Policy objective: Preserving the existing stock of dedicated affordable rental housing

Most cities, towns, and counties have substantial numbers of units of dedicated affordable rental housing produced by HUD programs between the late 1960s and the mid-1980s and by the Low Income Housing Tax Credit (LIHTC) since the late 1980s.

Many of these units are potentially at risk of being lost from the inventory of dedicated affordable rental housing due to expiring affordability restrictions that allow owners to decline to renew their participation and options for owners to opt out of subsidy programs midstream. Some of these properties also have a backlog of capital needs that must be addressed to ensure the properties remain in good physical condition. Much of the interest in the preservation of affordable rental housing focuses on preserving the affordability of these units.

In addition to dedicated affordable rental housing with federal subsidies, many communities have rental units with affordability controls that are linked to local incentives or requirements. While the number of units may not be as large as the federally-subsidized stock, these units represent another important segment of the housing supply for low- and moderate-income families. The duration of use restrictions on these rentals can vary widely depending on local policies. Some communities adopt periods of affordability that are much shorter than federal regulations—in some cases as limited as 5 years—while others establish use restrictions intended to persist for the full 50-year lifecycle of a property or even longer.

To ensure that dedicated affordable rental housing developments continue to serve their intended purpose for the longest possible time, many advocates and practitioners work to preserve them as affordable over the long-term. In addition to adding or extending affordability restrictions, this will often involve recapitalizing the properties (to ensure they have the necessary funds to rehabilitate the property) and sometimes also arranging a transfer to a new owner (where the existing owner does not have the ability or skill to maintain the property as affordable housing into the future). The costs to the government of preserving dedicated affordable rental housing can vary substantially from project to project and market to market. For projects in areas with strong rents, owners may need to be compensated for foregoing the ability to charge market rents. In other cases, the units may be in deteriorating physical condition that renders them uninhabitable or leads to occupancy problems that cause the property to fail financially.

Detailed guidance on how to approach the preservation of dedicated affordable housing – including the question of when to prioritize a particular project for preservation – may be found in the brief, *How should cities balance existing affordable rental housing and building new affordable rental developments?*

The Housing Policy Library has a variety of tools that can be used to preserve the housing opportunities provided by a dedicated stock of affordable housing.

I. Create and preserve dedicated affordable housing units

Logic/mechanism: Virtually all of the incentives, revenue sources, and subsidies under this category can be used to refinance, recapitalize, and extend the use restrictions of a dedicated affordable housing development. In cases where the existing owners lack the skill or interest necessary to maintain the property as affordable over the long-term, housing departments can work to arrange an ownership transfer as part of the process of preserving the property.	**Specific policies:** Offer **expedited permitting** or **reduced or waived fees** for development proposals to preserve existing dedicated affordable rental housing. Provide **tax abatements or exemptions** as an incentive for the preservation of dedicated affordable rental housing and to encourage investment in upgrades to improve safety and quality. Establish **demolition taxes and condo conversion fees** that discourage the loss of affordable rentals (but also generate revenue and replace affordable housing lost to these activities.) Use **transfers of development rights** to sell unused development capacity at existing affordable rental housing developments and generate revenue to reinvest in the property. Adopt a **right of first refusal** policy that gives tenants the option to purchase their building if the owner decides to opt out of an affordability program. Create **preservation inventories** that enable early identification of affordable rentals with expiring use restrictions. Addressing large unmet capital needs will typically require an allocation of **Low Income Housing Tax Credits.** Cities can make a property more competitive for LIHTC by offering gap financing (e.g., **HOME, CDBG, a housing trust funds, a dedicated revenue source**) and/or **tax abatements** or incentives that lower development costs such as **expedited permitting**. PHAs can provide **Project-based vouchers** to enhance the affordability of a property and be a *quid pro quo* for extended use restrictions. HUD can approve the **transfer of project-based Section 8 subsidies** to a different property, preserving the affordable housing opportunity but in a different location.

III. Help households access and afford private-market homes	
Logic/mechanism: When a property represents a low priority for preservation in light of limited city resources and the city's policy goals, rental assistance can help current tenant find other housing.	**Specific policies:** **Housing Choice Vouchers** are provided by HUD when a property opts out of a Section 8 contract or can be provided as a set-aside by the PHA or a **state or local rental assistance** program if circumstances do not trigger a HUD allocation.

Combining policies to preserve the existing stock of dedicated affordable rental housing

The policies highlighted in the exhibit can be used strategically in combination, as illustrated in the following scenario.

As part of the development of its strategic housing plan, a city uses the NLIHC-PAHRC preservation database, together with other information available from city departments, the state housing finance agency, or HUD to compile an inventory of dedicated affordable rental properties in potential need of preservation and to develop a preservation strategy that prioritizes the city's limited resources. The strategy identifies three privately-owned multifamily rental properties that have expiring Section 8 subsidies or use restrictions over the next five years and creates an action plan for each property:

Property A is a **LIHTC property without Section 8** that provides family housing in a resource-rich neighborhood. The property is in good condition and meets most of its capital needs from rental income. Although local market rents are significantly higher than the amount allowed under current income restrictions, the owner is a mission-based non-profit organization that would like to maintain affordability and is concerned primarily with the ongoing economic viability and physical sustainability of the property. *Action plan:* Because of its location, this property has a high priority for use of city resources. The city commits to providing an allocation of HOME funds to help cover unmet capital needs. The owner also receives **project-based vouchers** from the PHA to provide deeper affordability.

Property B is a Project-based **Section 8 property without LIHTC** that provides family housing in a neighborhood that has started to gentrify. The property has unmet capital needs. The owner is a small for-profit company that agreed to accept project-based vouchers when demand for housing in the neighborhood was low. As interest in the area has started to grow, the owner has expressed interest in selling or converting the property to market-rate units when the affordability restrictions expire. *Action plan:* The city anticipates that increased private investment in the neighborhood will result in escalating rent levels, and puts a high priority on preserving affordability at this property. The owner agrees to sell the property at the current market value, and the city finds a mission-oriented for-profit buyer who agrees to maintain affordable rent levels in exchange for **gap financing** and a **tax abatement** from the city to help cover capital needs and to make rehabilitation feasible through the use of **4 percent LIHTC credits**.

Property C is a Project-based **Section 8 property with LIHTC** that provides housing for seniors and people with disabilities in an average neighborhood– neither resource-rich nor an area of concentrated poverty. The property has a HUD-funded service coordinator and substantial unmet capital needs. *Action plan*: Because it provides a type of affordable housing not typically found in the private market, this property has a high priority for use of city resources. The property owner is able to secure additional service coordination and linked services funded by a Medicaid waiver program. The city provides gap financing through its local housing trust fund; this support is combined with a new allocation of **9 percent LIHTC subsidies** from the state's set-aside of LIHTC for supportive housing to address unmet capital needs and preserve affordability.

See also:
Policy objective: Increasing the affordability of rental housing
Policy objective: Reducing homelessness and meeting the emergency needs of individuals and families experiencing homelessness
Policy objective: Meeting the housing and services needs of older adults and people with disabilities