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Ahead of the Curve

NEW IDEAS

Senior Housing & Healthcare

Fannie & Freddie

Private & Public Joint Ventures

& Next Gen Leadership

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BLUEPRINT FOR APRIL

By Marty Bell

Staying Ahead of the Curve

Early in the 1980s, when I was earning my keep as a freelance journalist, my brother Peter asked if I would write a newsletter for a fairly new organization he was managing called the National Housing & Rehabilitation Association. The assignment came with a great perk—attending the organization's conference on Martha's Vineyard. It was there that I first had the privilege of observing the creativity in strategic financial thinking that (IMHO) has characterized NH&RA throughout its history.

As I moved on to other career choices, I continued to observe Peter's colleagues and I was continually impressed as they faced all kinds of obstacles (the Savings and Loan crisis, the economic impact of skyrocketing gas prices, recessions) and yet continued to find the means to build affordable housing.

That newsletter eventually evolved into this magazine and in February, more than 30 years since I first attended a NH&RA conference, I sat in the conference room in Key Largo at the Annual Meeting and once again found myself repeatedly impressed with both the rush of new ideas discussed on the panels and the openness with which members shared strategic thinking.

In this issue, we get to share some of the new ideas circulating in the tax credit ether. Senior housing developers and operators always seem to be looking for services that will keep their residents satisfied and their units full and recently, partially as a response to the Affordable Care Act, we hear about more and more of them bringing healthcare into their facilities. This is not, obviously, inexpensive and in affordable senior housing, management has had to figure out methods to finance this honorable mission. So we sent staff writer Mark Olshaker out to talk with some of the companies who have successfully implemented in-building care. (*Keeping Seniors Healthy (and Happy) in Affordable Housing*, p. 14).

Highlights of NH&RA conferences include the opportunity to speak face-to-face with officials who shape policy and in Key Largo, Shane Smith of Freddie Mac and Angela Kelcher of Fannie Mae each presented new loan programs to help lower the costs of affordable housing development. In *Lowering the Cost of Financing* (p. 20), Joel L. Swerdlow provides the motivation behind and methodology of each program.

Lauren Anderson, NH&RA's new Communications Manager, attended her first conference at Key Largo, and on page 24 you will find her thoughtful reporting on new public/private development opportunities inspired by an all-day seminar devoted to Public Housing (*Partnering with Housing Authorities*).

Other new ideas highlighted in this issue include NH&RA Executive Director Thom Amdur's column on an association initiative to develop the next generation of leadership (p. 5) and our guru David A. Smith's column on pumping some life into rural affordable housing development in an era obsessed with urbanization (p. 38).

In stark contrast to all this *new*, immediately following the Annual Meeting, a delegation of NH&RA members flew from Miami to Havana to learn about restoration of the 400 year-old city that was frozen in time in 1959, a very different experience we also want to share with you. (*Our Team in Havana*, p. 6.)

Diviertele! (Enjoy yourself.)

Marty Bell
Editor

Story Architects

Meet this month's contributors

Lauren Anderson (*Partnering with Housing Authorities*, p. 24) is Communications Manager at National Housing & Rehabilitation Association, where she designs and implements marketing and outreach campaigns, supports event planning and logistics, and develops web strategy and content for HousingOnline.com and NH&RA social media. Lauren joined NH&RA after completing a term of national service as a Field Team Leader with AmeriCorps National Civilian Community Corps (NCCC). Lauren previously worked with Fifth Estate Communications, a Washington, DC-based strategic communications firm.

John W. Gahan II (*Weathing the "Forced Sale" Storm*, p. 34) is an attorney with Murtha Cullina LLP, Boston, MA. For over 40 years, John has concentrated his practice on the cutting edge of development of real estate projects. John's clients have built, owned and/or managed hundreds of thousands of multifamily housing units, including housing for the men and women who serve in our armed forces. John currently serves on the Board of Directors of Preservation Massachusetts and the National Housing & Rehabilitation Association (NH&RA).

Thom Amdur (*New Developments*, p. 5) is the Executive Vice President and Executive Director of the National Housing & Rehabilitation Association, Associate Publisher of *TCA* and has been the leader in the creation and presentation of the Preservation Through Energy Efficiency program.

Bendix Anderson's (*Tax Credits Complicate Cumberland*, p. 32) work has appeared in *Urban Land Magazine, Affordable Housing Finance Magazine, National Real Estate Investor* and many others. He likes to imagine how abandoned, old houses and crumbling landmarks might turn into something beautiful.

Darryl Hicks (*Talking Heads*, p. 10) is the Vice President, Communications for the National Reverse Mortgage Lenders Association and a 16-year veteran of associations managed by Dworbell, Inc, the management company of NH&RA.

Mark Olshaker (*Keeping Seniors Healthy (and Happy)*, p. 14) is a best-selling author of fiction and non-fiction and an accomplished researcher in the areas of crime and medicine. Olshaker has written 14 books, most recently *Law & Disorder* with former FBI Agent John Douglas.

David A. Smith (T*he guru is In*, p. 38) is Chairman of Recap Real Estate Advisors, a Boston-based real estate services firm that optimizes the value of clients' financial assets in multifamily residential properties, particularly affordable housing. He also writes Recap's free monthly essay *State of the Market*, available by emailing dsmith@recapadvisors.com.

Joel L. Swerdlow (*Lowering the Cost of Financing*, p. 20 and *The Economics of Solar Power*, p. 27) is an author, researcher, professor and journalist whose work has appeared in *Harpers, Atlantic, Rolling Stone, Harvard Business Review, Washington Post*, and most major American newspapers--as well as academic and scientific journals. He covered the White House for NPR; and was Associate Editor and Senior Writer for *National Geographic Magazine*. TCA

Next Gen Leadership

Thom Amdur

I find it inspiring that many of the communities developed by the first generation of NH&RA members in the 1960s are still prospering 50 years later. Indeed, many of these firms, and even a few of the founders, are still actively developing new or preserving existing affordable housing around the country today. The longevity of participation through political change, economic ups and downs, and evolving programs is one of the reasons affordable housing as an industry has flourished. This institutional knowledge has also served NH&RA well, creating a place where owners and professionals can convene, share experiences and conduct business.

I write this month's column as a young-ish leader (I'll be 34 next month), fortunate to have been mentored and tutored by many experienced professionals across the industry and also having benefited from an association that has had remarkable continuity in its membership and executive leadership. But the barriers to entry in our field are high, so the continued success of our firms, our association and indeed our industry depends on the continued personal and professional growth of the next generation of affordable housing leaders.

The enthusiasm from both the "next gen" leaders and senior leadership from NH&RA members has been incredibly encouraging to date.

Last summer, NH&RA's Board of Directors began exploring in earnest how our association can help develop a new generation of leaders. We have already convened meetings in Boston in December and in Key Largo in February to solicit ideas on how to focus opportunities for this group. Future topics for exploration include a diversity of subjects ranging from succession and strategic planning to critical skills training like negotiations and advocacy. The enthusiasm from both the "next gen" leaders and senior leadership from NH&RA members has been incredibly encouraging to date and we are excited to convene more sessions and roll out an expanded program in 2015, including a stand-alone event in DC this spring as well as programming at the Summer Institute later this July. By investing in this "Next Generation Leadership Initiative," we hope to create new opportunities for our members to develop key executive talent, provide new professional development opportunities and expand business relationships amongst deal makers and professionals who might not meet otherwise.

I have had the opportunity to interview many of our members over the past few months and it has been exciting to learn how they are developing their internal bench strength and just as importantly how our association can create a forum to help support and grow these efforts. Whether you are a developer, attorney, consultant or government executive, this is a challenge we all face currently or will face in the future. I believe there is also an opportunity in this challenge to create new but lasting bonds that will bring fresh ideas and business relationships to our members and sustain NH&RA in the future. Here is my challenge to you, dear reader: If this sounds interesting, please share with me, your next generation leaders and colleagues so we can incorporate your voice in this important effort. TCA

Our Team in Havana

NH&RA Mission Explores Rebuilding Old City

By Marty Bell

To a group of American housing developers and financiers, four days in Havana is a tall mojito loaded with both spices and bitters. Make that a pitcher of mojitos, for walking the streets of a city frozen in the '50s surrounded by turquoise and lavender cars with protruding fins that your grandfather used to drive, you cannot help but feel a bit inebriated.

In late February, NH&RA sponsored a journey for 28 of us, an education-oriented sojourn focused on the restoration of Old Havana. Business purpose is still required for visas despite President Obama's recent decision to gradually reestablish relations.

We arrived via charter at the island's main airport named for liberator Jose Marti and about the same size as the airport on Martha's Vineyard. Though the parking lot was crowded with the vintage cars, the bus that fetched us was modern, apparently purchased from Russia or China. Before we even checked into our hotel, our bus stopped at La Plaza de Revolucion where images made of steel of the faces of Che and his compadre Cienfuego stared down on us as if to remind us the event was still on people's minds whatever our President may be thinking.

Our guide, however, was of the post-Revolution generation, a 25-year old woman with that cape of ebony hair and a teal tint in her brown eyes that you saw in the faces of clerks at Immigration and women throughout the city. And it was her generation we mostly heard from in our educational sessions, young people who appreciate that the revolution took care of immediate needs of their older relatives, but who now want

Havana, continued on page 8

National Association of Home Builders

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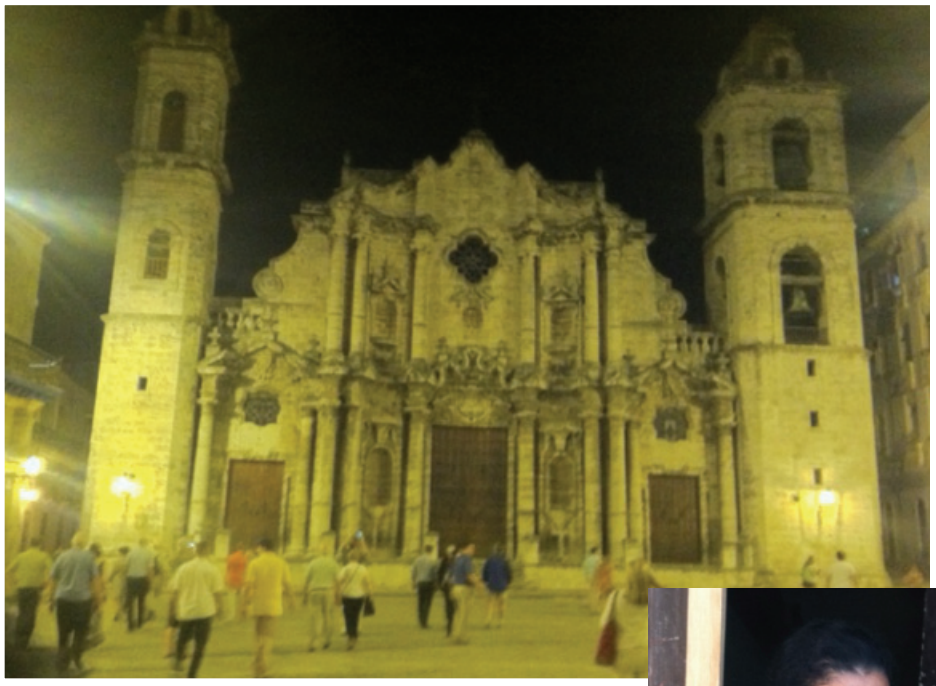
Havana, continued from page 6

more out of life, such as the freedom to travel, or iPads.

On the way to our hotel, we drove along the waterfront where there is one beautiful facade after another in need of care and a sporadic rehab containing a restaurant. You could detect this is just the beginning of something. Within just a few years, you can imagine one restaurant after another along the sea filled with Europeans—and Americans.

There is a wall along the large beautiful bay and forts on the hills at the edge of the sea. You learn that Castro's throwing out American and foreign business and taking over all the land and housing was not impetuous. Havana is a city that has been under siege for much of its 400-year history—by the Brits, the Spaniards, pirates, the mafia. In the late 19th century, Britain and Spain actually swapped Cuba for Florida with the ease with which we might swap baseball trading cards. In the early '50s, the mafia had its single largest gathering ever at the still elegant Hotel Nacional and disguised as a Frank Sinatra concert.



Our hotel, the Capri, could have been on Collins Avenue in Miami, but prior to the current South Beach restoration. It is decorated in greens and yellows with simply furnished rooms and one photo on the wall, of the Melancon, the seawall right outside the window. The bars and restaurants are more chic and the rooftop pool and bar would become our late afternoon gathering spot for rum (usually seven to 16-year old).

From the hill across the bay looking down on the harbor, you get perhaps the best sense of a city (or country) that just stopped progressing and stayed where it was. It seems crazy, but then you arrive in the Old City, which feels very much like the Old City of Barcelona—cobblestone streets and exotic architecture some 400 years old with shops and bars popping out all over. Here you feel as if they preserved a distant past and at the same time were able to find room to progress.

Architecture is one of the spices in the pitcher. The restoration is being led by the city's grandly titled *Historiador* since 1964, Dr. Eusebio Leal, a mentee of the city's only other *Historiador*, Dr. Emelio Roig. It was inspired, legend has it, by American companies prior to their banishment trying to tear down the old buildings and replace them with the modern. Education (along with housing and healthcare) was a priority of Fidel. Within months of assuming control he sent teams of teachers all across the island and converted an illiterate

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population to 100 percent literacy, perhaps his greatest achievement. The restoration is set up as an educational project. The history of buildings is researched thoroughly before any work is planned. We visited a school where 17-22 year olds are trained in plaster and cement and steel shaping work. The redevelopment all begins in the Plazas, which were also the centers from which the city expanded, Plazas de Vieja and Armas being the most beautiful. Armas is surrounded by book stalls (dominated by book jackets featuring images of Guevera) and contains the old American embassy, now a library. The Plazas are lined with buildings now decorated in an array of bright pastels.

Early days of the restoration (started in 1964) were financed largely by the six or so billion dollars Cuba received each year from the Soviet Union. But with the collapse of the USSR, the money disappeared and the restoration now depends on UNESCO and a land tax. When Castro took over the land, he gave everyone a free home. There is no rent, no mortgages. But home owners (which is everyone) must pay a 10 percent tax on the value of their land. The homes vary from elegance in the Miramar section of town to shacks. How did one Cuban get the elegant home and another the hovel? "It depends on who you know," we were told. Jobs are also given out by the state, and also dependent on chums. Everyone is paid a pittance of salary and most are dependent on what is called the "informal" economy for additional support. (The "informal" economy does not, however, include either hand guns or drugs, both of which, along with violence, barely exist.)

You walk just a block or so from the beautifully restored plazas and find yourself suddenly surrounded by indigence. You can see inside some of the one-room homes where people spend the day standing in the doorway, bored, hoping for a handout. Try to take a photo of a local and a tip is expected. (They often have big, thick cigars to lend you for the shot.)

If the architecture (along with the street music, bands in the late night jazz clubs and surprising warmth and humor of the people) are the city's spices, poverty is the bitter. And it is evident everywhere, so broad it can overwhelm the spice. With all the good things Castro did, he never figured out where the revenue was going to come from. The American embargo has only exacerbated the situation, of course. And all his people suffer from it.

That is the current concern of the young, charming economics professor from the city's university who addressed us. The country's economy, he told us, is based on central planning and social honorship. Prices and supplies come from a central office. Reforms in the '90s brought some investment and growth to an economy abandoned by Russia, but not yet enough. The economy is at least surviving, but not improving. The hope is that Raul Castro, who became president in 2006, will begin to implement reforms from a blueprint that took five years to design. "We are not yet in a position to do what we have to do to see the changes we want to see," he said. Choice of words in Cuba is always extremely careful.

Speaking of Raul, we asked our guide where he and his brother live in town. The answer was quite surprising: No one knows. Not officially anyway. No one knows if the leaders are married or have children. Privacy for the leaders seems to be an accepted part of the culture (although there is a lot of gossip).

As we headed back to the airport for our flights home, there was a strong sense of camaraderie between the Americans on the Chinese bus in Cuba, a sense of having shared a unique adventure. The camaraderie was both amongst our colleagues and between each of us and our guide.

Before we left, I took the liberty of saying to her, "This is a successful group of people. What can we do as a group to help you and the Cubans?" And she responded, "Almost anything you want. We have nothing." TCA

Before we left, I took the liberty of saying to her, "This is a successful group of people. What can we do as a group to help you and the Cubans?" And she responded, "Almost anything you want. We have nothing."

Talking Heads

Geoff Brown, USA Properties, Inc.: Advocate and Innovator

By Darryl Hicks

Geoff Brown is one of California's most successful affordable housing developers for two key reasons:

Brown is an innovator who utilizes creative financing solutions to overcome funding gaps and complete projects. He is a firm believer in the green building movement and incorporating solar power in almost every property he develops.

He is also an advocate who believes there is a dangerous shortage of affordable housing in California and that public officials should allocate greater resources to increase supply. And he's exploring new ways to improve access to social services in his properties.

Brown became an affordable housing developer quite by accident. After graduating from college, Brown worked in commercial banking and real estate lending for six years before joining his father's construction company, USA Properties, Inc., in 1989. As 1989 drew to a close, USA Properties was selling a newly constructed apartment building to a buyer that had received an allocation of low-income housing tax credits. The deal almost fell through when the buyer couldn't close on escrow. USA Properties quickly took over the LIHTC allocation even though it was foreign territory, found an investor and closed what would become the last real estate transaction in Riverside County in 1989. "And that's how we got into affordable housing," recalls Brown.

In Geoff's 26 years, USA Properties has grown from seven employees to 400 and developed, through construction or acquisition and rehabilitation, over 11,000 units of affordable housing for families and seniors throughout California and Nevada. In addition, its subsidiary, USA Multifamily Management, manages its own projects in a portfolio consisting of over 10,600 units—two-thirds of it senior housing. *Tax Credit Advisor* sat down with Brown to discuss his passions and priorities.

***Tax Credit Advisor:* You devote an entire section of your web site to the "green" building movement. Why did you move in that direction?**

Geoff Brown

Brown: We incorporate energy efficient practices in both new construction and acquisition rehabs. How much we incorporate depends on how much subsidies we have and extra money in the budget. California established a goal of becoming energy self-sufficient by 2020. Developers must follow standards mandated by Title 24 and points are also awarded for energy efficiency when the state allocates tax credits and bonds. Because we are a rent-restricted industry, one way developers can create value is by engineering expenses and saving on energy costs. Part of our motivation is creating more cash flow by reducing energy costs. On almost all of our new construction and rehabs we incorporate solar technology in the common areas. Because of drought conditions in California, we are working with local water companies and looking at zero-based landscaping that incorporates more drought tolerant grasses, without sacrificing on the look and feel of the property.

***TCA:* As baby boomers retire, there is a concern that competition will drive up construction costs for senior housing and negatively impact people who are living on fixed incomes. What steps can developers take to ensure units remain affordable?**

Brown: It's not just senior housing. We have a big problem where demand is outstripping supply. Deals are harder to get done and we need to do better as an industry. In terms of costs going up, the costs are the market, whether we're talking Davis-Bacon, or a locality

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charging a fee, or competitive bidding for materials. That's an ongoing problem that we'll always have, which is why we always try to find ways to be more efficient through the use of technology. With our senior projects right now, we are running 99 percent occupancy. My big mission is advocating to the state for more resources, so that we can meet the demand.

TCA: You are a leading housing advocate in California. What are your current priorities and what are you doing to ensure affordable housing gets the resources it deserves?

Brown: At the federal level, we must ensure that tax credit and bond programs are maintained as is and we don't lose them. I am adamantly opposed to GSE reform. You can solve this problem by incorporating risk-sharing in the single-family program and keeping Fannie Mae and Freddie Mac intact. If lawmakers have their way, there will be just one entity and without any competition between Freddie and Fannie it will hurt the housing industry, both market-rate and affordable because pricing will increase. On the state side, the Treasurer and the Speaker of the Assembly introduced a bill that would increase annual allocations of state tax credits by $300 million and create a permanent source of affordable housing funds by creating a new $75 document transfer tax on refinancings. These initiatives are huge, which is why we'll be spending a lot of time advocating for them.

TCA: USA Properties works with a non-profit called LifeSteps. Why has this relationship proven so beneficial to your residents?

Brown: For 20 years, LifeSteps has provided social services to our communities. I like to say that we don't just build apartments, we build communities. We pay for the services out of our own expense budget. We have a lot of single-parent households, so one of the important services provided by LifeSteps is after school activities for kids. Another important project that has morphed out of our partnership is the J.B. Brown Fund, which is named after my father. Over the past four years, we've raised over $300,000 for college scholarships, youth sports programs, and services for special-needs seniors. We're trying to create a culture within our communities that there is a big world out there but you can accomplish a lot if you just have some support.

TCA: Under the Affordable Care Act, hospitals can be fined if they have to readmit patients who had been released prematurely. What services do you offer to your elderly residents to ensure they receive access to the best possible healthcare, so that hospital revisits can be avoided?

Brown: The big challenge in senior housing, at least in the affordable space, is going to be aging in place. If residents are paying $800 to $900 in rent, and they have to go into assisted living, the rent quadruples and they can't afford it. Today, their only options are to move into a skilled nursing facility or back with their children, neither of which is desirable. LifeSteps and USA Properties are developing a model for home healthcare. Currently, access to services is largely dependent on income, but we think all elderly residents should receive some level of in-home care. We're not there yet, but we're hoping to unveil a pilot program sometime in the fall. One option is to have licensed healthcare specialists working in the common areas around the clock to help people as they need assistance. We must figure out what works and then who pays for it. It may be the state, the hospitals, or a third option may be the insurance companies. By the time we go to the hospitals and insurance companies, we want to say, 'Listen, we need your help, and you need our help.' While part of the solution will be home healthcare, I also see technology playing a role, perhaps tele-medicine. I told Thom Amdur (Executive Director of NH&RA) that the association should take the lead on this issue.

TCA: One of the financing structures that you utilize to be competitive in acquisitions is monetizing future cash flow through a "B" bond structure. How does this work?

Brown: We lost a valuable source of funds from the California redevelopment authority three years ago and there's generally less soft money available. How do we fill these funding gaps? There is the proposed tax credit legislation that I mentioned. On some partner deals with a lot of cash flow we created a "B" bond that is

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subordinate cash flow debt. When you apply for a bond allocation, you not only get it for your first trust deed, you get it for your second trust deed. In California, we have more bond allocation than we know what to do with. We did a deal two years ago where we had $2 billion worth of B Bonds, so friends and family purchased the bonds and received an interest rate of 9 percent, tax exempt, which is pretty good. I think we can get the B bonds to 7 or 8 percent tax exempt, but from an investor standpoint, depending on the rate, that can be a 12 to 14 percent yield. Californians pay a lot of taxes, so it was not hard to market the B bonds, but it needs to be somebody who doesn't need their money to be paid back quickly. We produce a projected cash flow showing when you'll get the money back over 10 to 12 years. But the way the B bonds work is that they are subordinated to the permanent loan so they don't have a call date for 35 years. You're basically leaving the money in as equity. You're getting a percentage of the cash flow to help service the B bonds. We only involve family members because there is a threshold that we don't want to exceed before we need a securities license.

***TCA:* New leaders have just been appointed to the California Tax Credit Allocation Committee, California Debt Limit Allocation Committee and California Housing Finance Agency. What issues would you like to see them take on? What are you concerned about?**

Brown: Let's start with CAL-HFA. The agency is working through an issue with the U.S. Treasury to pay back a line of credit, which I think they can do by year-end. CAL-HFA is also developing a Ginnie Mae execution on a preservation product. Hopefully, they can develop a competitive structure that developers will want to use, because this is what they do best. On the CTCAC and CDLAC side, the big thing we keep saying is that we need more production, especially when we have all of this unused bond allocation. We're pushing them hard to make the regulations more user-friendly so that more deals get done. An example of that is removing the cap on developer fees, like a lot of other states have done, because that creates more cash credit equity, which helps improve project feasibility. On the energy side, I'd like to think there won't be any additional energy requirements above Title 24. While I support energy efficiency, I don't think green building guidelines should exceed Title 24, which is a very high standard to begin with. Affordable units should be allowed to be only restricted to 60 percent of area median income on 4 percent projects. I don't think that with state credits you should have to further reduce rents. People tend to forget that a couple making minimum wage in Los Angeles, the Bay Area or Seattle, which I'm okay with, can become overqualified for tax credit units. We shouldn't create policies that make it harder for working people to utilize affordable housing.

***TCA:* This may be a sensitive issue, but how concerned are you about a trend we are seeing where HFAs are trying to restrict the ability of private owners to make a profit on the sale or refinance of Year 15 affordable housing properties?**

Brown: CTCAC and CDLAC should be doing everything they can to ensure developers can re-syndicate a project or buy someone else's by making their programs as user-friendly as possible. On existing deals, we have a fiduciary responsibility to our investors to sell a property for a fair-market value. I don't think that CTCAC and CDLAC can stand in the way of doing that, but what they can do is motivate current owners as much as possible to sell properties to developers who are going to want to use 4 percent credits and bonds, because that achieves a greater public benefit. You get more money into the community on a rehab and extend its affordability. That's how they should be addressing this issue, not trying to hamper current owners.

***TCA:* What is a recent project that you are most proud of?**

Brown: We have a new construction project in San Jose, 93 units, mid-rise building, that I'm proud of because we could have leased it five or six times over. We had a 500-person wait list. It shows how much need there is in the state for affordable housing. On the rehab side, we completed a project in Huntington Park, on the south side of Los Angeles, involving an old institutional building that looked like a hospital. We installed solar panels on the roof, solar thermal, solar voltaic, and we engineered the common area to be way more functional than it used to be. It's a completely transformed community from what it was. TCA

Keeping Seniors Healthy (and Happy) in Affordable Housing

Mission, metrics and money

By Mark Olshaker

In the senior affordable housing sector, a number of force fields are now coming together with the general aim of making older residents healthier and happier. While altruism is certainly a key component in this trend, the bottom line is good business. And the operators who are thriving in the current environment are the ones whose enlightened techniques and rigorous measures already represent best practices that all in the sector can learn from and implement.

Many believe that the first of these force fields is the aging of the Baby Boomer generation, whose numerical heft has focused both public policy and marketing strategies on each phase of its obsessively documented collective journey through life.

The second force field is passage of the Affordable Care Act – ACA – that had as one of its chief goals curbing Medicare's steadily growing spending and a crackdown on unnecessary care and treatment for its senior population. So in 2012, Medicare began instituting financial penalties on hospitals that had too many readmissions – defined as an individual's return as an inpatient within a month of original discharge. Astoundingly, a 2013 Robert Wood Johnson Foundation report found nearly one in five Medicare patients fit this category prior to institution of the penalties.

Not surprisingly, various studies have shown that poor, African-Americans and seniors without a support network of family or friends, tended to have the highest readmission rates, which parallels the challenge faced by affordable senior housing and assisted living facilities. And that is where the third force field comes into play.

Activities at NCRs Carnegie Towers

Simply stated, it is an emphasis on wellness that, in many cases, can preempt an emphasis on sickness and infirmity. And it is paying off in measurable financial results for the facilities that have embraced the approach.

Wellness Programs

"Our goal is to keep people independent as long as possible," says Pam Goodman, Chief Executive Officer of Beacon Communities LLC in Boston, which owns and manages more than 70 market-rate, affordable

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and senior communities throughout New England, Pennsylvania, Maryland and Virginia. "This has been a long-term interest of Howard's and mine: to avoid more institutional settings than you really need," she comments, citing Beacon board chairman and real estate attorney Howard Cohen.

What they found was that seniors with low incomes tended to have more complex medical issues. "There is a huge, huge need within this population of people with complex needs; even more so with mental health and cognitive problems," Goodman notes.

Pamela Goodman

Absent regular and readily available healthcare support, those people frequently ended up in emergency rooms, often leading to hospital admissions. And without available healthcare support, the cycle would be repeated over and over again.

"So we wanted to figure out what we could do to keep them out of the ER," Goodman states.

Among the problems her managers saw repeatedly were misunderstanding of, and noncompliance with, prescription taking; inadequate nutrition; falls; lack of wound care; and inconsistent routine medical checkups. All of these factors contributed to hospital readmissions and residents having to move into nursing homes.

Under the heading of wellness programs, Goodman explains, "We created relationships with a wide range of providers: hospitals, universities, primary care physicians, dentists, visiting nurses, physical therapists, rehabilitation specialists and psychiatric social workers. They will see people in their apartments and in each residence's wellness office. Basically, we established interdisciplinary teams at our facilities. Some are more robust than others; it doesn't happen overnight. Our Richmond, Virginia program, for instance, has been an incredible success story. We've developed some pretty innovative programs with providers and our Resident Services Department is really committed."

As she points out, "A lot of these people are providing these services anyway. We just found a cost-effective vehicle. We really act as the entity that finds and coordinates the groups. It just took a while to figure out what to do and how to do it. It's a question of being imaginative and reaching out."

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FUNDING HOUSING & HEALTHCARE: *Available Sources*

The most successful senior affordable living projects tend to be ones that are able to tap into a variety of funding sources for each aspect, from acquisition of land, through construction, to management. Following are examples of what some of those sources might be.

Keep in mind that each state has varying requirements, each county has individual needs and resources, and each facility will have unique advantages and challenges. For instance, Pamela Goodman of Beacon Communities states:

"We usually include in the operating budgets the cost of a Resident Services Coordinator, funding for recreational events and supplies, and funding for healthy breakfasts. Depending on the number of apartments and extent of the program, this could cost around $100,000 annually. Because we partner with other providers, the cost of whatever they are providing is their cost. In the case of wellness services, the individual's cost is usually covered by insurance. Collaborative relationships are the best way we have found both to improve the quality of life for the individual resident and manage health care costs."

Land Acquisition

- County-owned land deeded over to housing authority or otherwise acquired by facility.

Construction

- 9 percent or 4 percent Low-Income Tax Credits.
- SAIL (Senior Adult Independent Living) program grants.
- LISC (Local Initiatives Support Corporation) loans.
- Other state and federal loan programs.

Operation and Management

- Section 8 project-based vouchers.
- HUD-VASH (Veterans Affairs Supportive Housing) vouchers.
- VA Aid and Attendance allowances.
- Medicaid waivers.
- OSS (Optional State Supplementation) cash assistance programs. TCA

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Mr. Norman Claxton

Measuring Success

Part of the challenge is figuring out where to concentrate limited human resources. National Church Residences, based in Columbus, Ohio, is one of the most respected providers of affordable housing and services to seniors; particularly vulnerable seniors. Like other leaders in the sphere, the organization has always had a strong sense of mission. But there had to be some way to figure out if what they were doing was working, and using their resources most efficiently.

According to Erica Drewry, Vice President for the Home and Community Services Division, "There had been an anecdotal belief at NCR that we were already making an impact on the health of our residents through our service coordinators. But we wanted to take that to a larger scale and solidify it in affordable housing. So what we aimed to do was much more purposefully develop relationships between our service coordinators and each patient so we could identify specific risk factors and put standard interventions in place." NCR has a service coordinator in place in every property with a HUD support component and the service coordinators are funded by HUD grants.

Erica Drewry

"Our goal was to measure resident vulnerability, and we found that we were seeing a lot of chronic health problems and multiple ADL [activities of daily living] needs. It is amazing how much these evaluations are telling us. It gives us solid data on where we need to direct our resources and lets the service coordinator focus on how to get residents the kind of help they require."

The effort resulted in what they call the "Care Guide," that creates a health profile for each resident as well as the facility as a whole. "That way, if we see that one building has a high incidence of diabetes, say, we can concentrate our efforts there."

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FUNDING HOUSING & HEALTHCARE: *Helen Sawyer Plaza*

Helen M. Sawyer Plaza in Miami, Florida, managed by Mia Senior Living Solutions, is a good example of creatively combining funding sources to provide a healthy and happy living environment for low-income seniors. As Mia founder Conchy Bretos explains:

"This was a conversion of a public housing building that has served as a HUD congregate care site, so there was already a commercial kitchen on site. We needed $250,000 to replace the air conditioning, buy a new stove and wire the call system. That came from capital sources of the Miami-Dade Public Housing and Community Development Authority. The $2.8 million service funding was provided initially by the Florida Legislature. This was an unprecedented move, as the Medicaid waiver goes with the individual and is never given to a project. The residents still had to qualify, but the funding stayed with the facility.

"The Optional State Supplementation (a small supplement to individual social security checks) was used to pay for rent and meals. The Assistive Care funding (about $280 per month) was used to provide services. After the initial two years we used the Florida Assisted Living Waiver of $34 per resident per day to fund services. We also used the Veterans Aid and Attendance benefits to pay for services to residents who were veterans. And we received rental subsidies from the county housing authority." TCA

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Pamela Monroe

Adds Pamela Monroe, Vice President for Property Management, "We are able to target the needs of residents so much better than we could in the past. And Erica has done such a good job that we know who our best service coordinators are and who might need more help and training."

"There is a lot of opportunity to have an impact," states Drewry. "What we believe we're doing is changing the face of what affordable housing is for a vulnerable population. We're helping them to continue to live and age in this place they call home."

Good Business

Few have been as innovative and imaginative in marshaling funds and resources to serve low-income senior housing as Conchy Bretos, founder and principal of Mia Senior Living Solutions of Miami, Florida. So far, Mia has worked in 23 states, establishing its own facilities and managing and/or consulting on others.

Conchy Bretos

"This started out as a moral issue for us – enabling seniors to age with dignity, in good accommodations, with good care and things that improve their health. But we had to prove that it wasn't just about altruism. It was good business."

Mia's affordable senior facilities are renown for their levels of comfort and care. "If these people are going to grow old, we wanted them to live better," says Bretos. "And when you look at the new regulations, we've been providing these services and livable conditions for 18 years already."

Like Beacon and National Church Residences, Mia relies heavily on measurable metrics in evaluating and adjusting programs. Evaluation instruments ask residents how they feel as well as track medication compliance, falls, hospitalizations and readmissions, and length of time residents remain in Mia communities before having to move to more extended care facilities.

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FUNDING HOUSING & HEALTHCARE: *Medicaid Waivers*

Medicaid is the federal government program established to provide various healthcare services to low-income individuals and families who don't have the financial resources to afford these services on their own. The Affordable Care Act significantly expanded Medicaid eligibility and funding. Prior to 1991, Medicaid only covered those living in a nursing home, extended care facility or other institutional setting.

The Medicaid Waiver programs are designed to allow states to provide some of these healthcare services to those who would otherwise have to be in such a setting, which costs the government considerably more than subsidizing its low-income clients in a more homelike environment. There are four primary types of waivers:

- Section 1115 Research and Demonstration Projects, through which states can test new ways of financing and delivering services.
- Section 1915(b) Managed Care, in which states determine who will provide services.
- Section 1915(c) Home and Community-Based Services, through which states provide services in home and community settings.
- Concurrent 1915(b) and (c), through which states can apply to implement both types of waivers as long as all federal program requirements are met.

For the purposes and aims of low-cost housing for seniors, Home and Community-based waivers are most significant, in that they can help facilities provide a range of services that keep residents healthier and avoid both unnecessary hospitalization and having to move to less homelike and more expensive institutional environments.

According to the Medicaid.gov website, "Standard services include but are not limited to: case management (i.e. supports and service coordination), homemaker, home health aide, personal care, adult day health services, habilitation (both day and residential), and respite care. States can also propose other types of services that may assist in diverting and/or transitioning individuals from institutional settings into their homes and community."

State participation in Medicaid programs is voluntary, and each state has its own way of utilizing and implementing Medicaid funds, so it is crucial for affordable senior housing facility owners and managers to understand the provisions and requirements in their own states and/or partner with an organization that already has such experience and expertise. TCA

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Mia's Helen Sawyer Plaza

As an example, in 1998, in conjunction with the Miami-Dade Housing Authority, Mia established the Helen Sawyer Plaza, a 100-unit assisted living facility for low-income seniors. The concept was based on the total coordination of services to care for and improve the lives of public housing residents. It featured a menu of services ranging from three meals a day, daily housekeeping and laundry, transportation to doctor's appointments, assistance with tasks of daily living and medication management. An evaluation by Florida International University revealed marked improvement in the residents' health, lowest attrition rate in the nation and unprecedented low absenteeism and turnover of staff.

"We had a large number of residents with impaired cognitive and physical health at Helen Sawyer," Bretos recalls.

"But when we instituted our plan of services, we were able to cut down on the number of medications prescribed, had fewer falls, fewer hospitalizations, stemmed the flow of people to nursing homes and had fewer EMT calls and emergency room visits. With improved nutrition and physical therapy, we were literally able to get people out of their wheelchairs.

"Little did we know that [these metrics] were going to be our ammunition to go to the federal government."

Persuading Government to Partner

Through trial and error, Bretos and her team have honed their approach to government funding. "The government has a spiritual blind spot. They don't realize that what they do involves human beings. To me, this is a moral issue: people were rotting away. But when I decided to go back and say, 'By the way, we can save you money,' then they got interested. We went to HHS and said, 'We want Medicaid waivers to take care of these people and we can do it for one fourth the cost of putting them in nursing homes. And Helen Sawyer became the tangible thing to prove to government that we could substantially cut their Medicaid and Medicare costs.

"Now, the government is our partner. Ultimately, they would like to do the right thing, but the way you sell it to them is financial." This partnership materialized in the Affordable Care Act through the Community First Choice Option provision that marries housing and health care.

Eden Crossing Chair Volleyball Team

Admittedly, the complex combination of funding necessary to provide affordable housing, nutrition and health care services for seniors can be an intimidating challenge. As Bretos says, "We've put together Medicaid, Medicare, veterans' services, HUD grants and local housing authorities. To do this, you not only have to know everyone's ground rules, but mesh them together. We understand stacked, categorical funding. We've been pioneering low-income tax credit assisting living, which is an emerging market." She concedes, "Low

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Lowering the Cost of Financing

Freddie Mac and Fannie Mae Offer New Loan Products

By Joel L. Swerdlow

Freddie Mac and Fannie Mae have recently created new affordable housing products that provide borrowers with ways to access low-cost loans that finance affordable housing for the 15-plus years of the building's compliance life.

"This is an important part of what Freddie and Fannie do," says Wade Norris, a Washington, D.C.-based attorney who has more than 35 years' experience in advising on financing affordable housing. "They are always looking for ways to meet the capital needs of the affordable multifamily market even more broadly and effectively."

"As the country recovers from the setbacks of 2008-9, in many regions rent growth is outpacing wage growth, fueling a need to fund quality, affordable housing," Norris says. "Entry of the post-World War II baby boom "echo" generation into the workforce, continued net immigration, and substantial tightening of single family home loan standards further fuels this demand."

According to Norris, "Beginning in the late 1990's, sale of unrated, non-credit enhanced tax-exempt bonds and loans to banks and other institutions began to supplant the public offering of rated, credit-enhanced bonds as the primary debt side funding mechanism for affordable multifamily projects. This has been especially true in Community Reinvestment Act [CRA]-driven urban markets, where such executions may be 70-80 percent or more of debt-side financings."

Especially on substantial rehab and new construction, these executions have been providing very low-rate construction funding; "draw down" funding, which eliminates project fund negative arbitrage; and a low locked-in permanent rate.

Freddie Mac TEL

With its new Direct Purchase Tax-Exempt Loan [TEL] structure announced last spring, Freddie Mac offers a tax-exempt loan product having all of these advantages, not only in CRA-driven markets, but throughout the United States through its network of Targeted Affordable Lenders.

Shaun Smith, Freddie Mac's Senior Director, Targeted Affordable Production, provides details: "Our new product is for tax-exempt loans issued by a city, county or state housing finance entity for apartments that have affordable rents for lower income individuals. The product is for financing for the acquisition or refinance of affordable multifamily properties with 4 percent LIHTC that has at least seven years remaining in its tax credit benefit period."

"An approved Freddie Mac Targeted Affordable Housing [TAH] Seller/Servicer originates a direct tax-exempt loan, also called the Funding Loan, to a government entity, such as a state, city or county housing authority that has the capacity to issue tax-exempt multifamily housing bonds. Simultaneously, using the proceeds of the Funding Loan, the issuer makes another loan, known as the Project Loan, to the borrower to finance a specific multifamily residential housing project. Freddie Mac Multifamily then purchases the Funding Loan from the TAH Seller/Servicer based on a commitment signed prior to origination of the Project Loan. Freddie Mac holds the Funding Loan on its balance sheet before aggregating it with other tax-exempt loans. The pool of tax-exempt loans is later securitized through Freddie Mac Multifamily M-Deals, which are sold to third-party investors."

"This execution," Smith explains, "can lower a borrower's issuance costs and the ongoing cost of capital significantly, as well as simplify the closing process. It is an alternative financing solution to our bond credit enhancement execution and is particularly attractive for 4 percent LIHTC developments. It also reduces legal fees due to simplified documents and processes and cuts closing costs by as much as 40 percent via private purchase efficiencies when compared to a publicly offered credit enhanced bond."

The new Freddie Mac product offers immediate fixed-rate financing for moderate rehabilitation loans—and a floating rate, draw down structure using the

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Borrower's bank for a construction loan combined with a Freddie Mac permanent loan for substantial rehab/new construction projects. Loan amortizations extend up to 35 years with a balloon up to 18 years.

"We have closed five transactions using this instrument, and more are in the pipeline," says Smith. "As with any new program, there can be a few bumps, but we are very excited about prospects."

Notwithstanding these multiple platforms for tax-exempt bond or loan private placements, public offerings of credit-enhanced bonds continue to provide a major source of debt side funding for affordable projects using 4 percent LIHTC—especially for preservation and acquisition/moderate rehab financings. Fannie Mae has long been a major player in these executions.

According to Norris, since the financial crisis in 2008, the long-term debt markets have often accepted lower coupons for even taxable pass-through securities backed by GNMA, Fannie Mae and Freddie Mac, than on traditionally structured semi-annual pay tax-exempt municipal bonds backed by the same credits. Thus, an innovative new product from Fannie Mae attempts to lower borrowing rates for affordable housing loans by capitalizing on this market phenomenon.

Instead of providing a "credit-enhancement agreement" backing traditional semi-annual pay tax-exempt bonds, the tax-exempt bonds are secured by a widely recognized, highly valued Fannie Mae mortgage-backed security (MBS), which passes through the underlying monthly borrower mortgage loan payments each month, guaranteed by Fannie Mae. The new bond structure passes that MBS payment through, on a tax-exempt basis, to the tax-exempt bondholder, on the business day after it is received by the bond trustee.

Fannie Mae

According to Angela Kelcher, Fannie Mae's Director of Production for Multifamily Affordable Housing, "We've developed a product that allows multifamily mortgage-backed securities (MBS) to be used with tax-exempt bond deals — our new, Pass-Through Execution allows multifamily MBS to be used as collateral for either refunding tax-exempt bonds or financing new tax-exempt bonds issued in conjunction with 4 percent Low-Income Housing Tax Credits (LIHTC). I anticipate we'll see the most impact in the 4 percent LIHTC arena for projects that will undergo a tenant-in-place rehabilitation."

Kelcher adds, "The new monthly tax-exempt pass-through structure, being a long-term (16+ year) municipal bond issue, may not be the optimal structure where the available municipal issuer changes substantial ongoing fees. In these situations, Fannie Mae continues to be a major player where short-term cash backed tax-exempt bonds are issued to satisfy 4 percent low-income housing tax credit requirements, and the Fannie Mae MBS is sold in the taxable markets to achieve the lowest borrowing rate. On these financings, once the rehab is completed and the project is 'placed in service' under the tax credit rules, bonds can be redeemed and the MBS remains. Thus, the short-term bond structure allows borrowers to capitalize on today's low taxable MBS rates and also reduce ongoing issuer fees."

The result, she says, is "a lower cost of financing" for affordable housing projects.

Fannie Mae closed its first tax-exempt monthly pass-through deal in February 2015 and has quoted several more. Its new product has no minimum or maximum requirements for loan size. Pricing is competitive with other bond executions, including private placements. These transactions price 20 to 25 bps lower than traditional bond credit enhancement, and can accommodate terms from 10 to 30 years.

Norris, who was involved in the development of both of these new products, reminisces: "Early 2009 was the 'nuclear winter' of affordable housing finance. There were virtually no buyers of low-income housing tax credits, and almost nothing worked on the tax-exempt debt side. Today, we are in a 'golden age' of affordable housing finance. Huge affordable rental housing demand; robust tax credit equity pricing; and record low interest rates are producing more affordable housing than since before the financial crisis. Notwithstanding this success, these two products show that Freddie Mac and Fannie Mae are not sitting still." TCA

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Partnering with Housing Authorities

Public Housing Joint Ventures Present Opportunity

By Lauren Anderson

For more than 125 years, since Jacob Riis first took photos of New York City tenements, government and the building community have been searching for solutions to provide sufficient housing for people facing financial challenges and living with disabilities. Several iterations of housing legislation and initiatives have made this effort, from the Wagner-Steagall Act under President Roosevelt to the HOPE VI program under President Clinton.

Now, we find ourselves in the midst of the newest efforts to solve housing's greatest challenges. Our modern day approaches value collaboration, with the Choice Neighborhoods Initiative encouraging a holistic look at housing that requires teamwork between federal agencies. The Rental Assistance Demonstration (RAD) program looks to bring the public and private sectors together. In an era of obsession with federal debt and vast income disparity, RAD creates mechanisms to improve and finance housing and neighborhood development.

Our modern day approaches value collaboration, with the Choice Neighborhoods Initiative encouraging a holistic look at housing that requires teamwork between federal agencies.

As these ideas arrive, the policy makers at the Department of Housing and Urban Development (HUD) have reached out for input from those who implement their programs in neighborhoods across the country. The National Housing & Rehabilitation Association has assumed a role as a unique collaborator with HUD in this effort, rallying its membership of developers, managers and financiers from around the country to meet face-to-face with the government officials to discuss the practicality and details of the innovative programs. NH&RA members relish the relationship the association has developed with HUD and the access it provides is a primary motivation for joining the organization.

In February, for the first time ever, NH&RA hosted a Public Housing Joint Venture Symposium in Key Largo, Florida where it convened HUD representatives with more than 100 developers, syndicators, lenders, and other members of the affordable housing community. The one-day event preceded the 2015 NH&RA Annual Meeting.

The Symposium expanded an ongoing conversation between HUD and NH&RA members about improving HUD programs and joint venture development opportunities by inviting in new participants and incorporating fresh perspectives. Event attendees had a unique opportunity to gain insight into the progress and updates to key HUD programs, and were able to voice their concerns and questions to HUD representatives, as well as connect with peer organizations who are working on similar issues. These important dialogues provided HUD officials Greg Byrne, Mindy Turbov, and Susan Wilson with a deeper understanding of what affordable housing developers and owners, public housing authorities, syndicators, lenders, and others need to successfully participate in the programs they oversee.

The event began with a presentation from Mindy Turbov, Director of HUD's Choice Neighborhoods Initiative. Turbov invited attendees into a dialogue about the evolution of the Choice Neighborhoods Initiative (CNI) program, including CNI's goals and plans for the future. Kenan Bigby (Trinity Financial, Inc.), Rodger Brown (Preservation of Affordable Housing), Sharon Wilson Géno (Ballard Spahr), and Milt Pratt (The Michaels Organization) joined Turbov on the panel to voice the needs and concerns of professionals engaged in Choice Neighborhoods transactions.

Choice Neighborhoods is based on an Obama Administration philosophy that cabinet departments, in this case HUD, Treasury, Education, Health and Human Services and Transportation, should combine their intellectual and fiscal assets to achieve things they cannot

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possibly do on their own. It seems like an obvious idea, but it has not been advocated since Franklin Roosevelt brought departments together to create Social Security in 1937. Rather than focus on just constructing housing, CNI encourages the creation of a neighborhood or a "place'" that includes the services—i.e., education and healthcare—to support residents.

While Turbov said CNI is the first neighborhood-oriented program since the Carter administration, the panelists all questioned what is a developer to do in a neighborhood-focused era. The panelists discussed the exorbitant cost of submitting a grant application when so few grants are available, difficulty coordinating all the required aspects of a CNI grant, uncertainty of planning grantees' likelihood of receiving an implementation grant, and the inconsistent "feedback loop" provided by HUD reviewers.

Rather than focus on just constructing housing, CNI encourages the creation of a neighborhood or a "place'" that includes the services—i.e., education and healthcare—to support residents.

Turbov said that HUD was still inventing CNI and acknowledged it clashed with other neighborhood programs and did not encourage multifamily development. "What can we do to make this less expensive?" she asked.

"Get housing under control, then add the other neighborhood elements," Bigby suggested. "Now you have to plan it all together."

Another discussion looked at revitalizing and recapitalizing aging HOPE VI properties. HOPE VI was initiated following a HUD 1992 housing survey that indicated affordable housing was relegated to indigent communities that lacked the services to support residents. Rather than local and state housing authorities solely funding rehabilitation, the program encouraged tearing down distressed projects and replacing them with mixed communities developed in collaboration with private partners. One of the elements of the 1992 report was an analysis of what the transition would cost. What is now lost, panelists agreed, was "the audacity to ask for money" from the government.

With a considerable portion of HOPE VI properties approaching year 15 of the tax credit compliance period, the affordable housing community is faced with the challenge of deciding what's next for these projects. Susan Wilson, HUD Director of Urban Revitalization – HOPE VI Division, and Greg Byrne, HUD RAD Coordinator, joined members Bev Bates (The Community Builders), Claudia Brodie (McCormack Baron Salazar), Orlando Cabrera (Squire Patton Boggs), and Chris Hornig (Klein Hornig) to discuss how to deal with projects that have significant soft debt with accrued interest, whether there is residual value for private owners after year 15, opportunities and challenges involved with working alongside Public Housing Authorities in these efforts, and issues surrounding RAD conversions.

The "elephant in this particular room," panelists agreed, was the federal deficit and the resultant cuts in Housing Authority funding. "I believe we are not moving quickly enough on an asset that is beyond its useful life," said Cabrera. "There are 900,000 units that have to be converted very quickly." He reported that there are a lot of people of influence

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who do not support the RAD program and want to see public housing remain public and no loss of units when buildings are replaced.

NH&RA has been deeply involved in the RAD discussion since the program's introduction in 2011. RAD, motivated by an estimated $26 billion in needed maintenance costs for public housing, is an assistance conversion program that allows building operators to permanently shift units from public housing to rent subsidization Section 8 vouchers, providing some consistency to bankers and giving developers a cash flow against which they can leverage public and private debt and equity.

Participants in the NH&RA's RAD User Group Update joined HUD's Greg Byrne, who offered his insights into the progress of the RAD program and fielded questions from panelists Jerry Anderson (The Gill Group), Bernie Husser (The Richman Group Affordable Housing Corporation), Lopa Kolluri (Pennrose Properties), and Deborah VanAmerongen (Nixon Peabody). The group discussed HUD's plan for addressing the backlog of RAD applications (more than 100,000) following the recent decision to lift the cap on the number of RAD units, as well as challenges developers, owners, and other professions are facing when closing RAD deals, including Davis Bacon on second component RAD conversions, environmental/Phase 1 requirements, and solutions for balancing relationships and expectations between private owners and PHAs. Pointing to the lifted RAD cap, Greg Byrne affirmed that, HUD is taking steps to encourage the conversion of all public housing under RAD. There are currently roughly 600,000 units untouched by the program.

Given the enthusiasm for the program, which has such a long roster of waiting requests, one attendee expressed, "I don't know why I even have to demonstrate that this is right."

To which outgoing NH&RA president and industry veteran Bernie Husser explained, "This is somewhat similar to the beginning of the HOPE VI world where housing authorities were not used to dealing with investors, lenders, etc. We're reaching out to many more housing authorities in many more places."

For the final session of the symposium, Mike Andrews (Home Forward), Efrem Levy (Reno & Cavanaugh), and Sheryl Putnam (Nan McKay & Associates) examined HUD's proposed rule on demolition and disposition of public housing projects and the conversion of public housing to tenant-based assistance. The panel presented the challenges posed by the rule, such as the potential conflict with fair housing regulations, as well as the rule's potential benefit of being more predictable and consistent with RAD regulations.

The Symposium made clear that joint venture opportunities with PHAs are encouraging innovations in public housing as well as offering a growing line of business for affordable housing developers, owners, syndicators, lenders, and others. NH&RA will ensure the lines of communication with HUD strengthened at the event remain open as these key programs grow and evolve.

To find more information about NH&RA events, join the association, or get involved in our RAD Working Group, please contact info@housingonline.com or (202) 939-1773. TCA

The Economics of Solar Power

Purchase or lease, operate or outsource?

By Joel L. Swerdlow

Solar power is becoming more of an economic and technological possibility for developers of multiunit affordable housing—the cost of solar panels, for example, has been dropping exponentially since 2008.

"If you looked at solar even a few years ago and decided against it, the time has come to look again," says Jared Lang, Sustainability Manager for the National Housing Trust.

Lang emphasizes that solar differs from "going green" and from increasing energy efficiency. "We can green a building at no additional cost; and we can reduce our utility bills by 20 percent at no cost," he says. "Addressing solar is something we're learning to do in addition to all that."

The National Housing Trust's property ownership affiliate, NHT Enterprise Preservation Corporation, owns and operates approximately 30 affordable multi-unit properties—about 5,000 units—along the East Coast and in Illinois. In 2013, NHT Enterprise established a separate entity to own and operate solar across five properties (with ten rooftops) in Washington, D.C—a pioneering financial model that makes solar on affordable housing economically viable.

Some of the benefits and limitations of current solar technology become apparent when Lang cites as an example redevelopment of the St. Dennis apartments in the Mount Pleasant neighborhood of Washington, D.C. "We covered the roof, about a total of two acres, with solar panels," says Lang. "That now generates about $10,000 each year in electricity, which cuts our bill for common areas in half. We wish we could generate enough for all the common areas and residents, but, at least with current solar panels, we do not have enough roof space."

This building illustrates the complexity of the solar "purchase or lease" decision. The 20,000 kilowatt-per-year solar installation on the St. Dennis Apartments would cost $50,000, which would be reduced to $35,000 by a 30 percent federal solar investment tax credit. With utility bill savings and other tax credits, the payback period would be 3 to 4 years. But the property runs on a tight budget and had neither reserve funds to make the investment, nor ability to utilize the tax credit. So NHT/Enterprise looked into leasing the solar panels from an outside energy developer. A lease offered no upfront cost for the property. But to lease panels from a solar power company would have required NHT/Enterprise to make about a $5,000 initial investment (mostly legal fees), and the solar company would have

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Solar, continued from page 27

absorbed much of the financial benefit; a lease at St. Dennis would have only generated a return of about $1,000 a year for the property.

"We decided to set up our own third party entity and develop the solar portfolio-wide," says Lang. "I can understand why some people would want to stay away from this. We're in the real estate business, not the energy business, but it required us to do energy, too. We put 14 solar systems on 10 buildings."

Some of these buildings are solar thermal, which transform sunlight into heat; and the vast majority are solar photovoltaic, transforming sunlight directly into electricity —solar thermal provides larger energy benefits, but it is only appropriate at properties with central hot water.

NHT/Enterprise and its partners invested $1.25 million in the first NHT Renewable project, for which they received a $375,000 federal tax credit. Counting state incentives and income from the sale of electricity, NHT Renewable generates about $210,000 a year, resulting in a payback period of about four to five years.

Once a developer decides to install a solar facility, the next question is who should own the facility. Jerry Breed, a partner in Bryan Cave, LLP, who has worked on LIHTC and renewable energy deals across the US, explains, "Solar credits are allocated as income is allocated, while allocation of LIHTC follows depreciation. As a result, more restrictions are placed on the distribution of cash flow where LIHTC and solar are used in the same partnership."

To avoid such restrictions, developers can use a separate entity to own and operate solar facilities. The LIHTC partnership benefits by reduced utility costs, while the owner of the solar facility receives federal tax credit as well as state subsidies. Breed cautions, "The passive loss rules may restrict ability to utilize federal tax credits, so developers should consult tax advisors regarding the ability to claim solar credits and if not, whether they should pass those credits to a third-party investor."

"Whether solar makes sense varies on a deal by deal basis" says Breed. "Much depends on location of the project because state solar subsidies and incentives vary significantly and the economics of solar depend on the availability of state incentives." Key are Solar Renewable Energy Certificates (SRECs) through which solar facility owners sell—via spot or long-term markets —to recover investments in solar. SREC pricing varies by state; now from 5 to 48 cents a kilowatt hour. Breed adds, "When you consider solar, ask yourself, 'Is this a business in which I will be able to operate effectively, or should I outsource to solar experts?'"

Much depends on location of the project because state solar subsidies and incentives vary significantly and the economics of solar depend on the availability of state incentives.

Darien Crimmon, Vice President, Energy & Sustainability for Boston-based WinnCompanies, which has been utilizing solar power since 2007, also emphasizes the importance of a state-by-state approach. "The Federal Energy Policy Act of 2005," he says, "requires that states adopt 'net metering,' which basically means if you have a solar facility and produce more electricity than you can use, then the electric utility has to buy that electricity and must give you credit for it on your electric bill. That's the concept, but states differ significantly in how they interpret and implement the law. Massachusetts, for example, requires the utility to buy your excess solar power at full retail value; Massachusetts also allows you to sell the credit so someone else can apply it to their electric bill. Some other states make net metering much less attractive to the solar power producer."

"If you think seriously about solar," says Breed, "remember that the 30 percent Federal Solar Investment Tax Credit for solar in commercial buildings, enacted in 2006, is scheduled to decrease to 10 percent at the end of 2016." Unless an extension is enacted by the federal government, the 30 percent credit can be applied to eligible properties "placed in service" by December 31, 2016, which means, "all permits to be in place and energy production is tested and ready to go."

Much also depends on the pace at which technological innovations improve the economics of solar technologies. But whatever happens, everyone working with solar seems to reach the same conclusion: It is too important to ignore and too complicated to embrace hastily. TCA

Corporate Tax Credit Fund Watch | *April 2015*

Sponsor (1) Investor Contact Acquisition Contact	CURRENT MULTI-INVESTOR LIHTC CORPORATE FUND Fund Name Geographic Focus	Amount of Equity Raised to Date for Fund	Expected Size of Current Fund	Average Net Tax Credit Price	Cash Needs Basis IRR
Alliant Capital Stacie Nekus (818) 449-5827 Linda Hill (818) 449-5800	***Alliant Tax Credit Fund 83*** National	N/A	$125M	NA	NA
Boston Capital Kevin Costello (617) 624-8550 Brenda Champy (617) 624-8874	***BCCTC Fund XL*** National	$0M	$100M	$0.96	6.00%
City Real Estate Advisors, Inc. Tony Bertoldi (617) 892-6071 Charles Anderson (317) 808-7165	***CREA Corporate Tax Credit Fund 43, LLC*** National	$200M	$200M	$0.97	6.00%
Community Affordable Housing Equity Corp. Mark Gipner (919) 788-1801 Greg Mayo (919) 788-1810	***Community Equity Fund XX, LP*** Southeast and Mid-Atlantic	$85M	$150M	$0.91	6.00%
Enterprise Community Investment Kari Downes (503) 553-5720 Raoul Moore (410) 772-2685	***Enterprise Housing Partners New York Fund I*** New York City	$0	$60M	NA	NA
First Sterling Financial, Inc. Thomas Panasci (516) 869-7462 Victor Sostar (516) 869-7420	***Sterling Corporate Partners Fund 54, LP*** Regional	$0	$100M	$0.93	NA
Great Lakes Capital Fund Marge Novak (517) 364-8929 Jennifer Everhart (517) 364-8911	***Great Lakes Capital Fund for Housing Limited Partnership 30*** IL, IN, MI, MN, NY, WI	$0	$100M to $130M	NA	NA
Massachusetts Housing Investment Corp. Peter Sargent (617) 850-1027 Kathy McGilvray (617) 850-1008	***MHEF XXII*** Massachusetts	$0	$60M	$0.98	6.00%
Midwest Housing Equity Group, Inc. Becky Christoffersen (402) 334-8899 Tom Stratman (402) 334-8899	***MHEG Fund 44, LP*** Midwest	NA	$150M	NA	6.00%
PNC Tax Credit Capital Catherine Such (503) 808-1300 Gayle Manganello (978) 244-1116	***PNC Real Estate Tax Credit Institutional Fund 58, LLC*** National	$125M	$125M	$0.95	5.75%
Raymond James Tax Credit Funds Steve Kropf (800) 438-8088 James Horvick (800) 438-8088	***RJTCF 41*** National	$0	$150M	$0.92	NA
RBC Capital Markets Tony Alfieri (216) 875-6046 Craig Wagner (980) 233-6459	***RBC Tax Credit Equity National Fund – 21, LP*** National	$127M	$127M	$0.9375	6.00%
Red Stone Equity Partners Ryan Sfreddo (212) 225-8300 Rob Vest (704) 200-9505	***Red Stone - 2015 National Fund, LP*** National	$0	$125M	NA	NA
Stratford Capital Group, LLC Benjamin D. Mottola (978) 535-5600 Kyle F. Wolff (978) 535-5600	***Stratford Fund XVII LP*** National	$0	$125M	NA	NA
The Richman Group Affordable Housing Corp. Stephen M. Daley (740) 616-1470 David Salzman (203) 869-0099 x333	***USA 105*** California	$0	$50M		4.00%
	USA 106 New York	$0	$150M	NA	4.25%
WNC & Associates, Inc. Christine Cormier (949) 236-8233 Darrick Metz (888) 798-0557	***WNC Institutional Tax Credit Fund 40 LP*** National	$127M	$127M	$0.92	6.15%

1) All data has been provided directly by the fund sponsors. Accordingly, neither Ernst & Young LLP nor *The Tax Credit Advisor* take any responsibility for the accuracy of the data or any calculations made by the sponsors. 2) The gross equity needed for properties for which an executed syndication contract is in place, as a percentage of total expected gross proceeds, assuming all single-payment cash investors.
3) The estimated expense load is the percentage of gross proceeds the sponsor expects to expend for offering costs and expenses, acquisition fees and expenses, brokerage commissions and all other front-end costs (other than working capital reserves) assuming all available units are sold to single-payment cash investors. If you would like to have a fund listed in the next edition of *The Tax Credit Advisor*, call Jillian Flynn, Tax Credit Investment Advisory Services, Ernst & Young LLP, at Jillian.Flynn@ey.com, 617-375-3796. There is no charge for a listing.

ERNST & YOUNG LLP

# of Properties Specified	% of Gross Proceeds (2)	Estimated Front End Expense Load (3)	All LIHTC Equity Raised & Closed by Syndicator in 2015
12	89%	NA	$54M
21	100%	7.50%	$195M
25	90%	7.35%	$115M
32	85%	5.50%	$47.5M
5	NA	NA	$55M
8	67%	NA	$38M
NA	NA	NA	$0
1	6%	3.00%	$0
0	0%	7.25%	$0
11	65%	8.00%	$32M
20	80%	7.00%	$463M
19	100%	NA	$34.8M
NA	NA	NA	$13.1M
NA	NA	NA	$30M
NA	NA	NA	$12M
17	100%	NA	$221M

Four Tax Credits Complicate Cumberland

By Bendix Anderson

Layers of financing complicated the plan to fix up the landmark Cumberland Arms Apartments.

"We've got four different tax credits, which adds a whole other level of compliance," says Greg Gossard, principal with the Hampstead Group, Inc., an affordable housing developer headquartered in San Diego, with an office in Bethesda, Md.

The rehabilitation of Cumberland Arms in Cumberland, Md., mixes housing, historic and energy tax credits. To get the maximum tax credit award, the developers committed to meet tough standards for energy efficiency.

That meant creating significant energy cost savings even though energy costs are now low – a challenge that almost derailed the project.

History and Future

By this June, Hampstead plans to close the construction financing for the Cumberland Arms. Once the financing has closed, workers will rehabilitate the 69 affordable apartments, working around the very-low income elderly residents, many of whom have lived at the community for years. Work should be completed by mid-2016. Hampstead bought the property in 2013.

Seniors in the area seem eager to live at the Cumberland. The property is 100 percent occupied with a long waiting list, according to Gossard.

The Old Fort Cumberland Hotel was first built in 1917. "Cumberland used to be a great shipping town, in the early 1900s," says Gossard.

The Chesapeake and Ohio Canal passes through town on its way from the Georgetown neighborhood of Washington, D.C., through the Cumberland Gap and on to the Ohio River Valley.

"Cumberland was one of the original corridors to the West," says Bill MacRostie president of MacRostie

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Cumberland, continued from page 32

Historic Advisors, which consulted on the Cumberland Arms project.

A path for bicycles now runs alongside the old canal. Tourism is a major industry for the town.

The Cumberland Hotel was turned into a community for low-income seniors in the 1980s. The 69 seniors apartments receive federal, project-based Section 8 subsidies from the U.S. Department of Housing and Urban Development (HUD). HUD recently renewed the contract for another 20 years.

The Energy Challenge

The biggest challenge so far in arranging the financing came from an opportunity offered by one of the four tax credit programs used at the property.

The Maryland Historic Rehabilitation Tax Credit provides a basic 20 percent tax credit to projects that preserve historic buildings – and provides a bonus that raises the value of the tax credit value to 25 percent of eligible basis if the renovation meets the tough Leadership in Energy & Environmental Design Gold standard for Existing Buildings: Operations & Maintenance (LEED-EBOM).

Buildings have to show significant savings to their utility bills to meet the standard. The original plan to rehab Cumberland would have replaced an inefficient gas boiler with heat pumps that run on electricity and a system of geothermal wells. The plan would save a great deal of energy, but the price of gas has fallen so much in 2014 that the planned renovation would not cut the building's utility costs enough to qualify for LEED.

"We would need to show large energy savings to qualify – our plan wasn't saving enough money," says Gossard.

Natural gas is especially cheap for the Cumberland property because it is located not far from where hydraulic fracking is producing huge amounts of relatively cheap, natural gas.

Hampstead re-arranged their planned renovation to find significant energy savings for Cumberland – even in a time of cheap energy.

The new plan replaces the inefficient boiler system, rated for 80 percent efficiency, with a more efficient, 90 percent boiler. The plan also adds energy-efficient windows, a green roof and an array of solar panels on the roof.

The solar panels will provide Cumberland Arms with federal energy efficiency tax credits equal to 30 percent of the cost of the panels. The geothermal system also would have provided a federal energy tax credit, but only equal to 10 percent of the cost of the system.

Layers of financing

It will cost a total of $11.5 million to recapitalize the Cumberland and preserve the seniors community as energy-efficient affordable housing.

Of that money, $5 million will come from the sale of four different kinds of tax credits to Stratford Capital, including $3.2 million from 4 percent federal low-income housing tax credits (LIHTCs), $1.0 million from federal historic rehabilitation tax credits, $788,000 from Maryland historic tax credits and $81,000 from federal energy tax credits.

Cumberland's 4 percent LIHTC came with the property's tax-exempt bond financing from the Maryland Department of Housing and Community Development (DHCD). Cumberland's developers considered applying for 9 percent LIHTCs, though the competition for tax credits in Maryland is intense.

The developers did not need to compete at all to get tax-exempt bond financing with 4 percent LIHTCs for Cumberland Arms. State officials were eager to provide tax-exempt financing and even provided Cumberland with $2.5 million in soft financing through its Rental Housing Works program.

Retail condominium

Cumberland Arms also includes seven small retail spaces on the first floor. Five of these are currently rented out to businesses, including a jeweler and a local bank. As part of the renovation, Hampstead will break the ownership of these retail spaces into a separate condominium, owned by Hampstead. That means the cost of utilities, like water and electricity, used in these retail spaces need to carefully be split out so they can be paid separately.

It was worth the hassle to split the ownership of the building because the LIHTC investors bidding to buy a majority ownership stake in the Cumberland seemed unwilling to pay extra for the income from the Cumberland's mixed-use space. The condominium structure will allow Hampstead to keep the income generated by the retail space. TCA

Weathering the "Forced Sale" Storm

Strategies for avoiding Year 15 conflict

By John W. Gahan, III, Esq.

The formation of tax credit financial partnerships to build affordable housing can be a joyous occasion. Both general and investor limited partners are optimistic. Regrettably, years later, the exit can be mayhem.

Many, if not most, tax credit partnership agreements (or operating agreements if the owner entity is a limited liability company) contain some iteration of a "forced sale" provision – a right exercisable by the investor to compel the general partner to find a buyer for the property on terms acceptable to the investor. The "forced sale" would apply whether or not the general partner wants to sell.

There are three elements that can be at play. The first is an investor's "forced sale" rights. The second is the partnership agreement's distribution sections relating to capital transactions, which apply in the event the property is sold. The third is the fact that most tax credit partnership agreements require distributions following a dissolution based on positive capital accounts.

What happens when these three elements coalesce in a single transaction and are read in conjunction with each other? The answer: a perfect storm of confusion, misunderstanding and anger, with general partners and their investors in conflict and wails from owners like "That isn't what we agreed to," "What happened to the 80/20 split?" "It can't mean that," and "But, I don't want to sell."

This storm has blown like a hurricane through partner interest dispositions in the past few years. How has that happened? And what can be done to insure against future storms?

Waiting for the end of the compliance period to address the issue is risky.

Owners and investors start to focus attention on property and/or partnership interest dispositions at or near the end of the tax credit compliance period, when investors have received the full benefit of the tax credits and the property probably needs a "facelift" (if not a complete makeover). Under circumstances in which the fair market value of the housing development has greatly appreciated, once the compliance period has ended, owners usually wish to retain their property and reinvest in its future. Investors however, may want out. But, "out" comes at a price. That price is viewed, by most owners with unfavorable language in their partnership agreements, as both unanticipated and exorbitant. Owners and investors addressing this subject today, in 2015, are operating pursuant to agreements drafted 10 to 20 years ago, and perhaps by different participants than those now involved.

In recent years, when post-compliance period property dispositions are initiated, attention gets focused on: (a) how to handle "exits" when the underlying agreement contains language that – from an owners' perspective – is "troublesome," and (b) how to write agreements going forward that, in the arena of dispositions, result is predictable and economically balanced outcomes. In other words, how to avoid the storm.

Both objectives can be achieved.

Evolution of "Forced sale" Language – and the Distribution Result

What got us into this perfect storm? It was seeded by a progression of seemingly innocuous and standard provisions that were inserted into partnership agreements starting in the early 90s. Then, piece-by-piece, agreements negotiated thereafter broadened what was a narrow "forced sale" provision to provide the investor with a clear path to exit a deal.

Tax credit partnership agreements have evolved over the past two decades. At the inception of the tax credit program, the industry was dominated by a small number of prominent investor groups. Investment documents were almost standardized. There were few secrets – everyone's documents looked more or less the same. Then, as changes were made to the tax credit program, new concepts were added to the standard agreement.

In 1989, Subsection (h)(6)(F) was added into Section 42. This provision created the process of "qualified contracts." Soon thereafter, investor-drafted partnership agreements started to provide that the investor could compel the general partner to request that the housing

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credit agency find a buyer of the property. In my opinion, the genesis of such provisions was the investor's desire to control the decision of whether to involve the housing agency in a sale.

What was originally a narrow "forced sale" provision tied to qualified contracts morphed into a general right of the investor to force a sale of the property after the compliance period.

General partners, failing to focus on the effects of the "distribution on dissolution" provisions in their agreements, may have asked their investor if, in lieu of a sale, they could purchase the investor's partnership interest. Investors agreed but dictated that purchase price for their interest needed to be what the investor would have received if (a) the property were sold at fair market value and (b) proceeds were divided in accordance with the distribution sections of the agreement. However, the applicable distribution section was not the Capital Transaction waterfall (as many owners and their counsel assumed); but rather, the distribution section related to dissolution.

To most general partners, that the investor may or does control the decision on whether a property is sold is frustrating enough. Adding that the distribution of proceeds between owner and its investor does not follow the so-called "back-end split" makes it heinous.

Why does the result come about? It's because:

1. the sale of all, or substantially, all of the (owner) partnerships assets is, by definition, a dissolution;
2. most capital transaction waterfall provisions start with the words "prior to dissolution," which means that the words that immediately follow (i.e. the waterfall) do NOT describe how proceeds are split in a sale of the property held in a single asset partnership/LLC; and
3. elsewhere in the document, in plain English, but without cross-reference, there is almost always an entire section devoted to "distribution upon dissolution" and, in that section, which generally references a sale of the project, the partnerships' assets are to be distributed in accordance with positive balances in capital accounts.

An example may help illustrate the difference in results. Suppose you have owned a property for 16 years. You have managed the property capably; yearly, after all expenses are paid, the property generates $50,000.00/$100,000.00 in cash flow. Now a sale could occur which could generate $1,000,000.00 in net proceeds. If the split is 80/20, the general partner would garner $800,000 and the investor $200,000. But if the investor has a positive capital account of $1,000,000.00 or more, the general partner would receive – ZILCH!

Was that the intended outcome? Most owners I know say "no – that was never the deal." Many investors (at least the ones who negotiated the original investment) would agree. Is it fair? That depends upon whom you ask. Is it avoidable? Yes, thankfully, with careful drafting.

In tax credit partnership agreements, distributions after dissolution (involving positive capital accounts) are not treated the same as distributions following a capital transaction. Tax lawyers and accountants usually insist distribution on dissolution language needs to be in the agreement, and it is that exact language that leads to the storm. But, even if one accepts the tax analysis reasoning for honoring dissolution distributions respecting capital accounts, the fact remains: a sale of partnership interest is not a dissolution. If what is sold is a partnership interest (not the property), there is no dissolution. What traps the owner is not the Internal Revenue Code but the language of the partnership agreement. What is the solution? Change the language of the agreement.

What can be done now?

First, go read all of your agreements. Don't assume you know what the language says and/or means. Ask yourself these questions as you read them:

- Can the general partner be forced by its investor to sell the property? If so, when and under what circumstances?
- If a general partner does not wish to sell, what alternatives are available? Can the interest of the investor be purchased? At what price and with what distribution of net proceeds?
- Can the property be refinanced (where proceeds will be distributed pursuant to the Capital Transaction waterfall) before an investor can force a sale?

Once you understand your documents, formulate a strategy to engage with your investor. Discuss refinancing options and/or future syndication opportunities,

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involving the subject property or other properties. But don't wait until the compliance period draws to a close. Since most forced sale provisions commence after the compliance period, engage with the investor in Year 11 or shortly thereafter.

What can General Partners do in the future?

1. Don't agree to "forced sale" provisions at all.
2. If the investor insists on a forced sale right, value the investor's partnership interest at the outset of the negotiation or, at least, don't agree on a purchase price for the interest based on what the investor would have received if there were a sale (if there isn't going to be a sale, why pretend?).
3. Insist on a right of first refusal provision to buy the property or an option to buy investor's interest. Options should be exclusive to the general partner and exist for a considerable period.
4. If an investor initiates a sale process (because the investor wants an exit), insist on an option to buy its partnership interest in lieu of a sale but without triggering a distribution based on positive capital accounts.
5. Impose a disposition/cooperation fee for a general partner who is forced into a sale.

Working through the pitfalls attendant to the disposition of partnership interest takes time and compromise. The parties' goals and expectations need to be balanced. Investors need an exit; owners need to be protected from a forced sale of their property in circumstances where the profits will not be returned to them.

One final thought

Don't be afraid of a blank piece of paper.

- You know the language that has upset you. Avoid it and write down what you want the deal to be.
- If you can't get what you want now, negotiate for it in the next deal. TCA

Affordable housing in post-rural America

To judge by our media, rural America is dead, the District 12 of under-educated and under-sophisticated people whose homespun values are leached into permanently gray landscapes and drawn, sere faces, and from which aspiring idealists escape. That popular view is a cultural outcome of half a century's continuous urbanization, a half-century that has largely coincided with the rise of the reinvented city that transformed itself from smokestack manufacturing to intellectual metropolis, whose name is its own glamorous brand.

What then is the business model of 21st century rural America? Though you may not realize it, finding the answer is absolutely critical for the affordable housing industry. It stumped me for years, but now I think I've figured it out.

As the cities have grown richer and more powerful, the shift in 'natural' growth pressurizes the economies of rural areas, with rural jobs disappearing or migrating overseas. And the old rural-economy models are no salvation. Farming isn't it, for although American farmers (along with Australians) are modern miracles of productivity, that productivity is mechanized, where yields and profits are up even as farming jobs are down. Leisure isn't it, because leisure is seasonal and while it may spawn resort hotels and time-shares, an empty condo buys no local services, and the jobs made in the leisure industry are in the main low-skill, low-wage, and low-upside. Weekend getaways aren't it, because the folks that leaf-peep or hike on Saturday afternoons drive back to the city grind Sunday night.

Without a business model to support job growth, there can be no population growth, and with population loss, a place's residential real estate values can collapse virtually to zero. That may be no problem for a president who's lived his whole life in high-income cities and enclaves but it keeps two-thirds of America's governors up at night. Even urban-dominated states have their rural economic laggards, such as upstate New York, western Massachusetts, and the San Joaquin Valley. And if we in the affordable housing and tax credit fields aren't delivering the goods for the rural parts of states, governors can bend QAPs until we do.

Ironically, the same forces that seemingly devalued place – dematerialization of capital and global banking,

David A. Smith

the explosion of broadband and the handheld-device revolution of ubiquitous connectivity – offer a new post-rural American alternative.

What has the city got that rural lacks? Infrastructure at scale. Density and diversity of people. Large-scale place-based businesses. Activity. Bustle. Congestion. High rents. Opportunity. Stimulus. Stress. Tiny living accommodations. Unaffordable ownership. All things that hipsters relish, like, or tolerate, and that make trendy HBO dramas.

What has rural got that the city lacks? Affordable homeownership. Convenient parking. Green space and fresh air. Large homes with front yards. Safety and schools to raise children.

Until 15 years ago, however, rural lacked one feature the city had: a window on the global world. Indeed, isolation is the Hollywood paradigm, isn't it? Uninformed hicks, monoglot hayseeds distrustful of innovation, new culture, and *furriners*.

No more. In post-rural America all the idea content the city can generate – all the world can generate – is now brought to the living room by iPad, satellite dish, Skype headset, UPS van, and Amazon drone. So if you want to start up an information-based company – software innovation, Web design, biomedical research – you just find yourself a bucolic environment down the road from a university, close to a feeder airport where the 48-seaters shuttle in and out to the mega-airhub … and you're in business for one-third the housing prices and one-tenth the hassle.

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Guru, continued from page 38

Even as America is urbanizing in macro, the post-rural environment is urbanizing in micro – dispersed smaller towns within a county are consolidating, perhaps even to only the county seat, with everything else village-scale clusters closer in minutes than in miles.

For housing, that means our tax credit sources should flow into developments like these:

- Historic-rehab of derelict century-old downtown icons into job-boosting mixed-use (flats over shops) and mixed-income (ownership, rental, affordable rental).
- Preservation and upgrading (for service enrichment and broadband living) of Section 202 elderly, Section 515 family, and physically obsolete public housing.
- Reinvention of local housing authorities from indentured servants of Panem HUD into post-RAD localized redevelopment authorities.
- Transformation of older residential areas into ethnic 'landing-pad' neighborhoods where newcomers from around the world can create Little Cairos, Bogotas, and Hanois on their way to their fondest wish – becoming Americans.
- Deployment of local non-federal, non-cash resources (land priced below market, zoning/density advantages, real estate tax abatements) into true workforce housing (above 60 percent AMI, below the local market-rent equilibrium) to attract those aspiring Americans – immigrants, urban escapees, young couples who want children that know sidewalks, not subways – to bring their energy, entrepreneurialismand innovation into the reviving post-rural downtown.

Urban redevelopment doesn't necessarily mean demolition and slum clearance. Instead it should mean what it was intended to mean: jump-starting economic growth in stagnant cities by using government resources to reconfigure property so that walkable neighborhoods are inhabited 24/7. A presidential candidate who articulates that vision of post-rural America would be formidable indeed. TCA

State Roundup

Arkansas Housing Trust Fund Pilot Program Invests $500,000 in Three Projects

The Arkansas Development Finance Authority's (ADFA) Board of Directors approved funding for three applications to receive $500,000 from the Arkansas Housing Trust Fund Pilot Program.

- Riverview Hope Campus, Phase I – $250,000
- Little Rock Owner-Occupied Rehabilitation Program – $230,000
- HOPE Continuum Revolving Deposit Fund – $20,000

The goal of the AHTF is to provide Arkansas communities a flexible source of funds to address affordable housing needs supporting persons at or below 80 percent of the area median income.

http://www.arkansas.gov/adfa

HUD Eases Requirements for RAD Projects in San Francisco

HUD waived for the San Francisco Housing Authority (SFHA), to a limited extent and subject to certain conditions, the 20 percent cap on project-basing and certain other provisions governing project-based assistance with respect to an identified portfolio that includes RAD funding. These waivers are in response to plans submitted by SFHA to address capital needs of the portfolio and preserve available affordable housing for the SFHA's jurisdiction. Without this waiver, SFHA states that its plan for improving its affordable housing portfolio with RAD would not be workable, and the conversion of units under RAD would not be effective for its purpose.

Maryland Accepting Applications for Small Commercial Tax Credits

The Maryland Historical Trust is now accepting applications for the Small Commercial Tax Credit. Eligible projects may earn a state income tax credit equal to 20 percent of qualified rehabilitation expenditures. Small commercial rehabilitations are defined as projects that do not exceed $500,000 in total qualified rehabilitation expenses and are not used for more than 75 percent residential rental purposes. The credit is capped at $50,000 in a 24-month period and must have a minimum of $5,000 of eligible expenses to qualify.

www.mht.maryland.gov

Minnesota Announces Deadlines for 2015 Consolidated RFP and 2016 Housing Tax Credits

Intent to Apply forms for the 2015 Consolidated Request for Proposals (RFP) or 2016 Housing Tax Credits (HTC) will become available in April and are due to Minnesota Housing by May 19. If you apply for 9 percent HTC under round 1 or round 2 and claim points for preservation, you must participate in a mandatory preservation pre-application session with staff by May 15. You must submit a pre-application prior to your mandatory preservation session. If you have any questions about the 2015 RFP and 2016 HTC, contact Kayla Schuchman at kayla.schuchman@state.mn.us.

www.mnhousing.gov

Ohio Collects Comments on First Draft of 2016-2017 QAP

The first draft of the 2016-2017 Qualified Allocation Plan (QAP) is now available on the OHFA website. OHFA will accept comments at 2016QAPMailbox@ohiohome.org through April 30, 2015. A second draft of the QAP is tentatively scheduled for release in early April 2015 to be followed by a second public hearing on April 18, 2015.

www.ohiohome.org/lihtc/ TCA

NH&RA News

Information on NH&RA and its Councils is available online at http://www.housingonline.com

PTEE Road Show in Indiana Will Bring Water and Energy Retrofit Information to Affordable Housing Executives

Affordable housing owners, developers, and others will gather in Indianapolis on April 7 to learn more about how water and energy-saving measures can boost revenues for their portfolios. The event will feature successful case studies, lessons learned, and information about local incentives and resources. NH&RA will host the event in partnership with the Indiana Housing and Community Development Authority at their conference center. Please contact NH&RA at info@housingonline.com or (202) 939-1750 for more information.

Upcoming Conferences

To register, and for more information, go to http://www.housingonline.com

National Council of Housing Market Analysts
2015 Spring Meeting
March 31, 2015
NH&RA/NCHMA Conference Center • Washington, DC

National Housing & Rehabilitation Association
Preservation Through Energy Efficiency Road Show
April 9, 2015
Indiana Housing & Community Development Authority Conference Center
Indianapolis, IN

National Housing & Rehabilitation Association
Preservation Through Energy Efficiency Road Show
May 7, 2015 • Grand Historic Venue • Baltimore, MD

National Housing & Rehabilitation Association
2015 Spring Developers Forum
May 18-19, 2015
Ritz-Carlton Marina del Rey • Marina del Rey, CA

National Housing & Rehabilitation Association
2015 Summer Institute
July 15-18, 2015 • The Hotel Viking • Newport, RI

NH&RA Announces PTEE Road Show in Baltimore, MD, on May 7

NH&RA will take the Preservation Through Energy Efficiency Road Show to Baltimore, Maryland, on May 7, 2015. The one-day event will provide affordable housing executives with the knowledge, tools, and connections they will need to conduct water and energy retrofits on their properties. In addition to the resources provided at the event, PTEE Road Show attendees will have access to a private social networking tool where they can ask questions, share experiences and learn from their fellow attendees and faculty on energy and utility efficiency initiatives. NH&RA is hosting the Road Show in partnership with the Maryland Affordable Housing Coalition. Please contact NH&RA at info@housingonline.com or (202) 939-1750 for more information.

Spring Forum Panels Will Discuss Private Equity, Tax Exempt Bonds, Partnership Dispositions and More

Top affordable housing developers, syndicators, and attorneys from across the country are preparing panel presentations on a number of issues facing multifamily affordable developers. NH&RA's Spring Developers Forum will feature discussions on preserving affordable housing with private equity, changes in the tax exempt bond market place, partnership dispositions for deals approaching year 15, and federal and state policy changes affecting developers. The event will take place on May 18-19 in Marina del Rey, CA. Please contact NH&RA at info@housingonline.com or (202) 939-1750 for more information.

Attendees Heard from Lenders, Investors, and HUD at NCHMA Spring Meeting

The National Council of Housing Market Analysts Spring Meeting provided members with an opportunity to collect feedback from the people using their products, as well as give feedback to HUD on the policies that affect

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them. At the March 31 event in Washington, DC, the NCHMA Advisory Committee led a panel with lenders and investors to discuss how market studies can better meet their needs. In another panel, the group discussed a draft revised Multifamily Accelerated Processing (MAP) Guide with HUD officials and provided suggestions and feedback to HUD to ensure the market study portion (Chapter 7) of the MAP Guide aligns with industry practices and standards. Please visit www.housingonline.com for more information about the event.

NCHMA Leaders Share Market Analyst Perspective at AHIC Spring Meeting

National Council of Housing Market Analysts Vice Chair Tad Scepaniak and Past Chair Rob Vogt spoke about the basics of market studies at the Affordable Housing Investors Council (AHIC) Spring Meeting. The presentation was part of an ongoing effort to build relationships between NCHMA and market study users.

NH&RA Board of Directors Elects New Directors and Officers at Annual Meeting

Jerome "Jerry" Breed, Partner at Bryan Cave in the Washington, DC office, was elected Chairman of the Board of Directors of the National Housing & Rehabilitation Association (NH&RA) at its Annual Meeting in Key Largo, Florida. He succeeds Bernie Husser, Executive Vice President of Richman Group Affordable Housing Corporation and head of its Boston office, who served as Chair from March 2013 to February 2015.

The NH&RA Executive Committee and Board of Directors also added eight new members: Charles Anderson of City Real Estate Advisors in Indianapolis, Indiana; Josh Cohen of Beacon Communities in Boston, Massachusetts; Michael Gardner of Gardner Capital in Saint Louis, Missouri; Dayna Hutchins of Holland & Knight in Boston, Massachusetts; Marshall Phillips of CohnReznick in Charlotte, North Carolina; Eric Polinsky of Carabetta Companies in Meriden, Connecticut; Kerri Toth of Royal American Companies in Panama City, Florida; and Ira Weinstein of CohnReznick in Baltimore, Maryland. Please visit www.housingonline.com for a complete roster of the NH&RA Board of Directors.

Public Housing Symposium Fosters Insightful Dialogue with HUD Officials

NH&RA's first-ever Public Housing Joint Venture Symposium offered attendees a unique opportunity to gain insight into the progress and updates to key HUD programs. More than 100 developers, syndicators, lenders, and other members of the affordable housing community gathered to voice their concerns and questions to HUD representatives, as well as connect with peer organizations that are working on similar issues. The Symposium took place the day before NH&RA's Annual Meeting in Key Largo, FL. Next year's Pre-Conference Symposium and Annual Meeting will take place on February 24-28, 2016 at The Breakers in Palm Beach, FL. Please visit www.housingonline.com for more information about the event. TCA

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income tax credits are not for the faint of heart, but we're learning!"

Bretos's operating philosophy has been the team approach, partnering with municipal authorities and developers to let each one do what they do best.

"We like to team up with affordable housing developers. One developer had tried in the past and failed, but he came to us for another try and we worked together."

Bretos feels that the 70 to 100-unit facility is most efficient in terms of providing services and she likes to cluster properties close to each other to take advantage of networks and accumulated knowledge. Mia has managed to do this in Florida, Georgia and Indiana, and is looking at other areas. She says through this approach they have obtained operating margins in the range of 24 percent.

It's a matter of empathy and compassion; just something that seems to make sense to us.

"We're always mindful of giving developers a return on their investments."

These kinds of facilities, programs and services require a tremendous amount of coordination in terms of funding, providers and in-house services. But as Beacon's Pamela Goodman notes, "It's a matter of empathy and compassion; just something that seems to make sense to us. And with the ACA, others are realizing this makes a lot of sense, and saves a lot of money." TCA

Member News

Bank of America Merrill Lynch Provided More Than $3.2B in Community Development Financing in 2014

Bank of America Merrill Lynch Community Development Banking provided more than $3.2 billion in loans, tax credit equity investments and other real estate development solutions to over 550 clients in 2014, creating more than 13,000 housing units for individuals, families, seniors, students, veterans and other at-risk groups across the country.

This effort included:

- A range of innovative financial solutions for developments, many of which incorporated green and transit-oriented elements.
- Nearly $2 billion in commercial real estate-based lending.
- More than $1.1 billion in tax credit investments.
- More than 140,000 affordable housing units over the past 10 years.

AHF Top 25 Affordable Housing Lenders Highlights NH&RA Members

Affordable Housing Finance released its list of the top affordable housing lenders for 2014. Collectively, the top 25 lenders provided more than $17.7 billion in construction loans for affordable housing and permanent loans for 9 percent low-income housing tax credit projects, Section 8 housing, and bond credit enhancements.

Seventeen NH&RA members were included on the list, with Citi Community Capital in the number one spot for the sixth year in a row, followed by Bank of America Merrill Lynch ($1,750 million), Oak Grove Capital ($748.5 million), Walker & Dunlop ($588.1 million), Prudential ($518.8 million), Red Stone Tax Exempt Funding ($510 million), Greystone Servicing Corp ($505 million), PNC Real Estate ($497.9 million), Stifel, Nicolaus & Co., Merchant Capital Division ($469.4 million), Hunt Mortgage Group ($466.8 million), RBC Capital Markets ($416.3 million), Red Capital Group ($375.1 million), Rockport Mortgage Corp. ($340.1 million), Dougherty Mortgage ($204.2 million), Lancaster Pollard ($186.3 million), Love Funding ($165.3 million), and Century Housing Corp ($118.9 million).

CREA Hires Mike Boyle as VP of Acquisitions for SE Territory

City Real Estate Advisors, Inc. announced that Mike Boyle has joined the organization as Vice President of Acquisitions. Boyle has been active in affordable housing finance since 2004. Boyle will be responsible for identifying, structuring, and closing affordable housing equity opportunities with a focus on the Southeastern region of the United States. He will be based in CREA's new office in St. Petersburg, FL, and report to Charles Anderson, Executive Vice President of Acquisitions. Boyle earned an MBA from the University of Notre Dame and a Bachelor in Finance from the University of South Florida. He also served in the U.S. Army.

Great Lakes Capital Fund Welcomes Chris Laurent as Regional Vice President

Great Lakes Capital Fund (GLCF) welcomed Christopher Laurent as Regional Vice President of its Wisconsin market. Laurent replaces Keith Broadnax, who has relocated to Indianapolis to oversee new business origination in Indiana. Laurent previously directed Wisconsin's Low Income Housing Tax Credit and multifamily bond programs at Wisconsin Housing and Economic Development Authority. He has also worked for several regional affordable and market-rate housing developers. Throughout his 20-year career, Laurent has been involved in the creation of nearly half a billion dollars of real estate development. He has been appointed by the mayors of Milwaukee and Madison to serve on housing and economic development committees and was president of Madison-based Porchlight, Inc.

GLCF also welcomes Chris Jillings to its Madison office as asset manager. Jillings will assist development partners with construction and lease-up activities throughout GLCF's Upper Midwest footprint. Jillings' previous experience includes work for a commercial Madison bank and national commercial appraisal firm. TCA

Bulletins

Breaking News from Washington and Beyond

HUD Awards 25 State Agencies $150M in Rental Assistance for Extremely Low-Income Persons With Disabilities

The U.S. Department of Housing and Urban Development awarded $150,369,989 in rental assistance to 25 state housing agencies. The awards will support the state agencies in providing permanent affordable rental housing and supportive services to approximately 4,584 households with extremely low-income persons with disabilities, many of whom are at high risk of homelessness or transitioning out of institutional settings.

The awards were made through the Section 811 Project Rental Assistance (PRA) program that enables persons with disabilities who earn less than 30 percent of their area's median income to live in integrated, affordable housing. Housing agencies in Alaska, Arizona, California, Colorado, Connecticut, District of Columbia, Georgia, Illinois, Kentucky, Massachusetts, Maryland, Maine, Michigan, Minnesota, New Hampshire, New Jersey, New Mexico, Nevada, Ohio, Oregon, Pennsylvania, Rhode Island, South Dakota, Texas, and Wisconsin received the awards.

HUD Announces FY 2015 Income Limits

The U.S. Department of Housing and Urban Development released FY 2015 Income Limits for Public Housing, Section 8, Section 221(d)(3) BMIR, Section 235, Section 236, and Median Family Incomes. HUD also posted Income Limits and Median Family Incomes by state. The income limits determine who's eligible for HUD assisted housing programs.

USDA Outlines Rural Voucher Program for FY 2015

A recent notice in the *Federal Register* outlines how the U.S. Department of Agriculture (USDA) will operate the Rural Development Voucher Program in FY 2015. Rural Development Vouchers are only available to low-income tenants of Rural Development (RD)-financed multifamily properties where the Rural Rental Housing loan (Section 515) has been prepaid (either through prepayment or foreclosure action), prior to the loan's maturity date.

The RDVP is intended to offer protection to eligible multifamily housing tenants in properties financed through RD's Section 515 Rural Rental Housing program (Section 515 property) who may be subject to economic hardship due to the property owner's prepayment of the RD mortgage. When the owner of a Section 515 property pays off the loan prior to the loan's maturity date (either through prepayment or foreclosure action), the RD affordable housing requirements and Rental Assistance (RA) subsidies generally cease to exist. Rents may increase, thereby making the housing unaffordable to tenants. Regardless, the tenant may become responsible for the full payment of rent when a prepayment occurs, whether or not the rent increases.

The Rural Development Voucher is intended to help tenants by providing an annual rental subsidy that will supplement the tenant's rent payment. This program enables a tenant to make an informed decision about remaining in the property, moving to a new property, or obtaining other financial housing assistance.

Study Shows How Energy Efficiency in Rental Housing Helps

A report on research conducted for Housing Virginia by Virginia Tech's Center for Housing Research states that residents of energy-efficient Low Income Housing Tax Credit developments, both urban and rural, saved an average of $54 a month on electricity bills, and those apartments outperformed new standard construction by over 40 percent with respect to energy consumption.

Legislation Seeks to Improve Energy Efficiency for Government-Assisted Housing

U.S. Senators Rob Portman (R-OH) and Jeanne Shaheen (D-NH) introduced a bill to encourage energy efficiency in housing that is subsidized by the federal government. The Energy Savings and Industrial Competitiveness Act of 2015 (S. 720) authorizes the U.S. Department of Housing and Urban Development's pay-for-success (PFS) demonstration to improve the energy efficiency of government-supported multifamily properties. The bill allows HUD to enter into PFS contracts with outside entities, which would raise private capital and work with energy service companies and others to make appropriate and economically justifiable upgrades.

Supported Services For Veteran Families Regulations

The VA issued final regulations for the program, which makes grants to entities that provide supportive services to very low-income veterans and families who are at risk for becoming homeless or who have recently become homeless. Contact John Kuhn, 877-737-0111 (toll-free).

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Housingonline.com/events.aspx

NATIONAL HOUSING &
REHABILITATION ASSOCIATION

Preservation Through Energy Efficiency Road Show

April 9, 2015

Indiana Housing and Community Development Authority Conference Center

Indianapolis, Ind.

May 7, 2015

Grand Historic Venue

Baltimore, MD

OTHER UPCOMING EVENTS

National Council of Housing Market Analysts
2015 Spring Meeting
March 31, 2015
NH&RA/NCHMA Conference Center
Washington, DC

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NATIONAL HOUSING &
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Marina del Rey, CA

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Summer Institute

July 15-19, 2015

Hotel Viking
Newport, RI