

**ISSUE: REDUCE BARRIERS TO ACQUISITION OF AT-RISK PROPERTIES
BY PRESERVING ENTITIES?**

Issue: There is widespread agreement that at-risk properties should be moved into the hands of “preserving entities” that combine commitment to the affordable housing mission, business capability, and adequate access to capital.

Why This Is An Issue: Many current owners lack one or more of these key attributes. If the Commission recommends adoption of sustainability principles plus long term preservation, encouragement of transfers to preserving entities is a logical companion recommendation.

Discussion: See the Barriers to Acquisition background paper.

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

1. **Prohibit Certain Prepayment Limitations.** The Task Force recommends that affordable housing loans originated in the future be required to permit prepayment, without penalty, after fifteen years.
2. **Reduce Complexity.** The Task Force recommends statutory reforms to eliminate programmatic conflicts between the various governmental programs that support affordable housing, and for closer coordination between funding sources.
3. **Clearinghouse.** The Task Force recommends the creation of a clearinghouse of information on preserving entities, the portfolios at risk, and owners who have expressed an interest in selling to a preserving entity. Proprietary or confidential information could be included only with the owner’s permission.
4. **Industry Data Warehouse.** The Task Force recommends the creation of an industry data warehouse that would collect information on properties and their income and expenses, and that would make available accurate and helpful information from which practitioners could benchmark their properties, perform accurate underwriting of proposed developments, and perform accurate underwriting of proposed acquisitions.
5. **Intermediaries.** The Task Force recommends additional funding for revolving funds accessible to regional or national intermediaries who could then quickly purchase at-risk properties or portfolios, for later re-sale. This would help to preserve properties that, if not purchased quickly, will be lost as affordable housing.
6. **Property Management Fees.** The Task Force recommends that regulators adopt considerably more sophisticated approaches for regulating property management fees. In particular, current regulatory approaches result in inadequate fees for small properties and for “high difficulty factor” properties.

7. **Economics of Ownership (After Development).** The Task Force recommends that regulators allow preserving entities to earn and receive asset management fees and cash flow distributions.
8. **Economics of Ownership (Development Period).** The Task Force recommends reforms to allow reasonable levels of economic profitability to preserving entities.