

Tax Credit Advisor

News, Ideas and Information for
Tax Credit Developers and Investors

Issue Theme: Preservation Transactions & Opportunities

Stimulus Bill Provides Some New Bucks For Affordable Rental Housing

THE NEW ECONOMIC STIMULUS act contains billions of new dollars for affordable rental housing that should be channeled to developers in the near future, including for stalled low-income housing tax credit (LIHTC) projects.

But affordable housing advocates had mixed reactions to the new law, and wondered about specifics regarding the timetable and implementation of some of the new funding sources (*see p. 3 for reaction article*).

Key pieces of the new American Recovery and Reinvestment Act of 2009 (H.R. 1), signed by President Obama on 2/17/09, include a new

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Southeast U.S. Allocators Cope With Ongoing Credit Equity Crunch

STATE ALLOCATING AGENCIES in the Southeast U.S. are experiencing differing impacts from changed market conditions as they carry out their 2009 low-income housing tax credit (LIHTC) application cycles.

The Southeast has witnessed robust population growth. According to the U.S. Census Bureau, between 4/1/00 and 7/1/08, Georgia's population rose by 18.3%; Florida, 14.7%; North Carolina, 14.6%; South Carolina, 11.7%; and Virginia, 9.7%. Between 7/1/07 and 7/1/08, North Carolina was third among all 50 states in greatest numerical population growth; Georgia, fourth; Florida, sixth; and South Carolina, tenth.

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Nuns Sustain Order By Partnering on Joint Venture Real Estate Deal

A ROMAN CATHOLIC order of nuns in Missouri is partnering in the historic rehabilitation of buildings on its campus into affordable apartments to generate needed housing and income, in an innovative multi-phase deal that could serve as a model for other religious orders.

The Sisters of the Most Precious Blood, an order founded in 1875, occupies a 42-acre campus in O'Fallon, a community about 35-40 miles from downtown St. Louis. Based in O'Fallon, the order is involved in educational, social work, and health care services activities.

Sister Mary Whited, the order's

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Low-Income Housing Tax Credit

Stimulus Bill Prompts Smiles and Frowns; Agencies Ponder Implementation

AFFORDABLE HOUSING PROFESSIONALS are both happy and sad about the newly enacted economic stimulus bill. They're pleased with provisions that will provide billions of dollars in new funds for stalled low-income housing tax credit (LIHTC) projects, and billions more for improvements to public and assisted housing projects. But they're dismayed that the final bill left out other vital tax proposals designed to address today's severe shortage of housing credit equity.

Many questions have been raised about the act's two LIHTC funding initiatives. These questions and thoughts on implementation were raised on a 2/20/09 Webinar whose panelists included three from state housing agencies.

"We're happy that some effort was made to address the [equity] shortfall in the [LIHTC] program that's going on right now because of the economy," David Gasson, Housing Advisor Group spokesman, and vice president of syndicator Boston Capital, told the *Tax Credit Advisor*.

"We're grateful for the appropriation, [and] we see the exchange program as being helpful in dealing with some of the stalled inventory," said Washington, DC attorney Richard Goldstein, a partner in Nixon Peabody LLP and counsel to the Affordable Housing Tax Credit Coalition.

Garth Rieman, of the National Council of State Housing Agencies (NCSHA), said, "We're very pleased that Congress has provided resources to address the shortfalls in the housing credit properties...We think that they [Congress] came through with some resources that will be very valuable to the [Housing Finance Agencies] as they try to make sure these ready-to-go projects get built as quickly as possible."

The act's two LIHTC initiatives include one that will allow state housing credit agencies (HCAs) to exchange unused housing credit authority for cash grants, and provide financial assistance ("subawards") to stalled LIHTC projects. The second provision provides \$2.25 billion for apportionment to state HCAs through the U.S. Department of Housing and Urban Development's (HUD's) HOME program, for gap financing for stalled LIHTC projects. (*See p. 1 article for details.*)

LIHTC advocates were disappointed that the act didn't include other proposals designed to jumpstart corporate investment in housing credits and broaden the base of investors. They particularly lamented the omission of an "accelerator" provision to permit taxpayers to claim twice the normal credit amount in the first three years of the 10-year credit period, and a "carryback" provision to allow taxpayers to go back up to five tax years to utilize unused housing credits.

Advocates said they will continue to seek inclusion of these or similar pro-

Reaction,

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Nominations Invited for Edson Awards

THE AFFORDABLE Housing Tax Credit Coalition is soliciting entries for its 15th Annual Charles L. Edson Tax Credit Excellence Awards competition. This national competition honors outstanding low-income housing tax credit properties in six categories. Nominations of projects must be postmarked by no later than 4/3/09.

(<http://www.taxcreditcoalition.org./awards>) ■

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visions in future legislative vehicles considered by Congress.

In the meantime, state HCAs, developers, and practitioners are eager to see how the new exchange and HOME gap financing initiatives will work and be implemented. There are tight timelines to get the money out.

Those interviewed and panelists on the 2/20/09 Webinar, sponsored by NCSHA and the Institute for Professional and Executive Development, said some guidance will be required from the IRS or U.S. Treasury and from HUD to assist implementation. At a minimum, Treasury/IRS will need to issue procedures for how state HCAs are to exchange credits for cash credits. HUD, meanwhile, is expected to spell out which HOME program requirements will and won't apply to projects awarded gap financing funds. State HCAs will have to figure out how to competitively award the gap funds to projects, among many decisions.

Webinar panelists from three state HCAs – Pennsylvania, New Jersey, and North Carolina – said their overriding objective will be to get the new funds out as quickly as possible to stalled LIHTC projects that are ready to go. “The key right now for us is to get our stalled pipeline moving,” said Holly Glauser-Abel, of the Pennsylvania Housing Finance Agency.

Glauser-Abel said PHFA has about 44 projects with credit awards but no equity. Mark Shelburne, of the North Carolina Housing Finance Agency, cited 40 to 50 projects in this situation, while Debra Urban, of the New Jersey Housing and Mortgage Finance Agency, cited about 44.

States must also figure out how to award the HOME gap financing funds competitively, as the act requires. “Whatever competition we have to run for these HOME funds needs to be simple and stripped down and quick,” Shelburne said. State agencies will also have to determine what if any adjustments they will need to make to their current 2009 LIHTC funding rounds, because of the two new funding initiatives. ■

Calendar of Events

**National Housing & Rehabilitation Association
9th Pre-Conference New Markets Tax Credit Symposium**

March 11, 2009 • Ocean Reef Club • Key Largo, FL

**National Housing & Rehabilitation Association
2009 Annual Meeting**

March 12-15, 2009 • Ocean Reef Club • Key Largo, FL

**NH&RA/National Council of Affordable Housing Market Analysts
2009 Spring Public Policy and Market Study Forum**

April 6-7, 2009 • Washington, DC

**National Housing & Rehabilitation Association
2009 Spring Developers Forum**

May 11-12, 2009 • Hyatt Regency Century Plaza • Los Angeles, CA

Details at <http://www.housingonline.com>

New Energy Group Proposes 'Green Dividend' for Responsive Owners

A NEW NATIONAL organization has developed an agenda of proposed federal legislative and policy changes to promote increased energy efficiency in affordable multifamily rental housing projects, and to reward investment for such activities.

The proposals are in a white paper crafted by the Council for Energy Friendly Affordable Housing (CEFAH), a council within the National Housing & Rehabilitation Association, a national trade group for affordable multifamily housing professionals. Some of CEFAH's proposals are reflected in the pending economic

stimulus bill (*see article on p. 1*); the new Obama Administration has also made energy efficiency and

CEFAH is working to remove regulatory barriers as well as create new funding sources to help owners improve the performance of multifamily projects through low-cost, high-impact energy and utility improvements.

greater use of renewable energy as high priorities.

According to the paper,

CEFAH "was formed to help [multifamily housing property] owners and managers identify and implement effective energy savings strategies, and to make sure that the regulatory system for properties assisted by the U.S. Department of Housing and Urban Development (HUD) supports this objective to the maximum extent possible. CEFAH is working to remove regulatory barriers as well as create new funding sources to help owners improve the performance of multifamily projects through low-cost, high-impact energy and utility

CEFAH,
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L O S A N G E L E S

CEFAH,*continued from page 5*

improvements.”

In the paper, CEFAH proposes public policy changes in five areas. Most would require modification of existing HUD policies. Some probably would require legislative changes. These proposals include to:

- Decrease energy costs by increasing cash flow to owners, through the authorization of a “green dividend” that could be paid to owners for energy-saving green improvements they make to their HUD-assisted property. This dividend could be paid from project cash flow

without regard to the normal HUD ceiling on annual distributions.

- Modify HUD policies to clarify that monies within the replacement reserves or residual receipts for a HUD-assisted project may be used to pay for green retrofit activities. The paper notes CEFAH anticipates pressing Congress and the White House for approval of a low-cost loan program to fund green retrofits.
- Revise existing HUD rules to make it easier to raise and use private capital to help fund green retrofits to HUD-assisted developments, especially

broader scope improvements.

- Permit third party ownership of energy-saving improvements (including renewable energy systems) installed in HUD-assisted properties.
- Allow energy performance contracts with third parties for HUD-assisted projects, where energy cost savings can be used to help fund energy improvements and where owners are also permitted to benefit from the cost savings.

(For details on CEFAH and the white paper, contact Thom Amdur, tamdur@dworbell.com, 202-939-1753.) ■

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INVESTOR CORNER

Patrick Nash: A Corporate Investor Discusses the Market

(Patrick Nash, based in Chicago, is Managing Director of Housing Investments for JPMorgan Capital Corporation, an investor in low-income housing tax credits. He is also president for 2009 of the Affordable Housing Investors Council. In excerpts from an early February interview, Nash spoke about AHIC, his firm's activities, and the housing credit market.)

Q. What is the Affordable Housing Investors Council and who are its members?

A. The Affordable Housing Investors Council is a group of investors that have been involved as investors in the LIHTC platform. It is primarily an educational organization to assist those investors as they make these investments.

Q. As its new president, what are your plans and objectives for AHIC in 2009?

A. One objective is to create some best practices for asset management; we think that's going to be a priority going forward as we look at the stress being placed on syndicators, and the questionable viability of a couple. Asset management and how to approach that is going to be a priority. [In addition], the [LIHTC] legislative changes enacted in mid-'08, and those that are under discussion as we speak, are going to be a focus as well in educating our members about them as they are determined, and assisting them and the industry in the appropriate

implementation of whatever those changes may be.

Q. With regard to investments in LIHTCs, what do you believe is foremost on the minds of corporate investors these days?

A. Foremost is the fact that there are too few investors for the supply of product.... There [also] is concern on the part of investors about the stress being experienced by syndicators.... The viability of the underlying assets; given the economy, clearly there's going to be stress experienced by the low-income housing communities that we all invest in. Therefore, underwriting has to be thorough and numbers have to be scrubbed and oversight over the life of the investment has to be even more rigorous, because we're probably in a recession and a fairly significant recession for several years.

Q. What if any specific changes do you and other corporate investors feel should be made to the LIHTC program now, and why?

A. Care and caution has to be rendered by the states in the location of transactions, because we don't want to cannibalize those that are already under development or that are existing. And underwriting has to be rigorous, in applying standards of vacancy and debt service coverage ratio and things of that nature.... [And then] the gap financing sources and programs being considered

as part of the stimulus bill, those are necessary because the pricing in today's environment, given the few investors, is being reduced on a cents per credit basis, yields are rising, and gaps are being created.

Q. What do you believe it will take to attract new investors into the tax credit program, and to promote substantial renewed or increased investment by inactive and active corporate investors?

A. As an investor ourselves, the paramount importance to us would probably be the carryback provision that is being considered; the acceleration provision is probably next on the list. The one specific thing that probably limits the broadening of the investor base, in my view is...the length of the investment.... It's very difficult for firms to plan their tax position over a 10- to 15-year period. Because of that, it makes this investment less appealing, because the hold period is 15 years, the credits flow over 10.... [And then] some would suggest we need a boost in yields.

Q. How long has JP Morgan been an investor in housing credits? And how have you invested?

A. We've invested consistently every year since 1994. We've invested through all four investment vehicles. Proprietary, where we're the sole investor with a syndicator. Multi-

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investor funds, where we're one of several investors with a syndicator. Direct, where we directly invest in the lower tier; there's no syndicator. And we've been a substantial investor through the guaranteed housing investment vehicle, where you have a syndicator GP and we invest in the underlying same product, but you're looking to the credit of the guarantor to guarantee your tax benefits.

Q. What was JP Morgan's housing credit investment volume in 2008, and what is your volume target for 2009?

A. We were probably the largest investor in '08, close to a billion

dollars. And our target in '09 is probably something slightly south of that.

Q. JP Morgan acquired Washington Mutual and its LIHTC portfolio. How large was that portfolio? And what impact will that have on your tax credit need and investment plans for 2009 and future years?

A. It's hard to say [as far as] future years. It was a fairly substantial portfolio; not as large as ours, by any means....We're just beginning to get our arms around that portfolio...That portfolio will be using tax capacity that otherwise, prior to that acquisition, was only going to be used by us. So obviously it stretches the demand side internally of the use of our tax positions.

Q. What is the size of your LIHTC portfolio?

A. Upwards of four billion [dollars] amortized. We write it down annually. Its original value was close to probably over nine billion, but now, over time as credits are received and the asset balance is written down, it's probably closer to three and a half to four billion [excluding the WaMu portfolio].

Q. Does that acquisition expand your footprint of where you'll be investing in housing credit deals?

A. Yes...though we've always been a national investor, not restricted to our footprint markets....But it expands our footprint from 17

Nash,
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states to 23 states. [Among the additions are California, Oregon, and Washington.]

Q. Are there particular types of tax credit projects that you prefer to invest in?

A. We invest in all product types, from new construction family, acquisition rehab family, and both older adult or senior, and we do preservation deals and deals with housing assistance payment contracts, and things of that nature. We prefer to do transactions in excess of five million [dollars, equity amount] on new construction, and rehab probably seven and a half or

eight. We tend to look at each deal and analyze it for its merits, rather than a check-the-box kind of approach.

Q. What you expect to happen in the LIHTC market in 2009?

A. I think it's going to continue to be challenged. There's going to be much more supply of credits than there is buyers of credits. [In addition], there'll probably continue to be stress among the syndication community, and some re-ordering or modification of the paradigm as to the approach to investing in this product.

Q. Any final comments on the LIHTC program or on your role in it?

A. It is a product that creates economic value to the firms, but also provides a great product for the country, and it's [been] the linchpin of any housing policy historically over the last 10 to 15 years. In that sense, it has to be enhanced, and this kind of hiccup or blip that we're having, shouldn't be a basis to change the program in any dramatic way....So we have to be cautious as we try to tweak it that we maintain those fundamental elements [of public-private partnerships]. That's going to guide AHIC, it's going to guide our investing, and hopefully we'll weather the storm and be a stronger industry when this is over, and be, in the meantime, providing housing for folks. ■

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New Equity Fund Will Boost Capital for Projects in Upstate New York

A NEW YORK housing agency has announced the creation of a new equity fund to jumpstart equity investment in low-income housing tax credit (LIHTC) projects in Upstate New York.

“The economic crisis has jeopardized the ability of affordable housing developers to secure financing, particularly upstate,” said Deborah VanAmerongen, Commissioner of the New York State Division of Housing and Community Renewal (DHCR). “The equity fund model has been used successfully in other states to make it easier and more attractive

to invest in affordable housing, and I’m confident it will be effective means of keeping the affordable housing market healthy here in New York.”

The Upstate New York Equity Fund is being established and will be managed by Great Lakes Capital Fund, a Michigan-based nonprofit and syndicator that operates several state tax credit equity funds.

DHCR worked with the New York State Association for Affordable Housing and other partners in the development community to create the new Upstate

Equity Fund to encourage banks to participate in the LIHTC program and create affordable housing in their communities.

James Logue III, COO of Great Lakes Capital Fund, recently told the *Tax Credit Advisor* that a prospectus for the Upstate Equity Fund’s first tax credit fund would be issued shortly; that marketing to prospective investors has begun; and that efforts are underway to start creating a pipeline of projects. He said the initial sizing of the first fund, a multi-investor fund, is \$30 million.

Logue noted the Fund will actively seek to invest in housing credit projects in New York State other than in New York City and Westchester County. He noted the Fund is open to investment in projects of all types, with for-profit or nonprofit sponsors, and in metropolitan or rural areas.

Logue indicated the Fund will solicit investments both from financial institutions and from non-financial institutions, including firms that haven’t invested in housing credits before.

“We think that this could be appealing to some national and regional banks that have CRA [Community Reinvestment Act] need, possibly in Upstate,” as well as to community banks and smaller banks, Logue said. He noted the minimum investment size will be \$250,000.

(Details: <http://www.capfund.net/site/133/default.aspx>) ■

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Preservation Transactions & Opportunities

Preserving Affordable Housing: Use the Full Range of Tools and Opportunities

FLORIDA DEVELOPER DEBRA Koehler is using her past experience in building affordable apartments and renovating office towers to undertake a housing preservation niche – the rehabilitation and preservation of urban high-rise apartment buildings as affordable housing.

The Columbian, her current project in downtown St. Petersburg, illustrates the varied opportunities available to developers for preservation deals using low-income housing tax credits: from specialized niches, federal legislation, and other factors.

Built in 1971 under the Section 236 program of the U.S. Department of Housing and Urban Development (HUD), The Colombian is an 11-story apartment building with 188 affordable apartments for senior and disabled residents.

“We’re basically going to do a substantial rehab – over \$34,000 a unit,” says Koehler. She noted the projected total development cost of about \$107,000 per unit compares to over \$200,000 to build a new downtown high-rise apartment tower in Pinellas County.

Koehler, a founder of Sage Partners LLC, said her firm entered the picture after the owner indicated he planned to let the current HUD Section 8 contract expire in September 2009, while the city wanted to find a way to preserve the affordable housing.

HUD has approved a 20-year renewal of the Section 8 contract for 70% of the units, the same share as before. All but one of the funding pieces for the \$20 million development – the tax credit equity – are in place. Koehler has a letter of intent from a syndicator and is scheduled to close March 9th.

Other funding sources include a decoupled interest reduction payments stream from the Section 236 mortgage, soft second mortgage under Florida’s SAIL program, local and state housing trust fund dollars, and supplemental state funds. Tax-exempt bonds issued by the county housing authority and placed with Bank of America will fund the construction and permanent loans.

Challenging Environment

Admittedly, it’s a tough today to pull off any new tax credit project, including preservation deals. Equity is in short supply, construction loans are harder to find, underwriting is tighter, and the economy has soured in many markets. But there continue to be some diamonds in the dirt.

“There are fewer opportunities out there,” for multi-family preservation deals, says Michael Bodaken, president of the National Housing Trust, a Washington, DC-based nonprofit and developer of preservation deals, particularly of HUD-assisted properties. “They’re not plentiful, and they’re somewhat specific to markets.”

He adds, “The opportunities we’re seeing are properties with certain cash flow that you can assume and hold onto, where the seller is willing to take a takeback note, and over time take the seller out with credits, when the credits come back.”

Robert Sheppard, an executive with the Tax Credit Group of Marcus & Millichap, a broker of LIHTC projects, typically between their 10th and 15th year, indicated there are some opportunities in certain markets to acquire and rehab older tax credit properties with new tax credits. “A well-located tax credit deal, in a good market, and most likely [where] that market has some sort of soft funds available to do the deal so that you can cover the gap in the stack, as long as you’ve got a market like that, you can probably get a deal done,” he said.

Bodaken also pointed out that state housing credit agencies (HCAs) in awarding 9% housing credits continue “to have very strong preferences in their QAP and in their soft money for preservation.”

For example, the Massachusetts Department of Housing and Community Development (DHCD) in its draft 2009 qualified allocation plan proposes to reserve at least 40% of the credits available in its 2009

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application round for preservation projects. In New York State, the Division of Housing and Community Renewal has earmarked up to \$3.3 million of its \$25 million in available 2009 federal housing credits for preservation deals.

Economic Legislation

Near-term opportunities for preservation deals are likely from the new economic stimulus law (*see p. 1 article for details*).

The act provides an extra \$2.25 billion in federal HOME program funds for allocation to state HCAs to provide gap financing to stalled LIHTC projects. While the mechanics and timetable for this initiative have yet to be determined,

the infusion of these funds could help many challenged acquisition/rehab projects move forward to closing and development.

The law also allows state HCAs to exchange a portion of their unused housing credit authority for cash grants, and use these monies to provide financial assistance to LIHTC deals unable to secure equity.

Bodaken noted the act also provides \$2 billion for full funding of project-based Section 8 rental assistance contracts, and \$4.25 billion to rehabilitate and make energy-efficiency improvements to public housing properties and to certain HUD-assisted multifamily properties. "There will be funding out there that can leverage investor money," he said, noting the new HUD funds may make LIHTC

investors more comfortable in investing in some deals.

Other Possibilities

Additional possibilities for developers are with funding from HUD's new Neighborhood Stabilization Program (NSP). (*For details, see Tax Credit Advisor, November 2008, p. 2.*)

HUD has allocated an initial \$3.92 billion among 308 state, regional, and local grantees. The funds are to be used to help purchase, renovate, and recycle foreclosed, vacant, and abandoned properties – including homes and multifamily housing – located in designated neighborhoods characterized by high foreclosure rates. Each grantee had to submit a plan

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to HUD on how it proposes to use the funds (e.g., eligible uses and projects). HUD has been approving these plans, and grantees are starting to issue notices to make the funds available and solicit proposals from developers.

In Georgia, for example, the state Department of Community Affairs (DCA) on 2/18/09 made available \$19.6 million in NSP funds for use with three programs including its LIHTC program. DCA official Laurel Hart said developers will be able to find out whether they will receive available NSP or HOME funds prior to the tax credit application deadline. Hart said that there are a number of foreclosed conventional properties and failed condo developments in the

state, particularly in the Atlanta metro area and DeKalb County.

Matt Perrenod, of the non-profit Housing Partnership Network, says 25% of NSP funds must be used to benefit households below 50% of area median income. "In almost every case, people are looking at that as being rental housing," he said. "People are looking at rental preservation strategies for foreclosed rental properties."

The economic stimulus law provides another \$2 billion for the NSP program.

Additional opportunities are possible from new federal housing preservation legislation as well. House Financial Services Committee Chairman Barney Frank (D-MA) has cited passage of a housing preservation bill as one of his panel's top priorities this year, and proposed legislation

has been drafted. This could possibly be folded into a broader housing or foreclosure bill Congress is expected to write soon.

New Team at HUD

Washington, DC attorney Kristin Neun, a partner in the law firm of Hessel, Aluise and Neun, P.C., which works on numerous preservation deals, also hopes that the Obama Administration and new team at HUD under Secretary Shaun Donovan will reverse recent policy changes by the Department that discourage preservation deals, particularly transfers of properties by nonprofit owners to tax credit partnerships for new acquisition/rehab transactions. She expressed hope for "a renewed look at a number of policies that have really impeded the ability to do preservation deals." ■



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Rebuilding the Neighborhood? Don't Forget the School

JUST ABOUT EVERY neighborhood has a corner school. But when the neighborhood is revitalized, is the school improved as well?

Enterprise Community Partners is highlighting a possible national model for improvement of neighborhood schools, in a new white paper on “school-centered community revitalization.” The report is the last of three on the subject commissioned by Enterprise.

According to the report, school-centered community revitalization (SCCR) is “an approach to comprehensive community revitalization in which leaders of neighborhood development efforts make improving academic outcomes for neighborhood children a central part of their strategy. A sponsor committed to the health of the neighborhood creates a partnership with the neighborhood’s elementary schools to make substantial improvements to those areas that have proven to be essential for improving academic outcomes: principal and teacher quality, research-based high quality curriculum, and early childhood education.”

The report adds, “All SCCR efforts will have at their core an effort to improve the quality of the neighborhood’s affordable housing stock – for example, through public housing redevelopment, rehabilitation of rental housing, or subsidies to promote homeownership – but the neighborhood approach may also include economic development, workforce development, community organizing, or anti-crime initiatives.”

The report argues for a more systematic, holistic approach that

supports and lifts performance in the neighborhood elementary school at the same time the entire neighborhood is being revitalized through affordable housing development and other improvements.

The report identifies multiple benefits from SCCR. “...High quality public education is an essential component of transforming distressed urban neighborhoods into healthy communities that sustain themselves over time. Without strong primary schooling, adults lack the knowledge and skills to be competitive in the workforce and earn enough to break the cycle of poverty. A shortage of good public school options also makes it difficult to increase or retain income diversity in a neighborhood...”

The report notes there have been a limited number of SCCR initiatives undertaken so far in the U.S. One is in Baltimore, where Enterprise since 1995 has sought to improve two elementary schools in the Sandtown neighborhood as it redevelops the community.

The report calls for establishment of a new federal competitive demonstration grant program to support and evaluate multiple SCCR activities and determine whether the concept should be rolled out nationwide. This demo would provide modest-sized grants to 20 external “sponsors” of elementary schools to primarily cover a sponsor’s costs that subsidize school activities directly. For example, an annual \$250,000 grant might be used to cover the full-time salary of an experienced senior staff person, and modest extra

programming at the school.

The report also recommends other actions by state and local governments and philanthropic organizations to support SCCR initiatives.

(Policy Roadmap for Expanding School-Center Community Revitalization: <http://www.practitionerresources.org/cache/documents/669/66901.pdf>) ■

NAHB Green Building Standard Approved by ANSI

The National Association of Home Builders’ National Green Building Standard for all residential construction work has been approved by the American National Standards Institute (ANSI) and is now operational. It is the only green building rating system approved by ANSI to date.

The National Green Building Standard applies to single-family homes, apartments and condos, land development, and residential remodeling and renovation work. It defines what green practices can be incorporated into residential development and construction on a national scale.

NAHB’s Research Center, an ANSI Accredited Standards Developer, administered the development of the Standard.

(Details: <http://www.nahb.org>)

Has Your State Agency, Investor, or Management Company Ordered You to Get Compliance Certified?

By Elizabeth L. Moreland, NCP-E, SCS, HCCP, SHCM, FHC

Proper compliance is essential for the success of every low-income housing tax credit property. Increasingly, the individuals whose job is to ensure, review, or oversee tax credit compliance – property managers, corporate supervisors, etc. – have one or more compliance professional designations. What are these different designations? How do they differ? Which are most appropriate for a particular individual? Here, compliance expert/trainer Elizabeth L. Moreland provides a road map and guidance through the alphabet soup of multiple designation programs.

YOU'VE BEEN TOLD THAT YOU now need to get yourself or your staff certified in low-income housing tax credit compliance. It's the new push today in the housing credit industry. It makes sense. You run an important aspect of this affordable housing program and the industry is demanding that you be certified in what you do. What does this mean? And, more importantly, how do you meet this mandate?

I have good news and bad news. The good news is that you now have multiple possible ways to meet this mandate. There are multiple certifications to choose from and none are difficult to obtain!

This is also the bad news. Having to understand and pick from multiple certification options can be confusing and difficult. This article is designed to make this task easier, by describing the different available housing credit compliance certification programs, the steps involved in getting certified, and how to determine which one or ones are appropriate for you.

First, you need to determine which certification or certifications are right for you. This can be done simply by looking at your level of responsibility within the housing credit program.

Some of you are site professionals, working on the ground at a tax credit property. You interact daily with applicants and residents, making decisions at the property level. As part of this, you determine whether applicants are eligible to occupy a tax credit unit initially and later on – at recertification.

On the other hand, some of you are managers or supervisors. Your role is to be the troubleshooter, the problem solver. This means you have to know a lot about the housing credit program. Not just the site compliance rules, but also the rules regarding allocation, development, and other financing.

Site Level Responsibilities

If your main responsibilities are at the site level, you should be focusing on one of the four housing credit compliance site certifications available today. These include: my firm's *Site Compliance Specialist (SCS)* designation; Quadel's *Tax Credit Compliance Systems (TaCCs)* designation; the National Center for Housing Management's *Tax Credit Specialist (TCS)* designation; and the National Affordable Housing Management Association's (NAHMA's) *Specialist in Housing Credit Management™ (SHCM)*

designation.

Each of the preceding certification programs are similar and require passing an exam to be certified. In the *Certification Exam Summary Chart* (see p. 18), I have outlined the requirements for each of these different certifications.

Using the *Site Compliance Specialist*, or *SCS*, certification as an example, the steps to earn this designation are simple.

First, you must pass an exam – in this case, the *Site Compliance Exam*. This *Exam* is comprised of 50 questions divided into five Testable Areas. To pass you must answer 40 of the questions correctly. The *Exam* is graded as a pass or fail. If you pass, you immediately earn your *SCS* designation.

To prepare for the *Exam* you can take the courses available at the *Housing Credit Online Training Center*. These five current courses range from a basic introductory course, to a comprehensive course (*Housing Credits 245: Site Compliance Specialists*) which focuses on all five testable areas of the *Exam*.

If you are new or inexperienced, you should take all of the courses at the *Online Training Center* including *Housing Credits 245*. When finished, you should be fully prepared to take the *Exam*.

If you have some work experience and aren't sure if you need all of the courses, start with the *Compliance Assessment*. By doing so, you can ascertain exactly what courses you need to concentrate on

Certification,
continued on page 17

Certification,*continued from page 16*

in order to pass the *Exam*. The *Compliance Assessment* is a series of questions scored to identify your **current** level of site compliance knowledge. By comparing your score to an Industry Proficiency Chart you can determine where your current knowledge matches up against the industry-acceptable knowledge standards. If you score below any of the standards in a particular section, you are directed to take the particular course at the *Online Training Center* that will give you the necessary information to become proficient in that particular standard. After you have completed the course(s) indicated by the *Compliance Assessment*,

you will be ready to take the *Site Compliance Exam*. Once you pass, you will receive certification as a *Site Compliance Specialist*.

If, on the other hand, you already meet all of the industry proficiency levels indicated by your score on the *Compliance Assessment*, you are immediately ready to take the *Site Compliance Exam*. This *Exam* can be taken online, at www.housingcreditem.com.

The preceding example has shown how the *Site Compliance Specialist* designation is earned. Consult the *Certification Exam Summary Chart* (p. 18) for the requirements for the other three programs. The *SHCM* exam can be taken through one of the local Affordable Housing Management

Associations (AHMAs); the *TaCC* exam, taken through Quadel Consulting; and the *TCS* exam, taken through the National Center for Housing Management (NCHM). The training and/or exam for the *SHCM* site-level designation (and for the *HCCP* supervisor-level designation, below) may also be taken through approved private trainers and organizations.

Note: All four site-level designations described above have very similar requirements, so it's a matter of choosing which one best fits your schedule and budget.

Supervisor or Troubleshooter Responsibilities

If you are a supervisor, regional manager, compliance director/manager, asset manager, or anyone who desires to take on one of these positions sometime in the future, you should be focusing on one of the following available national certification designations: my firm's *National Compliance Professional (NCP)* designation; the longstanding *Housing Credit Certified Professional (HCCP)* designation, administered by the National Association of Home Builders (NAHB); and the *Certified Credit Compliance Professional (C3P)* designation, administered by Spectrum Seminars. The *Chart* on page 19 has the requirements for each.

The steps to earn one of these three designations are a bit more entailed than earning a site compliance designation...But then again, so is your level of responsibilities. Most of these require passing both an exam and an

Certification,
continued on page 18

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Certification,*continued from page 17*

experience requirement (or certain amount of classroom time).

All of the steps to earn one of these supervisor level designations are different, but similar in scope.

For example, the *C₃P* or *Certified Credit Compliance Specialist* designation offered by Spectrum Seminars is obtained by attending one of Spectrum's two-day *C₃P* courses and passing the exam offered at the end. A current schedule can be found at Spectrum's website at

www.spectrumseminars.com. To pass the exam, you must correctly answer 80 of the exam's 100 total questions. By completing the course and passing the exam, you will be awarded your *C₃P* designation. The cost of obtaining the designation is

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continued on page 20

Certification Exam Summary Chart

Site Level Designations

Designation Name	Administrator	Requirements	Cost	Method	Benefits	Annual Requirements
Site Compliance Specialist (SCS)	Housing Credit College	Pass SCS Exam	\$149	<ol style="list-style-type: none"> 1. Take Exam Online 24/7 at Housing Credit Online Exam Room located at www.housingcreditem.com 2. Pass/Fail 3. Must score 80% or higher (40 questions out of 50 total) 4. If feel education is needed prior to taking the Exam, full array of courses available at the Housing Credit Online Training Center which is located at www.housingcredits.com, however may take courses from any provider 5. No application to complete 	<ol style="list-style-type: none"> 1. Pin 2. Certificate 3. Name listed in SCS Directory 	None
Specialist in Housing Credit Management (SHCM)	National Affordable Housing Management Association (NAHMA) (http://www.nahma.org)	<ol style="list-style-type: none"> 1. 12 hours of instruction 2. Pass the SHCM Exam 3. Demonstrate 2 years of Tax Credit experience 4. Commit to Code of Conduct 5. Complete application 	\$150	<ol style="list-style-type: none"> 1. Course work must be through approved training provider 2. Approved providers are any of the local AHMAs, the National Apartment Association and the American Association of Homes & Services for the Aging or their affiliates 3. Coursework must be taken within 2 years of taking exam 4. Exam can be taken through local AHMAs, private trainers and organizations partnering with NAHMA 	<ol style="list-style-type: none"> 1. Pin 2. Certificate 3. Annual ID card 4. Draft press release for internal company newsletter or local media 5. Name listed in NAHMA's Online Directory of Credentialed Professionals 6. Free subscription to UNITS magazine, NAA's Industry Insider e-newsletter, and NAHMA's NAHP Update 7. Free access to NAHMA's LIHTC website 	<ol style="list-style-type: none"> 1. Renew every September 1st 2. Need 6 CEUs 3. \$150 renewal fee
Tax Credit Compliance Systems (TaCCs)	Quadel Consulting	<ol style="list-style-type: none"> 1. Complete TaCCs course 2. Pass TaCCs Exam 	\$595	<ol style="list-style-type: none"> 1. Attend 2 day TaCCs workshop hosted by Quadel 2. Workshops hosted throughout country with schedule located at www.quadel.com or as private training 3. Exam offered on 2nd day 	<ol style="list-style-type: none"> 1. Pin 2. Certificate 	None
Tax Credit Specialist (TCS)	National Center for Housing Management (NCHM)	<ol style="list-style-type: none"> 1. Complete TCS course 2. Pass TCS Exam 	\$725	<ol style="list-style-type: none"> 1. Attend 3 day TCS course hosted by NCHM 2. Workshops hosted throughout country with schedule located at www.nchm.org 3. Exam offered on 3rd day 	<ol style="list-style-type: none"> 1. Pin 2. Certificate 	None

Certification Exam Summary Chart

Supervisor/Troubleshooter Level Designations

Designation Name	Administrator	Requirements	Cost	Method	Benefits	Annual Requirements
Certified Credit Compliance Specialist (C³P)	Spectrum Seminars	<ol style="list-style-type: none"> Attend 2 day course Pass the C³P exam 	\$525	<ol style="list-style-type: none"> Schedule of local courses available at www.spectrumseminars.com Exam given at the end of course If retaking exam do not need to take course again unless feel you need to ... online retesting available Must answer 80 out of 100 questions correctly to pass 	<ol style="list-style-type: none"> Pin Certificate Annual C³P Directory Notification sent to State Agencies and IRS 	<ol style="list-style-type: none"> Renew every year following your initial graduation 3 CEUs \$50 renewal fee unless continuing education taken through Spectrum then it is waived
Housing Credit Certified Professional (HCCP)	National Association of Home Builders (NAHB)	<ol style="list-style-type: none"> Minimum of 2 years experience in Tax Credits, with at least 50% of time specifically working on Tax Credit issues 10 hours of Tax Credit training Pass the HCCP Exam Adherence to the HCCP Code of Ethics Complete Professional Profile 	\$350 (\$175 to take Exam; \$175 to submit Profile)	<ol style="list-style-type: none"> Coursework can be taken through any vendor Exam must be through approved training provider... visit www.nahb.org for schedule Must answer 49 of 75 questions correctly to pass Professional Profile must be submitted within 3 years of passing the HCCP exam Exam can be taken through local AHMAs, private trainers and organizations partnering with NAHMA 	<ol style="list-style-type: none"> Welcome kit including pin, certificate, membership card, sample press release, code of ethics, and HCCP gold foil seals Searchable CD-Rom featuring Tax Credit resources Free subscription to The Credential, an e-newsletter, updating recipients on latest affordable housing industry news Networking membership directory Continuing education opportunities Discounts on publications and other related industry products Opportunity to apply for HCCP of the Year award and attend the networking reception Access to technical assistance through NAHB staff and HCCP Board of Governors 	<ol style="list-style-type: none"> Renew every year following your initial graduation 4 CEUS \$175 renewal fee
National Compliance Professional (NCP) – and – National Compliance Professional-Executive	Housing Credit College	<ol style="list-style-type: none"> Meet Education Requirement: <ol style="list-style-type: none"> Pass ONE of the following exams: National Compliance, HCCP OR C3P – OR – Earn Compliance Diploma by completing enough Housing Credit College courses to receive 22 credits Meet 6 month Tax Credit Experience Requirement Complete application <p>NOTE: To earn NCP-E, must pass ONE exam AND earn Compliance Diploma.</p>	\$99	<ol style="list-style-type: none"> Decide method of meeting Education Requirement <ol style="list-style-type: none"> If you choose to take an Exam, your choices are: <ol style="list-style-type: none"> The National Compliance Exam which can be taken 24/7 online at the Housing Credit Online Exam Room OR the HCCP or C3P exams ... details below. If you choose to earn the Compliance Diploma, a full array of courses are available 24/7 at the Housing Credit Online Training Center which is located at www.housingcredits.com. Demonstrate have 6 months of Tax Credit experience by completing the Experience portion of the NCP Application. 	<ol style="list-style-type: none"> Pin Certificate Free 1 year membership into NCP Membership Group Free Industry Update e-newsletter Option to purchase additional compliance tools at substantially discounted prices. Free access to NCP Members Only website Name in NCP Directory Special invitation to Annual NCP Conference with discounted registration Free 1 year subscription to the NCP Insider newsletter 	<ol style="list-style-type: none"> Renew every January 1st. Continuing Education Units (CEUs): <ol style="list-style-type: none"> NCPs = 4 NCP-Es = 6 \$99 renewal fee.

Certification,*continued from page 18*

included in the price for the course and exam.

The other requirements to earn these national designations are specific to the designation. These may include a minimum amount of classroom hours, a minimum number of years of experience, and/or the completion of a Membership Application. Most of these national certifications also require payment of an annual membership fee (ranging from \$50 to \$179), plus continuing education requirements that must be met to keep the designation current. For example, to renew your C3P designation, you must earn three continuing education credits through any nationally recognized training firm and pay a \$50 renewal

fee. It should be noted that this renewal fee is waived if the continuing education is earned through a Spectrum Seminars workshop. Be sure to review the *Chart* on page 19 to ascertain the other supervisory level designation requirements.

Conclusion

When seeking a national designation or certification, you should first do a bit of research to determine which particular process will best fit your schedule, education and experience level, and budget. Also, be sure to look into the benefits you will receive from the administrating organization once you have earned their designation and become a member.

All of the designations discussed here are fantastic and will give you deserved respect and accolades as a

housing credit compliance professional. In this vein, more is better when it comes to being certified, as the multiple designation programs available illustrate. By being certified, you contribute not only to the strength of your property and organization, but also to the strength of the housing credit program overall.

Elizabeth Moreland is a nationally recognized trainer, consultant, and compliance expert, as well as President of the Housing Credit College and founder of the NCP Membership Group (www.taxcredit.com; www.housingcredits.com; www.housingcreditcollege.com; www.nationalcompliancepro.com.) She may be contacted (including with questions) at elizabeth.moreland@housingcredits.com. ■

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Please make plans to attend our annual compliance symposium November 4-6, 2009 at the Walt Disney World Swan and Dolphin Resort in Florida.

Historic Rehabilitation

Michigan's State Historic Credit Is Made Richer, More Flexible

AFTER YEARS OF LOBBYING by advocates led by the Michigan Historic Preservation Network (MHPN), Michigan has significantly improved its 25% state historic tax credit. The changes made by the legislation signed 1/9/09 (SB 973, HB 6496) include to increase by as much as 400% the amount of the state credit when combined with the 20% federal historic rehabilitation tax credit.

"We're very, very excited" about the new changes," said MHPN Executive Director Nancy Finegood. She expects the changes to generate more projects, and more equity for more projects. "I think we're going to see a lot more activity," Finegood said. "We've had a lot of developers that have been waiting for this to happen, particularly in our urban centers like Detroit and Grand Rapids."

"This is just a huge win," said Grand Rapids, MI-based Jim Manning, a partner in the accounting and consulting firm of Plante & Moran. "A lot of good things will happen with this [enhanced] credit." He anticipated the changes should boost pricing for Michigan's state historic credit – a certificate – to about 85 to 90 cents per credit dollar from 75 to 80 cents before.

Michigan's state historic tax credit is equal to 25% of the qualified rehabilitation expenses for historic income-producing properties or historic homes. It can be used by taxpayers to offset tax liability under the state's single business tax (i.e. corporate income tax) or personal income tax.

Key changes made by the new laws ease a penalty for projects that also receive the federal historic tax credit, and create three tiers, or levels, of tax credit projects.

Previously, if a project received the 20% federal historic tax credit, the state tax credit amount was reduced to 5%. Under the new legislation, projects receiving the federal historic credit are still limited to a base 5% state historic credit. However, sponsors may now apply for additional state credit, to the Michigan Department of History, Arts, and Libraries (HAL). HAL can approve additional state credit of 10% to 15%, for projects with rehab expenses below \$1 million, or up to 15%, for larger projects. As a result, a project receiv-

Key changes made by the new laws ease a penalty for projects that also receive the federal historic tax credit, and create three tiers, or levels, of tax credit projects.

Governor to Propose Changes to Maryland's Historic Tax Credit

In his proposed FY 2010 state budget, Maryland Gov. Martin O'Malley (D) said he plans to submit legislation to revise and enhance the state's Heritage Tax Credit Program, which provides a state income tax credit equal to 20% of the qualified costs of rehabilitation for historic income-producing properties and owner-occupied homes.

The proposed legislation would return the tax credit program to its pre-2004 status as a conventional tax credit. Tax credits would no longer be budgeted, but instead reduce state tax revenues in future years when credits are claimed. The legislation will also authorize a capped amount of funding for a multi-year period, and provide for tax credits to be awarded on a first-come, first-served basis. The proposal will also provide a bonus of 5% in additional tax credits for buildings that receive LEED Gold certification under the U.S. Green Building Council's green building rating system. ■

Michigan,*continued from page 21*

ing federal historic credits could receive as large as a 20% state historic credit. HAL must evaluate requests for extra credits against specified criteria.

The legislation caps the total amount of these additional (Tier II) credits that can be approved annually, at \$8 million in 2009, rising by \$1 million each year to \$12 million in 2013.

The legislation also authorizes additional credits annually for a small number of very large projects, or “high community impact” Tier 3 projects that meet certain criteria. These projects also need to apply for and be approved by HAL for these additional state credits, equal

to as much as 15% extra credit on top of the base state credit amount. The number of authorized Tier III projects is three in 2009 and two annually during 2011-2013. The legislation caps at \$3 million the maximum amount of state credit that can be claimed annually by any single taxpayer.

The legislation promotes and facilitates smaller historic projects. Of the annual Tier II credit ceiling amount, at least 25% must go to projects with \$1 million or less in rehab expenses.

The legislation also:

- Permits the state credit to be assigned to another party (e.g. investor) that isn't part of the project's ownership entity, as was previously required to

claim the state credit.

- Permits a refund for 90% of the amount of state tax credit in excess of the taxpayer's annual tax liability, where the state credit amount is less than \$250,000.
- Permits the state tax credit for historic condominium development projects. Manning described this as beneficial and suggested that condo projects could be good candidates for state credit-only deals.

HAL's Web site noted program information should be available around the end of February.

(http://www.michigan.gov/hal/o,1607,7-160-18833_18873_18887-54166--,00.html) ■

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New Markets Tax Credit

Domestic Violence Victims Get New Life With Help of New Markets Credit

THE FEDERAL NEW MARKETS tax credit will be giving numerous domestic violence survivors in New York City a new start in life, through the transformation of a vacant building into a new service-enriched emergency shelter tailored to address their needs.

The new shelter is being developed by the Volunteers of America-Greater New York. When completed early this year, it will be the organization's fifth domestic violence shelter in the New York metro area and the first in Manhattan. It will provide emergency housing along with a wide range of services.

The new 63-bed shelter will be created from the rehabilitation of an existing 13,000-square-foot walk-up building originally constructed in 1920 and vacant since 2006. The rehabilitation will include the repair and restoration of the building's interior, updates of exterior building systems, and a build-out of the interior living space. Work began last fall.

The entire funding for the project has been provided by a \$7.7 million allocation of new markets tax credits (NMTCs) by Columbia, MD-based Enterprise Community Investment, Inc. from its fifth round NMTC award. Chase is the NMTC investor and senior leverage lender for the project. The transaction is Enterprise's and Chase's second NMTC investment with Volunteers of America-Greater New York.

The new shelter will enable Volunteers of America-Greater New York to expand its current emergency shelter capacity in the region by 35%, and will connect the domestic violence survivors who live in the new shelter to a range of essential services. These include substance abuse prevention, crisis counseling, vocational and employment services, victim advocacy and court accompaniment, foster care prevention and family reunification, and educational training and workshops. The shelter will have a psychiatrist on staff.

The project will create about 50 temporary jobs during the construction phase and several new permanent full-time jobs through shelter operations.

"This project is a leading example of how NMTCs can help to deliver much-needed services that improve lives in the nation's underserved communities," said Joseph A. Wesolowski, senior vice president, Structured Finance, Enterprise Community Investment.

According to Volunteers of America-Greater New York, there are about 8,000 homeless families – including 15,000 homeless children – in the New York City area, and about one-third of these homeless face domestic violence related issues. Because of high demand for beds in domestic violence shelters but limited space, survivors often are placed in general homeless shelters. ■

Governor Proposes Ohio New Markets Tax Credit

Ohio Gov. Ted Strickland in his recent "State of the State Address" said as part of his new proposed two-year state budget he will seek passage by Ohio lawmakers of legislation to create a new state new markets tax credit to promote downtown revitalization in urban areas.

The proposed program would allow tax credits to taxpayers for investments in entities that make loans to, or capital investments in, downtown centers and other "underserved" areas. Investors could apply for the credit after 7/1/10, and begin claiming it in 2013. ■

Washington and State Update

State Briefs

Pennsylvania Outlines Possible Adjustments, Waivers to 2009 QAP

The Pennsylvania Housing Finance Agency (PHFA) has issued a statement outlining specific adjustments and waivers of certain parameters and limits in its 2009 qualified allocation plan it will consider making in awarding 2009 low-income housing tax credits, to facilitate the viability of projects. Among these is a possible maximum 30% boost in the eligible basis of qualifying projects, and possible credit awards larger than the standard per project limit.

(http://www.phfa.org/forms/multifamily_news/dv_pblic_ntc_chngs_2_09_brd.pdf)

New Jersey Board Approves Proposed 2009 QAP

The New Jersey Housing and Mortgage Finance Agency's board has approved the proposed 2009 qualified allocation plan (QAP) for the agency's low-income housing tax credit program.

(<http://www.state.nj.us/dca/hmfa/biz/devel/lowinc/index.html>)

Michigan Issues Draft 2009 QAP

The Michigan State Housing Development Authority has issued a draft QAP, preamble, and other documents for its 2009 low-income housing tax credit program. The proposed application deadline is 5/1/09, with awards to be announced in July.

(<http://www.michigan.gov/mshda/0,1607,7-141-207900-00.html>) ■

CAPITAL BRIEFS

HUD Proposes Delay in Rule's Effective Date

The U.S. Department of Housing and Urban Development (HUD), in a *Federal Register* notice published 2/11/09, has solicited comments by 3/13/09 on a proposed 60-day delay in the effective date of a final rule published 1/27/09. The final rule would revise HUD's public and assisted housing program regulations to implement an upfront income verification process for public housing and assisted housing residents and mandate the use of HUD's Enterprise Income Verification system by public housing agencies and assisted housing owners and management agents.

(<http://edocket.access.gpo.gov/2009/E9-3004.htm>)

HUD Issues Draft Notice on Section 202 Delegated Processing

HUD's Office of Housing has posted a new draft notice spelling out procedures for the delegation to state and local housing agencies of the processing of new applications for capital advances for HUD Section 202 elderly supportive housing projects, as authorized by 2008 legislation.

(<http://www.hud.gov/offices/hsg/mfh/gendocs/delegate/draftdelegatedprocessing.cfm>)

Obama Announces Choice for No. 2 at HUD

President Barack Obama has announced he intends to nominate Ron Sims to become the Deputy Secretary at HUD. Sims is County Executive of King County, WA, and serves on various boards, including of the Reconnecting America Center for Transit Oriented Development, and The Brookings Institution's Center on Urban and Metropolitan Policy,

HUD Rule Extends Maximum Term of Energy Performance Contracts

HUD has published a final rule, effective 2/25/09, extending the maximum possible term for energy performance contracts (EPCs) for public housing properties from the prior maximum of 12 years. The rule extends to 20 years (1) the maximum term of an EPC between a public housing authority (PHA) and an entity other than HUD, and (2) the maximum term for an extension of an existing EPC without procurement. The change will facilitate installation in public housing properties of energy conservation measures with longer payback periods.

(<http://edocket.access.gpo.gov/2009/pdf/E9-1252.pdf>) ■

Stimulus,*continued from page 1*

credit exchange program and gap financing designed to assist stalled LIHTC projects, and additional monies for public and assisted housing.

In addition, the \$787 billion measure provides extra funds for the federal new markets and Neighborhood Stabilization programs, and extends certain energy tax credits.

Credit Exchange Program

One provision will allow state housing credit agencies (HCAs) to exchange unused housing credit authority to the U.S. Treasury Department for cash grants that they can use to provide financial assistance to stalled projects unable to secure tax credit equity.

HCAs will be able to exchange up to 40% of their 2009 housing credits (per capita and national pool), and up to 100% of unused 2008 credits and of credits returned in 2009 that were awarded in prior years. The grant amount will be 85 cents per dollar of exchanged credit times 10. A state's 2009 housing credit ceiling amount will be reduced by the amount of exchanged credits.

HCAs are to use funds received to make "subawards" to finance the construction or the acquisition/rehabilitation of qualified low-income buildings, as defined under the LIHTC program. Subawards may be made for a building regardless of whether or not it has a credit allocation. If it doesn't, the HCA must determine that a subaward to the building will increase the total funds available to the state to build and rehabilitate affordable housing.

HCAs must establish a process that requires applicants to demonstrate they have made a good faith effort to obtain investment commitments, before the agency provides a subaward.

Buildings receiving aid from subawards must satisfy the standard LIHTC program requirements (e.g., rent, income, and use restrictions). Grants received under the act won't reduce the eligible basis of a low-income building.

Treasury will recapture from HCAs any grant funds not provided as subawards before 2011, and any subawards returned after 2010.

HCAs, by themselves or through a contracted third party, will have to perform asset management functions, at the expense of owners, to ensure compliance with the LIHTC rules and the long-term viability of buildings receiving subawards. Conference report language says HCAs may charge reasonable fees to cover the costs of asset management.

The statute and conference report don't define subawards or say whether they can be provided as loans, grants, or both, and don't specify the process for how credits are to be exchanged. It's expected some guidance will be required from the Internal Revenue Service. Details and procedures are expected in the near future.

LIHTC Gap Financing

The act provides \$2.25 billion for gap financing for stalled LIHTC projects. These funds will be allocated to state HCAs by the U.S. Department of Housing and Urban Development (HUD) under its HOME Investment Partnerships (HOME) program.

The conference report explanation notes these funds are "provided to coordinate with the Low Income Housing Tax Credit to fill financing gaps caused by the collapse of the tax credit market and to jumpstart stalled housing development projects, thereby creating jobs."

The share of the new funds apportioned to each state will be equal to the percentage of FY 2008 regular HOME funds apportioned to the state and its participating jurisdictions.

HCAs are to use the monies to make competitive awards of funds, pursuant to their qualified allocation plans, to projects that have already received, or that simultaneously receive, awards of housing credits in Fiscal Years 2007, 2008, or 2009. Federal FY 2009 ends 9/30/09.

Priority must be given to projects expected to be completed by 2/17/12. HCAs must commit at least 75% of their funds by 2/17/10, and demonstrate that project owners have expended at least 75% of the funds by 2/17/11 and 100% by 2/17/12. Owners not meeting expenditure deadlines will forfeit their funds to the HCA for redistribution to other projects. HUD will recapture any funds not expended by an HCA by 2/17/12 and redistribute them to other states that have exhausted their funds.

Assisted projects will be subject to the standard LIHTC requirements, to HOME environmental review requirements, and to certain other requirements, among them environmental, fair housing, non-discrimination, and labor standards. HUD will have authority to waive other restrictions.

Stimulus,*continued on page 26*

Stimulus,*continued from page 25*

Again, HCAs must perform or contract for the performance of asset management functions, at owner's expense, to ensure compliance with LIHTC rules and the long-term viability of assisted buildings. Similarly, assistance received won't reduce a building's eligible basis.

The act requires HCAs to give HUD access upon notice to information relating to awards, and directs HUD to establish a Web site identifying assisted projects and award amounts.

HCAs may provide exchange program or HOME gap financing assistance to both 9% credit and 4% credit tax-exempt bond-financed projects. The act doesn't contain any prohibition against providing both to a project.

Other Public Housing Funds

The act provides an extra \$4 billion in public housing capital funds for use by public housing authorities (PHAs) to rehabilitate and retrofit public housing units, including for energy efficiency and safety improvements. Of the \$4 billion, \$3 billion is to be allocated by standard formula by HUD to PHAs, and \$1 billion through competitive awards to PHAs by 9/30/09.

PHAs must give priority consideration to projects involving the rehabilitation of vacant rental units, and to capital projects that can award contracts quickly. The law has deadlines for the obligation and expenditure of funds.

In addition, the act provides \$250 million for HUD grants or

loans to owners of HUD Section 8, Section 202, or Section 811 properties with project-based rental assistance, to finance energy efficiency "retrofits" to such properties or green investments. The new funds will be provided through HUD's Office of Affordable Housing Preservation. To be eligible for funds, owners will need to have at least a satisfactory management review rating from HUD and meet certain other criteria, and

Key pieces of the new American Recovery and Reinvestment Act of 2009 (H.R. 1), signed by President Obama on 2/17/09, include a new credit exchange program and gap financing designed to assist stalled LIHTC projects, and additional monies for public and assisted housing.

commit to an additional affordability period of at least 15 years. The act permits HUD to share in the future energy savings produced by funded improvements.

Finally, the act also provides an extra \$2 billion for full-year payments to owners for project-based HUD Section 8 rental assistance contracts.

Other Provisions

In another area, the act provides an extra \$2 billion for the Neighborhood Stabilization Program. This HUD program provides grants to

state, regional, and local grantees to acquire, rehabilitate, and recycle foreclosed, vacant, and abandoned properties in designated neighborhoods with high home foreclosure rates. HUD is to publish criteria for a new competition within 75 days from the date of enactment, and have an application deadline within 150 days of enactment.

An additional \$3 billion is provided for the federal new markets tax credit program. Half is for the 2008 funding round, and half to be added to the current 2009 funding round. The extra 2008 funds are to be provided to applicants in the 2008 funding round that didn't receive any allocation or that didn't receive the full amount requested.

Another \$1.5 billion is provided for HUD's Emergency Shelter Grant program, to fund rental assistance, housing relocation, stabilization services, and certain other eligible activities to aid families and persons who are homeless or at risk of becoming homeless.

The act also extends the Section 45 renewable energy production tax credit (PTC) for electricity derived from wind (facilities placed in service before 2013) and derived from biomass, geothermal, hydropower, landfill gas, waste-to-energy, or marine facilities (facilities placed in service before 2014). In addition, the act repeals the requirement that the Section 48 energy investment tax credit be reduced if the property is financed by tax-exempt private activity bonds or another subsidized financing program, for periods after 12/31/08.

(Text and explanation of conference report, and other details: <http://www.speaker.gov/blog/?p=1694>) ■

Order,*continued from page 1*

congregational leader, or president, says the order has about 177 sisters, 88 of which live in the mother-house on campus, and the rest spread across the U.S. and in five other countries.

Like other religious orders, the Sisters of the Most Precious Blood has seen the size of its community shrink – as existing sisters age, and few young women join the order – and its expenses grow.

Multi-Phase Development

Whited said the new joint venture development will unfold in several phases. First will be 60 affordable apartments created from the rehabilitation of seven or so of nine existing historic buildings dating back to 1874, plus some new construction. Of these apartments, 40 will be low-income housing tax credit units restricted to tenants earning 60% or less of the area median income, according to John Wuest and Matt Nordman of the St. Louis Equity Fund, which syndicated tax credits for the deal.

Next will come the renovation of the skilled nursing care center into a larger, licensed facility. Another piece, Whited said, will include development of 72 market-rate apartments and construction of some small “patio” homes for seniors.

The St. Louis Equity Fund and a consultant crafted a request for proposals for development of the affordable housing component, to be called Villa Theresa at the Villages of St. Mary’s. Selected was a local real estate developer, McEagle Properties. The order entered into a partnership agree-

Villa Theresa at the Village of St. Mary’s	
CONSOLIDATED SOURCES AND USES BUDGET	
Construction Sources	
Construction Loan – Bank of America	\$10,472,000
Permanent Sources	
First Mortgage – Bank of America	\$1,435,000
AHAP Loan	\$1,318,182
General Partner Equity – State Historic Tax Credit	\$2,475,000
General Partner Equity	\$721,758
US Bancorp CDC – Tax Credit Equity	\$7,428,200
St. Louis Equity Fund Equity Investment	\$2,940,800
Deferred Developer Fee (GP Loan)	—
Total Sources of Funds	\$16,318,940
Permanent Uses	
Land & Building Acquisition	\$1,500,000
Hard Construction Costs	\$9,524,654
Construction Contingency	\$761,972
Architect, Builder’s Costs and Soft Costs	\$1,276,250
Financing Costs	\$1,013,687
Developer Fee	\$1,515,000
Reserves	\$727,377
Total Uses of Funds	\$16,318,940

ment with the developer, and the affordable housing transaction closed last December 31st. Abatement and renovation work began in February. Construction is projected to take 21 months.

Wuest, President and CEO of the St. Louis Equity Fund, said the attractive campus consists of “a series of magnificently maintained beautiful old buildings, plus about 30-odd some acres of ground that’s never been built on.” He noted O’Fallon is in St. Charles County, Missouri’s fastest-growing county.

Whited anticipated that some of the sisters will live in the affordable apartments after they are completed. The apartments will be marketed to the general public, as will the residential units and facilities in the later phases.

Multiple Tax Credits

Tax credits were key to funding the affordable housing component. Close to 80% of the permanent funding dollars for the \$16.3 project have been generated by equity from the sale of the federal low-income housing and historic rehabilitation tax credits and the Missouri housing and historic tax credits. The project will also receive a Missouri brown-field tax credit to help pay for environmental abatement work.

Other permanent funding sources include a permanent first mortgage from Bank of America (7.37%, 18-year term, 30-year amortization), a loan from the state’s Affordable Housing Assistance Program, developer equity, and a deferred developer fee.

Order,*continued on page 28*

Order,*continued from page 27*

The St. Louis Equity Fund (SLEF) is providing about \$2.9 million in tax credit equity, placing the project in one of its funds. US Bancorp Community Development Corporation is providing nearly \$7.5 million in tax credit equity, through a separate direct investment. Bank of America is also an investor in SLEF's tax credit fund, and the construction lender.

Nordman, SLEF Vice President for Acquisitions, said a master lease structure was used for the transaction to maximize the historic tax credits generated.

Nordman said the Fund paid 89 cents per credit dollar for the federal housing credits and 44 cents for the state housing credits. An allocation of 9% federal housing credits was received for the project.

Whited said the order provided the buildings and land for the first phase, and will receive cash for these assets down the road. Wuest indicated the order will also reap additional future benefits from its joint-venture participation.

Model Project

Wuest said the affordable housing development "could well serve as a model for other [religious] organizations around the country." Whited, in fact, noted, "We've had a lot of inquiries from other orders who are looking to do the same kind of things."

Whited said the joint venture development will achieve several goals for the order. "By going in this direction, our expenses will be less," she noted, explaining that now the 88 sisters living on campus split the expenses for the motherhouse and upkeep of the land. "Once we have more people on this property contributing in a lot of other ways, our expenses will decrease," she said.

She added the venture will also enable the order to better care for its sisters, help fund its charitable outreach activities, and open up the campus to the public.

"We would like to be able to bring some new life into the campus, as well as to be able to share it with other people," Whited said. "The time is right to do that." ■

Southeast,*continued from page 1*

Following are snapshots of the Southeast states' 2009 LIHTC programs. [Note: The state officials were interviewed before the enactment of the stimulus bill and its LIHTC provisions.]

Georgia

The Georgia Department of Community Affairs (DCA) has over \$20 million in housing credits available in its 2009 funding round. The application deadline is 5/21/09, while award announcements are expected in late September or early October, according to Laurel Hart, Director of DCA's Office of Affordable Housing.

Hart said DCA has made some significant changes to its credit program for 2009, including to intensify the agency's focus on making sure projects awarded credits will be feasible. "That has become the most important criteria that we look at; also, the ability to syndicate your deal," she noted.

DCA, for instance, has created a new category of Tier 1 developers – applicants that satisfy certain financial, successful development track record, and other criteria to qualify for extra points in application scoring. Hart noted the gist is to provide more points to deals that have a better chance of obtaining tax credit equity. She indicated DCA has also curtailed extra points in some areas that were intended to facilitate certain policy objectives, like deeper income targeting.

Credit set-asides in Georgia's 2009 program include: 10% nonprofit; 30% rural projects; up to \$1.8 million preservation for certain existing and at-risk projects (new); special needs (up to \$900,000, new); and supplemental set-aside (up to \$2 million, new). The preservation set-aside replaces extra points instead in 2008.

Hart noted DCA has seen all but one of its 2007 credit award projects close on their equity, but is concerned about the 2008 deals, which received awards last October. Regarding the latter, she said, "we are being more flexible in terms of deadlines."

Hart said DCA provided extra credits to 2008 deals, including by providing a flat 9% credit rate and by revising downward the assumed credit price in the agency's gap calculation for each proposed project.

Hart said there is still strong demand for additional tax credit units in various parts of the state, among these rural

Southeast,*continued on page 29*

Southeast,*continued from page 28*

areas and the outlying metro Atlanta area.

She noted that developers will be able to seek available federal HOME program and Neighborhood Stabilization Program (NSP) funds, and find out whether they will receive a commitment, before the May 21 tax credit application deadline. DCA on 2/18/09 issued an RFP to solicit requests for the NSP funds

Florida

The Florida Housing Finance Corporation (FHFC) is severely challenged as it prepares to finalize the requirements and timetable for its 2009 “universal cycle.”

In past years, Florida’s universal cycle has offered rental developers housing credits, tax-exempt multi-family bond financing, and State Apartment Incentive Loan (SAIL) funds. SAIL provides low-interest soft second mortgages.

However, new state legislation has recaptured \$190 million previously appropriated to FHFC. As a result, FHFC doesn’t expect to be offering any SAIL funds in its 2009 universal funding cycle, down from about \$50 million made available in 2008, said Debbie Blinderman, FHFC Deputy Development Officer. “That’s going to impact our bond deals, as well as some of our special goals or set-asides,” she noted. She explained FHFC has usually provided SAIL funds to bond deals, and some SAIL funds to homeless deals with 9% credits. She said FHFC is considering whether to

provide HOME funds instead to homeless deals this cycle.

Blinderman said the final QAP, rule, instructions, and application for the 2009 cycle are scheduled to be approved by FHFC’s board on 3/13/09. The current timeline calls for the application cycle running 5/5/09-5/26/09, with award final rankings approved 10/23/09. Application workshops are anticipated in May.

Blinderman said changes in Florida’s LIHTC program for 2009 include, in addition to the expected lack of SAIL funds, the creation of a new Priority 1 and Priority 2 application process. In addition, Florida is cutting back on the previous incentive to do deeper income targeting in projects. All applicants will still have to reserve

at least 10% of their project’s units for extremely low-income households, but there will no longer be extra points for stretching to 20%.

Proposed set-asides are similar to those in 2008: 10%-12% non-profit; \$300,000 for Rural Housing Service projects; \$4 million preservation; and geographic (62% large counties, 34% medium, 4% small). There are also additional numerical goals for certain specific types of projects.

Blinderman said the tax credit equity shortage and credit pricing reduction that has hit the LIHTC industry generally has adversely impacted Florida’s LIHTC program. She said about eight projects with 2007 credit awards still

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Southeast,*continued from page 29*

haven't closed their partnerships. "They don't have an investor that we know of," she said. These projects have been given until 3/31/09 to close.

Blinderman said FHFC has extended the normal deadline for payment of an administration fee for sponsors of the 29 projects receiving 2008 credit awards last fall. She noted FHFC provided the full 9% credit rate in 2008 but not the 30% basis boost because virtually all parts of the state already are in high-cost areas.

North Carolina

The North Carolina Housing Finance Agency (NCHFA)

received 105 pre-applications by the 1/9/09 deadline in its 2009 housing credit program, requesting a total \$74 million. The agency expects to have about \$15 million in remaining credits available to award in 2009, according to NCHFA official Mark Shelburne.

After receiving pre-applications, NCHFA reviews the proposed site and market for each development, and reviews the market study prepared by an outside analyst. Projects meeting site and market thresholds can submit a full application. This year's application deadline is 5/8/09; the hope is to announce awards no later than August.

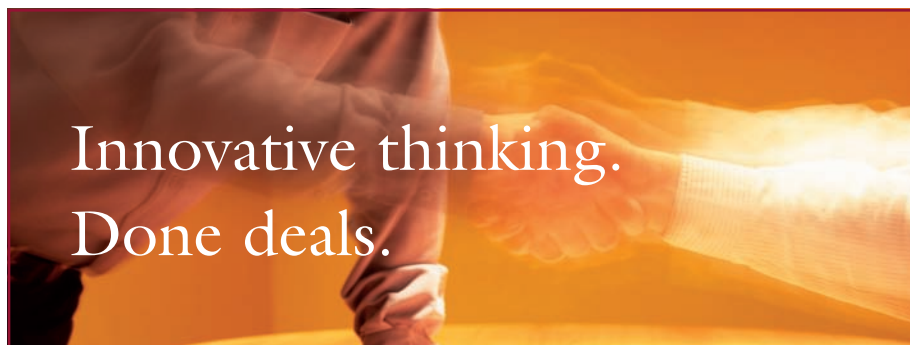
North Carolina has made numerous significant changes to its LIHTC program for 2009. Among these are to establish stan-

dards for projects to qualify for a 30% boost in eligible basis, new energy-efficiency requirements, modified underwriting assumptions, etc. (*For details on changes and NCHFA's recent credit exchange initiative, see Tax Credit Advisor, February 2009, p. 7.*)

Shelburne said the shortage of tax credit equity has significantly impacted North Carolina's LIHTC program. "We've got 40 to 45 projects that have 2007, 2008 awards that don't have equity," he noted. Shelburne indicated NCHFA has responded in various ways to try to help pipeline deals. One was a recent initiative in which the agency approved 64 voluntary exchanges by developers of their 2007 or 2008 credit awards for new 2009 credits, thereby giving them more time to try to find equity. It also provided a total \$5 million extra credits to a number of the deals to strengthen them. Shelburne said NCHFA last year authorized the flat 9% credit rate for 2008 credit award projects and provided the 30% basis boost to many deals.

Shelburne said a number of the changes made to North Carolina's QAP for 2009 are designed to make the new projects more attractive to equity investors, such as allowing a larger project contingency. Credit set-asides for 2009 include: 10% nonprofit; up to 20% for rehabilitation projects; up to \$750,000 for rehab of existing RHS Section 515 projects; and new construction set-aides for west, central, metro, and east region counties.

Shelburne said other funding sources available to 2009 credit



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Southeast,*continued from page 30*

applicants include North Carolina's refundable state housing tax credit, federal HOME dollars, and state housing trust fund monies.

Virginia

The Virginia Housing Development Authority (VHDA) has delayed its 2009 application deadline by about two months, to 5/15/09, and will have nearly \$14 million in housing credits available, according to Jim Chandler, VHDA Director of LIHTC Programs. Announcement of final award rankings is expected 8/5/09.

Chandler said Virginia has made just a few "minor adjustments" to its LIHTC program for 2009. One requires architects to attend a certification seminar in order for their project to receive points for green building. The specific types and sizes of Virginia's allocation pools – credit set-asides – are the same as in 2008. One overall change, though, is that no more than 20% of the credits in any pool can go to elderly developments. The pools include: 15% nonprofit; geographic pools; and 7.5% for large housing authorities.

Virginia has been spared from a dearth of equity for new deals. "We in Virginia have been very fortunate in that there is still interest from investors and syndicators and syndicators, as opposed to some states," said Chandler. "Particularly in the high cost areas, such as Northern Virginia, Tidewater, Virginia Beach, and Richmond – the metro areas still have a lot of interest." However, he said a few deals have had difficulty

in some smaller cities, adding that Danville and Roanoke have softened somewhat. Still, Chandler indicated that 2007 and 2008 credit deals have generally been able to find equity.

Chandler said VHDA provided the flat 9% credit rate to 2008 projects, but is still trying to figure out the formal criteria for projects to qualify for the 30% basis boost in 2009. "We're going to do it on a case-by-case basis," he noted.

Chandler said VHDA has another funding source popular with LIHTC developers, the REACH program that provides lower-interest loans.

South Carolina

The South Carolina State Housing Finance & Development

Authority's 2009 housing credit program has a Tier 1 application deadline of 2/27/09. Tier 2, or full applications, will be accepted June 1-8. Credit awards will be made in mid-August. A little over \$9.5 million in credits is available, according to agency Tax Credit Program Manager Laura Nicholson.

In Tier 1, developers submit certain required information including about the proposed site, and a market study is prepared. Tier 1 applicants that meet certain criteria are invited to participate in Tier 2 and submit a full application.

Nicholson said the agency hasn't made major changes to its LIHTC program for 2009. Two changes, though, include a new \$750,000 set-aside for projects

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Southeast,*continued from page 31*

“having historical significance,” and a “true” nonprofit set-aside whereby 10% to 15% of available credits will be awarded to projects with nonprofit sponsors. Before, Nicholson said, the authority hoped nonprofit applicants would score high enough in its other three other set-asides to be awarded at least 10% of the available credits. But this didn't happen; no nonprofits received 2008 credit awards. Other credit set-asides for 2009 include: up to \$750,000 for RHS projects; up to 25% for rehabilitation projects; and the general set-aside.

Nicholson said the authority this year also has added to its Energy Star criteria “across the board,” especially for new construction projects, and has beefed up its rehabilitation criteria.

She indicated projects with credit awards are struggling to

obtain equity. Of the 18 projects awarded 2008 tax credits, “to our knowledge, only two of them have found syndication at this point,” Nicholson said. She added that some 2007 deals also haven't found equity. She noted sponsors of all 2008 credit projects took the authority up on its offer and in mid-January exchanged their 2008 credits for 2009 credits. These projects now have until August 2009 to meet the 10% carryover expendi-

ture test, but still must be placed in service in 2010.

Nicholson said the authority will provide a 30% basis boost in 2009 to qualified projects, and said federal HOME funds will be available in the 2009 cycle.

Nicholson indicated that there's particular need in South Carolina for additional tax credit units in rural areas, and in areas with a lot of service industries, such as Myrtle Beach, Charleston, and Beaufort. ■

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