

Designing Subsidized Rental Housing Programs: What Have We Learned?

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Lessons from the Past

- Purposes of project-based rental assistance
- Problems with pre-LIHTC property-based rental programs
- Results of efforts to preserve subsidized projects
- Strengths and weaknesses of LIHTC

Principles to Follow in a New Program

- Permit rents close to market
- Use split subsidy (vouchers) to reach poor people
- Select projects in tight markets, for large families, for special needs populations, and in low poverty, low minority neighborhoods
- Plan up-front for capital needs increases, income/expense shocks, and long-term preservation

Potential Changes to LIHTC

- Eliminate qualified basis and basis boosts
- Remove restrictions on combination with other subsidies
- Make link to vouchers more explicit in planning, project selection, and performance reporting
- Structure use restrictions to survive foreclosure

Factors to Consider for Preservation Decisions

- Can families with vouchers access similar housing?
- Is the property in a high opportunity neighborhood?
- Can alternative uses of funds produce greater value at comparable cost?
- How long can the property be made sustainable?