade
- AFFH/Fair Housing: greater focus on where affordable housing is available

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Preservation Challenges for the Extended Use period

1. Ongoing physical and financial viability
2. Ongoing preservation of use as affordable housing

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Preservation Challenge: Ongoing use as affordable housing

Y15/Extended Use Period

- Qualified contract
- Owners bypassing compliance requirements
- Self-reporting; limited HFA oversight
- Requests to HFA to modify/lift LURA
- "Planned Foreclosure"

Expiration of Extended Use Period

- Properties at Risk for Market Conversion
 - Geography
 - Ownership
 - Deep Affordability

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WHAT'S NEEDED



BRING VISIBILITY & URGENCY TO THE ISSUE

Dimension the preservation challenge
 Research is underway to determine rate and location of expirations
 identify properties at greatest risk

RP #26 - ENCOURAGING PRESERVATION WITH HOUSING CREDIT- Agencies should be prioritizing & developing a strategy

Encourage HFAs to Identify priorities for which inventory to target & goals
 for ongoing physical & financial viability

Develop principles for preservation

- Urgency for each HFA
- Potential priorities: deep affordability, supportive housing, seniors, Sec 8
- Physical and financial viability

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WHAT'S NEEDED (continued)



“NIP IN THE BUD” ANY ABUSIVE PRACTICES

RP #32 FORECLOSURE PREVENTION – new RP

Helpful start within bounds of current law

Strengthen by withholding consent, not agree or sanction if owner
 uncooperative or found to be intentionally abusive

RP #27 QUALIFIED CONTRACTS – new RP

Agencies should require all applicants to waive their right to submit a
 QC as condition of allocation for both 9% & 4% credits financed with
 TEBs

Discourage owners to pursue QCs and create disincentives for
 owners to pursue by sanctioning developers & owners for future
 applications

Repeal QCs in Section 42

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WHAT'S NEEDED (continued)

RP #43 CONTINUED COMPLIANCE DURING EXTENDED USE PERIOD – new RP

- Oversight during extended use period should include periodic and on site monitoring in addition to self certification
- Owner Requirement for Tenant notifications of Rights during Extended Use
- Sanctions for noncompliance during extended use
- Ensure HFA staff trained on principles, practices, requirements
- Develop a communication plan for the Extended Use period
 - Especially with new owners/GPs
 - Reiterate compliance requirements
 - Requiring HFA notification when ownership changes during extended use period

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Strategies for Physical and Financial Viability:

- Refinance with a lower interest loan – rates will be rising
- Public debt restructure/forgiveness
- Access to weatherization and other programs (with extended affordability)
- Other state and local programs for preservation (with extended affordability)
- Aggregate smaller properties for recapitalization (including for resyndication)
- Resyndication (4% or 9%): if HFAs allow

More & better tools needed

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ROBUST TOOL BOX – policies & incentives

- Most not need immediate re-syndication post Year 15
RP #19 - RESERVES: Agencies should require they remain with the project at investor exit & review LPAs to ensure enforcement – **new RP**
Strongly support this change
- Promote portfolio consolidation or pooling parts of a portfolio for recapitalization, especially for small scattered sites
- Allow recasting of public debt contingent on extension of affordability to include restructuring up to including forgiveness
- Flexibility in recapitalization including refinancing & additional soft debt where modest rehab needs will extend viability through extended use period
- Harness energy efficiency, solar, resilience & other resources & collaborate with agencies to streamline process to access these as “one stop “

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