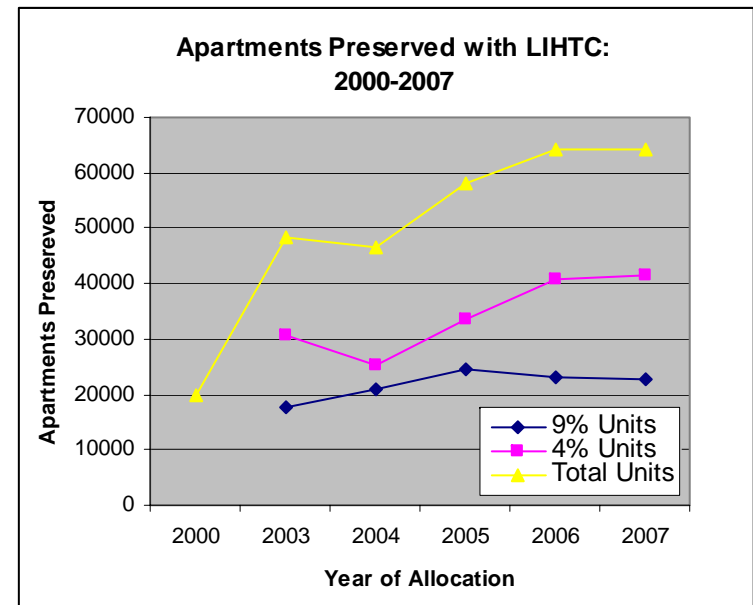




## State and Local Housing Preservation Initiatives (Updated Summer 2008)

As the nation grapples with an affordable housing shortage made more acute by the unfolding mortgage crisis, preservation of existing affordable apartments is more important than ever. The National Housing Trust confirms that state and local policy makers around the country continue to direct significant resources to preservation. Though incentives for the preservation vary widely across states, overall trends remain positive. **States around the nation continue to recognize that preservation is a common sense, vital response to America's affordable housing shortage, and are harnessing a diverse set of financial and regulatory tools to preserve affordable housing for future generations:**

- *47 states prioritize preservation in their Low Income Housing Tax Credit allocation programs.*
- *25 states maintain competitive tax credit set-asides explicitly for preservation.*
- *A majority of states dedicate a portion of their 4% tax credits and private activity bonds to preservation.*
- *38 states maintain housing trust funds that finance preservation and rehabilitation.*
- *More than two-thirds of states provide incentives for green building and energy efficiency, and a growing number have established green threshold requirements in their affordable housing finance programs.*
- *Most states provide incentives for sustainable communities and transit-oriented development..*



These incentives have successfully encouraged developers to preserve their existing affordable housing stock: Between 2000 and 2007, the number of affordable units preserved through Low-Income Housing Tax Credits increased fourfold, from 20,000 apartments in 2000 to more than 64,000 in 2007. **Over the last 5 years, tax credits have helped preserve more than 280,000 affordable apartments.** Please join us as we continue to advocate for resources to preserve and rehabilitate our nation's affordable housing.

**For information on specific states, please visit our website at [www.nhtinc.org](http://www.nhtinc.org). If you have information that would update or add to our state information, please contact Tracy Kaufman at [tkaufman@nhtinc.org](mailto:tkaufman@nhtinc.org) or 202-333-8931 ext. 29.**

National Preservation Initiative



# **Rhode Island**

## **Affordable Housing Preservation in 2008**

### **Low Income Housing Tax Credits (9% Tax Credits)**

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In the 2008 QAP, priority will be given to properties involving the substantial rehabilitation of deteriorated residential properties (substantial rehabilitation entails construction/rehabilitation costs in excess of 50% of replacement value).

For a building to be substantially rehabilitated, the expenditures during any 24-month period must be at least the greater of: (a) 10% of the depreciable basis of the building determined as of the first day of the 24-month period; or, (b) an average of \$3,000 per low income apartment. Exceptions may apply for properties acquired from government entities and "expiring use" properties. Rhode Island may also provide an exception to their 10 year placed in service restriction for expiring use properties.

### **Private Activity Bonds with 4% Tax Credits**

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The Rhode Island Housing and Mortgage Finance Program has experienced an increase in the use of a state program that uses tax exempt bonds and 4% tax credits to finance the preservation of or refinancing of Section 8 properties with Rhode Island Housing mortgages. These properties must stay affordable for up to 40 years beyond the expiration of the current affordability restriction. In exchange, owners of pre-1980 deals receive access to half of the property residual receipts account, the remainder goes to a state affordable housing trust fund.

Rhode Island Housing has preserved a significant amount of affordable housing over the last several years using its private activity bond cap with 4% tax credits.

### **State & Local Housing Trust Funds\***

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In 2006, Rhode Island published a five year strategic housing plan in which identifying a permanent revenue source to fund the Housing and Conservation Trust was listed as a top priority.

### **Other Preservation Incentives**

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Rhode Island Housing finances "the purchase of or refinance of existing Section 8 apartments in exchange for extending the affordability restrictions beyond the term of the original HAP contract. This program also can give Section 8 owners access to a property's residual reserves."

Non-profit developers are eligible for short term loans which can be used to cover pre-development costs including feasibility and market studies or to provide capital for acquisition costs.

RIH's Preservation Program is intended to provide owners or buyers of Section 8 developments with incentives to maintain these developments as quality affordable housing for a period of 40 years beyond any current use restrictions. Certain procedures are established to obtain the RIH's approval of mortgage loans, additional financing, distributions of residual receipts, and the allocation of tax credits, which are intended to further these objectives. The primary sources of financing are tax-exempt bonds, proceeds from the sale of 4% LIHTC's and the development's existing reserves. Taxable loans are also available if owners choose to refinance without a sale.

In July 2006, Rhode Island's governor signed legislation strengthening the state's "rights of first refusal" law. Before opting out of the Section 8 program, owners must now offer to sell the property to the tenant association, the state's housing finance agency, the local housing authority, and the municipality.



# ***Rhode Island***

## **Affordable Housing Preservation in 2008**

### **Green Multifamily Preservation Initiatives**

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#### ***Green Incentives in State Tax Credit Allocation Plan***

Rhode Island's 2008 QAP encourages conservation of energy and materials in construction and rehabilitation. All developments are required to abide by the state's Design and Construction Standards. These standards require Energy Star certification and appliances.

#### ***Other Green Incentives Relevant to Preservation***

Incentives include an income tax credit for renewable energy systems and a sales tax exemption/property tax exemption for renewable systems.

*See the complete Green Multifamily Working Paper at NHT's Green Preservation site: [www.nhtinc.org/pub\\_pol\\_green.asp](http://www.nhtinc.org/pub_pol_green.asp)*

### **Sustainable Communities & Transit-Oriented Development Incentives**

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Preference is given to developments located in a qualified census tract and which will contribute to a concerted community revitalization plan in qualified census tracts.

According to the QAP, the proposed site, including any existing improvements, must support the market population in terms of desirability of location; environmental quality; adequacy of utilities and transportation; proximity to civic, social and commercial services; and appropriateness of the proposed development to the specific site.

***\*PLEASE NOTE: Some of the information on housing trust funds included in this report was generously provided by the Housing Trust Fund Project of the Center for Community Change.***