

ISSUE: HOW TO PRESERVE EXISTING AFFORDABLE HOUSING?

Issue: Existing affordable housing (whether assisted, public, or unregulated) faces preservation risks. How should those risks be minimized?

Discussion: See the Preservation background paper.

Recommendations: The Task Force makes the following recommendations, for adoption by the Commission:

1. **Level of Funding.** The Commission recommends continuation of [alternative: specific increases to] the current level of funding (through LIHTC, HOME, CDBG, Mark to Market, and other federal, state and local sources) for preservation and recapitalization.
2. **Comprehensive Assessment of Troubled Properties.** A small but material number of assisted and public housing properties have failed. They do not constitute community resources but instead are community problems. The Commission recommends that each such property receive a property-specific assessment, by an entity that is independent of the immediate stakeholders but accountable to government, to determine whether the property can be made successful and, if not, how best to remove it from the stock and relocate residents.
3. **Adequate Replacement Reserve Funding for Existing Properties.** The Commission recommends that HUD and RHS systematically obtain professional capital needs assessments, and increase Reserve funding to the level needed to fund ongoing capital needs, perhaps in conjunction with an extended affordability commitment from the property owner. If increasing Reserve deposits to the necessary level is not feasible while staying within market rents, the property should undergo debt restructuring, in Mark to Market or otherwise, so that it can be viable in the future.
4. **Encourage Local Government Preservation Initiatives.** The Commission recommends encouraging local governments to create modest incentives (such as partial real estate tax abatements) for the acquisition of unregulated affordable apartments by preserving entities.
5. **Expand Debt Restructuring Beyond HUD's Mark to Market Program.** The Commission recommends that Mark to Market principles be adopted by RHS and State HFAs when making preservation decisions for existing RHS and LIHTC properties.