Cost containment, preserving the LIHTC, common themes at State Housing Agency conference

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Cost containment and concern about preserving the Low Income Housing Tax Credit were common themes across conference workshops at the National Council of State Housing Agencies 2013 Housing Credit Connect Conference in San Francisco this summer.

There were no silver bullets offered but in my view, the most compelling suggestion was the need not just to look at initial costs, but for affordable housing developers to do a better job at looking at life-cycle costs. For the most part our developments are built to last at least 15 years with modest additional replacements throughout the tax credit compliance period.

The Preserving At-Risk Affordable Housing workshop looked at some “Year 15” strategies including re-syndication opportunities and preservation financing options. We discussed new approaches to capital needs assessments and recapitalization funding and strategies for long-term strategies including prioritizing which properties to preserve.

There was some discussion about qualified contracts through which an owner is no longer subject to the tax credit regulations after 15 years. For the most part POAH has been looking to refinance our properties with credits after 15 years, but ideas were presented for owners who have the option of being released from the Section 42 regulations through the qualified contract. Owners are, in some instances, able to:

- Make changes to the recertification process;
- Remove student restrictions;
- Obtain flexibility for unit transfers for households that have income > 140%;
- Eliminate the “next available unit” rule

In other workshops, asset management experts shared recent trends in property performance and best practices. Sustainable development professionals shared new approaches for balancing sustainability goals with cost containment. Another panel identified cost drivers and how to manage them including the effects of Qualified Allocation Plan components, multiple funding sources, design demands, local requirements, and other factors that may drive up development costs.

One of the reality checks we were given stems from what is called the industry’s “wrong bucket” syndrome where even though we instinctively know that our housing programs are helping to reduce public expenditures in other programs such as healthcare and criminal justice, we are failing to quantify these savings and missing the boat from a political point of view. This failure to show the cost efficiencies of our programs may be one of the reasons why we are fighting to preserve the Low Income Housing Tax Credit despite the logical rationale for extending it.

The conference’s keynote speaker, former HUD Secretary Henry Cisneros, offered some hope however, pointing to the successes of the Bipartisan Policy Center Housing Commission in elevating recommendations to preserve and expand the Housing Credit to increase the supply of affordable rental housing. Cisneros focused on the report’s key proposals including the need for healthy stable housing, for a housing finance system that reliably provides capital and a commitment to decent housing focused primarily on those in need.

Read more about the conference
http://www.ncsha.org/blog/scenes-nchshas-2013-housing-credit-connect

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