



## STATE POLICY TOOLKIT: Directing Tax Credit Allocations to Preserve Affordable Housing Near Transit

*Restoring Prosperity is a new approach to helping older industrial cities transition to the 21st century: by investing and encouraging development in already-existing towns and cities, planning for communities where people want to live and work, and creating better transportation, housing, and job choices for the new economy.*

Providing affordable rental housing in areas with access to public transportation is an important strategy for encouraging community vitality, promoting diverse neighborhoods, and ensuring that low-income families have good access to jobs and services. Because transportation and housing are the two largest expenses for households across the country, it also helps ensure that low-income families are able to fit both of these necessities into their budgets.

This paper focuses on two policies: preserving existing units of affordable housing and promoting transit-accessible affordable housing. As a strategy, rehabilitating and maintaining existing housing is often more cost-effective and politically feasible than is building new affordable housing, particularly in transit-accessible areas where undeveloped land can be a scarce and expensive commodity. As a result, preserving affordable housing goes hand-in-hand with providing access to transportation options for low-income families.

The Low Income Housing Tax Credit (LIHTC) program provides tax credits that developers can use to raise capital for the acquisition, construction, or rehabilitation of affordable housing for low-income families. Because more than 100,000 affordable apartments are created or rehabilitated through the program each year, prioritizing the use of LIHTCs to preserve affordable housing and promote transit access can make a big difference in achieving these policy goals. Advocates can influence the allocation of LIHTCs through the Qualified Allocation Plan, or QAP, which establishes the state's priorities for tax credit allocations. There are several opportunities to influence the QAP:

- Providing suggestions on the QAP during pre-draft stakeholders' meetings/focus groups;
- Providing comments once the draft QAP has been released; and
- Testifying at the public hearing generally held during the required public comment period.

### States with Model Policies

Many states prioritize the use of LIHTC to preserve existing affordable housing. The Massachusetts Department of Housing and Community Development (DHCD) sets aside 35 percent of the commonwealth's LIHTC allocation to preserve and rehabilitate existing affordable housing. MA has preserved more than 7,000 affordable homes through their tax credit program since 2003. The current tax credit program includes a threshold criterion requiring all tax credit properties to reflect the commonwealth's sustainable development principles, which include concentrating development, smart growth, environmental sustainability, regional planning, and transit-oriented development. Specifically, MA's tax credit program awards points in its competitive scoring criteria for properties located within a ½ mile of mass transit.

Thousands of additional affordable homes have been renovated and preserved in MA through a number of other flexible, below-market financing products and public-private partnerships developed to help affordable housing owners substantially rehabilitate housing while maintaining affordability.

### How is Saving Existing Affordable Housing Consistent with Smart Growth?

- Preserving affordable homes ensures that low-income families can live in mixed-income communities with access to opportunities.
- Many existing affordable homes are already located in close proximity to transit. Recent studies of eight cities by the National Housing Trust and Reconnecting America show that a clear majority of federally assisted affordable housing is located near quality public transit. More than 60% of these units, however, are covered by contracts set to expire within five years.
- Rehabilitating existing housing and maintaining affordability prevents low-income families from being forced to move to the suburban fringe and reduces the need for sprawling development, which is likely to offer fewer affordable transportation options.
- Preservation is cost-effective. Renovating existing affordable housing costs less than building new housing and is sound fiscal policy because it ensures that the public investment made to create affordable housing endures.



## ADVOCATING FOR A GOOD POLICY

Coalition building is critical for advancing an agenda to preserve affordable housing near transit. Successful preservation campaigns have included allies such as state and local affordable housing advocacy groups, non-profit and for-profit housing providers, local and state government agencies, tenants' right groups, community development non-profit organizations, and private foundations.

The Oregon Housing Acquisition Project represents a comprehensive team of partners striving to preserve up to 6,000 affordable homes. Among others, the coalition includes Oregon Housing and Community Services, Enterprise Community Partners, Oregon Housing Alliance, City of Portland, Meyer Memorial Trust, and the Community Alliance of Tenants. (For more information, visit [www.preserveoregonhousing.org](http://www.preserveoregonhousing.org).)

## THE STRATEGY: INFLUENCING QAPs

Low Income Housing Tax Credits (LIHTC) are awarded to developers on a competitive basis for the acquisition, construction, or rehabilitation of affordable housing. The credits are allocated and administered by state housing agencies. Qualified Allocation Plans (QAPs) are statutorily mandated plans, adopted annually by each state housing agency, which establish the state's criteria and preferences for allocating housing credits. The demand for credits in most states far exceeds the available supply. Therefore, the priorities designated in QAPs heavily influence how and where affordable housing is created and/or preserved. State agencies incentivize their priorities in the QAP in a variety of ways:

- Threshold requirements where only developments meeting the requirement are eligible;
- Set-asides where a state commits to allocating a certain portion of their credits to a certain type of project (e.g., preservation, special needs, rural, etc); or
- Specifying points as part of a competitive scoring process for certain types of characteristics, including anything from the number of bedrooms to resident services, location, or preservation.

Each state has its own process and its own time frame for finalizing the QAP, but they remain fairly consistent year to year and advocates have three main options for influencing them: providing suggestions during the state's pre-draft stakeholders' meeting, providing comments once the draft QAP has been released, and testifying at the public hearing held during the public comment period. In order to identify the timeline for any given state's public comment period, advocates should keep in contact with the relevant staff at their state agency, be sure to receive agency listserv messages, and monitor the agency website. *See the appendix for a list of state housing finance agencies and their websites.*

## The Groundwork for Good Policy

An ideal QAP should include the following in order to promote the preservation of affordable housing near transit:

1. Twenty-five states currently set aside a portion of their LIHTC allocations for affordable housing preservation. If your state is not one of them, recommend that a preservation set aside be adopted. *In its 2008-2009 QAP, South Dakota allocates 60 percent of its total annual tax credits to rehabilitation properties.*
2. Ask for separate energy efficiency standards for rehabilitation tax credit projects as compared to new construction tax credit proposals to ensure that rehabilitation projects can fairly compete. *In California, rehabilitation projects not subject to state energy efficiency standards can earn the points associated with them by reducing energy use per square foot by 25%. Rehab projects can earn an additional 2 points by installing fluorescent light in 75% of the project's fixtures.*
3. Recommend that state housing finance agencies award points to applications of affordable housing located in within a half mile of transit. *Many states award points for proximity to public transportation, including Connecticut, where points are awarded for transit-oriented development and additional points are given for being located near a variety of other amenities and services.*

*See the appendix to find out if your state has a tax credit set aside for preservation proposals and/or awards points for tax credit proposals near transit.*



## COMMUNICATIONS

While opponents of preserving affordable housing near transit are rare, when it comes to a state's QAP, preservation proponents may be at odds with other advocacy groups who want tax credit allocation policies to reflect their specific policy priorities. Because a number of groups will be competing over finite resources, preservation advocates should be prepared to highlight the housing preservation needs in their state, including identifying at-risk affordable housing near transit.

Directing tax credits to housing preservation near transit is most favorably viewed when it is seen as a cost effective and practicable solution to communities' shortage of accessible affordable housing. Policymakers may be unaware of the threats posed to existing affordable housing, so educating them about potential losses is important. State housing agencies need to understand that building new affordable housing will not increase the stock if existing housing is simultaneously lost. In addition, preserving affordable housing near transit can be framed as an economic development strategy that generates jobs and can catalyze community revitalization. Affordable transportation access also gives low-income workers the ability to easily commute to regional employers, a point that can help gain support from the business community.

### Messages that Work

**Preserving affordable housing near transit generates and promotes access to jobs.** Repairing and preserving affordable housing near transit can occur quickly and creates *immediate* jobs. Based on research from the National Association of Home Builders, substantially rehabilitating an average existing 100-unit multifamily property generates approximately 125 jobs. Likewise, proximity to public transportation can help low-income workers access the regional job market easily and affordably.

**Affordable housing preservation is cheaper, faster and easier.** From a public financing perspective, preserving an existing home is significantly less expensive than constructing new affordable housing, resulting in a higher return on the investment of public dollars, particularly in transit-accessible areas where undeveloped land can be a scarce and expensive commodity. Rehabilitating an existing affordable apartment can cost one-third less than building a new apartment. In addition, new construction of affordable housing typically takes at least 2 to 3 years to complete from start to finish. Preservation and rehabilitation of affordable housing takes approximately half that time and more commonly avoids the NIMBY battles that can stall new development.

**Both affordable housing *and* affordable transportation options are needed.** Transportation and housing are the two largest expenses for households across the country. For the average working family making \$20,000-\$50,000, housing and transportation add up to 55 percent of household income. For those with longer commutes and/or poor access to public transportation, those costs are much higher. Preserving affordable housing near public transportation helps address the bigger picture, ensuring that low-income families can fit both housing *and* transportation into their budgets.

**Affordable housing preservation near transit is fundamentally green.** Preserving affordable housing near transit saves energy in five primary ways: reusing an existing building, using existing infrastructure, preserving green space, reducing household energy use, and decreasing vehicle miles traveled. Renovating an existing building produces less construction waste, uses fewer new materials, and requires less energy than new construction. It also avoids the installation of new utility or transportation infrastructure, and preserves green space from new development. Rehabilitating existing affordable housing also provides opportunities to integrate green technologies that make the buildings energy efficient, healthy for residents, and environmentally sustainable. Lastly, preserving affordable housing near transit gives low-income families the option to forego car use, saving money, and reducing greenhouse gas emissions.

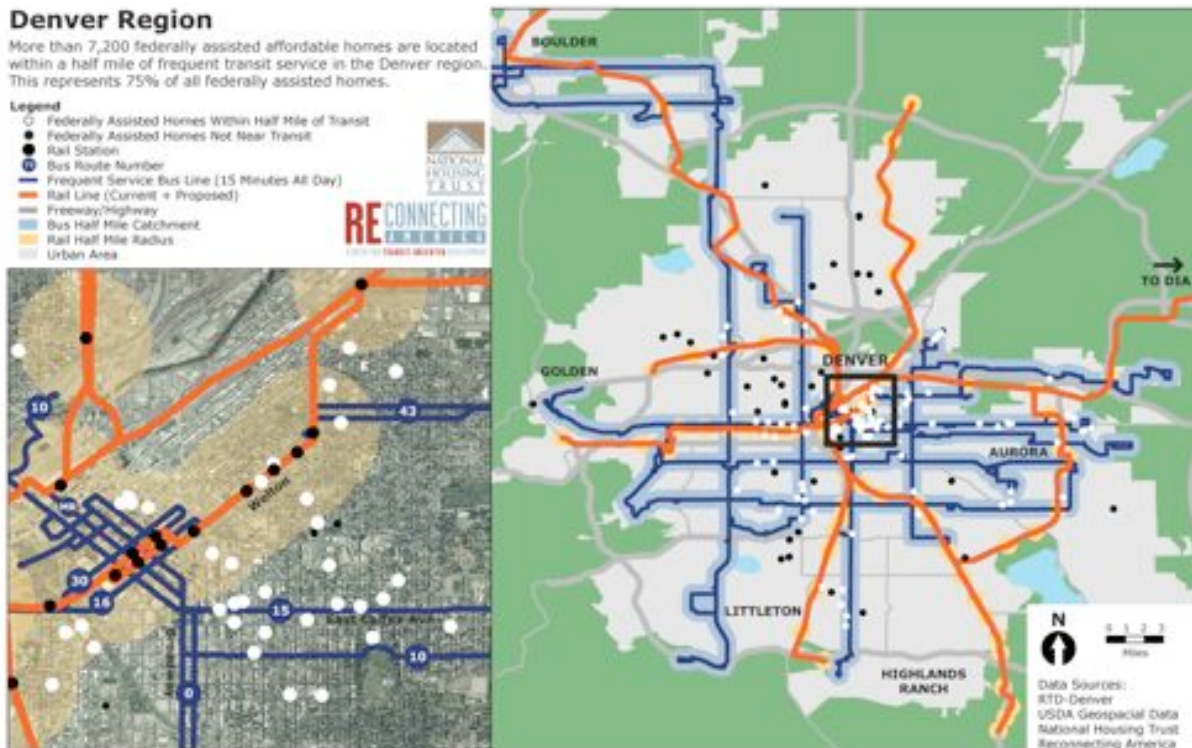


## BUILDING THE CASE: RESEARCH

Good data on homes at risk of being lost from the affordable housing stock, as well as on the affordable housing needs in your state, are critical for passing effective policies for housing preservation. Advocates should research which apartments are at risk of losing their affordability status because of an expiring use restriction, or because of foreclosure or property deterioration. A number of publicly available datasets on the federally subsidized housing stock can be found through HUD’s website ([www.huduser.org](http://www.huduser.org)). Subsidized housing reports are also provided on the National Housing Trust’s website ([www.nhtinc.org](http://www.nhtinc.org)). Data on the number of households spending more than 30 percent of their income on housing can be found through the Census Bureau’s website. The National Low Income Housing Coalition also publishes the *Out of Reach* report, which documents the minimum wage needed to afford a modest apartment in each state.

More specific information about affordable housing, transit access, and LIHTCs is also important for building your case. Reconnecting America and the National Housing Trust’s report, *Preserving Opportunities: Saving Affordable Homes Near Transit* (available for download at [www.reconnectingamerica.org](http://www.reconnectingamerica.org)), includes a variety of helpful statistics and messages specific to preserving transit-accessible affordable housing. The Center for Housing Policy’s report, *A Heavy Load: The Combined Housing and Transportation Burdens of Working Families* documents the relationship between housing and transportation costs in 28 metro areas (available at [http://www.nhc.org/pdf/pub\\_heavy\\_load\\_10\\_06.pdf](http://www.nhc.org/pdf/pub_heavy_load_10_06.pdf)). For more information about LIHTCs and QAPs, see [www.nhtinc.org/pub\\_pol\\_lihtc\\_new.asp](http://www.nhtinc.org/pub_pol_lihtc_new.asp) (includes a state-by-state summary of green, sustainable, and transit-oriented development related preservation incentives in QAPs), or [www.nlihc.org/doc/2007qapmanual.pdf](http://www.nlihc.org/doc/2007qapmanual.pdf) (includes background about LIHTCs and QAP advocacy strategies).

Lastly, mapping the existing affordable housing stock can be a compelling way to demonstrate the role affordable rental housing plays in providing diverse housing opportunities and access to important services. The map below demonstrates that 75% of federally subsidized housing in the metro Denver area is within a ½ mile of frequent transit service. Preserving this housing is important for ensuring continued access to affordable transportation options.





# restoring PROSPERITY

a roadmap for revitalizing America's older industrial cities

## **SAMPLE FACT SHEET: Preserving Affordable Housing Near Transit Through LIHTC**

Providing affordable rental housing in areas with access to public transportation is an important strategy for encouraging community vitality, promoting diverse neighborhoods, and ensuring that low-income families have good access to jobs and services. Because transportation and housing are the two largest expenses for households across the country, it also helps ensure that low-income families are able to fit both of these necessities into their budgets.

Prioritizing affordable housing preservation through Low Income Housing Tax Credits (LIHTC) is one way to make sure that existing units with transit access are rehabilitated and



maintained. Increasingly, states are identifying and tracking at-risk affordable properties and dedicating resources to their preservation through LIHTC.

### **Spurring job creation and access**

Repairing and preserving affordable housing can occur quickly and create *immediate* jobs. Likewise, proximity to transportation options can help low-income workers access the regional job market easily and affordably.

### **Promoting community revitalization**

In distressed neighborhoods, rehabilitating existing affordable housing can catalyze revitalization. Saving decent affordable housing near transit can reverse neglect and spark the public-private investment that is essential for community revitalization.

### **Maximizing the return on public investment**

Preservation is cost-effective. Renovating existing affordable housing costs less than building new housing and is sound fiscal policy because it ensures that the public investment made to create affordable housing endures. Likewise, placing affordable housing near transit can help build the ridership base at existing stops and stations, increasing cost efficiency.

Providing affordable rental housing in areas with access to

## **THE NEED IN [INSERT STATE]**

INSERT *state-specific details, including:*

- *Information about affordable housing needs in the state; e.g. how many households pay more than 30% of income on housing? (sources: Census Bureau, NLIHC)*
- *Data on the number of threatened affordable apartments; e.g. How many affordable apartments have government rent restrictions expiring in the next five years? How many are located near transit? (source: National Housing Trust)*
- *Information on trends towards directing tax credits and other resources to affordable housing preservation, transit accessibility, and sustainable development (source: National Housing Trust)*

## **SUPPORTERS**

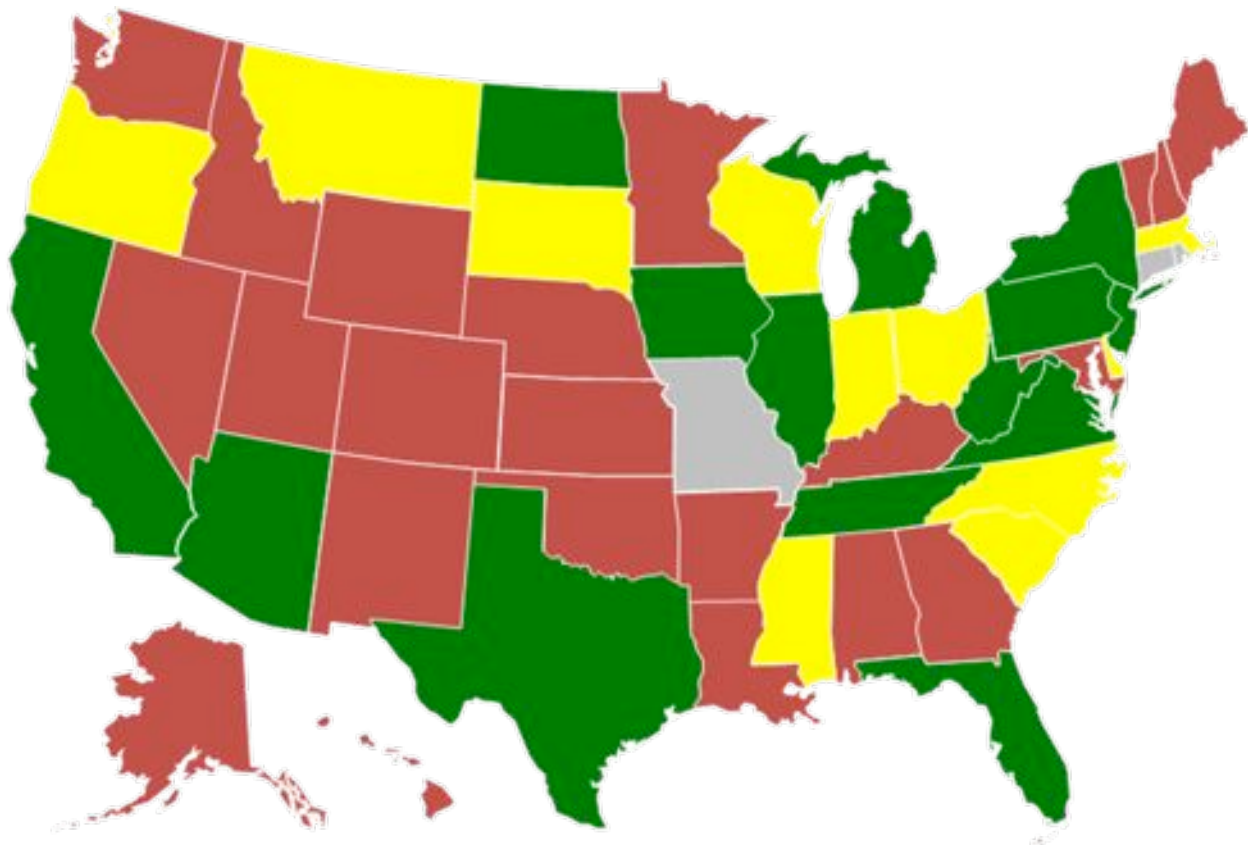
INSERT: *List local supporters here, including housing advocacy groups, non-profit and for-profit housing agencies, tenants' rights groups, state and local government agencies, and private foundations.*





*Appendix 1: Summary of How State Housing Finance Agencies Allocate Tax Credits for the Purpose of Preserving Affordable Housing*

*Does your state set aside as specific portion of Low Income Housing Tax Credits for affordable housing preservation? The map below prepared by the National Housing Trust demonstrates which states currently prioritize preservation by awarding points to rehabilitation proposals or set aside a specific portion of their 9% competitive tax credits for preservation.*



- Preservation Set A side Equal or Greater than 20%
- Preservation Set A side Less than 20%
- Points for Preservation
- Non-numerical Preservation Priority Established



*Appendix 2: Summary of State Housing Finance Agencies that Award Points to Low Income Housing Tax Credit Proposals in Close Proximity to Transportation Services*

*Does your state award extra points to Low Income Housing Tax Credit proposals that are within close proximity to transportation services? The map below shows which states award points to transit-oriented housing developments as a part of the competitive scoring process for allocating tax credits. For more specific information about a state's policy on awarding tax credits for the purposes of preserving or building housing near transit, visit [http://www.nhtinc.org/pub\\_pol\\_state\\_local.asp](http://www.nhtinc.org/pub_pol_state_local.asp).*

**Proximity to Transit Preference in LIHTC Program**



As of January 2009 - [www.nhtinc.org](http://www.nhtinc.org)

National Housing Trust



### *Appendix 3: State Housing Finance Agencies and Websites*

Alabama Housing Finance Authority  
[www.ahfa.com](http://www.ahfa.com)

Alaska Housing Finance Corporation  
[www.ahfc.state.ak.us](http://www.ahfc.state.ak.us)

Arizona Department of Housing/Arizona Housing Finance Authority  
[www.housingaz.com](http://www.housingaz.com)

Arkansas Development Finance Authority  
[www.arkansas.gov/adfa](http://www.arkansas.gov/adfa)

California Housing Finance Agency  
[www.calhfa.ca.gov](http://www.calhfa.ca.gov)

California Tax Credit Allocation Committee  
[www.treasurer.ca.gov/ctcac](http://www.treasurer.ca.gov/ctcac)

Colorado Housing and Finance Authority  
[www.chfainfo.com](http://www.chfainfo.com)

Connecticut Housing Finance Authority  
[www.chfa.org](http://www.chfa.org)

Delaware State Housing Authority  
[www.destatehousing.com](http://www.destatehousing.com)

District of Columbia Department of Housing and Community Development  
[www.dhcd.dc.gov](http://www.dhcd.dc.gov)

District of Columbia Housing Finance Agency  
[www.dchfa.org](http://www.dchfa.org)

Florida Housing Finance Corporation  
[www.floridahousing.org](http://www.floridahousing.org)

Georgia Department of Community Affairs/Georgia Housing and Finance Authority  
[www.dca.state.ga.us](http://www.dca.state.ga.us)

Hawaii Housing Finance and Development Corporation  
[www.hawaii.gov/dbedt/hhfdc](http://www.hawaii.gov/dbedt/hhfdc)

Idaho Housing and Finance Association  
[www.ihfa.org](http://www.ihfa.org)

Illinois Housing Development Authority  
[www.ihda.org](http://www.ihda.org)

Indiana Housing and Community Development Authority  
[www.indianahousing.org](http://www.indianahousing.org)

Iowa Finance Authority  
[www.iowafinanceauthority.gov](http://www.iowafinanceauthority.gov)

Kansas Housing Resources Corporation  
[www.kshousingcorp.org](http://www.kshousingcorp.org)

Kentucky Housing Corporation  
[www.kyhousing.org](http://www.kyhousing.org)

Louisiana Housing Finance Agency  
[www.lhfa.state.la.us](http://www.lhfa.state.la.us)

MaineHousing  
[www.mainehousing.org](http://www.mainehousing.org)

Maryland Department of Housing and Community Development  
[www.dhcd.state.md.us](http://www.dhcd.state.md.us)

Massachusetts Department of Housing & Community Development  
[www.mass.gov/dhcd](http://www.mass.gov/dhcd)

MassHousing  
[www.masshousing.com](http://www.masshousing.com)

Michigan State Housing Development Authority  
[www.michigan.gov/mshda](http://www.michigan.gov/mshda)

Minnesota Housing  
[www.mnhousing.gov](http://www.mnhousing.gov)

Mississippi Home Corporation  
[www.mshomecorp.com](http://www.mshomecorp.com)

Missouri Housing Development Commission  
[www.mhdc.com](http://www.mhdc.com)

Montana Board of Housing/Housing Division  
[www.housing.mt.gov](http://www.housing.mt.gov)

Nebraska Investment Finance Authority  
[www.nifa.org](http://www.nifa.org)

Nevada Housing Division  
[www.nvhousing.state.nv.us](http://www.nvhousing.state.nv.us)

New Hampshire Housing Finance Authority  
[www.nhhfa.org](http://www.nhhfa.org)

New Jersey Housing and Mortgage Finance Agency  
[www.nj-hmfa.com](http://www.nj-hmfa.com)



New Mexico Mortgage Finance Authority  
[www.housingnm.org](http://www.housingnm.org)

New York City Housing Development Corporation  
[www.nychdc.com](http://www.nychdc.com)

New York State Division of Housing and Community  
Renewal  
[www.dhcr.state.ny.us](http://www.dhcr.state.ny.us)

New York State Housing Finance Agency/State of New  
York Mortgage Agency  
[www.nyhomes.org](http://www.nyhomes.org)

North Carolina Housing Finance Agency  
[www.nchfa.com](http://www.nchfa.com)

North Dakota Housing Finance Agency  
[www.ndhfa.org](http://www.ndhfa.org)

Ohio Housing Finance Agency  
[www.ohiohome.org](http://www.ohiohome.org)

Oklahoma Housing Finance Agency  
[www.ohfa.org](http://www.ohfa.org)

Oregon Housing and Community Services  
[www.ohcs.oregon.gov](http://www.ohcs.oregon.gov)

Pennsylvania Housing Finance Agency  
[www.phfa.org](http://www.phfa.org)

Puerto Rico Housing Finance Authority  
[www.gdp-pur.com](http://www.gdp-pur.com)

Rhode Island Housing  
[www.rhodeislandhousing.org](http://www.rhodeislandhousing.org)

South Carolina State Housing Finance and  
Development Authority  
[www.schousing.com](http://www.schousing.com)

South Dakota Housing Development Authority  
[www.sdhda.org](http://www.sdhda.org)

Tennessee Housing Development Agency  
[www.thda.org](http://www.thda.org)

Texas Department of Housing and Community Affairs  
[www.tdhca.state.tx.us](http://www.tdhca.state.tx.us)

Utah Housing Corporation  
[www.utahhousingcorp.org](http://www.utahhousingcorp.org)

Vermont Housing Finance Agency  
[www.vhfa.org](http://www.vhfa.org)

Virgin Islands Housing Finance Authority  
[www.vihfa.gov](http://www.vihfa.gov)

Virginia Housing Development Authority  
[www.vhda.com](http://www.vhda.com)

Washington State Housing Finance Commission  
[www.wshfc.org](http://www.wshfc.org)

West Virginia Housing Development Fund  
[www.wvhdf.com](http://www.wvhdf.com)

Wisconsin Housing and Economic Development  
Authority  
[www.wheda.com](http://www.wheda.com)

Wyoming Community Development Authority  
[www.wyomingcda.com](http://www.wyomingcda.com)