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# MILLENNIAL HOUSING COMMISSION
# PRODUCTION AND PRESERVATION TASK FORCES
## CONCEPT PAPER: FUNDING FOR PRODUCTION AND PRESERVATION OF SUBSIDIZED RENTAL HOUSING

## OVERVIEW

This paper discusses how best to fund the production and preservation of subsidized rental housing other than public housing. In general, the paper endorses continued use of the current principal funding approaches: LIHTC (the "centerpost" of today's funding system), tax exempt bonds, HOME, CDBG, §202 / §811, credit enhancement (through FHA, RHS and GSEs), tenant based assistance (through HUD §8 and HOME), and project based assistance (through HUD §8 and RHS Rental Assistance). The paper also recommends a series of potential reforms. See Appendix 1 for a discussion of the strengths of the LIHTC, vs. previous approaches.

In considering issues of production and preservation, it is important to keep in mind that the primary affordable housing problem in America is the shortage of housing of adequate quality, with rents affordable to extremely-low-income households, and occupied by ELI households. This problem can be addressed directly, by producing and preserving such units. It can also be addressed indirectly, by producing housing that is affordable to low-income and moderate-income households, thereby freeing up more of the lowest-rent stock for ELI occupancy.

## CAPITAL SUBSIDIES FOR PRODUCTION OF SUBSIDIZED RENTAL HOUSING

In order to produce subsidized rental housing, a significant portion of the total development cost must be paid by government. These "capital subsidies" reduce the amount of capital that must be supported through cash flow. This in turn reduces debt service costs to a level consistent with affordability for the intended resident population. The extent of the needed capital subsidy will vary greatly depending primarily on the following factors:

- **Total Development Costs.** These vary widely across the country. They also vary more or less directly with unit size (e.g., units for large families cost more than units for smaller families). They also vary by structure type (e.g., elevator structures are significantly more costly, per square foot, than non elevator structures). *To the extent that sustainable properties cost more to develop, the need for government subsidy will rise, all else equal.*

- **Resident Ability to Pay Rent.** This is primarily a function of income. However, some populations may vary in the percentage of income they can afford to pay. *It is important not to rely solely on rules of thumb such as percentage of area median income but also to verify that local households at that level of income need and want the proposed housing and cannot obtain equivalent housing at rents they can afford. Similarly, to the extent that the property will offer rents that are materially below market, the argument in favor of producing the housing is much stronger.*

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- **Operating Costs.** All else equal, the lower the operating costs (and reserve deposits, and vacancy losses) the less government subsidy will be needed. *To the extent that sustainable properties require higher reserve deposits, non housing service costs, and more generous allowances for operating costs, the need for up-front government subsidy will rise (and the need for later "bail-out" subsidy will decline dramatically).*

- **Cost of Capital.** All else equal, the lower the cost of capital, the lower the amount of subsidy needed from government. *Tax exempt bond financing can be viewed as an up front government subsidy (equal to the net present value of the taxable – vs. – tax – exempt spread over the life of the loan) or as a mechanism for reducing cost of capital.*

**Amount of Capital Subsidy.** In general, the amount of capital subsidy will depend on total development costs, the rents affordable to the target resident profile, the level of comparable market rents, and other factors such as the level of operating expenses and reserve deposits necessary to operate and maintain the property to acceptable standards.

By way of example, financial analysis by The Compass Group for the Commission indicates that the following levels of capital subsidy would be needed for the production of garden apartments in the Baltimore area:

| Target Resident Population | Approximate % subsidy needed | |
|---|---|---|
| 72% of area median income or higher | none | market rate production is feasible |
| 65% of AMI | 19% | feasible with tax exempt bonds only |
| 55% of AMI | 43% | feasible with 9% LIHTC only |
| 45% of AMI | 69% | LIHTC plus HOME / CDBG |
| 39% of AMI | 87% | Nearly full capital grant needed |
| Below 39% | n/a | Expense ratio is too high for feasibility |

*These percentages are illustrative only. They would vary by locality, structure type, and other relevant factors. They are, however, useful in terms of understanding the degree of variability in the level of capital subsidy needed to serve various populations.*

**Sources of Capital Subsidy, and Their Effectiveness.** The current mix of capital subsidy programs includes LIHTC (9% and 4%), HOME, CDBG, §202 / §811, and tax exempt bonds. These programs work well, are well understood, and are largely consistent with the Commission's five guiding principles of devolution and reliance on market principles, with the following exceptions:

- **Weaknesses Concerning Devolution.** The §202 and §811 programs are not devolved

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but, instead, are operated through HUD's Hub and Program Center offices. The federal role in these programs is large, operating almost exclusively through classic command – and – control regulatory structures.

- **Apparent Weaknesses Concerning Market Principles.** The §202 and §811 programs are not market-oriented in that their rents are set based on operating costs, without regard to market rents. However, this is a more or less harmless side effect of their 100% capital grant financing approach, which has powerful sustainability benefits, and which in addition recognizes full costs up front[1]. Their use of project-based assistance limits choice in theory; however, this is an appropriate use of project-based assistance[2].

Regarding the remaining guiding principles, current capital subsidies have some weaknesses:

- **Weaknesses Concerning Simplicity.**
  - **Regulatory Simplicity.** For the most part, these programs do use programmatic safe harbors and project-level incentives, as opposed to regulations and top-down enforcement.
  - **Simplicity of Compliance.** The Commission favors a "hierarchy of compliance" in which the owner is required to meet the requirements of the primary subsidy program, which is deemed to satisfy the requirements of the remaining programs. Each of the current programs has its separate requirements, and generally those requirements are not modified when programs are combined.

- **Weaknesses Concerning Coordination.** The programs themselves are perfectly amenable to non-housing services that are funded through other sources. However, the fact is that the housing and health care systems do not work well together. Two primary symptoms are the general reluctance of housing programs to fund non-housing services no matter how well justified, the reluctance of health programs to deliver services through housing rather than in established health settings, and the general inability of either system to fund non-housing services on a sustainable basis.

- **Weaknesses Concerning Sustainability.** Current programs largely fail both sub-principles: properties financed and built to last; and recognition of long-term cost up front. The status quo includes a largely unstated assumption that government will have to, and will, bail out subsidized rental housing properties every twenty years or so. As a result, properties are financed to last fifteen to twenty-five years assuming nothing major goes wrong, as opposed to being financed to last fifty years[3] under a variety of economic

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[1] Because this funding approach should generally result in below-market rents, there is a danger that the property owners and managers will pressure government into allowing rent increases to support operating costs that are not strictly necessary. Thus, the §202 and §811 funding approach lacks market discipline on operating expenses and might tend, over time, to be vulnerable to excessive operating expenses.

[2] The primary benefits of tenant-based assistance are choice and discipline on quality. However, seniors do not desire to move, and there are no quality problems in §202 housing. The project-based assistance does provide operational stability and assures availability of the housing for the intended target population.

[3] Fifty years is an example of a capital planning period long enough to encompass at least the first replacement of the major building systems (e.g., elevators, siding, windows, underground utilities, …) but not so long as to require consideration of demolition, reconstruction, change of unit mix, or other redevelopment scenarios. Of course, the period of affordability restriction can (and perhaps should) be longer than the capital planning period.

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circumstances. The Commission's two sub-principles are:

- **Financed and Built to Last.** Properties are generally well constructed, but few properties are sustainable *and affordable* long term without periodic injections of fresh government subsidy. See also the Commission's background paper on Long Term Sustainability.
- **Acknowledge True Long Term Costs Up Front.** As currently implemented, current programs understate the true long term. First, the long-term cost of meeting capital needs is understated through inadequate allowances for replacement reserves. Second, the long-term cost of income and expense shocks (e.g., market weakness and abnormal utility cost increases) is understated through inadequate allowances for vacancy, operating expenses and debt service coverage.

**Applicability to Production vs. Preservation.** There is widespread agreement that the 9% LIHTCs are particularly well suited to production and that the combination of tax-exempt bonds and 4% LIHTCs is particularly well suited to preservation. It should be noted that bonds and 4% credits are also well suited to acquisition – and – significant – rehab transactions, which are hybrids between pure-production and pure-preservation approaches. The §202 program has recently been revised to permit some acquisition – and – rehab transactions, and to support assisted living conversion transactions. Otherwise, the various capital subsidies are effective in both preservation and production contexts.

## Conclusions Regarding Capital Subsidies

1. **Affirm Current Programs.** The current programs for the most part meet the Commission's guiding principles and thus should be retained as delivery vehicles, with reforms to deal with the weaknesses described above. This is not an affirmation or criticism of the current level of funding, which is beyond the scope of this paper.

2. **Devolution of §202 and §811.** The Commission could consider recommending that the §202 and §811 programs be converted to devolved programs operated with considerable local flexibility inside broad federal guidelines.

3. **Expansion of §202 and §811.** The Commission could consider recommending that the §202 and §811 programs be expanded so that they could become the vehicle through which to fund subsidized rental housing requiring essentially full capital subsidy. This would, of course, require expanding the scope to include all resident populations.

4. **Hierarchy of Compliance.** The Commission could consider recommending the statutory changes necessary to require secondary subsidy programs to accept compliance with the requirements of the primary program.

5. **Coordination with Non Housing Services.** The Commission could consider a variety of recommendations to accomplish better coordination between housing programs and non-housing services.

6. **Sustainability.** The Commission could consider recommendations to make current programs subject to sustainability principles. See the Commission's background paper

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on Long Term Sustainability and Affordability.

7. **Targeting.** The Commission could consider recommendations to encourage the use of tax-exempt bond / 4% LIHTC resources primarily for preservation transactions, and the use of 9% LIHTC resources primarily for production transactions.

## INITIATIVES TO REDUCE COST OF CAPITAL IN SUBSIDIZED RENTAL HOUSING

**Tax-Exempt Bonds.** By reducing the interest rate for debt capital on the order of 25%, tax exempt financing is a very effective method for delivering a shallow subsidy for production. As a practical matter, tax-exempt bond financing has three primary drawbacks:

- **Transaction Costs.** Costs of issuance are significant although largely fixed, thereby limiting the usefulness of tax-exempt bond transactions for smaller properties (while making tax-exempt financing progressively more and more attractive as the amount financed rises).

- **Allocation.** "Private activity" tax-exempt financing authority is allocated to each state based on population. In turn, States allocate it to issuers. Housing competes with all other forms of private activity bonds, including industrial facilities.

- **Timing.** It takes more time to structure, document and close a bond transaction than a similar transaction involving conventional financing.

Tax-exempt bond financing is a proven approach that has been successfully combined with almost every conceivable combination of subsidies.

**Credit Enhancement.** Mortgage loans for subsidized rental housing are often guaranteed (or otherwise "credit enhanced") by FHA, the GSEs, RHS, or large financial corporations. Borrowers choose credit enhancement whenever doing so will reduce the interest rate by an amount greater than the cost of credit enhancement. Credit enhancement is a proven approach that works fairly well, with certain exceptions[4].

## CONCLUSIONS REGARDING COST OF CAPITAL

1. **Affirm Current Approaches.** Tax-exempt financing, and credit enhancement, work well and should be continued.

2. **FHA Reforms for Sustainability.** The Commission could consider recommending that FHA adopt sustainability principles, in particular regarding reserve deposits. A potential side benefit is that loans against sustainable properties would have a much lower risk

[4] In the past, federal credit enhancement has been used to "paper over" sustainability problems and thereby shift risk and cost into the future. A prominent example is the HUD §8 New Construction / Substantial Rehabilitation program that combined 40-year FHA-insured mortgage loans with 20-year §8 contracts at above-market rents, a combination more or less guaranteed to result in widespread financial failure at the expiration of the §8 contracts. However, federal credit enhancement of properties that meet sustainability principles is a sound and useful practice in that it facilitates access to capital for properties across the nation on favorable and consistent terms.

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profile than traditional FHA loans.

3. **Expanded use of Tax-Exempt Financing.** The Commission could recommend expanding the use of tax-exempt financing for multifamily housing.

## RENTAL ASSISTANCE FOR PRODUCTION OF SUBSIDIZED RENTAL HOUSING

Rental assistance pays the difference between the housing cost (rent and utilities) affordable to recipients, and the full housing cost for the unit. It is thus not a capital subsidy but instead a subsidy of resident incomes[5]. As such, it is useful for at least the following three purposes:

- **For Extremely Low Income Households.** For the modest cost / modest income area , capital subsidy by itself would not be adequate to serve households below 35% of AMI, because these households could not afford enough rent to cover the ongoing costs of operation even without debt service. Thus, some sort of rental assistance would be necessary to bridge the gap between what residents can afford and the rent necessary to support the property's ongoing viability. The rental assistance could be either project-based or tenant-based.

- **For Households With Slightly Higher Incomes.** There is much to be said for using rental assistance as the primary vehicle for serving not only the extremely low income households who cannot afford to pay operating costs, but also to serve the next higher income category -- households who can afford enough to cover operating costs today but whose incomes may not rise rapidly enough to keep pace with increases in operating expenses over time. *Thus, in the example locality, it might be good policy to use capital subsidies to bring rents down to levels affordable at somewhere between 45% and 65% of AMI (depending on the intended primary resident profile), then use rental assistance to reach a smaller number of households at lower income levels.*

- **To Create Mixed Income Communities.** Rental assistance is also a powerful vehicle for achieving mixed income communities. A limited amount of rental assistance (whether project based or tenant based), when added to an otherwise market-rate (or modestly below-market) property, will produce a property that is quite likely to achieve the hoped-for mixed income housing benefits, without adverse side effects. See also the Commission's background paper on mixed income approaches. *This "split subsidy" approach (capital subsidies to serve moderate income households, and rental assistance to serve very low income households) is more likely to create and sustain mixed income communities than either a pure capital subsidy or a pure rental assistance approach.*

Accordingly, rental assistance will continue to be needed as an essential component of the subsidized rental housing toolbox.

**Project Based or Tenant Based?** For properties with rents at or below market levels, project-based assistance affords the property owner with greater certainty of high occupancy rates almost

[5] Project-based rental assistance was in the past used as a capital subsidy by setting rents above market levels. This is now widely viewed as having been a bad idea.

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regardless of prevailing market conditions. It also provides an assured source of housing that will, in fact, be occupied by low-income households. As against that, project-based assistance also insulates the owner from market discipline and effectively eliminates resident choice[6]. However, in the context of mixed-income communities where only a few residents (generally 20% or fewer) are receiving rental assistance, and where the very-low-income units are effectively reserved for very-low-income occupancy, as a practical matter there is very little difference between the project-based and tenant-based approaches[7]. *If the Commission recommends that future subsidized rental housing for very low-income families be produced in mixed income communities, the intensity of the project-based vs. tenant-based debate – already greatly diminished since the 1980s -- may well diminish even further.*

However, some properties may be located in areas with very low market rents and have operating costs that exceed those market rents[8]. If, for whatever valid public policy reasons, subsidized rental housing needs to be produced in such areas, project based assistance will be necessary for most, perhaps all, of the units.

Similarly, if for whatever reasons, the operating costs of the property will exceed the rents that the target resident population can afford to pay, project based assistance will be necessary.

**Sources of Rental Assistance, and Their Effectiveness.** Project-based rental assistance is delivered through HUD's §8 and RHS' Rental Assistance programs. Tenant-based rental assistance is delivered through HUD's §8 program, and to a limited extent through the HOME program[9]. Since 1984, the bulk of incremental rental assistance has been tenant-based. Current rental assistance programs have weaknesses in four of the Commission's five guiding principles:

- **Weaknesses Regarding Devolution.**
  - **Local flexibility and accountability.** Contract administration is devolved, but with very little flexibility. Accountability is quite limited, in that performance is largely not measured[10] and contract administration is almost never withdrawn. *Current programs could be deregulated and devolved, or replacement programs could be developed around deregulation and devolution principles. Transparency*

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[6] The recently enacted semi-project-based voucher initiative is a hybrid approach that seeks to preserve resident choice while still giving the owner a reasonable assurance of high ongoing occupancy, by maintaining full portability for residents and including a best-efforts commitment by the voucher administrator to refer new voucher households to replace those who move.

[7] The number of project-based units is small enough that the owner is not insulated from market risk and is not insulated from market discipline. Similarly, the occupancy-level benefit is diluted. Thus, an economically rational owner might still prefer project-based assistance but would not have a strong preference.

[8] HUD's Mark to Market program calls these "exception rent" properties. To be eligible for exception rents, properties must be judged highly preservation-worthy. Exception rent properties tend to be concentrated in rural areas (especially elevator properties for seniors) and inner cities (especially properties in crime-impacted areas).

[9] Participating jurisdictions can choose to apply some or all of their HOME funds for tenant based rental assistance.

[10] It remains to be seen whether HUD's recent shift to "performance based contract administrators" for much of the project-based §8 portfolio will be able to graft an administration approach based on performance and incentives onto a heavily regulated "top down" style program. Similarly, HUD's SEMAP assessment approach for PHA administration of the §8 voucher program might lead to accountability; however, past HUD assessment approaches in public housing have generally been process-oriented rather than outcome-oriented, and the §8 voucher program is another heavily regulated "top down" style program for which an outcome-compliance accountability approach may be difficult to create and administer.

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*and accountability reforms could be implemented for current programs, or replacement programs could be developed with clear performance standards and outcome-based compliance.*

- **State / local allocation plans.** Project-based assistance was allocated years ago, by HUD and RHS. Tenant-based assistance is allocated locally. *Future additional project-based assistance could be allocated locally.*
- **Limited federal role.** The federal role is very large. The programs are very heavily regulated and make minimal use of incentives. *As noted above, the current programs could be improved in this regard, or replaced with programs built around the Commission's guiding principles.*

- **Weaknesses Regarding Simplicity.**
  - **Safe harbors and incentives.** The programs fail this principle, being based almost solely on manifold and complex regulations, and top-down enforcement. *Significant reforms to the current programs would be required, in order to comply with this principle.*
  - **Hierarchy of compliance.** The programs fail this principle in that their requirements are absolute. For example, a §8 contract allowing eligibility up to 80% of median does not allow the owner voluntarily to limit occupancy to 60% of median in order to qualify for LIHTCs. *Modest reforms to current rental assistance programs could establish hierarchy of compliance.*

- **Weaknesses Regarding Market Principles.**
  - **Competition and choice.** Project-based assistance fails here. *It is difficult to envision how one could implement project-based assistance in concert with competition and choice.*
  - **Incentives.** The programs make almost no use of incentives and instead adopt almost stereotypical regulatory approaches (the stereotype being "everything not required is prohibited"). *See earlier suggestions about potential devolutionary reforms.*
  - **Accountability.** Project-based assistance is almost never discontinued for the owner's failure to perform. The administration of tenant-based assistance is almost never withdrawn for the PHA's failure to perform. *This is largely—but not completely -- a matter of the difficulty of measuring performance accurately and fairly, and of the fact that some non-performance is attributable to federal failings. It is debatable whether accountability can be grafted onto the current programs, without significant reforms to the programs themselves.*
  - **Recognition of full costs and benefits.** The full cost includes the cost of renewals, which the current system does not recognize explicitly. *The federal budget process could be changed to provide that rental assistance to sitting tenants will be continued, thereby recognizing the full cost up front, and perhaps reducing pressure on Congress to change the program rules from year to year.*

- **Weaknesses Regarding Sustainability.** When used at rents at or below market, rental assistance can be consistent with sustainability. When used at above-market rents, rental assistance has been entirely inconsistent with sustainability. *Now that rental assistance is almost never used with above-market rents, no recommendations are needed.*

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## CONCLUSIONS REGARDING RENTAL ASSISTANCE

1. **Affirm Usefulness of Rental Assistance.** It is clear that rental assistance is an essential tool in the toolbox. Indeed, it is virtually the only tool that – by itself – can produce affordability for extremely low-income households[11].

2. **Flexibility and Accountability.** The Commission could consider recommending flexibility and accountability reforms for tenant-based §8. Such reforms would create performance standards for PHAs, grant them additional flexibility to achieve results, and transfer administration to another entity if the PHA fails to achieve results.

3. **Devolution.** The Commission could consider recommending deregulation / devolution reforms, such as allowing States and localities to determine income limits, impose time limits, implement ceiling rents, utilize flat rents, set minimum rents, and simplify income and expense definitions.

4. **Hierarchy of Compliance.** The Commission should consider recommendations to remove barriers to the combination of rental assistance with other subsidy programs.

5. **Recognition of Full Costs.** The Commission could recommend that rental assistance be treated as a mandatory expenditure for federal budget purposes.

6. **Changes in Rental Assistance to Create Mixed-Income Communities.** Where a property is targeted for mixed-income use but is exclusively occupied by extremely low-income households, the Commission could consider recommending reducing the percentage of project-based rental assistance to the level intended for the eventual mixed-income community[12], consistent with preserving ELI housing opportunities[13].

## AUTHOR

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[11] As noted earlier, financial analysis by The Compass Group, LLC for the Commission suggests that capital subsidies alone will seldom be sufficient to allow units to serve ELI households. Capital subsidies plus cross-subsidies within the property are, however, sufficient to produce at least some ELI units. For example, with a full capital subsidy, market rate units would generate considerable revenue over and above the cost of operations, and that excess revenue could be used to provide an internal cross-subsidy to ELI units.

[12] Because project-based assistance has powerful economic benefits to the property owner, such an initiative should be coupled with incentives for owners that at least offset the economic impact of reducing the percentage of project-based assistance.

[13] As noted elsewhere, it is important not to reduce ELI housing opportunities when creating mixed-income properties.

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## APPENDIX 1: POLICY INNOVATIONS IN THE LOW INCOME HOUSING TAX CREDIT PROGRAM

[the following is an extract from the Commission's Historical Context background paper]

**1986: The Low Income Housing Tax Credit.** For affordable housing, the 1986 tax bill, otherwise a seemingly unmitigated disaster, had a silver lining: enactment of the Low Income Housing Tax Credit, which has since proved to be the best affordable housing production vehicle yet devised. The LIHTC is discussed in detail in a separate paper prepared for the Commission by David Smith of Recapitalization Advisors. Readers interested in the LIHTC are referred to that paper. With respect to the experience of the pre-LIHTC portfolio, the LIHTC is noteworthy for at least the following policy features:

- **Competition.** Although pre-LIHTC programs featured competition, the level of competition (and thus efficiency) achieved by the LIHTC exceeds anything achieved by pre-LIHTC programs.

- **Accountability.** Because the annual LIHTCs can be claimed only so long as the property remains in compliance, the risk of future noncompliance is borne primarily by the private sector (in the event of noncompliance, government recaptures LIHTCs).

- **Outcome-Based Compliance.** The LIHTCs can be claimed based primarily on two simple objective outcomes: (a) units occupied by eligible households and (b) at rents within program limits. This contrasts sharply with the highly complex process-oriented compliance requirements of pre-LIHTC programs[14].

- **Private Debt and Equity.** All LIHTC properties have private investors who have purchased the LIHTCs and stand to lose them if the property falls out of compliance. Most first mortgage debt for LIHTC properties is also private, with no government guarantee. As a result, properties have one or two additional stakeholders who are knowledgeable and who have a financial stake in the property's success.

- **Devolution.** The program is delivered and overseen through state-level allocators acting under broad federal guidelines.

- **Deregulation.** The program is less heavily regulated than the pre-LIHTC programs.

- **Innovation.** Because allocators have great flexibility in designing their Qualified Allocation Plans, fifty-plus allocators are trying new approaches each year. There are few barriers to innovation, and communication among allocators is good. Accordingly, worthy ideas spread quickly. For example, some allocators determined early on that the minimum 15-year compliance period was inadequate and changed their QAPs accordingly. No statutory change was required, and other allocators followed suit when and as they agreed, adding their own innovations. Another advantage is that LIHTC innovation proceeds on a one year QAP cycle rather than on the four to six year cycle

[14] It is possible that the LIHTC will become over-regulated in the future.

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generally required to achieve statutory changes through Congress.

- **Legislative Structure.** The LIHTC has permanent status and resides in the Internal Revenue Code. Because the Code is not subject to annual appropriations, is difficult to change, and is in the custody of Congressional committees other than those normally concerned with housing issues, the LIHTC does not experience the year to year fluctuations characteristic of other affordable housing programs. An ancillary benefit is that the LIHTC does not face annual competition with other housing programs.

- **Ability to Combine With Other Programs.** The LIHTC is routinely and relatively easily used in combination with other programs such as RHS §515 loans, HOME and CDBG funding, and state affordable housing programs.

- **Automatic Rent Adjustment.** The maximum allowable rents rise in step with area median income. In effect, this is a factor-based rent increase mechanism, allowing owners to increase rents modestly each year without the need for property-specific government approval.

- **Cost Transparency.** Hidden and/or deferred federal costs are largely absent from the LIHTC program. The program's cost is easily measured and controlled.

- **No Longer Term Tax Side Effects.** Contrary to tax-shelter syndication, which created the exit-tax and phantom-income problems, LIHTC investors typically can (and plan to) walk away after 15 years with no economic consequences. This facilitates the property's future recapitalization.