NCSHA 2016 Annual Awards Entry Form

(Complete one form for each entry)

Deadline: Wednesday, June 15, 2016

Visit ncsha.org/awards to view the Annual Awards Call for Entries.

Instructions: Type entry information into the form and save it as a PDF. Do not write on or scan the form. If you have any questions contact awards@ncsha.org or 202-624-7710.

Fill out the entry name *exactly* as you want it listed in the program.

Entry Name: Policy Changes Needed in Face of Aging Rental Housing

HFA: Tennessee Housing Development Agency

Submission Contact: (Must be HFA Staff Member) Bettie Teasley **Email:** BTeasley@thda.org

Please provide a 15-word (maximum) description of your nomination to appear on the NCSHA website.

Research study ready to inform rental housing development policy changes

Use this header on the upper right corner of each page:

HFA: Tennessee Housing Development Agency

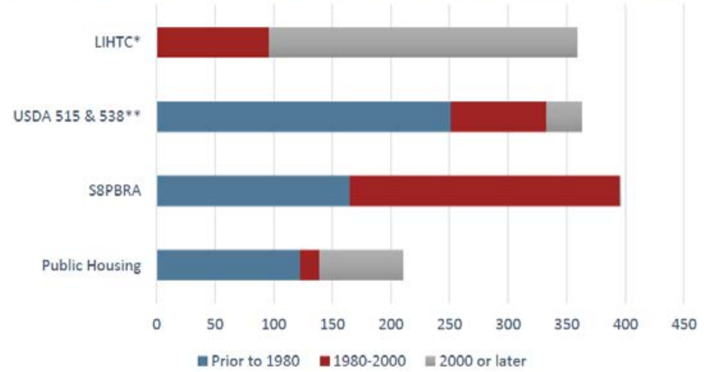
Entry Name: Policy Changes Needed in Face of Aging Rental Housing

Select the appropriate subcategory of your entry and indicate if you are providing visual aids.

Communications	Homeownership	Legislative Advocacy	Management Innovation
○ Annual Report	○ Empowering New Buyers	○ Federal Advocacy	○ Financial
○ Creative Media	○ Encouraging New Production	○ State Advocacy	○ Human Resources
◉ Promotional Materials and Newsletters	○ Home Improvement and Rehabilitation		○ Operations
			○ Technology
Rental Housing	**Special Needs Housing**	**Special Achievement**	Are you providing visual aids?
○ Encouraging New Production	○ Combating Homelessness	○ Special Achievement	○ Yes
○ Multifamily Management	○ Housing for Persons with Special Needs		○ No
○ Preservation and Rehabilitation			

More than 70 percent of existing affordable housing (units and properties) in Tennessee were built more than 15 years ago. When looking at deeply subsidized project based properties, the majority were built more 30 years ago. This is data that should energize policy changes.

Figure 5: Age of Active Affordable Housing Properties in Tennessee



Sources: Internal THDA records, data provided by the Tennessee USDA RD office, National Housing Preservation database, Department of Housing & Urban Development (HUD).

**LIHTC includes actively monitored new construction properties only. Where a property is included in the S8PBRA, USDA or public housing count and also has LIHTC, it is excluded from the LIHTC count. **Some USDA properties have both 515 & 538 loans. These properties are counted only once in the total.*

THDA investigated the existing stock of the state's rental housing. Affordable housing is a critical part of Tennessee's social safety net for low income families, yet funding for the creation and preservation of affordable rental units has proven inadequate to meet rising demand. Policy responses to affordable housing need can be less effective without a strong understanding of current supply, condition and affordability periods. Because relevant affordable housing properties can fall under the purview of local, state and federal programs, a comprehensive statewide picture such that was created by this report is necessary to frame and inform policy choices.

Across the nation, while the cost of rent exceeds income growth in most areas, the number of renters is increasing- leading to a steady rise in the number of people unable to afford housing. Cities in southern states, like Tennessee, where population growth has been high in recent years are facing a particular shortage of affordable options at differing income levels. With federal housing budgets remaining stagnant or shrinking, it is essential to preserve the existing affordable rental housing units, while building as many new affordable units as funding allows each year. Armed with current and specific information, the housing industry and public policy makers must respond.

The challenge for affordable housing providers is finding adequate funds at the federal, state and local levels to preserve the aging affordable housing stock, while also producing new stock to meet the increasing demand for new affordable rental housing at a variety of income levels. The economic development leaders must see the connection of adequate housing for the employees taking the jobs they want to create in a community.

A link to the full report was shared with elected officials and housing providers across the state. It is housed on the Research & Planning section of THDA's site.

Policy Changes Needed in Face of Aging Rental Housing

The majority of Tennessee's affordable rental housing properties were built more than 15 years ago through federal programs. Deeply subsidized housing properties, such as HUD-Section 8, USDA and public housing properties largely were built more than 30 years ago and have significant deferred maintenance due to reductions in funding in recent years.

Program Need

Aging, deeply subsidized properties (S8PBRA, public housing and USDA) often must recapitalize over time to afford needed maintenance and rehabilitation while preserving affordable rent levels. At least some of these properties carry a large debt load and/or have significant repair needs. Without recapitalization that includes infusions of additional grants, rent subsidies, tax credits, or very low interest loans, the lower rents simply do not cover ongoing operation and maintenance/repair costs. If existing affordable housing units deteriorate to the point that they are no longer habitable or are converted to conventional properties when contracts expire, the need for new construction of affordable housing will increase but the funding likely will not rise to meet the demand.

Affordable housing developers and administrators must know where existing affordable rental properties are located, along with the quality and condition of those properties to successfully target scarce funding resources to affordable housing preservation and creation in the areas of greatest need. The Low Income Housing Tax Credit (LIHTC) program is the only federal housing program that has not faced significant budget cuts in recent years- thus placing significant pressure on the program to fund the preservation of existing affordable properties (including those with prior LIHTC allocations), while also creating new units. Alone, the LIHTC program is not sufficient to meet the demand for the creation of new and preservation of existing affordable housing. Tennessee's LIHTC program is often oversubscribed by three or four applications for every award.

Report Description

The report describes the rising need for affordable rental housing, along with the type (Section 8 multifamily, LIHTC, USDA, public housing), location, subsidy, age and physical condition of existing affordable rental housing properties in Tennessee, and the programmatic risk factors for loss of affordable units, such as rental assistance contract expiration dates, age and physical condition. The increasing use of the LIHTC for rehabilitation and recapitalization of existing affordable housing properties in Tennessee is also highlighted. The report was written to bring attention to the need for preservation of aging but still viable affordable housing properties by presenting a comprehensive picture of all the major affordable rental housing properties without regard to local, state or federal administrator.[1] The report will serve as a guide to current and future discussions around affordable housing preservation in Tennessee.

Major Findings

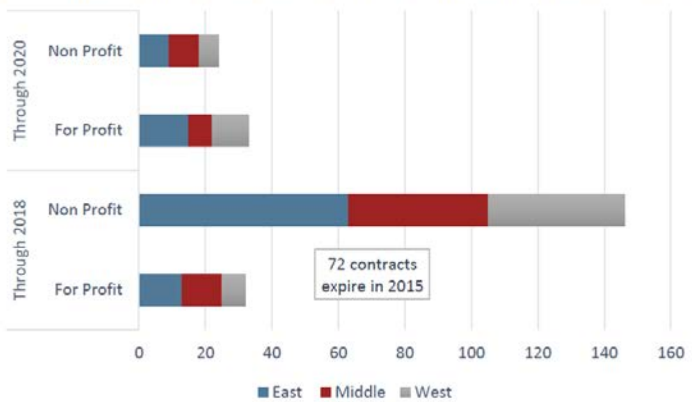
About a third of Tennessee's Section 8 project based contracts will expire unless renewed over the next five years. Sometimes seen as a hypothetical, Tennessee has recently witnessed contract expirations

[1] The THDA HOME program allocation has not been used to develop rental housing in recent years, and thus was not included in the report.

resulting in the conversion to market rate units. Similarly, about a third of USDA Section 515 loans will reach maturity dates in the next five years.

Thirty-seven percent of Tennessee USDA properties (both 515 & 538) received LIHTC credits for new construction, 16 percent received credits for substantial rehabilitation. Sixty-eight Section 8 project based developments[2] have received an LIHTC allocation over the history of the program (17 percent of THDA monitored properties and 13 percent of all active Section 8 developments statewide). The vast majority (89 percent) of the allocations are for rehabilitation activities. Thirty-eight public housing developments have received LIHTC awards (19 percent of all developments). All but one helped fund the new construction of units after older housing was demolished.

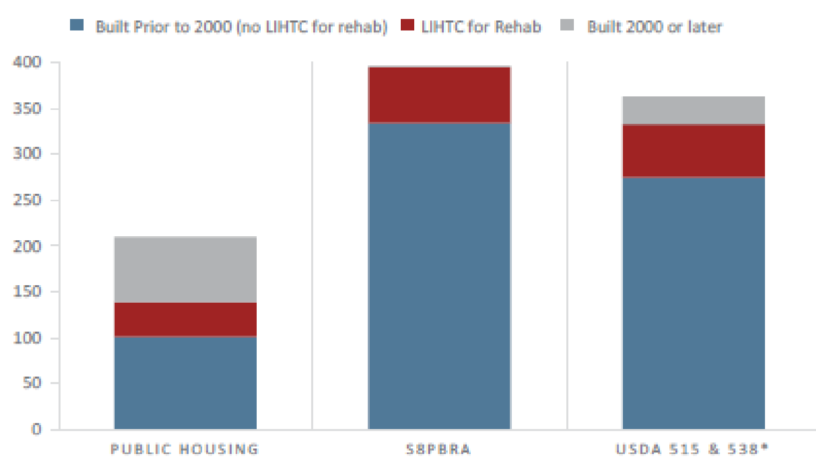
Figure 10: HUD PBRA Properties with Expiring Contracts in Next 5 years by Region



Source: National Housing Preservation Database (PBRA, Section 202 and Section 811 Programs)

LIHTC properties with and without other sources of funding/subsidy are also aging and may need additional credit infusions to remain affordable. LIHTC properties (those newly constructed and

Figure 19: Affordable Properties with LIHTC for Rehabilitation



**USDA 515&538 includes only new construction properties. The chart includes only LIHTC rehabilitation funding. Older properties may have received other funds for rehabilitation not included in this graph.*

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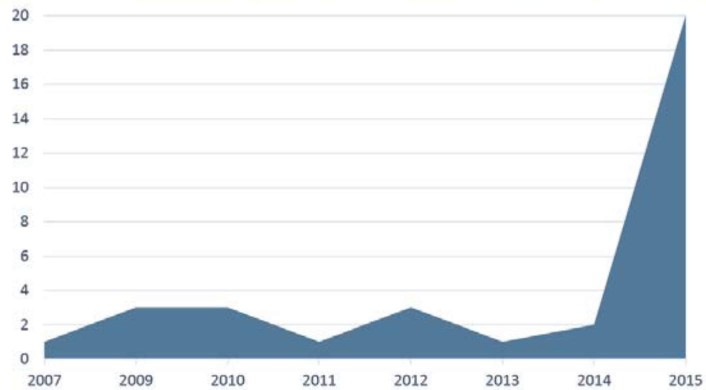
[2] This analysis is limited to the Section 8 properties within the THDA management portfolio.

substantially rehabilitated with credits) are often recapitalized at the end of their initial 15-year monitoring period[3]. In some cases, as part of the recapitalization process, additional credits are sought for preservation purposes. To date, 34 developments have received more than one LIHTC allocation

(including 2015 awards) for preservation activities, which is around three percent of all deals. However, the number is increasing each year.

Figure 23: Properties with a Second LIHTC Allocation (4 or 9 %) for Preservation



Source: THDA internal records

Results

The report identifies the location and type of existing affordable rental housing stock in Tennessee, along with determining risk of market conversion (loss of affordability) or disrepair. Because the report is comprehensive and statewide, it has resonated with housing and local government stakeholders across the state. To date, author Laura Swanson has presented her findings at several meetings with various internal and external affordable housing stakeholders, and several press outlets have covered the report, raising awareness of the issue of affordable housing preservation statewide.

Visual Aids

View the complete report at https://s3.amazonaws.com/thda.org/Documents/Research-Planning/Preservation-Report-FINAL.pdf

[3] In Tennessee, developers may apply for additional credit for an LIHTC property any time after the initial 8609 is filed. However, in the 9 percent program, the development is limited to the development cap (currently $1.1 million) for initial, existing and incremental development. In the 4 percent program, a development previously receiving an allocation of credits may apply for additional credits not before 10 years from the original allocation date has passed.