

**THE LOW-INCOME HOUSING
TAX CREDIT PROGRAM:**

**A National Survey
of Property Owners**

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October, 1999

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October 29, 1999

**Prepared for the Office of Policy Development and
Research, U.S. Department of Housing and
Urban Development**

C-OPC-18483, TO#6
UI# 06637-006-00

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ACKNOWLEDGMENTS

We would like to acknowledge and thank those who helped with the design and conduct of the LIHTC Owners Survey and with the review of this report. Joseph Howell of Howell Associates, Jan Lasky of the National Equity Fund, and Jack Kerry of The Kerry Company provided useful information and help at the design stage of the study. Duane McGough made significant contributions to the design of the owners survey questionnaire. Marie Pogozeleski, Cindy Maus, and others at Aspen Systems Corporation prepared the questionnaire for computer-assisted telephone interviewing, pre-tested the survey, and administered it. Maria Ugincius, Charlene Wilson, Mary Cunningham, Michelle DeLair, Stefan Freiberg, Diane Hendricks, and Tim Ware provided data-related and other assistance. John Marcotte offered statistical support at all stages of the study. Michael Stegman of the University of North Carolina gave us useful comments on a draft of this report. And, at the Urban Institute, Margery Turner, Avis Vidal, Sandra Newman, and Chris Walker provided valuable commentary on drafts of various parts of the report. At HUD, Stacy Jordan, John Ross, Fred Eggers and Kurt Usowski gave us helpful comments and advice over the course of the study. The authors, of course, are solely responsible for errors of commission or omission.

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EXECUTIVE SUMMARY

Background

The Low-Income Housing Tax Credit (LIHTC) program is today the federal government's primary tool for producing rental housing intended to be affordable by low- and moderate-income households. It relies on incentives built into the tax system, is administered primarily by state agencies, and is implemented by thousands of private businesses and non-profit organizations. It is perceived by many to be less bureaucratic and stigmatized than predecessor housing production programs.

This is a report on a national telephone survey of those who developed and own tax-credit properties placed in service between 1992 and 1994—seasoned properties that are far enough into their compulsory compliance period to be of interest. The objective in conducting the survey was to begin to learn more about owners' development objectives, the performance of their properties, and what they intend to do with them when the compliance period is over, among other issues. Auxiliary purposes were to test the utility of an existing database for surveying LIHTC properties, and to experiment with the use of survey research methods to obtain various kinds of information from owners.

Many of the observations from the survey may come as little surprise to practitioners who have firsthand familiarity and experience with the program. For others, however, the survey provides basic, systematically collected information that will contribute to continued public dialogue regarding this likely-to-be-expanded federal housing production program.

Key findings

- **Who are the owners?** There is considerable variation among property owners. Three of every 10 are non-profit organizations and the remainder are primarily for-profit businesses. A majority works in a single state in multiple neighborhoods, but some are active in only one neighborhood while others engage in activities in multiple states or across urban, suburban, and rural locations. A large majority had substantial previous development experience before developing a tax-credit property, although some had no prior development experience whatsoever. Most produced only one tax-credit property between 1992 and 1994, and seven of every 10 owners have developed more tax-credit properties since that time.

- **What are some characteristics of their properties?** There is also considerable variation among properties. While there appears to be no predominant type, tax-credit properties tend to be small, newly constructed as opposed to rehabilitated, and generally managed by their owners. Tax-credit properties range in size from one to almost 300 units, averaging 36 units—33 for those owned by for-profit entities and 47 for those owned by non-profits. Spread across urban, suburban and rural locations, more of the properties developed in the early 1990s were in central cities than in other places, and the fewest were in suburban areas. In addition to newly constructed properties, there is also a significant cluster of larger rehabilitated properties situated primarily in central cities. Properties are intended to serve families (including single-parent families), elderly persons, and disabled persons, with a small proportion serving specialized populations such as the homeless, farm workers, recovering addicts, or persons with HIV/AIDS. Although not required by program rules, the incentives are such that almost all rental units in tax-credit properties are dedicated to low-income occupancy—low income as defined by the program.

- **What are owners' development and locational objectives?** Owners maintain that financial as well as civic or social reasons motivated their development decisions. Given a choice, however, more of them claim civic or social reasons like helping low-income people or addressing a problem property for having gone into a tax-credit deal than financial reasons such as development fees—including about one-third of for-profit entities. Market and experience factors, as opposed to public agency incentives, are owners' primary considerations in having decided where to locate their properties. In terms of LIHTC-program incentives, two of every five properties are located in "Difficult to Develop Areas" or "Qualified Census Tracts," with those developed by non-profits, those in central cities, and those involving rehabilitation more likely than their counterparts to be so located. Less than three of every 10 owners whose properties are in such areas, however, say these designations were important locational considerations.

- **What are owners' sources of equity, development financing, and public support?** Development arrangements for tax-credit properties can be extremely complex, and vary considerably from deal to deal. About four in 10 owners of early decade properties obtained tax-credit equity entirely through a syndicator, 36 percent entirely through direct placement, and the remainder through a combination of these or other means. In a large majority of cases owners contributed some amount of equity themselves to the development, with other equity contributors being banks or lenders, corporations, individual investors and, in a few cases, non-profit organizations. Types of development financing sources included, in order of frequency of use, tax-credit equity, below-market-rate debt, market-rate debt, and various public and private resources. Most, but not all owners used their tax-credit equity for development financing,

since it can also be used to offset future tax liability associated with property operations. Deals generally consisted of many combinations of multiple types of financing sources, with over one in five deals involving as many as four or more types of sources. The most common types of public support received by early decade owners were Community Development Block Grant (CDBG) funds, reduced or abated property taxes, and Federal Home Loan Bank Affordable Housing Grants. CDBG, for example, was involved in 16 percent of all deals—in nine percent of those done by for-profit entities and 42 percent of those done by non-profit organizations.

- **How do owners assess the effects of tax credits and allocation agency priorities?** The vast majority of owners regard tax credits as being integral to the deal. They used the program primarily because tax credits made the deal economically feasible, less so to make it possible to achieve lower rents, and least of all because it was required by other funders. Owners generally recall having made no significant changes to their original development plans so as to accommodate the state agency priorities that were used to judge development proposals in the early 1990s.
- **How are owners' properties performing?** On all but one of several measures, properties are meeting owners' performance expectations, and are considered likely to continue to do so or improve in the future. One in every four owners, however, expressed concern about cash flow performance, and owners of 14 percent of all properties believed theirs to be less profitable than comparable properties in the area—with this figure going as high as 21 percent for properties in central cities. While overall occupancy in tax-credit properties is very strong, eight percent of early decade properties have vacancy rates of 10 percent or more, and two percent have vacancy rates of 20 percent or more—although some portion of this is a function of renovation underway or simply the fact that a few vacancies in small properties translate into high rates.
- **What are owners' future plans?** In 14 percent of early decade properties a group or organization has been designated as having a right of first refusal to purchase the property should ownership decide to sell it. While many owners report not having plans for the disposition or use of their properties in the post-compliance period, the majority has such plans. In most cases, the plan is to maintain the property for low-income occupancy. In a small minority of cases, however, termination of low-income use is anticipated. Properties that are not meeting cash flow expectations or whose financial performance is believed likely to get worse in the future are more frequently considered for cessation of low-income use than are properties with better current or projected financial performance.

- **What are owners' general views of the tax-credit program?** Most owners see the LIHTC as a means for making deals financially feasible, have no regrets about using it, resubmit development proposals when they are initially turned down, want more tax credits made available, and intend to use the program further. That notwithstanding, many complain about the program's rules and complexity, and about too much regulation, paperwork, and compliance monitoring. From the owners' perspective, therefore, the LIHTC is beneficial yet overly bureaucratic and regulated—the latter view decidedly the antithesis of its public reputation.

Further Research Issues

A number of policy and methodological issues emerging from the survey have implications for continued owner-oriented research on the LIHTC.

Policy issues. Several issues follow from the survey data, and others from the analytic limitations imposed by the size of the owners sample. First, in talking with developers and owners about their development plans and their future plans for the properties, it is clear that additional information is needed on the variation in partnership structures that are utilized in the LIHTC program. Knowing more about how deals are structured—what each party to the deal contributes, the responsibilities of each, and what asset benefit each receives—is important to being able to assess the incentives that attract partners and frame their respective short- or long-term interests in the property. Second, it is necessary to gather more detail than could be obtained in a brief survey on the need for, uses of, and costs of the multiple subsidies (whether below-market-rate debt, public supports of various kinds, or other forms of assistance) that are involved in tax-credit deals beyond those provided by the program.

There are also policy issues that could not be analyzed further using the owners survey because of sample size constraints. Among them are questions about property performance and future plans. Additional attention needs to be paid to the fraction of properties not performing well, including learning more about what their owners are considering and doing about them. Likewise, the group of properties whose owners are considering taking them out of low-income use—given the opportunity—should be further examined from both performance as well as incentive and motivational perspectives to see what can be done about preserving these affordable housing resources.

Methodological issues. To be able to continue to do research on the tax-credit inventory, it is necessary not only to compile a list of properties placed in service since 1994—as HUD is currently doing—but also to update and maintain the list of properties placed in service prior to that time. Old or incomplete information can add expense and bias to surveys. Absent good property lists, the only other sources of data are the state allocating agencies or the major syndicators who provide equity and other services to some portion of owners. While those are good sources, provided information is

forthcoming, there are limits to what can be obtained from them. The ability to contact owners directly and secure their input is equally important.

Also, future surveys might benefit from the experience of this survey with respect to the attempt to interview owners. Almost one-third of those who were contacted refused to participate for one reason or another. It is important, therefore, to look for constructive ways to increase response rates among owners.

Finally, while larger-scale surveys are necessary and appropriate for making estimates about the full universe of tax-credit properties and owners, they should be supplemented with other techniques designed to obtain more in-depth information. Semi-structured interviews with smaller samples of owners or focus groups with different types of owners, for example, would complement nicely the kinds of information that have been, and can be, gathered by cross-sectional surveys.

Section 1:

INTRODUCTION

For over a decade the Low-Income Housing Tax Credit (LIHTC) program has been the federal government's primary vehicle for producing rental housing that is affordable to low- and moderate-income households. Partly because it is an "off budget" program involving tax incentives, partly because of its decentralized administration by state (and in a few instances local) agencies, and partly because its benefits are provided through thousands of private businesses or organizations,¹ there has been little empirical study of the LIHTC.² That is now changing, however, as the program's prominence and potential has grown. The survey reported on in these pages—the first of its kind nationally—was done for the U.S. Department of Housing and Urban Development (HUD), which has responsibility for conducting research to better understand the nation's affordable housing delivery system. The survey looks at the tax-

¹ In some instances, public agencies are also involved as developers and owners.

² The studies that have been done include: *Evaluation of the Low-Income Housing Tax Credit, Final Report* (1991) by ICF, Inc; *Nonprofit Housing: Costs and Funding* (1993), sponsored by the U.S. Department of Housing and Urban Development; *Tax Credits: Opportunities to Improve Oversight of the Low-Income Housing Program* (March 1997) by the U.S. General Accounting Office; *The Low-Income Housing Tax Credit: The First Decade* (May 1997), by Ernst & Young, supported by the National Council of State Housing Agencies; and, *Building Affordable Rental Housing: An analysis of the Low-Income Housing Tax Credit* (February 1998) by Jean Cummings and Denise DiPasquale of City Research, supported by the National Community Development Initiative.

credit program from a unique and important perspective—that of property developers and owners (hereafter, “owners”³).

What is known about tax-credit owners to date tends to come from practitioners’ firsthand accounts of LIHTC deals rather than from a body of systematically collected information. As such, there are numerous things to discover about the national roster of owners—including who they are, their primary development objectives, how they structure their deals, how they respond to incentives built into the program, how they assess the performance of their properties, what they intend to do with their properties over the long run, and what they think of the LIHTC program. As topics for study, some of these issues seem relatively straightforward while others are considerably more challenging to research. How are owners’ motivations or long-term intentions to be gauged, for example? Or how can the often-complex partnership and financial arrangements that comprise tax-credit deals be usefully summarized and classified?

Anyone who is familiar with the tax-credit program knows there is no single or simple way to learn about some of these topics. The program is far too complicated. Because the existing base of knowledge is so limited, however, it is necessary to begin somewhere. Notwithstanding the limitations inherent in such a method, HUD determined that an initial national telephone survey of owners was the best way to do so.

While the primary objective of the survey was to start the process of systematically learning about tax-credit owners and their perspective on the program, that was not its only objective. The study was also intended to test the utility of an existing data base for sampling LIHTC properties or owners, and to experiment with the use of a survey medium to assess its value for obtaining information about the program. Sections 2 through 9 of this report summarize what has been learned from the survey. The remainder of this section describes the

³ According to Hecht, “The difficult aspect of the low-income housing tax credit is that nonprofits want to own and maintain control over the future use of a property beyond the compliance period...; yet the tax credit is only useful to for-profit entities in order to offset current or future tax liabilities and only available to for-profit entities if they, and not the nonprofit, own the low-income property. To resolve this problem, tax credit projects usually are owned by limited partnerships.” See Bennett L. Hecht, *Developing Affordable Housing: A Practical Guide for Nonprofit Organizations* (New York, John Wiley & Sons, 1994), p. 149. See also pp. 285-295 for a full discussion of the distinctions among ownership entity types. Owners of tax-credit properties can include anyone who can legally claim LIHTC on their income tax returns. In many cases, the limited partnerships consist of these “equity investor limited partners” as well as lower-tier general partner(s) and upper-tier general partner(s). A partnership agreement details the percentage of ownership of each partner of each of the asset benefits (financing fees, cash flow, appreciation, tax benefits, a development fee and a management fee) and the responsibilities of each, including who may speak for the partnership—generally the managing general partner. (Jack Kerry, The Kerry Company, personal communication to the authors.) For this survey, interviews were attempted with the managing general partner or someone designated as being in a position to speak authoritatively on behalf of the controlling ownership entity.

Low-Income Housing Tax Credit program, explains the method used to survey tax-credit owners, and reports briefly on the experience of conducting the survey.

Program overview. The Tax Reform Act of 1986 created LIHTC program to respond to a need for rental housing production in a then changing housing policy environment. Having abandoned several rental housing production programs that had involved appropriated funds of one kind or another, the federal government sought alternative avenues for increasing the supply of affordable housing. This occurred at a time in which there was a growing policy emphases on devolution and increased reliance on the private market to provide public benefits. Accordingly, the LIHTC program involved lower tiers of government and allowed the market to dictate to a certain extent when, where, and what kinds of affordable housing were needed. The LIHTC offers private developers incentives to build low-income rental housing by giving them tax credits—distributed through allocating agencies—that they can use to reduce their tax liability, or sell to others to reduce theirs, in exchange for meeting certain affordability requirements.

Each state (or, in a few instances, local) allocating agency, normally a housing finance agency (HFA), receives an allocation of tax credits every year from the Internal Revenue Service (IRS), equal to \$1.25 per state resident.⁴ States then use guidelines they have previously established, based on federal regulations and their own priorities, to distribute their tax credits among developers who have submitted development plans to the HFA for low-income rental housing—including both new construction and rehabilitation. To receive these credits, developers must adhere to affordability (compliance) periods and to periodic monitoring by the HFAs to ensure their properties are developed according to plans and serve low-income tenants for the appropriate time period.

Program eligibility requirements. To ensure that tax credits are used for low-income housing development, the federal government established minimum requirements that each LIHTC project must meet. States have the option of setting more stringent requirements for projects within their boundaries, but these must at least meet the federal standard.

Each LIHTC owner sets aside a minimum proportion of units for low-income tenants for the plan to qualify. This must include at least 20 percent of units for individuals with incomes 50 percent or less than area median income, or at least 40 percent of units by individuals with incomes 60 percent or less than area median income. The gross rent paid by families in designated low-income units may not exceed 30 percent of the applicable qualifying income.

⁴ This amount of tax credit per capita has not been increased since 1986 and has, thus, decreased in value due to inflation since the program began.

Property owners select the minimum set-aside requirement at the time the property is placed in service, and this minimum must be met within 12 months of that date and for a period of at least 30 years after the first taxable year in which the credit is claimed. Owners can opt to end this low-income use and convert their properties to market rate after a 15-year period, however they must first allow the HFA to attempt to sell the property to another owner who will maintain its low-income use. HFAs monitor properties throughout their compliance period to ensure they are meeting their low-income set-aside requirements. Owners whose properties are found non-compliant can have their tax credits recaptured by the IRS.

‘The deal’ and the actors involved. The benefits of tax credits spread farther than to just the low-income tenants who enjoy new or revitalized rental housing units. Tax credits make a complicated journey through many hands that all enjoy some benefit—financial or otherwise—from them.

Once the IRS issues its annual allocation of tax credits to HFAs, the latter then request submissions of proposals from developers. Proposals must meet LIHTC and HFA eligibility requirements. Non-profit and for-profit organizations, small businesses and large corporations, and individuals as well as limited partnerships can compete for this pool of tax credits, and they are evaluated by HFAs on a plan’s soundness and consistency with state priorities. Developers pool a variety of resources to create “the deal” that finances a tax-credit project. Total development costs are the sum of all permanent financing for a project—specifically equity, a first mortgage, and gap-financing.⁵ Included can be market-rate conventional or subsidized below-market-rate first mortgages, second loans or grants from a variety of public or private sources, in-kind benefits, and various kinds of equity including that generated by tax credits.⁶

Developers can use the tax credits in various ways to decrease project costs. A first option, not widely exercised, is to reduce the organization’s tax liability by the amount of the credit each year, for a 10-year period. A second option is to sell some or all of the tax credits directly to investors,⁷ who pay the developer the present value of the tax credit.⁸ Developers can then use that money up front for development costs or for some other purpose, and investors can use the stream of tax credits they purchased to reduce their own tax liability for 10 years.

⁵ Cummings and DiPasquale, *op. cit.*, p.16.

⁶ In addition to LIHTC equity (from people or corporations that can use the tax credits), there is non-LIHTC equity, including from non-profit or government sources.

⁷ In fact, what is sold is ownership interest in a property, entitling the owners to the tax credits.

⁸ Non-profit entities need either for profit or individual investor partners with tax liability for the LIHTC to work.

A third option, similar to the second, involves syndicators who act as intermediaries between developers and investors. Syndicators create a marketplace in which sellers can receive cash for their tax credits, and investors can purchase tax credits pooled from a variety of sources or from one person. Syndicators provide other services to both developers and investors, including legal, administrative, and monitoring functions when needed, and receive fees for these services.

Calculating the credit. To better understand why a developer would utilize the tax credit and its incentives, it is important to first understand how the LIHTC is calculated. A series of tax bases are used to determine the exact amount of LIHTC tax credit to be awarded. The amount of tax credit an owner may receive is directly related to the proportion of rental units made available to low-income tenants.

First, an *eligible basis* is calculated, which consists of the cost of new construction, the cost of rehabilitation, and the cost of acquisition of existing buildings. A *qualified basis* is then calculated, based on the eligible basis, and the percentage of dedicated low-income units that will be available.⁹ The higher the percentage of low-income units, the higher the percentage of eligible costs the developer may receive credits for. The incentive, then, exists for dedicating a higher percentage of units for low-income use than the minimum set-aside required by law.

The tax law provides approximately a 9-percent credit for new construction and major rehabilitation expenditures over a 10-year period for projects not otherwise federally subsidized. Federally subsidized developments that involve minor renovations or that involve acquisition only can receive approximately a 4-percent tax credit.¹⁰ The dollar amount of the *yearly tax credit* is computed by multiplying the qualified basis amount by the appropriate credit percentage.¹¹ Developers can receive an increase in their qualified basis and, thus, the tax credit amount if they choose to locate their development in an area considered a Qualified Census Tract (QCT) or a Difficult to Develop Area (DDA). A tract is considered a QCT if 50 percent or more of its households are below 60 percent of area median gross income (AMGI). A DDA designation is granted for areas with high construction, land, or utility costs relative to the AMGI. If a developer chooses to build in a QCT or DDA, the qualified basis originally computed

⁹ The formula is: eligible basis X low-income units / total units = qualified basis.

¹⁰ For new construction and major rehabilitation, the actual credit is a 70 percent present value to the federal government, or approximately 9-percent credit per year over 10 years. For federally subsidized, minor rehabilitation, or acquisition-only developments, the actual credit yields a present value of 30 percent, or approximately a 4-percent credit per year over 10 years. The 9-percent and 4-percent credit amounts vary over time, depending on the discount rate employed.

¹¹ The formula is: qualified basis amount X credit percentage = tax credit amount.

would be increased by 30 percent. The amount of tax credit received is then calculated using this increased qualified basis. The end result is an increase in the tax credit for buildings located in qualified tracts.

LIHTC production: 1992-1994. A lack of basic data on the universe of tax-credit properties, and the consequent difficulty of creating a national sample of properties to study, is one explanation for the fact that there has been relatively little research conducted on the LIHTC program. The National Council of State Housing Agencies (NCSHA) collects data from its members, the state HFAs, but reports only allocated, not placed-in-service, units, and not all states provide complete information.¹²

To fill this gap, HUD funded a study in 1996 to assemble, from HFAs, a list of properties developed under the LIHTC since its inception.¹³ Carried out by Abt Associates, the goal was to create a centralized source of basic information on the LIHTC program that could also be used for additional research on the program. The effort was not entirely successful, however, as Abt encountered some HFAs that had no staff time to respond to a request for information, and a few HFAs that simply refused to participate. In some instances, Abt was able to supplement data that had been provided by cooperating HFAs with similar data being gathered by the U.S. Government Accounting Office (GAO) for a concurrent study.¹⁴ While property data collected for the earliest years of the tax-credit program were not considered by Abt to be sufficiently complete to be dependable, data for the years 1992 to 1994 were considered more reliable.¹⁵ A profile of properties placed in service between those years, based on the HUD/Abt database, is shown in Table 1.1.

¹² As a result, NCSHA estimates may overstate tax-credit production by as much as 45 percent based on other estimates. The differences are summarized in Jean Cummings and Denise DiPasquale, *Building Affordable Rental Housing: An Analysis of the Low-Income Housing Tax Credit* (Boston: City Research, February 1998), p. 8.

¹³ See *Development and Analysis of the National Low-Income Housing Tax Credit Database*, U.S. Department of Housing and Urban Development, September 1996.

¹⁴ *Ibid.*, pp. 2-4.

¹⁵ *Ibid.*, pp. 2-7.

**TABLE 1.1: SELECTED CHARACTERISTICS OF THE
LIHTC PORTFOLIO, 1992-1994**

Portfolio Characteristics	Placed-in-Service Year			All Properties 1992-1994
	1992	1993	1994	
Number of properties	1,349	1,348	1,290	3,987
Number of units	49,931	59,825	58,290	168,046
Average ratio of qualifying-to- total units	97.5%	97.7%	98.2%	97.8%
Average number of bedrooms	1.6	1.7	1.6	1.7

The owners survey. Using the HUD/Abt database, a national sample of owners was selected and interviewed by telephone for this study—the first such use of the database. The universe for the sample was restricted to properties placed in service in the years 1992-1994¹⁶—to the extent to which they are included in the database.¹⁷ The strategy devised for the survey involved aggregating properties by ownership entities.¹⁸ The unit of observation for the

¹⁶ It was also presumed that the older the property, the greater the deterioration in both quality of contact information with which to locate the owner and owner recall of the development planning process. Finally, it was expected that owner response rates would drop precipitously with the age of the property.

¹⁷ Included in the database, as an attribute of each property, is a variable identified as the owner or owner's representative, including a contact person's name, a company name and address, and a telephone number. To redefine the property database into a universe of developers requires having this information. It is missing, however, in 13 percent (528) of the cases. According to Abt Associates, this information was not provided by state allocating agencies and could not be obtained despite considerable effort to fill in missing data. It was not possible to recover this within the scope of the present survey. This would have required going back to state allocating agencies or using the property address in the database to attempt to trace the owner entity. Originally, the state agencies were unable to provide this information at Abt's request, and many of them consist of small apartment buildings, unlikely to have an office or superintendent on site or a central telephone number to facilitate a trace. The missing properties are located in 14 states. In some of the 14, all of the owner information is missing (e.g., in New York, where all 109 developments are missing such information) while, in others, only some of it is missing (e.g., in California, where there are 154 cases of available owner information and 85 cases of unavailable information). On the reasonable assumption that most of the properties for which there is missing owner data were developed or owned by entities not involved in other 1992 to 1994 LIHTC deals that are included in the database, the universe for the survey is, of necessity, less than the full national inventory of LIHTC owners. Excluded entirely are LIHTC properties developed in the states of Arizona, Iowa, Montana, New York, Utah and Wyoming. In addition, there are large amounts of owner data missing from the states of California, Georgia, Ohio, and Wisconsin, and very small amounts missing from the states of Maryland, Minnesota, New Jersey, and Pennsylvania. Twenty-four percent of the properties placed in service in 1994 have missing owner/owner representative information, compared to 8 percent in 1992 and 1993, respectively. Twenty one percent of the properties owned by non-profits have missing owner/owner representative information, compared to 16 percent of properties developed/owned by for profit entities. Sixteen percent of the properties with 40 or more units are missing owner/owner representative information, compared to 14 percent of properties with between 10 and 39 units and 8 percent of properties with less than 10 units.

¹⁸ Starting with the property-based database, the data were reorganized according to the ownership information available for each property. Included as possible data elements for each property entry are the following: (1) the name of each property's owner or owner's representative; (2) the name of the owner's company; (3) the address of

survey, therefore, is a business or organization that developed and/or owns rental property benefiting from the LIHTC program during the 1992 to 1994 period.

There are 1,735 owners in the database, 1,178 of whom placed one property in service between 1992 and 1994, and 557 of whom placed multiple properties in service during that period.¹⁹ Combined, these entities own 3,479 properties.²⁰ Of those that owned multiple properties, the range is from two to 50, with a mean of 4.13 and a median of 3.

Although the sample frame consists of owners, many of the questions asked of owners deal with their experience with a tax-credit property. From both respondent-burden and respondent-cooperation perspectives, it seemed inappropriate to ask owners of multiple properties to answer questions about each of their properties. Questions asked of owners, therefore, were limited to only one, randomly selected property among their total 1992-1994 LIHTC portfolio. Consequently, the survey database contains two sets of weights, one for inferences to the universe of owners and the other for inferences to the universe of properties. Weights are necessary because of the multi-stage design of the sample.

Since it was reasonable to expect non-profit owners to have a different set of objectives, motivations, and plans for their properties than for-profit owners, the sample was stratified by ownership sector.²¹ Telephone contact was made with 460 tax-credit owners; 146 refused to

the company; and (4) a telephone number. This information was used to redefine the database into a universe of owners. While most owners who placed properties in service between 1992 and 1994 are associated with only one such property, about one-third owns multiple properties—with one for profit owner having placed in service as many as 50 tax-credit properties during that period. Therefore, the property-based database was separated into three subsets: those that were designated as having non-profit sponsorship; those designated as having for profit sponsorship; and those lacking a sponsorship designation. Any project record missing all four identifying attributes was removed from the database, since there was insufficient information to make contact with that owner by mail or phone. A property address is generally not useful unless there is a management office or official to whom a letter could be addressed. Furthermore, it would not be known in advance if that property were developed or owned by an organization or company that owns other LIHTC properties placed in service during the 1992-1994 period. The properties were then linked if they matched on any of the four identifying items, resulting in a database of owners.

¹⁹ This determination is made by matching name, address, or telephone numbers in the owner variable. However, it is possible that an ownership entity with multiple names and/or business addresses is accounted for as separate entities, and that the relationship among them might only become known at the interview stage if the same respondents were telephoned multiple times and mentioned that fact. This situation will affect sampling probabilities; its impact can only be determined after the survey is completed.

²⁰ This is less than the total number of properties in the database because some of the property entries did not contain sufficient information to make an ownership determination.

²¹ Because only 20 percent of the properties in the database were known to have been developed by non-profit organizations, a random sample would likely have produced too few such owners for certain analytical purposes—assuming a proportionate share of owners involved with only one 1992-1994 LIHTC property and with multiple properties. To be able to make estimates with reasonable precision required stratification by profit/non-profit sponsorship, the selection of a disproportionately larger number of non-profit sponsors than their share of the universe, and appropriate weighting of the sample to account for this. Stratification is complicated by the fact that the database contains a fair amount of missing data on the non-profit sponsorship variable. Of 3,479 LIHTC properties

participate in the survey, and interviews were conducted with the remaining 314—183 of whom are for-profit entities and 126 of whom are non-profits.²² Their businesses or organizations are located in 43 states and the District of Columbia, and their properties are located in 40 states and the District of Columbia.²³ Attempts were made to speak with the managing general partner of the limited partnership that owns the subject property, although this was not possible in every case.²⁴ Owners were advised in writing and orally that HUD was sponsoring the survey and that their answers would only be reported in the aggregate—that is, that their responses would be kept confidential.

While the size of the sample is relatively small for certain estimation and analytical purposes, the survey is solid. Validation efforts in which sample statistics are compared with universe parameters from the HUD/Abt database, for example, generally indicate a remarkably good match between the two. For the purpose of beginning to learn about the owners of tax-credit properties and their perspective on the program, therefore, the survey generated valid and useful information—as presented in Sections 2 through 9, below.

The sample size is somewhat small, in part because of difficulties experienced in using the database and, in part, because of the reluctance of some owners to be interviewed and to provide information. As a guide for subsequent research, therefore, these issues are addressed briefly below.

Using the HUD/Abt database for survey research purposes. As previously noted, because of incomplete submissions to Abt Associates by HFAs, contact information on some properties and owners is missing from the database. Furthermore, some of the contact information in the database, compiled in 1996, is now outdated in several respects. These

placed in service between 1992 and 1994 for which owner information is available, sponsorship status was not known for 30 percent of the cases (1,047 of the properties). Sample stratification, therefore, involved selection from three groups—those reported to be non-profit sponsors; those reported to be for profit sponsors, and those whose sponsorship was unknown. During the interview, all respondents were asked whether their organization is profit or non-profit, and weights were assigned to account for the differential probability of selection.

²² The remaining owners include a public agency and four entities for which information is incomplete or missing.

²³ Interviews were conducted by telephone between April and June, 1999, with the average taking 33 minutes. Prior to this, two pre-tests of the instrument were done with small samples of owners of properties placed in service in 1991.

²⁴ If it was not possible to speak with the managing general partner, interviews were held with someone else who could speak knowledgeably and authoritatively on behalf of that partnership. This was necessary because respondents were asked general questions about the firm or organization itself, as well as specific questions about the locational, financial, and physical attributes of the entity's LIHTC property—including about the rationale behind various development decisions that may have been made up to eight years ago, for property performance assessments relative to development-stage expectations, and about the ownership entity's future plans for their property.

include changes of address, companies or organizations that are no longer in operation or that are no longer involved with the tax-credit property, and knowledgeable individuals who are no longer associated with the company or organization. Considerable effort was made to locate potential respondents based on the information available, but this process was costly.²⁵ On what would have been a reasonable budget for a larger-scale telephone survey based on complete, accurate, and up-to-date contact information, then, the resulting sample size was smaller than hoped for—thereby limiting the possibilities for certain types of multivariate analyses. Updating and maintaining this valuable information base would contribute to future research requiring contact with owners.

Use of a telephone survey for interviewing owners. While some federal government surveys mandate participation, this survey was entirely voluntary on the part of tax-credit owners. It was conducted as efficiently as possible from a respondent's perspective—allowing tax-credit owners to select a time most convenient to them to be interviewed, giving them ample written pre-notification of the survey, using computer-assisted telephone interviewing (CATI) technology to ensure smooth administration,²⁶ and limiting the interview to 30 minutes to ease respondent burden.²⁷ Yet the number of refusals was very high.²⁸ Some owners indicated it was company policy not to participate in surveys in general, or telephone surveys in particular. For others, the interview time was too long, or the company or organization had limited staff resources to commit to an interview. Some refused to participate in anything sponsored by

²⁵ Pre-survey telephone verification calls were placed to owners whose telephone numbers were listed in the database to check to see if the contact information was valid, and prior to sending letters to them advising them of the survey. For listings without telephone numbers, an attempt was first made to obtain numbers through directory assistance. Directory assistance was also used to obtain numbers in cases where those listed in the database were non-working or wrong, sometimes due to the fact that the owner had moved or changed telephone numbers. In addition, attempts were made to use Internet site *www.555-1212.com* to search for correct numbers or area codes, if those proved to be incorrect. Owners no longer associated with identified properties were asked if they could provide updated information about those properties. Pre-survey notification letters stating the purpose of the survey and the type of information sought were sent to all potential respondents whose address information had been verified. Letters were also mailed to contacts with complete address information but who could not be reached after a daytime and evening telephone call to attempt to verify that data (i.e., when there was no answer, a busy signal, an answering machine, or when numbers were thought to be residential telephone numbers). For the group that could not be reached by telephone, a business-reply postcard was enclosed with the pre-survey notification letter asking for updated address or telephone information. Such potential respondents were also given the opportunity to phone a 1-800 number or to e-mail updated information. Pre-survey notification letters that were returned as undeliverable were followed up to determine if a more accurate address could be obtained. Finally, where owners were involved with multiple properties, telephone numbers associated with properties not selected to be the subject of the interviews were also examined to see if they provided a clue as to how to contact the owner.

²⁶ CATI technology also ensures consistent administration across interviews, and allows for complicated branch and skip patterns to occur with minimal disruption to the survey process or loss of rapport between interviewer and respondent.

²⁷ If owners did not have 30 minutes to be interviewed, they were given the option of being interviewed in two 15-minute, or three 10-minute, segments, at times convenient to them.

²⁸ One hundred forty six owners refused to participate.

HUD, while other considered a survey to be government interference in their business. Finally, some owners said they did not want to provide their opinions on the LIHTC program.

An analysis of the characteristics of those who refused to be interviewed, using information contained in the HUD/Abt database, showed statistically significant differences by sector and location: for profit owners and owners of properties located in non-central city portions of metropolitan areas refused to be interviewed at higher-than-average rates.²⁹ Therefore, survey findings that relate to ownership sector or property location should be interpreted with appropriate caution.³⁰ Also, those who design future surveys of this kind would do well to consider making special efforts to include those who are most reluctant to participate.

There is a final lesson that can be learned from the owners survey. It is quite clear that the intricacies of such complex real estate developments cannot easily be captured and understood solely through the use of a closed-ended survey—whether telephone or otherwise. Yet a closed-ended survey is practically required to restrict the duration of an interview to acceptable time limits to both non-profit and for profit owners, but especially the latter. A survey is useful for gathering some basic, initial data from the full spectrum of tax-credit owners across the nation, and that is what the owners survey attempted to do. Clearly, however, survey information needs to be supplemented with more detailed, in-depth information using other methods. To understand better the rationale for various development decisions, for example, or to ascertain what difference tax-credit incentives or state allocation priorities make to any particular deal, undoubtedly requires more of a one-on-one approach, such as through focus groups or the use of semi-structured or open-ended interviews.

Conclusion. This report on LIHTC owners is not intended to be the last word on this subject, but the first. The survey of owners who placed tax-credit properties in service between 1992 and 1994, on which it is based, provides information that can be built upon so that public knowledge and discussion of the program can begin to keep pace with what is likely to be continued and expanded program growth.

²⁹ There is a higher percentage of properties without a non-profit sponsor in the refusal group than in the interviewed group (83 percent compared to 52 percent); and properties sited in non-central city locations within metropolitan areas constitute a larger proportion of refusals than completed interviews (31 percent compared to 8 percent). Considering construction type (new construction, rehabilitation, or some combination), credit percentage, number of units, and whether the property is located in a DDA or QCT, however, there are no statistically significant differences between the refusal and interviewed groups.

³⁰ It should be noted, however, that the variable used in the owners survey to determine whether owners are non-profit or for profit is not identical to the information contained in the HUD/Abt database. In the latter, a for profit owner in partnership with a non-profit organization would be designated as having a non-profit sponsor. In the latter case, the question asked is whether the owner—presumably the managing general partner of a limited partnership—is a non-profit organization. This may account for some of the difference.

Section 2:

DEVELOPER CHARACTERISTICS

The LIHTC program was designed to encourage the production of affordable rental housing by private market developers and owners. The legislation creating the program did not place constraints on the types of organizations that could take advantage of tax credits, and it has attracted a diverse group of developers. Included are: for-profit entities as well as non-profit organizations and public agencies; small indigenous developers and large multi-state organizations; and long-established developers as well as first-time entrants into the multifamily housing industry. Indeed, the structure of the LIHTC can bring together various combinations of the above in the same limited partnership.

As the program began to mature beyond its initiation period in the mid-to-late 1980s into the early 1990s, a particular developer profile began to take shape. Since then, into the second half of the 1990s, that profile has undoubtedly continued to evolve and change—as for-profit and non-profit development entities, as well as lending institutions, public agencies, syndicators, and others have become more familiar, and gained more experience, with the program. While the characteristics of early decade developers may not mirror exactly the profile of the more recent period, the earlier group is important. Properties they developed represent a reasonable

portion of all tax-credit properties in operation today, and many of those same entities undoubtedly constitute a good share of the current tax-credit developer group.

Questions and overview. The owners survey includes several items designed to profile early decade developers and owners. It contains questions about: whether the managing general partner is from a for-profit or non-profit organization; the geographical sphere in which such entities generally operate; the extent of their development experience prior to having placed a property in service in the early 1990s; and their prior and subsequent experience with the LIHTC program. There is considerable variation with respect to each of these dimensions.

Sector. A limited partnership set up to develop a rental property may be allocated tax credits if it and the proposed development meet the standards of the allocating agency to which it applies. Since the program's inception, these allocating agencies have been required to set aside at least 10 percent of their yearly tax-credit allocation for use by non-profit organizations, or partnerships that include non-profit organizations.

When Abt Associates compiled the list of tax-credit properties from allocating agency data, the agencies did not uniformly provide information on whether the project had a non-profit sponsor.³¹ For those properties where data were available, Abt reported that 20 percent were owned by non-profit organizations.³² However, sector information is available in the owners' survey for most ownership entities, and the proportion of non-profit entities is closer to 31 percent.³³ The majority of owners (69 percent), of course, consist of for-profit businesses.³⁴

Sphere of operations. Tax-credit owners do business or operate across the spectrum of urban, suburban, and rural areas.³⁵ Most of them work in a single state, in multiple

³¹ This was the case for 30 percent of the properties in the database.

³² *Development and Analysis of the National Low-Income Housing Tax Credit Data Base* (U. S. Department of Housing and Urban Development, July, 1996), p. 3-4. The non-profit sponsorship variable in the HUD/Abt data base contains 27 percent missing cases. According to Cummings and DiPasquale, however, 34 percent of 1992-1994 projects were developed by non-profits or by for profit developers and non-profit partners. See *Building Affordable Rental Housing: An Analysis of the Low-Income Housing Tax Credit* (Boston: City Research, February 1998), p. 18.

³³ The 95-percent confidence interval ranges from 24 percent to 37 percent for non-profit organizations, and from 62 percent to 75 percent for for profit organizations.

³⁴ The percentage of non-profit sponsorship in the HUD/Abt database is based on a sample of properties, and counts the same developer with multiple properties multiple times. The owners survey involved a sample of developers/owners, with each counted only once and irrespective of the number of properties placed in service between 1992 and 1994. Of the sample of 314 respondents, the number answering either for profit or non-profit equaled 309; four did not provide information with respect to sector and one represented a public agency.

³⁵ Developers were asked to use their own definitions of "rural," "suburban," or "urban" areas in describing their business or activity spheres.

neighborhoods (54 percent), however they range from businesses or organizations that work in only one neighborhood (21 percent) to multiple-state entities that do business across the locational spectrum (25 percent).

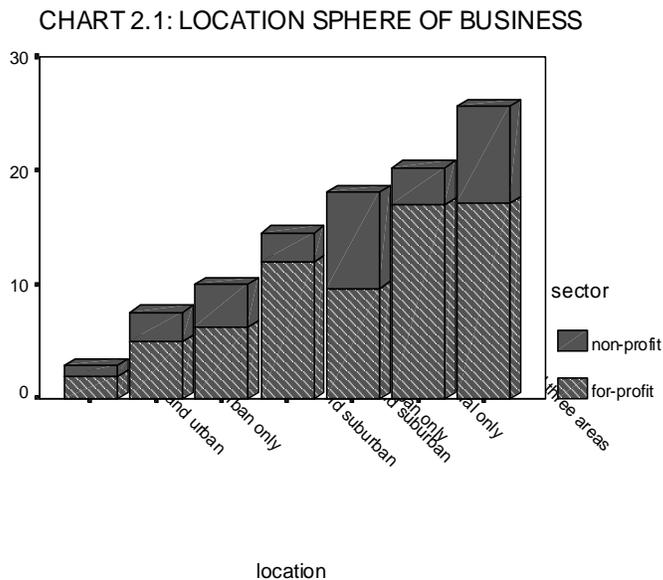


Chart 2.1 illustrates the range of owners' locational spheres. One in four has diversified operations in all three types of areas—rural, suburban and urban—although there are many tax-credit owners who operate in either urban areas (18 percent) or rural areas (20 percent) exclusively. Fewer owners serve suburban areas exclusively; those that operate in the suburbs most often serve either rural or urban areas as well. Seventy-one percent of non-profit organizations operate in urban areas, either solely or in conjunction with suburban or all three area types; 70 percent of for-profit entities do business in a combination of spheres that includes rural areas.

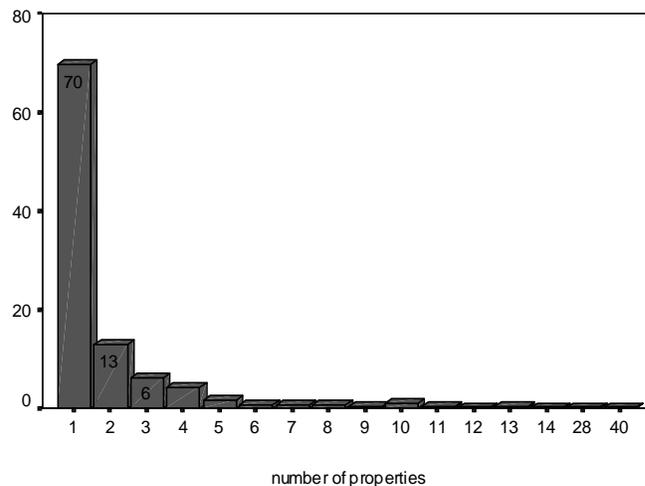
Prior development experience. During the early 1990s, the LIHTC program was gaining momentum as the Federal government's primary affordable rental housing production program. It was then, as now, an especially complex program. Therefore, it might be expected that only owners with considerable prior development experience would become involved in tax-credit deals. Indeed, the large majority of owners who produced tax-credit properties at that time had substantial previous development experience: seven in 10 had at least five years, and three in 10 had at least sixteen years. On average they had 12 years of development experience before developing a tax-credit property, with for-profit businesses having somewhat more experience than non-profits.³⁶ At the other end of the spectrum, however, 16 percent of those who developed a tax-credit property had no prior development experience at all, with both non-profit and for-profit organizations in this category.

³⁶ Two outliers—one developer with 50 years of experience and one with 70 years--were removed from the calculation of the mean

Experience with the LIHTC. It is useful to know how much past experience, on average, owners had with the LIHTC program prior to their involvement in a deal. This is evidence, presumably, of the extent of their tax credit-sophistication and, to some degree, an indication of their attachment to the program. Since the tax-credit program requires a certain amount of up-front investment to master its requirements, the initial costs associated with utilizing the credits are not negligible. Consequently, one would expect those operating in the tax-credit market to be inclined to develop multiple properties, so as to capitalize on the investment and spread the learning costs.

Most of the developer entities in the survey, 70 percent, produced only one tax credit property between 1992 and 1994; 13 percent were involved in two such deals, and six percent were involved in three. Three percent of owners, however, did 10 or more tax-credit developments during that period, with one doing as many as 40.

CHART 2.2: NUMBER OF
LIHTC PROPERTIES DEVELOPED



Almost one-half of owners had some experience with the tax-credit program prior to developing their 1992-1994 property and, since then, seven of 10 have been involved in one or more subsequent tax-credit deals. Of those with subsequent LIHTC development, the average number of additional properties developed is seven—with for profits doing an average of eight and non-profits doing an average of five such deals.

While the majority of owners have done subsequent tax-credit developments, approximately 30 percent have not. The latter were asked what factors influenced their decision to no longer participate in the program. Their answers appear in Table 2.3.

**TABLE 2.3: OWNERS' REASONS FOR NOT DEVELOPING
ADDITIONAL LIHTC PROPERTIES**

REASONS:	Percent of Responses	Percent of Owners
Business/organizational considerations	36%	48%
Decision regarding organization's future	15	20
No opportunity	10	13
Press of other business/activities	8	11
Organization was reorganized	2	2
Organization was dissolved	1	2
Tax credit process issues	28	38
Excessive rules/regulations	11	15
Too much paperwork	6	8
Costly delays	4	6
General difficulty with the credit	7	9
Tax credit allocation issues	10	12
Competition too great	8	10
No allocation available	2	2
Area-based economic reasons	7	9
Other reasons	17	22
Don't know	2	3
TOTAL	100%	132%*
NUMBER	(181)	(92)

*Multiple responses were permitted.

The most frequently cited reasons for no longer participating were business or organizational considerations—including those relating to the organization's future or mission, lack of development opportunity, or the press of other business or activities. LIHTC-related reasons were cited almost as frequently, with most of them involving process issues and, the remainder, allocation issues. Process issues consisted mostly of owners' perceptions of excessive rules or regulations, too much paperwork, or general difficulties in using the credit—such as problems finding investors, raising capital, or putting together a financing package. Some believed the tax-credit program was simply "too tough." Allocation issues involved primarily the amount of competition for the limited allocation of credits available—it was too great. A smaller number of owners cited area-based economic reasons such as local market conditions or land availability for affordable housing development. Finally, owners gave a range of other, idiosyncratic reasons, including that they had already received the maximum amount of credits allowed, or that they simply did "not care to use the tax credit again."

If owners' prior and subsequent tax-credit experiences are examined in tandem, they can be characterized as follows. There are tax-credit *long-termers*, or those who had both prior and subsequent involvement with the tax-credit program. There are *initiates*, or those who had no prior tax credit experience but subsequently developed additional tax-credit properties. There are *one timers*, or those who had neither been involved in prior nor subsequent tax-credit deals (including beyond the 1992-1994 period). And there are *drop outs*, or those who had previously developed one or more tax-credit properties but, since then, have done no others. The frequency of each type is shown in Table 2.4. Clearly, a plurality of owners had both prior and subsequent experience in tax-credit deals, yet as many as one in five have only developed one such property in their history.

TABLE 2.4: TYPOLOGY OF OWNER ATTACHMENT TO THE LIHTC PROGRAM

TYPES:	Percent of Owners
LIHTC long-termers	46%
LIHTC initiates	25
LIHTC one timers	21
LIHTC drop outs	7
TOTAL	99%*

* The total does not sum to 100% due to rounding error.

Section 3:

PROPERTY CHARACTERISTICS

According to Gugenheim, the Low-Income Housing Tax Credit program can “aid more types of low income rental housing than any one program has addressed previously—new construction, substantial rehabilitation, acquisition of existing properties with moderate rehabilitation, and repairs by existing owners. It can cover a modest, existing one-unit rental property or a development with hundreds of units of new construction.”³⁷ This section describes that diversity, focusing on the following characteristics of early decade properties: the construction type; location; who manages the property; the number of units; the proportion dedicated for low-income use; the populations served; and the tax-credit percentage.

Questions and Overview. As previously indicated, since some businesses and organizations developed more than one LIHTC property during the early 1990s and because the property-specific information requested of owners in the survey was reasonably extensive and time consuming to provide, a single property was randomly selected from among the properties each entity had placed in service between 1992 and 1994. Not only were owners asked about their organization, they were also questioned about the selected property—about its planning and development, about its performance, and about future plans for it at the conclusion of the

³⁷ *Tax Credits for Low Income Housing: Opportunities for Developers, Non-Profits, and Communities Under Permanent Tax Act Provisions*, 9th Edition (Simon Publications: Glen Echo, Maryland), 1996, p. 1.

compliance period. Hence, the sample selection method is designed to portray both the national roster of early-decade LIHTC owners and the national inventory of properties placed in service during that period. This section describes the basic characteristics of the latter.

LIHTC properties developed during the early 1990s vary widely with respect to type of construction, size, location, and target tenant group. Although there appears to be no overwhelmingly dominant type, tax-credit developments tend to be small, newly constructed (as opposed to rehabilitated) properties that are generally managed by their developer-owners. Although spread across urban, suburban and rural locations, central cities have the most such properties and suburban areas the least. In addition to newly constructed properties, there is also a significant cluster of larger rehabilitated properties situated primarily in central cities. Tax-credit properties serve a range of household types—including families, single-parent families, the elderly, and disabled persons—with some, but only a small proportion, devoted to serving specialized populations. In terms of the proportion of units dedicated to low-income use, however, there is almost no variation: almost all are so designated.

Construction type. About two-thirds of LIHTC properties placed in service between 1992 and 1994 were newly constructed, with the bulk of the remainder involving rehabilitation and, in a few cases, rehabilitation combined with new construction. Non-profit organizations and those with less development experience tended somewhat more than their counterparts to use tax credits for rehabilitation.³⁸

Property location. Using the property's census tract designation contained in the HUD/Abt database, the location of many, although not all, of the properties is known.³⁹ Approximately one-half of the properties are in central cities, almost three in every 10 are sited in rural (non-metropolitan) areas, and about one in five are located in suburban (non-central city metropolitan) areas.

Consistent with information collected by Abt for the universe of properties placed in service between 1992 and 1994, for profit owners played more of a role in producing properties in non-metropolitan areas, while non-profits played a greater role in metropolitan areas.⁴⁰ There

³⁸ Abt reports 61 percent were new construction, 38 percent were rehabilitated properties, and one percent were both new construction and rehabilitation.

³⁹ In the HUD/Abt database, properties were geo-coded according to the address contained in the HFA's records. However, this census tract information was not available for 26 percent of the properties because either no address was provided to Abt or the property was a scattered site development. Only those properties that were geo-coded in the HUD/Abt database are included in this analysis.

⁴⁰ Abt Associates, *op.cit.*, pp. 4-8.

is also a relationship between construction type and location: properties in central cities were more likely to have been rehabilitated (54 percent), while those in non-central city portions of metropolitan areas and in non-metropolitan areas were most often newly constructed (85 percent and 77 percent, respectively).

Another important locational consideration involves whether properties are in predominantly low- or very low-income census tracts. In the average tract in which properties are sited, 61 percent of the households have incomes that are below 80 percent of area median income, and 42 percent have incomes below 50 percent of area median income.

Property management. Seven of every 10 properties are being managed by their owner, with for-profit businesses somewhat more likely than non-profits, and those with extensive prior development experience more likely than those with limited experience, to manage their own properties.

Property size. Sampled properties range in size from one to 298 units—averaging 36 units (see Chart 3.1). The median property has 24 units, however, reflective of the fact that a few, atypically large properties raise the mean. According to standard mortgage underwriting



guidelines, developments with four or fewer units are designated “single family,” and those with five-or-more-units are considered “multi-family.” Tax-credit properties consist of both: 14 percent of early decade LIHTC properties contain four or fewer units, and 8 percent consist of only one rental unit. Finally, tax-credit properties are generally smaller than HUD-insured multifamily properties, the latter averaging 112 units in the early 1990s—when these properties were developed.⁴¹

⁴¹ The average HUD-insured *unassisted* property was 147 units (the median being 120), and the average HUD-insured, *assisted* property was 102 units (the median being 84). See U.S. Department of Housing and Urban Development, *Assessment of the HUD-Insured Multifamily Housing Stock: Final Report (Volume I—Current Status of HUD-Insured (Or Held) Multifamily Rental Housing)*, September 1993, p. 2-2. According to the HUD data file, *A Picture of Subsidized Households, 1998*, however, the average size of all HUD properties designated as Section 8 New Construction and Substantial Rehabilitation, Section 236, and “other subsidy” programs is 72 units.

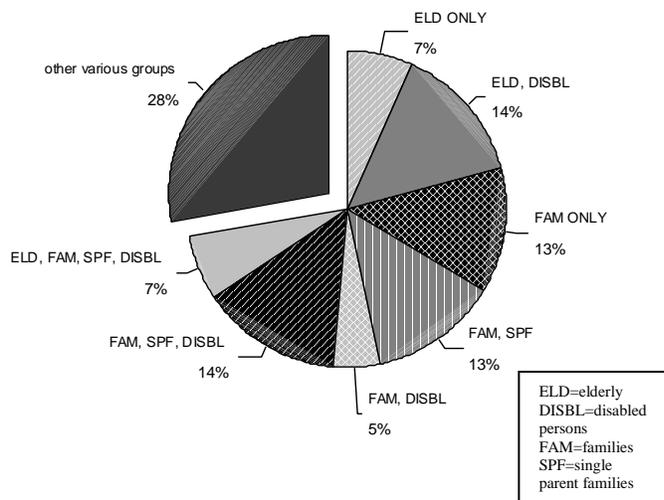
Where owners operate makes some difference with respect to property size, but that difference is not substantial. Businesses or organizations engaged in activity in both urban and suburban areas, as opposed to either of those areas exclusively or other combinations of areas, tend to have developed the largest properties, but even they average only 49 units.

Properties located in central cities tend to be larger than those in suburban or rural areas. Likewise, properties developed by non-profits tend to be somewhat larger on average, although only by a handful of units. Finally, properties developed by organizations with no prior development experience tended to be smaller than those developed by experienced entities.⁴²

TABLE 3.2: AVERAGE NUMBER OF UNITS IN LIHTC DEVELOPMENTS BY SELECTED CHARACTERISTICS

TOTAL	36
SECTOR	
For profit	33
Non-Profit	47
PROPERTY LOCATION	
Metro/Central City	44
Metro/Non-Central City	32
Non Metro	28
DEVELOPMENT EXPERIENCE	
Over 5 yrs	39
5 yrs or less	37
None	19
OWNER'S LOCATIONAL SPHERE	
Urban only	36
Suburban only	31
Rural only	27
Rural and suburban	28
Urban and suburban	49
Rural and urban	31
All three areas	48

CHART 3.3: TENANT POPULATIONS SERVED



Qualifying Units. Although the tax-credit program does not require all units to be reserved for low-income use, it does encourage low-income occupancy. As previously indicated, units that are dedicated for low-income households are considered to be “tax credit eligible,” and the proportion of such units is used as a basis for calculating the tax credit: the higher the percentage of eligible units, the higher the amount of credit. Consequently, owners have an incentive to maximize the number of units dedicated for low-income use. Properties developed in the

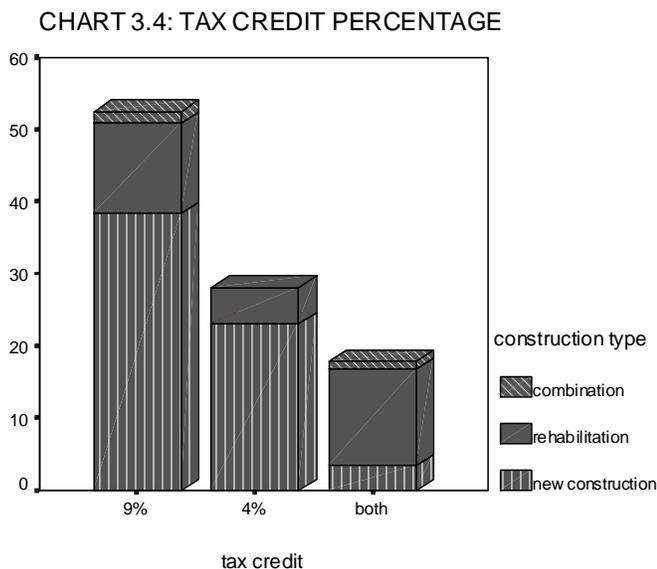
⁴² The correlation coefficient between years of prior development experience and number of units in the property, however, is only .086.

1992 to 1994 period were no exception. Owners reported that, on average, 98 percent of all units in their properties are eligible for tax credits.⁴³

Types of tenants. Information was not collected about the characteristics of tenants who reside in tax-credit properties, but owners were asked to identify the group or groups for which their properties were intended. Most are intended either for families, single parent families, disabled persons, or elderly persons—in various combinations—with no dominant prototype. Some serve special groups, although not necessarily exclusively. These include homeless persons, farm workers, immigrants, people with mental illness, mentally retarded persons, the frail elderly, recovering addicts, abused persons, or persons with HIV/AIDS. Two percent of the properties do serve one or another of these groups exclusively, however. The distribution of combinations of tenant populations served is shown in Chart 3.3.

Credit percentage. As previously indicated, the tax credit percentage that is allocated to a development is based on the construction type and the use of other federal subsidies, if any. A 9-percent tax credit, allocated over ten years, is granted to new construction properties or those involving major rehabilitation. Only a 4-percent tax credit is allowed for properties that receive additional federal subsidies; involve minor rehabilitation only; or consist of only acquisition. A property can receive both tax-credit percentages as well.

Similar to findings reported by Abt for the universe of properties placed in service between 1992 and 1994, a simple majority of properties received the 9-percent credit (54 percent).⁴⁴ (See Chart 3.4.) Rehabilitation properties predominate in the group that received both tax credit percentages. Newly constructed properties received a greater proportion of the 4-percent credit than rehabilitation properties—indicating their owners also used federal subsidies when constructing the building. New construction represented a higher proportion of those properties



⁴³ Abt reports that 97.4 percent of units, on average, are qualifying units. *Op. cit.*, p 3-2.

⁴⁴ Abt reported that 29 percent received the 4-percent credit, 58 percent received the 9-percent credit, and 13 percent received both. In the HUD/Abt database, however, this variable, contains a large amount of missing data (48 percent). *Op. cit.*, p. 3-4.

receiving the 9-percent tax credit.

For-profit entities were more likely than non-profits to receive the 4-percent credit, while both were equally likely to receive the 9-percent credit; properties developed by non-profits tended to use both credits more than those developed by for profits. Developments located in urban and suburban areas tended to use the 9-percent credit more frequently than those sited in rural areas, while those in rural areas used the 4-percent credit to a greater extent.

Section 4:

DEVELOPMENT MOTIVATIONS AND CONSIDERATIONS

The LIHTC program was initiated to stimulate the development of affordable rental housing, a public policy purpose, by private-market development entities, as business ventures. Owners include for-profit businesses, non-profit organizations, and even some public agencies. As between public policy and business purposes, then, what primarily motivates owners' participation, as well as the key decisions they make?⁴⁵

To try to understand the genesis of a tax-credit development using an essentially closed-ended survey medium, years after the fact, it is realistic to ask owners only some general

⁴⁵ There is no shorthand method for learning about or summarizing the myriad considerations that go into planning for LIHTC developments. Indeed, what factors development entities take into account when thinking about whether and how to structure a deal, the decisional sequence, and the weights attached to each consideration could, in many cases, be difficult for observers to capture at the time such planning occurs, much less many years afterwards. It is recognized, therefore, that a *post-hoc*, closed-ended survey can make no claim to understanding completely developers' thoughts, motivations, or rationale for entering into or having made certain judgments about any particular deal.

questions about their original development purpose. At a broad level, for example, they can be asked to assess the relative importance of various possible business objectives—those generally associated with multi-family property development—as well as whether any non-financial (social or civic) objectives were involved. There are certainly issues of recall and honest reporting that have to be considered in evaluating responses to both questions, as well as the possibility respondents perceive a need to provide socially acceptable answers to the second. Such questions, however, provide a reasonable starting place for learning about owners' basic sense of strategic purpose. Likewise, a survey can be used to identify various reasons property location decisions are made, ranging from traditional market considerations to the attraction of public incentives.

This section, then, examines owners' varied objectives for producing LIHTC properties, as well as their reasons for deciding on property location.

Questions and overview. Owners were provided an inventory of financial and non-financial considerations⁴⁶ that can influence an organization's decision to develop a tax-credit property, and asked whether each was a primary reason, a secondary reason, or not a reason at all for going into the deal. The inventory consisted of the:

- *development fee*
- *potential for rental income*
- *potential for property appreciation*
- *potential for management fees*
- *potential for property tax abatement*
- *potential to shelter other income*
- *objective of helping lower-income persons*
- *objective of upgrading the neighborhood*
- *objective of expanding the affordable housing supply*
- *objective of providing affordable housing to a specific population*
- *objective of addressing a problem property*
- *or some reason not listed above*

When owners indicated more than one reason as primary, they were then asked which among them was most important for going into the deal.

⁴⁶ The question about civic or social objectives—those involving helping lower-income persons, upgrading the neighborhood, etc.—was preceded with the statement, "Some types of organizations develop or own multi-family properties primarily for non-financial social or civic objectives, although many don't." The intent of the words "although many don't" was to attempt to reduce pressure on the respondent to give what might be perceived to be a socially acceptable answer—that civic or social objectives were of primary importance—when, in fact, they may not have been.

Owners were also asked to think back and recall why the particular location of their LIHTC property was chosen for construction or rehabilitation. They were given a list of reasons for choosing locations for rental housing, and asked whether each was or was not a reason for their choice. The possibilities were:

- *rent levels* in the area
- the *physical condition* of the area
- *income population trends* in the area
- a *shortage of rental housing* in the area
- a *climate conducive to development* in the area, such as favorable zoning or municipal cooperation
- *property availability* in the area
- reasonable *land costs* in the area
- property *appreciation trends* in the area
- *financial incentives from some public agency* for developing in the area
- *financial incentives from some source other than a public agency* for developing in the area
- the fact that the location was part of your *traditional business, client, or service area*
- the fact that you previously *owned property* in the area
- or some *reason not listed above*.

Finally, owners were asked if their property is located in a designated Qualified Census Tract (QCT) or a Difficult to Develop Area (DDA), and whether the LIHTC incentives for locating in such areas had been an important consideration for them.

Owners maintain that both financial and non-financial reasons motivate development but, in fact, more of them claim the latter than the former as their reason for having gone into a tax-credit deal. When it comes to property location, market and experience factors are especially important.

Development objectives. There are several ways to examine data on development motivations. Table 4.1 shows the proportion of owners stating that each objective was a primary reason for developing their LIHTC property. Chart 4.2 provides a score ranging from 0 to 2, with 0 representing the response “not at all a reason,” 1 representing the response “a secondary reason,” and 2 representing the response “a primary reason.” Finally, Table 4.3 shows owners' priority reasons for going into the deal.

More owners claimed that non-financial reasons—helping lower-income persons,

providing housing to a specific population, and expanding the affordable housing supply—were primary considerations for going into the deal than claimed that financial reasons were of primary importance. Among the non-financial considerations, upgrading the neighborhood and addressing problem properties were less frequently cited. Of the business objectives, the development fee, the potential for rental income, and management fees were cited more frequently than sheltering other income, tax abatement, or the potential for property appreciation. In fact, the latter two were the least frequently cited reasons for developing the property.

TABLE 4.1: OWNERS' DEVELOPMENT OBJECTIVES

DEVELOPMENT OBJECTIVES:	Percent of Properties Whose Owners Had Each Objective
Help low income people	61%
Provide affordable housing to a specific population	60
Expand affordable housing supply	54
Development fee	39
Upgrade the neighborhood	32
Rental Income	27
Management fee	24
Address a problem property	21
Shelter other income	17
Property appreciation	12
Property tax abatement	12
Number	(307)

Given the nature of their respective purposes, it is not unexpected that for-profit owners more frequently gave business or financial

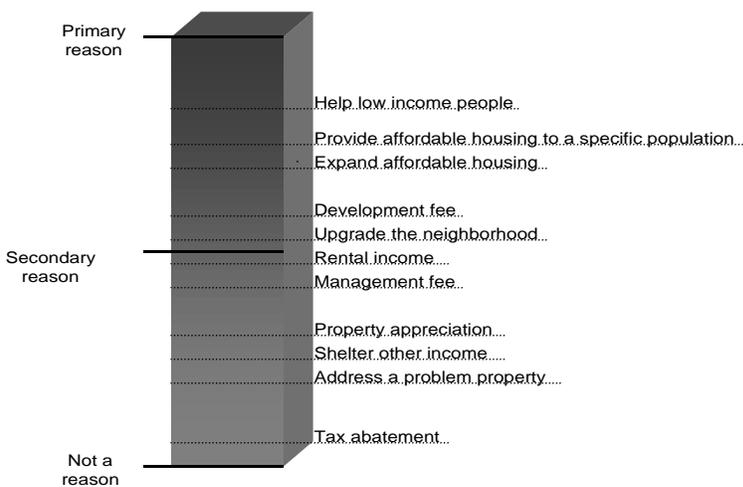
reasons, and non-profit owners more frequently stated social or civic considerations, for having gone into the deal (see Annex Table 4.1). Some non-profits, however, do reference business objectives, and many for-profit entities indicate civic or social objectives: about half of all for profits say that providing affordable housing to a specific population and helping lower-income persons were primary considerations for going into the deal.

Among the business reasons for development, the potential for development fee appears to be a more important objective to owners whose properties are outside the central city, those with more development experience, those doing new construction, and those developing larger properties. The potential for rental income is somewhat more important to owners whose properties are in the central city, those with least development experience, and those doing rehabilitation. The potential for management fees is mentioned somewhat more frequently by owners with extensive development experience, those developing larger properties, and those whose properties are in non-metropolitan locations.

Among the non-financial reasons for development, upgrading the neighborhood and addressing problem properties are more frequent objectives in central cities, with half of all owners doing rehabilitation considering the latter to be a primary objective. While the differences are not large, expanding the housing supply and providing housing to a specific population are somewhat more frequently cited by owners whose properties are in the non-central city portion of metropolitan areas.

From a slightly different perspective, Chart 4.2 summarizes the distribution of responses to each possible development objective. The higher the score, the more likely the reason was considered of primary importance to LIHTC owners. Using this standard, the three most important objectives overall for developing an early decade tax-credit property were helping

Chart 4.2: Development Objective Scores



lower-income people, providing affordable housing to a specific population, and expanding the affordable housing supply. The least important objective was the potential for tax abatement.

Finally, when owners are asked to rank their development objectives and identify the most important reason for going into the deal, the responses vary widely (see Table 4.3). All non-profit owners selected non-financial reasons as most important, but one of every three for-profit entities also selected non-financial reasons.

The most frequently cited reason is the potential for development fee, yet only one in five owners overall and only 25 percent of for-profit owners give this rationale. The objectives of housing a specific population and helping lower-income persons were the next most frequently cited reasons, with somewhat more than one in 10 owners considering each to be their most important objectives. Six percent cited reasons other than those provided to owners in the survey—including the very availability of tax credits, getting experience with the LIHTC, syndication proceeds, "general profitability" and, in one instance, simply "to prove to the authorities that quality tax-credit properties are a possibility."

TABLE 4.3: OWNERS' HIGHEST PRIORITY DEVELOPMENT OBJECTIVES BY SECTOR

PRIORITY DEVELOPMENT OBJECTIVE:	SECTOR		Percent of Properties
	For Profit	Non-Profit	
Development fee	25%	—	20%
Help low income people	7	28	12
Provide affordable housing to a specific population	8	26	12
Expand affordable housing supply	8	15	9
Shelter other income	10	—	7
Upgrade the neighborhood	5	15	7
Rental Income	7	—	5
Address a problem property	4	4	4
Property appreciation	3	—	2
Management fee	4	—	3
Property tax abatement	2	—	1
Some other reason	10	6	6
No single most important reason	6	6	9
Don't know	1	—	2
TOTAL	100%	100%	99%*
Number	(172)	(173)	(300)

* The total does not sum to 100% due to rounding error.

Reasons for property location. While many LIHTC owners report they developed their properties based on non-financial objectives, in whole or in part, they looked to market conditions and to their own experience when deciding where to develop. Federal incentives did not seem to play an especially large role in dictating where the properties were located.

Table 4.4 shows the proportion of respondents identifying as important each of the above reasons. In general, market factors and previous experience with the area in which the property was developed were more relevant than financial incentives from either public or non-public sources. Property availability, the shortage of rental housing in the area, and reasonable land costs were the

most frequently cited reasons (selected by 81 percent, 78 percent, and 71 percent of owners, respectively), while a financial incentive from non-public sources was by far the least frequently cited (selected by only 9 percent).

Cross-sector differences are not great, with for-profit entities somewhat more likely than non-profits to have considered land costs, property appreciation trends, and previously owned land, and the latter somewhat more likely than for profits to have located their property in their traditional client service area (see Annex Table 4.4). Owners of new construction properties tended more often to consider the area's rental housing shortage and reasonable land costs when making location decisions, while those involved in rehabilitation more often developed in areas of traditional business or client service and where they previously had owned land.

When owners were asked about the most important reason for having made location decisions, many of the same explanations were given (see Table 4.5). A shortage of rental housing in an area, property availability, and previously owned property top the list—with for-profit entities more likely than non-profits to develop where property was previously owned, and non-profits more likely to have considered property availability and developing in their traditional client service areas. Owners of new construction properties are more likely than those doing rehabilitation to report that a shortage of rental housing in the area, reasonable land costs, and financial incentives from public agencies were important; while the latter are more likely to have developed where they had previously owned property and within their traditional business or service areas (see Annex Table 4.5).

TABLE 4.4: OWNERS' REASONS FOR SELECTING DEVELOPMENT LOCATIONS

REASONS FOR PROPERTY LOCATION:	Percent of Properties
Property availability	81%
Shortage of rental housing	78
Reasonable land costs	71
Part of traditional area	63
Physical condition of area	59
Conducive gov't climate	59
Income population trends	57
Previously owned property in area	52
Rent levels	39
Public agency incentives	27
Property appreciation trends	25
Other financial incentives	9
Number	(293)

The LIHTC program provides more generous tax-credit benefits to properties located in areas where housing costs are especially high relative to income (a Difficult to Develop Area, DDA), or where over one-half of the households in a census tract have incomes less than 60 percent of area median gross income (a Qualified Census Tract, QCT). Two of every five properties developed in the early 1990s were so located. Properties developed by non-profits, those in central cities, and those involving rehabilitation were more likely than their counterparts to be located in a QCT or DDA.⁴⁷ When asked how important a consideration this was, however, only 28 percent of the owners of properties located in such areas indicated that it was very important, while 60 percent recalled that it was somewhat important. There are no cross-sector difference on this judgment, but owners of new construction properties are somewhat more likely than those who did rehabilitation to say QCT/DDA designation was a very important consideration--despite the fact that fewer new construction properties were, in fact, in such areas.

⁴⁷ This excludes cases where respondents did not know or answer this question. Abt reports that 37 percent of all projects are located in a DDA or QT, but the database includes only geo-coded properties.

TABLE 4.5: OWNERS' HIGHEST PRIORITY REASON FOR SELECTING DEVELOPMENT LOCATIONS, BY SECTOR

PRIMARY REASON FOR CHOOSING PROPERTY LOCATION:	SECTOR		Percent of Properties
	For profit	Non-profit	
Shortage of rental housing	17%	18%	17%
Property availability	13	23	15
Previously owned property In area	16	2	13
Public agency incentives	9	7	9
Part of traditional area	7	13	8
Reasonable land costs	7	4	6
Income population trends	6	2	5
Conducive government climate	4	2	4
Physical condition of area	2	6	3
Rent levels	4	2	3
Property appreciation trends	3	—	2
Other financial incentives	2	1	2
No information	11	21	14
TOTAL	101*	101*	101*
Number	(167)	(116)	(288)

*The total does not sum to 100% due to rounding error.

Section 5:

SOURCES OF EQUITY, DEVELOPMENT FINANCING, AND PUBLIC SUPPORT

Until recently there was little systematic information available about the nature and scope of LIHTC development activities nationwide, but the research literature on this subject has expanded considerably in the last several years. The most important such studies, done by Cummings and DiPasquale⁴⁸ and the United States General Accounting Office (GAO),⁴⁹ dealt with development costs and cost variations—by region, location, and sector.⁵⁰

While the cost issue is very important from both business and public policy perspectives,

⁴⁸ *Op.cit.*

⁴⁹ *Tax Credits: Opportunities to Improve Oversight of the Low-Income Housing Program*, U.S. General Accounting Office, March 28, 1997.

⁵⁰ According to Cummins and DiPasquale, region and location account for 27 percent of total development cost differences among properties (*Op. Cit.*, pp.16-17). In an earlier study based on a sample of properties placed in service between 1992 and 1994, the GAO found the average cost of units built by non-profits to be higher than those built by for profits.⁵⁰ More recently, and after further analysis, GAO concluded that non-profit-built units were, in fact, not necessarily higher in cost when differences in unit characteristics—related to location, size, and region—are taken into account. Non-profits, they observed, often produce properties that have different characteristics from those developed by for profit entities. See *Tax Credits: Reasons for Cost Differences in Housing Built by For-Profit and Nonprofit Developers*, U.S. Government Accounting Office, March, 1999.

there is also interest in understanding more about the basics—how different LIHTC deals are financed. Cummings and DiPasquale, for example, use detailed information from four national tax-credit equity syndicators to describe the original financing structure of a large sample of LIHTC properties. They find that, on average, for units without FmHA financing, first mortgages were used to finance 46 percent of total development costs (TDC), tax credit equity used to finance 38 percent, and gap financing used to finance 16 percent of TDC. Tax-credit equity and first mortgages alone, they concluded, are often insufficient for developing affordable housing, especially in central cities.

This section presents some additional descriptive information on development cost financing. It covers the types of equity contributors to LIHTC deals, as well as the sources of financing and local public support for such deals—for early decade properties.⁵¹ Included in the owners survey are properties where tax-credit equity was arranged through brokers, but also those for which equity was obtained through direct placement or other means—the full spectrum of tax-credit deals. Whether sources of equity, financing, and public support differ systematically by sector, location, construction type, or equity acquisition method is addressed below.

Questions and overview. Within the means of a telephone survey, owners were asked in closed-ended fashion about the sources of tax-credit equity and development financing they obtained, as well as about the types of local public support they received, if any. They were also asked for the dollar value of the gross and net tax-credit equity that went into each deal. The fact that development arrangements for tax-credit properties can be extremely complex, and vary considerably from deal to deal, is underscored by the information they furnished.

Acquiring equity. Equity can be obtained through brokers or syndicators who purchase tax credits from owners and sell them to investors, thereby creating a market for the sale and purchase of these credits. It can also be obtained through direct placement, where owners themselves sell the credits to investors. Or it can be obtained through some combination or brokers and direct placement or other means. Table 5.1 shows the proportion of properties whose tax-credit equity was raised by each of these approaches.

⁵¹ The survey did not include questions about the dollar value of equity, debt, or other forms of public support because of the limitations of gathering this type of information through a telephone survey.

TABLE 5.1: PERCENT OF PROPERTIES OBTAINING TAX-CREDIT EQUITY THROUGH VARIOUS MEANS BY PROPERTY LOCATION AND PRIOR DEVELOPMENT EXPERIENCE

EQUITY RAISED THROUGH:	PROPERTY LOCATION			PRIOR DEVELOPMENT EXPERIENCE			Percent of Properties
	Metropolitan Area		Non Metropolitan Area	Over Five Years	Five Years or Less	None	
	Central City	Non Central City					
Broker/syndicator	30%	39%	52%	44%	52%	16%	42%
Direct placement	46	32	29	36	19	52	36
Combination broker/direct placement	10	15	14	13	6	5	11
Other means	11	12	1	3	20	26	8
Don't know/recall	3	2	4	4	3	1	3
TOTAL	100%	100%	100%	100%	100%	100%	100%
Number	(133)	(40)	(54)	(203)	(46)	(49)	(309)

While there are no difference between sectors or construction types with respect to how equity was obtained, there are some locational and developer experience variations that are apparent. Equity tended to be secured more so through syndication for properties located in non-metropolitan than metropolitan areas, and for properties developed by entities that had prior development experience as opposed to those with none. In contrast, owners of properties located in central cities were more likely to have obtained equity through direct placement than were owners of properties in other locations, and entities with no prior development experience were more likely to do so than those with experience.

Sources of equity. Individuals, corporations, or organizations of various kinds can provide equity to a LIHTC project. Although the proportion of total equity contributed by any particular source is not known, Table 5.2 shows that the most frequent equity contributor to a property, by far, was the owner or general partner. In 78 percent of the properties, owners/general partners provided equity.⁵² Other major contributors, in order of frequency,

⁵² According to some development industry practitioners, many owners contribute a small proportion of the equity to their developments.

were banks or other lenders (49 percent), corporations (40 percent), and individual investors (35 percent). Non-profit organizations are equity investors in seven percent of all properties. Other types of investors also provided equity in one-fourth of all properties.

General partners of properties sponsored by for-profit businesses themselves contributed equity to the deal more often than partners involved in non-profit sponsored properties. Properties that are owned by for profits also obtained equity from individual investors more frequently than did those owned by non-profits. Alternatively, deals involving non-profit owners received equity from corporate, non-profit, and other sources more frequently than did those involving for profits. With respect to other variations,

TABLE 5.2: SOURCES OF EQUITY BY SECTOR

SOURCE OF EQUITY:	SECTOR		Percent of Properties
	For Profit	Non-Profit	
Owner/general partner	85%	56%	78%
Bank or other lender	47	57	49
Corporation	33	62	40
Individual investor	41	13	35
Non-profit organization	1	30	7
Other source	18	46	25
Number	(178)	(126)	(309)

owners contributed some amount of equity in 90 percent of properties located in rural areas (see Annex Table 5.2). Also, owners who raised equity from corporate investors tended somewhat more frequently to go through a syndicator than to do direct placement, although the differences are not large.

Each early decade tax-credit deal involved one or more of the types of equity contributor categories shown in Table 5.3, with most involving multiple types. In 19 percent of the cases equity was obtained from a single investor category, but the mode is two types—involving 37 percent of all properties. Equity was obtained from three types of sources in 31 percent of the properties, and from four or more types in 10 percent of the cases.⁵³ Considering the possibility of various combinations of the six categories of equity investors, there were instances of 46 different grouping among the properties in the sample.

⁵³ Data are missing for three percent of the properties.

TABLE 5.3: PERCENT OF PROPERTIES UTILIZING VARIOUS COMBINATIONS OF EQUITY CONTRIBUTORS BY SECTOR

COMBINATIONS OF EQUITY SOURCES:	SECTOR		Percent of Properties
	For Profit	Non Profit	
Owner,*** individual investors, and bank/lender	17%	—%*	13%
Owner*** and individual investors	11	2	9
Owner*** only	11	3	9
Owner*** and corporate investors	9	6	9
Owner *** and bank/lender	10	6	9
Owner,*** corporate investors, and bank/lender	6	2	5
Owner*** and other sources	5	3	5
Corporate investors only	4	8	5
Other various combinations; each with <5% of properties	27	69	36
TOTAL	100%	99%**	100%
Number	(175)	(118)	(298)

* Less than 1%

** The total does not sum to 100% due to rounding error.

*** Includes general partner.

The equity that was provided to almost three-fourths of all properties developed by for-profit owners came from the combinations of categories shown in Table 5.3. Indeed, the combinations involving the owners—either solely, with individual investors, or with both and a bank/ lender—cover almost two in every five deals. By way of contrast, in only five percent of the cases was the equity provided to non-profit owners accounted for through these combinations. The equity-source clusters for properties developed by non-profit organizations are considerably more diverse, with almost seven in 10 properties obtaining equity with combinations other than those listed in the table.

Finally, there are some small differences between the

various combinations of equity sources and whether equity was raised through syndicators or directly placed. Owners using direct placement, for example, tended to obtain equity from a combination of owners and bank/lenders more so than did those who went through syndicators (see Annex Table 5.3).

Value of equity. As previously discussed, allocating agencies allocate tax credits to approved projects that equal roughly 9- or 4-percent (based on the type of proposed development) of a development's qualified basis for a 10-year period. This "gross" allocation represents the total amount of foregone federal taxes used to stimulate production under the LIHTC. However, if owners choose to sell these credits to finance development costs up-front, they can receive the market value of this stream of tax credits minus any costs associated with the transaction. What they receive, then, represents the net value of the tax-credit equity that is used to produce housing.

Based on owners' reports of gross equity allocated and net equity received for properties placed in service between 1992 and 1994, it is estimated that the average ratio of net-to-gross equity is 57 percent. For broker-placed equity, the ratio is 57 percent; for directly placed equity, it is 59 percent; and for a combination of broker and directly placed equity, it is 50 percent.

Sources of development financing. Table 5.4 shows how the total development costs of properties placed in service between 1992 and 1994 were financed. Tax-credit equity was used for development purposes in more than three-fourths of all such properties, and is the

TABLE 5.4: PERCENT OF PROPERTIES UTILIZING VARIOUS SOURCES OF TOTAL DEVELOPMENT COST FINANCING

TOTAL DEVELOPMENT FINANCING INCLUDED:	Percent of Properties
Tax-credit equity	77%
Below-market rate debt	52
Market rate debt	43
Public sources (i.e. HOME/CDBG)	29
Private sources/foundations	10
Other sources	26
Number	(309)

one source of development financing that is found most frequently across LIHTC properties. The tax credit may also be retained by the developer to offset future tax liabilities associated with the operation of the property, instead of being used or sold up-front to finance development costs.

Approximately one-half of all properties utilized below-market rate debt, while 43 percent used market-rate debt. Fewer early decade owners, overall, took advantage of public sources of financing,

such as HUD's HOME program⁵⁴ or local Community Development Block Grant funds, and even fewer used private sources such as foundation funding. A variety of funding sources other than the above were also used.

Some form of below-market-rate debt was used more often for properties developed in rural areas than those developed elsewhere. (See Annex Table 5.4.) It also was used more frequently in conjunction with new construction as opposed to rehabilitation properties, and by owners with more previous development experience. In contrast, market-rate debt was more frequently used to develop properties sited in central cities than in other places, more for rehabilitation properties than those newly constructed, and more by owners with no prior development experience. To the extent to which public and private sources of development financing were used, it was, by and large, by non-profit organizations.

⁵⁴ HOME funds were first appropriated in 1992, but the allocation for the first year was very small. Many of the tax-credit properties included in the owners survey would have assembled their development financing in earlier years.

TABLE 5.5: PERCENT OF PROPERTIES UTILIZING VARIOUS SOURCES OF TOTAL DEVELOPMENT COST FINANCING

COMBINATIONS OF TOTAL DEVELOPMENT FINANCING:	Percent of Properties
Market-rate debt and tax-credit equity	20%
Below-market rate debt and tax-credit equity	15
Below-market rate debt, tax-credit equity, and other sources	8
Below-market rate debt, public sources, and tax-credit equity	6
Market-rate debt only	6
Market-rate debt, public sources, and tax credit equity	5
Various other combinations	40
TOTAL	100%
Number	(290)

Total development costs for 14 percent of LIHTC properties were financed through one source of funds only. The most frequent single-source financing deals involved market-rate debt, followed by tax-credit equity. Considerably more common were deals that involved multiple sources of financing. Two sources were used in 37 percent of the deals, three in 27 percent, and four or more sources were used in 23 percent of the deals. When multiple sources of financing are involved, of course, a deal becomes considerably more complex and the arrangements from deal to deal become considerably more varied. In fact, given the six categories of development cost financing sources shown in Table 5.4, there are instances of properties that were developed using 43 different

combinations of those sources, including single-source financing. Table 5.5 shows the six most frequently used combinations—those that applied to at least five percent of all properties. The most frequent arrangements involved two-source financing: market-rate debt combined with tax-credit equity was used to develop one in five properties, and below-market-rate debt combined with tax-credit equity accounted for an additional 15 percent.

Sources of public support. Tax-credit deals are often feasible only in conjunction with various sorts of cash and in-kind forms of public support, some of which are federal and some local in origin. Such support deepens the public subsidy beyond the foregone federal taxes that underlie the equity contributions. Additional federal subsidies include below-market rate loans from the Farmers Home Administration, Section 8 funds from HUD, and Affordable Housing Grants from the Federal Home Loan Bank. State or local subsidies may be in the form of grants or loans using Community Development Block Grant (CDBG) or HOME funds. Other forms of public support consist of land transferred at below-market rates, infrastructure improvements, reduced or abated property taxes, payments in lieu of taxes, or reduced-cost services.

TABLE 5.6: PERCENT OF PROPERTIES UTILIZING VARIOUS SOURCES OF PUBLIC SUPPORT BY SECTOR

PUBLIC SOURCES OF SUPPORT:	SECTOR		Percent of Properties
	For Profit	Non-profit	
CDBG	9	42%	16%
Reduced/abated property taxes	5	44	14
FHLB Affordable Housing Grants	5	28	10
Land at below market cost	6	21	9
HOME funds	2	30	8
Infrastructure improvements	3	11	4
Payments in lieu of taxes	1	3	1
Reduced-cost or free government services	--	1	—*
Other forms of public support	6	23	10

* Less than one percent.

A complete enumeration of such forms of support was not attempted in the survey, but inquiry was made about a number of them. Table 5.6 shows the types of public support owners were asked about, and the percentage of properties benefiting from each.

The most frequent type of support involved some form of CDBG funds, associated with 16 percent of all deals; the next most frequent was reduced or abated property taxes, done in conjunction with 14 percent. Approximately one in ten deals included Affordable Housing Grants or land at below market cost. HOME funds were used in eight percent,⁵⁵ and a few owners used both HOME and CDBG funds in their deals. Only a

small proportion of properties benefited from infrastructure improvements or payments in lieu of taxes, and reduced-cost or free government services were hardly used at all. Ten percent of all developments involved various other forms of public support, such as: the rural rental housing Section 515 program; project-based Section 8; state tax credits and state funds from various sources (for example, special loan programs, trust funds, tax exempt bonds, and special programs unique to one state or another); and local waivers of public permits, donations of land, fast-track processing, deferred loans, historic tax credits, and below-market rate or forgiven loans.

Public sources of support were used far more often by non-profit than for-profit owners, and more often for properties located in metropolitan than non-metropolitan areas. In terms of construction type, CDBG funds were more frequently used for rehabilitation than new construction (see Annex Table 5.6).

In all, 27 percent of properties benefited from one or more forms of public support, with the mode being two forms. Six percent of all properties made use of one type of public support, nine percent made use of two, six percent made use of three, and seven percent made use of

⁵⁵ See *ibid.*

four or more. One property developer was able to take advantage of as many as eight forms of public support.

Section 6

THE PERCEIVED EFFECTS OF TAX CREDITS AND STATE AGENCY PRIORITIES

The public purpose of the LIHTC program is to encourage the private market to produce rental housing that is affordable to lower-income persons. It is premised on the recognition that such production is often financially infeasible absent some form of support to fill the gap between market production and operating costs and the stream of future rental income or other returns that such housing provides.

The tax-credit program is different in its approach to housing production than the subsidized housing programs that have dominated over the last half-century. Instead of being funded through Congressional appropriations, it generates private equity contributions that result in foregone federal taxes. Instead of being regulated by the federal agencies with substantive responsibility for housing⁵⁶—HUD and the former Farmers Home Administration in the Department of Agriculture, now the Rural Housing Service—it is regulated by the Department of Treasury, Internal Revenue Service. Instead of being administered by HUD or local housing agencies, it is administered mainly by state housing agencies. Within federal

⁵⁶ The Veterans Administration provides housing assistance as well, but does not administer a housing production program.

guidelines, these agencies establish their own priorities as to the kinds of housing that comply with state housing needs and policy goals, and allocate their limited tax-credits to proposed developments that best meet these priorities. Owners deal directly with the agency in the state in which they propose to develop affordable housing.⁵⁷

This section reports on owners' perceptions of the effects of tax credits and state allocating agency priorities on their development plans.

Questions and overview. Owners were given three possible reasons that tax credits are used in any deal: to make the deal economically feasible; because other funders require them; or to achieve lower rents. They were asked if any of these were a primary or secondary reason they used tax credits, or not a reason at all. They were also asked how important tax credits were to their development plans, whether receiving credits influenced the number of units that they developed, and what they would have done had they not been allocated tax credits for their proposed development. Finally, they were asked if state priorities caused them to make significant changes in their original development plans.

The vast majority of owners regard tax credits as being integral to the deal, having made it economically feasible. They generally recall having made no significant changes to their original development plans as a result of state agency priorities.

The effects of tax credits. There is little question that owners consider the tax-credit program to have been a necessary component of the deal they put together to develop their property. Eighty-three percent said that tax credits were "absolutely essential"—meaning that without them the deal would not have been possible; 12 percent said that they were very important but not absolutely essential, and only four percent believed they were not very important.

The 17 percent of owners who thought tax credits were very important but not essential, not very important, or did not know how important tax credits were to their deal were asked whether they would have developed anyway had they not received an allocation. Over three fourths answered in the affirmative. Those who did were further asked what they would have done to make up for not having tax-credit equity. Their answers ranged from trying to get conventional funding to paying out of pocket, looking for other programs such as bond financing or block grants, doing additional surveys to see if the rent structure would support the investment, getting HUD Section 8 or rent supplement funds, or simply "figuring out some other alternatives." Of those who would have developed without a tax-credit allocation, two-thirds

⁵⁷ See Bennett L. Hecht, *Developing Affordable Housing: A Practical Guide for Nonprofit Organizations* (John Wiley & Sons: New York, 1994), and Joseph Guggenheim, *Tax Credits for Low Income Housing* (Simon Publications: Glen Echo, MD, 1996).

believed the property would have served essentially the same market, while the few who answered otherwise believed it would have served a higher-income market.

Table 6.1 shows the percentage of owners stating that tax credits were absolutely essential (and Annex Table 6.1 shows the percentages by selected owner and property characteristics). The credits were considered essential more so by owners of larger properties and those with considerable prior development experience than by their counterparts. However, even owners of properties with four or fewer units generally thought the tax credits were essential; more than seven of every 10 of them took this position. At the other end of the spectrum, tax credits were considered not at all important by 19 percent of owners of properties located in suburban areas, by 16 percent of owners with no prior development experience, and by 11 percent of owners of rehabilitation properties.

TABLE 6.1: OWNERS VIEWS ABOUT THE IMPORTANCE AND ROLE OF THE TAX-CREDIT PROGRAM

THE TAX CREDIT:	Percent of Properties
Was absolutely essential to the deal	83%
Makes deals economically feasible	80
Makes it possible to achieve lower rents	49
Was required by other funders	9
Owner would have developed property without it	78

Owners generally used tax credits because they made the deal economically feasible, less so to make it possible to achieve lower rents, and least of all because it was required by other funders. Four of every five cited economic feasibility as the primary reason tax credits were used. The notion that tax credits make it possible to achieve lower rents than would otherwise be possible for the area was

mentioned by about one-half of all owners, with non-profits and experienced owners more likely to say this. Also, owners of properties that were newly constructed and larger in size were somewhat more likely to focus on the rent-reduction purpose of tax credits. Finally, few owners reported that tax credits were used because other funders required them, although one in five owners with no prior development experience did say this was the case.

Beyond these reasons for using tax credits, there were several additional explanations offered. In some cases the credits helped to leverage other resources, or were “the only way to get the money that was needed,” or were somehow needed to generate a development fee. Some owners couldn’t get other funding, like from the USDA, and therefore applied for tax credits. In a few cases owners used tax credits essentially because they “wanted some of the money,” or “to get more money from taxes,” or to shelter income. Finally, one owner used tax credits simply “because they were available.”

TABLE 6.2: OWNERS VIEWS ABOUT THE ROLE OF THE TAX-CREDIT PROGRAM WITH RESPECT TO THE NUMBER OF UNITS DEVELOPED

OWNER'S VIEW:	Percent of Properties
The LIHTC influenced the number of units developed	29%
More units were developed	66%
Fewer units were developed	23
Don't know	11
TOTAL	100%
Number	(88)

Although most owners believed tax credits to have been absolutely essential to the deal, only three in ten thought having the credits influenced the total number of units that were developed (see Table 6.2). Of those who did, two-thirds recalled that more units were developed than might otherwise have been the case. Non-profit owners and owners of properties located in central cities or that were rehabilitated were somewhat more likely than others to say they developed larger properties as a result

of having the tax credit. In contrast, owners of properties located in suburban areas and those with more prior development experience were more likely than others to indicate they developed fewer units as a result of having the tax credit.

The effects of state agency priorities. Reminded that tax-credit allocating agencies are required to have priorities for judging development proposals, and that they give preference to certain types of proposed developments over others, only one in 10 owners of early decade properties remember having made changes to their development plans as a result of such priorities.⁵⁸ Although it is certainly possible that original development plans either took into consideration, or were consistent with agency priorities in the first place, owners across the board indicated that no changes were made. Those few who recalled having made changes mentioned location, scale of development, unit mix, type of design or building characteristics, tenant income mix, and service to certain groups of people as having been changed—in almost equal proportions.⁵⁹

⁵⁸ The remainder said that no significant changes were made (85 percent), that they were not aware of the agency's priorities (one percent), or that they didn't know or recall if changes were made (four percent).

⁵⁹ In subsequent years, states have done more to develop and implement priorities than previously had been the case; these findings, therefore, may not reflect the contemporary picture.

Section 7:

PROPERTY PERFORMANCE EXPECTATIONS AND REALIZATION

In their analysis of the LIHTC program, Cummings and DiPasquale examined the performance of LIHTC properties developed since the program's inception through mid-decade, both from public policy and investor perspectives.⁶⁰ Their performance measures included price per tax-credit dollar, project cash flow, internal rates of return, and net present value. From a public policy perspective they observed efficiency gains over the years as more of each tax-credit dollar went to housing as opposed to fees and administrative expenses, and from an investor perspective they concluded that the majority of LIHTC projects were financially sound.

This section considers the performance of tax-credit properties relative to the expectations that owners had for them at their inception. It is noteworthy that the properties covered by the owners survey were placed in service between 1992 and 1994. The fact that they have been in operation for from seven to nine years means that they are sufficiently seasoned to make such performance evaluation meaningful, but not so old as to render original hopes and calculations obsolete. Moreover, these properties represent tax-credit allocations during a phase in LIHTC development when the program itself had become more seasoned,

⁶⁰ *Op. cit.*, pp. 30-32.

having moved beyond its initiation phase in the late 1980s when the law, program administration, and developer practices were evolving.

Questions and overview. Since a telephone survey is not the appropriate medium for gathering operating income and expenses records, data for objectively calculating property financial performance are not available. More appropriately, the survey examines property performance as judged by property owners: do they see their properties as doing well, and as likely to continue to do well? It is presumed that such beliefs are, in whole or in part, reflective of “hard” financial analysis owners undertake on an ongoing basis, and that they may also signal the level of owners’ long-term commitment to their tax-credit properties

Performance, as used here, covers a number of areas—lease up and marketing; occupancy rates; operating costs; cash flow; income trends in the area; and property value trends in the area. On each of these dimensions owners were asked to assess their LIHTC properties against the standard of their original expectations for them.⁶¹ They were also asked about current vacancy rates, the “profitability” of their properties as compared to similar properties in the area, and anticipated property value and financial performance trends over the next five years.

It appears as if, on all but one dimension, properties developed during this period are meeting owners’ performance expectations, and are considered likely to continue to do so or improve in the future. For some relatively small portion of the LIHTC portfolio, however, there are concerns about financial performance that could jeopardize the maintenance of these affordable housing resources over the long term.

Performance to date. Owners were asked if their tax credit properties are exceeding, meeting, or not meeting original expectations with respect to the six performance measures listed above.⁶² These data have been used to calculate an average LIHTC portfolio score as well as to examine the proportion of properties not meeting expectations. For different purposes it is useful to look both at such scores and proportions.

⁶¹ Certainly the latter are subject to memory and recall, but performance expectations are an important enough aspect of the original deal and *pro forma* analysis to presume that owners will generally remember what was expected of the property.

⁶² To create a portfolio score for each performance dimension, a “1” was assigned to properties believed to be exceeding expectations, a “0” to properties meeting expectations, and a “-1” to properties not meeting expectations. The average of these scores for each dimension is used to place the portfolio on a continuum from “exceeding” to “not meeting” expectations. The various dimensions are not, however, combined into a multi-dimensional score. Note that, on any dimension, an overall score of “0” could be achieved if all owners said their properties met expectations, or if the proportion of those saying their properties exceeded expectations equaled the proportion believing the opposite.

With respect to lease up, occupancy rates, operating costs, area income trends, and property value trends, LIHTC properties are essentially on target in meeting their owners' expectations. With respect to cash flow, however, the portfolio as a whole is performing slightly below expectations. (See Chart 7.1)

Chart 7.1: Property Performance Indicators

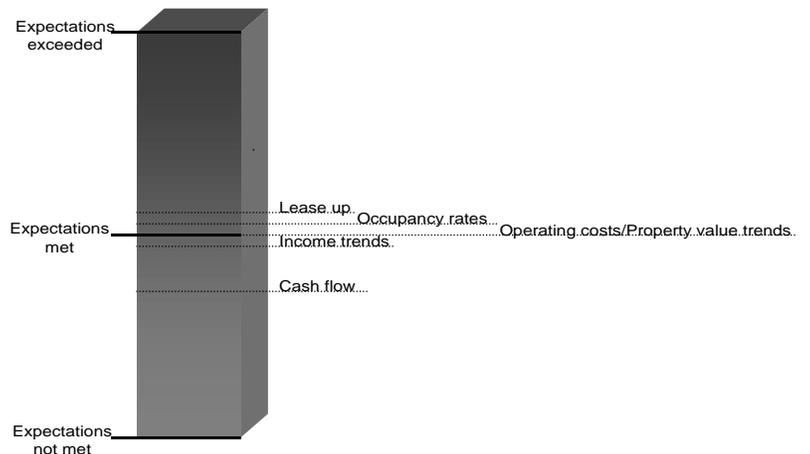


Table 7.2 focuses on the potential problem segment of the portfolio. It contains the proportion of properties not meeting their owners' original expectations

TABLE 7.2: PERCENT OF PROPERTIES NOT MEETING OWNERS' PERFORMANCE EXPECTATIONS

PERFORMANCE MEASURES:	Percent of Properties
Marketing and lease up	8%
Occupancy rates	8
Operating costs	13
Cash flow	26
Area income trends	15
Area property value trends	10
Number	(314)

on one or another performance measure. With respect to cash flow, this is the case for one in every four owners. Although the measures and standards are different, this proportion is not, in essence, inconsistent with Cummings' and DiPasquale's finding that 16 percent of the properties in their broader tax-credit sample showed operating expenses, including interest, exceeding income by more than five percent.⁶³

Performance varies somewhat by target group, sector, property location and production type (see Table 7.3 and Annex Table 7.2). Properties intended to serve the elderly are meeting or exceeding owners' operating cost, cash flow, and area income

trend expectations more so than properties intended to serve other types of tenants. In fact, if properties are sorted by the combinations of resident types they are intended to serve, the differences are more pronounced. For example, 42 percent of properties intended for families only, or for families, single-parent families, and disabled persons, do not meet owners'

⁶³ *Op. Cit.*, p. 31.

TABLE 7.3: PERCENT OF PROPERTIES NOT MEETING OWNERS' EXPECTATIONS ON VARIOUS PERFORMANCE MEASURES BY TARGET GROUP

PERFORMANCE MEASURES:	PROPERTY INTENDED TO SERVE: *					
	Elderly Persons	Disabled Persons	Families	Single Parent Families	Home-less Persons	Other Special Types of Persons
Marketing and lease up	8%	6%	10%	9%	9%	12%
Occupancy rates	8	6	10	9	10	4
Operating costs	4	11	16	16	15	18
Cash flow	12	23	32	30	23	26
Area income trends	9	32	14	14	26	21
Area property value trends	5	5	11	10	9	14
Number	(106)	(175)	(204)	(150)	(64)	(46)

* Most properties are intended to serve multiple types of tenants.

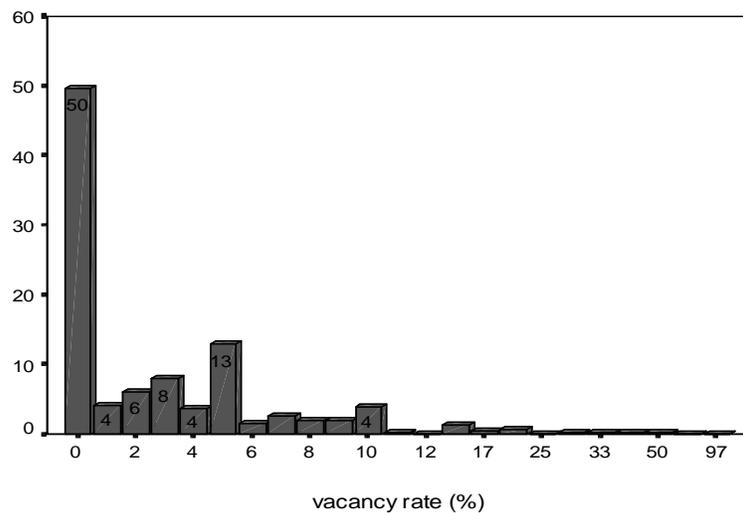
cash-flow expectations, compared to only six percent of properties intended to serve only the elderly or elderly and disabled persons exclusively.

To the extent to which there are differences between sectors, properties sponsored by for-profit entities are somewhat less likely than those sponsored by non-profits to be meeting expectations when it comes to lease up/marketing and area income and property value trends. More consistent differences across performance measures, however, pertain to property location and construction type. On all but one measure, properties located in central cities are somewhat less likely to be meeting performance expectations than properties located elsewhere, and on all measures rehabilitation properties are falling short of expectations more so than newly constructed properties.

Comparisons with other properties. LIHTC owners were asked if they considered their properties to be more profitable, less profitable, or comparable in profitability to “similar properties in the area.” Owners of 14 percent of all properties believed theirs to be less profitable, with this figure going as high as 21 percent for properties in central cities. Another way of examining this comparison is to look at average portfolio performance, where the proportion of properties judged to be more profitable can offset the proportion considered to be less profitable. Using this measure, there are no substantial differences across sectors, property locations, or construction types.

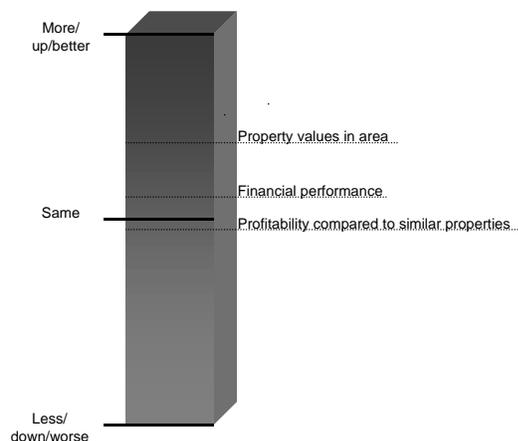
Vacancy rates. Vacancy rates constitute a more objective measure of property performance and, on this score, the LIHTC portfolio is performing very well (see Chart 7.3). The range of vacancy rates is extremely wide, extending from zero to 97 percent, but the portfolio average is only 3 percent. A vacancy rate of five percent is generally considered normal by industry standards, and 84 percent of all properties have vacancy rates under this figure. The median vacancy rate is 1 percent, and 50 percent of the properties have no vacancies at all. With the exception of rehabilitation properties, which average 5 percent, there are no substantial differences between sectors or among locations.

CHART 7.3: LIHTC PROPERTY VACANCY RATES



While, overall, occupancy is strong, Chart 7.3 shows that there are some properties with an especially high proportion of vacancies. Eight percent have vacancy rates of 10 percent or more, and two percent have vacancy rates of 20 percent or more. In several cases extremely high vacancy rates are due to renovations that were underway at the time and, in very small properties, indicative of the fact that one or two vacancies can translate into very high rates. In other instances, however, higher rates are a reflection of occupancy troubles.

Chart 7.4: Profitability Comparison and Anticipated Performance Over the Next Five Years



Future expectations. Finally, owners generally anticipate that their LIHTC properties will to continue to do well in the near-term future, both financially and with respect to property values. On average, financial performance is expected to hold constant and property values are expected to increase over the next five years. This is shown in Chart 7.4, which places the portfolio on a continuum ranging from “going up” or “getting better” to “going down” or “getting worse—with the mid-point representing “staying about the same.” For the portfolio as a whole, profitability is expected to continue at, or go

slightly above, its current level, and there is considerable optimism about future area property values. The expectations of non-profit owners and of owners of properties located in non-central city portions of metropolitan areas are the most optimistic of all.

Section 8:

FUTURE PLANS

LIHTC properties are required to serve a defined affordable housing purpose. The Federal statute and IRS regulations governing the program are intended to guarantee that a certain percentage of units in each property is maintained for low-income occupancy for the duration of a 15-year compliance period. According to Hecht, however, “for practical purposes, the law requires a total commitment of at least 30 years.”⁶⁴ In addition, state agencies that allocate tax credits can give priority to proposals from owners who intend to exceed federal compliance-period regulations.⁶⁵

While such incentives are likely to deter sale or result in low-income use for at least 15 years and, in many cases, longer, it is not certain what will happen after that. To date, no LIHTC property has been in service for 15 years, although that anniversary is rapidly approaching for the earliest properties developed under the program. One purpose of the survey of owners, therefore, is to learn about longer-term plans for LIHTC properties—

⁶⁴ *Op. cit.*, p. 151.

⁶⁵ In exchange for the tax benefits derived from the LIHTC, an owner commits to compliance to program requirements for at least 15 years. Since the credit is applied over a 10-year period, IRS regulations include a recapture provision on the accelerated portion of the credit for all prior years during the 15-year compliance period. Beyond the 15 year period, however, recapture is not an option, and there appears to be no enforcement mechanism for low-income compliance except deed restrictions that may be required by states.

especially those involving anticipated continued ownership or sale and, more importantly, retention or termination of low-income use.

Questions and overview. The owners' survey includes several factual questions about tax credit properties as well as a series of questions about owners' intentions—past and present. The factual questions involve the length of the compliance period that pertains to each property, and whether tenants or any other organization formally have been designated as having a right of first refusal to purchase the property—should a decision be made to sell in the future. Questions about long-term intentions focus, first, on the development planning stage and, second, on current plans for future property use.

While many owners report they did not have, nor currently have, plans for the disposition or use of their properties in the post-compliance period, the majority of them declare they have such plans—the latter ranging, however, from those that are deemed definite to those that are considered somewhat vague. In most cases, properties with such plans are likely to be maintained for low-income occupancy. For a small minority, termination of low-income use is anticipated, and those properties are somewhat more likely to be experiencing performance problems than the remainder.

Length of compliance period. The length of time tax-credit properties are required to be maintained for low-income occupancy must be 15 years at a minimum, but can vary, depending on the property's approved development plan. For the portfolio of early decade properties, owners reported a range of from 15 to 99 years, with an average compliance period of 25 years. The compliance period is 15 years for approximately one-half of all properties, and 50 or more years for five percent of them.⁶⁶

Right of first refusal. Under each property's Low-Income Use Agreement, it is possible to designate a group or organization that has a right of first refusal to purchase the property should the ownership entity decide to sell it in the future. For 80 percent of early decade tax-credit properties, however, there apparently is provision for no such group while, for 14 percent, such a group or entity has been so designated.⁶⁷ Those named as having a right of first refusal consist of non-profit organizations (7 percent of 1992-1994 properties), tenants, tenant groups, or tenant cooperatives (4 percent), and resident management corporations, government agencies, or other groups (each for one percent of the properties). More non-profit (35 percent) than for-profit owners (10 percent) have designated a group to have a right of first refusal, but a large majority of them have not.

⁶⁶ Some owners indicated that the number of compliance years was, say, 17 or 23 years—odd numbers—and it was not possible to double check their accuracy. It is conceivable that, in some cases, such numbers represent the number of compliance years remaining, not the total number of compliance years. Hence, these numbers should be viewed with some caution.

⁶⁷ Owners of 5 percent of the properties did not know or were not certain if such provision had been made.

Long-term plans at the development-stage. At the time LIHTC developments were initially being planned, the conclusion of the compliance period looked to be far into the future. Even so, owners of 59 percent of early decade properties recalled that “thought was given as to what the organization would likely do at the end of the compliance period.” This issue has apparently been considered for more properties that are owned by non-profit organizations (80 percent) than by for-profit-entities (54 percent). In 46 percent of the cases where owners had given the issue some thought (representing 27 percent of all properties), such plans were very definite, while in 33 percent (20 percent of all properties), they were only somewhat definite. In 21 percent of the cases (12 percent of all properties), plans were vague. At the development stage, therefore, the extent of exit planning apparently varied widely, ranging from none all the way to plans that were considered quite certain.

Owners who had considered a post-compliance strategy were asked whether they contemplated continued ownership by the developer/owner, an attempt to sell their property, or an attempt to convert it to homeownership and, either way, whether they thought they would maintain or terminate its low-income use. (See Table 8.1.) The owners of 37 percent of all

properties (69 percent of those with a plan) anticipated continued ownership following the compliance period. Sale was a likely possibility in 11 percent of the cases (22 percent of those with a plan), and conversion to homeownership was anticipated in five percent of the properties (eight percent of those with a plan). Regardless of who would own the property, continued low-income use was contemplated for 40

TABLE 8.1: OWNERS' RECOLLECTIONS OF DEVELOPMENT-PHASE, POST-COMPLIANCE PERIOD PLANS FOR THEIR PROPERTIES

INITIAL POST-COMPLIANCE PLANS:	Percent of Properties
Continue to own, retain low-income use	34%
Sell, retain low-income use	8
Continue to own, terminate low-income use	3
Continue to own, terminate low-income use, then sell	1
Sell, terminate low-income use	1
Terminate low-income use, then sell	1
Convert to homeownership	5
No plans	41
Don't know	6
TOTAL	100%
Number	(303)

percent of the properties (79 percent of those with an identified plan), and termination of low-income use was considered for 7 percent (13 percent of those with a plan). For those properties where some type of long-term plan was considered, then, maintenance of low-income use was the dominant theme.

Current plans for future property use. Owners who initially had a plan for the post-compliance period were asked if things had changed since the development stage. The large majority, 87 percent, said they had not. Those who said things had changed and those who did

TABLE 8.2: OWNERS CURRENT POST-COMPLIANCE PERIOD PLANS FOR THEIR PROPERTIES

CURRENT POST-COMPLIANCE PLANS:	Percent of Properties
Continue to own, retain low-income use	42%
Sell, retain low-income use	11
Continue to own, terminate low-income use	2
Continue to own, terminate low-income use, then sell	1
Sell, terminate low-income use	2
Terminate low-income use, then sell	2
Convert to homeownership	5
No plans	24
Don't know	11
TOTAL	100%
Number	(310)

not have an initial plan were queried about current plans for their properties at the end of the compliance period. These, combined with initial plans that had not changed, are displayed in Table 8.2.

The owners of one-fourth of early decade tax-credit properties still do not have post compliance

plans. However, more of them have such plans than was the case at the development stage, and more of them are destined for continued ownership by their current owners and for retention of low-income use. As was the case initially, only a small minority of the properties, seven percent, is being considered for termination of low-income use, and five percent of all properties are still being considered for conversion to homeownership. Asked what the chances are that these outcomes will occur, owners of three of every four properties that have a plan say “very

likely,” 21 percent say somewhat likely, while the small remainder concede they are not likely or simply don't know

TABLE 8.3: CURRENT POST-COMPLIANCE PLANS BY SECTOR

POST-COMPLIANCE PERIOD PLANS	SECTOR	
	For profit	Non-profit
Retain low-income use	49%	71%
Terminate low-income use	8	1
Convert to homeownership	4	8
No Plan	27	9
Don't know	12	10
Total	100%	99%*
Number	(183)	(123)

* The total does not sum to 100% due to rounding error.

Table 8.3 displays the distribution of post-compliance plans by sector (and Annex Table 8.3 does so for location, two measures of property performance, and the typology of developer attachment to the tax-credit program). Properties owned by for-profit entities are somewhat less likely than those owned by non-profits to have post-

compliance plans. Alternatively, properties owned by non-profits are more likely to affirm a low-income retention strategy than those owned by for profits.

TABLE 8.4: CURRENT POST-COMPLIANCE PLANS BY OWNERSHIP AND DURATION OF COMPLIANCE PERIOD

POST-COMPLIANCE PERIOD PLANS	DURATION OF COMPLIANCE PERIOD			
	15 Years		16 Years or More	
	For-profit Owner	Non-profit Owner	For-profit owner	Non-profit owner
Retain low-income use	52%	73%	46%	68%
Terminate low-income use	8	—	10	2
Convert to homeownership	6	11	3	7
No plan	22	3	31	13
Don't know	12	13	10	10
TOTAL	100%	100%	100%	100%
Number	(84)	(43)	(76)	(68)

Even though the proportion of properties considered for termination of low-income use is small, there are some discernible differences across sectors, locations, and property performance measures. Contemplation of sale is more likely for properties owned by for-profit (18 percent) than non-profit owners (seven percent), as is the consideration for terminating low-income use

(eight percent for for-profits compared to one percent for non-profits). With respect to location, none of the properties in non-central city portions of metropolitan areas are being considered for termination of low-income use, although given the small sub-sample size these data can only be taken as suggestive. And, properties that are not meeting cash flow expectations or whose financial performance is believed likely to get worse in the future are more frequently considered for cessation of low-income use than are properties with better current and projected financial performance.

Table 8.4 displays the distribution of post-compliance plans by ownership sector, controlling for the duration of the compliance period. Whether or not owners have such plans is, to some degree, a function of both. Among non-profit owners there are no plans for three percent of properties whose compliance period is 15 years, compared 13 percent of properties whose compliance period is 16 years or more. Among for-profit owners there are no plans for 22 percent of properties whose compliance period is 15 years, compared to 31 percent of properties whose compliance period is 16 years or more.

TABLE 8.5: CURRENT POST-COMPLIANCE PLANS BY CENSUS TRACT LOW-INCOME CONCENTRATION

POST-COMPLIANCE PERIOD PLANS	Percent Low Income*
Retain low-income use	60%
Terminate low-income use	52%
Convert to homeownership	74%
No plan	61%
Don't know	59%

*Percent of Households in Census Tract with Incomes <80% of Section 8 Area Median Income

Finally, the extent to which properties are sited in areas with low-income households is also, to some extent, associated with post-compliance-period plans. Low-income areas are defined here as census tracts in which a high proportion of households has less than 80 percent of Section 8 area median income. Termination of low-income use is anticipated for properties in areas with the fewest low-income households, by comparison, and conversion to homeownership is anticipated in areas with the most such households (see Table 8.5).

Section 9:

OWNERS' OPINIONS ABOUT THE LIHTC PROGRAM

Despite some criticism of its efficiency and targeting performance, as well as its sheer complexity, the Low-Income Housing Tax Credit program enjoys a broad base of political support. As Dreier explains, it has a positive public image partly because it is "not identified with the same stigmatizing factors—government bureaucracy, large-scale 'projects'—as HUD-subsidized housing developments."⁶⁸ Likewise, Orlebeke observes that "(p)art of the reason for its success is that it dovetails with the move toward greater program control by states and cities, which determine the allocation of the credits to specific projects. HUD is largely shut out of the LIHTC action... "⁶⁹ Whatever its appeal, its coalition of supporters runs the gamut from lenders to corporate investors, lawyers, accountants, multifamily housing practitioners, state housing agencies, non-profit organizations, and low-income housing advocates, among others, each of whom derive or see different benefits from the tax-credit approach to producing affordable housing.

⁶⁸ *The Politics of Federal Housing Policy: Lessons from the 1949 Housing Act* (paper presented at the 1999 Annual Housing Conference "Legacy of the 1949 Housing Act," (Washington, D.C., September 30, 1999), p. 28.

⁶⁹ *The Evolution of Low-Income Housing Policy: 1949-99* (paper presented at the 1999 Annual Housing Conference "Legacy of the 1949 Housing Act," (Washington, D.C., September 30, 1999), p. 3.

Having developed and operated tax-credit properties for the better part of a decade, owners who placed properties in service in the early 1990s bring a unique perspective to the program. Aside from the shared ownership experience, however, the group is quite diverse in terms of scale and sphere of operations, sector, construction type specialty, extent of development experience, and attachment to the tax-credit program. Moreover, the properties they produced differ with respect to size, resident characteristics, location, financing structure, and performance. And, included are owners who expect to retain their properties for low-income use over the long haul and some few who do not. What opinions does such a varied group of hands-on practitioners have about the LIHTC program?

Questions and overview. Owners were asked if they had any regrets about using the tax-credit program and, if so, what they were. They were asked if they had ever been turned down for tax credits by an allocating agency and, if so, what happened to their proposals. And they were asked if they intended to use the LIHTC program again. At the conclusion of the survey, owners were given an opportunity to comment more generally on the program—to say what in their experience were its the most significant advantages and disadvantages. Finally, they were asked if the program should be changed in any way and, if so, how.

Most owners see the LIHTC as a means for making deals financially feasible, have no regrets about using it, resubmit proposals when they are initially turned down, want more tax credits made available, and intend to use the program further. That notwithstanding, many complain about the program's rules and complexity, and about too much regulation, paperwork, and compliance monitoring. From an owners' perspective, therefore, the LIHTC is beneficial yet overly bureaucratic and regulated—the latter view decidedly the antithesis of its public reputation.

Regrets about using the LIHTC. Approximately four of every five owners said they have no regrets about using tax-credit equity as part of the deal, while only 15 percent did.⁷⁰ Those with the least prior development experience and those with properties located in central cities were somewhat more likely than others to regret having used the LIHTC program.

Numerous of those who were unhappy about having used tax-credits focused on regulatory themes: the “cumbersome collection of documents and reporting burden,” “onerous compliance requirements” (e.g., recertification of income, escrow accounts), “excessive paperwork,” “retroactive enforcement,” and “front-end program complexity.” In one owner's words, “the government's micro-managing.” Others lament the fact that white collar professionals, syndicators, and lawyers “get too much of the money” and that “the legal cost to get the deal done is astronomical!”

⁷⁰ Two percent did not know or refused to answer the question.

Still other owners gave a range of reasons for regretting having used tax credits. These include: "the process is too political;" "our hands are tied about what we could do with the property;" "regulations are written for much larger projects;" "there is not a level playing field for non-profits;" "the alternative minimum tax makes it difficult to use tax credits;" and "there is a portion of the population that is not being well served" by the program. One owner "would have preferred to go with HUD so that rents would be flexible with respect to the incomes of tenants," and another was convinced that "occupancy would be better if not restricted by income levels." Finally, one owner regretted being locked in for such a long period of time and also for having to "deal with the extremely difficult population chosen."

Denied and resubmitted proposals. Forty-five percent of all early decade tax-credit owners had been turned down for tax credits by a state or local allocating agency at some point or another over the years.⁷¹ The number of denied proposals ranged from one to 50, with the average being four. Owners reported that about 40 percent of proposals that had been turned down were ultimately abandoned, 51 percent were modified and resubmitted to the same agency, four percent were modified and submitted to another agency, and other outcomes applied to the remaining five percent. The majority of owners who were turned down for tax credits obviously saw reason and benefit to persist, despite the initial setback.

Anticipated continued usage. Approximately seven of every ten owners wanted or expected to use the tax-credit equity program again, four percent were not sure,⁷² and 24 percent had no intention of using it again. Forty-two percent of owners who had five years or less development experience prior to developing their early decade property did not plan to use the program again, compared to 10 percent of owners who had 16 or more years of prior experience.

Many of those who do not intend to use tax credits again were annoyed about paperwork, compliance requirements, and "the system." In one owner's words, "It is a pain!" For some, the program is simply "too difficult" or, in one instance, "the new executive director is not well versed in housing; she is not really capable of dealing with LIHTC." Other varied explanations for no further interest in doing tax-credit work included: market reasons; no longer being in the development or housing business; the belief that smaller owners have a harder time getting tax credits; a concern "that it is very difficult to get rid of an investor;" or the idea that "LIHTC is a detriment to selling the property." For some, the allocation process has "become too competitive and the requirements you need to meet to receive credits are arduous."

⁷¹ Fifty-two had not been turned down and three percent did not know or did not answer the question.

⁷² This includes those who say "not sure" as well as those who say "don't know."

Some owners did not see the necessity of tax credits, saying that “financial and social goals can be met without it,” or “the focus is always on numbers, not on people’s needs.” Finally, one owner claimed, “you have to live in or around (the state capital) and be a close friend and major contributor of the governor to be awarded tax credits,” while another is frankly “tired of dealing with low-income people.”

Perceived program advantages. Owners identified a variety of different advantages to working with the LIHTC program, but the vast majority, 80 percent,⁷³ in one way or another focused on its value in making deals financially feasible. Owners saw tax credits as helping to fill a financing gap that would otherwise thwart the production of the kinds of housing that meet the program’s eligibility requirements—just as the LIHTC was designed to do. Another answer given with some frequency involved serving a lower-income population but, by comparison, only 30 percent of all owners were so focused.

Seven percent of owners claimed that the LIHTC is advantageous once an organization develops the knowledge about how to use it, and six percent like the idea that tax incentives are used. A small proportion pointed to the advantage of “minimal micro-management and local discretion on design,” “not being micro-managed by HUD,” or simply “not having to deal with HUD.”

Beyond these perceived advantages of the LIHTC, which were given by multiple owners, other answers were also forthcoming. They included: “it gives us an opportunity to get development fee;” “tax credits provide jobs, housing, and corporate equity into rural areas;” there is “less regulatory burden than public financing;” “LIHTC encourages partnerships between public, private, and community developers;” “it gets the private sector involved;” “it forces units to be kept in good condition;” “it is easy to syndicate the credits;” and “it leverages public resources.” Finally, one owner claimed that the LIHTC “allowed us to develop excellent housing that we and the neighbors are proud of.”

⁷³ Multiple responses were permitted.

Perceived program disadvantages. The disadvantages owners see in using the LIHTC program are identified in Table 9.1. The two most frequently cited limitations, given by

TABLE 9.1: OWNERS' VIEWS ABOUT THE DISADVANTAGES OF USING THE LIHTC PROGRAM

DISADVANTAGES:	Percent of Responses	Percent of Owners
Too much paperwork	28%	50%
Excessive rules/regulations	25	45
Tax credits are too competitive	10	18
There are costly delays	7	12
Financial issues	7	12
Administrative/process issues	5	8
The market is too thin	4	8
Compliance regulations	2	4
Doesn't serve appropriate market/rent levels	2	3
General regulatory issues	1	2
Tenant issues	1	2
Knowledge is lacking to do tax-credit development	1	1
Other	2	3
NONE/NO DISADVANTAGES	4	7
Don't know/refused to answer	1	2
TOTAL	100%	177%*
Number of respondents	(544)	(314)

* Multiple responses were permitted.

95 percent of all owners, relate to excessive paperwork or rules and regulations—themes that also dominated owners' responses to questions about program regrets and anticipated program usage. Fifty–seven percent of for-profit owners identified paperwork as a problem, compared to 32 percent of non-profits, but excessive rules are mentioned as frequently by both owner types.

Less frequently, owners focused on the market for tax credits, noting that they have become too competitive, and on the tax credit process, claiming that it results in costly delays. Still others identified various financial issues associated with LIHTC use—including the allegations that development fees are excessive, overall costs are raised, administrative overhead is increased, profits accrue to “banks” at the expense of the property, compliance and transaction costs are excessive, and cash flow and profitability are jeopardized due to high maintenance requirements and low-income occupancy.

Some owners chose to focus on administrative and process issues, including: the time, cost, and uncertainty associated with application approvals; rules that "make no sense;" having

to deal with a broker or syndicator; the difficulties of blending LIHTC with other low-income programs such as Farmers Home; and difficulties in dealing with a state agency or having to work with government bureaucracies in general. In one owner's words, "there are too many penalties for making honest mistakes, and it is too political." Compliance problems were also identified, including the fact that the compliance period is too long, compliance documentation is too difficult, and compliance controls are too restrictive.

Market issues were focused on by some owners, who claimed that the market for LIHTC properties is simply too thin. A few emphasized the complexity of the program and the difficulty of finding people with LIHTC expertise, especially in rural areas, while a handful were uncomfortable with their tenants, considering them to be "uneducated" or "of low caliber."

Recommended changes. Three-fourths of all owners believed that some type of change was needed in the LIHTC program, ranging from minor to major in import. Their suggestions, grouped into broad categories, are reported in Table 9.2.

Three of every ten owners suggested one or another federal program rule or guideline revision, or change in the statute authorizing the LIHTC program. Included were recommendations to modify: tenant income regulations; allowance for administrative fees; profit allowance; how the tax credit is allocated; how the credit is calculated; rules related to subsidy layering; rules dealing with students; the level and type of federal involvement; the locations where the program is targeted; and even the name of the program.

TABLE 9.2: OWNERS' SUGGESTED CHANGES TO THE LIHTC PROGRAM

RECOMMENDED CHANGES:	Percent of Responses	Percent of Owners
Change guidelines/program statute	24%	31%
Increase the allocation	23	30
Simplify rules and/or process	14	18
Change Allocating agency administration	11	14
Reduce/clarify paperwork	7	9
Simplify/restructure annual recertifications	5	6
Change organizational targeting	5	6
Simplify compliance monitoring	4	5
More information seminars needed	2	2
Change priorities as to who should be served	2	2
Other	3	3
TOTAL	100%	126%*
Number of respondents	(594)	(233)

*Multiple responses were permitted.

A large proportion of owners also recommended raising the allocation cap so as to increase the availability of tax credits. This suggestion was made more frequently by non-profit than for-profit owners, by those who are LIHTC long termers compared to others, and by those whose 1992-1994 LIHTC properties are exceeding performance expectations with respect to marketing, lease up, and occupancy as opposed to those whose properties are not. These types of owners, it is presumed, have an especially strong interest in continued use of the tax-credit program and, therefore, are less focused on program rules than they are on expanded tax-credit availability.

Owners who recommend changes in allocating agency administration mention, among other things, that "state biases" need to be addressed, that states need to provide more guidance and assistance, that underwriting guidelines and administrative processes need to be reviewed, and that "discrimination" against small developers needs to be corrected. With respect to organizational targeting, some see a need for increased allocations to non-profit organizations, while others see a need for increased allocations to for-profit businesses.

If recommendations pertaining to changing federal guidelines and program statutes are considered along side those that focus on simplifying rules and process, reducing and clarifying paperwork requirements, and simplifying compliance monitoring, this broader category covering rules and process is by far the predominant target of owners' recommendations. It is not surprising that a large proportion of owners also recommends raising the credit cap, given that this issue has been at the center of legislative discussion for some time now. What is interesting is that more owners focus on program rules and process, which have also been at the forefront of policy discussion, than on the credit cap issue—characteristic of a practitioner perspective on the program. In sum, owners, by and large, appear to like and benefit from the LIHTC program but are nonetheless displeased with certain of its rules, procedures, and requirements.

Annex A:

TABLES

ANNEX TABLE 4.1: OWNER'S DEVELOPMENT OBJECTIVES BY SELECTED CHARACTERISTICS

DEVELOPMENT OBJECTIVES:	SECTOR		LOCATION			PRODUCTION		DEVELOPMENT EXPERIENCE			TOTAL
	For profit	Non-profit	Metro Area		Non Metro	New Construction	Rehabilitation	Over 5 years	5 years or less	None	
			Central City	Non-Central City							
Help low income people	52%	92%	62%	59%	52%	55%	71%	60%	70%	61%	61%
Provide affordable housing to a specific population	54	82	59	64	53	56	63	62	56	59	60
Expand affordable housing supply	46	84	54	61	43	52	57	55	63	44	54
Development fee	46	11	24	50	48	45	26	46	26	11	39
Upgrade the neighborhood	28	47	45	23	20	20	54	36	22	26	32
Rental Income	31	12	33	25	19	21	39	23	35	41	27
Management fee	27	11	16	16	33	24	23	28	21	8	24
Address a problem property	17	35	32	10	18	2	51	21	19	26	21
Shelter other income	20	2	19	14	23	16	19	19	5	19	17
Property appreciation	13	7	13	12	11	13	10	11	8	26	12
Property tax abatement	14	4	16	1	17	11	11	10	8	28	12
Number	(177)	(125)	(133)	(39)	(53)	(188)	(99)	(202)	(46)	(49)	(307)

**ANNEX TABLE 4.3: OWNERS' HIGHEST PRIORITY DEVELOPMENT OBJECTIVES
BY SELECTED CHARACTERISTICS**

PRIORITY DEVELOPMENT OBJECTIVE:	SECTOR		LOCATION			PRODUCTION		DEVELOPMENT EXPERIENCE			TOTAL
	For profit	Non- profit	Metro Area		Non Metro	New Constr uction	Rehabilit ation	Over 5 years	5 years or less	None	
			Central City	Non- Central City							
Development fee	25%	—%	9%	26%	27%	24%	12%	24%	14%	1%	20%
Help low income people	7	28	12	16	13	14	8	9	12	22	12
Provide affordable housing to a specific population	8	26	13	8	12	13	11	12	18	14	12
Expand affordable housing supply	8	15	9	8	5	10	8	11	6	3	9
Shelter other income	10	—	7	11	12	9	4	8	1	9	7
Upgrade the neighborhood	5	15	12	3	5	2	15	7	16	4	7
Rental Income	7	—	8	5	1	3	12	2	16	14	5
Address a problem property	4	4	5	1	9		13	4	1	3	4
Property appreciation	3	—	3	1	1	3	1	1	—	11	2
Management fee	4	—	4	—	—	2	5	4	1	—	3
Property tax abatement	2	—	—	1	5	2	—	—**	—	8	1
No information***	17	12	19	21	11	19	12	18	14	12	17
TOTAL	100%	100%	101%*	101%*	101%*	101%*	101%*	100%	99%*	101%*	99%*
Number	(172)	(173)	(103)	(39)	(50)	(184)	(98)	(201)	(43)	(48)	(300)

* The total does not sum to 100% due to rounding error.

** Less than one percent

***No information is a combination of: 'some other reason not mentioned', 'no one most important reason', and 'don't know'.

**ANNEX TABLE 4.4: OWNERS' REASONS FOR SELECTING DEVELOPMENT LOCATIONS
BY SELECTED CHARACTERISTICS**

REASON FOR PROPERTY LOCATION:	SECTOR		LOCATION			PRODUCTION		DEVELOPMENT EXPERIENCE			TOTAL
	For profit	Non-profit	Metropolitan Area		Non Metropolitan Area	New Construction	Rehabilitation	Over 5 years	5 years or less	None	
			Central City	Non-Central City							
Property availability	81%	80%	75%	89%	86%	83%	75%	80%	71%	96%	81%
Shortage of rental housing	78	77	73	76	86	86	60	78	85	67	78
Reasonable land costs	73	63	66	78	68	77	55	71	67	68	71
Part of traditional area	61	72	68	43	61	59	75	62	77	56	63
Physical condition of area	58	64	72	61	51	54	72	58	54	67	59
Conducive gov't climate	61	56	51	71	79	70	34	62	50	56	59
Income population trends	59	50	55	49	63	61	47	57	58	54	57
Previously owned property in area	56	39	59	42	50	48	60	57	44	28	52
Rent levels	40	37	43	30	38	37	42	36	34	58	39
Public agency incentives	24	36	26	35	34	28	19	28	22	20	27
Property appreciation trends	30	10	29	17	33	25	23	26	15	31	25
Other financial incentives	7	13	10	2	10	7	9	9	4	10	9
Number	(169)	(119)	(125)	(36)	(51)	(184)	(89)	(198)	(45)	(44)	(293)

**ANNEX TABLE 4.5: OWNERS' HIGHEST PRIORITY REASON FOR SELECTING
DEVELOPMENT LOCATIONS BY SELECTED CHARACTERISTICS**

PRIMARY REASON FOR PROPERTY LOCATION:	SECTOR		LOCATION			PRODUCTION		DEVELOPMENT EXPERIENCE			TOTAL
	For profit	Non-profit	Metropolitan Area		Non-Metropolitan Area	New Construction	Rehabilitation	Over 5 years	5 years or less	None	
			Central City	Non-Central City							
Shortage of rental housing	17%	18%	10%	20%	20%	21%	6%	16%	24%	11%	17%
Property availability	13	23	14	21	22	16	14	14	13	31	15
Previously owned property In area	16	2	17	3	5	10	21	15	14	2	13
Public agency incentives	9	7	10	12	5	10	5	9	11	8	9
Part of traditional area	7	13	14	5	3	5	17	5	9	19	8
Reasonable land costs	7	4	7	7	1	8	2	6	7	3	6
Income population trends	6	2	2	—	12	7	—**	5	6	—	5
Conducive gov't climate	4	2		7	9	6	—**	3	3	8	4
Physical condition of area	2	6	5	—	5	1	6	4	2	—	3
Rent levels	4	2	5	6	1	2	6	4	—	3	3
Property appreciation trends	3	—	3	—	—	3	1	2	—	4	2
Other financial incentives	2	1		—	4	3	—	3	—	—	2
No information***	11	21	13	19	14	10	21	15	11	12	14
TOTAL	101%*	101%*	101%*	100%	101%*	101%*	99%*	101%*	100%	101%*	101%*
Number	(167)	(116)	(131)	(36)	(50)	(183)	(85)	(195)	(42)	(45)	(288)

* The total does not sum to 100% due to rounding error.

**Less than one percent.

***No information is a combination of: 'some other reason not mentioned', 'no one most important reason', and 'don't know'.

ANNEX TABLE 5.1: PERCENT OF PROPERTIES OBTAINING TAX-CREDIT EQUITY THROUGH VARIOUS MEANS

EQUITY RAISED THROUGH:	SECTOR		PROPERTY LOCATION			PRIOR DEVELOPMENT EXPERIENCE			CONSTRUCTION TYPE		TOTAL
	For Profit	Non-Profit	Metropolitan Area		Non-Metropolitan Area	Over Five Years	Five Years or Less	None	New Construction	Rehabilitation	
			Central City	Non-Central City							
Broker/syndicator	41%	40%	30%	39%	52%	44%	52%	16%	42%	41%	42%
Direct placement	36	35	46	32	29	36	19	52	36	38	36
Combination of broker/direct placement	11	13	10	15	14	13	6	5	12	9	11
Other means	9	4	11	12	1	3	20	26	7	9	8
Don't know/recall	3	7	3	2	4	4	3	1	3	4	3
TOTAL	100%	99%*	100%	100%	100%	100%	100%	100%	100%	101%*	100%
Number	(178)	(126)	(133)	(40)	(54)	(203)	(46)	(49)	(188)	(101)	(309)

* The total does not sum to 100% due to rounding error.

ANNEX TABLE 5.2: SOURCES OF EQUITY BY SELECTED CHARACTERISTICS

SOURCE OF EQUITY:	SECTOR		PROPERTY LOCATION			CONSTRUCTION TYPE		EQUITY RAISED		TOTAL
	For Profit	Non-Profit	Metropolitan Area		Non-Metropolitan Area	New Construction	Rehabilitation	Broker/Syndicator	Directly placed	
			Central City	Non-Central City						
Owner/general partner	85%	56%	72%	72%	90%	80%	78%	78%	75%	78%
Bank or other lender	47	57	58	56	32	44	56	41	52	49
Corporation	33	62	41	47	29	41	38	50	35	40
Individual investor	41	13	25	38	49	39	28	36	40	35
Non-profit organization	1	30	10	10	2	5	10	5	9	7
Other source	18	46	23	27	26	27	21	33	14	25
Number	(178)	(126)	(133)	(40)	(54)	(188)	(101)	(121)	(100)	(309)

ANNEX TABLE 5.3: PERCENT OF PROPERTIES UTILIZING VARIOUS COMBINATIONS OF EQUITY CONTRIBUTORS BY SELECTED CHARACTERISTICS

COMBINATION OF EQUITY SOURCES:	SECTOR		PROPERTY LOCATION			CONSTRUCTION TYPE		EQUITY RAISED		TOTAL
	For Profit	Non-Profit	Metropolitan Area		Non Metropolitan Area	New Construction	Rehabilitation	Broker/Syndicator	Directly Placed	
			Central City	Non Central City						
Owner/general partner, individual investors, and bank/lender	17%	—%**	9%	11%	13%	14%	11%	14%	13%	13%
Owner/general partner and individual investors	11	2	11	2	16	10	10	8	15	9
Owner/general partner only	11	3	7	15	9	7	13	6	12	9
Owner/general partner and corporate investors	9	6	6	6	11	11	4	15	5	9
Owner and bank/lender	10	6	15	9	5	6	14	1	12	9
Owner, corporate investors, and bank/lender	6	2	4	3	2	5	7	6	5	5
Owner/general partner and other sources	5	3	1	--	9	7	1	7	--	5
Corporate investors only	4	8	8	8	2	4	6	5	7	5
Other various combinations each with <5% of properties	27	69	39	46	33	36	34	38	32	36
TOTAL	100%	99%*	100%	100%	100%	100%	100%	100%	101%*	100%
Number	(175)	(118)	(129)	(37)	(53)	(183)	(97)	(115)	(100)	(298)

*The total does not sum to 100% due to rounding error.

** Less than one percent.

ANNEX TABLE 5.4: PERCENT OF PROPERTIES UTILIZING VARIOUS SOURCES OF TOTAL DEVELOPMENT COST FINANCING BY SELECTED CHARACTERISTICS

TOTAL DEVELOPMENT FINANCING INCLUDED:	SECTOR		PROPERTY LOCATION			PRIOR DEVELOPMENT EXPERIENCE			CONSTRUCTION TYPE		TOTAL
	For Profit	Non-Profit	Metropolitan Area		Non Metropolitan Area	Over Five Years	Five Years or Less	None	New Construction	Rehabilitation	
			Central City	Non Central City							
Tax-credit equity	74%	89%	75%	76%	78%	78%	77%	70%	78%	72%	77%
Below-market rate debt	50	58	42	52	63	59	31	34	57	38	52
Market rate debt	45	40	61	43	30	40	47	64	36	58	43
Public sources (i.e. HOME/CDBG)	17	69	37	31	21	28	30	39	24	33	29
Private sources/foundations	5	27	14	12	4	9	10	9	6	12	10
Other sources	22	40	22	32	22	26	31	15	28	20	26
Number	(178)	(126)	(133)	(40)	(54)	(203)	(46)	(49)	(188)	(101)	(309)

ANNEX TABLE 5.5: PERCENT OF PROPERTIES UTILIZING VARIOUS SOURCES OF TOTAL DEVELOPMENT COST FINANCING

COMBINATION OF TOTAL DEVELOPMENT COST FINANCING:	SECTOR		PROPERTY LOCATION			CONSTRUCTION TYPE		EQUITY RAISED		TOTAL
	For Profit	Non-Profit	Metropolitan Area		Non Metropolitan Area	New Construction	Rehabilitation	Broker/Syndicator	Directly Placed	
			Central City	Non Central City						
Market-rate debt and tax-credit equity	24%	2%	26%	18%	12%	18%	23%	10%	33%	20%
Below-market rate debt and tax-credit equity	18	5	6	7	24	18	11	22	13	15
Below-market rate debt, tax-credit equity, and other sources	10	5	5	13	10	10	7	11	7	8
Below-market rate debt, public sources, and tax-credit equity	7	5	4	10	10	9	2	11	3	6
Market-rate debt only	7	1	9	8	5	4	11	1	10	6
Market-rate debt, public sources, and tax credit equity	2	14	9	1	1	3	8	5	6	5
Various other combinations	32	68	41	43	38	38	38	40	29	40
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	101%*	100%
Number	(175)	(118)	(129)	(37)	(53)	(183)	(97)	(115)	(100)	(290)

* The total does not sum to 100% due to rounding error.

ANNEX TABLE 5.6: PERCENT OF PROPERTIES UTILIZING VARIOUS SOURCES OF PUBLIC SUPPORT BY SELECTED CHARACTERISTICS

PUBLIC SOURCES OF SUPPORT:	SECTOR		PROPERTY LOCATION			PRIOR DEVELOPMENT EXPERIENCE			CONSTRUCTION TYPE		TOTAL
	For Profit	Non-Profit	Metropolitan Area		Non Metropolitan Area	Over Five Years	Five Years or Less	None	New Construction	Rehabilitation	
			Central City	Non Central City							
CDBG	9%	42%	26%	13%	7%	15%	23%	19%	10%	24%	16%
Reduced/abated property taxes	5	44	23	12	8	12	20	17	12	14	14
FHLB Affordable Housing Grants	5	28	13	18	6	10	7	15	8	12	10
Land at below market cost	6	21	13	8	1	10	9	8	7	10	9
HOME funds	2	30	10	12	2	6	11	19	6	10	8
Infrastructure improvements	3	11	7	--	5	5	3	4	3	5	4
Payments in lieu of taxes	1	3	1	1	--	2	2	1	2	1	1
Reduced-cost or free government services	--	1	1	--	--	--	2	--	--*	--	—*
Other forms of public support	6	23	13	8	9	10	9	6	8	10	10

* Less than one percent.

ANNEX TABLE 6.1: OWNERS VIEWS ABOUT THE IMPORTANCE AND ROLE OF THE TAX-CREDIT PROGRAM BY SELECTED CHARARISTICS

THE TAX CREDIT:	SECTOR		PROPERTY LOCATION			PRIOR DEVELOPMENT EXPERIENCE			CONSTRUCTION TYPE		NUMBER OF UNITS		TOTAL
	For Profit	Non-Profit	Metropolitan Area		Non-Metropolitan Area	Over Five Years	Five Years or Less	None	New Construction	Rehabilitation	<30	30+	
			Central City	Non-Central City									
Was absolutely essential to deal	81%	87%	80%	86%	78%	87%	77%	54%	86%	76%	76%	90%	83%
Makes deals economically feasible	80	80	78	84	78	86	73	56	83	75	72	91	80
Makes it possible to achieve lower rents	45	64	45	45	50	53	34	39	54	37	44	53	49
Was required by other funders	8	13	10	8	14	8	9	20	9	9	7	12	9
Would have developed property without it	77	83	94	75	52	75	73	88	67	90	84	59	78

ANNEX TABLE 6.2: OWNERS VIEWS ABOUT THE ROLE OF THE TAX-CREDIT PROGRAM WITH RESPECT TO THE NUMBER OF UNITS DEVELOPED BY SELECTED CHARARISTICS

OWNER'S VIEW:	SECTOR		PROPERTY LOCATION			PRIOR DEVELOPMENT EXPERIENCE			PRODUCTION TYPE		NUMBER OF UNITS		TOTAL
	For Profit	Non-Profit	Metropolitan Area		Non-Metropolitan Area	Over Five Years	Five Years or Less	None	New Construction	Rehabilitation	<30	30+	
			Central City	Non-Central City									
LIHTC influenced the number of units developed	28%	32%	23%	35%	24%	29%	34%	36%	35%	15%	28%	28%	29%
More units were developed	62	79	74	55	68	60	86	79	63	79	64	67	66
Fewer units were developed	27	11	19	45	12	29	2	8	24	33	26	20	23
Don't know	11	9	7	--	20	10	12	13	14	--	10	13	11
TOTAL	100%	99%*	100%	100%	100%	99%*	100%	100%	101%*	100%	100%	100%	100%
Number	(45)	(43)	(34)	(10)	(13)	(56)	(17)	(15)	(62)	(20)	(41)	(45)	(88)

* The total does not sum to 100% due to rounding error.

ANNEX TABLE 7.2: PERCENT OF PROPERTIES NOT MEETING OWNERS' EXPECTATIONS ON VARIOUS PERFORMANCE MEASURES BY SLECTED CHARACTERISTICS

PERFORMANCE MEASURE:	SECTOR		LOCATION			PRODUCTION		TARGET GROUP								TOTAL
	For Profit	Non Profit	Metro Area		Non-Metro-politan Area	New Con-struction	Reha-bilita-tion	Elderly Only	Fami-lies only	Elderly and Disab-led persons	Families and Single Parent Families	Families and disabled persons	Families, Single Parent families and Disabled persons	Elderly, Families, Single parent families, and Disabled Persons	Various other groups	
			Central City	Non-Central City												
Marketing and lease up	10%	3%	9%	12%	7%	5%	13%	2%	18%	—%	13%	—%	2%	16%	10%	8%
Occupancy rates	9	5	12	5	3	5	14	—	20	—	5	3	6	22	7	8
Operating costs	13	16	21	5	4	12	19	—	18	4	14	5	29	4	14	13
Cash flow	26	26	35	24	16	24	31	3	40	8	31	20	43	20	23	26
Area income trends	16	9	23	1	7	8	30	11	23	2	14	8	11	6	22	15
Area property value trends	12	4	13	4	8	7	18	11	18	2	14	—	11	2	10	10
Number	(183)	(126)	(134)	(42)	(55)	(191)	(102)	(17)	(37)	(37)	(40)	(12)	(35)	(19)	(109)	(314)

ANNEX TABLE 8.3: CURRENT POST-COMPLIANCE PLANS BY SELECTED CHARACTERISTICS

POST-COMPLIANCE PERIOD PLANS	PRO- PER- TIES	UNITS	SECTOR		PROPERTY LOCATION			CASH FLOW EXPECTATIONS			FINANCIAL PERFORMANCE OVER NEXT 5 YEARS			TYPOLOGY OF DEVELOPER ATTACHMENT TO THE PROGRAM			
			For profit	Non-Profit	Metropolitan Area		Non-Metro-politan. Area	Are Being Exceeded	Are Being Met	Are Not Being Met	Will Get Better	Will Stay About The Same	Will Get Worse	Long Termer	Initiate	One Tmer	Drop Out
					Central City	Non-Central City											
Retain low-income use	54%	60%	49%	71%	53%	69%	56%	(73%)	54%	51%	65%	52%	(50%)	53%	54%	46%	(75%)
Terminate low-income use	6	5	8	1	8	--	5	(3)	3	17	10	5	(22)	8	6	6	(6)
Convert to Home-ownership	5	4	4	8	6	2	4	(6)	4	7	4	5	(7)	5	3	9	(5)
No Plan	24	22	27	9	23	18	23	(15)	27	19	11	28	(12)	24	28	28	(7)
Don't know	11	9	12	10	10	11	12	(3)	11	7	10	10	(9)	10	8	12	(7)
Total	100%	100%	100%	99%*	100%	100%	100%	(100%)	99%*	101%*	100%	100%	(100%)	100%	99%*	101%*	100%
Number	(310)	(306)	(183)	(123)	(132)	(41)	(55)	(15)	(186)	(95)	(84)	(206)	(16)	(133)	(75)	(53)	(19)

* The total does not sum to 100% due to rounding error.

Annex B:

QUESTIONNAIR

INTRODUCTION

There's considerable interest in how the Low-Income Housing Tax Credit program works, especially from the perspective of developers and owners of the properties. As a result, we're telephoning a select sample of developers and owners of tax credit properties from across the country to ask a few organizational questions, to ask about the planning that went into a tax credit deal, and to ask about experience with a tax credit property.

While you're not obligated to participate in this study, we're calling a relatively small number of developers and owners, so your knowledge and experience is extremely important to us in obtaining a complete picture of the diversity of tax credit deals. Please be assured that the information you provide will be combined with answers from other developers and owners nationwide. Neither your name nor the identity of the property we'll be discussing will be disclosed.

This interview will take about 30 minutes. Since this survey is sponsored by a government agency, I want you to know that the questions I'm going to ask you have been reviewed by the Office of Management and Budget, as required by the Paperwork Reduction Act of 1995, and have a valid OMB control number. That number is 2528-01-99, which expires on March 31, 2002. HUD would not be able to ask you these questions and you would not be asked to provide answers if that control number were not granted.

QUESTIONNAIRE

The Low-Income Housing Tax Credit property of specific interest to us for this survey is the one (known as _____) (at _____ in _____).

1. First, I'd like to know if you or your organization originally developed _____ as a Low-Income Housing Tax Credit property?

- 1 YES
- 2 NO
- 3 DOESN'T KNOW
- 4 REFUSES TO ANSWER

2. Are you or your organization the current owner of _____?
- 1 YES
 - 2 NO [SKIP TO Q.4]
 - 3 DOESN'T KNOW [SKIP TO Q.4]
 - 4 REFUSES TO ANSWER [SKIP TO Q.4]
-

3. What is your position in the organization?

- 1 WILL PROVIDE POSITION
- 2 REFUSES TO ANSWER

* ENTER POSITION/TITLE:

[IF "YES" TO Q.1, SKIP TO Q.8_1; OTHERWISE, SKIP TO Q.6]

4. What is your organization's current relationship to _____?

- 1 CAN/WILL PROVIDE RELATIONSHIP
- 2 DOESN'T KNOW
- 3 REFUSES TO ANSWER

* ENTER RELATIONSHIP:

[IF "YES" TO Q.1, SKIP TO Q.7]

5. Can you tell me anything about the developer or current owner of _____?

5.A Is the New Information Being Entered for the Developer or Owner?

- 1 ORIGINAL DEVELOPER
- 2 CURRENT OWNER
- 3 BOTH (SAME PERSON/ORGANIZATION)
- 4 UNKNOWN

5.B Is Name of Developer/owner Organization Available?

1 YES

2 NO

* ENTER NAME OF DEVELOPER/OWNER ORGANIZATION:

5.C Is Address of Developer/owner Organization Available?

1 YES

2 NO

* ENTER ADDRESS OF DEVELOPER/OWNER ORGANIZATION:

STREET
CITY
STATE
ZIP CODE

5.D Is Phone Number of Developer/owner Organization Available?

1 YES

2 NO

* ENTER PHONE NUMBER OF DEVELOPER/OWNER ORGANIZATION,
INCLUDING AREA CODE:

5.E Is Name of Contact at Developer/owner Organization Available?

1 YES

2 NO

* ENTER CONTACT NAME:

[AUTOMATIC TERMINATION]

6. Some of the questions I need to ask deal with the original plans for _____. Are you able to tell me about those plans?

- 1 YES
- 2 NO
- 3 REFUSES TO ANSWER

[SKIP TO Q.8_1]

7. Are you able to tell me about current operations and future plans for _____?

- 1 YES
- 2 NO
- 3 REFUSES TO ANSWER

[SKIP TO Q.8_2]

8. Is your organization for-profit or non-profit?

- 1 FOR-PROFIT ORGANIZATION
- 2 NON-PROFIT ORGANIZATION
- 3 DOESN'T KNOW
- 4 REFUSES TO ANSWER

[IF "YES" TO Q.1, SKIP TO Q.13_1; OTHERWISE, SKIP TO Q.9]

8.1. Is the current owner of _____ a for-profit or non-profit organization?

- 1 FOR-PROFIT ORGANIZATION
- 2 ON-PROFIT ORGANIZATION
- 3 DOESN'T KNOW
- 4 USES TO ANSWER

[SKIP TO Q.11]

9. You said you did not develop _____. Has your organization ever done any development business?

- 1 YES [SKIP TO Q.13_2]
 - 2 NO
 - 3 DOESN'T KNOW
 - 4 REFUSES TO ANSWER
-

10. Was _____ your first Low-Income Housing Tax Credit property?

- 1 YES
- 2 "ONE OF THE FIRST"
- 3 NO
- 4 DOESN'T KNOW
- 5 REFUSES TO ANSWER

[SKIP TO Q.13_2]

11. Is your organization still doing business?

- 1 YES [SKIP TO Q.13_1]
 - 2 NO
 - 3 DOESN'T KNOW
 - 4 REFUSES TO ANSWER
-

12. How long was the organization in business? [ESTIMATE ACCEPTABLE.]

- 1 CAN/WILL PROVIDE NUMBER
- 2 DOESN'T KNOW
- 3 REFUSES TO ANSWER

* ENTER NUMBER OF YEARS IN BUSINESS:

13. Did your organization have development experience prior to developing _____?

- 1 YES [SKIP TO Q.14_1]
 - 2 NO [SKIP TO Q.15]
 - 3 DOESN'T KNOW [SKIP TO Q.15]
 - 4 REFUSES TO ANSWER [SKIP TO Q.15]
-

13.1. Did the developer of _____ have development experience prior to this project?

- 1 YES [SKIP TO Q.14_2]
- 2 NO
- 3 DOESN'T KNOW
- 4 REFUSES TO ANSWER

[IF NOT "YES" TO Q.9, SKIP TO Q.26; OTHERWISE, SKIP TO Q.16]

14. How many years of development experience did your organization have prior to developing _____?

- 1 CAN/WILL PROVIDE YEARS OF EXPERIENCE
- 2 DOESN'T KNOW
- 3 REFUSES TO ANSWER

- * ENTER YEARS OF EXPERIENCE:

[SKIP TO Q.15]

14.1. How many years of development experience did the developer have prior to the _____ project?

- 1 CAN/WILL PROVIDE YEARS OF EXPERIENCE
- 2 DOESN'T KNOW
- 3 REFUSES TO ANSWER

- * ENTER YEARS OF EXPERIENCE:

[IF NOT "YES" TO Q.9, SKIP TO Q.26; OTHERWISE, SKIP TO Q.16]

15. Did you incorporate specifically to develop this property?

- 1 YES
- 2 NO
- 3 DOESN'T KNOW
- 4 REFUSES TO ANSWER

[IF "YES" TO Q.13_1, SKIP TO Q.16]

15.1 Is this the only property you've ever developed?

- 1 YES [SKIP TO Q.26]
- 2 NO
- 3 DOESN'T KNOW
- 4 REFUSES TO ANSWER

[IF NOT "YES" TO Q.11, SKIP TO Q.25]

The next several questions deal with places where your organization operates or does business.

16. Does the organization operate or do business primarily in one state only, or in more than one state? [IF R'S ORGANIZATION IS AN AFFILIATE OF A LARGER OR NATIONAL ORGANIZATION, DIRECT THIS AND SUBSEQUENT QUESTIONS TO THE ACTIVITIES OF THE LOCAL AFFILIATE ONLY.]

- 1 ONE STATE ONLY
 - 2 MORE THAN ONE STATE [SKIP TO Q.19]
 - 3 DOESN'T KNOW [SKIP TO Q.19]
 - 4 REFUSES TO ANSWER [SKIP TO Q.19]
-

17. Does the organization operate or do business primarily in one neighborhood only, or in more than one neighborhood?

- 1 ONE NEIGHBORHOOD ONLY
- 2 MORE THAN ONE NEIGHBORHOOD [SKIP TO Q.19]
- 3 DOESN'T KNOW [SKIP TO Q.19]
- 4 REFUSES TO ANSWER [SKIP TO Q.19]

18. Is that in a small town or rural area, a bigger city, or in a suburban area?

- 1 SMALL TOWN OR RURAL AREA
- 2 A BIGGER CITY
- 3 A SUBURBAN AREA
- 4 DOESN'T KNOW
- 5 REFUSES TO ANSWER

[SKIP TO Q.25]

19. Does it do any business in small towns or rural areas?

- 1 YES
 - 2 NO [SKIP TO Q.21]
 - 3 DOESN'T KNOW [SKIP TO Q.21]
 - 4 REFUSES TO ANSWER [SKIP TO Q.21]
-

20. Is that in just one small town or rural area, or in more than one small town or rural area?

- 1 JUST ONE SMALL TOWN OR RURAL AREA
 - 2 MORE THAN ONE SMALL TOWN OR RURAL AREA
 - 3 DOESN'T KNOW
 - 4 REFUSES TO ANSWER
-

21. Does it do any business in bigger cities? [IF ASKED, "BIGGER CITIES" ARE ALL CITIES OTHER THAN SMALL TOWNS, VILLAGES, BOROUGHES, OR TOWNSHIPS, AND OTHER THAN WHAT THE R CONSIDERS TO BE "SUBURBAN AREAS"; THEREFORE, INCORPORATED CITIES THAT ARE IN SUBURBAN AREAS WOULD PROBABLY NOT BE CONSIDERED "BIGGER CITIES." ULTIMATELY, HOWEVER, IT IS THE R'S CALL.]

- 1 YES
- 2 NO [SKIP TO Q.23]
- 3 DOESN'T KNOW [SKIP TO Q.23]
- 4 REFUSES TO ANSWER [SKIP TO Q.23]

22. Is that in just one city or in more than one city?

- 1 JUST ONE CITY
 - 2 MORE THAN ONE CITY
 - 3 DOESN'T KNOW
 - 4 REFUSES TO ANSWER
-

23. Does it do any business in suburban areas? [IF ASKED, "SUBURBAN AREAS" ARE AREAS THE R CONSIDERS TO BE SUBURBAN AREAS.]

- 1 YES
 - 2 NO [SKIP TO Q.25]
 - 3 DOESN'T KNOW [SKIP TO Q.25]
 - 4 REFUSES TO ANSWER [SKIP TO Q.25]
-

24. Is that in just one suburban area or in more than one suburban area?

- 1 JUST ONE SUBURBAN AREA
 - 2 MORE THAN ONE SUBURBAN AREA
 - 3 DOESN'T KNOW
 - 4 REFUSES TO ANSWER
-

The next questions specifically relate to _____.

25. (Was/Were) _____ your first Low-Income Housing Tax Credit property?

- 1 YES
- 2 "ONE OF THE FIRST"
- 3 NO
- 4 DOESN'T KNOW
- 5 REFUSES TO ANSWER

26. With respect to the Low-Income Housing Tax Credit percentage for _____, did you utilize the rehabilitation or new construction 9 percent credit, the acquisition 4 percent credit, or both?

- 1 9 PERCENT
- 2 4 PERCENT
- 3 BOTH
- 4 DOESN'T KNOW
- 5 REFUSES TO ANSWER

[IF NOT "YES" TO Q.11, SKIP TO Q.28]

27. Does your organization manage _____?

- 1 YES
 - 2 NO
 - 3 OTHER THAN STRAIGHT YES OR NO
 - 4 DOESN'T KNOW
 - 5 REFUSES TO ANSWER
-

28. How many housing units are there in _____? [ESTIMATE ACCEPTABLE.]

[IF NOT "YES" TO Q.2, SKIP TO Q.29_2]
[IF "YES" TO Q.15_1, SKIP TO Q.30]

29. Has your organization developed any housing developments using Low-Income Housing Tax Credits since developing _____.

- 1 YES [SKIP TO Q.31]
- 2 NO [SKIP TO Q.30]
- 3 DOESN'T KNOW [SKIP TO Q.32]
- 4 REFUSES TO ANSWER [SKIP TO Q.32]

29. Has your organization developed or acquired any housing developments using Low-Income Housing Tax Credits since acquiring _____?

- 1 YES [SKIP TO Q.31]
- 2 NO
- 3 DOESN'T KNOW [SKIP TO Q.32]
- 4 REFUSES TO ANSWER [SKIP TO Q.32]

30. Why hasn't your organization developed or acquired any additional housing developments using tax credits since _____? [SELECT ALL THAT APPLY.]

- 11 NO OPPORTUNITY
- 12 TOO COMPETITIVE/COMPETITION TOO HARD
- 13 TRIED BUT NO ALLOCATION OF TAX CREDITS
- 14 THE PRESS OF OTHER BUSINESS
- 15 TOO MUCH PAPERWORK
- 16 EXCESSIVE RULES AND REGULATIONS
- 17 COSTLY DELAYS
- 18 A BUSINESS DECISION REGARDING THE ORGANIZATION'S FUTURE
- 19 PROJECT WAS REFINANCED
- 20 THE ORGANIZATION WAS REORGANIZED
- 21 THE ORGANIZATION WAS DISSOLVED
- 22 OTHER [SPECIFY]
- 23 NO MORE APPLY
- 24 DOESN'T KNOW
- 25 REFUSES TO ANSWER

[IF "YES" TO Q.1, SKIP TO Q.33; OTHERWISE, SKIP TO Q.32]

31. How many properties have you done? [ESTIMATE ACCEPTABLE.]

- 1 CAN/WILL PROVIDE NUMBER
- 2 DOESN'T KNOW
- 3 REFUSES TO ANSWER

- * ENTER NUMBER OF ADDITIONAL HOUSING DEVELOPMENTS DEVELOPED/ACQUIRED USING LIHTCs:

[IF "YES" TO Q.1, SKIP TO Q.33]

32. Earlier you told me that you did not develop _____. Under what circumstances did you become the owner? [SELECT ALL THAT APPLY.]

- 11 ORIGINAL DEVELOPER/OWNER ONLY DID DEVELOPMENT
- 12 ORIGINAL DEVELOPER/OWNER UNABLE TO COMPLETE THE DEVELOPMENT
- 13 ORIGINAL DEVELOPER/OWNER WENT BANKRUPT
- 14 ORIGINAL ORGANIZATION WAS REORGANIZED
- 15 ORIGINAL ORGANIZATION WAS DISSOLVED
- 16 THAT WAS THE ORIGINAL PLAN
- 17 THE PROJECT WAS REFINANCED
- 18 OUR ORGANIZATION HAD THE HIGHEST BID
- 19 OTHER [SPECIFY]
- 20 NO MORE APPLY
- 21 DOESN'T KNOW
- 22 REFUSES TO ANSWER

33. (Was/Were) _____ new construction, rehabilitation, or a combination of new construction and rehabilitation?

- 1 NEW CONSTRUCTION
- 2 REHABILITATION
- 3 COMBINATION OF NEW CONSTRUCTION AND REHABILITATION
- 4 EXISTING HOUSING (PURCHASE ONLY; NO CONSTRUCTION/REHAB INVOLVED)
- 5 DOESN'T KNOW
- 6 REFUSES TO ANSWER

[IF "YES" TO Q.6, SKIP TO Q.34.B;
IF NOT "YES" TO Q.6, SKIP TO Q.51]

Next, I'd like to ask about things that influenced your organization's decisions to go into the _____ deal.

34. Let me start with a list of some financial considerations. As I read each item on the list, please tell me whether it was a primary reason your organization went into the deal; a secondary, less important reason; or not at all a reason your organization went into the deal.

What about . . . ? Was it a primary reason, a secondary reason, or not at all a reason?
What about . . . ?

- (a) The development fee
- (b) The potential for rental income
- (c) The potential for property appreciation
- (d) The potential for management fees
- (e) The potential for property tax abatement
- (f) The potential to shelter other income

- 1 A PRIMARY REASON
- 2 A SECONDARY REASON
- 3 NOT AT ALL A REASON
- 4 DOESN'T KNOW
- 5 REFUSES TO ANSWER

[IF NOT "PRIMARY REASON" TO Q.34(f), SKIP TO Q.36]

35. When you say the potential to shelter other income was a primary reason, did you mean through the use of Low-Income Housing Tax Credits?

- 1 YES
- 2 NO
- 3 DOESN'T KNOW
- 4 REFUSES TO ANSWER

36. Some types of organizations develop or own multi-family properties primarily for non-financial social or civic objectives, although many don't. I have a list of such objectives. As I read each item on the list, please tell me whether it was a primary reason your organization went into the deal; a secondary, less important reason; or not at all a reason your organization went into the deal. What about . . . ? Was it a primary reason, a secondary reason, or not at all a reason? What about . . . ?

- (a) The objective of helping lower-income persons
- (b) The objective of upgrading the neighborhood
- (c) The objective of expanding the affordable housing supply
- (d) The objective of providing affordable housing to a specific population
- (e) The objective of addressing a problem property

- 1 A PRIMARY REASON
- 2 A SECONDARY REASON
- 3 NOT AT ALL A REASON
- 4 DOESN'T KNOW
- 5 REFUSES TO ANSWER

37. You mentioned the following as primary reasons for going into the _____ deal. Among these, which would you say was THE MOST important? [IF MORE THAN ONE REASON GIVEN IN ANSWER TO THIS QUESTION, ASK:] If you had to select only one reason, which one would it be?

- A The development fee
- B The potential for rental income
- C The potential for property appreciation
- D The potential for management fees
- E The potential for property tax abatement
- F The potential to shelter other income
- G The objective of helping lower-income persons
- H The objective of upgrading the neighborhood
- I The objective of expanding the affordable housing supply
- J The objective of providing affordable housing to a specific population
- K The objective of addressing a problem property
- L Or some other reason I've haven't mentioned
- M NO SINGLE MOST IMPORTANT REASON (MORE THAN 1 OF ABOVE GIVEN)
- N DOESN'T KNOW
- O REFUSES TO ANSWER

* ENTER LETTER OF MOST IMPORTANT REASON

38. You mentioned that . . . was a primary reason for going into the _____ deal. Would you say this was also THE MOST important reason, or was there some other reason I didn't mention that was of paramount importance? [IF MORE THAN ONE REASON GIVEN IN ANSWER TO THIS QUESTION, ASK:] If you had to select only one reason, which one would it be?

- 1 ONLY PRIMARY REASON GIVEN WAS ALSO MOST IMPORTANT
- 2 SOME OTHER REASON WAS MOST IMPORTANT
- 3 DOESN'T KNOW
- 4 REFUSES TO ANSWER

39. What was the most important reason for going into the _____ deal?

- 1 CAN/WILL SPECIFY MOST IMPORTANT REASON
 - 2 DOESN'T KNOW
 - 3 REFUSES TO ANSWER

 - * ENTER MOST IMPORTANT REASON
-

40. Next, I have a list of three different possible reasons Low-Income Housing Tax Credits are used in any deal. As I mention each one, please tell me if it was a primary reason tax credits were used for _____; a secondary, less important reason; or not at all a reason they were used in this deal.

- (a) One reason is that, in some cases, it may be the only way a deal is economically feasible. Was that a primary reason, a secondary reason, or not at all a reason in the case of _____?

- (b) Another reason is that, in some cases, tax credits are required by other funders. Was that a primary reason, a secondary reason, or not at all a reason in the case of _____?

- (c) Finally, in some cases, it makes it possible to achieve lower rents suitable for the area than would be possible without tax credits. Was that a primary reason, a secondary reason, or not at all a reason in the case of _____?

- 1 A PRIMARY REASON
 - 2 A SECONDARY REASON
 - 3 NOT AT ALL A REASON
 - 4 DOESN'T KNOW
 - 5 REFUSES TO ANSWER
-

41. Are there other reasons that tax credits were used in this deal?

- 1 YES
- 2 NO [SKIP TO Q.43]
- 3 DOESN'T KNOW [SKIP TO Q.43]
- 4 REFUSES TO ANSWER [SKIP TO Q.43]

42. What were they?

- 1 CAN/WILL SPECIFY OTHER REASON(S)
 - 2 DOESN'T KNOW
 - 3 REFUSES TO ANSWER
 - * ENTER OTHER REASON(S):
-

43. How important was the Low-Income Housing Tax Credit to this deal? Would you say it was absolutely essential meaning that without it the deal would not have been possible; would you say that it was very important, but not absolutely essential; or would you say that it was not very important?

- 1 ABSOLUTELY ESSENTIAL [SKIP TO Q.51]
- 2 VERY IMPORTANT
- 3 NOT VERY IMPORTANT
- 4 DOESN'T KNOW
- 5 REFUSES TO ANSWER

[IF NOT "YES" TO Q.1, SKIP TO Q.51]

44. Had you not received an allocation of Low-Income Housing Tax Credits for _____, would you have tried to develop the property anyway?

- 1 YES
 - 2 NO [SKIP TO Q.45_2]
 - 3 DOESN'T [SKIP TO Q.47]
 - 4 REFUSES TO [SKIP TO Q.47]
-

45. Would you say definitely "yes" or probably "yes"?

- 1 DEFINITELY YES
- 3 DOESN'T KNOW
- 4 REFUSES TO ANSWER

[SKIP TO Q.46]

45. Would you say definitely "no" or probably "no"?

- 1 DEFINITELY NO
- 2 PROBABLY NO
- 3 DOESN'T KNOW
- 4 REFUSES TO ANSWER

[SKIP TO Q.49]

46. What would you have tried to do to make up for not having Low-Income Housing Tax Credit equity?

- 1 CAN/WILL PROVIDE ALTERNATIVE FOR LIHTC EQUITY
 - 2 DOESN'T KNOW
 - 3 REFUSES TO ANSWER

 - * ENTER ALTERNATIVE FOR LIHTC EQUITY:
-

47. If you had tried to go ahead without Low-Income Housing Tax Credits, do you think the property you would have developed would have served essentially the same market, or a different market?

- 1 SAME MARKET [SKIP TO Q.51]
 - 2 DIFFERENT MARKET
 - 3 DOESN'T KNOW [SKIP TO Q.51]
 - 4 REFUSES TO ANSWER [SKIP TO Q.51]
-

48. Would the market likely have been higher income, lower income, or the same income?

- 1 HIGHER INCOME
- 2 LOWER INCOME
- 3 THE SAME INCOME
- 4 DOESN'T KNOW
- 5 REFUSES TO ANSWER

[SKIP TO Q.51]

49. Would you likely have gone somewhere else to try to do a different Low-Income Housing Tax Credit deal?

- 1 YES
 - 2 NO [SKIP TO Q.51]
 - 3 DOESN'T KNOW [SKIP TO Q.51]
 - 4 REFUSES TO ANSWER [SKIP TO Q.51]
-

50. Do you think you would have tried to develop in the same location, in a different location in the same jurisdiction, or in a different jurisdiction?

- 1 IN THE SAME LOCATION
 - 2 IN A DIFFERENT LOCATION IN THE SAME JURISDICTION
 - 3 IN A DIFFERENT JURISDICTION
 - 4 DOESN'T KNOW
 - 5 REFUSES TO ANSWER
-

51. Earlier, you told me you were not familiar with the original development plans for _____. Would you, however, be able to answer a few questions about the original development FINANCING of the project?

- 1 YES
- 2 NO [SKIP TO Q.64]
- 3 REFUSES TO ANSWER [SKIP TO Q.64]

Next, I'd like to ask a few questions about financing.

51. I'm going to read a list of possible sources of Low-Income Housing Tax Credit equity. Please tell me whether any of these sources provided equity for the _____ project.

(a) The owner or general partner

(b) Individual investors

(c) Corporate investors

(d) Non-profit investors

(e) The bank or lender

(f) Any other sources

1 YES

2 NO

3 DOESN'T KNOW

4 REFUSES TO ANSWER

52. Was the equity raised primarily through brokers or syndicators, directly placed, or some combination of these?

1 BROKER(S)/SYNDICATOR(S)

2 DIRECTLY PLACED

3 SOME COMBINATION OF THESE

4 RAISED THROUGH OTHER MEANS NOT MENTIONED

5 DOESN'T KNOW

6 REFUSED TO ANSWER

53. In financing the total development cost for the property, which of the following financial resources were used? (Was/Were) there . . .

- (a) Market rate debt
- (b) Below-market rate debt
- (c) Public sources like HOME or CDBG (Community Development Block Grants)
- (d) Private sources like foundations
- (e) Tax credit equity
- (f) Any other sources

- 1 YES
- 2 NO
- 3 DOESN'T KNOW
- 4 REFUSES TO ANSWER

[IF NOT "YES" TO Q.53(c), SKIP TO Q.56]

54. Which of the following types of public support, if any, were involved in the deal? (Was/Were) . . .

- (a) Land at below-market cost
- (b) Infrastructure improvements
- (c) Reduced or abated (forgiven) property taxes
- (d) Payments in lieu of taxes
- (e) CDBG (Community Development Block Grant) funds
- (f) HOME funds
- (g) Affordable housing grants/Federal Home Loan Bank
- (h) Reduced-cost or free government services, such as garbage collection
- (i) Any other form of public support

- 1 YES
- 2 NO [SKIP TO Q.56]
- 3 DOESN'T KNOW/RECALL [SKIP TO Q.56]
- 4 REFUSES TO ANSWER [SKIP TO Q.56]

55. What were they?

- 1 CAN/WILL PROVIDE DESCRIPTION
- 2 DOESN'T KNOW
- 3 REFUSES TO ANSWER

* ENTER ADDITIONAL TYPES OF PUBLIC SUPPORT:

56. About what was the gross amount, in dollars, of the Low-Income Housing Tax Credits allocated to you by the agency that issued your tax credits? [ESTIMATE ACCEPTABLE.]

- 1 CAN/WILL PROVIDE AMOUNT
- 2 DOESN'T KNOW
- 3 REFUSES TO ANSWER

* ENTER LIHTC ALLOCATION:

57. About what was the dollar value of the net Low-Income Housing Tax Credit equity that went into the deal? [ESTIMATE ACCEPTABLE.]

- 1 CAN/WILL PROVIDE AMOUNT
- 2 DOESN'T KNOW
- 3 REFUSES TO ANSWER

* ENTER LIHTC EQUITY:

[IF NOT "YES" TO Q.1, SKIP TO Q.64]

As you know, state and a few local agencies that issue Low-Income Housing Tax Credits are required to have priorities for judging development proposals, such that they give priority for issuing credits to certain types of proposed developments over other types.

58. Did you make any significant changes to any aspect of your original development plans for _____ as a result of priorities of the agency that issued your tax credits?

- 1 YES
 - 2 NOXNO SIGNIFICANT CHANGES MADE [SKIP TO Q.60]
 - 3 NOXNOT AWARE OF AGENCY'S PRIORITIES [SKIP TO Q.60]

 - 4 DOESN'T KNOW/RECALL [SKIP TO Q.60]
 - 5 REFUSES TO ANSWER [SKIP TO Q.60]
-

59. What did you change? [SELECT ALL THAT APPLY.]

- 11 PREFERRED PROPERTY LOCATION(S)
- 12 PREFERRED SCALE OF DEVELOPMENT (TOTAL NUMBER OF UNITS)
- 13 PREFERRED UNIT MIX (NUMBER OF 1-BEDROOM VS 2-BEDROOM UNITS, ETC.)
- 14 PREFERRED TYPE OF DESIGN/BUILDING CHARACTER (HIGH-RISE VS GARDEN APARTMENTS, PARKING ARRANGEMENTS, PUBLIC SPACES WITHIN BLDG, ETC.)
- 15 PREFERRED INCOME MIX OF RESIDENTS
- 16 PREFERENCE FOR HOUSING CERTAIN GROUPS OF PEOPLE (ELDERLY, FAMILIES, DISABLED PERSONS, HOMELESS PERSONS, ETC.)
- 17 OTHER [SPECIFY]
- 18 NO MORE APPLY
- 19 DOESN'T KNOW/RECALL
- 20 REFUSES TO ANSWER

60. Please think back and try to recall why the particular location of _____ was chosen for construction or rehabilitation using tax credits. I'm going to read a list of possible reasons for choosing locations for rental housing. As I do, please tell me whether each was or was not one of the reasons this location was chosen. What about . . . ?

- (a) Rent levels in the area
- (b) The physical condition of the area
- (c) Income population trends in the area
- (d) A shortage of rental housing in the area
- (e) A climate conducive to development in the area, such as favorable zoning or municipal cooperation
- (f) Property availability in the area
- (g) Reasonable land costs in the area
- (h) Property appreciation trends in the area
- (i) Financial incentives from some public agency for developing in the area
- (j) Financial incentives from some source other than a public agency for developing in the area
- (k) The fact that the location was part of your traditional business, client, or service area
- (l) The fact that you previously owned property in the area

- 1 YES
- 2 NO
- 3 DOESN'T KNOW/RECALL
- 4 REFUSES TO ANSWER

61. You mentioned the following as reasons for choosing the location of _____. Among these, which would you say was THE MOST important? [IF MORE THAN ONE REASON GIVEN IN ANSWER TO THIS QUESTION, ASK:] If you had to select only one reason, which one would it be?

- A Rent levels
- B Physical condition
- C Income population trends
- D A shortage of rental housing
- E Favorable zoning
- F Property availability
- G Reasonable land costs
- H Property appreciation trends
- I Financial incentives from some public agency
- J Financial incentives from some source other than a public agency
- K Traditional business, client, or service area
- L Previously owned property there
- M Or some other reason I haven't mentioned
- N NO SINGLE MOST IMPORTANT REASON (MORE THAN 1 OF ABOVE GIVEN)
- O DOESN'T KNOW
- P REFUSES TO ANSWER

* ENTER LETTER OF MOST IMPORTANT REASON

62. You mentioned that . . . was a reason for choosing the location of _____. Would you say this was also THE MOST important reason, or was there some other reason I didn't mention that was of paramount importance? [IF MORE THAN ONE REASON GIVEN IN ANSWER TO THIS QUESTION, ASK:] If you had to select only one reason, which one would it be?

- 1 ONLY REASON GIVEN WAS ALSO MOST IMPORTANT
- 2 SOME OTHER REASON WAS MOST IMPORTANT
- 3 DOESN'T KNOW
- 4 REFUSES TO ANSWER

63. What was the most important reason for choosing the location of _____?

- 1 CAN/WILL SPECIFY MOST IMPORTANT REASON
 - 2 DOESN'T KNOW
 - 3 REFUSES TO ANSWER
 - * ENTER MOST IMPORTANT REASON FOR LOCATION CHOICE:
-

64. (Is/Are) _____ in an area that had been designated a Qualified Census Tract or a Difficult To Develop Area?

- 1 YES
- 2 NO [SKIP TO Q.66]
- 3 DOESN'T KNOW [SKIP TO Q.66]
- 4 REFUSES TO ANSWER [SKIP TO Q.66]

[IF NOT "YES" TO Q.6, SKIP TO Q.68]

65. As you know, development in such areas results in more generous Low-Income Housing Tax Credits. How important a consideration was this designation in the decision to develop _____? Was it . . .

- 1 Very important,
 - 2 Somewhat important, or
 - 3 Not very important?
 - 4 DOESN'T KNOW
 - 5 REFUSES TO ANSWER
-

66. Did receiving Low-Income Housing Tax Credits influence in some way the TOTAL number of units that were developed?

- 1 YES
- 2 NO [SKIP TO Q.68]
- 3 DOESN'T KNOW [SKIP TO Q.68]
- 4 REFUSES TO ANSWER [SKIP TO Q.68]

67. Were more units or fewer units developed than might otherwise have been as a result of using the tax credits?

- 1 MORE UNITS
 - 2 FEWER UNITS
 - 3 DOESN'T KNOW
 - 4 REFUSES TO ANSWER
-

68. I'm going to identify different types of tenants a property can be designed to serve. Please tell me if _____ was designed especially to serve any of these types of tenants.

- (a) Elderly persons or seniors
- (b) Families
- (c) Single-parent families
- (d) Homeless persons
- (e) Disabled persons
- (f) Any other special types of persons

- 1 YES
 - 2 NO [SKIP TO Q.70]
 - 3 DOESN'T KNOW [SKIP TO Q.70]
 - 4 REFUSES TO ANSWER [SKIP TO Q.70]
-

69. What other types of persons?

- 1 CAN/WILL PROVIDE DESCRIPTION
- 2 DOESN'T KNOW
- 3 REFUSES TO ANSWER

* ENTER OTHER SPECIAL TENANCY GROUPS:

[IF "YES" TO Q.15_1, SKIP TO Q.71]

70. Is this tenant profile similar to or different from that of other residential properties that you have developed or own, including those with and without tax credits, or is there no typical profile?

- 1 SIMILAR TO OTHER RESIDENTIAL PROPERTY
 - 2 DIFFERENT FROM OTHER RESIDENTIAL PROPERTY
 - 3 NO TYPICAL PROFILE
 - 4 HAVEN'T DEVELOPED/ACQUIRED OTHER RESIDENTIAL PROPERTY
 - 5 DOESN'T KNOW
 - 6 REFUSES TO ANSWER
-

71. What percentage of the units in _____ are eligible for Low-Income Housing Tax Credits?
[ESTIMATE ACCEPTABLE.]

- 1 CAN/WILL PROVIDE PERCENTAGE
- 2 DOESN'T KNOW
- 3 REFUSES TO ANSWER

- * ENTER PERCENTAGE LIHTC UNITS:

I'd like to turn for a moment to property performance at _____, and ask you to recall what the original expectations were for the property.

72. I'm going to mention some things that may have been considered at the planning stage, and ask whether the original expectations with respect to each have been exceeded, have been met, or have not been met. What about . . . ? [NOTE: "NOT CONSIDERED," MEANING "WE DIDN'T THINK ABOUT IT," IS A VOLUNTARY RESPONSE.]

- (a) Marketing and lease up
- (b) Occupancy rates
- (c) Operating costs
- (d) Cash flow
- (e) Income trends in the area
- (f) Property value trends in the area

- 1 EXPECTATIONS EXCEEDED
- 2 EXPECTATIONS MET
- 3 EXPECTATIONS NOT MET
- 4 NOT CONSIDERED
- 5 DOESN'T KNOW/RECALL
- 6 REFUSES TO ANSWER

[IF NOT "YES" TO Q.7, SKIP TO Q.95]

73. What is the current vacancy rate at _____? [IF A RANGE OR NON-NUMERICAL ANSWER IS GIVEN, ASK:] Roughly, what percent of the units would you say is vacant today? [ESTIMATE ACCEPTABLE.]

- 1 CAN/WILL PROVIDE VACANCY RATE
- 2 DOESN'T KNOW
- 3 REFUSES TO ANSWER

* ENTER VACANCY RATE:

74. Compared to similar properties in the area of _____, do you think this property has been less profitable, more profitable, or about the same in the past year?

- 1 LESS PROFITABLE
 - 2 MORE PROFITABLE
 - 3 ABOUT THE SAME
 - 4 NO COMPARABLE PROPERTIES IN AREA

 - 5 DOESN'T KNOW
 - 6 REFUSES TO ANSWER
-

75. Over the next five years, do you expect property values in the area of _____ to . . .

- 1 Go up,
 - 2 Go down, or
 - 3 Stay about the same?
 - 4 DOESN'T KNOW
 - 5 REFUSES TO ANSWER
-

76. Over the next five years, do you expect the financial performance of _____ to . . .

- 1 Get better,
- 2 Get worse, or
- 3 Stay about the same?
- 4 DOESN'T KNOW
- 5 REFUSES TO ANSWER

I have a few questions about your organization's longer-term plans for _____

77. First, under the Low-Income Use Agreement for this property, have the tenants or any other organization formally been designated as having the right of first refusal to purchase the property, should the decision be made to sell it in the future?

- 1 YES
- 2 NO [SKIP TO Q.79]
- 3 DOESN'T KNOW [SKIP TO Q.79]
- 4 REFUSES TO ANSWER [SKIP TO Q.79]

78. Who has been designated as having the right of first refusal? Is it the tenants, including a tenant group or cooperative; a resident management corporation; a non-profit organization; a government agency; or some other group or organization?

- 1 TENANTS, TENANT GROUP, OR TENANT COOPERATIVE
- 2 RESIDENT MANAGEMENT CORPORATION
- 3 NON-PROFIT ORGANIZATION
- 4 GOVERNMENT AGENCY
- 5 OTHER [SPECIFY]
- 6 DOESN'T KNOW
- 7 REFUSES TO ANSWER

79. As you know, properties benefitting from Low-Income Housing Tax Credits are required to be maintained for low-income occupancy for the duration of a compliance period. Can you tell me how long that compliance period is in the case of _____? [ESTIMATE ACCEPTABLE.]

- 1 CAN/WILL PROVIDE COMPLIANCE PERIOD
- 2 DOESN'T KNOW/RECALL
- 3 REFUSES TO ANSWER

* ENTER NUMBER OF YEARS:

[IF NOT "YES" TO Q.6, SKIP TO Q.87]

80. Going back to the original planning stage for the development, was thought given as to what the organization would likely do at the end of the compliance period?

- 1 YES
- 2 NO [SKIP TO Q.87]
- 3 DOESN'T KNOW/RECALL [SKIP TO Q.87]
- 4 REFUSES TO ANSWER [SKIP TO Q.87]

81. Would you characterize the plans at that time as to what would happen at the end of the compliance period as being . . .

- 1 Very definite,
 - 2 Fairly definite,
 - 3 Fairly vague, or
 - 4 Very vague?
 - 5 DOESN'T KNOW/RECALL
 - 6 REFUSES TO ANSWER
-

82. During the original planning stage for the development, was the plan for the end of the compliance period to . . .

- 1 Continue to own the property,
 - 2 Attempt to sell the property, or [SKIP TO Q.83_2]
 - 3 Attempt to convert it to homeownership? [SKIP TO Q.84]
 - 4 DOESN'T KNOW/RECALL [SKIP TO Q.87]
 - 5 REFUSES TO ANSWER [SKIP TO Q.87]
-

83. Was the plan for you to . . .

- 1 Attempt to maintain the property's low-income use,
- 2 Attempt to terminate its low-income use, or
- 3 Attempt to terminate its low-income use and then, later, attempt to sell it?
- 4 DOESN'T KNOW/RECALL
- 5 REFUSES TO ANSWER

[SKIP TO Q.84]

83. Was the plan for you to . . .

- 1 Attempt to sell it to another owner for continued low-income use,
- 2 Attempt to sell it to another owner who would terminate its low-income use, or
- 3 Attempt to terminate the property's low-income use and then, later, sell it?
- 4 DOESN'T KNOW/RECALL
- 5 REFUSES TO ANSWER

84. Were there any other plans?

- 1 YES
 - 2 NO [SKIP TO Q.86]
 - 3 DOESN'T KNOW/RECALL [SKIP TO Q.86]
 - 4 REFUSES TO ANSWER [SKIP TO Q.86]
-

85. What were they?

- 1 CAN/WILL PROVIDE OTHER PLANS
 - 2 DOESN'T KNOW
 - 3 REFUSES TO ANSWER
 - * ENTER OTHER PLANS:
-

86. Has anything changed since the original development plans with respect to what might happen at the end of the compliance period, or is the original thinking still the plan?

- 1 YES, THINGS HAVE CHANGED
 - 2 NO, ORIGINAL THINKING IS STILL THE PLAN [SKIP TO Q.94]
 - 3 DOESN'T KNOW [SKIP TO Q.94]
 - 4 REFUSES TO ANSWER [SKIP TO Q.94]
-

87. At this point in time, is there a definite idea as to what the organization will likely do at the end of the compliance period, a vague idea as to what it will do, or no idea at all as to what it will do?

- 1 A DEFINITE IDEA
- 2 A VAGUE IDEA
- 3 NO IDEA AT ALL [SKIP TO Q.95]
- 4 DOESN'T KNOW [SKIP TO Q.95]
- 5 REFUSES TO ANSWER [SKIP TO Q.95]

88. At this time, is the plan for the end of the compliance period to . . .

- 1 Continue to own the property,
 - 2 Attempt to sell the property, or [SKIP TO Q.89_2]
 - 3 Attempt to convert it to homeownership? [SKIP TO Q.91]
 - 4 DOESN'T KNOW/RECALL [SKIP TO Q.95]
 - 5 REFUSES TO ANSWER [SKIP TO Q.95]
-

89. Is the plan for you to . . .

- 1 Attempt to maintain the property's low-income use, [SKIP TO Q.92]
 - 2 Attempt to terminate its low-income use, or
 - 3 Attempt to terminate its low-income use and then, later, attempt to sell it?
 - 4 DOESN'T KNOW/RECALL [SKIP TO Q.92]
 - 5 REFUSES TO ANSWER [SKIP TO Q.92]
-

89. Is the plan for you to . . .

- 1 Attempt to sell it to another owner for continued low-income use, [SKIP TO Q.92]
 - 2 Attempt to sell it to another owner who would terminate its low-income use, or
 - 3 Attempt to terminate the property's low-income use and then, later, sell it?
 - 4 DOESN'T KNOW/RECALL [SKIP TO Q.92]
 - 5 REFUSES TO ANSWER [SKIP TO Q.92]
-

90. In the event that the property cannot be converted to market-rate housing or sold to a market-rate investor, would the property likely be turned over to the lender or some similar option?

- 1 YES
- 2 NO
- 3 DOESN'T KNOW
- 4 REFUSES TO ANSWER

[SKIP TO Q.92]

91. In preparation for possible homeownership, is part of the rent or a reserve being set aside for purchasing the property?

- 1 YES
 - 2 NO
 - 3 DOESN'T KNOW
 - 4 REFUSES TO ANSWER
-

92. Are there any other possibilities being considered?

- 1 YES
 - 2 NO [SKIP TO Q.94]
 - 3 DOESN'T KNOW [SKIP TO Q.94]
 - 4 REFUSES TO ANSWER [SKIP TO Q.94]
-

93. What are they?

- 1 CAN/WILL PROVIDE OTHER POSSIBILITIES
 - 2 DOESN'T KNOW
 - 3 REFUSES TO ANSWER

 - * ENTER OTHER POSSIBILITIES:
-

94. How likely is it that the current strategy with respect to the post-compliance period will be carried out? Would you say it is . . .

- 1 Very likely,
- 2 Somewhat likely, or
- 3 Not very likely?
- 4 DOESN'T KNOW
- 5 REFUSES TO ANSWER

Finally, I have just a few more questions about the Low-Income Housing Tax Credit.

95. Based on your experience with _____, do you have any regrets about using Low-Income Housing Tax Credit equity as part of the deal?

- 1 YES
 - 2 NO [SKIP TO Q.97]
 - 3 DOESN'T KNOW [SKIP TO Q.97]
 - 4 REFUSES TO ANSWER [SKIP TO Q.97]
-

96. What are they?

- 1 CAN/WILL PROVIDE REGRETS WITH USING LIHTC AS PART OF DEAL
 - 2 DOESN'T KNOW
 - 3 REFUSES TO ANSWER
 - * ENTER REGRETS WITH LIHTC USAGE:
-

97. In general, do you want or expect to use Low-Income Housing Tax Credit equity again?

- 1 YES [SKIP TO Q.99]
 - 2 NO
 - 3 NOT SURE [SKIP TO Q.99]
 - 4 DOESN'T KNOW [SKIP TO Q.99]
 - 5 REFUSES TO ANSWER [SKIP TO Q.99]
-

98. Why not?

- 1 CAN/WILL PROVIDE REASONS
- 2 DOESN'T KNOW
- 3 REFUSES TO ANSWER
- * ENTER REASONS FOR NOT USING LIHTC AGAIN:

99. Have you ever had a Low-Income Housing Tax Credit proposal turned down by any state or local allocating agency?

- 1 YES
 - 2 NO [SKIP TO Q.104]
 - 3 DOESN'T KNOW/RECALL [SKIP TO Q.104]
 - 4 REFUSES TO ANSWER [SKIP TO Q.104]
-

100. How many proposals have been turned down? [ESTIMATE ACCEPTABLE.]

- 1 CAN/WILL PROVIDE NUMBER
- 2 DOESN'T KNOW/RECALL [SKIP TO Q.104]
- 3 REFUSES TO ANSWER [SKIP TO Q.104]

* ENTER NUMBER OF LIHTC PROPOSALS TURNED DOWN:

[IF GREATER THAN "ONE," SKIP TO Q.102]

101. What happened to that proposal? Was it . . .

- 1 Abandoned,
- 2 Modified and resubmitted to the same agency,
- 3 Modified and submitted to another agency, or
- 4 Something else? [SPECIFY]
- 5 DOESN'T KNOW
- 6 REFUSES TO ANSWER

[SKIP TO Q.104]

102. How many of these proposals were . . . [ESTIMATES ACCEPTABLE.]

- (a) Abandoned _____
- (b) Modified and resubmitted to the same agency _____
- (c) Modified and submitted to another agency _____
- (d) Had other outcomes _____

[RECORD "0" IN EACH FIELD WHERE NONE; "99" IF UNKNOWN; OR "88" IF REFUSAL.]

You told me previously there were _____ proposals that had been turned down, but when broken down by outcome, your answers total to _____. Can you explain why these numbers don't match?

- 1 ANSWERS TO ONE OR BOTH QUESTIONS ARE ESTIMATES/GUESSES
- 2 OTHER [SPECIFY]
- 3 NO EXPLANATION

[IF "ZERO" OR "REFUSES" TO Q.102(d), SKIP TO Q.104]

103. What were those other outcomes?

- 1 CAN/WILL PROVIDE OTHER OUTCOMES
- 2 DOESN'T KNOW
- 3 REFUSES TO ANSWER

* ENTER OTHER OUTCOMES OF "TURNED DOWN" PROPOSALS:

104. What would you say are the most significant ADVANTAGES of using Low-Income Housing Tax Credits for developing low-income housing? [SELECT ALL THAT APPLY.]

- 1 MAKES A DEAL FINANCIALLY FEASIBLE
- 2 TO SERVE LOWER INCOME POPULATIONS
- 3 HAVE DEVELOPED KNOWLEDGE ABOUT HOW TO USE THE TAX CREDIT
- 4 OTHER [SPECIFY]
- 5 NO MORE APPLY
- 6 NONE, NO ADVANTAGES
- 7 DOESN'T KNOW
- 8 REFUSES TO ANSWER

105. What would you say are the most significant DISADVANTAGES of using Low-Income Housing Tax Credits for developing or acquiring low-income housing? [SELECT ALL THAT APPLY.]

- 11 TOO MUCH PAPERWORK
- 12 TOO COMPETITIVE
- 13 THIN MARKET
- 14 EXCESSIVE RULES AND REGULATIONS
- 15 COSTLY DELAYS
- 16 OTHER [SPECIFY]
- 17 NO MORE APPLY
- 18 NONE, NO DISADVANTAGES
- 19 DOESN'T KNOW
- 20 REFUSES TO ANSWER

106. In your opinion, should the Low-Income Housing Tax Credit program be changed in any way?

- 1 YES
- 2 NO [SKIP TO Q.108]
- 3 DOESN'T KNOW [SKIP TO Q.108]
- 4 REFUSES TO ANSWER [SKIP TO Q.108]

107. In what way?

- 1 CAN/WILL PROVIDE SUGGESTIONS FOR CHANGES
- 2 DOESN'T KNOW
- 3 REFUSES TO ANSWER

* ENTER SUGGESTIONS FOR CHANGING THE LIHTC PROGRAM:

[IF "YES" TO Q.6, SKIP TO Q.110;
IF "YES" TO Q.7, END INTERVIEW]