



November 4, 2014

Brenda Evans
Louisiana Housing Finance Agency
2415 Quail Drive
Baton Rouge, Louisiana 70808

Re: Louisiana Draft 2015 Qualified Allocation Plan

Dear Ms. Evans:

The National Housing Trust is a national nonprofit organization formed to preserve and revitalize affordable homes to better the quality of life for the families and elderly who live there. The National Housing Trust engages in housing preservation through real estate development, lending and public policy. Over the past decade, NHT and our affiliate, NHT-Enterprise Preservation Corporation, have preserved more than 25,000 affordable apartments in all types of communities, leveraging more than \$1 billion in financing.

We appreciate the opportunity to comment on Louisiana's draft 2015 Qualified Allocation Plan. The Trust fully acknowledges and appreciates the entire set of preservation policies and programs established by the Louisiana Housing Finance Agency. The comments below refer directly and specifically to LHFA's draft QAP as it relates to the tax credit program and are in no way meant to imply a lack of appreciation for your other successful preservation programs and policies or the current challenges in the tax credit market.

In summary, we urge LHFA to:

- Create a ***tax credit set-aside for proposals involving the preservation*** and rehabilitation of existing multifamily rental housing in the final 2015 QAP.
- ***Balance the allocation of tax credits for new construction and the preservation of existing housing***, particularly where existing housing is principally occupied by low income minority households.
- ***Maintain the green building incentives and threshold requirements in the final QAP.***
- ***Consider working with state utilities to develop energy efficiency programs for multifamily housing.***

Low Income Housing Tax Credits and Preservation in Louisiana

Our nation faces a serious shortage of housing for low- and moderate-income families. Over the last decade, more than 15% of our affordable housing nationwide has been lost to market-rate conversion, deterioration, and demolition. **Critical affordable housing units are at risk in Louisiana** (see table below). By prioritizing preservation, Louisiana's Qualified Allocation Plan can provide the incentives necessary to prevent the loss of this indispensable affordable housing.

We support LHFA's efforts to encourage preservation by awarding points to rehabilitation proposals in the scoring criteria. Louisiana's past preservation efforts have been successful: **from 2003 to 2012, at least 103 properties with 6,093 apartments were preserved in Louisiana with 9% and 4% Low Income Housing Tax Credits.** But more can be done with Louisiana's QAP to advance preservation. Sixteen states have extended their commitment to preservation by setting aside competitive tax credits for projects that prevent the loss of existing affordable housing. **We urge LHFA to create a tax credit set-aside for proposals involving the preservation and rehabilitation of existing multifamily rental housing in the final 2015 QAP.**

- **Preserving is cost effective.** Preserving and rehabilitating existing housing has proven to be a cost-effective method to provide rental housing to low-income families and seniors. Nationwide, rehabilitation projects require almost 40% less tax credit equity per unit than new construction developments. **In 2012, the average new construction cost per unit was \$140,800, while the average per unit cost for preservation was \$90,400.** In addition, preservation prolongs federal investment in affordable housing properties.
- **Affordable housing is irreplaceable.** Over the last decade, more than 15% of our affordable housing nationwide has been lost to market-rate conversion, deterioration, and demolition. **In Louisiana, over 6,400 critical affordable housing units are at risk over the next five years** (see table). By prioritizing preservation, Louisiana's Qualified Allocation Plan can provide the incentives necessary to prevent the loss of this indispensable affordable housing. Property owners, nonprofit organizations, developers, and local governments depend on state housing finance agencies to provide the financial and technical assistance necessary to preserve affordable housing for future generations
- **Preservation is trending.** States around the nation have recognized that preservation is a common sense response to America's affordable housing shortage, and have prioritized preservation and rehabilitation in their QAPs. Forty-six state agencies prioritize competitive 9% tax credits for preservation by creating set-asides or awarding points to proposals that involve the preservation and rehabilitation of existing affordable housing. **In 2012, 30 states allocated more than 30% of their Low-Income Housing Tax Credits toward preservation.**

Assisted properties in Louisiana

Project-Based Section 8 properties with contracts expiring by 2018:

- **6,442** assisted units in **93** properties
- **54%** of which are owned by for-profit owners

- **Preservation provides critical housing for low-income working families and the elderly and disabled.** Two-thirds of tenants residing in Project-Based Section 8 housing are either elderly or disabled. Of the remaining one-third, **62% are employed or working toward employment** under assistance programs like TANF. The loss of this housing has serious consequences for these residents. Preserving affordable housing means more than simply saving a building—it means preserving the access of low-income families and seniors to choices in employment, in needed services like health care, and in education for their children, all in a stable living environment. It is *stable* housing, not tenure, that is key to providing quality of life benefits.

Low Income Housing Tax Credits and Areas of Opportunity

The Trust recognizes LHFA's efforts to expand affordable housing to areas of high opportunity/geographic diversity. But doing so must not be at the expense of existing low-income communities. **With that in mind, the Trust urges LHFA to balance the allocation of tax credits for new construction and the preservation of existing housing, particularly where existing housing is principally occupied by low income minority households.** That is the essence of the Fair Housing Law, i.e. , that resources be expended to increase the chances for opportunity ("pro integration") and that minorities residing in distressed neighborhoods, who want to stay and improve their homes, get fair access to federal resources to accomplish that ("anti-discrimination") By striking a balance between incentivizing new construction in communities of opportunity and investing in existing neighborhoods where low income residents already live, LHFA will:

- Preserve existing affordable housing occupied by low-income households and avoid discrimination against those households by catalyzing investment and development in those neighborhoods.
- Build environmentally sustainable communities. Renovating an existing property provides an opportunity to create a healthier living environment, lower operating costs, and save taxpayer money. Renovating an existing building also consumed less energy than new construction.
- Use public resources efficiently, as preservation is more cost effective than new construction – rehabilitating an existing affordable apartment can cost one-third to one-half the cost of new construction.

Preservation is Environmentally Friendly

State and local agencies are increasingly encouraging, and in some cases requiring, affordable housing developers to adopt green building practices. Using green building strategies, preservation projects can deliver significant health, environmental, and financial benefits to lower-income families and communities. Green technologies promote energy and water conservation and provide long-term savings through reduced utility and maintenance costs, all while providing residents with a healthier living environment and reducing carbon emissions.

We enthusiastically support the green building incentives included in LHFA's Selection Criteria, and commend LHFA for including consideration for energy efficient design features in Louisiana's QAP.

The Trust also encourages LHFA to partner with Louisiana's utilities to make energy-efficiency programs more accessible to affordable, multifamily developments. A majority of states implement utility-funded energy efficiency programs, often paid for through charges included in customer utility rates. These programs are a significant and growing source of resources for residential energy retrofits that remain largely untapped by the multifamily sector. Utility energy efficiency program budgets have significantly increased since 2006 and could reach **\$12 billion** nationwide by 2020. Reaching under-served markets, such as affordable multifamily housing, will be necessary if utilities are to achieve higher spending and energy saving goals. In several states, utilities are partnering with state housing agencies and affordable housing owners to develop successful multi-family energy efficiency retrofit programs for multifamily properties. **Energy efficiency upgrades in affordable rental housing are a cost-effective approach to lower operating expenses, maintain affordability for low-income households, reduce carbon emissions, and create healthier, more comfortable living environments for low-income families.**

Conclusion

It is fiscally prudent for states to balance tax credit allocations between new construction and preservation/rehabilitation. In addition to helping to build sustainable communities, preservation is significantly more cost-efficient and environmentally friendly than new construction. The National Housing Trust urges the LHFA to continue its support for sustainable communities and the preservation of Louisiana's existing affordable housing by creating a set-aside for preservation in your final 2015 QAP.

Thank you for the opportunity to comment on this important issue in the State of Louisiana.

Sincerely,



Michael Bodaken
President