



# Proactive Preservation: LIHTCs

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Cynthia Bast,  
Head of Affordable Housing Section

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# Proactive Preservation: LIHTCs

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Are you ready for 2020?

*We've been talking about Year 15 for 15 years. Now it's time to talk about Year 30.*

# Proactive Preservation: LIHTCs

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- LIHTC program has prolifically produced affordable housing
  - Approximately 2.8 million units\*
  - Approximately 90% of the units are still in the program\*
- Expiration is imminent
  - Approximately 115,000 units will have their affordability expire in the next 5 years\*\*
  - Approximately 478,000 units will have their affordability expire in the next 10 years\*\*\*

\* - Source: National Housing Trust Preservation Catalogue

\*\* - Source: National Low Income Housing Coalition

\*\*\* - Source: Joint Center for Housing Studies 2017 Rental Housing Report

# Proactive Preservation: LIHTCs

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- Many states have addressed restructuring/refinancing at the end of the 15-year compliance period
- We need to proactively discuss how to address LIHTC properties reaching the end of the 30-year extended use period. Will existing set-asides and incentives be sufficient?

# How Will Year 30 LIHTC Properties Stay Affordable?

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- Extended Affordability
- Market Rate Affordability
- LIHTC Resyndication
  - 9%
  - 4%
- Local Initiatives

# How Will Year 30 LIHTC Properties Stay Affordable?

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- Extended Affordability
  - Most states currently incentivize affordability beyond Year 30
  - But QAPs from the early years of the program may not have had such incentives
  - Some properties may be extended by affordability restrictions from other financing programs layered onto the property
  - Some properties may have already been resyndicated after year 15

# How Will Year 30 LIHTC Properties Stay Affordable?

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- “Market Rate” Affordability
  - Location
  - Condition

# How Will Year 30 LIHTC Properties Stay Affordable?

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- Resyndication
  - 9% LIHTCs
    - Limitations of volume cap require policy decisions for use of the 9% credit
    - Balance the need for new construction and the need for rehabilitation of other kinds of affordable housing product (Section 8 subsidized, public housing, etc.)
    - Most states have some incentive in the 9% application process for preservation. Where do Year 30 properties fit into this mix?



# How Will Year 30 LIHTC Properties Stay Affordable?

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- Resyndication
  - 4% LIHTCs with tax exempt bonds
    - Has become the de facto preservation mechanism in some places
    - Some places may not fully utilize the bond allocation – costs of closing and high leverage make transactions infeasible
      - Creative solutions include portfolio transactions and using other sources for soft financing (tax exemption, grants, etc.)

# How Will Year 30 LIHTC Properties Stay Affordable?

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- Resyndication
  - 4% LIHTCs with tax exempt bonds
    - Some places use all of the bond allocation and may be oversubscribed
      - May need to start setting priorities for properties most at risk of gentrification, deterioration, etc.

# How Will Year 30 LIHTC Properties Stay Affordable?

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- Local Initiatives
  - Examples – Austin Housing Conservancy
  - Examples – Austin General Obligation Bonds

# Proactive Preservation: LIHTCs

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- The wave is coming
- What will we do?
- Are existing preferences, incentives, and funding programs sufficient, or do we need more?

# Proactive Preservation: LIHTCs

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- Data is critical to decision making
  - How many units will hit the end of the extended use period
  - What census tracts are they in
  - What are their capital needs
  - Who owns them
    - Market real estate investors
    - Non-profits
    - Affordable developers

# Proactive Preservation: LIHTCs

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- “Data limitations stymie efforts to evaluate the program”

Urban Institute Research Report “The Low-Income Housing Tax Credit: Past Achievements, Future Challenges” July 2018

# Thank you

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Cynthia L. Bast  
Locke Lord LLP  
600 Congress Avenue, Suite 2200  
Austin, Texas 78701  
(512) 305-4707  
[cbast@lockelord.com](mailto:cbast@lockelord.com)

Atlanta | Austin | Boston | Chicago | Cincinnati | Dallas | Hartford | Hong Kong | Houston | London | Los Angeles  
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