LEASE PURCHASE DEVELOPMENT:

An Examination of Housing Credit Allocations, 1992-1999

OHIO **HOUSING** FINANCE AGENCY

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September 2015

Acknowledgments -

The Ohio Housing Finance Agency would like to thank our partners that have contributed to this report. Rob Curry and Kate Monter Durban from Cleveland Housing Network provided valuable data needed for this study. We would also like to thank the following stakeholders who participated in lease purchase stakeholder meetings on April 14 and June 2, 2015, as well as other communications on this topic. This group provided useful feedback in the development and revision of this work.

John Anoliefo, Famicos Foundation
Grady Appleton, East Akron Neighborhood Development Corporation
Tim Bete, St. Mary Development Corporation
Nancy Cook, City of Akron
David Cooper, The Woda Group, Inc.
Rob Curry, Cleveland Housing Network
Tony DiBlasi, Ohio Capital Corporation for Housing
William Farnsel, NeighborWorks Toledo Region
Steven Gladman, Affordable Housing Trust
Terry Glazer, United North
Monica Hardman, City of Cincinnati
Ken Horton, Wallick Communities
Hal Keller, Ohio Capital Corporation for Housing
Amy Klaben, Homeport
Mark McDermott, Enterprise Community Partners
Brian McGeady, Miller-Valentine Group
Nathan Meinard, NeighborWorks Collaborative
Lisa Minklei, Homeport
Kate Monter Durban, Cleveland Housing Network
Rita Parise, City of Columbus
Aaron Pechota, NRP
Joe Pimmell, Ohio Capital Corporation for Housing
Amy Riegel, City of Dayton
Elizabeth Richards, Enterprise Community Partners
Sharon Shaffer, Wallick Communities
Aaron Sorrell, City of Dayton
George Tabit, Homeport
Steven Torsell, Homes on the Hill
John Turner, City of Columbus

- Executive Summary -

Since the inception of the federal Low-Income Housing Credit (housing credit) program in 1987, the Ohio Housing Finance Agency (OHFA) has collaborated with private industry and nonprofit organizations to develop single-family lease purchase (LP) affordable housing. As the name suggests, LP homes are properties that are rented for a period of time, after which the tenant has an option to purchase their home. A variety of for-profit and nonprofit entities have applied for and received housing credits to develop LP housing. The first developer in this space, Cleveland Housing Network, has used housing credits to finance construction of LP housing since 1987. The use of housing credits to develop LP projects is very much a niche product nationally, but has been done frequently in Ohio.

This report is an initial effort to examine the performance of LP housing credit projects with housing credit allocations made between 1992 and 1999 with regard to cost effectiveness, success of families transitioning to homeownership, and ability of the policy to provide high-quality affordable housing. A total of 2,737 buildings that represent 3,029 housing units were included in this analysis. Homes developed at that time unfortunately reached the end of their 15-year compliance period during a distressed period for housing markets across the state, which likely affected program results. Additionally, OHFA has made significant improvements to its underwriting and project selection processes since 1999; investors and lenders increased their standards for investing in these projects as well. The LP homes reviewed in this report do not necessarily reflect such enhancements to policies and processes. However, due to the length of the compliance period, these are the only properties available for review at this time. Ultimately, this research begins the process to inform agency policies and the industry at large about LP housing credit projects.

Nearly all (88%) LP units studied were in Northeast Ohio, with projects located in communities ranging from established neighborhoods and suburban subdivisions to rural villages. More than half (54%) of all LP units were located within the city of Cleveland. Youngstown had the second-largest concentration of units (232), slightly more than in Columbus (226). The majority of LP units studied (83%) were detached single-family homes. The rest were developed as duplexes or other larger residential structures, largely four-unit buildings.

During this period, $25.3 million in housing credits were allocated for the acquisition, construction, or rehabilitation for the projects included in this report. The combined credit basis for these properties was $298.6 million in eligible expenditures. County records show that LP properties are, on average, worth about one-third (34%) of the basis on which the credits were awarded. However, there are many external factors not examined in this report that impact market value, and due to limited resources, a similar review of credit basis to market value for non-LP housing credit properties was not feasible. The cost per unit for LP housing credit projects was $8,350; this is significantly more than non-LP multifamily projects receiving awards during the same period (1992 to 1999), which cost $3,794 per unit. The cost data do not take into account that most LP homes are larger and have more bedrooms and exterior space than non-LP multifamily units have.

Limited information was available about households living in LP projects. Compliance records show that households renting LP units are overwhelmingly headed by African-American women and have a median annual income of just under $20,000. Nearly three out of four (73%) households have at least one employed member. According to CHN records, units that were purchased by an owner-occupier turned over an average of 1.6 times during the 15-year compliance period. The caveat to the findings, however, is that there were no data available for non-CHN units, and records were not available for units that did not successfully transfer to owner-occupancy. Overall, 72% of CHN units were successfully sold to a previous CHN tenant, while the rate of successful conversions for non-CHN units was only 14%.

This report represents a first step as OHFA continues to evaluate the use of housing credits for financing lease purchase homes, a process that falls within the agency's existing strategic planning framework. The research office will continue to work with our partners in the private, non-profit, and public sectors to update and gain additional information to enhance our understanding of the program, both historically and presently.

- Introduction -

Since the start of the federal Low-Income Housing Credit (housing credit) program in 1987, OHFA has collaborated with private industry and nonprofit organizations to develop single-family lease purchase (LP) affordable housing. As the name suggests, LP homes are properties that are rented for a period of time, after which the tenant can buy their home. This model is typically employed in the private sector to assist tenant households who are interested in homeownership, but not currently capable of securing a mortgage. OHFA views this transitional model as a means of neighborhood revitalization and seeks to assist developers in providing such a product for low-income households that otherwise would not have such an opportunity.

A variety of for-profit and nonprofit entities have applied for and received housing credits for LP projects. CHN was the first developer in the nation to use housing credits to finance construction of LP housing and received awards from OHFA annually for such projects from 1987 to 2006, as well as in 2008, 2009, and 2012. Housing credit-financed LP is a niche product nationally, however (see Appendix for details), even though "projects intended for eventual tenant ownership" has been a topic that must be addressed in a state's qualified allocation plan (QAP) under Section 42(m)(1)(C)(viii) of the federal Internal Revenue Code since 2001. LP was mentioned in OHFA's QAPs as early as 1992 – referred to then as "homeownership projects" – but did not receive preferential standing until 1998. LP deals proliferated throughout the 1990s; cities saw LP as a community redevelopment tool, developers experienced less pushback against single-family housing, and OHFA observed very low vacancy rates in LP units. In the years since, LP has been a key element of OHFA's awarding of housing credits, receiving bonus points in OHFA's scoring rubric every year except 2011 (in which projects were not scored), even as new rules were put in place in 2008 to focus on integrating LP into existing urban redevelopment efforts. In the new 2016-2017 QAP, the "neighborhood revitalization" pool has an estimated $1.5 million in credits reserved per year for LP projects.

That said, maintaining rental units for the entirety of the 15-year compliance period could make such projects difficult to finance and manage. This period is substantially longer than that of most similar products. Typically, rent-to-own periods last between one and five years; programs funded by HUD HOME dollars are limited to three years. The other major distinction between the two types of LP deals is that private projects often involve the property owner reserving a portion of rent payments to form a down payment for the tenant, while OHFA housing credit deals have no such mechanism (Immergluck and Schaeffing, 2010).

The purpose of this evaluation was to examine the performance of LP housing credit projects where the 15-year compliance period had expired (or nearly had) in terms of cost effectiveness, success of families in transitioning to homeownership, and ability to provide high-quality affordable housing. This paper is organized in the following manner: first, a brief background on low-income homeownership and LP housing is presented, followed by a description of the data sources and methods used. Next, findings are detailed with regard to geographic distribution, financial performance, and the efficacy of the transition to homeownership will be examined. The paper concludes with a brief discussion of the policy implications and next steps.

- Background -

This section reviews existing academic and professional literature that touches on the topic of housing credit LP. This section provides merely an overview, but does highlight key themes, placing OHFA-funded programs in the broader context of LP housing options and other programs in the liminal space between homeownership and tenancy. The volume of literature is limited, however, highlighting the need for additional study of this affordable housing option.

A number of academic studies have sought to evaluate the desirability of promoting urban homeownership among low-income households as a neighborhood revitalization instrument. Cummings, DiPasquale, & Kahn (2002) studied households purchasing subsidized single-family homes in a challenged neighborhood of Philadelphia and reported that the program had positive impacts for the participants, but that spillover effects are extremely limited. Ultimately, the authors questioned the wisdom of allocating funds in this manner, given the scarcity of money available for anti-poverty efforts, arguing instead in favor of funds to help low-income families move to higher-opportunity areas.

Meanwhile, Harkness & Newman (2002) make an opposing argument, drawing on longitudinal data to indicate that children of low-income families who own their home become young adults with lower unwed teen birth rates and, higher educational attainment, even after controlling for not just parental but neighborhood characteristics. Shlay (2006) highlights studies finding that, since homeownership is correlated with a host of other variables, little has been done to establish whether higher homeownership rates, all else being equal, improve social outcomes. Finally, in a multi-faceted analysis of the literature, Galster & Santiago (2008) find that homeownership is unlikely to facilitate wealth building for low-income minority households, does not provide a financial buffer, and can increase financial stress, though it does greatly improve educational outcomes for children in those homes.

Very little has been written about LP housing funded through housing credits. Indeed, much of what does exist are historical case studies of CHN, the pioneer in this space; some paint a positive picture of CHN's activities over its history (McQuarrie & Krumholz, 2011), while others offer a less positive view (Balfour & Smith, 1996). An exhaustive search of the literature did not locate any peer-reviewed, empirical analyses of the efficacy of housing credit lease purchase programs, though they are sometimes mentioned in passing when discussing a menu of potential programs for increasing homeownership among low-income households. Immergluck & Schaeffing (2010) discuss the CHN model at the most length, contrasting it with LP programs in Colorado and North Carolina and evaluating its efficacy as an affordable housing strategy. Those other programs are funded by alternative sources; primary among them are HUD HOME dollars and, previously, the Neighborhood Stabilization Program (NSP). As noted previously, these programs have shorter time horizons of between one and five years. In addition to federal sources of funds, local governments, philanthropic organizations, and/or private financial institutions may also be involved in non-housing credit LP deals (Immergluck & Schaeffing, 2010).

Arigoni (1997) provides an even wider overview of LP activity, cataloging the efforts of ten entities nationwide (one of which besides CHN, the Sacramento Valley Organizing Community, uses housing credits), while noting that the number of LP efforts nationwide is "estimated to number anywhere from 75 to several hundred" (8). Arigoni (1997) has words of caution for housing credit-financed LP, however, suggesting that it "delay[s] participants from assuming the responsibility of homeownership" and "prevent[s] participants from building equity in a home [that] they would forego if they were forced to move prior to the end of the lease term" (4), though this is asserted rather than fully argued. Building on Arigoni (1997), Lubell (2005) states, "Some argue that the requirement that LIHTC housing remain rental housing for 15 years is too long a gestational period to make any sense for lease-purchase" (30).

Lubell (2005) does highlight housing credit-funded LP as a potential model for promoting homeownership – if housing credit funds are channeled into helping tenants build equity in advance of purchase – but one that requires further study. The authors consider the viability of the strategy:

> *While many of the original renters may not stick around long enough to take advantage of the homeownership component, as the end of the 15-year compliance period approaches (say in years 9 to 15), it can be a valuable homeownership strategy. Plus, it facilitates the property's transition to homeownership at the end of the 15-year cycle. Lease-purchase may also have application for existing [housing credit] developments,*

> *many of which are approaching the end of their compliance period. Can these expiring-use properties be converted to homeownership through lease-purchase?* (Lubell, 2005, 31)

This document shows its age, however, in questioning whether LP has a place "in this age of loosened credit restrictions" (31); indeed, perhaps a tighter mortgage market means a greater place for LP among homeownership assistance programs.

Lubell (2005) goes on to review policies like Section 8 homeownership and other "third way" or "shared equity" forms of tenure, like community land trusts and limited equity cooperatives, that also seek to make homebuying more accessible to low-income households. These models have been championed by the National Housing Institute (Davis, 2006), the Urban Institute (Temkin, 2010), and the Lincoln Institute for Land Policy (Thaden, 2011) as an affordable housing solution. The latter two works argue that these policies kept foreclosure rates extremely low during the worst of the recent housing crisis and its aftermath, while the former highlights other positive outcomes of these models, such as community revitalization, household wealth building, and expanded social engagement.

- Data -

This report looks at housing credit projects where the 15-year compliance period had expired or was approaching expiration at the time of data collection. Hence, projects examined come from housing credit allocations between 1992 and 1999. While developments from this time may not reflect best practices of, or policies for, more recent housing credit projects, one of the primary objectives of this research is to learn about projects shifting from rental to ownership. It is particularly crucial that this transition is a successful one for tenants and developers alike. Notably, there is particular urgency on this topic, as the number of housing credit LP allocations increased greatly through the mid- and late 1990s, meaning that many more LP projects are leaving their compliance period now than at any previous point in time.

To evaluate geographic distribution and financial performance, data from two sources were collected, aggregated, and merged: IRS 8609 forms, which record issuance of housing credits, and property records from county governments. The former provides the value of credits awarded for each building; the sum of eligible acquisition, construction, and rehabilitation expenses; and the date that the property was placed into service. These were joined by mailing address with public parcel data. Among data collected were the estimated market value of the land and the structure, lot and house size, and the most recent sale or transfer, which includes the identity of the purchaser, the price paid for the parcel (if applicable), and the date of the transaction. Property data are current as of February 2014, when the records were collected; IRS 8609 forms date to the initial occupancy of the property following the construction or rehabilitation activity for which housing credits were awarded. Overall, the dataset consists of 2,737 buildings that include 3,029 housing units. Unfortunately, this excludes 137 units where the property address listed on the IRS 8609 form could not be matched to county land records.

Further, to determine whether LP tenants became homeowners, it was necessary to match OHFA tenant records with county property records. Project owners are required to submit reports, called "compliance tools," to OHFA during the 15-year compliance period to certify that their properties are meeting the requirements of the housing credit program under the federal Internal Revenue Code. These records provide the name and basic demographic information about the LP tenant and are used primarily to verify that the tenant is eligible under income limits and other restrictions. In short, if the most recent recorded tenant matches the last recorded purchaser of the property, we can conclude that the home was purchased by the LP tenant. To supplement these records, CHN supplied research staff with sales logs for ten projects in our data set that provided additional information on the nature of the transaction. CHN was also able to indicate the number of prior tenants for most homes, yielding data on turnover rates in their LP properties. Combining these data sources allowed for a substantial analysis of the nature and efficacy of housing credit-funded lease purchase.

- Results -

Geographic Distribution

First, it is useful to provide an overview of where the 3,029 housing units studied in this report were located. More than half (1,629, 54%) were located within the city of Cleveland, due to the activity of CHN and others operating in that region. More broadly, 2,653 (88%) were in Northeast Ohio, with projects located in a wide range of communities, from established neighborhoods and suburban subdivisions to rural villages. Youngstown had the second-largest concentration of LP units (232), slightly more than in Columbus (226). Table 1 provides a complete count, while Figures 1 and 2 show the locations of the units evaluated. While most properties were single-family homes, a number of multi-unit properties were funded during this period, whether consisting of attached single-family structures or, on rare occasions, multiple detached units on a single land parcel. Specifically, 2,510 units (83%) of those studied were detached homes; another 386 units (13%) were in duplexes or other manner of two-unit properties. The remaining 133 (4%) were in larger residential structures, largely four-unit buildings. These data are presented in Table 2.

Table 1: Location of LP Properties Studied by Municipality

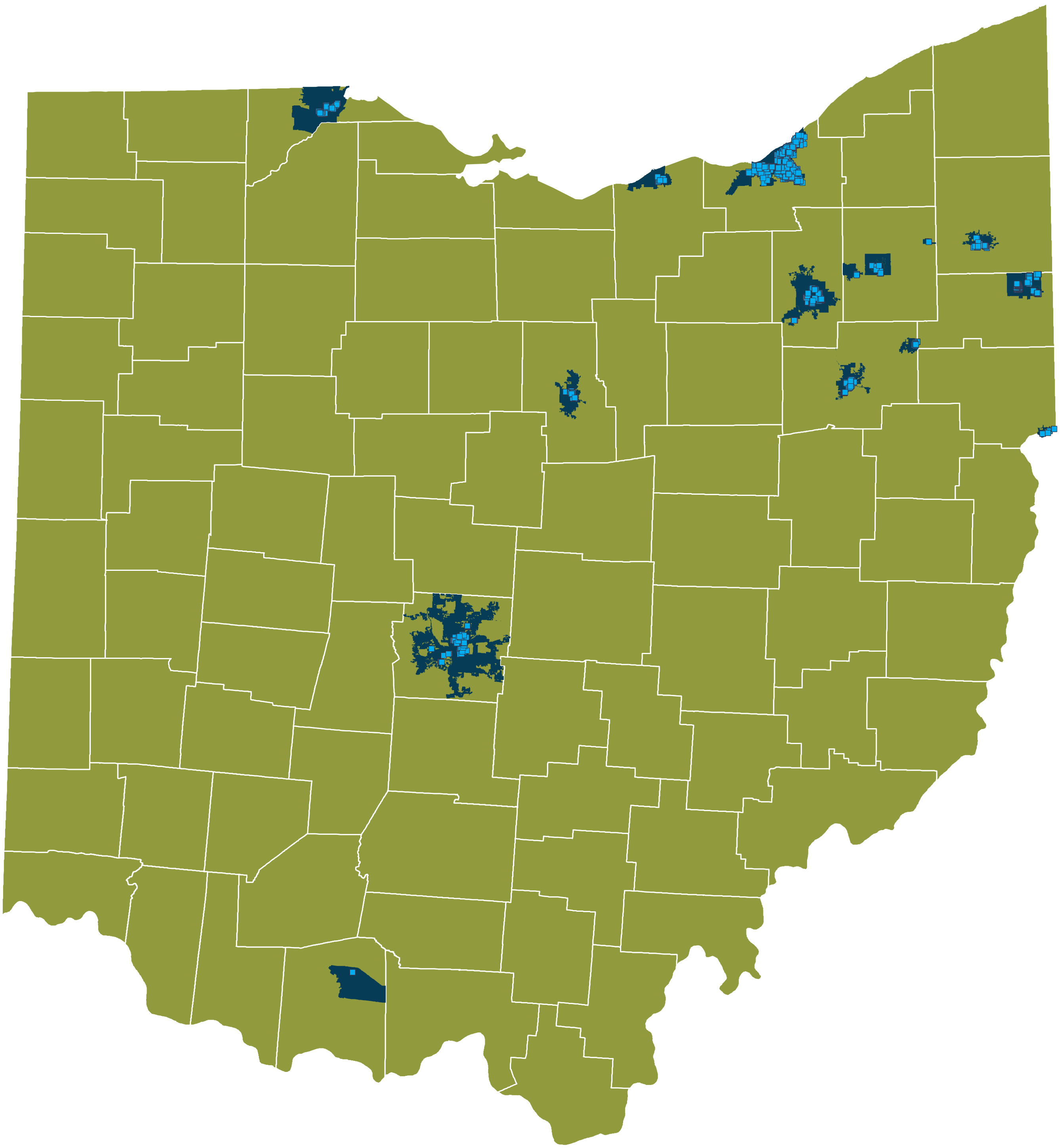
City	Units	Percent
Akron	188	6
Alliance	38	1
Barberton	72	2
Campbell	53	2
Canton	161	5
Cleveland	1,629	54
Columbus	226	7
E. Liverpool	14	<1
Kent	13	<1
Lorain	46	2
Mansfield	66	2
Peebles	10	<1
Ravenna	13	<1
Toledo	140	5
Warren	124	4
Windham	4	<1
Youngstown	232	8
Total	**3,029**	**100**

Note: Percents do not add to 100 due to rounding.

Table 2: Type of LP Housing Structure

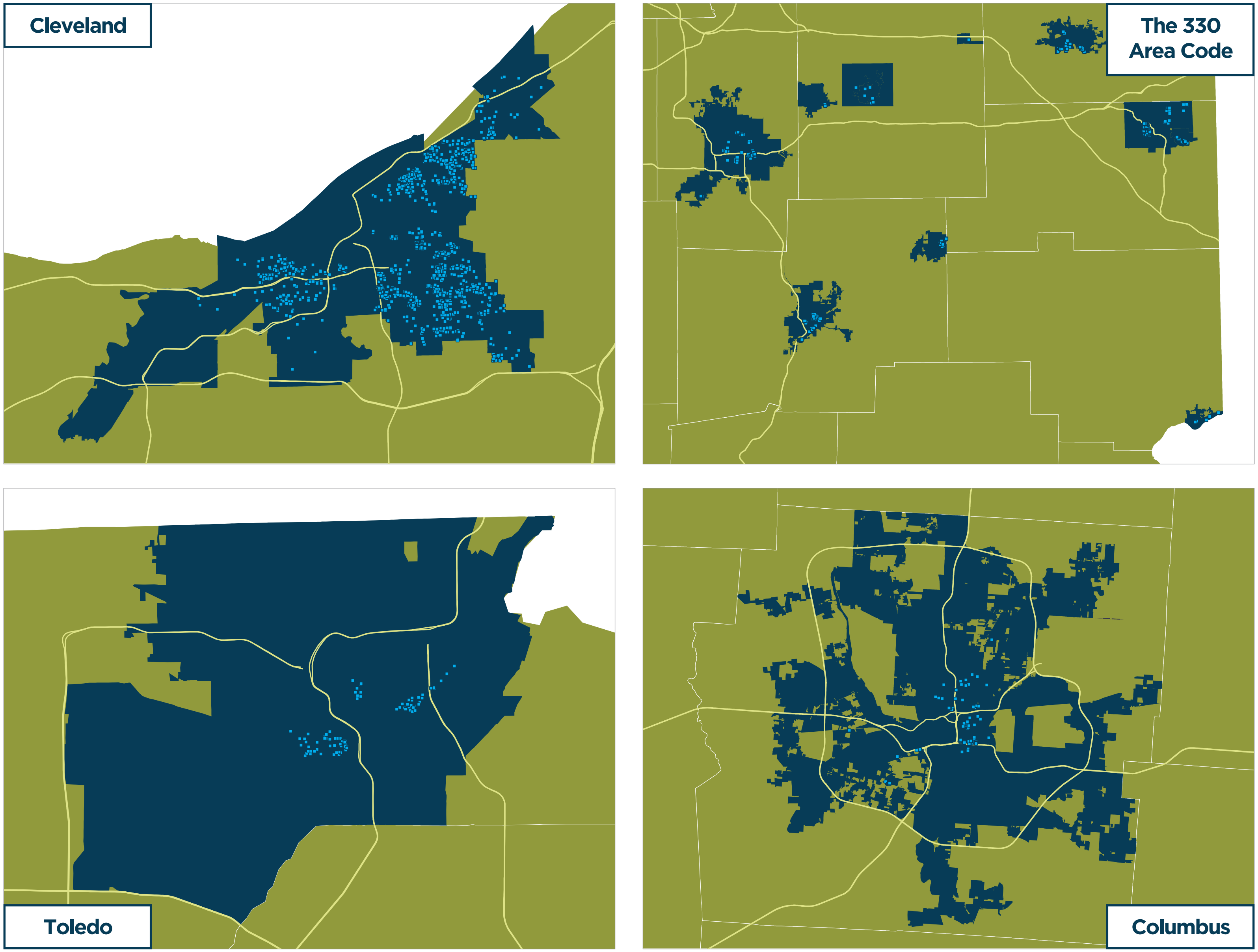
Parcel	Buildings	Units	Percent
Single-Unit	2,510	2,510	83
Two-Unit	193	386	13
Three-Unit	9	27	1
Four-Unit	23	92	3
Five-Unit	1	5	<1
Nine-Unit	1	9	<1
Total	**2,737**	**3,029**	**100**

Figure 1: Location of Cities and Properties Studied



Note: Cities in navy blue contain LP properties, which are marked in cyan.

Figure 2: Primary Clusters of LP Properties



Housing Credit Allocation

During this period, OHFA allocated $25.3 million in annual housing credits for the acquisition, construction, or rehabilitation of the 2,737 buildings and 3,029 units studied. The combined credit basis for these properties was $298.6 million in eligible expenditures. However, the total market value of these properties, according to county records at the time of data collection (February 2014), was found to be $102.1 million, just over a third of what was spent to develop the properties. It is relevant to note, however, that properties under a restrictive covenant will have a depressed property valuation due to *Woda Ivy Glen Limited Partnership v. Fayette County Board of Revision et al.*, a 2009 decision by the Ohio Supreme Court that compels property tax assessments to consider the impact of rent ceilings on a property's valuation. Further, the purchase prices of CHN homes are based on the household's financial condition and the nature of the LP transaction, not determined by market factors. Fully accounting for these effects and conducting a similar analysis for non-LP projects would require resources and data beyond the scope of this preliminary analysis. With those caveats in mind, only two percent of parcels were found to be worth more than their housing credit basis (HCB), mostly among the oldest projects examined. By city, the average valuation ranged from 18% of HCB in Alliance to 69% in Lorain. These data are presented in Table 3.

Table 3: Expenditures and Valuations of LP Parcels by City

City	Parcels	Housing Credits (annual)	Housing Credit Basis (HCB)	Market Value	Market Value as % of HCB
Akron	188	$ 1,822,733	$ 21,285,619	$ 5,539,350	26
Alliance	38	$ 422,024	$ 5,035,389	$ 901,100	18
Barberton	70	$ 645,483	$ 7,756,249	$ 2,088,460	27
Campbell	53	$ 527,642	$ 6,298,877	$ 1,577,770	25
Canton	159	$ 1,749,829	$ 20,894,663	$ 9,468,400	45
Cleveland	1,397	$ 11,693,907	$ 138,084,355	$ 51,205,600	37
Columbus	172	$ 1,830,661	$ 21,803,602	$ 6,856,771	31
E. Liverpool	14	$ 181,689	$ 2,155,264	$ 1,361,900	63
Kent	13	$ 150,849	$ 1,800,136	$ 377,000	21
Lorain	45	$ 323,054	$ 3,645,907	$ 2,518,250	69
Mansfield	66	$ 680,319	$ 8,081,005	$ 1,758,490	22
Peebles	10	$ 91,120	$ 1,097,860	$ 418,100	38
Ravenna	13	$ 111,734	$ 1,333,322	$ 376,880	28
Toledo	139	$ 1,400,747	$ 16,500,838	$ 4,069,030	25
Warren	124	$ 1,247,576	$ 14,706,074	$ 6,353,590	43
Windham	4	$ 32,363	$ 386,184	$ 116,050	30
Youngstown	232	$ 2,348,635	$ 27,769,825	$ 7,112,570	26
Total	**2,737**	**$ 25,260,365**	**$ 298,635,169**	**$ 102,099,311**	**34**

A comparison between new construction versus rehabilitation among LP properties was also conducted. The results are shown in Table 4. Ultimately, there was little difference between the two groups, as new structures had market values averaging 33% of housing credit basis, while existing structures registered slightly higher at 36%.

Table 4: Expenditures and Valuations of LP Parcels by Type of Credit

Type of Credit	Parcels	Housing Credits (annual)	Housing Credit Basis (HCB)	Market Value	Market Value as % of HCB
New Construction	1,839	$19,459,331	$228,565,722	$76,435,071	33
Rehabilitation	894	$5,798,474	$70,003,809	$25,545,640	36
Total	**2,733**	**$25,257,805**	**$298,569,531**	**$101,980,711**	**34**

Note: This table excludes four parcels, all in Cleveland, where only an 8609 form requesting acquisition credits was located.

Results show that much more was spent in housing credits to produce a LP unit than other types of housing credit deals. Specifically, $25.3 million in credits were used to build 3,025 LP homes in this data set, or $8,350 per unit (see Table 5). Meanwhile, among the 417 other OHFA projects receiving competitively awarded housing credits in the same years (1992 to 1999), $99.5 million in credits were used to finance 26,236 units – $3,794 per unit. In other words, 120% more housing credits were required to produce a LP rental unit than a non-LP unit for the period in question. When differences in expenditures between construction of new homes and rehabilitation of existing homes are taken into account, we see that this discrepancy is much larger for the former group (141%) than the latter (77%).

Table 5: Comparison of Housing Credit Expenditures per Unit

Lease Purchase				Other Multifamily Projects Funded from 1992 to 1999			
Type of Unit	Units	Credits	Funds/Unit	Type of Unit	Units	Credits	Funds/Unit
New Construction	1,850	$19,459,331	$10,518	**New Construction**	16,714	$72,957,072	$4,365
Rehabilitation	1,175	$5,798,474	$4,935	**Rehabilitation**	9,522	$26,578,730	$2,791
All LP Units	**3,025**	**$25,257,805**	**$8,350**	**All MF Units**	**26,236**	**$99,535,802**	**$3,794**

Note: This table excludes four parcels, all in Cleveland, where only an 8609 form requesting acquisition credits was located.

Of note, however, is the fact that LP units had more bedrooms per unit than non-LP units in OHFA's portfolio (3.3 vs. 2.0). When accounting for this fact, the gap shrinks considerably. Overall, 33% more credits per bedroom were expended on LP deals ($2,530) than non-LP deals ($1,897). By type, this breaks down to 46% for new construction ($3,187 vs. $2,182) and just 7% for rehabilitation ($1,495 vs. $1,396). Data from more recent allocation rounds suggest a narrower gap in competitive credit allocations per unit, however, on the order of 30 to 50 percent more than comparable projects. This is due in part to cost containment strategies implemented by OHFA, starting with the 2013 QAP, that awarded points to projects that effectively leveraged outside resources and contained costs, imposed tiebreakers and credit limits that emphasized developmental economy, and ensured that projects with statistically significantly higher costs than average would be excluded from consideration.

Table 6: Comparison of Housing Credit Expenditures per Bedroom

Lease Purchase				Other Multifamily Projects Funded from 1992 to 1999			
Type of Unit	BRs	Credits	Funds/BR	Type of Unit	BRs	Credits	Funds/BR
New Construction	6,105	$19,459,331	$3,187	**New Construction**	33,428	$72,957,072	$2,182
Rehabilitation	3,878	$5,798,474	$1,495	**Rehabilitation**	19,044	$26,578,730	$1,396
All LP Units	**9,983**	**$25,257,805**	**$2,530**	**All MF Units**	**52,472**	**$99,535,802**	**$1,897**

Notes: This table excludes four parcels, all in Cleveland, where only an 8609 form requesting acquisition credits was located. Bedroom totals are estimates based on average values from available data due to incomplete property records.

Tenant Population

Using 2013 compliance tool data, it is possible to describe basic characteristics of the head of household who lived in the LP units studied. Records were available for 2,309 of the 3,029 units studied, or just over three in four (76%). Similar data were compiled for non-LP housing credit units based on a previously constructed database of 2010 compliance tools; therefore, one can identify the similarities and differences between LP households versus those in other housing credit units. A summary of those findings is provided in Table 7.

Table 7: Comparison of Tenant Characteristics

Statistic	LP, 2013	Non-LP, 2010
Median Monthly Gross Rent	$562	$375
Average Household Size	3.1	2.0
Median Annual Household Income	$19,288	$13,619
Percent African-American Householders	87%	46%
Median Age of Householder	40	45
Percent Female Householders	85%	73%
Percent of Householders Employed	73%	34%

There are several substantial differences between LP households and those living in other housing credit properties. First, gross monthly rents (i.e. rent plus utility allowances) were nearly $200 higher in LP units; this is no doubt because the median LP household earned $5,669 more per year than did the median non-LP household. Nearly three-fourths of LP householders (73%) were employed, as compared with about a third of non-LP householders. This is not unexpected, considering many non-LP projects are developed to serve older adults, persons with disabilities, and other special populations that are less likely to be in the labor force. Similarly, LP households are larger; non-LP units often have just one or two bedrooms.

The remaining data in Table 7 highlight other demographic differences. First, LP householders were overwhelmingly (87%) African-American, while only 46% of non-LP householders were; this is reasonable, given the racial makeup of communities with high concentrations of LP units. Householders are slightly younger overall in LP units (again, due to the existence of senior projects in the non-LP portfolio). Last, we see an even higher percentage of female householders among LP units; tenants were overwhelmingly single mothers, most of whom were employed.

Homeownership Transition

As noted earlier, CHN provided OHFA with sales logs, which detailed the status of each parcel within their projects and, if a sale has taken place, the identity and nature of that transaction. CHN received credits to develop ten of the projects included in the study (namely, Cleveland Housing Network IX-XVI and Cleveland New Construction I and II), building new or rehabilitating 918 structures containing 1,140 housing units. Of these, 887 buildings with 1,096 units matched individual parcels in the data set. CHN labeled properties transitioning out of the 15-year compliance period into six categories, described in Table 8.

Table 8: Description of CHN Sales Codes

Code	Description
1	The building was bought by a previous tenant (or a relative).
1A	A unit where the tenant did not purchase the property, but another tenant within the multi-unit structure did. (Added by OHFA.)
2	The building was bought by an income-qualified household other than a previous tenant for use as a primary residence.
3	The building was bought by a landlord for use as a rental property.
4	The building was bought by a community development corporation or other redevelopment entity for another use.
5	The building experienced a property casualty event (e.g. fire).
6	The building has not been sold and is still a CHN rental property.

Table 9 below quantifies the disposition of properties within each LP deal by CHN sales code. Overall, 72% of units sold or granted by CHN were owned by a former CHN tenant (i.e. code 1 or 1A). Another 13% were sold to landlords (code 3); 11% were bought by other income-qualified households for owner-occupancy (code 2). The prevalence of landlord sales and redevelopment grants (code 4) for CHN IX and CHN X are attributable to the fact that these deals reached the end of the compliance period during the worst years of the housing crisis, which may have severely compromised the capacity to transition tenants to homeownership.

Table 9: Disposition of CHN Housing Units in Data Set by Project and Sales Code

Project	Year	Sales Code							Total
		1	1A	2	3	4	5	6	
Cleveland Housing Network IX	**1992**	69	29	1	45	16	7	0	167
Cleveland Housing Network X	**1993**	79	22	5	61	9	1	0	177
Cleveland Housing Network XI	**1994**	86	28	14	8	0	1	3	140
Cleveland New Construction I	**1994**	23	0	3	0	0	0	2	28
Cleveland Housing Network XII	**1995**	78	18	26	3	1	4	6	136
Cleveland New Construction II	**1995**	28	2	3	0	0	0	9	42
Cleveland Housing Network XIII	**1996**	43	7	7	0	0	0	22	79
Cleveland Housing Network XIV	**1997**	62	12	35	0	0	0	28	137
Cleveland Housing Network XV	**1998**	56	1	7	0	0	0	37	101
Cleveland Housing Network XVI	**1999**	18	0	1	0	0	0	70	89
Total (raw count)	---	**542**	**119**	**102**	**117**	**26**	**13**	**177**	**1,096**
Percent (excluding 6s)	---	**59**	**13**	**11**	**13**	**3**	**1**	---	---

Notes: "Year" indicates when credits were allocated. Twelve buildings containing 18 units in CHN XVI have not yet reached Year 16. Data are current as of May 31, 2015. Description of sales codes is included in Table 7.

Aside from CHN deals, we have some information on disposition of other projects gleaned from matching OHFA Program Compliance data with county property records. For parcels no longer owned by the general partnership, it is possible to conduct a similar analysis by comparing the name on the last available rent roll with the property owner. Overall, 247 units in 18 projects had a recorded transaction. The results are summarized in Table 10.

Table 10: Disposition of Non-CHN Units

Category	Units	Percent
Purchased by last recorded tenant or relative	35	14
Purchased by another individual or couple	2	1
Purchased by landlord for rental purposes	108	44
Granted to land bank or housing authority	81	33
Purchased by individual; tenant data missing	21	9
Total	**247**	**100**

Note: Percents do not add to 100 due to rounding.

Whereas most CHN properties were purchased by LP tenants or their relatives, only 14% of non-CHN units were, with 1% sold to other individual homeowners. Nine percent did not have tenant data; this is likely because the units were vacant at the time, though it may also be a function of incomplete data. The remaining 77% of units were either purchased by a landlord or granted to a land bank or housing authority. All 189 of these units were located in just six projects, including all or all but one unit in five of them (see Table 11).

Table 11: Sources of Unconverted Properties

OHFA ID	Project Name	City	Units	Disposition
945102	**South of Main**	Columbus	46	Sold to five real estate companies
947161	**Manna Crest**	Columbus	37	Sold to Avalon MHP LLC
948192	**Indianola Homes**	Columbus	25	Sold to Hometeam Indianola Properties
950041	**Toledo Homes I**	Toledo	43	Granted to Lucas Land Bank and MHA
950052	**Northeastern**	Cleveland	4	Granted to city and county land banks
960106	**Toledo Homes II**	Toledo	34	Granted to Lucas Land Bank and MHA
	Total		**189**	

The three projects in Columbus remain as rental properties. While South of Main's restrictive covenant was released in 2012, it is still subject to HOME program regulations, ensuring the property owners comply with HUD rent limits through 2017. Manna Crest still operates under a restrictive covenant, leaving the units subject to affordable housing rent restrictions. Last, Indianola Homes was bought by a student-housing operator, as the units are located within walking distance of The Ohio State University. Research staff confirmed that South of Main and Indianola Homes were recorded as LP deals in the original restrictive covenant document.

Meanwhile, Toledo Homes I and II have had substantial challenges. These projects performed poorly due to flawed property management and declining neighborhood conditions; further, they were not properly monitored by a now-terminated OHFA employee. The projects were taken over by the county land bank and public housing authority, receiving $750,000 in OHFA funds to remediate the project. Further analysis in April 2015 showed 47 of these units are still owned by Lucas MHA, 29 were demolished by the Lucas County Land Bank, and one was sold to an individual in November 2014. Of the 29 now-empty parcels, 24 are still owned by the land bank, while five have been granted to the owner of a neighboring property and will be preserved as green space.

Combining these two data sets, we find that, of 1,166 housing units granted or sold by the original project owner, 696 units (60%) were purchased by a LP tenant; 126 (11%) were bought by other households (or prior tenant identity was unknown). A total of 272 units (23%) were purchased by landlords or granted to a housing authority. The remaining 72 (6%) are no longer housing units, as they suffered a property casualty and/or have since been granted to a county land bank or other redevelopment entity.

Rental Turnover Rates

CHN was also able to provide OHFA with the number of previous tenant households that had lived in the property, highlighting the level of turnover in the 15 years between placing the property into service and disposition. Notably, however, this subset only includes homes that were sold to an individual (sales codes 1 and 2); turnover data for other properties were not made available. The implications of this are unclear, as it is possible that there were unknown differences between units that were bought by owner-occupants and those that were not.

Regardless, we have information on 760 of 763 units within these groups. Table 9 summarizes turnover data for these homes by project. Overall, 266 units (35%) of units did not experience any turnover; all 239 parcels containing these units were eventually purchased by a tenant. Another 187 units (25%) turned over only once; just 24 units (3%) changed hands more than five times during the compliance period. The average property turned over only 1.6 times over the course of the 15-year rental period; this means that the typical LP household in a unit that converts to owner-occupancy rents for 5.8 years.

Table 12: CHN Homes Sold to Owner-Occupants by Project and Number of Prior Tenants

Project	Number of Prior Tenants										Total	Average
	0	1	2	3	4	5	6	7	8	9		
CHN IX	28	33	24	12	0	0	0	0	0	0	97	**1.2**
CHN X	40	28	13	13	4	5	0	0	2	0	105	**1.4**
CHN XI	35	40	20	7	9	10	1	2	1	3	128	**1.9**
CNC I	11	7	6	1	0	0	0	0	1	0	26	**1.2**
CHN XII	33	22	20	18	8	16	5	0	0	0	122	**2.1**
CNC II	15	13	1	2	0	0	2	0	0	0	33	**1.0**
CHN XIII	28	10	9	1	6	3	0	0	0	0	57	**1.2**
CHN XIV	30	22	20	12	10	8	1	4	2	0	109	**2.1**
CHN XV	34	8	10	6	5	1	0	0	0	0	64	**1.1**
CHN XVI	12	4	2	1	0	0	0	0	0	0	19	**0.6**
Total	**266**	**187**	**125**	**73**	**42**	**43**	**9**	**6**	**6**	**3**	**760**	**1.6**
Percent	**35**	**25**	**16**	**10**	**6**	**6**	**1**	**1**	**1**	**<1**	**100**	---

Note: Percents do not add to 100 due to rounding.

Discussion

This document is an initial effort to document basic facts about OHFA's use of housing credits for the financing of lease-purchase housing, which has historically been a substantial element of the agency's multifamily development activities. The report focused on housing credit projects where the 15-year compliance period had expired or was approaching expiration, or allocations between 1992 and 1999, and should only be considered representative of that point in time. This analysis ensures not only that the agency meets its public mandate or that our resources are well-spent, but that it can do as much good work with its development partners and other stakeholders as possible.

Embedded in the name of the lease-purchase program is its intent to transition low-income households from tenancy to sustainable homeownership. On this score, results varied based upon ownership and management. Seventy-two percent of CHN units were successfully sold to a previous tenant, even as some projects exited the compliance period during the depths of the Great Recession. Meanwhile, only 14% of non-CHN units transitioned successfully. While there are valid explanations for such a low number, it is hard not to look at it as highly concerning. This finding highlights the central importance of developer and property management capacity. Literature on the success of LP programs is scarce, so it is difficult to evaluate the meaning of these findings. Further analysis of the drivers of successful transition is required here.

Among CHN units that sold to a previous tenant, a majority of those units eventually sold to owner-occupants that had only one or two tenants during the 15-year compliance period. However, turnover rates are unknown for non-CHN owned units and CHN units that were not sold to a previous tenant. While these findings may not be conclusive due to data limitations, lower rates of unit turnover are a positive outcome for owners and tenants alike. Having less rental turnover reduces vacancy rates and expenses, making the deal more appealing from a business perspective. It would be desirable to gather more information to determine whether turnover is similarly low in other LP projects. The literature discussed earlier highlights the role that a stable home environment has in fostering positive outcomes for children (Harkness and Newman, 2002; Galster and Santiago, 2008). If so, it would be important to determine whether it is the potential for homeownership, the detached structure, or some other element of the LP program that reduces turnover rates.

As noted earlier, median annual household income among LP tenants was less than $20,000. This often means that those seeking to purchase homes they have been renting require seller financing or other instruments outside the mainstream mortgage market. Further, low-income individuals likely lack the resources to properly maintain their property, let alone take care of major repairs; this could potentially lead to blight and hamper the neighborhood revitalization efforts that newer LP deals were explicitly designed to augment. The status of households post-purchase is largely an open question that requires further inquiry.

On a related note, it became clear through discussion with developers that many LP project owners sell their units to tenants using differing pricing strategies. Some sell units at a price point determined not by market forces, but the financial structure of the deal. For example, CHN uses funds to depress the sale price of its homes, which makes them more affordable to the former tenant but has indeterminate implications for the communities in which they are situated. Alternatively, the city of Columbus mandates that all homes be sold at market value.

Further complicating matters are the fees that a number of LP developments plan to charge upon tenant purchase. Since 1998, OHFA has required a written plan from developers that outlines how rental units will be converted to homeownership; a review of the 19 such plans for projects in this data set finds that 13 projects intended to charge between $10,000 and $15,000 on top of the property sales price to cover an "exit tax" and "repair and disposition." The question, then, is whether the final financed cost can exceed the value of the property. Unfortunately, due to the issues mentioned here and the dearth of market-rate single-family units in some neighborhoods, it may not be possible to conduct such an analysis.

In the big picture, though, it is potentially questionable to attempt to serve this population through subsidized homeownership programs. The population served by housing credit LP would be incapable of leaving tenancy without a great deal of financial and capacitive assistance. The idea that homeownership should be extended to as many people as possible as an end unto itself – one that animated housing policies as recently as ten years ago – has been repudiated in many corners (Lerman, 2012). Do the benefits of homeownership, discussed briefly in the introduction of this paper, outweigh the costs of operating this model, particularly with respect to a fixed resource like housing credits? The answer to such questions is one that requires a level of analysis far beyond what can be accomplished here.

As noted throughout, there were limitations to the findings presented in this paper. The most significant limitation can be attributed to gaps in data completeness and availability across all LP projects resulting in an incomplete picture of the implementation of this homeownership strategy. For example, only partial information about rental turnover was available; very limited data about LP tenants exist, particularly after the transition to homeownership. To achieve a more complete understanding of the LP policy, a focus on data collection specific to LP projects and tenants should be implemented. Property disposition data must be collected on an ongoing basis as projects transition to homeownership. Given that county property records had to be manually matched to OHFA administrative data, it was not possible to conduct some desired comparisons, such as with the magnitude of the "development gap" between LP and non-LP properties, in this initial phase of inquiry.

Future research will explore further facets to describe implementation of the LP policy in Ohio. One such area of inquiry will include the tenant perspective pre and post-purchase of a LP unit, focusing on the process of conversion from tenancy to homeownership. For the same subset of projects (i.e. allocations between 1992 and 1999), more information will be sought about tax delinquencies (after conversion to homeownership), the extent of neighborhood development and employment around LP projects, the impact of spatial concentration of LP units on project performance, and other relevant policy considerations. Further, an inventory of more recent LP projects should be developed to better understand the when and where units should transition to homeownership, the ability and/or interest of tenants to convert to ownership, and the physical status of the LP unit.

Appendix

As noted in the introduction, state QAPs must at least address LP housing. Below is a review of how this language is included for 27 states whose final 2015 QAPs have been posted on the website of Novogradac & Company LLP as of June 30, 2015.

Alabama: The state's sixth tiebreaker in its point scoring system, and the last before a drawing of lots, favors LP projects. Remaining documentation is confined to three additional documents that must be submitted with the housing credit application. These can be viewed on AHFA's website at http://bit.ly/1HqsIAD.

> If a tie(s) still remains, priority will be given to the application for a project that is intended for eventual tenant ownership. The project must consist of single-family homes, duplexes, or townhomes to be eligible. The applicant must complete the AHFA-provided Homeownership Conversion Proposal and provide a plot plan in form and content acceptable to AHFA (30).

Arizona: LP projects can be submitted, but receive no special consideration and are subject to the requirements below.

> Applicants may propose a Project with an ownership proposal. The ownership proposal must demonstrate that one hundred percent (100%) of the Project is designed for eventual home ownership. This is not a scoring category.
>
> 1. Tenant lease purchase Projects are limited to single family, duplex, fourplex or townhome style Projects.
> 2. Project must be designed at the time of Application for eventual home ownership and demonstrate that the design will meet the subdivision and building code requirements, including fire department requirements of the Local Government that exist at the time of Application, as evidenced by a letter from the Local Government.
> 3. Submittal Requirements:
>   a. A letter of intent from a) a qualified Non-Profit Organization, b) tenant cooperative, c) resident management corporations, d) tenants or e) government agencies to purchase the Units.
>   b. A detailed description of the ownership proposal to include:
>   i. An exit strategy that incorporates a valuation estimate/calculation per I.R.C. § 42;
>   ii. Home-ownership financial counseling services;
>   iii. How the eligible tenants will be identified and offered a right of first refusal;
>   iv. How the Units will be priced in accordance with I.R.C. § 42(i)(7);
>   v. The manner in which homebuyer assistance will be generated by the Applicant or Owner and provided to the homebuyer; and
>   vi. A draft of the proposed sale agreement.
> 4. Post Allocation Requirements. Projects proposing eventual tenant ownership will be required to execute and record an LURA that indicates the provisions set forth above for the remaining Compliance Period. The additional fees associated with eventual tenant ownership legal review are stated in Section 6.4 of this Plan (71-72).

Colorado: LP applications are subject to the restrictions outlined below. Appendix D of the QAP (153-155) outlines how other projects can be sold to tenants at Year 16.

> Projects wishing to convert to homeownership at the end of the 15-year compliance period may do so under the provisions of the Code. CHFA will accept no more than two applications per calendar year that intend to convert to homeownership. Such projects are limited to a maximum of 34 points under the scoring for this section. As these projects will be rental housing for a minimum of 15 years, they will be underwritten as a rental project and are subject to the same underwriting criteria in Section 4 of this Plan.
>
> The following conditions generally apply:
>
> - The units must be single family detached or townhouse;
> - Intention to convert must be expressed in writing at the time of application;
> - Applicant must submit a comprehensive plan that includes, but is not limited to provisions for repair or replacement of heating system, water heater, and roof prior to sale; limitation on equity upon subsequent sales; homeownership classes for potential homebuyers; and requirements for extent of stay in rental unit in order to be eligible for purchase;
> - Purchaser must occupy unit as primary residence;
> - Units must be initially marketed to existing rental residents, including those that, at the time of sale, exceed 60 percent AMI. Remaining units not sold to existing renter households must be sold to households earning 80 percent or less of AMI; and
> - Low income units that are not sold to their residents must remain rental units, subject to low income and rent restrictions for the term of the LURA (52-53).

Delaware: LP is offered as an alternative to 30-year extended use as outlined below.

> Six (6) points will be awarded to developments that will be converted to home ownership for the residents after the initial fifteen (15) year compliance period has expired. In such instances, the extended use period will be waived. The deed of easement and Declaration of Restrictive Covenants shall reflect a right of first refusal be granted by the owner to the residents. Units must be offered at the units' fair market value at the time of the original resident's initial occupancy of the unit. Total costs per unit is subject to the limits of Section 221 (d)(3)(ii) of Section 42. Applicants must submit a detailed marketing plan which includes projections on maintenance, tenant reserve funds, homeownership training, continued affordability, sales price calculation, lease/purchase agreements, etc. The plan will be evaluated for feasibility and compliance with all regulations (Section 42, Fair Housing, and all other funding sources requirements). Syndication documents must reflect the conversion (34).

Hawaii: Criterion 14 awards a single point to LP projects. No further details are provided.

> Project is offering tenants an opportunity for home ownership. The applicant will offer tenants a right of first refusal to acquire the property in accordance with Section 42(i)(7) of the Code. To receive consideration for the criterion, the applicant must provide a feasibility analysis addressing the tenant's ability to purchase the project. The applicant must also provide a plan discussing how the project will offer the units for homeownership to tenants (18).

Illinois: The third and final project selection tiebreaker favors "projects that are intended for eventual tenant ownership" (83). No mention is made of added requirements for LP projects.

Iowa: LP is one of several ways to receive points in the "Resident Profile" section. (Appendix G is available online at http://www.iowafinanceauthority.gov/File/DownloadFile/4458.)

> Iowa Renter to Ownership Savings Equity (ROSE) Program: 25 points will be awarded to an Applicant who implements a bona fide long-term Iowa ROSE Program. The Iowa ROSE Program is only for low-income tenants which are qualified under the LIHTC Program and the Owner shall be required to elect a 40/60 minimum set-aside for each single family detached unit. Each Unit shall be entered in as a sixty percent (60%) Unit. The Iowa ROSE Program provides a savings plan for homeownership in years 1 through 15 to purchase a home of their choice and provides a plan to sell the house to an existing LIHTC tenant at the end of the Compliance Period. All utilities shall be paid by the tenants in this Program. See Appendix G – Iowa ROSE Program of the Application Package for further details. This category is not available to an Applicant that elects points for Section 6.1.1-Serves Lowest Income Residents, Section 6.1.2-Market Rate Incentive or Section 6.4.4-Waives Right to a Qualified Contract. A Project under this category is not eligible for State HOME funds (25).

The glossary expands on the structure of the ROSE Program:

> For each month that the tenant resides in a Unit, at least $50 will be placed in an account to be used by the tenant, at the completion of a lease term, for the purpose of securing homeownership. If a tenant leaves a Property without securing homeownership, the residual of the deposits made on behalf of the tenant are to be shared among the remaining tenants. Interest earned on the account shall go to the tenant, or be used by the Owner to assist with the cost of providing homeownership education and credit counseling. Only detached single family homes qualify for the ROSE program and shall be new construction without an existing LURA. At the completion of the Compliance Period, the Unit shall be offered to the current tenant. Prior to sale of the Unit, any reserves available shall be used to make improvements as determined by a Capitol Needs Assessment performed by a third-party contractor. If the reserves are not sufficient, the Owner will provide other sources of funds to make repairs. The Owner shall provide documentation illustrating how the purchase price is being determined, and evidencing the tenants' monthly anticipated mortgage payment, and tenant-paid Utilities (64-65).

Kansas: LP is required for all freestanding single-family structures financed with housing credits. No further details are provided.

> Single-family housing development is permitted by the Code so long as it remains rental housing for the 15-year compliance period. KHRC requires that any single-family housing development be converted to homeownership at the end of the 15-year compliance period. Owners are required to execute an agreement with KHRC to this effect no later than the allocation date. In such instances the extended use period will be waived. KHRC requires that tenants be given the first right of refusal or be offered an option to purchase the homes at their fair market value at the time of the tenant's initial occupancy of the homes. Total cost per unit is subject to the limits of Section 221(d)(3)(ii) of the National Housing Act (12 U.S.C. 17151(d)(3)(ii)) (See Exhibit J) (8).

Kentucky: Kentucky does not appear to have any mention of LP in its QAP, despite citing the relevant passage from the Internal Revenue Code in its introduction.

Maine: The second tiebreaker is the presence of a homeownership conversion strategy, though this is only meant to apply after extended use, so it is not an LP approach.

> If there are two or more Applications with the same Total Development Cost Per Unit, the Application that includes a commitment and an acceptable plan to convert the Project to affordable homeownership for the low-income residents and their successors after the Extended Use Period will be selected. The plan must describe how the transfer of ownership to the residents will occur, the price or process for determining the purchase price, what financial assistance will be available for residents (including any reserves) and how the affordability will be maintained, and must provide for homebuyer counseling and professional representation of the residents at the time of the conversion (41).

Massachusetts: Massachusetts does not appear to have any mention of LP in its QAP, despite citing the relevant passage from the Internal Revenue Code in its introduction.

Michigan: Michigan does not appear to have any mention of LP in its QAP.

Minnesota: Minnesota does not appear to have any mention of LP in its QAP.

Missouri: Like Maine, there is only mention of conversion to homeownership following the extended use period. Unlike Maine, it is an option with no priority given: "For developments interested in providing tenants homeownership opportunities after the end of the Compliance Period, provide a homeownership proposal and a waiver of the right to opt out of the LIHTC program for an additional 15 years after the end of the Compliance Period" (20).

Montana: LP is mentioned as an option, but with no point incentives or consideration provided. Montana has a substantial amount of requirements.

> The opportunity for Eventual Home Ownership allows for Projects, with sufficient justification, to make units available to be purchased by the current tenants after 15 years of successful performance as an affordable rental (8).
>
> Several supplemental Application documents are required for Projects that include eventual homeownership. The Application must address how the Owner will administer the transfer of ownership to a qualified homebuyer at the end of the Compliance Period. Second, the Application must either identify the price at the time of the title transfer or a reasonable process to determine the price. Third, the Application must document that the potential owners will be required to complete a homebuyers counseling program. The Applicant must identify how Reserve for Replacement funds will be used at the time of sale of the properties. At the time of sale, the MHTC Owner must provide a copy of the title transfer together with a certificate verifying that the new homeowner completed a homebuyers program within five years prior to the transfer of title. Enforceable covenants must maintain the home as affordable and prevent sale or re-sale to a realtor, financial institution, or a family with an income over 80% AMI, or more than 80% of FHA appraised value. Families who exceed income levels of 80% of AMI at the time of the sale must have qualified at the appropriate AMI contained in the recorded Restrictive Covenants for the Project evidenced by the Tenant Income Certification at the initial rent-up for the family. Tenant qualification documentation must be sent to MBOH for approval before the sale is completed. Please contact MBOH for current forms. Units not sold under the Eventual Home Ownership Program must remain in compliance with Section 42 until such time as they are sold to a qualified buyer or the end of the Extended Use Period (16).

New Hampshire: "The Authority has addressed most of the Statutory selection criteria and preferences in the scoring criteria, with the exception of projects intended for eventual tenant ownership, on which the Authority expresses no preference or emphasis" (1).

New Mexico: Projects can receive five points for having a "tenant conversion plan."

> Projects in which at least half of the Units are intended for eventual tenant ownership are eligible for points under this criterion. The Project design must be conducive to this purpose, using single family homes, duplexes, and/or townhomes that have individually metered utilities and public streets. This commitment will be evidenced by submission of a long-range Tenant Conversion Plan and will be documented in the Land Use Restriction Agreement. These points may not be awarded in combination with points under Projects Committed to an Extended Use Period (25).
>
> "Tenant Conversion Plan" means a written plan acceptable to MFA, describing the method to be used to enable tenants to acquire ownership of their units at such time as conversion to owner occupancy is allowed under Code Section 42. The Project Owner must provide and describe the type of homeownership, financial, and maintenance counseling to be offered. The Project Owner must describe in detail how the unit will be converted from a rental unit to homeownership.
>
> Oter items the plan must contain include:
>
> 1. How the unit will be offered for sale and remain affordable.
> 2. How the value and sales price of the home will be determined at the time of purchase.
> 3. Any favorable financing or down payment assistance.
> 4. Formation of any neighborhood associations, and if so the benefits and responsibilities outlined within the proposal.
> 5. Copy of the plot plan for ultimate subdivision, or proposed condominium declaration (69).

North Carolina: "Tenant ownership" is the third tiebreaker, with only total project cost coming after it. Again, however, this provision is post-extended use, meaning it is not LP.

> Third Tiebreaker: Tenant Ownership: Projects that are intended for eventual tenant ownership. Such projects must utilize a detached single family site plan and building design and have a business plan describing how the project will convert to tenant ownership at the end of the 30-year compliance period (20).

North Dakota: Two points are awarded for tenant ownership. No further details are available.

> Properties intended for eventual tenant ownership will receive 2 points. All residential buildings in the project must be individually surveyed, platted, and have a physical address. Applicants must include a) a feasible plan that sets forth the process for transferring the property, in whole; b) the future purchase price; c) homebuyer counseling efforts; and d) any other information requested by the Agency. Information will be reviewed for conformance with Section 42(h)(6) and IRS Revenue Ruling 95-49. Applicants will not qualify for points under the extended low-income use category if the property is intended for eventual home ownership (19).

Separately, however, another clause offers five points for establishing a program that diverts five percent of rent toward an escrow account to be used for a down payment on a home. It is intended to be used over too short a period of time (3 years) to be combined with LP, however.

Pennsylvania: LP is presented as an alternative to extended use. Notably, the QAP later states that washer and dryer hookups must be included in all units of such projects.

> Applications for 2015 Tax Credits must demonstrate a commitment to serve low income residents for a period of not less than 30 years or, in the alternative, offer homeownership opportunities to qualified residents after the initial 15 year compliance period. For the commitment to serve low income residents for a period of not less than 30 years, Applicant will certify this commitment in the Application and the Restrictive Covenant Agreement will contain a provision waiving any right to petition the Agency to terminate the extended use term (as described in the Code). If the alternative of homeownership opportunities is selected, proposals must present a financially viable homeownership program for residents who inhabit the units during the compliance period. The program must incorporate an exit strategy, homeownership counseling and a minimum amount of funds (not less than $1,000 per unit) set aside by the developer to assist the residents with the purchase. This amount may not be included in the project budget. The only types of units eligible for consideration are townhouse and single family attached and detached structures. The Agency may approve other unit types conducive for these purposes if structured as cooperative or condominium ownership. The Applicant will certify this commitment in the Application and the Restrictive Covenant Agreement will contain provisions ensuring enforcement of the related covenants by affected qualified residents. Should the units not be converted to homeownership, the Restrictive Covenant Agreement will contain a provision waiving any right to petition the Agency to terminate the extended use term for all units remaining as rental units. A certification from the design architect verifying the units are townhouse or single family attached or detached structures (or otherwise appropriate for homeownership by tenants as determined by the Agency) will be required as part of the Application. (4)

Tennessee: LP projects can receive one point in the scoring process, though projects with five or more years of committed extended use can receive five from the same line item.

> A binding commitment to offer the tenant of a single family building at the end of the fifteen-year tax credit compliance period a right of first refusal to purchase the property. The owner must provide to THDA a detailed plan with the Initial Application, specifically including how the owner will set aside a portion of the rent beginning in year two (2) of the compliance period to provide sufficient funds to the tenant at the end of the compliance period for the down payment and the closing costs to purchase the unit. The plan will be required to be updated and submitted to THDA again for approval in year 13 of the compliance period. The Restrictive Covenant Agreement will contain provisions ensuring enforcement of this provision (26).

Utah: Five percent of tax credits are set aside for LP, making it the only state aside from Ohio (starting in 2016) with such a provision: “To encourage home ownership, approximately 5 percent of the Housing Credit Ceiling Amount will initially be set aside for Government and Non-Profit Sponsored Homeownership projects. Any Housing Credits remaining in this set-aside following the cycle shall be reassigned to the general pool during the cycle” (47).

Vermont: “Projects intended for eventual tenant ownership” are a “second tier priority” in the allocation framework, but are otherwise not addressed in the QAP.

Virginia: Criterion 7d makes 60 bonus points (of an unknown total) available for a disposition plan at Year 16, but only for sale to a public housing authority or non-profit organization.

Washington: Washington does not appear to have any mention of LP in its QAP, despite citing the relevant passage from the Internal Revenue Code in its introduction.

West Virginia: A project can receive 15 points (out of 1,029) for properties committed to eventual tenant ownership. No further details are provided.

> 15 points will be awarded to properties for which all residential rental units are committed to eventual tenant ownership, beginning no later than four years after the end of the initial 15-year minimum compliance period. In order to be awarded the 15 points available, the property must be comprised of single-family homes, duplexes or townhouses (with proper legal separation of units), and the applicant must provide a business plan describing how the residential rental units will be converted to tenant ownership (32).

Wyoming: Wyoming does not appear to have any mention of LP in its QAP.

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