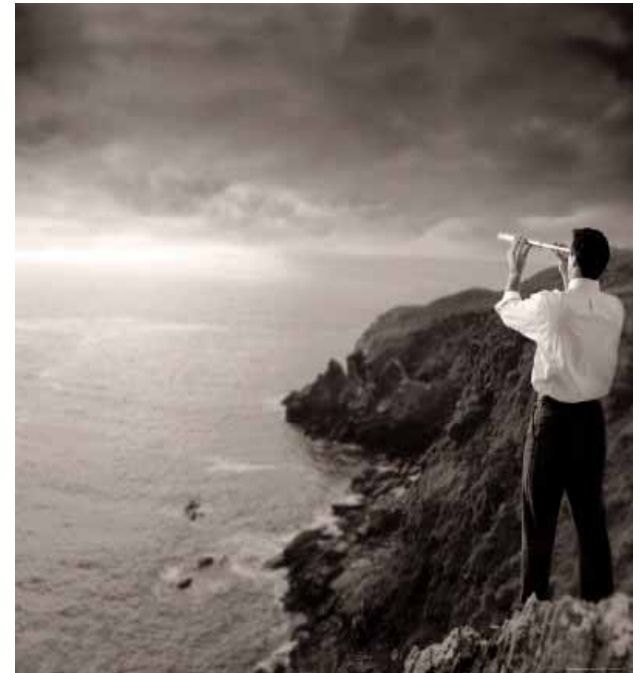


Gazing Over The Horizon: *Preserving Federally-Subsidized Rental Housing*

Tim Thompson
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Homes For All Conference



Preservation is Cost Effective

1. Providing incentives to owners to stay in the program.

- Average PARIF payout Minnesota Housing: \$12,500/unit
- Cost of building a new unit: \$200,000

2. Rehabilitating a unit costs 50-60% of building a new one.



MN's Preservation Plus Initiative

Project Partners

Minnesota Housing, Family Housing Fund, Greater Minnesota Housing Fund, and Housing Preservation Project

Purpose: Assess preservation risks over next decade in MN

- Allows planning, prioritizing, and allocation of \$
- Identifies where new strategies, tools needed

Federally-subsidized rental programs *analyzed*

- **HUD:** Sec. 236 subsidized mortgages, RAP and Rent Supplement, Project-based Section 8 contracts, Troubled properties, Public housing
- **IRS:** Low Income Housing Tax Credit program
- **Rural Development (USDA):** Sec. 515 program



Preservation Risks



Conversion To Market Rate

- Mortgage ends (along with restrictions), through prepayment or maturity
- Owner opts out of Sec. 8 program, or LIHTC program
- Impact: loss of rent restrictions, AND loss of income restrictions
- Role of enhanced vouchers



Physical, Financial or Management Deterioration

- Substandard living conditions
- Financial default and foreclosure, jeopardizing affordability



Units Potentially At Risk

- **Broadest view: 135 properties / 7,822 units, through 2014***
- **More likely: 45 properties / 3,901 units, through 2014***

(many owners will pass up opportunity to convert, or conversion may not lead to loss of affordability)

**numbers subject to final confirmation*

HUD Maturing Mortgages

- When mortgage ends, restrictions on both rents and incomes end
- 2010-2014: mortgages mature on 29 projects/ 2,995 units in MN
- Of those, 11 projects/1,504 units also lack Sec. 8 contracts—most at risk
- No enhanced vouchers (EVs) with maturing mortgages
- Could pave the way for more Sec. 8 opt-outs
- Options: prepay mortgages to access EVs in some cases, hope for federal legislation (H.R. 4868)



Preservation Strategies Going Forward

- ✓ Refine analysis of most at risk
- ✓ Focus resources to save highest priority projects
- ✓ Develop strategies and tools for preservation where now missing
- ✓ Advocate for federal legislation and continued state funding



H.R. 4868, The Housing Preservation and Tenant Protection Act

- ❑ New rental assistance for properties with expiring affordability protections, preventing displacement
- ❑ Funds to preserve and repair older properties – HUD and RD
- ❑ New tools to prevent conversion of affordable properties to market rents
- ❑ Allow state and local preservation measures
- ❑ Encourage sales to preservation purchasers





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