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2015 MarCom Award for Best Association Magazine

TaxCredit Advisor

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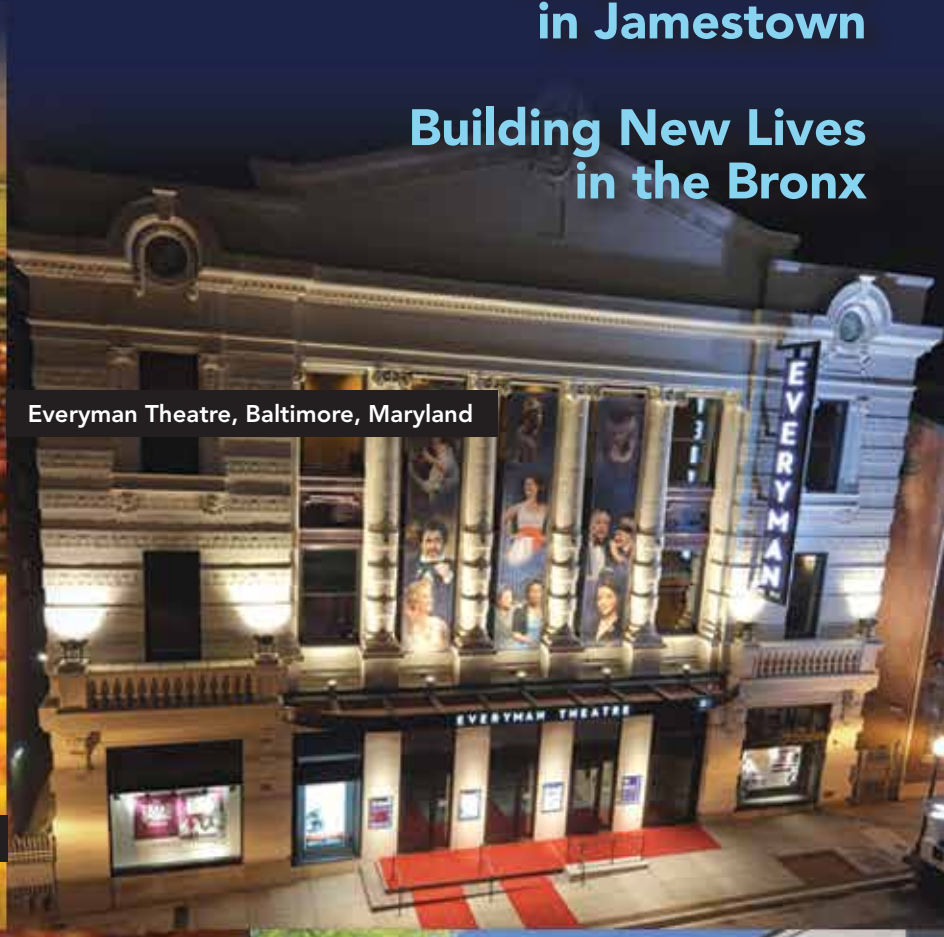
Proven (But Not Yet Permanent)

15 Years of New Markets Success

They Love Lucy in Jamestown

Building New Lives in the Bronx

Cormack Fresh Market, Milwaukee, Wisconsin



Everyman Theatre, Baltimore, Maryland

National Comedy Center, Jamestown, New York

Muller Center, Bronx, New York

DECEMBER 2015

Special Section: 15 Years of New Markets Tax Credit Success

Educare, Phoenix, Arizona.
Early childhood education and health center.

Low Income Housing Tax Credit

Management Issues

Columns

Departments

Story Architects

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BLUEPRINT FOR DECEMBER

Everybody Wins

At a stage where criticizing government as being dysfunctional and posting opinions have become our national pastimes, it is palliative to take a comprehensive look at the New Markets Tax Credits program as an antidote to cynicism and self-celebration. NMTC is a grand coming together of federal and local government agencies, private sector for profit and not for profit developers, and an array of financers for the good of communities both large and small. It is a program that has inspired the creation of health centers, schools, food markets, training centers, arts centers and much more in areas in which they would not exist but for this initiative. It is not just a win-win; it is a win-win-win-win-win. Communities win by gaining new facilities; cities and citizens win by gaining new jobs; governments win by gaining new tax revenue from the newly employed; investors win from gaining tax credits against income; developers win from gaining new assets; and we as a society win by gaining new pride in these accomplishments.

And yet, NMTC is not without its own irony: despite its paramount success in improving lives all across the country, it is a temporary program that, to date, requires annual renewal. Sometimes you are just forced to say, "What the hell?"

This year is the 15th year since implementation of the program, an idea inspired by Robert Kennedy, promoted by Jack Kemp and finally established via a compromise between President Bill Clinton and lawmakers. (And, by the way, that's another win: a government program that evolved out of bipartisanship.) So we asked our staff writer Joel L. Swerdlow to go back and trace the history of the program, the effect it has had on American cities and its current statutory status. (*Proven But Not Yet Permanent*, p. 14).

As examples of how creatively and beneficently that program is being utilized, our other regular contributors look at case studies of two new projects funded by NMTC. Bendix Anderson reports on the development of the Muller Center in the Bronx, New York that will provide both housing for the homeless and job training to try to end their battle with homelessness. (*Building a New Life*, p. 22). And Mark Olshaker reports on the development of the Lucille Ball Comedy Center in Jamestown, New York, the beloved comedienne's hometown, that will not only be a training ground for new talent, but also attract attention to a community in need of growth (*We All Love Lucy*, p. 24).

In addition to all the proponents of NMTC who have used this program and its tax credits to fund construction and are interviewed in Joel Swerdlow's historical overview, Darryl Hicks sits down for a *Talking Heads* interview session with Michael Rubinger, who will be stepping down next June after 35 years with and 16 years as President and CEO of the Local Initiatives Support Corporation (LISC), which invested $1 Billion in community development projects in the past year alone. (p. 8)

History is a force in the present that propels us into the future. While we chronicle the emergence of a vital program, we also want to look ahead at those who will be responsible for sustaining and building on its legacy. At NH&RA's Fall Forum in Boston in November, our Next Gen group of future company leaders had the privilege of hearing about the direction of affordable housing from David A. Smith. We share that presentation with you in both a report from team member Lauren Anderson (*Learning to Lead*, p. 35) and another straight from the guru's pen (*David Smith: The guru is in*, p. 6)

So if you are in need of encouragement about what government and business can accomplish together (and who isn't), please read on and enjoy.

Marty Bell, *Editor*

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Thom Amdur

Happy Holidays.

The end of each year is a reflective time and looking back over the past twelve months, it was a period of productive developments for NH&RA members and our industry at large.

The industry benefited from low interest rates and high equity pricing. Owners looking to redeem past investments through take-outs and refinances were able to take advantage of new products and compressed cap rates. The budget agreement passed earlier this fall—while a far cry from funding levels of only a few years ago—should put an end to many of the most devastating sequestration cuts and, barring a meltdown in the next few weeks, should avoid a holiday government shutdown, which hopefully will allow year end closings to proceed on schedule.

Looking ahead to 2016, we are entering a period of more dramatic change. With change comes increased risk and uncertainty.

Developers are already experiencing steady increases in construction costs, which we can expect to continue to rise, and in many markets, property taxes and other operating expenses are also ticking upwards. Furthermore, the Federal Reserve seems inclined to begin raising interest rates (presumably modestly at first) in the near future. Out in the distance our biggest existential threat, comprehensive tax reform, looms ever closer. With this as context, there are a number of corollary trends to watch out for in 2016.

For starters, we can expect to see more consolidation in the year to come. As our industry has matured and QAPs have evolved to promote smaller, deeper income skewed affordable housing deals, it has become more difficult to sustain growth through development alone. At the same time, many among the first generation of affordable housing and LIHTC owners are aging and considering graceful exits from the business or seeking to diversify their portfolios and holdings. The record setting pace of property sales we have observed these past two years will likely continue and we will see more enterprise and portfolio level transactions in the coming year as well.

Many of the same macro factors that will drive more consolidation should also drive more owners to focus on maximizing the value of their current investments. This includes increased and more systematic investments in asset management and energy efficiency, both of which we will continue to explore in the pages of *TCA* in the coming year. In an uncertain future where it will become more difficult to refinance your way out of trouble, owners should be taking proactive steps to lock in operational efficiencies for the long-term.

Finally, after a long wait, we are poised to gain access to the National Housing Trust Fund (NHTF). Barring a raid from Congress, this "new" program (not really new, but never previously funded) should be available in 2016. The NHTF will target a different demographic from HOME (which at time of press seems to have been resurrected in the Senate Appropriations process). It skews multifamily and seeks to target lower-income projects that could create more opportunities to recapitalize Section 8, USDA RD 515 and RAD transactions.

Uncertainty and change create opportunities for those who are nimble and willing to take strategic risks, which I find to be common characteristics of our NH&RA membership.

I hope these thoughts inspire you in 2016 and wish you a safe, fruitful and exciting new year! TCA

One gray ceiling is one gray floor

One man's ceiling is another man's floor.

– Paul Simon

At the beginning of my talk on leadership to NH&RA's Next Generation Leadership group in November here in Boston, my glib self-description ("either the room's youngest old person or its oldest young person") unwittingly voiced a generational paradox of our industry: what seems to older executives a gray floor seems to their younger colleagues a gray ceiling.

I know this from personal experience: I started in this business in 1975 (twilight of the Don Draper era) as the lowest of the low, a temporary typist, amidst a severe recession, in a company that before my arrival had shed half its executive staff, barely avoiding being shut down by its primary lender. Crisis proved opportunity: problems were plentiful, solutions were scarce, urgency was paramount, and there was nobody standing in the way. Learning was doing, doing was learning.

Forty-plus years later, I've never stopped either. But over those four decades, while I and many others were growing careers even as we collectively grew an industry, two things happened to my generation: we grew old, and we forgot that the business had ever been other than thus. It's long past time we remembered.

In recent years, among our work at Recap have been two meta-specialties:

1. Intra-partner valuations, particularly for executive buy-sell and retirement transfers.
2. Business strategic planning, including de-risking from overdependence on a handful of quirky Federal programs and identifying major housing challenges that need new solutions.

Both of these specialties confront the gray floor and gray ceiling:

- To the older generation looking for equity buyouts and transition to a less-frenetic but not-idle retirement, the org-chart floor below is a gray fog from which no leaders are emerging.
- To the younger generation seeking career paths, promotion, and equity buildup, the C-suite ceiling above is a gray cloudbank that squelches innovation and risk-taking.

David A. Smith

Even as Next Generation members are looking for mentorship, innovation space, and opportunities to do things differently, those who mentored me (the ones still in the business) are looking at precisely the same problem but call it succession planning, knowledge transfer, and leadership development.

In truth, all of us are Dorian Gray. Youth is a shiny costume that devalues intelligence, aspiration, and courage. Age is a baggy ill-fitting suit that obscures the soul and clouds the judgment. Senior executives do not see in their current staff their past selves, though they absolutely should, because when my peers were inventing today's affordable housing world we were children too, and somehow it didn't stop *us*.

No matter your age, role, platform, or seniority, as an affordable housing executive you must always be both a mentor and an apprentice.

In my career, nobody taught me … or perhaps everybody taught me, some more consciously than others. No matter your age, role, platform, or seniority, as an affordable housing executive you must always be both a mentor and an apprentice. Apprenticeship – yours or your colleagues' – is your R&D. Your next breakthrough business lines will come not from industry gatherings but from the light of conviction in your ambitious colleagues' eyes; that flame must burn brightly or die trying.

Wisdom is good; so is courage and, gerontocratic though human societies may be, any business, any industry, needs both. Especially now: double-bottom-line investment banking – which is what we do, never let anyone belittle it – is all about inventing and demonstrating viable transactions for urgent housing-related problems by stretching existing paradigms or creating entirely new ones. Its essential skill is rigorous creativity, or creative rigor – analysis and imagination in equal measure.

Guru, continued on page 7

Guru, continued from page 6

For four decades, our industry has existed on the ever-shifting intersection between political will (as expressed in subsidy and resource flows) and capital-markets viability. We have to out-think the political markets, and for that we need innovative courage: to stop thinking about where the subsidy currently is and how to capture more of it. Instead, think about what urgent housing problem isn't being solved now, design a solution for it, and the solution will summon its own resources.

Via the Affordable Housing Institute, I work on affordable-housing-related topics all over the world, from Abu Dhabi to Zimbabwe, and speak on these topics in gatherings large and small; nevertheless, that two-hour talk to the Next Generation audience just down the street from my office was among the most personally moving I've given in the last year and a half, because it reconnected me to our industry's leadership challenge: if you don't help the next generation up, then the current generation has nowhere to step down.

Leadership is demonstrated; trust is granted before it is earned because it can be earned only after it has been granted; learning requires permission to risk and to fail; and delegation takes the courage not to busybody afterwards.

Dissolve the gray ceiling, cut through the gray floor.

Always be teaching. Always be learning. Always be delegating. Always be aspiring.

Your career, your business, and our industry, depend on it. TCA

Talking Heads

Michael Rubinger, Local Initiatives Support Corporation: Building Sustainable Communities

By Darryl Hicks

Michael Rubinger was heavily influenced by John F. Kennedy's poetic words, "Ask not what your country can do for you, ask what you can do for your country." Michael studied international relations and was planning to travel the world assisting developing countries. When America's society started fracturing in the mid-60s, he felt it was more important to focus on improving the home front, which he did by teaching math and social studies at a public school in Harlem for two years.

These humble beginnings would lead to one of the most prolific careers in affordable housing.

Michael joined New York City-based Local Initiatives Support Corporation (LISC) in 1980, becoming its President and CEO in 1999, and helped chart the company's early course of revitalizing inner-city urban housing, driving its expansion into long-neglected rural areas and in recent years developing a comprehensive approach of building safe, healthy neighborhoods now known as "Building Sustainable Communities." Today, this concept is being replicated all across the country.

LISC, which has offices in 30 cities, invested $994 million last year in community development projects, with private companies, nonprofits, and government agencies chipping in another $3 billion. The result was more than 17,000 affordable homes and apartments and the addition of 2.1 million square feet of retail and community space. LISC has started schools, child-care facilities, and health clinics; built playing fields; and dispensed loans to businesses. The goal is to transform urban areas of decay and neglect into neighborhoods where people want to live and work.

Tax Credit Advisor sat down with Rubinger to discuss these revitalization efforts and his legacy.

***Tax Credit Advisor:* Tell us about yourself. Where did you grow up? What was your college major? What was your very first job out of college?**

Michael Rubinger: I grew up in the New York metropolitan area, attended Brown University where I majored in International Relations, and from there I got my Master's at the Fletcher School of Law & Diplomacy at Tufts University. My first job out of college was teaching social studies and math in the New York Public school system at an all-male junior high school in Harlem. I did that for two years before moving on to The Ford Foundation.

Michael Rubinger

***TCA:* You once told an interviewer that you wanted to work overseas in the developing world after college, but felt it was more important to focus on America's blighted cities. Why did you choose that career path?**

Rubinger: I was a product of the Kennedy years. As a nation, we deluded ourselves into thinking that everything was okay here in this country and what we needed to do was focus on the rest of the world. And then in the mid-60s, the country exploded. I felt we needed to refocus and think about taking care of our own backyard before worrying about everybody else's. My experience teaching in Harlem reinforced that, when I realized firsthand how bad things were in the inner city. That's when I decided to work for The Ford Foundation.

***TCA:* How did your time at The Ford Foundation shape your future?**

Rubinger: Ford had a very eclectic agenda. I worked in the National Affairs Division, in the Office of Social Development. I arrived in 1970 at roughly the same time that The Ford Foundation was putting together its first community development initiative, which focused on supporting Community Development Corporations in 10 to 12 cities. Ten years later, LISC evolved out of that program.

Talking Heads, continued on page 10

Talking Heads, continued from page 8

As the program expanded, The Ford Foundation realized that it could not continue managing everything internally, so it created LISC in 1980 as an intermediary to expand the Foundation's work in community development and grow the number of CDCs that it was working with. Now I was gone by that time. I left in 1975 to work for an organization called Manpower Demonstration Research Corporation, a social research organization, and then I worked for New York Mayor Ed Koch during his first administration. But I ended up going back to Ford to work on LISC. The field of community development was evolving and I happened to be there at the right time.

TCA: Last year, LISC invested almost $1 billion toward community revitalization projects. How can affordable housing developers leverage your financial resources? What are your most popular programs? What do you look for in a partner?

Rubinger: LISC is organized geographically, so we have certain places that we target. Our headquarters is located in New York City, but we have offices and staff in 30 cities. We also have a rural development program that reaches into 38 states, but the bulk of our work is focused in these 30 cities. We principally work with non-profits, but we do occasionally work with for-profit developers. Our non-profit partners are community-based organizations. We feel it is important for the residents in the communities where we work to be involved, to have a say in what goes on and a stake in what gets accomplished. We work with these organizations in any number of ways. We have grant programs that provide early seed money, pre-development money for planning and the like. We have loan programs that help finance projects as they get underway. As a non-profit ourselves, we are better prepared to come in early and take on more risk than private capital. Much of our lending is of a pre-development variety, such as land acquisition, so that we can get the projects to a point where they can attract more conventional financing. We also have a subsidiary in Chicago called the National Equity Fund that is a major syndicator of Low Income Housing Tax Credits. We have a New Markets Tax Credit program as well that helps finance a wider array of community projects. LISC fills gaps that conventional financing may not want to do. We provide a level of comfort for conventional lenders to come into these deals.

TCA: LISC received a $77 million allocation of New Markets Tax Credits in June. What is your opinion of this program? Do you support making it permanent? Is there enough support in Congress to make the program permanent?

Rubinger: It's a great program and a complement to the Low-Income Housing Tax Credit. When it came along at the end of the Clinton Administration, New Markets broadened that opportunity, so that now we could do more than just housing. We could finance business development, community facilities and other forms of commercial and retail real estate. It has allowed us to do projects that we never would have been able to do. That said, I certainly support making it permanent but I don't know if there is enough support in the current Congress to do that. In the context of a Congress where anything is difficult to get done, I don't know how we can feel overly optimistic. However, we and others have done a lot of work educating the Congress on the value of the New Markets Tax Credit. We testify. We meet with Representatives and their staffs. And we take them out to as many projects as we can, because that is the best way to see the program. Fortunately, we are able to get the New Markets Tax Credit extended every couple of years, but we need to make it permanent and I hope it will happen soon.

TCA: Do you have a favorite New Markets project?

Rubinger: There is one project in Washington, DC that is being put together by an organization called SOME, which stands for So Others Might Eat. SOME has done a lot of work over the years in expanding access to affordable housing but this project – called The Conway Center – also involves the expansion of a Federally Qualified Health Clinic from 5,000 square feet to 37,000 square feet. When it is completed, the clinic will serve 3,500 more people every year. The facility provides a full range of services, including primary healthcare, internal medicine, pediatrics, OBGYN, mental health and substance abuse, in what is a very poor community where 25 percent of the population is living in poverty. The health clinic expansion has spurred the development of 180 units of affordable housing financed with Low Income Housing Tax Credits and a center for employment training. So it has a lot of different parts: housing, healthcare, and employment and training. It is a project-level version of what we try to do

Talking Heads, continued on page 12

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Talking Heads, continued from page 10

more broadly in all of our communities. It is a tremendous opportunity and a catalyst for the area where it is being built. The investor and lender is Morgan Stanley and The Kresge Foundation out of Detroit is also providing loans for this project. The health clinic alone will cost $15 million and it is using about $13 million in equity from New Markets Tax Credits. It is a great example of what you can do with New Markets Tax Credits and how flexible they can be.

TCA: In September, the Federal Reserve Board appointed you to a 15-member Community Advisory Council. What is the FRB hoping to achieve from this advisory council?

Rubinger: I am fortunate to be chairing the committee. My belief is that the Fed wanted a voice coming directly from communities. The people who are serving on the panel are all engaged in local community development activities, so the Fed will get a good feel for what is going on in America's communities. What they want to hear from us is what is going on in low and moderate income communities and how government policies are impacting those communities.

TCA: One of your biggest initiatives right now is the Healthy Futures Fund, which ties housing with health care. How did this come about and what impact is it having in low-income communities?

Rubinger: We were looking for opportunities to get more involved in the financing of health clinics in the neighborhoods where we worked. It was The Kresge Foundation who suggested that we develop a fund that was explicitly created, on the one hand to finance Federally Qualified Health Clinics, but also was deliberately connected to affordable housing in order to provide tenants with easier access to medical services. We then went to Morgan Stanley and they invested in the first fund, which we established three years ago and have since committed the entire $100 million investment to projects around the country. A second round of $100 million was recently announced. LISC's financial contribution will be providing New Markets Tax Credits, while Morgan Stanley is both an equity investor and lender and The Kresge Foundation is a lender and grant maker. These are Federally Qualified Health Clinics that by definition are intended for very low-income people. The Conway Center project I just described in Washington, DC is being financed through the Healthy Futures Fund, while the affordable housing piece is being financed through LISC's National Equity Fund using Low-Income Housing Tax Credits. The 180 units of housing will be connected directly to the clinic, providing easy access for those residents to take advantage of the health services. The clinic will also be available to the broader community as well.

TCA: When describing the process of revitalizing neighborhoods you once said, "If you do housing, it's not enough. If you do jobs, it's not enough. You have to deal with all the things that make up a desirable neighborhood, and you kind of have to do all of them at once." What do mean by that?

Rubinger: LISC started out in the 80s as an affordable housing finance organization. We had considerable success, but what we realized over time was that it was not enough. We had to deal with all of the other social and economic issues facing these communities. Developing the housing was fine, but if you did not do something about the schools, then people would leave. And if you did not do something about safety then it would be difficult to attract businesses into the neighborhood. There would not be jobs or places for people to shop and quality of life would be affected. To create a sustainable, healthy and desirable neighborhood you have to take on all of these issues. Obviously, it is hard to achieve, but that is what we are trying to do.

TCA: You recently announced that you would be stepping down in June 2016. What has been your crowning achievement thus far? And what do you want to be remembered for?

Rubinger: I think LISC has grown and is stronger and doing more things in more communities now compared to when I took over in 1999. It was a strong organization to begin with, but I am proud of our growth and expansion. And more specifically I would like to be remembered for the strategy that I just described, which we call *Building Sustainable Communities*. It is a comprehensive approach to development that is impacting hundreds of communities and I see other people in the affordable housing field moving in this same direction. I am happy to be associated with this strategy and this progress. TCA

Educare, Phoenix, Arizona.
Early childhood education and health center.

Bornstein & Pearl Food Production Center,
Boston, Massachusetts. Incubator for food based businesses.

American Locomotive Works, Providence, Rhode Island.
Retail, offices, affordable housing.

Proven (But Not Yet Permanent)

15 Years of New Markets Tax Credit success

By Joel L. Swerdlow

- *"The New Markets Tax Credit Program has a history of success, leading to billions of dollars in investments and thousands of jobs in rural and urban communities around the state. I'm pleased to join my colleagues to introduce this bipartisan bill and make this tax credit permanent so that we can continue to encourage investment, job creation, and economic growth in low-income communities.…"*

- *"[T]he New Markets Tax Credit program [is] a proven job creator. [It] has been incredibly effective in delivering capital to underserved communities. The program has provided over $6 billion in total project financing to our state, creating nearly 50,000 construction jobs and 20,000 full-time jobs over the last ten years. Development projects, like … a $42 million project that will add additional chemotherapy treatment chairs, additional breast cancer screening and treatment space, and new cancer research and clinical space—as well as other projects all across the state… have contributed greatly to economic growth …."*

These can't-tell-them-apart statements were made recently by prominent U.S. Senators—one, a liberal Democrat; the other, a conservative Republican—in support of legislation [see sidebar, p. 16] that would renew the New Markets Tax Credit (NMTC) and keep it from expiring every few years. Despite such bipartisan appeal, NMTCs may be trapped in a strange new status quo in which such tax credits are routinely allowed to die, only to be revived—or not revived— while evidence of their success remains unchallenged.

The bipartisan idea behind this NMTC bill—that federal tax credits can attract private capital to, and help unleash marketplace potential in, the nation's most distressed, undercapitalized communities—is built into NMTCs, which began in a compromise between President Bill Clinton and congressional Republicans in 2000: The GOP would support a federal program designed to improve life in the nation's poorest neighborhoods; Clinton and his fellow Democrats would support doing this via a tax credit that attracted private capital (as opposed to allocating tax dollars) and removed control over this credit from federal bureaucrats.

The compromise was not especially painful for either side because it emerged from the ideas and work of liberal icon Robert F. Kennedy in the late 1960s, and Reagan apostle Jack Kemp in the 1980s and early 1990s. By wanting to attract private capital and emphasizing local control, RFK challenged liberal orthodoxy; and by arguing that market forces alone would never allow some neighborhoods to rise out of extreme poverty, Kemp questioned his party's growing government-is-always-bad mantra.

The resultant NMTC, implemented in 2003 after two years of preparation by the George W. Bush Administration, has demonstrated what unleashing the marketplace can achieve: NMTC investments, for example, have leveraged more than twice their total value in overall revenue, generating close to a million jobs and tax revenues that exceed the costs of the tax credit. And virtually all of this has happened in urban and rural communities experiencing high unemployment and poverty rates.

Proven, continued on page 15

Proven, continued from page 14

And they have done this in a way that addresses the entire community. "Beyond creating jobs and generating economic activity, the NMTC helps enhance community revitalization efforts by financing community facilities and other important quality of life amenities," says Bob Rapoza of the Washington, D.C.-based New Markets Tax Credit Coalition. "Between 2003 and 2012, more than 1,400 NMTC projects involved community amenities, like healthcare facilities, schools, nonprofit service providers, and daycare centers and more than 500 projects were manufacturing businesses and facilities."

No one, not even those who oppose use of federal tax credits to pursue public policy goals, has challenged the accuracy or significance of such figures. Nor does anyone challenge the demand for NMTC. Since day one of the NMTC program, for every dollar of credits allocated, private investors have applied for more than eight dollars of New Markets credits.

Continuous Evolution

A partial explanation for this success is the NMTC's continuous evolution. "The program has improved since the early days in a variety of ways," says Rapoza. "In the early days, there were more traditional downtown redevelopment projects and retail projects. Now, thanks to a statutory change encouraging rural investments along with increased competition for NMTC allocation, the program is spread more evenly to rural areas and to a wider variety of projects in nearly every business sector. As investors became more familiar with the program, pricing of credits has increased. A higher price means more subsidy to projects in low income communities. We also have more variety in NMTC projects now. We have an increasingly diverse economy, and the NMTC reflects that economic diversity."

Such flexibility emerges from the structure of the NMTC itself. Congress specifies an amount of NMTCs, which are allocated by the U.S. Treasury to nonprofit Community Development Entities (CDEs), which, in turn, attract private investors, who receive a 39 percent seven-year credit against federal income taxes.

"A CDE sees the demand and pipeline of projects in need of funding," says Andrea Daskalakis, Chief Investment Officer of the Massachusetts Housing Investment Corporation., which has been involved in dozens of NMTC projects. "CDEs are typically well-positioned to see the local impacts projects have in communities they serve. They can see the network of relationships among various NMTC participants more clearly than others. CDEs work with a variety of projects, investors, and other funding sources, and they develop a dynamic network. Due to the variety and volume of investments that CDEs are responsible for, CDEs are well-positioned to match capital with deserving projects. They leverage their networks to help close deals, fill funding gaps and get deals done that might not otherwise be attractive to an investor, and set the stage for future NMTC projects.

"CDEs are also in a good position to evaluate the likelihood of whether possible NMTC projects will actually create local permanent jobs or otherwise transform a community or keep a community stable."

The Investor Perspective

Investors add their perspective. "We typically have a national footprint, so we get to see deals across the country and with a variety of CDE partners," says Leigh Ann Smith, Senior Vice President of Community Development Banking at Bank of America Merrill. "We see best practices and can help facilitate sharing of those amongst the CDEs. NMTC serves as a critical gap-filler financing tool for significant numbers of projects each year. So you'd see many projects simply never get off the ground because they don't have the capital, particularly those involving thinly capitalized new businesses or non-profits. The NMTC has also been effective in steering development activity with significant job creation to rural and distressed communities that otherwise would have happened in higher income and urban communities."

Adds, Matt Philpott, senior vice president of U.S. Bancorp Community Development Corporation, which has invested hundreds of millions of dollars in NMTC projects, "As a tax credit investor, we see a wide range of projects that are looking for financing. NMTC is a very flexible financing tool and, as a result, it has become very sought after to fill financing gaps. We work closely with over 200 CDE partners and we see how passionate they are to meet the mission of the NMTC program and to deploy this scarce source of capital into disadvantaged

Proven, continued on page 16

Proven, continued from page 15

communities. Every year the industry gets more efficient at delivering the benefit of the NMTC. Even though these investments are made in some of the most distressed communities across the country, we find that there is a remarkably high level of success in the businesses financed. Not every business succeeds as projected, but in our experience, the default and loss rate is on par with, and sometimes better than, that experienced by market-rate lenders.

"The NMTC has been a key catalyst for getting projects financed in distressed communities," says Philpott. "Given that there are few equivalent and flexible means of subsidizing private capital for businesses in underserved communities, it simply means that the developments won't get built and services won't be brought to these low income areas. Private market-rate investors and lenders will likely not fill the gaps tailor-made for NMTC due to the perceived higher risks of investing in these communities. The other casualty of letting the NMTC disappear is the potential loss of more than a decade of infrastructure that CDEs and CDFIs have built to attract private capital, deploy it into communities and manage/monitor the impacts over time. Many of these entities rely on the availability of NMTC to keep their lending/investing operations going. This is infrastructure that the federal and state governments don't have to maintain on their own. So, when you consider the start-up costs to implement some other equally effective, flexible community development program poised to deploy capital quickly on a national scale in both rural and urban areas, one must consider the impact of letting this infrastructure deteriorate or disappear."

The Developer's Perspective

Developers, too, have valuable experience. "One of the things we have noticed is the difference in the impact that NMTCs can have depending on the size of the development," says Kevin McCormack, President of St. Louis-based McCormack Baron Salazar, Inc., which has done NMTC projects since their inception. "For the big developments, a shopping center with an anchor tenant or a large office building, the NMTCs might encourage moving the project a few blocks to get into a Qualified

Proven, continued on page 17

Inching Towards Permanence

The New Markets Tax Credit Extension Act of 2015

Now is the perfect time to tell Members of Congress what you think about S. 591 and H. R. 855. Introduced in the U.S. Senate and House of Representatives respectively last February, these bills are identical twins with the same name, "New Markets Tax Credit Extension Act of 2015. Both have the same wording and purpose, and are summarized the exact same way by the Congressional Research Service, Congress's nonpartisan research office:

> *Amends the Internal Revenue Code to: (1) make permanent the new markets tax credit, (2) provide for an inflation adjustment to the limitation amount for such credit after 2014, and (3) allow an offset against the alternative minimum tax for such credit (determined with respect to qualified equity investments initially made after the enactment of this Act).*

Both S. 591 and H.R. 855 have strong bipartisan sponsors—to-date more than five dozen in the House, and seven in the Senate. Both have been assigned to committees, both await action; and both are still gaining bipartisan strength. Ten of 16 Representatives from the key presidential swing state of Ohio, for example, have already endorsed H.R. 855.

And there's one more reason to express your opinion: both can be amended as they go through committee and are subjected to floor action. TCA

Proven, continued from page 16

Census Tract or allow the owner to give rent concessions or help in the negotiations for better wages and benefits for workers. The NMTCs are just one tool, an important tool, but not the only tool in the public sector tool box. For bigger deals, NMTCs are often combined with other subsidies to make the development possible. In smaller deals, the non-headline-grabbing ones, like mixed-use buildings anchored by a non-profit headquarters, schools, innovative healthy food providers, NMTCs make a big difference in the overall feasibility, timing, location and stability of the projects – many of these developments would not be possible without NMTCs. There are not enough other subsidiaries and/or philanthropic donations out there to support these sorts of projects. Some of them might have gotten done, but they would have been smaller, less impactful and might be on less secure financial footing.

Aerofarms, Newark, New Jersey. World's largest indoor vertical farm.

Commonwealth Dairy, Brattleboro, Vermont. Yogurt plant.

Terra Network, Northwest Alaska. Brings broadband internet access to remote regions.

"There is really no assistance for these types of deals in low-income areas – especially the smaller projects. Philanthropy and CDBGs [community development block grants] are limited and are often not focused on driving benefits to low income persons. NMTCs are an important inducement to creating jobs and commercial development in qualified census tracts. Without NMTCs, the toolbox for making qualified census tracts an attractive place to invest is pretty small."

Fear of Disappearance

Such worries about "letting it disappear" have become a defining characteristic of NMTC. When enacted in 2000, it was set to expire in 2008, and since then, amid the turmoil of the Great Recession and Obama era politics, its longest period of renewal has been two years. Hence, current efforts to make the NMTC "permanent."

Of course, "permanent" is misleading because it simply means escaping the now-normal periodic death routine. Congress can kill any tax credit anytime it wants. Permanent primarily means what is always a high priority for the business community: predictability. "A long term or permanent authorization will provide investors and CDEs more time to plan and invest in the infrastructure necessary to support the program," says Bob Rapoza, whose New Markets Tax Credit Coalition uses the phrase, put "on a longer time frame."

Matt Philpott of U.S. Bancorp Community Development Corporation explains the importance of predictability: "Because many developments and growing businesses in disadvantaged areas can take much longer to arrange financing relative to an established economically stable community, a high level of certainty in the eventual availability of capital is the key to long-term success in

Proven, continued on page 19

Proven, continued from page 17

community development finance. Having a known availability of NMTC would allow long lead time community development projects to be planned with greater certainty and for even better infrastructure to be developed to implement the program objectives. If the program ceases to exist when projects are ready to be financed, it's very difficult to establish what the available sources of capital will be. If the need for NMTC is a critical source for a project, it then makes it difficult to attract other sources of capital if those providing the financing don't have comfort that the other sources are available. It's a bit of a Catch 22."

The same holds true from the CRE perspective. With permanence, says Andrea Daskalakis, of the Massachusetts Housing Investment Corporation, "more CDEs might enter the market. Right now, those that have been in the market since the beginning know the ropes and do a great job — but it may not be worthwhile for new entrants to make the sort of investment needed to enter the market when the future of the program is in doubt. Permanency would likely attract both new CDEs and new investors. Additional investors in the marketplace could lead to improved pricing for NMTC transactions, and thus more money flowing into low income communities. Also, permanency would encourage all industry participants to commit to efforts to improve efficiency in closing transactions, e.g., standardized documents, thereby reducing transaction costs and, again, increasing the flow of money into low income communities. The certainty and stability of a permanent credit would allow CDEs and their investors to plan with confidence."

Leigh Ann Smith of Bank of America Merrill summarizes the biggest impact of permanence in one phrase, "elimination of inefficiencies."

We need more than housing – we need jobs, commerce, schools, health centers, recreational facilities, grocery stores – and there is no better, single tool that can address all of these non-housing needs available right now than the New Markets Tax Credit."

Precedents for Permanence

A precedent for making NMTC permanent can be seen in the Low Income Housing Tax Credit, which was enacted in 1986 under Ronald Reagan and made permanent in 1993 by George W. Bush. "When LIHTCs became permanent," says developer Kevin McCormack, "the pricing on the credits got better but, more importantly, the costs associated with the legal structuring were reduced."

In the need to escape the trap of being "temporary," NMTC are far from alone. A 2015 study by the Congressional Research Office documents "fifty-two temporary tax provisions [including the New Market Tax Credit] that expired at the end of 2014," most of which have been "extended" by Congress. That a trap does exist can be seen in the research-and-development tax credit, which enjoys widespread, bipartisan support and has been allowed to expire at least fourteen times.

According to the CRS, Congress enacts temporary tax provisions primarily to give itself "an opportunity to evaluate [their] effectiveness"—which is ironic because according to people who work with NMTC, the best way to increase effectiveness would be to end the continual death-and-renewal-retroactively battles.

In addition to making it "permanent," experience with NMTC has generated a long and varied list of suggested improvements. Included (not in order of importance) are clarifying what is permissible in order to reduce closing costs; creating a quality control mechanism to assess outcomes; easing complicated, technical rules such as those that define "true debt;" setting up regular working groups between representatives of the industry and Treasury Department officials to remove obstacles to use of the tax credit; increasing the credit to more than 39 percent; exempting NMTC investments from the Alternative Minimum Tax (AMT); and indexing NMTC allocations to inflation.

Summarizing all of this best is Kevin McCormack. "As someone developing urban communities," he says, "we need more than housing – we need jobs, commerce, schools, health centers, recreational facilities, grocery stores – and there is no better, single tool that can address all of these non-housing needs available right now than the New Markets Tax Credit." TCA

2015 NMTC Allocation Round

Significant New CDFI Restrictions Are Imposed

By Donna Rodney and Jerry Breed

The Community Development Financial Institution Fund (CDFI), which provides credit and financial services to underserved populations and oversees the distribution of New Markets Tax Credits, made a number of changes for the 2015 application round, the most significant being the imposition of restriction on the use of Qualified Low Income Community Investments (QLICI) proceeds. The initial concern voiced by the IRS and Treasury was the use of related party leverage loan and short term bridge financing. To address their concerns, IRS and Treasury announced that they had opened a guidance project to address perceived "abuses" in the structuring of New Markets Tax Credit ("NMTC") transactions. While it was initially thought that such guidance might be issued on an expedited basis, no guidance has been issued to date and the estimated issue date of the guidance has been deferred.

In response to the opening of the Treasury guidance project, the Novogradac NMTC Working Group and the New Markets Tax Credit Coalition circulated detailed examples and commentary for public review and submitted the resulting product to IRS, Treasury and CDFI. ("IRS Submission") The IRS Submission proposed restrictions on Qualified Active Low Income Community Business (QALICB) payments to related parties from QLICI proceeds as a way of limiting the size of leverage loans. The proposed restrictions included a three year window on reimbursed costs with reimbursed amounts to be limited to the greater of fair market value or cost for contributed assets and rights. To avoid the application of new rules which were inconsistent with prior practices to closed transactions, the proposal also suggested that CDFI address these concerns through the issuance of some new frequently asked questions ("FAQs") applicable to the current application round.

Treasury, IRS and CDFI concerns regarding the appropriate use of leverage loans and short term bridge financing came to a focus with the publication of a series of newspaper articles which criticized a 2012 NMTC investment into the Great Northern Paper Mill in East Millinocket Maine ("Great Northern"). The Great Northern investment was structured to benefit from federal NMTCs and a recently enacted Maine New Markets Capital Investment Credits (the Maine Credits). Two different community development entities provided a combined federal NMTC allocation authority of $40,000,000. A one-day loan was used to provide the sponsor with the funds needed to make a leverage loan and QLICI proceeds were allegedly used to overpay the sponsor for the QALICB's acquisition of the mill's paper machines and equipment. Almost a year after the investment was made, Great Northern closed its doors, the owners filed for bankruptcy protection, and the jobs preserved by the NMTC program vanished. The controversy surrounding the Great Northern transaction and the desire to be able to advise congressional staff and other interested parties that CDFI had "resolved" the Great Northern issue encouraged CDFI to limit the ability to use short term bridge financing and to restrict the use of QLICI proceeds.

To address their concerns, IRS and Treasury announced that they had opened a guidance project to address perceived "abuses" in the structuring of New Markets Tax Credit ("NMTC") transactions.

In the absence of IRS guidance and after considering a number of options to address the leverage loan/use of proceeds concern, CDFI included new FAQs 42, 43 and 44, which, consistent with the IRS Submission, are effective for transactions closed under the 2015 allocation round, as part of the 2015 application package materials. The effect of the new FAQs is to reduce the cash available to fund related party leverage loans.

Pursuant to FAQ 42, a QALICB may reimburse a related party from QLICI proceeds only for expenses or capital costs incurred within 24 months of the closing of the NMTC transaction or, in the alternative, up to 5% of the amount of the QLICI proceeds received by the QALICB. Since NMTC transactions may take a number of months

NMTC Allocation, continued on page 21

NMTC Allocation, continued from page 20

to close, the effective reimbursement period may be substantially shorter than 24 months.

FAQ 43 requires that CDEs enforce the requirements of FAQ 42 through use of covenants in their investment documents and must have the documentation available for review by CDFI, as well as documentation supporting that QALICB disbursements are made in compliance with FAQ 42 requirements. Pursuant to question 13(a) in the 2015 Application, all CDEs applying for allocation of NMTC authority MUST agree to enforce compliance with FAQ 42.

FAQ 44, which must be read in conjunction with FAQ 42, provides that a QALICB may not "monetize an asset" transferred to the QALICB from an affiliate of the QALICB. It is not clear exactly what "monetize an asset" means, but until further defined, prudence dictates that FAQ 44 should be broadly interpreted. That means that QALICBs should neither purchase assets from, nor reimburse, an affiliate for the cost of an asset acquired before the 24 month window described in FAQ 42. "Monetization" can be viewed as a proxy for transfers of cash outside the confines of the QALICB's business. In other words, the subsidy provided by the NMTC program should stay in the business and should not be diverted into the sponsor's pocket in a "cash out" transaction.

The result of FAQ 42, 43 and 44 is that the amount of the cash that may be removed from a QALICB and used to repay short term bridge financing has been significantly reduced. These restrictions may fall most heavily on two types of potential QALICBs: first, non-profits that do not have sufficient available cash to fully fund a leverage loan and, second, cash-strapped operating businesses that need to refinance high interest debt. We should note that these new rules are NOT applicable to transactions closed from prior round allocations.

We believe, consistent with the revised FAQs that were issued by CDFI shortly after the initial issuance of FAQs 42, 43 and 44, that transactions currently being closed and that may fall outside FAQ 42, 43 and 44 should not be negatively scored in the application process. CDEs should, however, avoid abusive transactions where fees, reimbursements or the purchase price of assets exceed fair market value. Given the difficulty of finding lenders willing to make leverage loans, and the harsh terms frequently required by such lenders, FAQs 42, 43 and 44 will change the selection of QALICBs which are funded in whole, or in part, from the CY2015 round and make it more difficult for cash poor non-profits and start-up businesses to secure NMTC financing. TCA

Indianapolis buggy factory becomes Hotel Tango

Building a New Life

Muller Job Training Center provides housing and training

By Bendix Anderson

At an old U.S. Army site in the Bronx, the Doe Fund Inc. is using millions of dollars from New Markets Tax Credits in a unique attempt to create new lives for New York City's indigents.

The facility will include enough beds to provide housing to 200 people who are homeless or at risk of homelessness. But the residents at the Muller will get much more than a place to stay. The Doe Fund also provides a huge range to supportive services, starting with basics, such as case management and substance abuse counseling. In addition, they offer access to unique resources from job training that leads to actual jobs, interview workshops, physical fitness and even dental care.

"I think this will be our new model," says Larry Gordon, director of housing development for the Doe Fund, which plans to open the Muller Job Training Center in September 2016.

A difficult mission

The Doe Fund mission is to: "break the cycles of homelessness, addiction, and criminal recidivism… to help homeless and formerly incarcerated individuals achieve permanent self-sufficiency."

The nonprofit has long-term commitment from the City of New York to operate a 200-bed facility at Muller for 20 years. Its $91 million contract with the NYC Department of Homeless Services includes a $16.5 million allowance to pay for the construction of a homeless shelter.

The nonprofit had bigger plans for Muller.

The Doe Fund plans to spend a total of about $22 million to redevelop the building, with the help of NMTCs. "If we hadn't had New Markets Tax Credits, we would have still built it – though we couldn't have built it the way that we did," says Gordon.

The Doe Fund specializes in helping its residents find transitional work that pays better than New York State's minimum wage. The Muller Center itself will be one of these opportunities. Once it's open, the center will employ the equivalent of 75 people full-time – including case managers, administrative support, security and others needed to operate the facility and programs. Of those jobs, 72 will be filled by low-income people and more than half will be filled by formerly homeless graduates of the Doe Fund's program.

Muller Job Training Center, Bronx, New York

The finished, 50,000-square-foot Muller Center will include two floors of residential space and another two floors of social services. That will include a gymnasium, a "corporate-style cafeteria," a commercial kitchen and even an auditorium. "Maybe we can rent out the auditorium," says Gordon. "We are always looking for income-producing ventures."

Old army base

For decades, the building operated as the Sgt. Joseph E. Muller Army Reserve Center, an Army Reserve site. The site had been vacant for several years and had begun to crumble.

Before that, the Army used the building for military storage. As part of its Base Realignment and Closure process, the U.S. Dept. of Defense decided to work with local officials to give the building away to a local nonprofit to provide housing. New York City officials held a competition and chose the Doe Fund.

"Our deed is from the United States of America," says Gordon. In return for possession of the building, the Doe Fund promised to operate the building to provide housing for homeless people, including veterans.

The Doe Fund expects to serve more than 8,000 homeless people at the Muller Center over the next 20 years, with half of them expected to be veterans.

Muller Center, continued on page 23

Muller Center, continued from page 22

Complicated financing

A big piece of the financing for Muller came from NMTCs. Citibank brought an allocation of $9.5 million in NMTCs to the transaction, provided by the U.S. Treasury's Community Development Financial Institution Fund. Dudley Ventures Community Investment (DVCI), based in Phoenix, joined the transaction with another allocation of $6 million in NMTCs from the U.S. Treasury. These allocations give the Muller redevelopment project the ability to generate tax credits equal to 39 percent of its total of allocation of $15.5 million in NMTC, or $6.045 million in tax credits.

"DVCI's mission to utilize New Markets Tax Credits to create employment opportunities for the hard to employ and underemployed dovetails perfectly into The Doe Fund's primary objective to change the lives of the homeless through employment opportunities and job training," says Jim Howard, CEO of DVCI.

To generate the tax credits, according to the program's rules, the Muller redevelopment needed $15.5 million in qualified equity investments. Citibank paid $4.8 million in equity for the $6.045 million in NMTC. Citibank also provided a $10.7 million leveraged loan to the property – that adds up to the needed $15.5 million in qualified equity investments. For the seven-year NMTC compliance period, this $10.7 million loan will stay invested in Muller, so that the loan behaves like equity. The property will only make small loan payments that cover the loan's one percent interest rate, but it will pay none of the principal balance. After Muller's seven- year NMTC compliance period is finished, the loan is written to begin to amortize like a traditional loan with an interest rate similar to market-rate permanent loans. However, at other NMTC projects, similar loans have been forgiven at the end of seven years.

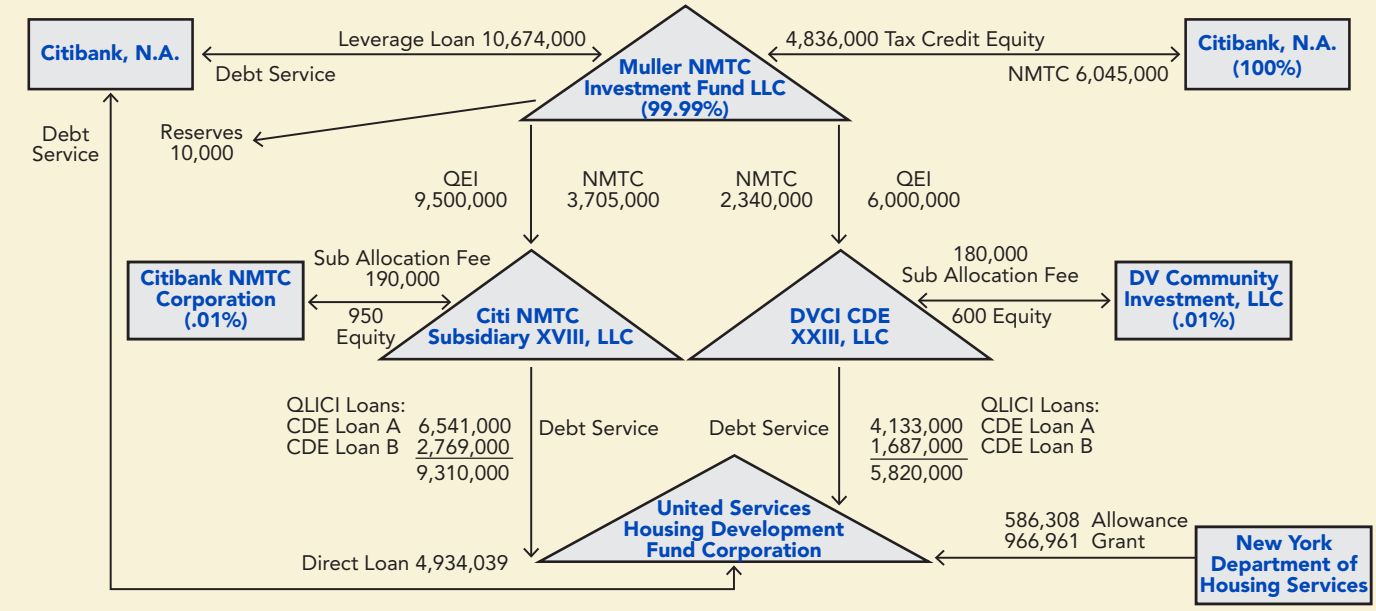
Citibank also made a second, $4.9 million direct loan to Muller, with an initial, low, one percent interest rate for seven years. The Doe Fund also brought $2 million of its own equity to the redevelopment of Muller, finishing off the financing. If the property had access to more NMTC authority, then these other investments in the redevelopment could also have generated more NMTCs. That shows the power of NMTC authority.

The redevelopment shows the flexibility of the NMTC program, which is not usually used to finance housing for homeless people. "It's a type of asset that we don't see a lot of," says Gina.

The Doe Fund is already planning to develop another second facility with NMTC – and is now investigating a potential site, located not far from New York City in Upstate New York. "We would do it again," says Gordon. TCA

Muller Residential Job Training Center

NEW MARKETS DIAGRAM



They Love Lucy

Jamestown depends on Comedy Center for community revival

By Mark Olshaker

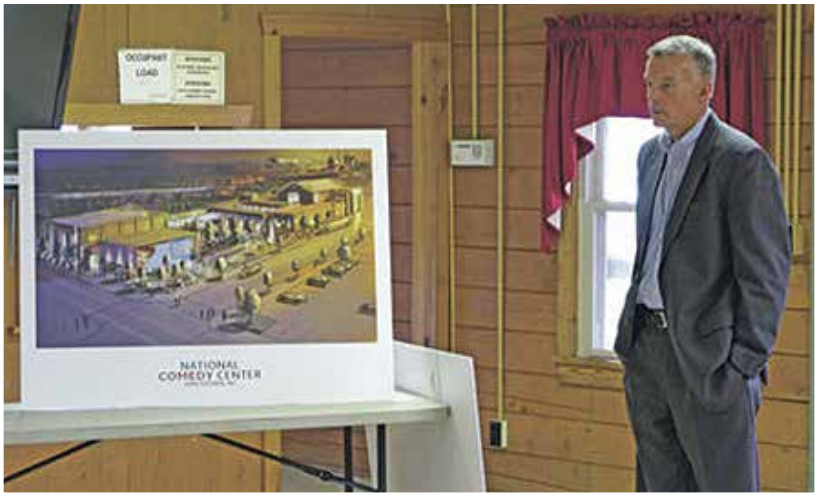
The Laughingstock of the Nation

In the 15-year history of the program, there has been nothing particularly funny about New Markets Tax Credits. But that could soon change—at least if a public-private civic consortium in western New York State gets its wish. Their aspiration is clear and direct: *We Want To Be the Laughingstock of the Nation.*

On August 1, 2015, Governor Andrew M. Cuomo announced the $18 million National Comedy Center in Jamestown, New York – hometown of the immortal comedienne and pioneering film and television star Lucille Ball. The museum and arts venue will chronicle the history and craft of comedy and celebrate its most innovative and illustrious practitioners.

Joan Rivers' daughter Melissa, George Carlin's daughter Kelly, Harold Ramis's son Julian, and Milton Berle's nephew Marshall were on hand for the groundbreaking on West Second Street, along with Howard Zemsky, CEO of the Empire State Development Corporation, which put in $1.5 million.

"New York is proud to be home to many legends in entertainment, and building the new National Comedy Center in the hometown of Lucille Ball is a great honor that will bring both visitors and economic growth," Cuomo's statement proclaimed. Construction is slated to commence in spring 2016, with a grand opening targeted for late spring 2017.



National Comedy Center Chairman Tom Benson with a rendering of the project.

Jamestown currently hosts the Lucille Ball Desi Arnaz Museum and Center for Comedy, featuring sets, displays, costumes and recordings from the classic series *I Love Lucy*, as well as a recreation of Mr. Arnaz's character Ricky Ricardo's New York nightclub that can be rented for special occasions. It will continue to operate close by for Lucy's thousands of worldwide fans as a companion institution.

"The whole downtown area is becoming Lucyville," says her daughter Lucie Arnaz, an accomplished screen and stage star in her own right.

Project leaders are expecting the National Comedy Center, designed by Jack Rouse Associates of Cincinnati, to draw more than 100,000 visitors and generate more

Lucy, continued on page 26

Affordable Housing for Veterans

RBC Capital Markets' Tax Credit Equity Group committed over $15 million in tax credit equity to Freedom's Path on the Hines VA Medical Campus just outside Chicago. This new 72-unit affordable housing development has a priority to serve homeless, at-risk, and disabled veterans. Residents benefit from on-site supportive services and easy access to programs and facilities at the Hines VA Campus. RBC was pleased to partner with Communities for Veterans Development on this important project.

Freedom's Path
Hines, IL
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Lucy, continued from page 24

than $20 million for the local economy.

Among the anticipated attractions are hologram performances of deceased comedians, such as Mr. Carlin and Richard Pryor, and experiences unique to each visitor based on his or her individual sense of humor.

A rendering of the National Comedy Center, with the rehabilitated Gateway Station at right.

Lucy and the Railroad

The National Comedy Center's existence derives from two independent sources, only one of which was funny. But they came together under the leadership of Thomas P. "Tom" Benson, a graduate of Jamestown Community College, CPA, and founder and Managing Director of the Vineyard Group, LLC, a corporate and management-consulting firm.

"The Center is the embodiment of a dream of Lucille Ball," he explains. "She gave her possessions and artifacts to Jamestown, and what we have now is a good, old-style museum catering to Lucy and Desi fans. But Lucy was a visionary, and what she ultimately wanted was for the town to build a living, breathing tribute to comedy that would not be fan-based, but actually a celebration and exploration of the art itself."

Commerce, or rather its disappearance, was the other source.

"Jamestown was on one of the most important east-west train routes, from New York City to Chicago," says Benson. "And our Gateway Station was a mini version of Grand Central." Like Grand Central, it boasted a magnificent concourse and a barrel vaulted ceiling.

"With the building of the interstate highway system and the increase in commercial air traffic, Jamestown's economy began to slip. Train service stopped in 1971 and the station closed. But it was already on the National Register of Historic Places, so it couldn't be torn down.

"Around 2008 and 2009, a group of us folks got involved. We consolidated grant money, we syndicated state and federal historic tax credits, and we were able to restore the concourse to its historic grandeur."

We consolidated grant money, we syndicated state and federal historic tax credits, and we were able to restore the concourse to its historic grandeur.

But that wasn't enough. From the 1950s through the '70s, Jamestown was a premier furniture building and marketing spot, as well as a center of sheet metal fabrication. With the migration of the furniture industry to the South and metal fabrication elsewhere, Jamestown's economic base was continuing to erode.

"We needed new vision and reenergizing," says Benson. "A group of government and private people put together a blueprint to make Jamestown successful again. The capstone was a national-scope attraction. It was a strategic partnership to tie into the increasing tourism of the Niagara Falls area and the Chautauqua Institution, and make Jamestown the southern anchor of the Western New York region." His success with Gateway Station and civic leadership led to Benson's appointment as Chairman of the Board of the prospective National Comedy Center.

Comedy Is Serious Business

"We've spent the last five years inching up that ladder from pie-in-the-sky to reality," Benson states. "The first thing we had to do was establish our credibility to build the Center. So we developed the Lucille Ball Comedy Festival." The weeklong event became highly successful, with Jerry Seinfeld appearing as the feature attraction this past August. Past performers have included Ellen DeGeneres, Jay Leno, Ray Romano, Joan Rivers and Lucie Arnaz, among a host of others.

"Exactly what is going on right now – that's what my mom wanted," Lucie confirms. "She'd be extremely happy

Lucy, continued on page 28

Lucy, continued from page 26

and say, 'Yeah, that's it!' Every time I hear from Tom or anyone associated with the project, I am awestruck."

The key to the physical reality of the Center project was building on past success and the creative reuse of existing structures. The train station's central area had been rehabilitated, but there were also two wings – one for baggage handling and the other parcel post – that could be utilized for the Center's museum.

"They had exposed steel trusses and clerestory lighting that were perfect for the electronics and touch-screen walls we had designed," says Benson. "It would make a fantastic mix of old and new."

The remaining key physical component was the city of Jamestown agreeing to sell the Center the old, municipally owned Board of Public Utilities Warehouse building and an adjacent parcel of land that will allow public access to the urban waterfront. Altogether, the center will comprise the station, the warehouse, a new building and the park.

In addition to the initial Gateway rehabilitation funds and grant from Empire State Development, the 501(c)(3)-designated Center has grants from the Gebbie Foundation, which is dedicated to the revitalization of downtown Jamestown, and the John R. Oishei Foundation of Buffalo, which strives to improve the lives of Western New York's residents through health, education, neighborhood revitalization and the arts. The Center has asked for additional funds from New York State and Benson has been told the request has been listed as a top priority.

He hopes to be able to syndicate New Market Tax Credit allocations in 2016 and/or 2017 that would provide up to $3 million of net equity for the project. Three potential investors have already expressed serious interest. "When I started poking around the field, I clearly understood that this should be a prime project for those tax credits," says Benson. "This is a closely knit community out of major metropolitan areas that would definitely be revitalized through this means."

The final piece of the funding puzzle would be a requested $3 million from the U.S. Department of Commerce's Economic Development Administration. In a statement on November 17, 2015, accompanying a letter to Commerce Secretary Penny Pritzker, New York Democratic Senator Charles Schumer stated, "I will be fighting tooth and nail for this funding, which has the potential to bring millions in economic revenue, hundreds of good-paying local jobs and national recognition to Western New York. This state-of-the-art venue has the potential to make downtown Jamestown the 'Cooperstown of Comedy' for generations to come." Democratic New York Senator Kirsten Gillibrand and Republican Representative Tom Reed have added their support.

Lucie Arnaz at the Lucille Ball Comedy Festival

Reenergizing and Healing

"Reenergizing" is a word that frequently creeps into Benson's conversations. Not only does he think the Center will reenergize the region, he believes it will reenergize the public perception of museums. "This is exactly the opposite of your normal, passive museum experience," he says enthusiastically. "Your experience will be driven by your personal sense of humor. When you register, an electronic RFID (radio-frequency identification) tag will allow you to input your sense of humor and will personalize your journey through comedy in a way that is fun, interactive and educational. It may guide you to create a comic strip, do stand-up, write a TV show, or act on stage with Abbott and Costello. If you come back the next day and register a different sense of humor, you will have a different experience."

"People think of Jamestown as a throwback. But what they're doing is super current. It's brilliant the way they've positioned this as something that will never be static," comments Lucie Arnaz. "The National Comedy Center will always be about looking back at history and what came before. But it will also be about how we evolve and engage the healing power of humor. I think we could use a little more humor on this planet." TCA

Bonding for Preservation

Tennessee Housing Development Authority Multiplies Production

By Tim Leonhard

Timothy R. Leonhard

It is no secret that there is a shortage of the creation and preservation of affordable housing units throughout the country which is an issue that needs to be addressed in every state. When most people think of states that struggle with very high housing costs and subsequent shortages of affordable housing, Tennessee is not the first state that comes to mind.

That said, Tennessee, especially the Nashville MSA, has experienced an economic renaissance over the past few years. The Nashville skyline is changing, as cranes build new luxury apartments. Market rents are steadily ticking upwards there is a growing shortage of affordable housing units in many markets across the state. Furthermore, like every state, it has an aging multifamily housing stock at risk of losing its long-term affordability. Many assets each year that are coming out of their initial 15-year LIHTC compliance period that are now eligible to be re-syndicated with new LIHTC or otherwise would risk being lost as affordable housing stock at the end of the 15-year extended use period.

It is no secret that there is a shortage of the creation and preservation of affordable housing units throughout the Country which is an issue that needs to be addressed in every State.

In every state, awards of 9% LIHTC are highly sought after and rarely if ever go unused. However, in many states, the private activity tax exempt bond volume cap goes unused and is ultimately returned to the federal government and the 4% LIHTC associated with multifamily bond financed properties are never realized as a tool for housing creation or preservation.

Just a few short years ago, the Tennessee Housing Development Agency ("THDA") turned back much of its bond volume cap. In 2010, only one TEB transaction closed statewide and over the past few years as the financial markets recovered, THDA increased its production between $20 million and $33 million annually in bond transactions. Then THDA's Executive Director Ralph Perrey decided to take steps to more aggressively promote the use of private activity bonds and is starting to reap the fruits of its labor. Perrey noted, "We made some smart adjustments to our program that helped enhance the program and were more aggressive in our outreach opportunities. I am also really proud of our back, which is able to turn these transactions around efficiently."

To date in 2015, THDA is on pace to issue nearly $200 million in bonds, primarily for preservation transactions. Perrey noted it will be a record year for the Agency (nearly double its most active year) despite the fact that Tennessee, like all states, is experiencing an increase in construction costs and a rising interest rate environment. How has THDA accomplished this?

- An enhanced developer fee structure that allows developers to raise more tax credit equity
- Rapid turnaround times. THDA issues a preliminary approval and award of 4% LIHTC within 30 days of receipt of a complete application. Applications are received and processed on a first come first served basis so developers do not have to wait to apply for bond allocations
- Flexibility. THDA allows a variety of tax exempt bond executions, such as direct purchase or non-rated bond loans, which allow for lower interest rates and lower costs of issuance

Robert S. King, Managing Director, Highmark Holdings, LLC and one of the more active bond developers in Tennessee observes, "Since Tennessee lacks state affordable housing tax credits or soft-financing for bond deals, THDA took steps to create regulatory efficiencies to address its backlog of transactions impacted by rising construction costs. This was important in helping us close a

Preservation, continued on page 31

Preservation, continued from page 30

few transactions that were in danger of becoming unfeasible because of labor shortages. As interest rates begin to rise, it may become harder to replicate these results in Tennessee, but I think these changes will be even more impactful in other states that are able to bring other soft resources to the table. For example, the recent change in how Ohio calculates its Developer Fee on tax-exempt bond transactions supplements soft resources and have made certain transactions feasible that otherwise would not have been."

Carr Hagan, President of LHP Development (formerly Lawlor Wood Housing) concurs, "THDA's enhancements definitely helped a number of our deals that were on the bubble get done that wouldn't have quite worked under the old policies." He cautioned however, "bond deals aren't for the faint of heart, there is significant predevelopment cost exposure that require developers to have significant liquidity and wherewithal to execute and with the Fed tightening monetary policy there are headwinds on the horizon."

What benefits are created for Tennessee as a result of THDA's efforts?

- Use of the 4% LIHTC allows preservation of aging housing stock, whether the units were originally in the LIHTC program or were conventionally financed
- The ability to create financing for the preservation of rural housing stock
- Jobs creation and sales tax creation for the state that would otherwise not exist if the bonds and 4% LIHTC were never issued or allocated

As many states struggle with a shrinking pool of financial resources, THDA has accomplished this increase in bond allocation activity without the existence of incentives that other states offer, such as tax abatements, large amount of subsidy financing, State LIHTC, etc. TCA

Corporate Tax Credit Fund Watch | *December 2015*

Ernst & Young LLP

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	# of Properties Specified	% of Gross Proceeds (2)	Estimated Front End Expense Load (3)	All LIHTC Equity Raised & Closed by Syndicator in 2015
Alliant Capital Stacie Nekus (818) 449-5827 Jen Erixon (818) 449-5800	***Alliant Tax Credit Fund 84*** National	$110,000,000	$110,000,000	NA	Tiered	11	95%	NA	$320MM
Boston Capital Kevin Costello (617) 624-8550 Brenda Champy (617) 624-8874	***BCCTC Fund XLI*** National	$0	$189,000,000	$1.01	TBD	31	100%	7.50%	$549MM
Boston Financial Investment Management Sarah Laubinger (617) 488-3230 Greg Voyentzie (617) 488-3203	***Boston Financial Institutional Tax Credits XLIV, LP*** National	$102,000,000	$102,000,000	TBD	Tiered	12	100%	NA	$284.3MM
Cinnaire (fka 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	$175,000,000	$185,000,000	$0.97	5.80%	31	87%	4.17%	
	DCIC Capital Fund 2 Limited Partnership DE, MD, NJ, PA	$36,500,000	$36,500,000	$1.06	4.25%	4	74%	3.60%	$196.9MM
City Real Estate Advisors, Inc. Tony Bertoldi (617) 892-6071 Charles Anderson (317) 808-7165	***CREA Corporate Tax Credit Fund 45, LLC*** National	$125,600,000	$125,600,000	$1.01	Tiered	17	100%	7.35%	$459MM
Enterprise Community Investment Kari Downes (503) 553-5720 Raoul Moore (410) 772-2685	***Enterprise Housing Partners 26*** National	$318,000,000	$318,000,000	NA	NA	39	100%	NA	
	Enterprise CalGreen III California	$81,650,000	$81,650,001	NA	NA	12	100%	NA	$535M
First Sterling Financial, Inc. Thomas Panasci (516) 869-7462 Victor Sostar (516) 869-7420	***Sterling Corporate Partners Fund 55, LP*** National	$0	$100,000,000	TBD	TBD	TBD	TBD	NA	$147MM
Massachusetts Housing Investment Corp. Peter Sargent (617) 850-1027 Kathy McGilvray (617) 850-1008	***MHEF XXII*** Massachusetts	$25,700,000	$84,000,000	$1.01	5.50%	3	40%	6.00%	$42.456MM
Midwest Housing Equity Group, Inc. Becky Christoffersen (402) 334-8899 Tom Stratman (402) 334-8899	***MHEG Fund 46, LP*** Midwest	$0	$150,000,000	TBD	5.00%	0	0%	7.25%	$150MM
Ohio Capital Corporation for Housing Hal Keller (614) 224-8446 Hal Keller (614) 224-8446	***Ohio Equity Fund XXVI*** Ohio, Kentucky, West Virginia	$0	$200,000,000	$0.99	4.50%	40	70%	7.00%	$320MM
PNC Tax Credit Capital Megan Ryan (202) 835-5965 Gayle Manganello (978) 244-1116	***PNC Real Estate Tax Credit Institutional Fund 59, LLC*** National	$110,000,000	$130,000,000	$1.02	Tiered	17	100%	7.00%	$377.4MM
R4 Capital LLC Marc Schnitzer (646) 576-7659 Peter Dion (617) 502-5943	***R4 Housing Partners V LP*** National	$271,100,000	$271,000,000						
	R4 California Housing Partners II LP California	$20,000,000	$75,000,000						
	R4 New York Housing Partners LP New York	$10,000,000	$18,000,000	NA	NA	NA	NA	NA	$60MM
Raymond James Tax Credit Funds Steve Kropf (800) 438-8088 James Horvick (800) 438-8088	***RJTCF 42*** National	$0	$2000,000,000	TBD	Tiered	15	80%	7.00%	$868MM
Red Stone Equity Partners Ryan Sfreddo (212) 225-8300 Rob Vest (704) 200-9505	***Red Stone - 2015 National Fund, LP*** National	$145,800,000	$145,800,000	$0.97	Tiered	18	85%	NA	$380.7MM
The Richman Group Affordable Housing Corp. Stephen M. Daley (843) 936-3030 David Salzman (203) 869-0900 x333	***USA 106*** New York	NA	$144,000,000	NA	4.25%	10	NA	NA	
	USA 107 National	NA	$103,000,000	NA	Tiered	13	NA	NA	$400MM
WNC & Associates, Inc. Christine Cormier (949) 236-8233 Darrick Metz (888) 798-0557	***WNC Institutional Tax Credit Fund 41, LP*** National	$100,000,000	$104,000,000	$0.98	5.00%	22	100%	NA	$206.1M

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.

www.housingonline.com

NH&RA News

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

Pre-Sale Registration for Annual Meeting Ends December 14

Register by December 14 to secure the lowest registration rate to attend NH&RA's biggest event of the year. NH&RA will host the event on February 24-28 at The Breakers in Palm Beach, FL. A pre-conference symposium on February 24 will focus on public housing joint venture opportunities, including HOPE VI, Choice Neighborhoods Initiative, and the Rental Assistance Demonstration program. More than 250 industry leaders are expected to attend the Annual Meeting to discuss emerging issues for development and preservation, the state of tax credit equity and debt markets, and more. NH&RA has reserved a block of rooms for conference attendees at The Breakers, and it is filling up fast. Find hotel information and register at www.housingonline.com/events.

Registration Opens for Spring Developers Forum

Affordable housing developers, tax credit investors and syndicators, and their partners are invited to attend the annual Spring Developers Forum in Marina del Rey, CA. NH&RA will host the 2016 event on May 16-17 at the Ritz Carlton Marina del Rey. The event will feature panel sessions on major industry issues, a developers-only luncheon, and many opportunities to connect with other conference participants. Register at www.housingonline.com/events. TCA

Learning to Lead

NH&RA Prepares the Next Generation of industry leadership

By Lauren Anderson

What's the number one issue on the minds of affordable housing's top executives?

According to David Smith, it is finding the right people to fill their shoes. Smith described himself as "maybe one of ten people left who can remember where Section 8 and 236 came from." He sees his contemporaries worry that today's rising generation of leaders is not as qualified as the older generation. But Smith, founder of Recap Real Estate Advisors and the Affordable Housing Institute, is not concerned.

"They were not more qualified when they started," Smith said of the founding fathers of the housing tax credit industry. "They just started in a more chaotic environment."

While today's affordable housing programs may be more stable than those in the 1980s, the industry is not without challenges. When Smith addressed a gathering of the National Housing & Rehabilitation Association's Next Generation Leaders on November 3, he began his presentation with an overview of the 11 most urgent housing issues. He outlined these unsolved problems as follows:

1. **Workforce housing**, which fills the gap between the highest Low-Income Housing Tax Credit rents and lowest market rate rents.
2. **Elderly retrofits**, to support seniors' health and allow them to age in place.
3. **Employer-assisted housing**, for employees who will not take a job if they cannot get to it.
4. **"Off-campus" dorms** to avoid spillover from college campuses.
5. **Veterans' recovery campus housing,** where veterans are supported emotionally.
6. **Permanent supportive housing** for the chronically homeless.
7. **Housing for the formerly incarcerated** to provide housing solutions or 7 million people who are in prison, on probation or on parole.
8. **Housing for those aging out of foster care** and who may not be ready to live independently.
9. **Orphan properties**, which are aging and underutilized.
10. **Operator-owned mobile home parks**, which is a very common form of affordable housing.
11. **Entrepreneurial dormitories**, which would function as modern-day boarding houses.

"The 1986 tax credit came out of a sense that we needed a housing solution when there was none," said Smith. "The people who turn these [11 affordable housing] problems into programs will be our next generation of leaders."

The prospect of building a new program to tackle a complex issue that has dogged our society for decades is no doubt as intimidating as it is exciting. Smith counseled the mid-career professionals on how to pursue personal and professional development, as well as build successful organizations, that will help them in this pursuit.

Smith encouraged the audience, which included developers, tax credit syndicators and investors, attorneys, and other housing professionals, to avoid feeling confined by the job titles. He encouraged them to go above and beyond what is expected of them, quipping, "nobody ever gets fired for doing too much work."

Smith encouraged the group to approach this work thoughtfully and carefully.

"Take a problem that needs doing, but not to the neglect of other things."

His guidance followed the same tenants as the advice many parents give. He reminded the group to use etiquette, specifically when writing e-mails. He encouraged them to tell the truth by promising only what they know they can deliver on. While Smith did not explicitly say *you have two ears and one mouth for a reason*, it was certainly implied. He encouraged the audience to learn everything, and develop strong views and opinions, but only speak on issues on which they are an expert.

Smith's sage presentation opened an opportunity for rising leaders to see their day-to-day work, their arch of their career, and the industry they work in holistically. With mentorship from affordable housing veterans, like Smith, and a strong commitment to continue to serve residents and improve the industry, the next generation of leaders seems poised to continue to build an industry they, and those who came before them, can be proud of.

NH&RA will continue to convene the Next Generation Leadership Initiative to support this effort. The next event will be a networking event on Friday, February 26 at NH&RA's 2016 Annual Meeting. If you are interested in learning more about NH&RA's Next Generation Leadership Intitiative, please e-mail info@housingonline.com. TCA

Member News

Ames Shovel Works Receives 2015 Driehaus Preservation Award

Ames Shovel Works, a historic rehabilitation project developed by Beacon Communities, received a 2015 Driehaus Preservation Award from the National Trust for Historic Preservation. The development was one of four historic rehabilitation projects in the country to receive the award. Ames Shovel Works won a 2014 J. Timothy Anderson Award for Excellence in Historic Rehabilitation in the Best Historic Rehab Utilizing LIHTCs – Large Development category.

Greystone Closes $88.6 Million Affordable Housing Preservation Transaction in Tennessee

Greystone completed a first-of-its-kind multifamily bond portfolio in the state of Tennessee. Greystone's affordable housing preservation group worked closely with the Tennessee Housing Development Agency as well as both USDA's Rural Housing Service National Office and Tennessee State Office to coordinate and secure the financing needed to acquire and rehabilitate the 20 aged USDA Rural Development Section 515 properties, comprising 793 apartment homes serving low-income households in 16 counties across the state.

New Loan Program from MassHousing Offers Lower Rates and Faster Reviews

MassHousing is offering a new loan program for the owners of rental housing communities that provides lower interest rates and a faster review process while preserving and extending affordability for hundreds of low-income senior citizens and families. The MAP/Ginnie Mae initiative has generated $77.5 million in financing and extended affordability for 817 apartments in Fairhaven, Fall River, Lowell and New Bedford, Massachusetts.

MassHousing Honors WinnCompanies, Trinity Management, Beacon Communities

MassHousing recently recognized the efforts of 76 property management companies that make a concerted effort to do business with minority and women-owned business enterprises. In fiscal year 2015, WinnCompanies awarded $3.5 million to minority-owned businesses, $2.3 million to minority women-owned businesses and $2.2 million to women-owned businesses. WinnCompanies has been the top-producing company in MassHousing's M/WBE program for the past 16 years. Trinity Management, LLC awarded $5.3 million to minority-owned businesses, $493,351 to minority women-owned businesses and $560,151 to women-owned businesses. Additionally, Beacon Communities, LLC of Boston was honored as a Million Dollar Achiever.

National Equity Fund Names New General Counsel

National Equity Fund, Inc. has named Michael G. Rogers as its new general counsel. Most recently, Rogers worked as senior counsel with Holland & Knight LLP representing investors and syndicators in LIHTC and NMTC transactions.

NTCIC Taps Community Development Finance Expert Merrill Hoopengardner as Next President

The National Trust Community Investment Corporation (NTCIC) announced its selection of Merrill Hoopengardner as the company's second-ever president. With nearly two decades of experience in community development finance, Hoopengardner will guide the overall management and growth of NTCIC, a tax credit syndication firm that has raised nearly $1 billion in capital for 120 projects that have brought affordable housing, arts and cultural venues, retail businesses, office space, and solar energy production to older and historic communities.

Ohio Capital Corporation for Housing Announces New Leadership and Staff Promotions

OCCH welcomed Andy Lee as Vice President of Fund Management. The organization also announced several promotions: Beth Long and Brad Carman to Senior Development Analysts; Lori McMillan to Vice President, Fund Management; and Millie Davis and Wolfgang Teran to Vice Presidents of Ohio Capital Finance Corporation. Lisa Patt-McDaniel, former Director of Community Development at OCCH, is serving as an "Executive on Loan" to the Affordable Housing Trust of Columbus and Franklin County as they create a new CDFI organization at the Trust.

RHA Honors Larry Curtis with 2015 Industry Excellence Award


Larry Curtis

Rental Housing Association will present the 2015 Industry Excellence Award to Lawrence H. Curtis, President and Managing Partner for WinnDevelopment. The Rental Housing Association's Industry Excellence Award is presented to an individual or company within the rental housing industry exemplifying excellence in rental housing through community and civic involvement and professionalism in all aspects of multi-family development, ownership and management.

Arthur Winn Honored for Contributions to Affordable Housing

The American Jewish Committee Boston chapter honored Arthur Winn, founder of WinnCompanies, at its annual Community Leadership Award dinner. The event celebrated Winn's affordable housing work. Visit www.housingonline.com/category/member-news to see a video tribute to Arthur Winn.

WNC Promotes Wendy Yan to Vice President of Underwriting

WNC announced that 20-year affordable housing veteran Wendy Yan has been promoted to vice president of underwriting. Yan joined WNC in 2011 as a senior project manager of underwriting and was later promoted to a director of underwriting. Throughout her career, she has been involved in land acquisition and entitlement, due diligence review, financial underwriting/structuring and public and private financing. TCA

Tax Credit Advisor, NH&RA's HousingOnline Weekly Honored with MarCom Awards

Tax Credit Advisor (TCA) and NH&RA's weekly e-newsletter received 2015 MarCom Awards in the International Competition for Marketing and Communication Professionals. TCA won a Platinum Award in the Best Magazine category. TCA won Gold Awards for:

- David Smith's column "The Guru is In: Why RAD Worked" (August 2015) in the Column category.
- July 2015 TCA cover featuring "Don't Fear Year 15" in the Magazine Cover category.
- "The Dive Bar Affair" by Mark Olshaker (July 2015) in the Feature Article category.

HousingOnline Weekly won a Gold Award in the E-Newsletter category. HousingOnline Weekly is a compilation of significant affordable housing news, state tax credit regulations and qualified allocation plan updates, NH&RA member news, industry events, jobs, and other important stories. To subscribe, please create an account on HousingOnline.com or e-mail info@housingonline.com. TCA

State Roundup

More state qualified allocation plan updates, deadlines, and documents at www.housingonline.com/resources/facts-figures/qualified-allocation-plans/

California Asks for Solutions to Over Allocation of State Credits

California's Tax Credit Allocation Committee will hold open forums on December 3 and December 8 in order to gather input to solve a growing problem with state credit allocation. TCAC currently treats state credits as an entitlement for any project outside of a Difficult Development Area (DDA) or Qualified Census Tract (QCT). If the funded projects qualify for more state credits than are available for that given year, TCAC draws from the next year's allocation. With the forward commitments from 2014 and 2015 combined, TCAC already forward committed roughly $30 million in 2016. This compares to the $94 million per year in state credits that state law provides. TCAC Executive Director Mark Stivers has proposed a series of possible solutions: (1) Create a cap on state credits per project; (2) Stop awarding state credits when TCAC reaches the ceiling each year; (3) Rescind the authority of special needs projects in DDA/QCT areas to get state credits; (4) Create a second supplemental set-aside and require state credit awardees to exchange state credits for federal credits from the second supplemental set-aside when requested; and (5) Designate additional areas as DDAs to reduce the demand for state credits.

The December 3 forum will take place from 1:00-3:00pm at Villas at Gower, 1726 N. Gower Street in Los Angles. The December 8 forum will take place 10:00am-12:00pm at Cathedral Gardens at 638 21st Street in Oakland. Stakeholders can also e-mail input to Mark Stivers at mark.stivers@treasurer.ca.gov.

California Incorporates New Tax Credit Program Regulations into 4% Application

The TCAC 4% application and four of the attachments have been updated to incorporate the TCAC regulations adopted October 21. The updated application and these new attachments must be included in all 4% applications received by TCAC. The tie breaker calculator for the regulation changes is now available on the TCAC website, www.treasurer.ca.gov/ctcac

Iowa Posts 2016 HTC Application, Updates 2016 9% LIHTC Documents

The 2016 Housing Tax Credit Application, Exhibits and Appendices are now available on the Iowa Finance Authority web site and will be available through Monday, December 7, 2015 at 4:30 p.m. www.iowafinanceauthority.gov

Maryland Announces Regional Meetings to Collect QAP Feedback

Maryland's Department of Housing and Community Development will hold a series of regional meetings to provide an overview of feedback received to date, solicit additional comments from a broader group of stakeholders, as well as to engage in a dialogue regarding revisions to the Qualified Allocation Plan and Multifamily Rental Financing Program Guide. The dates and locations are as follows:

- Western Maryland: Monday, December 7, 2015, 11:00am to 1:00pm at Gateway Crossing Community Center, 40 Elgin Boulevard, Hagerstown, Maryland 21740
- Southern Maryland: Wednesday, December 9, 2015, 6:00pm to 8:00pm at Maryland Department of Housing and Community Development, 7800 Harkins Road, Lanham, Maryland 20706
- Central Maryland – South: Friday, December 11, 2015, 10:00am to noon at Heritage Office Complex, 2664 Riva Road, Independence Conference Room, Room 170, Annapolis, Maryland 21401
- Eastern Shore: Monday, December 14, 2015, 11:00am to 1:00pm at Town of Denton, 4 North Second Street, Denton, Maryland 21629
- Central Maryland – North: Tuesday, December 15, 2015, 11:00am to 1:00pm at Sollers Point Multi-Purpose Center, 323 North Sollers Point Road, Dundalk, Maryland 21222

Massachusetts DHCD Updates Chapter 40T Preservation Program

Massachusetts DHCD is updating the state's Chapter 40T preservation program regulations to better reflect current agency practices. Chapter 40T was enacted in 2009 to preserve affording housing units and protect tenants from displacement. When a subsidized property is offered for sale, Chapter 40T allows the state's Department of Housing and Community Development the exclusive opportunity to make or match a purchase offer. A draft of the changes is expected to be released for public comment in January 2016. The changes, which clarify expectations for several aspects of the law, are a result of Governor Baker's executive order to reduce unnecessary regulatory burdens. More information is available on the Nixon Peabody Affordable Housing Blog.

North Carolina Releases Second Draft of 2016 QAP

North Carolina's Housing Finance Agency released a second draft of the 2016 Qualified Allocation Plan, along with a memo to explain major revisions contained in the draft. NCHFA made changes to the county income designations, site score criteria, developer experience points, equity

State Roundup, continued on page 40

State Roundup, continued from page 38

pricing, and more. To read the documents, please visit www.nchfa.com/Rental/RD2016qap.aspx. NCHFA anticipates finalizing the QAP in early December, and asks stakeholders to submit comments as soon as possible.

New NC Budget Includes Historic Tax Credit

North Carolina's new two-year budget reinstated the state's historic preservation tax credits through January 1, 2020 for both income-producing and non-income-producing historic properties. Income-producing properties with qualified rehabilitation expenditures up to $10 million qualify for a 15% credit, while those with $10 to $20 million in qualified expenditures qualify for a 10% credit. The amount of credit allowed for qualified rehabilitation expenditures for income-producing certified historic structure is limited to $4.5 million or less. For more information, see the CohnReznick's Alert on this subject at www.cohnreznick.com.

Ohio Releases Mandatory Lease Addendum for LIHTC Properties

Ohio's Housing Finance Agency revised the Low-Income Housing Tax Credit Lease Addendum currently used at LIHTC projects. OHFA updated the lease in response to an increase in resident complaints regarding lease non-renewal, lack of good cause eviction, and other termination of tenancy. The revised lease must be used by owners/property managers effective January 1, 2016. More at ohiohome.org

Oregon Delays 2016 QAP Public Comment Period

Oregon Housing and Community Services will not post the 2016 QAP for formal public comment that was anticipated to occur on November 9, 2015 and the public hearing on the 2016 QAP, which was scheduled for Monday, November 16, 2015 from 2:30 p.m. to 4:00 p.m. has been cancelled until further notice. Following a hearing on November 6, the State Housing Council wants time to further consider a number of issues brought up, including a more graduated structure for the developer fee, the suggestion to fund asset management and resident services through a project's operational budget, and the underutilization of the state's private activity bond volume cap. More at www.oregon.gov/ohcs

Rhode Island Will Allocate Housing Tax Credits to For-Profit Developers

Historically, Rhode Island has limited the allocation of housing tax credits to non-profit developers. "But we met with stakeholders and removed the bias against for profit developers," Anne Berman, Assistant Director of Development for Rhode Island Housing told the attendees at NH&RA's Fall Forum. "We now have a level playing field." Berman reported the emphasis will be on readiness to proceed and be in the ground within 12 months, "If you have 75% of your plans and a permit, you're golden," Berman said. The state's QAP will no longer provide points for Rhode Island contractors, but will provide them for local sub-contractors. Points are also added for leveraging Federal funds, situating housing near employment opportunities and utility benchmarking. Negative points come into play for going over schedule and budget and not delivering as promised.

Vermont Housing Credit Applications due January 29

Vermont's Housing Finance Agency intends to consider new projects for the federal 9% Housing Credit and Vermont State Housing Credits at the April 2016 VHFA Board of Commissioners meeting. In order to provide sufficient time to review the proposals from developers, VHFA must receive a complete application by January 29, 2016. If you are planning to submit a project for tax-exempt construction or permanent financing in order to receive the 4% "Bond" Housing Credits and you intend to apply for state housing credits, you must submit that application by the same deadline. The latest Qualified Allocation Plan and evaluation checklist can be found at www.vhfa.org. TCA

NATIONAL HOUSING &
REHABILITATION ASSOCIATION

2016 Annual Meeting

February 24-27, 2016

The Breakers
Palm Beach, FL

UPCOMING EVENT

National Housing & Rehabilitation Association
2016 Summer Institute & Pre-Conference Symposium
Juy 20-23, 2016
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