

**Assessment of the
Low Income Housing
Tax Credit (LIHTC)
Program After
15 Years**

C-CHI-01025, TO001

From Insight to Impact
– worldwide

**Research Design and
Data Collection Plan**

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Prepared for

Regina C. Gray, Ph.D.

Social Science Analyst

Affordable Housing Research and
Technology Division

Office of Policy Development and
Research

U.S. Department of Housing and
Urban Development

451 7th Street, SW, Room 8132
Washington, D.C. 20410

Prepared by

Abt Associates Inc.

Jill Khadduri

Carissa Climaco

VIVA Consulting

Louise Elving

Laurie Gould



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1. Introduction

This document presents the final Research Design and Data Collection Plan for contract number C-CI-01025, CHI-TO001, for the *Assessment of the Low Income Housing Tax Credit After 15 Years* (LIHTC Study). The study aims to answer questions about what happened to the housing developed and placed into service in the earliest years of the LIHTC program. As defined in the statement of work and our proposal, these questions were:

- ***What happened to properties placed in service during the 1987-1994 period?*** How many properties left the LIHTC program? How many stayed in?
- ***Why did it happen?*** Which types of properties left the LIHTC program? Which types of properties remained under monitoring by housing finance agencies (HFAs) for compliance with program rules? What were the owners' motivations for leaving or staying?
- ***What was the result?*** How are the properties that remained in the LIHTC program performing? What are the implications of properties leaving the LIHTC program for the availability of affordable housing for low income renters? Did some properties that formally left the LIHTC program nonetheless continue to provide affordable housing?

We plan to follow a three-pronged data collection approach:

- **HFA Data** – An update of the HUD National LIHTC Database focusing on the properties placed in service between 1987 and 1994, filling in missing data and asking for some additional clarifications of the current status of these properties. In discussions with HFA staff, we also will clarify the processes by which HFAs deal with year 15 issues.
- **Syndicator/Investor/Broker Data** – In-depth interviews and data collection from a selection of approximately 4-5 syndicators and large investors active in LIHTC development during the early 1990s, plus interviews with an additional approximately six to ten syndicators and large investors also active in the early years of the LIHTC program. Interviews with tax credit brokers will help to round out the perspectives of financial industry participants in the tax credit program.
- **Owner Data** – Partially structured, in-depth interviews with the managing general partners of a selection of 40 LIHTC properties placed in service between 1987 and 1994, including owners of properties that are still being monitored by the HFA, and some that are no longer part of the monitoring universe.

As part of the design process, the study team has conducted telephone discussions with a number of tax credit syndicators to learn about trends and practices with regard to tax credit properties that have reached their 15-year mark, to assess possible syndicator participation in the study, and to learn about the data available for analysis.

Insights gained from these reconnaissance calls prompted us to add an additional research question that relates to ownership changes for early-year tax credit properties, as a change in ownership may be the path to repositioning a property in the market and may affect the property's financial viability. Whether a property continues to have the same owner as when it was placed in service (that is, the same general partner) also affects how we will be able to collect data and from whom.

With this Research Design and Data Collection Plan, we present an interview guide for discussions with syndicators (and large early-year direct investors), an interview guide for discussions with tax credit brokers, and a survey instrument for interviews with owners. We consider these to be fully developed instruments. However, what we want to ask is more fully developed than our strategy for how to select syndicators and owners to answer the questions. As described in more detail below, we will need to conduct additional discussions with the syndicators/investors and other members of the tax credit industry, as well as with HUD staff before we can make final decisions on the best strategy. We present here our current thinking as of the submission of this final Research Design and Data Collection Plan in February 2010.

The remainder of the research plan is organized as follows:

- **Section 2** provides background on the LIHTC program, the roles of housing finance agencies and syndicators in implementing the program, and issues related to tax credit developments that have passed the 15-year mark
- **Section 3** sets forth the research questions and explains which portion of the early-year LIHTC inventory the study will examine in greatest detail and why.
- **Section 4** presents the strategy for answering the research questions through data collection from HFAs, syndicators, and property owners
- **Section 5** provides additional detail on the approach to data collection and includes options for selecting owners to be interviewed
- **Section 6** is a preliminary analysis plan
- **Appendix A** is the OMB-approved data collection form for collecting data from HFAs
- **Appendix B** includes an introductory letter about the study for syndicators and owners
- **Appendix C** presents the interview guides for collecting data from syndicators
- **Appendix D** presents an interview guide for collecting data from brokers
- **Appendix E** is the survey form for collecting data from owners (general partners)

2. Background

This section introduces the LIHTC Program, including the roles of housing finance agencies and syndicators in implementing the program, and describes the issues related to tax credit projects that have been in service for more than 15 years.

2.1. The LIHTC Program

The Low Income Housing Tax Credit was enacted in 1987 and has been in existence for more than 20 years. LIHTC has become the federal government’s largest program that subsidizes the development of affordable rental housing and has produced more than 1.6 million units, making it substantially larger than public housing. LIHTC produces rental housing that has use restrictions: the housing must be occupied by low income renters, usually those with incomes less than 60 percent of area median income, and they must be charged rents no greater than a program maximum, usually 18 percent (i.e., 30 percent of 60 percent) of area median income.

The LIHTC program is funded by the federal government through federal income tax credits that may be taken by investors in affordable housing, calculated as a percentage of “eligible basis” of a property’s¹ development costs over a period of 10 years. The tax credit is not an entitlement, but instead is subject to a ceiling controlled through annual per capita allocations of tax credit authority to the states by the Internal Revenue Service. These allocations and their sub-allocations to housing developers based on Qualified Allocation Plans developed by state agencies have made state housing finance agencies (HFAs) the administrators of the program and its main policy-makers through the decisions they make each year on which developers and owners receive tax credits.²

HFAs also are responsible for monitoring tax credit projects for compliance with the rules of the program, in particular whether the property continues to admit income eligible households to units covered by the tax credit and to charge rents no more than the program maximum, and whether the property is maintained in adequate condition. Should a project fail to comply with these rules during the 15 years after the property is placed in service, the IRS may recapture the tax credits taken by investors. Sometimes the HFAs have more information about what happens to a property over time—for example, reports of financial performance for properties that in addition to allocations of tax credits also have HFA loans—but for many properties the HFA collects only the data needed to monitor tax credit compliance and does not have a more substantial ongoing relationship with the properties or their owners.

HUD has overall responsibility for housing policy for low income renters within the federal government, but has a limited relationship to the LIHTC program. HUD creates the lists of

¹ We use “property” and “development” interchangeably to mean a group of rental housing units developed and managed as a single entity.

² Each state selects the agency that will allocate tax credits. In many states, these are housing finance agencies that also provide mortgages; elsewhere, they are agencies that may provide other types of housing funding. For simplicity, we refer to all state allocating agencies as HFAs, even though their other roles may vary from state to state.

geographic locations (Difficult Development Areas and Qualified Census Tracts) that until recently were the only places where a LIHTC development could have an augmented eligible basis. Some developments combine the LIHTC with other HUD programs, such as project-based Section 8, FHA mortgage insurance, or the HOME program. Perhaps most important is that HUD has created a database that provides information on the all LIHTC developments placed in service since the beginning of the program, based on information collected from the HFAs.

The LIHTC Database is updated over time as additional properties are placed in service and includes basic characteristics such as year placed in service, number of units, whether the property was built new or rehabilitated, whether the general partner of the ownership entity is a for profit or non-profit, whether the property received 4 percent or 9 percent credits, whether the property was financed through a Rural Housing Service Section 515 loan, the address of the property, and contact information for the owner.³

HUD has added a few additional data elements in recent years, including questions on additional subsidies (HOME, CDBG, project-based rental assistance) and FHA insurance, as shown on the data collection form used in creating the Database that is in Appendix A. Most data elements relate to the property at the time it was first place-in-service. However, in recent rounds of data collection, the Abt team that collects HFA data on behalf of HUD also has asked the HFAs to provide data that indicate whether the HFA is continuing to monitor developments placed in service in prior years for compliance with tax credit rules.

What the data collected from HFAs do not include is detail on the ownership and financing structure of the property, its actual rent levels (which may be below the maximum permitted by the program), or the demographic characteristics and incomes levels of the project's occupants.

The majority of LIHTC properties have complex ownership structures that include a managing general partner or “owner” and limited partners who buy ownership shares in the property so that they can take the tax credit and whose interests are represented by the syndicator of the tax credits.⁴ Some syndicators are for-profit companies, while others are entities set up to find limited investors for projects sponsored by non-profits. In addition, some projects are sold directly to large investors, with Fannie Mae an important example.

Syndicators connect developers of tax credit properties with limited partner investors and represent the financial interests of the limited partners by monitoring the financial performance of the property and its compliance with tax credit rules. Sometimes the syndicator assumes on behalf of the limited partners the risk that the property will fail financially or that the Internal Revenue Service will recapture tax credits taken by investors in the property because it has fallen out of compliance with program rules, charging the investors a fee for assuming that risk. As a result of these responsibilities, syndicators have ongoing relationships with the managing general partners of tax

³ In recent years, data have also been collected from HFAs on the categories of households intended to occupy the property (elderly, families, people with special needs, or formerly homeless people).

⁴ Instead of limited partnerships, many of the more recent LIHTC developments use limited liability companies with managing members and investor members rather than limited partnerships. For simplicity we will refer to general partners and limited partners.

credit properties and often collect financial performance data and participate in asset management decisions on behalf of the limited partners, as do some of the large investors.

Reconnaissance conducted for this study suggests that the relationship of the syndicator to a property may end as the property approaches or reaches the 15-year mark. Syndicators are motivated to "unwind" the original deal when the limited partner investors have finished taking the tax credits and when the investors no longer are vulnerable to recapture of the tax credits. Unwinding the deal may involve the limited partners selling their ownership interest to the general partner, or it may involve a sale to a completely new owner. In either case, the original syndicator's involvement and knowledge of the property may come to an end.

2.2. The 15 Year Issue

Properties that were placed in service during the earliest years of the LIHTC program have now passed their 15 year mark. As of the end 2009, 10,634 properties with 374,675 units will have been placed in service 15 years ago or more.⁵

From the outset of the LIHTC program, policy-makers have been concerned about the period of time during which tax credit properties would continue to provide affordable housing. Mindful of the "preservation crisis" for the HUD multifamily assisted properties that was becoming evident in the earliest years of the LIHTC program, Congress in 1989 and 1990 changed the law governing the period of restricted use from 15 years to 30 years. Properties with LIHTC allocations prior to 1990 are subject to a 15 year period of restricted use. Those with allocations beginning in 1990 are subject to an additional 15-year restricted use period, for a total of 30 years. However, the owner of a LIHTC property can elect to leave the program by asking the HFA to find a purchaser for the property who would retain its use restrictions. The "qualified purchaser" must be offered the property at a sales price specified by formula. If the HFA finds no such purchaser, the original owner or a new owner to whom the property may be sold is no longer required to comply with tax credit rules. Since properties with allocations of tax credits made in 1990 have only recently begun to pass their 15-year mark, experience with this process is limited. We will continue to explore this in further discussions with syndicators, large early-year investors, and HFAs.

Based on the experience with "opt-outs" from the project-based Section 8 program, there has been great concern in anticipation of the first wave of "15 year" properties that many would seek rents higher than those permitted by LIHTC rules or to convert to ownership housing, in either case being lost to the affordable rental housing stock. However, properties that end their restricted use period and no longer are monitored by the HFAs for compliance with LIHTC program rules may nonetheless continue to provide affordable housing. They may be subject to other use restrictions outside the LIHTC program. Even if not subject to such restrictions, they may provide housing that is no less affordable than it would have been had the property remained in the LIHTC program.

Conversely, properties that reach the 15 year mark and remain under HFA monitoring may experience financial difficulties and be at risk by cutting back on maintenance, failing to maintain

⁵ This does not include properties that received new allocations of tax credits after passing their 15 year mark.

adequate reserves, and accumulating unmet capital needs. LIHTC properties that do not maintain a cash flow adequate to cover operating expenses and debt service may go into foreclosure and be sold for alternative use.

Some portion of LIHTC properties has always been at risk of failing out of the stock of good quality affordable housing. This risk has been greatly increased by recent trends in the rental housing market associated with the economic downturn: the conversion of many homeownership units to rental use will expand the supply of market rate rental housing with which LIHTC properties must compete, while falling incomes of renters may reduce the demand for units with rents at the levels anticipated when LIHTC properties were underwritten.

3. Research Questions and Study Focus

Studying what has happened to LIHTC properties that have passed their 15 year mark is important for guiding federal and state policy on the future of the LIHTC program. Over the next 10 years (2010-2019), some 114,000 additional LIHTC developments (containing more than a million units), will pass their 15 year mark and become eligible for leaving the program, although subject to additional procedural requirements through year 30. Secretary Donovan has announced a new emphasis on preservation of affordable rental housing, and federal policy makers at HUD and in Congress are exploring mechanisms for preserving affordable housing, including LIHTC. To support the development of these policies, it is important to know the answers to the questions that HUD put forth in the statement of work for this study, which can be summarized as “What happened?” “Why did it happen?” and “What was the result?”

The answers to these questions also will be important for the design of future programs that subsidize the development of affordable rental housing by shedding light on the importance and design of use restrictions. Because such restrictions limit the profit potential of investors in rental housing, they can affect the type of housing developed and its location, the identity of organizations willing to undertake development, and the project’s total development and operating costs. While the LIHTC 15 Year Study will not assess these impacts of use restrictions, it is important to understand the circumstances in which use restrictions are needed and how they should be designed.

- **What happened?** How many properties left the LIHTC program? How many stayed in? The answers to these questions will help policy-makers assess the extent of LIHTC properties leaving the stock of affordable housing, the importance of developing tools for addressing it, and how to design use restrictions for future programs.
- **Why did it happen?** Which types of properties left the LIHTC program? Which types of properties remained under monitoring by HFAs for compliance with program rules? What were the owners’ motivations for leaving or staying? *The answers to these questions will help policy-makers target preservation resources on particular types of properties and devise mechanisms for preservation most suited to altering the financial or other incentives.*
- **What was the result?** How are the properties that remained in the LIHTC program performing? What are the implications of properties leaving the LIHTC program for the rental market—that is, for the availability of affordable housing for low-income renters? Did some properties that formally left the LIHTC program nonetheless continue to provide affordable housing? *The answers to these questions will help policy makers design preservation approaches for both LIHTC and future programs that are best tailored to providing and maintaining access to quality, affordable housing for low income families and individuals over time*

To these questions that we set forth at the time we submitted the proposal in response to HUD's statement of work, we have added another, which might be thought of as an expansion of "why did it happen?"

- **How did it happen?** What was the process for leaving the LIHTC program? How did restructuring the ownership, refinancing the property, and/or selling the property relate to whether the project continues to be monitored by the HFA, whether the property continues to provide affordable rental housing, and whether the property is performing well financially?

The term “opt-out” cannot be used with all the 15 year tax credit properties. At the 15 year mark, the earliest tax credit properties completed their compliance obligations and had nothing to opt-out from. They may simply have stopped reporting data to the HFA. Properties that were awarded tax credits with an additional 15 year use restriction (for a total of 30 years of affordability) do have what amounts to an opt-out provision once the property reaches the 15 year mark. Starting in year 14, a tax credit property owner may ask the tax credit allocating agency to find a buyer for the property. If the allocating agency is unable to find a buyer at a qualified contract price within a one year period,⁶ the extended use restriction expires.⁷

What this means is that the concept of "leaving the program" is ambiguous in its implications, especially for the projects subject only to a 15-year compliance period. Properties no longer reporting to an HFA could continue to operate as affordable housing, or they could convert to market-rate rental housing or some other use. However, we propose to continue to use the concept of whether the property continues to report on compliance to the HFA (is "in the program") or does not report (is not "in the program") for a very important reason. We will be able to analyze for the entire universe of properties placed-in-service between 1987 and 1994 whether the property continues to report to the HFA on the basis of the updated HUD LIHTC database. This element in the database is coded as PROG or NONPROG. In contrast, we will know whether properties have been sold and whether they have been repositioned in the market only for properties for which we collect data from syndicators and owners. Therefore, when we collect data from owners and syndicators, we will make an effort to determine whether each property continues to be monitored by the HFA, so that we can relate the results of this more intensive data collection to the division of all of the properties in the HUD LIHTC database into PROG and NONPROG properties.

Using the updated HUD LIHTC database, we will attempt to describe what happened to all LIHTC properties placed-in-service in the early years.⁸ For the more intensive data collection from

⁶ The formula for the qualified contract price is set forth in the Internal Revenue Code. The price is made up of the fair market value for the non-low income portion of the property plus a calculated price for the low-income portion of the property. The calculated price for the low-income portion of the property takes into account an applicable fraction of outstanding indebtedness, adjusted investor equity, and other capital contributions, minus cash contributions.

⁷ If the allocating agency cannot find a qualified buyer, there is a three year “ease out” period during which the owner *may not*, according to IRS regulations:

- evict the tenant of a low income unit or terminate the tenancy of an existing tenant of any low income unit other than for good cause, or
- increase the gross rent above the maximum allowed under the IRS Code with respect to any such low income unit.

⁸ Or more accurately, all properties for which HFAs have provided data. Even after we update the HUD LIHTC database, the data almost certainly will miss some early-year properties.

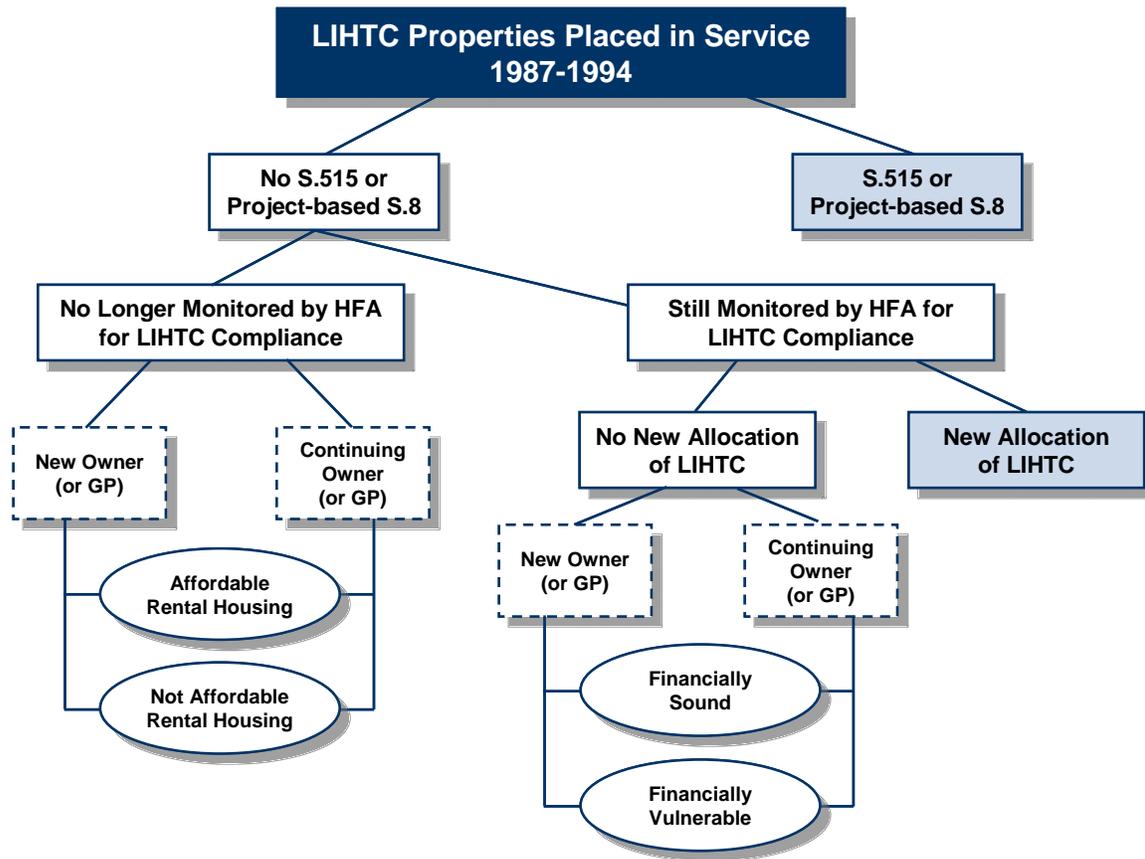
syndicators and owners, we will focus on a subset of the early-year properties for which data is available and which we consider most instructive for understanding the questions relating to what happened to these properties, how and why. We propose to exclude properties that have RHS Section 515 loans, because these properties were much more typical of early years of the tax credit than later years, so what we learn about them would not be as useful for future policy-making. We also propose to exclude properties with project-based Section 8 subsidies. Section 8 properties go through a separate opt-out process relating to that program, owners who opt out give up a stream of rental subsidies, and those who stay in continue to have that subsidy stream to support project costs. We consider that the questions of whether a property continues to provide affordable housing and how it performs financially have more relevance for understanding a capital-subsidy program like LIHTC when asked about properties without Section 8 contracts.

We also propose to focus on properties that have not received an additional allocation of tax credits. From the updated HFA data, we will be able to report the number of early-year properties and units that *have* received additional LIHTC allocations and to describe the characteristics of those properties: where they are located and basic property characteristics, including whether they have non-profit or for-profit owners. However, in the additional data collection from syndicators and owners, we will focus on properties still under HFA monitoring that may be more vulnerable because they *have not* received an additional infusion of capital through the LIHTC program.

Exhibit 2-1 illustrates how we propose to categorize LIHTC properties as we collect data from syndicators and owners. The darker shaded areas represent developments that will not be the focus of this effort. The basic classifications are, first, NONPROG vs. PROG, then for each of those types, whether the property has been sold to a completely new ownership entity or continues to have the same general partner (or continues to be controlled by an affiliate of the general partner). The dotted lines around these boxes in the figure mean that we will not know from the HFA data whether the property has a new general partner. The oval shapes at the bottom of the figure show the outcome measures that are at the heart of the study. The figure illustrates the types of early-year LIHTC properties for which we will attempt to answer those questions.

The focus of this study is the pool of LIHTC developments placed in service between 1987 and 1994. Most of the properties placed in service between 1987 and 1991 received tax credit allocations between 1987 and 1989 and were under a regulatory regime that permitted them to leave the program after 15 years without taking positive action to leave, simply ending their obligation to report to the HFA. In contrast, developments that received tax credit allocations after 1989 are under a different regime, under which they must take explicitly defined actions in order to leave the program before 30 years. These later properties, mainly those placed in service between 1992 and 1994, may tell us more than the earlier cohort about what may happen to LIHTC properties placed in service after 1995.

Exhibit 2-1. Proposed Categorization of Owners and Properties



The start-up phase of the LIHTC program effectively ended around 1992, when investor interest in the program increased, production volume rose, and most properties were planned with the intention of using the tax credit, rather than coming from a “pipeline” of projects planned with other financing structures in mind. For this reason as well, we believe that properties from the 1992-1994 period may tell us more about the future than the 1987-1991 properties; and that we should therefore analyze data for this later pool of properties.

The HUD LIHTC database shows that quite a few properties placed in service in the 1992-1994 period are no longer under HFA monitoring, despite being under the new regulatory regime that requires them to take explicit steps to leave the program.⁹ So there appear to be enough “non-program” properties in this cohort to make it worthwhile to study them and to learn, for example, how the process of becoming exempt from the additional 15-year use restriction has worked.

⁹ Some of these properties may have received tax credit allocations in 1989.

Exhibit 4-1. LIHTC Projects Placed in Service but No Longer Monitored

Year Placed in Service	Number of Projects
1994	49
1993	77
1992	190
1991	348
1990	498
1989	733
1988	613
1987	284
Unknown, likely to be earliest years of LIHTC Program	638

Source: HUD National LIHTC Database, 1987-2006

Notes: Projects no longer being monitored are indicated by the NONPROG field in the database. Allocating agencies specify whether a project is no longer being monitored due to expiring use or other reasons. In some cases, this may simply indicate the project has reached the 15 year mark. These data do not indicate whether a project remains affordable.

We do not intend that the study focus *exclusively* on 1992-1994 properties subject to more stringent use restrictions. Understanding what happened to LIHTC developments that could leave the program easily after 15 years, why it happened, and what the results were, can inform housing policy more broadly. In addition, further discussions with syndicators and HFAs may suggest reasons for focusing on 1992-1994 properties to a greater or lesser extent in our subsequent research and analysis.

4. Data Sources

The LIHTC program has been difficult to study because of the diffuse location of program responsibility and information and the relatively weak mandates for data collection and research on the program. Researchers have struggled to gain access to information on the LIHTC, with varying degrees of success. A data collection strategy based on a single “road in” to information on what has happened to early LIHTC properties would not give a very full picture of what happened to a tax credit project as it approached and passed the 15 year mark. Therefore, we have developed a **three-pronged approach to data collection that will maximize the likelihood that we will be able to answer all or most of the policy-relevant research questions about what happened to LIHTC properties after 15 years.**

Reconnaissance undertaken during the design phase of the study has focused on understanding better what we can learn from different data sources. That reconnaissance will continue with additional interviews with early-year syndicators and large direct investors. We will also conduct some discussions with HFAs to help us further refine the technical approach and the details of a data collection strategy. While the exploratory calls and subsequent discussions among the study team have begun to answer questions about the study approach, they have also generated additional questions about how to select and recruit syndicators and owners for the study and what kind of data they may be able to provide. At this point, we still have a variety of data collection options to consider. In this section, we describe the three sources of data we propose to use and our current thinking about what information each source will be able to provide. Section 5 provides detail on the mechanics of how we will go about collecting additional data from HFAs, syndicators, and owners and sets forth some options for selecting owners to be interviewed.

4.1. Allocating Agency (HFA) Data

We will update HUD’s LIHTC database for the universe of LIHTC properties placed in service between 1987 and 1994. The update will find project records that appear to be missing from the database and will seek to fill in missing data for existing project records, including whether or not a property used a Section 515 loan. We will also ask the HFAs to provide information for these older properties about whether the original financing involved HOME, CDBG, or project-based Section 8 subsidies. (For Section 8 subsidies, we would also like to use a data match with HUD administrative data on Section 8, as this is an important data element for analysis, and some HFAs may not be able to answer this question for projects placed in service in early years). We will discuss further with allocating agency staff the meaning of key variables related to whether a property remained in the LIHTC program or left the program.

HFA administrative data on LIHTC properties has the advantage that it covers the universe of LIHTC properties placed in service in a particular year and that it is relatively easy to obtain. An augmented HUD LIHTC data base matched to census and HUD program data can be used to answer many aspects of each of the research questions. For example, we can use information on the characteristics and locations of LIHTC properties in multivariate analysis of the “determinants” of the decision to leave the program, and we can make inferences about the continued affordability of former LIHTC developments by matching them with data from the Housing Choice Voucher program, as we have

already done for current versions of the LIHTC database for all properties regardless of when they were placed in service.

In addition to updating the database, we also plan to conduct some reconnaissance with HFA staff regarding their processes for properties reaching the 15 year mark. We hope to learn more about the kind of reporting required for properties in the extended affordability period and what kind of data are available for projects that have opted out of the extended affordability period. These calls will be limited to about five HFA contacts who, based on past experience, we expect will be willing to share their knowledge and perspectives on the tax credit program. We also may conduct a small number of interviews with allocating agency staff about specific properties at a later time if we learn from syndicators or owners that the HFA played a substantial role in the decision about the future of the property, and we may seek financial performance data from HFAs for specific properties for which they are the lender as well as the tax credit allocator.

Despite our attempts to update the data, some early year LIHTC properties are likely to be missing from HFA data. At this point, some agencies have made the effort to electronically compile all of their tax credit program data, but others have only worked to track the later projects. Allocating agency records and data for the earliest projects may be neither available nor accessible.

4.2. Syndicator Data

We plan to interview and seek data from tax credit syndicator organizations or large investors, making special effort to recruit those organizations we think have the largest portfolios of LIHTC properties placed in service during the 1987-1994 period. (A preliminary listing of the possible syndicator participants in the study is in Section 5.) We have planned to conduct a variety of syndicator interviews, which include 1) 2-3 additional exploratory calls, 2) approximately 10 more probing calls with syndicators to obtain some summary information about the syndicator process and business strategy for dealing with projects approaching or reaching year 15, along with summary information about their tax credit portfolios based, if possible, on the syndicators' databases, and, finally, 3) in-depth interviews conducted during site visits with 4-5 organizations. During the site visits, we plan to interview syndicator staff, in particular from their asset management departments, to gain information on the role limited partner investors play in decisions to leave or stay in the LIHTC program. We also will conduct detailed interviews about decisions that have been made related to specific properties in order to anchor generalizations in specific examples. We also will ask syndicators to give us performance data for properties from the early years of the LIHTC program that are still in their portfolios.

The syndicators should be able to provide important perspectives on the “why” and “how” questions: why properties remain in the portfolio and why and how they leave. In addition, because syndicators often monitor performance for the limited partners, they may be able to provide financial data on properties still in their investment portfolios. Large early-year investors are likely to have asset management departments that track financial performance for their portfolios. Because of the relationships that these organizations have with owners (that is, general partners), they may be able to help us persuade specific owners to participate in the study and to agree to be interviewed. If we are able to obtain financial statements, which typically follow a standard format, we will be able to compile and analyze operating data.

Through two levels of interviews—telephone and site visits—we hope to obtain information to supplement the HFA-provided data on a large number of properties placed-in-service in the 1987-1994 period. We will seek to obtain data that make it possible for us to make generalizations about what happened to properties from the perspective of their original limited partner investors. However, the data we obtain from syndicators and large investors is likely to vary in its format and detail. Syndicator may have limited information about what happened to the property after the original LIHTC deal was unwound around year 15. We hope that, even in these cases, syndicators may be able and willing to help us gain access to the new owner or the continuing general partner.

Not all LIHTC properties are syndicated, and the portion that are syndicated may not be representative of the entire portfolio of LIHTC properties. We will continue to assess the feasibility of obtaining some data from early-year owners who did not have limited-partner investors. The difficulty is identifying such owners, given the limitations on data we can obtain from HFAs about ownership structures.

In addition to data collection from syndicators, we also intend to conduct interviews with 2 or 3 brokers. Brokers of tax credit portfolios can give perspectives on selling properties that have reached the 15 year mark. These interviews will help to fill in the information on processes and transactions involved with selling LIHTC properties.

4.3. Owner Data

We will seek to interview owners of a selection of properties placed in service during the 1987-1994 period, including both properties still in the program and properties no longer under monitoring. We will seek to interview the managing general partners of 40 LIHTC properties. While we have developed some options about how to structure this selection (described in Section 5), those ideas are likely to evolve based on what we find out from preliminary analysis of the updated LIHTC database and from the three levels of interviews with syndicators. Both the update of the database and the syndicator interviews will precede the final selection of the property owners.

Data collection from owners will be conducted through partially-structured interviews conducted by Abt/VIVA team members who understand multifamily finance and programs. The data collection instrument will include both open-ended questions and closed-ended questions that can be tabulated into summary information and analyzed across the selected properties. Appendix C is a draft of the data collection instrument. If possible, respondents will include both continuing owners of tax credit properties and new owners, those who were not the sole owner or the general partner of the property when it was first placed in service with tax credits. We anticipate that new owners will mainly be those who have purchased the property after reaching the 15 year mark.

The main benefit to obtaining information from owners is to provide their perspective on why they stayed in or left the program and how that came about. In the case of owners who left the program, we also will seek information on the current status of the property. We will try to obtain financial performance data from owners who have remained in the LIHTC program. We will also attempt to get rent schedules for both types of properties to assess affordability. (We will also use a data match

between the update HUD LIHTC database and the Housing Choice Voucher program to assess affordability of tax credit properties identified by HFAs as NONPROG.)

Exhibit 4-2 presents a matrix of key information needed to classify projects and describe what happened to them. For each data element, we comment on the type of information we expect to be able to obtain from:

- HFAs as we update the early-year records in the HUD LIHTC Database
- syndicators of the early-year tax credit projects, and/or
- continuing and new owners of tax credit properties that have reached the 15 year mark.

Exhibit 4-2. Sources of Data

	Current HFA and Update	Syndicators	Continuing Owners	New Owners
Whether still monitored	Basic source of this information	May not know	Will confirm HFA data to guide interview questions	Will confirm HFA data to guide interview questions
New allocation of LIHTC?	Basic source of this information	May not know	Will confirm HFA data in interview set-up	Will confirm HFA data in interview set-up
Section 515?	Basic source of this information	Focus on syndicators with other types of projects	Will confirm HFA data in interview set-up	Will confirm HFA data in interview set-up
Project-based rental assistance?	Basic source of this information. HUD data match is another source and may be more complete.	Focus on syndicators with other types of projects	Will confirm HUD data in interview set-up	Will confirm HUD data in interview set-up
Has property been sold (new GP)? What's the process?	Exploring whether HFAs know if properties are sold	Basic source of this information	Basic source of this information	Basic source of this information
Has NONPROG property been repositioned (converted to market)? What's the process?	Unlikely to know; will not ask	Will know if still involved in the deal or if reposition happened as part of the disposition	Basic source of this information	Basic source of this information
Does NONPROG property have affordable rents?	Unlikely to know; will not ask. But will match NONPROG properties to voucher data	Unlikely to have rent schedules	Basic source of this information	Basic source of this information
Is PROG property performing financially?	Unlikely to know: will not ask	Will know if still involved in the deal	Basic source of this information	Basic source of this information
What motivated owner choices?	Will ask about other use restrictions. Will use information on property characteristics and locations in analysis	Will ask about policies, patterns, and selected specific projects	Basic source of this information	Basic source of this information

Our data collection strategy is to collect as much information as possible about as many early-year properties as possible, focusing on properties that did not have Section 515 or Section 8 subsidies when originally placed in service and that have not received subsequent allocations of tax credits. Therefore, we do not have a fixed sample of properties for which we intend to collect data. We are likely to know some things about the entire universe of early year properties for which we have HFA data, more about properties for which we are able to obtain syndicator data, and the most about the small number of properties (40) for which we will collect data directly from owners.

5. Data Collection Plan

In this section we provide additional details about the data collection strategy.

5.1. Data Collection from Allocating Agencies

HUD's LIHTC database, which is based on information provided by HFAs annually about properties placed in service two years previously, is now well populated. Recently, data on projects placed in service through 2007 were finalized for the update of the LIHTC database expected to be posted on HUD's website early in 2010. HFAs have become increasingly cooperative with supplying timely and complete data from their records to the Abt Associates team that collects and assembles the LIHTC database for HUD.

We will build on Abt Associates' strong relationships with HFA staff to fill in holes in the data for the early years of the LIHTC program, 1987-1994, a period of time when HFAs were less willing to provide data to a national database and had less staff capacity to do so than they have now. During the collection of data on the new projects placed in service during a particular year, we also ask allocating agencies to provide additional information on prior year properties as well. However, we have not previously made it a priority to fill in gaps for the early years of the program, as we will do for this update.

For recent database updates, more agencies have been able to submit comprehensive data files for states' LIHTC projects. Some of these files have permitted updating records of LIHTC projects placed in service in previous years. This has allowed us to confirm completeness of coverage for the earlier years of the LIHTC Program and convinced us that an increasing number of HFAs are able to fill in data missing or not submitted in earlier years.

For this assessment of the LIHTC Program, we will seek to improve the completeness of the data for the early-year developments by adding missing information on property characteristics that may be related to the decision to leave the LIHTC program or stay in—for example, property location, size (number of units), ownership type (non-profit, for profit), project targeting, the use of project-based rental assistance, and whether the property had a Section 515 loan. We will also seek to confirm and update available owner contact information. We will place particular emphasis on obtaining complete records for the data element that shows whether the property continues to be monitored by the state agency—that is, the PROG/NONPROG data element. We will confirm whether the HFAs are simply telling us that a property has passed its 15 year mark, and we will ask the reason that the property is no longer under monitoring. From data we already have, we know that some allocating agencies are able to answer this question. We also will ask HFAs whether properties are subject to the 15 year or the 30 year compliance period, so that we can sort properties by this data element rather than making assumptions based on the year placed in service. We will ask if the owners of any properties subject to the 30 year compliance period have asked the HFA to find a qualified purchaser and, if so, whether such a sale occurred or whether the HFA did not find such a purchaser and so the property ended its compliance reporting requirements.

Whether an LIHTC property also is a Section 8 project may be an important determinant of whether the property left the LIHTC program after 15 years. Early-year LIHTC properties often also had project-based Section 8 subsidies,¹⁰ either because they received Section 8 Moderate Rehabilitation rent subsidies as well as LIHTC allocations or because the LIHTC was used to rehabilitate a pre-existing Section 8 project. While the LIHTC Database recently has started to collect data on the presence of a state or federal project-based rental assistance contract, the database does not include this information for the projects placed in service in the 1987-1994 period. We have been in contact with PD&R staff regarding an address matching technique that uses extended ZIP Code data from address standardization that may facilitate flagging tax credit properties with a Section 8 contract. We will work with HUD staff to advise us on the technique and determine whether properties placed in service between 1987 and 1994 also have Section 8 contracts. We will also ask allocating agencies to tell us, to the extent that they can, whether each of the early-year properties had project-based Section 8 subsidies at the time it was placed in service.

5.1.1. Data Collection Instrument

The data collection instrument to be used to collect updated information on properties placed in service during the earliest years of the LIHTC program is the data collection instrument that was used by Abt Associates Inc. for properties placed in service through 2007. The data collection instrument received OMB approval, as required by the Paperwork Reduction Act, in February 2008. OMB Approval is valid through January 2011. A copy of the data collection form, including a draft of the data request letter to HFAs, is presented in Appendix A.

As with the most recent data collection efforts for the LIHTC Database, we will be asking agencies to confirm which projects previously listed in the database are no longer active in the LIHTC program, whether because the project has reached the end of its IRS 15-year compliance period or for other reasons. Discussions of how the 15-year issue is reflected in the HFA's data will be open-ended and tailored to each agency's policies and the way in which the agency maintains data. In following up with the agencies about the earliest projects, we also will confirm whether or not these projects received subsequent tax credit allocations.¹¹

5.1.2. Data Collection Methods

The data collection methodology involves working closely with each of the allocating agencies to ensure complete and accurate data are collected for the LIHTC properties. Exhibit 5-1 shows the LIHTC allocating agencies. Not all agencies were involved with the LIHTC program during the

¹⁰ The GAO study of LIHTC properties placed in service between 1992 and 1994 found that 39 percent of all units had some form of rental assistance and 12 percent had tenant-based vouchers, so as many as 27 percent may have had project-based Section 8 assistance. *Tax Credit: The Use of Tenant-based Assistance in Tax-Credit-Supported Properties*. Letter from Judy A. England-Joseph to Andrew M. Cuomo, September 17, 1999. US General Accounting Office 2000. *Tax Credits: The Characteristics of Tax Credit Properties and Their Residents*. Letter from Judy A. England-Joseph to Andrew M. Cuomo, January 10, 2000.

¹¹ Data collected by Ernst and Young from a large group of syndicators in 2006 show that 42 percent of LIHTC properties that had passed their 15 year mark had been resyndicated with additional allocations of tax credits.

earliest years, and we will not contact agencies who are known to have starting working with the tax credit program since the mid 1990s.

Exhibit 5-1. Tax Credit Allocating Agencies

Alabama Housing Finance Authority	Montana Board of Housing
Alaska Housing Finance Corporation	Nebraska Investment Finance Authority
Arizona Department of Housing	Nevada Department of Business & Industry
Arkansas Development Finance Authority	New Hampshire Housing Finance Authority
California Tax Credit Allocation Committee	New Jersey Housing & Mortgage Finance Agency
City of Chicago Department of Housing	New Mexico Mortgage Finance Authority
Colorado Housing & Finance Authority	New York State Division of Housing & Community Renewal
Connecticut Housing Finance Authority	New York State Housing Finance Agency
Delaware State Housing Authority	City of New York Department of Housing Preservation & Development
District of Columbia Department of Housing & Community Development	Development Authority of the North Country (New York)
Florida Housing Finance Corporation	North Carolina Housing Finance Agency
Georgia Department of Community Affairs	North Dakota Housing Finance Agency
Guam Housing and Urban Renewal Authority	Ohio Housing Finance Agency
Housing & Community Development Corporation of Hawaii	Oklahoma Housing Finance Agency
Idaho Housing & Finance Association	Oregon Housing & Community Services
Illinois Housing Development Authority	Pennsylvania Housing Finance Agency
Indiana Housing Finance Authority	Puerto Rico Housing Finance Corporation
Iowa Finance Authority	Rhode Island Housing
Kansas Department of Commerce & Housing	South Carolina Housing Finance & Development Authority
Kentucky Housing Corporation	South Dakota Housing Development Authority
Louisiana Housing Finance Agency	Tennessee Housing Development Agency
Maine State Housing Authority	Texas Department of Housing & Community Affairs
Maryland Department of Housing & Community Development	Utah Housing Finance Agency
Massachusetts Department of Housing & Community Development	Vermont Housing Finance Agency
Massachusetts Housing Finance Agency	Virgin Islands Housing Finance Authority
Michigan State Housing Development Authority	Virginia Housing Development Authority
Minnesota Housing Finance Agency	Washington State Housing Finance Commission
Mississippi Home Corporation	West Virginia Housing Development Fund
Missouri Housing Development Commission	Wisconsin Housing & Economic Development Authority
	Wyoming Community Development Authority

Data collection will include several steps:

- confirming the appropriate contact person in each allocating agency
- mailing data requests and forms to the agencies
- following up and coordinating with the agencies for data submission
- processing the data received and identifying any missing data
- data entry
- geocoding of address data
- verifying data with states and updating any corrections received from states
- merging in secondary data elements

Each of the steps is described in detail below.

Confirming the appropriate contact person in each tax credit allocating agency. The first step in the data collection will be to confirm the appropriate contact person in each of the allocating and suballocating agencies, using our current list of agency contacts. This will be done by telephone prior to mailing the data collection request letter.

Mailing data requests and forms to the agencies. The data request will be made through a letter from Abt Associates, along with the OMB-approved survey instrument (data collection form). The letter will specify that we are working to update data on the earliest years of the tax credit program and will indicate that the data may be provided in whatever form is most convenient for the agency, including completed hard-copy data collection forms, copies of existing agency reports, or electronic spreadsheets and data files. We will also be asking for lists of projects placed in service with tax credits that have since been dropped from the LIHTC program.

Following up and coordinating data submission. After mailing data requests to agencies, we will conduct intensive follow-up to answer any questions about the data request and ensure that data are submitted in a usable form and in a timely manner. Where appropriate, we will E-mail an MS Excel spreadsheet shell or an MS Access table with data entry screens for an agency to enter data, or a listing of the variables needed if an agency chooses to download the data from its own data systems. Project staff assigned to individual agencies will be responsible for the day-to-day tracking and follow-up of data receipt from those agencies. As with previous LIHTC data collection efforts, we will keep track of all contact with tax credit allocating agencies using a data system that includes a contact log. The system can be used to generate up-to-the-minute reports on the status of data collection, which the project staff will use to closely monitor data collection progress.

Data review and follow-up. Upon receipt of the data, it will be reviewed for completeness and consistency. Any problems with the data will be identified and flagged and checked, and staff will follow up with the agencies with questions as needed.

Data entry. As data are received, new data will be entered into a property-level database. Data updates will be programmed to update the most recent LIHTC Database.

Geocoding data. In order to analyze information related to property location, we will standardize the LIHTC project addresses and geocode the addresses of any projects added to the database or any developments for which address information is corrected. Standardizing address data involves removing punctuation, formatting abbreviations (Rd for Road, St for Street, etc.) to conform with US Postal Service standards, and confirming ZIP Codes. Standardized addresses are more likely to be electronically geocoded. Geocoding will be done by the HUD Geocoding Services Center (GCS).

Verifying and cleaning data. Once each agency's data are entered and geocoded, additional queries will be run on the data to ensure consistency within and across records.

Merging in secondary data sources. Once we have verified all LIHTC data with the allocating agencies and cleaned the database, we will merge in secondary data sources, typically geographically based data, that complete fields in the HUD LIHTC database.

Many of the early-year LIHTC developments have been refinanced with new allocations of tax credits. The LIHTC database Abt Associates creates for HUD does not double-count such developments, but instead uses the more recent placed-in-service year. The database includes a field that notes the original ID number for the property.¹² We will recode these properties for the LIHTC 15 Year Study, so that we can include them in the universe of 1987-1994 properties and learn the extent to which properties that have passed their 15 year mark have remained in the program because they have received a new LIHTC allocation. This information has important policy implications for the use of subsidies to maintain the affordability and physical quality of rental housing over time.

¹² In prior years of updates to the HUD National LIHTC Database, the HUD record identifier (HUD_ID) was recreated with each update. This record ID was created using a state agency code, the year placed in service (for multiple placed in service years, this is the latest placed in service year), and a sequence number based on an alphabetical listing of project names. Thus, if a project's placed in service year was revised or if a project from an earlier placed in service year was added to the database, a project's record identifier could change from database update to database update. Beginning with the most recent HUD National LIHTC Database update with projects placed in service in 2006, we have put systems in place to keep a consistent HUD record identifier for projects. In other words, projects included in the 2005 update will most likely have the same record identifier in the 2006 update. The exceptions are when a project has a revised placed in service year. These records include projects that have received an additional LIHTC allocation. For these records, we change the HUD record identifier and add a note in a data notes field indicating what the former HUD record identifier was. In recoding the data notes field, we can identify tax credit projects that were formerly listed as placed in service in the earliest years of the program but are now placed in service with a more recent tax credit allocation.

5.1.3. Final Updated Data Records

A final set of updated data records will be delivered to HUD to update the LIHTC Database. Any additional data files that will be updated as a result of this data collection, including the multi-address data file, and any revised documentation will also be provided.

5.2. Data Collection from Syndicators

Syndicators have been willing to participate in past research on LIHTC and to provide data on property performance. The study team's initial inquiries during the proposal phase of this study with syndicators active in the early years of the LIHTC program suggested that syndicators would be willing to participate in this study as well. In addition to agreeing to be interviewed, they said that they would consider providing performance data to the study team, with appropriate safeguards to protect the confidentiality of individual owners.

As we conducted further reconnaissance during the research design, we found that the three syndicators and investors we recently interviewed are all proactively seeking to unwind their limited partnerships as they reach their 15 year mark; two of them indicated that they believe this approach is typical for syndicators and investors. Further investor interviews will provide an opportunity to gain insight on motivations behind the deals that are happening currently.

Based on our reconnaissance work, we have created a preliminary list of syndicators and direct investors who were active in the early years of the LIHTC Program. The list is presented in Exhibit 5-2. The list was based on informational telephone interviews completed by Abt/VIVA team members Louise Elving and Laurie Gould. The list is preliminary, as there may be some early-year investors not on the list. Our current thinking is that we will try to collect information from three types of organizations noted on the list: 1) direct investors, 2) for-profit syndicators, and 3) non-profit syndicators, meaning syndicators who mostly work with nonprofit project sponsors.

Exhibit 5-2. Preliminary List of Early Direct Investors and Syndicators in the LIHTC Program

Early Direct Investors
» AIG/Sun America Affordable Housing; Los Angeles, CA <i>(Built one of the largest single-investor portfolios. May have sold much of their portfolio into the guaranteed market, using services of JP Morgan Chase for the sales, while retaining asset management.)</i>
» Apollo, now RBC Capital Markets; Cleveland, OH
» Bank of America (Tax Credit Group); Boston, MA
» Chevron
» Chrysler Capital
» Duquesne, PA, Power Company
» Fannie Mae
» Freddie Mac
» Idacorp Financial; Boise, ID
» JP Morgan Chase, Chicago, IL. <i>(Roll-up of portfolios, together with Bank One and others; appears to be one of the biggest holders of LIHTC assets. Were responsible for reselling much of AIG/Sun America's portfolio, as noted above.)</i>
» Key Bank; Cleveland, OH <i>(May have invested in many nonprofit deals.)</i>
» Mass Mutual
» Mission First Financial; Irvine, CA <i>(Set up by Edison Capital, which still manages their assets.)</i>
» Transamerica, now AEGON USA Realty Advisors; Cedar Rapids, IA
» USAA, in Texas <i>(Sold most of their portfolio to American Express/IES, now called Ameriprise Financial.)</i>
» Verizon; New York, NY
Early Syndicators, For Profit
» Alliant Capital; Los Angeles, CA
» Boston Capital Partners; Boston, MA
» Boston Financial Investment Management; Boston, MA <i>(Formerly MMA and BFG before that.)</i>
» Centerline Capital; New York, NY <i>(Formerly CharterMac and before that Related Capital Partners.)</i>
» Michel Associates; Boston, MA
» Raymond James Tax Credits; Clearwater, FL
» Red Capital Markets; Columbus, OH <i>(Possibly has been acquired by National City Bank, then by PNC Bank in Louisville, KY.)</i>
» Richman Group; New York, NY
» Robert Arcand & Company; Portland, OR <i>(Acquired in the 1990s by Columbia Housing, now owned by PNC Multi-Housing out of Louisville, but the asset managers are still in Portland.)</i>
» WNC and Associates; Irvine, CA
Early Syndicators, Non Profit
» Enterprise Social Investment Corporation; Columbia, MD
» National Equity Fund (all or mostly all nonprofit deals), Chicago, IL
Some Early Syndicators No Longer Operational
» Marsh Companies; Boston MA
» NAPICO; Los Angeles, CA <i>(Many of its assets may be with AIMCO.)</i>
» Paramount; Ohio. <i>(Assets acquired by GMAC which then became Capmark in Denver, CO.)</i>

The reconnaissance calls have resulted in the following observations:

- The pace of tax credit project dispositions has ramped up dramatically in recent years. It is not clear how much of the increased activity is based on current economic conditions. Many syndicators now have disposition groups or teams, and this is a recent development.
- Syndicators are typically motivated, at year 15, to get out as quickly and as painlessly as possible. If limited partner owners do not pursue disposition, then syndicators are likely to approach them and force the issue, starting discussions as in years 13 or 14. Syndicators will generally hold onto few, if any, properties beyond year 15.
- The motivation to complete the disposition seems to differ among firms. One firm's goal was to unwind the deals and dispose of the projects quickly, even if profit is not maximized. Another firm's explicit goal was to maximize return through the sale. Another large investor said it seeks to ensure that the properties continue to provide affordable housing even after it withdraws as general partner.
- Syndicators will not know very much about what happens to projects after disposition, although if there has been a sale to a third party shortly after the original limited partnership is unwound, they may know who bought the property. For individual deals, there may be a memorandum that outlines what will happen next with the property after the initial limited partnership is dissolved.
- Many "dispositions" will be sales of the limited partner's interest to the general partner, rather than sales to a third-party entity.
- There have been some big portfolio buyers in the market. We will consider speaking with a couple of brokers who have handled such transactions.

We have also learned from the reconnaissance calls that an introduction can prove very helpful in finding the most appropriate contact at a syndicator firm for discussing issues related to year 15 tax credit properties. Such an introduction can be vital to recruiting syndicators to participate in the study. We have begun to look at ways of introducing the study team to syndicators that will be particularly important to include in the study. We will work with HUD to find contacts at Fannie Mae, as well as other large early-year investors and syndicators. As part of the introductory process, we have drafted a letter to come from HUD that describes the study and asks for participation. The draft letter is presented in Appendix B.

The reconnaissance calls have caused us to reconsider the number and kinds of interviews to conduct. At this point, it appears that there are many disposition deals underway and different motivations to get the deals done. Instead of focusing all data collection from syndicators and large investors in 4 or 5 organizations, as originally proposed, we now think we need to attempt to collect some data from a larger number of organizations. For this reason, we are now planning a series of calls.

First, we will make additional exploratory calls to two or three syndicators to learn more about practices and patterns for the 15 year tax credit properties. Next, we will conduct telephone interviews with about 10 syndicators/investors, seeking summary numbers on how their properties

sort into the status classifications we have defined (program status and owner status). We will ask them if they are willing to provide access to their electronic data files so that we can characterize their portfolios further according to the categories and outcomes we have defined. We will also ask questions about their policies and procedures for dealing with tax credit properties that have reached the 15 year mark.

Finally, we will make site visits to four or five syndicators to conduct interviews in greater depth with syndicator staff, including senior asset management staff, to obtain summary information on their portfolios and their policies and procedures and individual asset managers for more detailed discussions of what happened to specific properties.

The guides for interviews with syndicators are presented in Appendix C. These include guides for the additional exploratory calls, for the calls to approximately ten syndicators to get an overview, and the interview and data collection guides for the 4-5 site visits.

Related to data collection from syndicators, we will also be interviewing 2 or 3 brokers involved with sales of tax credit properties. These interviews will help to further understand the processes involved with the sale of a tax credit property and portfolio. The draft interview guide for brokers is presented in Appendix. D.

5.3. Data Collection from Owners

Based on our experience with the Section 8 Opt-Outs study Abt conducted for HUD (as a subcontractor to Econometrica), structured but open-ended interviews with owners about financial and programmatic decision-making will produce much more valuable information than a completely close-ended survey. At the same time, we would like to collect straightforward, factual information in a way that ensures that we have categorized properties correctly and permits summaries across properties. Therefore, we have drafted a survey instrument that includes both open-ended and close-ended questions. Close-ended questions will confirm information about each surveyed property from the updated HUD LIHTC database and other information we may have obtained in the process of selecting the owner to be interviewed and setting up the interview. Close-ended questions also will be used for additional information needed to categorize properties that we may not know in advance, such as whether the property has been sold to a new general partner or other new owner. Finally, close-ended questions will be asked about quantitative information such as rent schedules that we would like to compare with other data. Open-ended questions will explore the processes through which properties were sold, refinanced, or repositioned in the market and the motivations of the property owners.

Screening questions will confirm that the property was placed in service before 1995, that it is the type of property in which we are interested—e.g., without S.515 or S.8 and without a new allocation of tax credits. We then ask questions to enable us to place the property in one of four categories, as shown on Exhibit 5.3, which categorizes properties by their program status (PROG/NONPROG) and their ownership status (continuing, new). Program status indicates whether or not a project still reports to the allocating agency regarding program affordability restrictions. Owner status indicates whether or not the property owner was the owner (or general partner) when the project was first placed in service with tax credits. Owners for each of the four types of owners will be asked

somewhat different questions, although some questions will be asked of all four. For example, a PROG continuing owner will be asked questions about attempts he or she may have made to leave the tax credit program. A NONPROG new owner will be asked questions about additional affordability restriction that may apply to the project despite its no longer being under monitoring by the HFA for LIHTC compliance. The exhibit illustrates some of the types of questions to be asked of property owners by program status/ownership type.

Exhibit 5-3. Examples of Information Sought by Ownership and Program Reporting Status

		Ownership Status	
		Continuing Owner/General Partner:	New Owner/General Partner: Not the original owner, property has a change in disposition
Program Reporting Status	Continues to report to the LIHTC allocating agency (PROG)	<ul style="list-style-type: none"> » Reasons for continuing monitoring relationship with allocating agency » Has the property been refinanced? » Property's financial performance/capital needs 	<ul style="list-style-type: none"> » Reasons for continuing monitoring relationship with allocating agency » Process for changing ownership » Role of use restrictions and stakeholders in keeping property in the program » Capital needs at time of ownership change and how addressed
	No longer reports to the LIHTC allocating agency (NONPROG)	<ul style="list-style-type: none"> » Process for ending monitoring by the HFA » Has the property been repositioned in the market? Why or why not? » Current rent schedules 	<ul style="list-style-type: none"> » Process for leaving HFA monitoring » Process for changing ownership » Has the property been repositioned in the market? Why or why not? » Current rent schedules

The draft interview guide is presented in Appendix E. The sections of the interview guide are:

- Screening and Basic Property Information (All Respondents)
- Non-program property with a continuing owner
- Non-program property with a new owner
- Program property with a continuing owner
- Program property with a new owner
- Owner View of Neighborhood and Market (All Respondents)

The owner interview guide will need OMB Approval. Because we are conducting interviews with business entities and not households, we believe the data collection for this study is not subject to the OMB “blackout period” during which household data collection cannot occur while the Census bureau conducts the 2010 decennial census. We are seeking the GTM's guidance on this issue, including whether it is necessary to submit an exemption statement to the HUD OMB liaison.

As properties are selected for the possible inclusion in the study, data from the HUD LIHTC Database will be used to pre-fill information into the survey instrument. Initial interview questions will confirm data from the HUD database and direct the interviewer to the correct status category and section of the interview. Interviews will be conducted by telephone by Abt and VIVA staff. Interviews may be completed by interviewers using paper surveys, but we are also considering setting up the survey using a computer assisted survey package.

5.4. Selection of Owners for the Study

We are concerned about finding owners willing to participate in the study, especially those that have left the LIHTC program. Even if they were willing to answer questions about their decision to stay in the LIHTC program, owners may not be willing to provide financial performance data. Therefore, we are continuing to explore options for recruiting owners for the survey. We want to be able to present an analysis that is informative about the issues and practices surrounding tax credit properties that have reached the 15 year mark. At the same time, we want to be able to state that the analysis is representative of particular types of projects placed in service from 1987 through 1994.

First, we plan to analyze the updated information in the HUD LIHTC Database to get a base profile of the projects placed in service from 1987 to 1994. After excluding properties that have S.515 or project-based S.8, we will use the PROG/NONPROG data element to look for patterns by of types of properties that are still under HFA monitoring or are not, using characteristics such as project size, owner type (for profit vs. non profit), location type (central city, suburb, non-metro, region, and whether the project is subject to the 15 year LIHTC restriction versus the extended 30 year restriction. Using that information, we want to try to select both syndicators for more intensive data analysis and owners with properties that would reflect this base profile of projects placed in service from 1987 to 1994 that are or are not still in the LIHTC program.

Our current thinking is that we want to select some properties from each of the four types based on program status (PROG or NONPROG) and ownership type (continuing or new owner) and to include some properties under 15-year restrictions and some under 30 year restrictions. However, we will not know from the updated HUD LIHTC database whether the property has been sold to a new ownership entity, so we may not be able to tell from these cross-tabulations how common it is for a property to have changed ownership. We will seek to use syndicator data to make generalizations about new vs. continuing owners and to relate them to the patterns we see in the database for the universe of early-year LIHTC properties.

The selection and recruitment of syndicators and owners for the study are intertwined and will depend greatly on data availability and willingness of syndicators and owners to participate.

As of December 2009, we have identified several options for selecting and recruiting owners to participate in the study. An option we have discussed but do not recommend is to select a random

sample of PROG and NONPROG properties (after appropriate exclusions) and then ask syndicators to match those properties to properties in their portfolios. We do not think this option is feasible because 1) most syndicators would not be able or willing to carry out such a data match, because of data limitations or staff limitations and 2) many randomly selected properties are likely to have been syndicated (or invested in) by organizations not participating in the study.

The options we have under consideration as we conduct further data collection from HFAs and syndicators are presented below. We would like HUD reviewers' thoughts on these options.

5.4.1. Option 1: Syndicators Identify 40 Prototypical Properties for Owner and Asset Manager Interviews

Once we have found a set of syndicators willing to participate and provide data for the study, we would provide the syndicators with a list of categories of properties we would like to study through more in-depth through interviews with owners. The categories would be determined by the base profile of LIHTC properties from the 1987 to 1994 placed in service years in the updated HUD LIHTC Database and by other distinctions we consider important, such as whether the property changed ownership. Depending on whether we think syndicators can answer this question, we might also categorize properties by whether NONPROG properties have been repositioned. Yet another possibility is to categorize properties by whether they are in strong or weak rental markets, based either on their locations (from the HUD LIHTC database) or on the syndicator's judgment. The syndicators would fill the categories with projects from their portfolios. To help facilitate owner participation, the syndicators would be asked to do preliminary outreach to the owners, letting the owners know that the syndicator believes it is okay to talk with us about their experience with the tax credit program. With this option, we would be asking the syndicator's asset managers the same questions we would ask the owner, giving us two perspectives on what happened to the property. By talking to two sources about the same property, we increase the likelihood of getting a complete picture of what happened to the property and why.

A variation of this approach that the study team has discussed and could continue to pursue during further reconnaissance with syndicators is to ask syndicators to identify otherwise similar properties in the same market area that followed different paths—ideally, distinguishing between properties that have been repositioned in the market and those that have not been.

5.4.2. Option 2: Syndicators Identify Prototypical Properties, 40 for Owner Interviews and Others for Additional Data Collection from Asset Managers

In this option, we would work with the syndicators and the base profile of LIHTC properties placed in service from 1987 to 1994 to create two samples of properties. In the first sample would be 40 owners for in-depth interviews. In the second sample would be a selection of properties, different from the first sample, for which we would gather property information from the asset managers. We would not complete intensive interviews with the asset managers for the properties for which we conduct in-depth interviews with owners.

With this option we would get detailed information about a larger number (greater than 40) of individual properties. However, we would only be able to get one perspective on each property. Some of the information needed for a particular property may not be known by the syndicator; and, if

there is a new owner since year 15, the new owner may not know about the original financing of the property or precisely what happened to it at year 15 before it was purchased the property. Thus, we could have incomplete information for a number of the properties.

5.4.3. Option 3: Study Team Identifies 40 Properties from the updated HUD LIHTC database for owner interviews; syndicators identify 40 properties for asset-manager interviews.

Using the base profile, we could select 40 owners from the LIHTC database for in-depth interviews. We would also select some number of properties identified for us by the syndicators using categories given them on the base profile. For the syndicator-identified properties, we would complete interviews only with the asset manager.

With this approach, we might reach some properties that were not syndicated, or were syndicated by organizations other than those participating in the study. The LIHTC database does not indicate which properties were not syndicated, so we would probably want to concentrate on the earliest year properties to increase the chances that we find some non-syndicated properties. A disadvantage to this option is that there would be no one to introduce the study to the owners selected to be interviewed and “open doors” for the interviews. Without an introduction, we may have to invest substantial resources in dealing with refusals and selecting alternate owners to get the planned 40 interviews. Also, we would have only one perspective on these properties, with the potential limitations described in Option 2 above.

5.4.4. Option 4: Syndicators Identify some properties for owner and asset manager interviews; Study team identifies properties from types that appear to be missing from this sample.

A hybrid approach would be to first select 20-30 properties identified by syndicators, possibly following either Option 1 or Option 2. From there, we would review the base profile of LIHTC properties placed in service from 1987 to 1994 and determine which categories are missing. We would then identify projects from the LIHTC database to complete the selection of owners to interview. For example, we may find we are missing projects for specific placed in service years or for certain geographic locations. For project selection characteristics that are not available from the LIHTC Database (for example, new owners), we could try to find owners through screening phone calls.

This option has the same disadvantage as Option 3—no one to help the study team recruit owners—although for a smaller portion of the sample. Also, given the limitations of the HUD LIHTC database, even when updated, it may be difficult to determine which types of properties really are missing from the sample.

6. Preliminary Plans for Analysis

This section presents our preliminary analysis strategy. We expect these plans to continue to evolve as we learn more about what may have happened to early-year LIHTC properties and how, during additional reconnaissance and collection of data from HFAs and syndicators.

We will start with analysis of the updated HUD LIHTC database, using the PROG/NONPROG variable to produce cross-tabulations that describe what has happened to the entire universe of properties placed in service in 1987-1994 as of early 2010.

- For properties still under monitoring by HFAs, we will show the extent to which the properties still under monitoring are S.515 projects or have project-based Section 8. We will show the number and percentage of properties and units that have received additional allocations of LIHTC, the number and percentage that have not, and the property characteristics and location types of the two groups. We may conduct some multivariate analysis to explain further the determinants of properties' receiving second LIHTC allocations.
- For properties not still under monitoring, we will show the number and percentage subject to the 15-year and 30-year regimes for use restrictions and the number and percentage with and without S.515 and S.8 subsidies and the property characteristics and location types of properties in different groups.
- For all properties without S.515, S.8, or additional allocations of LIHTC, we will conduct multivariate analysis to explore the property and location characteristics associated with becoming a NONPROG property, perhaps separately for properties subject to 15 or 30-year use restrictions.

We then will use data collected from syndicators and large early-year investors to describe further what happened to properties in the PROG and NONPROG categories, focusing on properties without S.515, S.8, or additional allocations of LIHTC (see Exhibit 3-3 in Section 3).

- We will attempt to sort PROG properties for which we have data from syndicators into those that were sold to a new owner and those that have the same general partner and, if possible, also describe the extent to which properties remaining in the program without a new allocation of LIHTC have nonetheless been refinanced. We will attempt to use syndicator data to describe the extent to which PROG properties with new or continuing owners are financially sound or appear to have operating or financial challenges.
- We also will try to sort NONPROG properties into those with new owners and those with the same general partner and use data from syndicators to describe the process through which properties "leave the program" and how that relates to sales of limited partner interests to the original general partner and sales to a new ownership entity. We will describe those processes separately for properties subject to the 15 and 30-year use restriction regimes.

- We also will attempt, on the basis of syndicator data, to make generalizations about the extent to which NONPROG properties have been repositioned in the market and how that relates to property characteristics, location types (defined as strong and weak markets), and to sales (dispositions) of properties and to use restriction regimes.

We will use the HUD LIHTC database matched to PIC data on Housing Choice Vouchers to describe the extent to which NONPROG properties (without S.515 or S.8) continue to provide affordable housing, using the presence of a voucher household in a LIHTC project as an indication that the property is still rental housing and has affordable rents. We will attempt to relate the results of this analysis to the results of analysis of syndicator data on the types of properties that have been repositioned in the market.

Finally, we will use data from the interviews with property owners to understand further the motivations of owners, the effect of LIHTC use restrictions, and the effect of other use restrictions, market characteristics, and the roles of HFAs and other stakeholders in determining what happens to LIHTC properties. To the extent that we obtain rent schedules for NONPROG properties, we will supplement the analysis of syndicator and PIC Voucher data on the continuing affordability of LIHTC properties no longer under HFA monitoring. To the extent that we obtain financial statements for PROG properties, we will supplement the analysis of syndicator data on whether properties remaining in the program without additional allocations of LIHTC are financially sound and likely to continue to provide good quality, affordable housing.

**Appendix A. Allocating Agency Letter and
LIHTC Data Form**

DRAFT – Proposed Letter to LIHTC state allocating agencies to review and confirm LIHTC project as part of the LIHTC 15 year assessment

February ##, 2010

«PREFIX» «FIRSTNAME» «LASTNAME» «SUFFIX»
«TITLE»
«HFA_NAME»
«STREET1»
«STREET2»
«POBOX»
«CITY», «STATE» «ZIPCODE»«ZIPCODE2»

RE: HUD Study, Assessment of the Low Income Housing Tax Credit (LIHTC) Program After 15 Years

Dear «PREFIX» «LASTNAME»:

As you know, the Low Income Housing Tax Credit (LIHTC) is the principal mechanism for supporting the production of low-income rental housing today. Given the importance of the LIHTC, the U.S. Department of Housing and Urban Development (HUD) has commissioned a study about what happened to LIHTC properties after the first 15 years, when the original use restrictions for properties that received tax credit allocations before 1990 expired, and when some tax credit properties funded after that date also were able to leave the program. Abt Associates Inc. is under contract to HUD to conduct this study.

As part of this study, Abt Associates is reviewing and confirming data from your agency on the earliest years of the LIHTC Program included in the HUD National LIHTC Database. The years of interest include projects placed in service from 1987-1994. As you may recall, your agency has regularly been submitting data for the HUD National LIHTC Database, and last year, allocating agencies provided us with information on projects placed in service in 2007. The updated national database of projects placed in service from 1987-2007 will soon be available online at www.huduser.org/datasets/lihtc.html.

In order to complete this study of LIHTC properties that have reached the 15 Year mark, we are requesting your assistance in reviewing and confirming data on LIHTC projects placed in service from 1987-1994. This letter and the attached data collection form comprise our formal information request. The data collection form lists and describes the data collected for the HUD National LIHTC Database. Updated project information will be processed for HUD to include in the HUD National LIHTC Database. Please note that the LIHTC Data Form instructions ask for all building addresses or address ranges, and not just a representative address, for the database.

A member of the Abt Associates study team will contact you to review the study and this information request. We are prepared to work closely with your staff to provide materials to assist in the review of your agency's 1987-1994 LIHTC project data, including providing electronic data files or printed extracts from the HUD National LIHTC Database. As part of the data review, please let us know if there are any errors or inaccuracies in the data. We are also interested in:

- Clarifying the disposition of projects identified as no longer active in the LIHTC program, whether due to expiring use or other reasons;
- Collecting data on financing sources (HOME, CDBG, FHA multifamily loan insurance, and HOPE VI), tenant targeting, and building addresses. These data were first requested for projects that were placed in service in 2003; and
- Collecting data on the annual amount of tax credits allocated, rent levels and income ceilings relative to Area Median Income, financing amounts (HOME, CDBG, and HOPE VI), FHA multifamily loan insurance ID numbers, and information on the use of rental assistance programs. These data were requested for projects that were placed in service in 2006.

We realize that much of these additional data for the 1987-1994 projects may not be readily available. However, if your agency's data systems allow access to this information, we would like to collect them for this study and include them in an update to the HUD National LIHTC Database.

Thank you for your assistance. If you have any questions or concerns about this study and this data request, please do not hesitate to contact me. I may be reached by email at carissa_climaco@abtassoc.com or by phone at 617-349-2386.

Sincerely,

Carissa Climaco
Project Director
LIHTC 15-Year Study

cc: «PREFIX2» «FIRSTNAME2» «LASTNAME2», «TITLE2»

Enclosures: HUD LIHTC Database Data Collection Form

State: _____ Allocating Agency Name: _____

Project Identifying Number (if any): _____

Project Name: _____

Project Address: _____

(NUMBER) (STREET)

(CITY) (STATE) (ZIP)

Owner/Owner's Representative: _____

(FIRST NAME) (LAST NAME)

(COMPANY NAME)

(NUMBER) (STREET)

(CITY) (STATE) (ZIP)

(AREA CODE AND TELEPHONE NUMBER)

Annual Amount of Tax Credits Allocated: \$ _____

Number of *Total* Units: _____

Number of Total Units *by Size*: _____ = _____

OBR 1BR 2BR 3BR 4+BR Total

Number of *Low Income* Units: _____

What is the elected rent/income ceiling for Low Income Units in this Project? 50% AMGI ; 60% AMGI

Are any units set aside to have rents below the elected rent/income ceiling? Yes ; No

If "Yes," how many units _____

Year Placed In Service: _____

Year Project Received Allocation or Bond Issued: _____

Type (*check all that apply*): New Construction
 Rehab (with or without acquisition)

Credit Percentage (*check one*): 9% (70% present value)
 4% (30% present value)
 Both

Does this LIHTC project:	Yes	No
Have a non-profit sponsor?	<input type="checkbox"/>	<input type="checkbox"/>
Have increased basis due to qualified census tract/difficult development area?	<input type="checkbox"/>	<input type="checkbox"/>
Have tax-exempt bond financing?	<input type="checkbox"/>	<input type="checkbox"/>
Have a Rural Housing Service (FmHA) Section 515 loan?	<input type="checkbox"/>	<input type="checkbox"/>
Have HOME Investment Partnership Program (HOME) funds?	<input type="checkbox"/>	<input type="checkbox"/>
If yes, Amount of HOME Funds: \$ _____		
Have Community Development Block Grant (CDBG) funds?	<input type="checkbox"/>	<input type="checkbox"/>
If yes, Amount of CDBG Funds: \$ _____		
Have an FHA loan?	<input type="checkbox"/>	<input type="checkbox"/>
If yes, FHA Loan #: _____		
Form part of a HOPE VI development?	<input type="checkbox"/>	<input type="checkbox"/>
If yes, Amount of HOPE VI Funds: \$ _____		
Have a federal or state project-based rental assistance contract?	<input type="checkbox"/>	<input type="checkbox"/>
Target a specific population? (If yes, check all that apply)	<input type="checkbox"/>	<input type="checkbox"/>

Families Elderly Disabled Homeless Other _____

INSTRUCTIONS

State: *Enter the Postal Service two-character abbreviation for your state.*

Project Identifying Number: *Enter the number or code sequence that your agency uses to identify properties. This should be an identifier that will permit future identification of this project.*

Project Name: *Enter the name of the project, if one exists. Example: Westside Terrace Apartments. Do not enter a partnership name (e.g., Venture Limited II).*

Project Address: *Enter the complete address of the property, including address number and street name, city, state, and (if available) ZIP Code. If the project has multiple addresses (e.g., 52-58 Garden Street), please provide this information in the space provided or on a separate list specifying the project identifying number. Do not enter a P.O. Box.*

Owner's Contact Name, Address and Phone Number: *Enter the name, address and phone number of the owner or owner's contact person. This will often be a representative of the general partner. This information will be used for future mail or telephone contacts regarding the development. As such, we need an individual and company name and address as opposed to the partnership name.*

Annual Amount of Tax Credits Allocated: *Enter the total dollar amount of federal tax credits that may be claimed each year by the owners of this project.*

Number of Total Units: *Enter the total number of units in the project, summing across buildings if needed.*

Number of Total Units by Size: *Enter the number of units in the project (summing across buildings if necessary) that have 0, 1, 2, 3, or 4 or more bedrooms. Make sure the units sum to the total number of units in project.*

Number of Low Income Units: *Enter the number of units in the project (summing across buildings if necessary) that were qualified to receive Low Income Housing Tax Credits when the building(s) was/were placed in service.*

Elected Rent/Income Ceiling: *Indicate whether the project qualifies for tax credits with units set aside for tenants with income less than or equal to 50% of Area Median Gross Income (AMGI) or 60% of AMGI.*

Units Below Elected Rent/Income Ceiling: *Check yes if any units in the project have rent levels set below the elected maximum. If yes, enter the number of units which meet this criteria.*

Year Placed in Service: *Enter the year the project was placed in service. If this is a multiple building project, with more than one placed in service date, enter the most recent date. Placement in service date is available from IRS Form 8609, Item 5.*

Year Project Received Allocation or Bond Issued: *Enter the initial allocation year for which tax credits were awarded for the project. Allocation date is available from IRS Form 8609, Item 1a. If the project received multiple allocations, use earliest allocation year. If no allocation was required (i.e., 50 percent or greater tax-exempt bond financed) and IRS Form 8609 Item 1a is blank, enter the year the bond was issued.*

Type (New Construction or Acquisition/Rehab): *Enter the production type for which the project is receiving tax credits, i.e., a newly constructed project and/or one involving rehabilitation. If the project involves both New Construction and Rehab, check both boxes. (Construction type can be inferred from IRS Form 8609, Item 6. If box a or b is checked, the building is new construction. If box c and d or e is checked, the building is acquisition/rehab.)*

Credit Percentage: *Indicate the type of credit provided: 9% credit (70% present value) or 4% (30% present value). Maximum applicable credit percentage allowable is available from IRS Form 8609, Item 2. The entry on the 8609 is an exact percentage for the project and may include several decimal places (e.g., 8.89% or 4.2%). Please check the closest percentage -- either 9 or 4 percent. The box marked "Both" may be checked for where acquisition is covered at 4% and rehab at 9%.*

Non-profit sponsor? *Check yes if the project sponsor is a 501(c)(3) nonprofit entity. Use the same criteria for determining projects to be included in the 10 percent non-profit set aside.*

Increased Basis Due to Qualified Census Tract (QCT) or Difficult Development Area (DDA)? *Check yes if the project actually received an increase in the eligible basis due to its location in a QCT or DDA. Increased basis can be determined from IRS Form 8609, Item 3b. (Note: Projects may be located in a QCT or DDA without receiving the increase.)*

Tax-exempt bond financing? *Check yes if financing was provided through tax-exempt bonds. Use of tax-exempt bonds can be determined from IRS Form 8609, Item 4, which shows percentage of basis financed from this source.*

Rural Housing Service (RHS) Section 515 loans? *Check yes if the project was financed with a Rural Housing Service Section 515 direct loan.*

HOME or CDBG funds? *Check yes if the project was developed using HOME or CDBG funds, and provide the dollar amount of funds.*

FHA loan? *Check yes if the project has an FHA loan, and provide the FHA loan number.*

Part of a HOPE VI development? *Check yes if the project is part of a HOPE VI public housing revitalization effort, and provide the dollar amount of HOPE VI funds related to development or building costs only.*

Federal or state project-based rental assistance contract? *Check yes if the project has a signed contract for federal or state project-based rental assistance, subsidizing rent for low-income tenants.*

Population targeting? *Check yes if the project targets a specific population, such as families, elderly, people with disabilities, homeless, or other.*

PUBLIC BURDEN STATEMENT

Public reporting burden for this collection of information is estimated to average 1 hour for each response. This includes the time for collecting, reviewing, and reporting the data. The information will be used to measure the number of units of housing financed with the Low-Income Housing Tax Credit (LIHTC) that are produced each year. The information will also be used to analyze the characteristics of these housing units, and will be released to the public. This agency (HUD) may not collect this information, and you are not required to complete this form unless it displays a currently valid OMB control number.

Appendix B. Introductory Letter for Syndicators, Investors, and Owners

DRAFT – Proposed Letter from Carol Galante to LIHTC syndicators, investors, owners and others whom Abt and/or VIVA Consulting want to interview as part of the LIHTC 15 year assessment

February 26, 2010

To: LIHTC Syndicators, Investors, Owners

Subject: HUD Study, *Assessment of the Low Income Housing Tax Credit (LIHTC) Program after 15 Years*

I need your help with an important research project now underway to assess what has happened to Low Income Housing Tax Credit (LIHTC) properties after their 15-year compliance periods. The U.S. Department of Housing and Urban Development (HUD) has commissioned this study in order to understand (1) whether these projects remain affordable; (2) identify the types of properties that do not remain affordable; and, (3) the major factors that contribute to decisions made by property owners after these properties reach expiration.

The results from this assessment will help inform future policy and program efforts designed to advance affordable housing development nationwide. HUD believes that this study will also be of great interest to people actively working with tax credits, including syndicators, owners, investors, financial institutions, and public agencies.

HUD has retained Abt Associates Inc. and VIVA Consulting to undertake this evaluation of the LIHTC program. The product of the study will be a research report that HUD will make public after it is completed.

Your participation is strictly voluntary, and you may choose to discontinue participation at any time. Should you choose to join us, a member of our project team would like to speak with you about how your organization is dealing with LIHTC properties that reach year 15. The staff member may also be asking whether you have data and documentation about these expired properties available for review. The information gathered from you will be aggregated with other data and held in strict confidence. We would, however, like the researchers to include you in the list of people interviewed to demonstrate that their findings are based upon information from experts in the field.

I hope you will make time available to the Abt Associates and VIVA Consulting study team to assist with this assessment. HUD believes that the outcome of this evaluation of the LIHTC program will help to facilitate future research and policy making in the area of affordable housing.

Thank you,

Carol J. Galante
Deputy Assistant Secretary for Multifamily Programs

Appendix C. Syndicator Interview Guides

**LIHTC Year 15 Study
Syndicator Interviews
(revised January 22, 2010)**

Initial Exploratory Calls (approximately 2-3)

1. Explain the study briefly.
2. How would you describe your portfolio of early LIHTC (pre-1994) properties
 - a. Did it include many Farmer's Home projects?
 - b. Did it include many projects with project-based Section 8s?
3. Were most of your early TC investments done as public offerings to individuals or private offerings to institutional investors? If this changed over time, when did that occur and why?
4. Were many of your earliest properties (pre-1990) subject to extended affordability restrictions beyond 15 years? Do you know what were the primary sources of these restrictions: other financing (Farmer's Home, HOME, etc)? State agencies distributing the tax credits? Other sources (local land use restrictions, etc?)
5. Do you have a database that includes information about what has happened to your LIHTC properties that have reached Year 15? That is, whether there has been a disposition, and if so, what was the nature of the disposition? (GP purchase versus third-party sale, for example)
 - a. If you have such a database would you be willing to share it, confidentially, with the study?
 - b. Would this data include information on other major types of financing that the LIHTC projects had initially (e.g., Farmers Home, FHA, project based Section 8, etc?)
 - c. What other kind of information might be available in your database of post-Year-15 properties? Does it include information on property size, unit configuration, special populations served in the original project, property condition on disposition, etc?
6. Do you aggressively pursue Year 15 property dispositions? Do you usually initiate the process, or does the general partner? Do you begin planning for this in earlier years, e.g., years 13 or 14?
 - a. If you work actively to initiate property dispositions, why do you do this? E.g., to end reporting requirements and administrative burden?

7. Do you have a general set of goals or exit strategy when the initial limited partnerships end? For example, is your objective to end them as simply and quickly as possible? Minimize exit taxes for LPs? Maximize residual value and financial return? Manage a transition to new ownership? Or see whether your firm can play an ongoing role such as resyndicating the property?
 - a. Do your goals or strategy vary depending upon the type or location or the property or other variables? For example, whether there were individual or institutional investors, the market location, property condition, whether nonprofit or for profit GP/project sponsor?
8. When you are involved in the disposition of a Year-15 property, how much do you usually know about plans for the property's continued use? Would you know, for example:
 - a. Whether the property continued to be operated as affordable housing, under continued regulatory oversight (PROG)?
 - b. Whether the property was relieved of regulatory oversight, but continued to essentially serve the same population/income groups at the same rents (NON-PROG)?
 - c. Whether the property was repositioned to become market-rate rentals or condos, or was perhaps torn down altogether (NON-PROG)?
 - d. Whether the property has been resyndicated (PROG)?
9. [If respondent seems to know this]: What proportion do you think have remained affordable housing and what have not?
10. Do you have information on the new property owners? Do you have contact information for the new owners? Do you maintain any kind of on-going relationship with these new owners?
 - a. [If the respondent seems to have information on new owners]: Our study will involve interviewing a modest number of new owners of post-Year-15 properties around the country to learn about what happened to these properties and why. Would you be able to help us contact a modest number of the new owners of post-disposition properties?
11. [If respondent says they have good data about many or all early TC investments]: Would you be willing to participate in the study?
 - a. All information collected will remain strictly confidential. Findings will be reported only in the aggregate.
 - b. Participation in the study will involve, at a minimum, sharing database information (if available) and an hour-long telephone interview.
 - c. We will be following up with day-long visits to a more limited number of syndicators. We would hope to have the opportunity to interview individual asset managers or disposition team members both about your firm's general approach to disposition and about specific properties.

Phone Interviews (10 groups; approximately 1 hour each)

The questions for these interviews are divided into three major sections:

- A. Overview of Your LIHTC Portfolio**
- B. Your Approach to Projects At Year 15**
- C. Information about Your Projects Which Have Reached Year 15**

A. Overview of Your LIHTC Portfolio

1. Explain the study briefly and describe confidentiality policy
2. Can you briefly describe your overall LIHTC portfolio
 - a. How many properties and how many units are in it?
 - b. Does it have a geographic focus?
 - c. Are the general partners (or their sponsoring affiliates) generally nonprofits, for profits or a mix?
 - d. Is there any focus on specific resident populations, e.g, families, elderly, or people with special needs?
 - e. Do you know how many projects in your portfolio have been foreclosed? Do you see an increase in foreclosures?
3. How would you describe your portfolio of early LIHTC (pre-1994) properties
 - a. Did it include many Farmer's Home projects?
 - b. Did it include many projects with project-based Section 8s?
 - c. Were project sponsors mostly for-profits, nonprofits, or a mix?
4. Were most of your early TC investments done as public offerings to individuals or private offerings to institutional investors? If this changed over time, when did that occur and why?
5. Were many of your earliest properties (pre-1990) subject to extended affordability restrictions beyond 15 years? Do you know what were the primary sources of these restrictions: other financing (Farmer's Home, HOME, etc)? State agencies distributing the tax credits? Other sources (local land use restrictions, etc?)
6. We have some questions about the market characteristics of your early LIHTC projects in comparison to later ones:
 - a. What proportion of early projects are in strong versus weak market areas? E.g., could you estimate what proportion were located in areas with high housing demand versus low housing demand? How does this compare to later projects' locations?
 - b. What proportion of early projects are in high rent areas versus low rent areas? How does this compare to later projects' locations?

- c. What proportion of early projects received a basis boost for locating in a QCT (qualified census tract)? For locating in a DDA (difficult development area)? How do these compare to later projects' locations?
- d. Could you comment on the standards of design for the early projects? What proportion of early projects were built to modest design standards that are below those of the conventional rental market today? How does this compare to later projects' design standards?

B. Your Approach To Properties At Year 15

- 7. Do you aggressively pursue Year 15 property dispositions? Do you usually initiate the process, or does the general partner? Do you begin planning for this in earlier years, e.g., years 13 or 14 or even after Year 10 when the TCs end?
 - a. If you work actively to initiate property dispositions, why do you do this? E.g., to end reporting requirements and administrative burden?
- 8. Do you have a general set of goals or exit strategy when the initial limited partnerships end? For example, is your objective to end them as simply and quickly as possible? Minimize exit taxes for LPs? Maximize residual value and financial return? Manage a transition to new ownership? Or see whether your firm can play an ongoing role such as resyndicating the property?
 - a. Do your goals or strategy vary depending upon the type or location or the property or other variables? For example, whether there were individual or institutional investors, the market location, property condition, whether nonprofit or for profit GP/project sponsor?
 - b. Are exit taxes an issue for any/many (what proportion) of your early TC projects? How are they covered? Do you anticipate exit taxes being less of an issue for later projects? If so, why? E.g., they were covered in initial yield calculations; higher TC prices mean they are less of an issue, etc.?
 - c. Have you had properties sold through a Qualified Contract sales process? How many and in which states? How were the sales handled?
 - d. Do you think most (the majority, what percentage of) deals do or do not have much market value at Year 15? If not, why not? E.g., debt exceeds value; rents aren't sufficient to carry much real debt or barely cover operating costs; they were built modestly and don't meet current market standards for design or finishes; they haven't been well maintained; ongoing use restrictions limit their value, etc.
- 9. When you are assessing how to end limited partnerships at year 15, how do you go about preparing an assessment of the property's value? How do you document your exit analysis? If there is some market or residual value, are you obliged to try to realize it for limited investors? If so, how do you approach this?

10. Do you see many/any limited partners who are selling their shares on the secondary market before or after Year 10? Do you arrange such sales? If so, do you see any increase in them? If you have such sales, do they impact what happens at and after Year 15?
- If these sales have occurred, how many have there been?
 - If they have occurred, does your role continue or change?

C. Information About Your Properties that Have Reached Year 15

11. How many properties that have reached Year 15 have left your portfolio?
12. What information do you retain about the outcomes for post-year 15 properties that have been in your portfolio? (NOTE: for each of these questions, we should ask how accessible this information is: i.e., could it be retrieved from a database, or would it have to be researched through a case-by-case review of the files. I'm guessing that a – d could go either way, but that e & f will definitely need to be determined through deal memos, etc.)
- Will you know whether the property continues to be subject to compliance monitoring due to extended use LIHTC restrictions, based on its original financing? (PROG)
 - Will you know whether the property continues to be subject to compliance monitoring due to use restrictions from other sources in its original financing? (PROG, maybe)
 - Will you know whether or not the property has had a disposition? (DISPOSITION/NON-DISPOSITION)
 - Whether the property was relieved of regulatory oversight, but continued to essentially serve the same population/income groups at the same rents (NON-PROG)?
 - Whether the property was repositioned to become market-rate rentals or condos, or was perhaps torn down altogether (NON-PROG)?
 - Whether the property has been resyndicated (PROG)?
13. Do you have a database that includes information about what has happened to your LIHTC properties that have reached Year 15? That is, whether there has been a disposition, and if so, what was the nature of the disposition? (GP purchase versus third-party sale, for example)
- If you have such a database would you be willing to share it, confidentially, with the study?
 - Would this data include information on other major types of financing that the LIHTC projects had initially (e.g., Farmers Home, FHA, project based Section 8, etc?)
 - What other kind of information might be available in your database of post-Year-15 properties? Does it include information on property size, unit configuration, special populations served in the original project, property condition on disposition, etc?

14. What other information might you have on Year 15 properties? As in question 10, we will ask about each piece of information, whether it's available in readily accessible form through a database query, or whether it would need to be researched through an individual review of the files. *Note: We think it is unlikely they will have this information for properties that have been sold, unless they are involved in resyndicating them.*
- a. Term of LIHTC restrictions/extended use
 - b. Term of other original restrictions (other than LIHTC)
 - c. Sponsor types – profit/nonprofit; multiple properties v. single properties
 - d. Target populations (elderly, spec. needs, etc.) served by developments
 - e. Rehab needs at the time of refinance
 - f. Operating statements or audits for post-Y15 properties that have not yet undergone a disposition?
 - g. Operating statements or audits as of the time of disposition for post-Y15 properties that have already left the portfolio?
15. Do you have information on the new property owners? Do you have contact information for the new owners? Do you maintain any kind of on-going relationship with these new owners?
- a. Our study will involve interviewing a modest number of new owners of post-Year-15 properties around the country to learn about what happened to these properties and why. Would you be able to help us contact a modest number of the new owners of post-disposition properties?
16. [If respondent says they have good data about many or all early TC investments]: Would you be willing to share more detailed information with us, in a site visit to your office? *Note: If they have a data base but aren't willing or are unsure about a site visit, ask if they will share the data base with us, confidentially.*
- a. All information collected will remain strictly confidential. Findings will be reported only in the aggregate.
 - b. Participation in the study will involve, at a minimum, sharing database information (if available)
 - c. We will be following up with day-long visits to a more limited number of syndicators. We would hope to have the opportunity to interview individual asset managers or disposition team members both about your firm's general approach to disposition and about specific properties.

Site Visits (approximately 4-5 organizations)

Site visits should include 1-2 interviews with senior asset management or dispositions staff about general trends in dispositions, followed by individual meetings with asset management or dispositions staff about specific properties.

Recommend that we secure as much data in advance of the site visits as possible and that we send the questionnaires to syndicators & staff in advance.

Meeting with Director of Asset Management or other senior A.M. staff, regarding overall impressions of exiting properties. Note: if we don't already have the information, ask about the size and major characteristics of their LIHTC portfolio (see Questions 2, 3 and 6 for the phone interviews).

1. What portion of the portfolio of projects from 1992 and earlier is subject to use restrictions that are longer than the 15-year LIHTC period? (These questions try to identify how much we can count on this syndicator to identify PROG/NON-PROG properties.)
 - a. How many properties are subject to extended LIHTC restrictions? Properties from 1990 and earlier? Properties from 1990-1994?
 - b. How many properties are subject to use restrictions from other sources: USDA rural funding; project-based Section 8; HOME funds, longer state-required tax credit compliance, other state funding programs, local funding, land-use regulatory agreements? Do you collect and maintain information on these restrictions?
 - c. Are you aware of any properties that have taken steps to terminate on-going use restrictions? How has this worked?

2. In your role as asset managers, how much information do you have about the physical condition of the properties as they approach Year 15? If you do get this information, how would you characterize the physical condition of most properties as they reach the end of their compliance period? What proportions are:
 - a. In good physical shape, with needs readily met through existing reserves;
 - b. In poor condition, needing major capital improvements that can only be realized through an infusion of new capital;
 - c. Somewhere in between—acceptable but a bit tired?
 - d. Do you think the condition of many early TC properties is more problematic than later properties? If so, why is this? E.g., Is it because more of the early projects received only moderate rehab compared to later ones?
 - e. Do you know whether or not projects approaching Year 15 have reserve funds to tap for capital needs? If you know, what proportion of projects do you think have (1) little or no reserves, (2) modest reserves, (3) substantial reserves?

3. Do you think most (the majority, what percentage of) deals do or do not have much market value at Year 15? If not, why not? E.g., debt exceeds value; rents aren't sufficient to carry much real debt or barely cover operating costs; they were built modestly and don't meet current market standards for design or finishes; they haven't been well maintained; ongoing use restrictions limit their value, etc.
4. Please describe your overall policy or strategy regarding projects reaching the end of the compliance period.
 - a. Do you attempt to initiate a disposition as a matter of general practice? Or does this vary with ownership, market conditions, or some other aspect of the situation?
 - b. If you seek to end the limited partnerships as a matter of general practice, why do you do this?
 - c. Is an assessment of the highest-and-best use of the property a part of your disposition process? Do you actively seek disposition options that maximize real estate sale prices?
5. What are your overall impressions about projects that have completed the compliance period?
 - a. Have most undergone some sort of disposition?
 - i. For what proportion of properties does the GP or sponsor acquire the LP interests, or purchase the properties outright?
 - ii. In what kinds of situations do the GP/sponsors choose NOT to acquire the properties or LP interests? What other kinds of buyers have you found for these properties?
 - b. Who tends to initiate these dispositions – syndicator, investor, GP?
 - c. What motivates the different parties who might initiate a transition?
 - d. Do outcomes/dispositions tend to vary between nonprofit and for-profit sponsors? Strong versus weak markets? Partnerships with individuals v. institutions as investors?
6. For properties that do not transition ownership or undergo a major refinancing at the end of Year 15, do you continue to perform an asset management function? *Note: We suspect that there are not many properties in this category.*
 - a. Collect operating information?
 - b. Perform audits or file checks?
 - c. Monitor compliance with any post-LIHTC restrictions?
7. For properties that do not transition ownership or that are simply taken over and continue to be owned by the initial GP or its affiliate, do you have a sense of what the plans were for these properties?
 - a. How often were owners trying to re-position the property to take advantage of higher market rents or other market potential, i.e. condo conversion?
 - b. How often were owners trying to raise additional funds for major capital improvements? Do you know what sources were typically tapped?
 - c. Did you see properties that were torn down?

8. For properties that do transition ownership to someone other than the initial GP or its affiliate, in other words, which have been sold to a new owner:
 - a. What proportion try to re-position the property to take advantage of higher market rents or other market potential, i.e., condo conversion?
 - b. What proportion re-syndicate with a new infusion of LIHTCs? (How many 9%? How many 4%?)
 - c. Do you see many properties re-positioning to serve another low-income or special needs segment of the population?
 - d. Do you see any buyers who are purchasing large numbers of TC properties or entire portfolios? Who are they? Do you have any view of their objectives/motivations?
 - e. Have you had properties sold through a Qualified Contract process? Do know know how many and in which states? How were these sales handled?

Meeting with individual Asset Managers, working off a portfolio list of properties they have handled:

For each post-Year 15 property:

1. Based on the information you have about the new or continuing owner's plans for this property, can you tell us whether this property:
 - a. Continued to be operated as affordable housing, under continued regulatory oversight (PROG)?
 - b. Was relieved of regulatory oversight, but continued to essentially serve the same population/income groups at the same rents (NON-PROG)?
 - c. Repositioned to become market-rate rentals or condos, or was perhaps torn down altogether (NON-PROG)?
 - d. Has this property been resyndicated (PROG)?
2. Has this property undergone a disposition to someone other than the initial GP or its affiliate?
3. How would you characterize the original GP? Nonprofit? Small for-profit developer? Mid- or large-size private developer?
4. How would you characterize the rental market in which this property is located? E.g., weak demand, moderate demand, high demand? Rising, stable or falling rents?
 - a. How high are vacancy rates?
 - b. Are LIHTC rents appreciably lower than market rents, or are they comparable?
 - c. What is the general condition of the market's rental properties? Is quality at unrestricted properties better than, worse than, or comparable to the subject?
5. What financing did this property use during its original syndication? Do any of those sources involve affordability restrictions that outlast the 15 year TC compliance period?

6. Who initiated the disposition? What was their motivation?
 - a. To maximize economic value/profit
 - b. To serve an affordable housing or community development mission
 - c. To end an administrative burden
 - d. To free up capital for re-investment elsewhere

7. How much do you know about the property's physical condition on transfer? If you have this information, how would you describe the property's condition:
 - a. In good physical shape, with needs readily met through existing reserves; in poor condition;
 - b. Needing major capital improvements that can only be realized through an infusion of new capital;
 - c. Somewhere in between—acceptable but a bit tired?

8. As far as you know, did the refinance involve recapitalization and rehab? How would you assess the scope of the rehab performed? (Dollar value, overall description—*should we use a 1-to-3 or 1-to-5 scale?*)

9. How much do you know about the property's post-transfer use? Did the property remain affordable to a low- or moderate-income population? Was this affordability under any regular compliance review?

10. What other information can you provide about the disposition of this property? Do you have a disposition or deal memo that you can share with us?

11. Does your firm have any on-going role with this property?
 - a. If so, do you have access to post-LIHTC or post-transfer operating performance information? Will you share it with us? (Audits (if relevant); year-end statement of profit & loss, etc.) (*Note: this is extremely unlikely unless there has been no disposition, or unless the firm is involved in an on-going role due to a re-syndication, etc.*)

12. Can you provide contact information for the property's current owner so that we can attempt to interview him/her?

Appendix D. Broker Interview Guide

LIHTC Year 15 Study
Broker Interview Guide
(January 14, 2010)

Questions for Brokers Handling LIHTC Portfolio Dispositions

Introduction: Describe the study and its purpose; confidentiality

1. We understand that your firm has been involved in brokering the dispositions of LIHTC portfolios. How many LIHTC portfolio sales have you brokered? Approximately how many transactions, properties, units?
 - a. Do you handle sales of individual LIHTC properties or only portfolios? How many individual properties have you handled?
 - b. Are you seeing an increase in the number of sales transactions over time?
2. Please describe a typical transaction (any details you choose to divulge will be held in complete confidence):
 - a. How big was the portfolio? How many properties? How many units?
 - b. Who was the owner at the time? Nonprofit? For-profit?
 - c. Who bought the properties? What was their intended use?
 - d. Is there a typical profile to the transitions, e.g., types of markets, geographic location, property condition, etc.
3. Do sales of LIHTC properties or portfolios constitute a major portion of your business? Do you only handle transactions of a certain size – i.e., involving a minimum number of properties, units, potential sales price? Or are you focused on a certain geographic area or kinds of markets?
4. How do you get engaged in these deals? Who tends to seek you out – owners, syndicators, potential buyers?
5. What tends to motivate the sellers?
 - a. Desire to get cash from the sales?
 - b. Desire to exit the business?
 - c. Other reasons?
 - d. What proportion of sellers are for profits v. nonprofits?
6. What tends to motivate the buyers?
 - a. Secure property management contracts/work?
 - b. Reposition the properties and rent or sell for profit or cashflow?
 - c. Preserve affordability?
 - d. Other reasons?
 - e. What proportion of buyers are for profits v. nonprofits?

7. For the properties whose sale you broker, do the affordability restrictions tend to remain in place? Or do you and the buyer actively work to end those restrictions in order to increase the properties' value and options for repositioning?
 - a. Does this answer vary by property types, buyer or seller characteristics, or markets?
 - b. If you/the buyer do take steps to end affordability restrictions, how does that process typically work?
8. [Ask the following question if it seems relevant.] When affordability restrictions have ended, what do you see happening to the properties? E.g., they remain relatively affordable within the market, they are rehabbed and converted to higher end rentals; converted to condos; torn down and the site use changed?
9. For projects that remain affordable, what kinds of financing are typically used by the buyers to finance the acquisition?
 - a. Do they often use a new allocation of LIHTCs? If so, do you typically see 9% or 4% credits plus bond financing?
10. Do most properties need capital improvements? If so, would you characterize these as modest or substantial? Are they needed to reposition the housing up to today's market standards or to remedy deficiencies or worn out materials?
11. Would you be willing to share data with us on a sample of sale transactions, with appropriate assurances that all information will be held in strict confidence?
12. Would you be willing to put us in touch with buyers or sellers of LIHTC portfolios so that we can interview them for our study?

Appendix E. Owner Survey/Interview Guide

LIHTC 15-YEAR STUDY: INTERVIEW GUIDE FOR OWNER INTERVIEWS

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I. SCREENING AND BASIC PROPERTY INFORMATION (ALL RESPONDENTS)

I-1. Are you/is your company the owner of [name of property] at [address of property]?

YES

IF YES, CURRENT OWNER: If the current owner, were you also the owner of the property when it was originally placed in service under LIHTC?

YES, CONTINUING OWNER

NO, NEW OWNER

If address is wrong, enter correct address:

NO

IF NO, NOT CURRENT OWNER: If not the current owner, were you the owner when the property was first placed in service?

YES, owner when property was first placed in service (NEW OWNER)

NO

*If neither current nor former owner, **terminate** the interview. Ask if the respondent can give you name and contact information for current or former owner and try to interview.*

Based on these questions, determine whether to treat this as a NEW OWNER property or a CONTINUING OWNER property when asking further questions. Note that even if you're talking to the old owner, you should treat the property as a NEW OWNER property if it has a new owner. But try to talk to the new owner, if possible.

NEW OWNER

CONTINUING OWNER

I-2. Are you/is your company either the sole owner of the property or the general partner or sponsor of an ownership entity that also includes limited partners?

YES, sole owner or the GP or sponsor

NO

IF NO, not the sole owner or the GP, confirm that the respondent is in a position to discuss the property's status and decisions made about it. If not a good informant, ask for name and contact information for someone more appropriate.

I-3. My information shows that this property was placed in service in [year]. Is that correct?

YES

NO, *Correct placed in service year* _____

*If placed in service later than 1994, ask if the property was originally placed in service 1994 or earlier under an earlier allocation of LIHTC. If so, confirm or record both that date and the new PIS date; **terminate** and find a replacement property.*

I-4. My information also shows that this property [is no longer monitored by [name of HFA] for compliance with LIHTC rules/ continues to be monitored by [name of HFA] for compliance with LIHTC rules]. Is that correct?

YES, property is no longer monitored by HFA for LIHTC compliance

NO

Correct answer if needed, code the project PROG or NONPROG and use that to determine which further questions to ask (whether to use Section II, III, IV, or V).

PROG

NONPROG

I-5. My information shows that when the property was placed in service in [year] it **did not** have a Rural Housing Service Section 515 loan. Is that correct?

YES, there was no Section 515 when placed in service

IF YES, Did the property get a 515 loan at some time after the original placed-in-service date?

YES

NO

*Go on with the interview if got a 515 loan after original PIS or if property is NONPROG. Otherwise, **terminate** and find a replacement property.*

NO

IF NO, that is, the property had a RHS 515 loan when placed in service; **terminate and find a replacement property.**

I-6. My information shows that the property did not have project-based Section 8 subsidies or subsidies from a similar state or local project –based rental assistance program? Is that correct?

YES, there was no project-based Section 8 or similar

IF YES, Was Section 8 or other rental assistance attached to the property after the original placed-in-service date?

YES

NO

Go on with the interview if got rental assistance after original PIS

NO, there was project-based Section 8 or similar

IF NO (i.e., there was rental assistance), **terminate** if PROG and find a replacement property; if NONPROG, go on with the interview

I-7. My information shows that the property had x units, including: [unit distribution by number of bedrooms]. Is that correct?

YES

NO (ask for the correct unit count and enter it here)

I-8. When originally placed in service, was the property targeting any particular population group—e.g., elderly, special needs?

YES

IF YES, what group? _____

NO

I-9. My information shows that the property was [new construction/rehabilitation]. Is that correct? *Note to interviewers: if a new owner does not know answers to some of these historical questions, you may have to seek an interview with the original owner. For data filled in from HFA records, accept the HFA information if new owner does not know.*

YES

NO (corrected answer) _____

IF REHAB:

I-9a. Was the property converted from non-residential to residential use?

YES

NO

I-9b. Was the tax credit taken on acquisition costs or just on rehab?

ACQUISITION COSTS

JUST ON REHAB

I-9c. Was the rehab substantial or light?

SUBSTANTIAL

LIGHT

I9c1. Was it more than \$20,000 per unit?

YES

NO

I-10. My information shows that the sponsor of the property was a [for profit/non profit]. Is that correct?

YES

NO (corrected answer)

I-10a. Approximately how many units does the sponsor now own, altogether, including this property?

_____ Number of Units

I-10b. [If not sure of total units], was the sponsor an owner of more than 100 units?
More than 400 units?

MORE THAN 100 UNITS

MORE THAN 400 UNITS

I-10c. If the sponsor was some other type of owner, please explain.

I-11. My information shows that the tax credit allocation/award for the property was made in [year]. Is that correct?

YES

NO (corrected answer) _____

I-12. When this property was financed under LIHTC, was it syndicated, sold to one or more corporate investors, or sold to individual investors?

SYNDICATED

IF SYNDICATED, Can you tell us the name of the firm which syndicated the tax credits in the property?

Name of Firm _____

CORPORATE INVESTORS

IF CORPORATE INVESTORS, Can you tell us the name(s) or the corporate investors?

Name of Firm _____

INDIVIDUAL INVESTOR FUND

IF INDIVIDUAL INVESTOR FUND, Can you tell us the name of the fund?

Name of Fund _____

I-13. Since the original LIHTC allocation was made [before 1990/after 1989], this property [was able to leave the program after 15 years with no further restrictions required by the Internal Revenue Service/was able to leave the program after 15 years but additional use restrictions applied up to year 30]. Is that correct?

YES

NO

Code as 15 year property or 30 year property and use that designation when choosing some of the questions in the following sections.

15 YEAR PROPERTY

30 YEAR PROPERTY

I-14. What financing was used in the original financing in addition to tax credits? For example, did it use HOME funds, CDBG funds, state or local own source funds, charitable funds, was it an RTC sale?

I-14a. Did any of these funding sources require longer terms of affordability than 15 years? Please explain.

I-14b. Were there any other regulatory restrictions on the length of time during which the property would be subject to affordability restrictions? For example, was there a land use restriction agreement? Please explain.

II. NONPROG/CONTINUING OWNER (PROPERTIES ONLY)

How and Why Left Program

- II-1. How did you come to stop reporting data on compliance with LIHTC program rules to the HFA? How did that work? What notifications or approvals did you need? How long did it take? *[May have to explain that we're defining leaving the program as being no longer subject to LIHTC use restrictions and no longer reporting to the HFA]*

- II-1a. [30 year properties] How were you able to leave the program if subject to the extended, 30-year use restrictions?

- II-2. Have you taken all or part of the property to market since leaving the program—that is, have you altered the income mix of tenants, did you raise the rents beyond what LIHTC would have permitted, did you convert the property to condos rather than rental housing? Was all or any part of the property demolished or converted to non-residential use? Please explain. *If not taken to market, skip to question II10, but come back here if you decide later if the property was taken to market.*

- II-2a. Was all or part of the property changed?

- II-2b. Did taking the property to market include changing the target population—e.g., no longer intended to serve elderly, special needs, families, if one of those was the original target population?

II-3. Please describe how the decision to take the property to market was made. For example, who participated in this decision and how did that play out? Was the decision made when the property was first placed in service under LIHTC, as 15 years approached, at a later time?

II-4. What were the reasons for conversion? For example, was it done because of market opportunities (higher rents/more cash flow), to convert of the property to other residential or non-residential use? Were there other financial reasons, such as loss or change of rent subsidies or other financing? Please explain.

II-5. Did the conversion include refinancing? Did the property have unmet capital needs? What role did that play in the decision to convert? Please explain.

II-6. Were any approvals needed from the HFA, other public agencies, or other financing entities to change the use of the property? Were any approvals needed from local government? If so, explain how they worked.

II-6a. Did the HFA try to persuade you to keep the property affordable?

YES

IF YES, how?

NO

II-6b. Did you modify your plan as a result of their efforts?

YES

IF YES, how?

NO

II-7. Did local government try to influence the changes?

YES

IF YES, how?

NO

II-8. Did local community organizations and/or residents of the property play a role in the decision-making or approvals? Please explain.

II-9. Are there any circumstances in which you would have kept the entire property affordable rental housing? Please explain.

II-10. If you have not taken the property to market, why not? For example, rents already at market, sponsor mission, influence of local government or community groups. Explain what influenced your thinking and how.

Current Status of the Project

II-11. If the property has remained rental, what is the current residential rent schedule for the property?

RENTS FOR 0 BR UNITS _____

RENTS FOR 1 BR UNITS _____

RENTS FOR 2 BR UNITS _____

RENTS FOR 3 BR UNITS _____

RENTS FOR 4 BR UNITS _____

RENTS FOR OTHER _____

II-12. Can you provide financial performance information (one year of audited or year-end operating statements) for this property?

YES

NO

Plans for Other LIHTC Properties

II-13. If you have other LIHTC projects which have not yet reached 15, do you think you will leave them under HFA monitoring or try to leave the LIHTC program? Will convert the properties to market or leave them affordable? Why?

III. NONPROG/ NEW OWNER (PROPERTIES ONLY)

Leaving the Program and Changing Ownership

III-1. What year did the property change ownership?

_____ YEAR

III-1a. Was that before or after the property passed its 15 year date?

BEFORE

AFTER

III-2. Was leaving the program [no longer being subject to LIHTC use restrictions and reporting to the HFA] part of changing ownership or done before the ownership was changed?

Note to interviewers: if the new owner does not know the answer to some of these historical questions, you may have to seek an interview with the original owner.

PART OF CHANGING OWNERSHIP

DONE BEFORE CHANGING OWNERSHIP

IF BEFORE CHANGING OWNERSHIP:

III-2a. How did that work? What notification or approvals were needed?

III-2b. How long did it take?

III-2c. **[30 YEAR PROPERTIES]** How was the property able to leave the program if subject to the extended, 30-year use restrictions?

III-3. Describe the mechanism used to accomplish the ownership transition in [year] (e.g., GP bought out LP; sale to a new entity)? Do you know whether this change was anticipated and agreed upon in the original agreements between the GP and the LP, such as in their partnership agreement?

III-4. What approvals, if any, were needed from the state tax credit regulatory agency or other public agencies for the disposition of the property? Were any approvals needed from local government? Explain how they worked.

III-5. Are you [is the new owner or its sponsoring affiliate] for profit or a non-profit?

FOR PROFIT

NON-PROFIT

III-5a. Approximately how many units do you own, altogether, including this property?

_____ Number of Units

III-5b. [If not sure of total units], are you an owner of more than 100 units? More than 400 units?

MORE THAN 100 UNITS

MORE THAN 400 UNITS

III-5c. If some other type of owner, please explain.

III-6. When ownership changed, was it syndicated or sold to one or more corporate investors or individual investors?

SYNDICATED

What is the identity of the new syndicator?

NAME _____

CORPORATE INVESTORS

What is the name of the new corporate investor?

NAME _____

INDIVIDUAL INVESTORS

OTHER. Please explain:

III-7. Is there any relationship between the previous sponsor(s) and current owners/sponsor(s)?

YES

IF YES, please explain:

NO

III-8. If the new GP or its sponsor was a nonprofit, was there a bargain sale to it?

YES

IF YES, Please explain:

NO

III-9. Did the LP have to pay exit taxes and, if so, were these covered through sales proceeds paid to it? Were there any sales proceeds net of expenses and, if so, how were they split between GC and LP?

III-10. Did the original documents on the property such as the partnership agreement or possibly an option-to-purchase or right of first refusal for the GP define how a 15 year sale/disposition would be handled? If so, what was originally defined and was this scenario followed at the disposition, or was something different done?

III-11. Other than syndication proceeds, what were the sources of refinancing for the acquisition? Was there property tax relief? Did any of these sources carry with them any sort of new or extended regulatory limitations or requirements? Explain.

Repositioning the Property

III-12. Did you [the new owner] take all or part of the property to market— that is, have you altered the income mix of tenants, did you raise the rents beyond what LIHTC would have permitted, did you convert the property to condos rather than rental housing, did you demolish the original building and devote the site to another use? Please explain. *If not taken to market, skip to question III-20, but come back here if you decide later if the property was taken to market.*

III-12a. Was all or part of the property changed?

- ALL OF PROPERTY CHANGED
- PART OF PROPERTY CHANGED

III-12b. Did taking the property to market include changing the target population—e.g., no longer intended to serve elderly, special needs, families?

YES

NO

III-13. Did the property need significant repairs/rehab at 15 years or since then?

YES

IF YES:

III-13a. What kind of repairs/rehab were needed (e.g., updating systems, modernizing units to meet current standards, meeting current codes, etc.)?

III-13b. Were these completed?

YES

NO

III-13c. What was the approximate cost per unit?

_____ Cost Per Unit

III-13d. How were the repairs financed? Did this include any public subsidies? What were they?

III-13e. What role did the property's capital needs play in the decision to convert? Please explain.

III-14. Please describe how the decision to take the property to market was made. For example, who participated in this decision and how did that play out? Was the decision made at the time the property changed ownership or at a later time?

III-15. What were the reasons for conversion? For example, was it done because of market opportunities (higher rents/more cash flow), to convert of the property to other residential or non-residential use? Were there other financial reasons, such as loss or change of rent subsidies or other financing? Please explain

III-16. What approvals, if any, were needed from the state tax credit regulatory agency or other public agencies for the repositioning of the property? Were any approvals needed from local government?

III-16a. Did the HFA try to persuade you to keep the property affordable?

YES

NO

III-16b. How?

III-16c. Did you modify your plan as a result of their efforts?

YES

NO

III-17. Did local government try to influence the changes? If so, how?

YES, Explain:

NO

III-18. Did local community organizations and/or residents of the property play a role in the decision-making or approvals?

YES

NO

III-19. Are there any circumstances in which you would have kept the entire property affordable rental housing?

III-20. If you have not taken the property to market, why not? For example, rents already at market, sponsor mission, restrictions associated with the new financing, influence of local government or community groups.

Current Status of the Project

III-21. If the property has remained rental, what is the current rent schedule for the property?

RENTS FOR 0 BR UNITS _____

RENTS FOR 1 BR UNITS _____

RENTS FOR 2 BR UNITS _____

RENTS FOR 3 BR UNITS _____

RENTS FOR 4 BR UNITS _____

RENTS FOR OTHER _____

III-22. Can you provide financial performance information (one year of audited or year-end operating statements) for this property?

YES

NO

Plans for Other LIHTC Properties

III-23. Do you own any properties currently monitored by an HFA for LIHTC compliance?

YES

NO

III-23a. What do you plan to do with those properties?

III-24. Do you plan to acquire other LIHTC properties?

YES

NO

III-24a. What do you plan to do with those properties?

IV. PROG/CONTINUING OWNER (PROPERTIES ONLY)

Remaining in the Program

- IV-1. **[15-YEAR PROPERTIES]** Given that the LIHTC use restrictions lasted only 15 years for this property, why did you decide to maintain the affordability of the property and continue to report to the HFA on program compliance? E.g., organizational mission, community commitment, formal or legal agreements other than LIHTC restrictions.

- IV-2. **[15 YEAR PROPERTIES]** Did you ever consider changing all or part of the property to market use? If you did, why didn't you pursue the change? Please explain. For example, market wouldn't support higher rents, HFA or other entity offered inducements to stay in, owner/sponsor commitment to affordable housing.

- IV-3. **[30-YEAR PROPERTIES]** Did you ever consider trying to leave the program and change all or part of the property to market use?

YES

IF YES, why didn't you pursue the change? Please explain. For example, market wouldn't support higher rents, process of finding a qualified borrower was too difficult, HFA or other entity offered inducements to stay in.

NO

IF NO, why not? E.g., organizational mission, community commitment, formal or legal requirements.

IV-4. Did the original documents on the property such as the partnership agreement or possibly an option-to-purchase or right of first refusal for the GP define how a 15 year sale/disposition would be handled?

YES

IF YES, what was originally defined and was this scenario followed?

NO

Current Status of the Property

IV-5. Has the residential use of the property changed since it was created? E.g., was the income mix of tenants altered? (Note: if a property was initially mixed income, there might have been changes in the mix, even if the affordable portion has not altered).

IV-6. What is the current rent schedule for the property?

RENTS FOR 0 BR UNITS _____

RENTS FOR 1 BR UNITS _____

RENTS FOR 2 BR UNITS _____

RENTS FOR 3 BR UNITS _____

RENTS FOR 4 BR UNITS _____

RENTS FOR OTHER _____

IV-7. Is the current rent schedule higher relative to the LIHTC maximum rents [i.e., closer to the maximum] than when the property was first placed in service?

YES

IF YES, how and why did that happen?

NO

IV-8. Has the target population of the property changed—e.g., elderly, special needs, families?

YES

IF YES, how and why did that happen?

NO

IV-9. Has the property been refinanced since it was first placed in service under LIHTC 15?

YES

IF YES:

IV-9a. Why was it refinanced? (E.g., to pay for repairs, to qualify for rent subsidies, etc.)

IV-9b. Using what sources, including public sources (HOME, CDBG, etc.) and what amount from each source?

IV-9c. Did any of these sources carry with them any sort of new or extended regulatory limitations or requirements?

NO

IV-10. Did the property need significant repairs/rehab at 15 years or since then?

YES

IF YES:

IV-10a. What kind of repairs/rehab were needed (e.g., updating systems, modernizing units to meet current standards, meeting current codes, etc.)?

IV-10b. Were these completed?

YES

NO

IV-10c. What was the approximate cost per unit?

_____ Cost Per Unit

IV-10d. How were the repairs financed?

NO

IV-11. Is the property meeting your expectations for cash flow or financially stable operations?

YES

NO

IV-12. Do you think the property reserves are adequate for its ongoing repair/rehab needs? Over what period of time do you think you will be able to meet the property's needs for further capital investments? Do you expect it will need to be refinanced in the next five to ten years?

IV-13. Can you provide financial performance information (one year of audited or year-end operating statements) for this property?

YES

NO

IV-14. Do you plan to sell the property?

YES

IF YES, Explain:

NO

IV-15. Do you plan to request a new allocation of LIHTC? When? How will you go about doing that? Do you think you will succeed?

V. PROG/NEW OWNER (PROPERTIES ONLY)

Changing Ownership

V-1. What year did the property change ownership?

_____ YEAR

V-1a. Was that before or after the property passed its 15 year date?

BEFORE

AFTER

V-2. Describe the mechanism used to accomplish the ownership transition in [year] (e.g., GP bought out LP; sale to a new entity)?

V-3. Do you know if the original documents on the property such as the partnership agreement or possibly an option-to-purchase or right of first refusal for the GP defined how a 15 year sale/disposition would be handled?

DON'T KNOW

YES

IF YES, what was originally defined and was this scenario followed at the disposition, or was something different done?

NO

V-4. What approvals, if any, were needed from the state tax credit regulatory agency or other public agencies for the disposition of the property? Were any approvals needed from local government?

V-5. Are you [is the new owner] for profit or a non-profit?

FOR PROFIT

NON-PROFIT

V-5a. Approximately how many units do you own, altogether, including this property?

_____ Number of Units

V-5b. [If not sure of total units], are you an owner of more than 100 units? More than 400 units?

MORE THAN 100 UNITS

MORE THAN 400 UNITS

V-5c. If some other type of owner, please explain.

V-6. When ownership changed, was it syndicated or sold to one or more corporate investors or individual investors?

SYNDICATED

What is the identity of the new syndicator?

NAME _____

CORPORATE INVESTORS

What is the name of the new corporate investor or investors?

NAME(s) _____

INDIVIDUAL INVESTORS

V-7. Is there any relationship between the previous sponsor(s) and current owners?

YES

NO

V-8. If the new GP or its sponsor was a nonprofit, was there a bargain sale to it?

YES

NO

V-9. Did the LP have to pay exit taxes and, if so, were these covered through sales proceeds paid to it? Were there any sales proceeds net of expenses and, if so, how were they split between GC and LP?

V-10. Besides syndication proceeds, what were the other sources of financing when you bought the property, including public sources (HOME, CDBG, etc)?

V-10a. What was the amount from each source?

V-10b. Did any of these sources carry with them any sort of new or extended regulatory limitations or requirements?

Remaining in the Program After Sale

V-11. **[15 YEAR PROPERTIES]** How did you make the decision to continue to maintain the affordability of the property and continue to report to the HFA on program compliance?

V-11a. Was that part of your purpose in buying the property?

- YES
- NO

V-11b. Is it part of your organizational mission or commitment to the community?

YES

NO

V-11c. Were there formal or legal agreements that influenced this decision?

YES

NO

V-12. **[15 YEAR PROPERTIES]** Did you ever consider changing all or part of the property to market use?

YES

IF YES, why didn't you pursue the change?

MARKET WOULDN'T SUPPORT HIGHER RENTS

HFA OR OTHER ENTITY OFFERED INDUCEMENTS TO STAY IN

OTHER REASONS

NO

V-13. **[30 YEAR PROPERTY]** Did you ever consider changing all or part of the property to market use?

YES

IF YES, why didn't you pursue the change? Please explain. For example, market wouldn't support higher rents, finding a qualified borrower was too difficult, HFA or other entity offered inducements to stay in.

NO

IF NO, why not? E.g., organizational mission, community commitment, formal or legal requirements.

Current Status of the Property

- V-14. Has the residential use of the property changed since it was first created as a LIHTC property? E.g., was the income mix of tenants altered when you bought the property? (Note: if a property was initially mixed income, there might have been changes in the mix, even if the affordable portion has not altered).

- V-15. What is the current rent schedule for the property?

RENTS FOR 0 BR UNITS _____

RENTS FOR 1 BR UNITS _____

RENTS FOR 2 BR UNITS _____

RENTS FOR 3 BR UNITS _____

RENTS FOR 4 BR UNITS _____

RENTS FOR OTHER _____

- V-16. Is the current rent schedule higher relative to the LIHTC maximum rents [i.e., closer to the maximum] than when the property was first placed in service? Has the rent schedule changed relative to the LIHTC maximum rents since you bought the property? If so, how and why did that happen?

- V-17. Has the target population of the property changed—e.g., elderly, special needs, families?

YES

IF YES, how and why did that happen?

NO

V-18. Has the property been refinanced since it was first placed in service under LIHTC 15?

YES

IF YES:

V-18a. Why was it refinanced? (E.g., to pay for repairs, to qualify for rent subsidies, etc.)

V-18b. Using what sources, including public sources (HOME, CDBG, etc.) and what amount from each source?

V-18c. Did any of these sources carry with them any sort of new or extended regulatory limitations or requirements?

NO

V-19. Did the property need significant repairs/rehab at the time you bought it+ or has it needed significant repairs since then?

YES

IF YES:

V-19a. What kind of repairs/rehab were needed (e.g., updating systems, modernizing units to meet current standards, meeting current codes, etc.)?

V-19b. Were these completed?

YES

NO

V-19c. What was the approximate cost per unit?

_____ Cost Per Unit

V-19d. How were the repairs financed?

NO

V-20. Is the property meeting your expectations for cash flow or financially stable operations?

YES

NO

V-21. Do you think the property reserves are adequate for its ongoing repair/rehab needs? Over what period of time do you think you will be able to meet the property's needs for further capital investments? Do you expect it will need to be refinanced in the next five to ten years?

V-22. Can you provide financial performance information (one year of audited or year-end operating statements) for this property?

YES

NO

V-23. Do you plan to sell the property?

YES

IF YES, Explain:

NO

V-24. Do you plan to request a new allocation of LIHTC?

YES

IF YES:

V-24a. When?

V-24b. How will you go about doing that?

V-24c. Do you think you will succeed?

YES

NO

NO

VI. OWNER VIEW OF NEIGHBORHOOD AND MARKET (ALL RESPONDENTS)

VI-1. How would you describe the location of the property? E.g., rural, suburban, inner city neighborhood, other central city neighborhood, small town?

VI-2. How would you generally describe the condition of the surrounding neighborhood with regard to:

Physical Conditions (Good, Deteriorated, Mixed)

Security (e.g., High, Medium Or Low Crime Rates)

VI-3. **[CONTINUING OWNERS]** Has the neighborhood changed significantly since the property was first placed in service under the LIHTC program?

YES

NO

VI-3a. If it has changed significantly, how has it changed?

VI-4. **[NEW OWNERS]** Has the neighborhood changed significantly since you bought the property?

YES

NO

VI-4a. If it has changed significantly, how has it changed?

VI-5. How would you describe the residential real estate market in which the property is located? E.g., not much demand, steady demand or weak demand for rental housing,

VI-5a. What are vacancy rates?

VI-5b. Are rents and values in the area stable, increasing, decreasing?

STABLE

INCREASING

DECREASING

VI-5c. Are tax credit rents lower, higher, or comparable to unrestricted rents?

LOWER

HIGHER

COMPARABLE

VI-6. Have market conditions changed [since the property was first placed in service under the LIHTC program/since you bought the property?]

YES

IF YES, How did they change and when did that happen?

NO