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Celebrating 30 Years of LIHTC

Tax Credit Advisor

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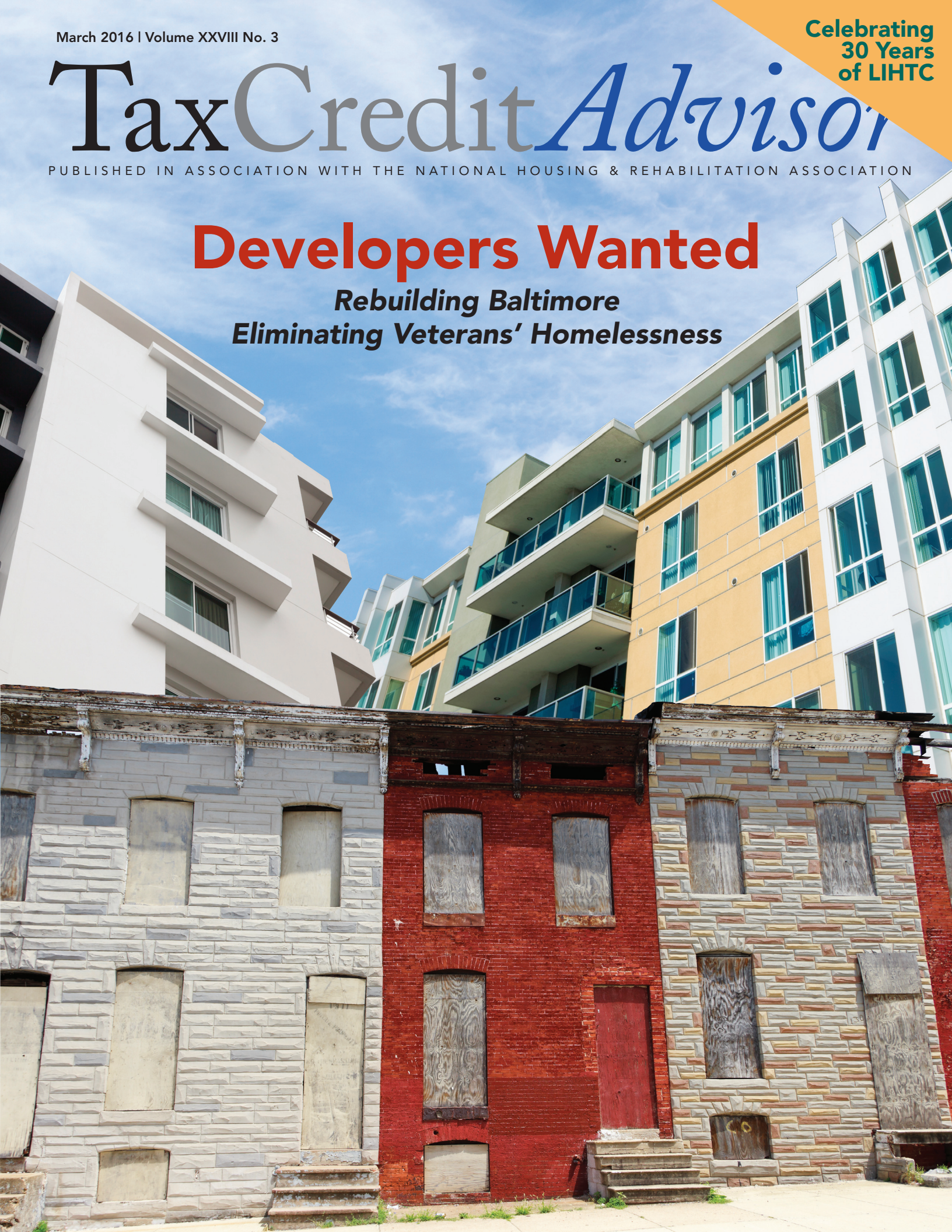

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BLUEPRINT FOR MARCH

By Marty Bell

The Social Engine

One of the joys of editing this magazine—in addition to the chance to intermingle with and learn from all of you—is the opportunity to tackle topics that make a substantial difference in American lives. To me, the tax credit oriented development business is a model to admire: It allows participants to build successful careers by supporting others' well-being. It brings the public and private sectors together for beneficial collaboration. It is a social engine that drives improvement of health, welfare, comfort, security, equality, and community.

In our most recent issues, we have looked at social issues that are addressed by affordable housing: workforce housing, senior housing, and artist housing. Each of these contribute to the conditions of residents, the condition of community, and the overall condition of our society.

This month, we have the privilege of examining three other social situations to which housing is making a considerable contribution.

It is ironic that current candidates for President are utilizing mistreatment of veterans as campaign ammunition at the same time that veteran homelessness is being so rigorously confronted in many areas across the country. In New Orleans alone, Mayor Mitch Landrieu brought together a diverse and devoted coalition that now claims to have moved 100% of homeless veterans off the streets and into bedrooms. Minnesota has created statewide coalitions of its own to provide shelter. These are just two examples of the many you will find in Mark Olshaker's update on addressing veteran homelessness. (*A Home to Come Home To*, p.12) To help set up this journey, our guru, David A. Smith, considers the needs of veterans returning to a confusing homeland. (*The guru is in*, p. 10)

Baltimore is a city facing a great need for suitable housing, as well as a town with a lot of available land sitting beneath deserted and desolate row houses. Admirably, Governor Larry Hogan (a Republican) and Mayor Stephanie Rawlings-Blake (a Democrat) have found the political will and capital to preserve the housing that deserves it and replace the housing that is no longer functional. Joel Swerdlow visited Baltimore to tour the city with those leading the housing movement and looks at two initiatives in side-by-side stories. (*Rebuilding Baltimore*, p.16)

We often find ourselves pleasantly surprised by the innovative uses of New Markets Tax Credits to solve community issues. Joining our growing list of favorite stories is Bendix Anderson's visit to Erskine Green in Muncie, Indiana, where a new hotel complex houses and trains people with disabilities to have careers in the hotel services industry. (*More Than a Hotel*, p. 31)

In this issue, you will also find a report on a breakthrough deal in long-term financing. (*Debt Corner*, p. 28) as well as reports from both Novogradac (p. 22) and CohnReznick (p. 24), that commemorate the 30th anniversary of LIHTC and assess the program's success.

I hope you get as much satisfaction out of reading the stories in this issue as we did searching them out. Feel good about yourselves and your occupation of choice. You deserve it.

Marty Bell, *Editor*

The Needle in the Haystack

Thom Amdur

In a little less than 11 months there will be a new President of the United States. With the full attention of the political *blognescenti* on the increasingly raucous Democratic and Republican primaries, it can be easy to ignore that the current Congress and President must still govern. With that in mind, on February 10th President Obama released his Fiscal-Year 2017 budget proposal.

The President's budget is a statement of the administration's funding priorities for the fiscal year. It is the first step in a drawn out and increasingly dysfunctional appropriations process. The spirit of compromise brokered by Speaker Paul Ryan that helped push through the FY-16 omnibus appropriations bill and tax extenders legislation appears to be in the rearview mirror. The President's Budget has already been decried by Republicans in Congress as a partisan and ideological wish list that is "dead on arrival." In a breach of protocol and decorum, the House and Senate Budget Committee Chairs have actually declined to invite Office of Management and Budget Director (and former HUD Secretary) Shaun Donovan to testify before their respective committees. And now, with a highly charged supreme Court nomination battle looming in the Senate, I personally do not see the high-stakes, take no prisoners, "Game Of Thrones" that seems to be unfolding settling down.

As discouraging as this may all seem, it does not mean that Congress will "literally" come to a halt. Appropriations in divided government is always a fight and the budget is merely the first line in the sand, the starting point for a long conversation. Both Republicans and Democrats have incentives to pass appropriations bills this year in a timely fashion. If Republicans wish to hold the Senate (a tough task given the number of seats they are defending), they will surely want to project that the Legislative body is functional and able to conduct business. Likewise, President Obama has his legacy to think of and, one would assume, wants to find some areas of middle-ground to stake out before time lapses on his administration.

One of the few bridges over the ideological divide may be affordable housing! Last month, the House of Representatives passed *unanimously* "The Housing Opportunity Through Modernization Act of 2015" (HR 3700). This long-awaited housing voucher reform legislation makes it easier for PHAs to issue project-based vouchers and creates numerous administrative efficiencies for PHAs, owners and landlords. Without the sequester to contend with this year, I think there is a likelihood that critical housing programs will be funded at comparable levels to last year's legislation. This will continue to be a tough fight that requires strong advocacy to defend the HOME Program, and proposed cuts to CDBG will open a new battlefront.

Meanwhile, Tax Reform looms ever present. The GAO's highly anticipated reports on the LIHTC will draw new scrutiny to the program and the machinations of a "grand plan" may be in their early stages. House Republicans have announced a new task force to develop a "bold, pro-growth agenda that will be presented to the country in the months ahead" that includes working groups focused on *tax reform* and *poverty, opportunity, and upward mobility*. If ever there will be a moment when Tax Reform is possible, it will likely be right after the election if stars align and either the Democrats or Republicans sweep the elections and control the House, Senate and Presidency. If that is to succeed, the groundwork will likely be laid over the next 11 months.

Rather than just sit on the sidelines and watch the political grudge match unfold, now more than ever we must engage with the political classes and keep hard at work for both short-term legislative opportunities and the long-term prospects of our programs. TCA

Talking Heads

Jeff Brodsky, Related Companies

Building from Strength

By Darryl Hicks

Jeff Brodsky graduated from Rensselaer Polytechnic Institute in upstate New York with a degree in Mechanical Engineering and moved to Detroit to work for the Ford Motor Company, just as the Middle East oil crisis hit in 1978. But gas shortages and auto industry losses cut short Brodsky's automotive career. So, he moved back to Long Island and started working for his father, a small-scale affordable housing developer in a one-man office.

Jeff started by opening mail, but took the time to learn his father's business and over time developed an understanding of the risks and rewards of a career in affordable housing. His life changed forever during a project that was desperate for capital. When the elder Brodsky asked a business partner if he knew anybody who could help complete the financing, the partner replied Stephen Ross, owner of Related Companies. With Ross's help, the project was completed. Throughout the course of the deal, Jeff impressed Ross with his work ethic. Afterwards, Ross called Brodsky's father and asked permission to hire his son. That was 1982 and Jeff Brodsky has been working for Stephen Ross ever since.

Over the next 30-plus years, Jeff Brodsky rose through the ranks to become President of Related Management and Executive Vice President of Related Affordable. During his tenure, Related Companies' affordable housing portfolio has grown to 200 properties and 34,000 units. In September 2015, Jeff was promoted to the role of Vice Chairman. In a rare interview, Brodsky sat down with *Tax Credit Advisor* to discuss where he sees the future of the affordable housing business headed and where Related fits in.

***Tax Credit Advisor:* What is Related's corporate philosophy and what role does affordable housing fit?**

Jeff Brodsky: Most people don't realize that Stephen (Ross) started over 40 years ago purely as an affordable housing operator. He was a developer, an acquirer, and his commitment to affordable housing has never waned. Our portfolio has grown every year since Related was founded in 1972. The commitment to affordable housing is a core capability knitted into the fabric of Related since its inception.

Jeff Brodsky

***TCA:* Before being promoted to Vice Chairman, you ran Related Companies' property management and affordable housing divisions for almost two decades. In this new role, what is your daily involvement in affordable housing?**

JB: I am now able to spend more of my time in business development and building our affordable housing portfolio. That includes some focus on envisioning new assets that we are building or preserving. I am, also, able to spend time engaged more directly in policy discussions that are taking place around the country that associate with rental affordability.

***TCA:* Given the growing competiveness in the affordable housing market, what do you see as your strategic vision for the next five years?**

JB: After 40 years of consistent growth, we are not about to change direction. Our principles are the same. We are going to build, acquire and preserve affordable assets across the country. We will take advantage of what we are fortunate to have: significant access to capital, very creative internal finance capabilities and in-house construction, asset and property management services. We look forward to adding value to the communities in which we invest, while maintaining a commitment as we have for our entire existence of having never exited an affordable housing program.

Talking Heads, continued on page 8

Talking Heads, continued from page 6

TCA: What are your biggest concerns right now about affordable housing?

JB: We are worried about tax reform after the next presidential election. We are concerned about the structure of income tax rates even if the tax credit program continues. We are very concerned about what could happen to liquidity if the affordable housing roles of Fannie, Freddie or HUD change. There is even a concern about being able to execute deals if there is policy uncertainty, when Congress can't make up its mind and you are half in, half out of a program. We are concerned about yield buyers who are looking to exit the affordable housing programs on the sites they buy. It is very difficult to compete and pay for affordable assets at the prices that yield buyers will invest in. There is, also, a concern about private activity bonds. There are states that do not have sufficient private activity bonds. They are oversubscribed. The bond cap is not, though it should be, a "use it or lose it" proposition, like tax credits, that get allocated to states that can use them from the states that don't use them. So, limits associated with private activity bonds are also compromising the capacity to build more affordable housing in states that need housing most.

Affordability is not just a 60% of area of median income and below problem. Communities across the country are struggling to preserve rental housing stock that's affordable to teachers, police and nurses who want to live in the same communities they serve.

TCA: If there were more LIHTC available would Related be building more affordable housing? Are you being limited by what is available?

JB: Yes, we are an active tax credit user. We are very much constrained by the over-subscribed nature of the program. We would love to do more.

TCA: Related often looks outside the box for new business opportunities. One example is RAD. How is that working out?

JB: I think HUD showed solid leadership in getting the program out and is now closing deals. We are using RAD for Type 2's and the re-structuring of HOPE VI deals. It makes a lot of sense and we are pleased with HUD's response.

TCA: Besides RAD, what other growth opportunities do you see?

JB: Affordability is not just a 60% of area of median income and below problem. Communities across the country are struggling to preserve rental housing stock that's affordable to teachers, police and nurses who want to live in the same communities they serve. A middle-class affordability problem is obvious in many parts of the country and we are trying to be a leader in this as well. We recently completed and rented up a 900-plus unit, 100% affordable property in Queens, New York called Hunter's Point South Living. The units are rented to working-class families. It's not just targeted to families who make 60% or less of the area median income, but, also, services that the target audience that I was referring to. We are building a similar 200-unit property that we broke ground on recently in Boston. What I will refer to as workforce housing is a need that many communities are trying to satisfy.

TCA: Right in your own backyard, New York Mayor Bill di Blasio made affordable housing a big part of his campaign and has allotted a lot of financial support, but seems to be having trouble getting a program rolling. What can developers, like Related, do to support these initiatives?

JB: I think the mayor has put together a solid team, all knowledgeable housing people. They have reached out to multiple stakeholders across the industry to consolidate ideas. They have a plan that is being put into place. I admire his commitment. It's a very difficult problem that administrations dating back 50 years have tried to overcome.

TCA: Has the disparate impact decision or AFFH re-routed Related's business plans?

JB: No. For over 40 years, we have been committed to fair housing, not only the letter of the law, but the intent. We do not have any concerns that this will compromise that strategy in any way.

***TCA:* As the current Chairman of the New York Energy Efficiency Corporation, how do you envision the energy efficiency movement evolving over the next few years? What is Related's approach to energy efficiency?**

JB: There will be more of a focus on what I will characterize as active energy management or "smart buildings." You will see more focus on facades, not just boiler systems, lighting and solar, but you will see facades as a tightening of the building and the ability to reduce an energy profile. You will see more onsite renewable energy. The governor of New York in his State of the State Address made a commitment to renewables, especially as capacities and capabilities are built around energy storage and they become part of commercial use. These are just some examples of what you will see over the next number of years. When you ask me how Related sees this issue, it's just one part of what I call sustainable best practices. We have been benchmarking our energy profile for seven years. Every one of the buildings we purchase goes through an energy efficiency retrofit program. All of our new construction in the last five years are certified to LEED or other standards. We received three of the first 20 building Energy Star designations in the country from EPA for multifamily last year, and all three of them were affordable housing sites. We have a national smoke-free program that was the first of its kind and the only one of its scale. TCA

Emotional demobilization

In central London, on the pavement at every street corner, every traffic light, every pedestrian crossing, are painted two words: *LOOK RIGHT*. They exist to protect us against the instincts most of us have spent a lifetime acquiring, instincts that kick in when we are inattentive, in a hurry, tired or under stress.

A veteran returning to civilian life is like a tourist suddenly arrived in bustling London: all the instincts honed and tested intensively for years, often under stress most of us never experience, work against his or her re-entry into civilian life. In every interpersonal encounter, every domestic interaction, the instincts essential to physical and emotional survival in the military are the reverse of those we expect here at home. Where we value trust, a soldier learns vigilance; where we celebrate choice, a soldier internalizes structure.

For the soldier, the military is home: the military houses, feeds, equips, orders, manages, and protects the soldier. It is the apex of a structure/protection pyramid that began with parents, followed by teachers, and finally superior officers. Then one day all that structure is gone.

The same soldiers who have been mobilized and then meticulously trained for a hostile environment are given next to no training for a friendly environment, no glide path for emotional demobilization.

In wars of prior eras, not only were soldiers given many months of demobilization ("returning to civvy street"), they were returning in triumph from conflicts that were definitely over and definitively won. They came back as conquering heroes. Today's soldiers return from conflicts that are unbelievably messy, where on top of the external threats they operate under highly strict rules of engagement unknown to any previous American armies. They come back as heroes but not as conquerors.

Think of the disorientation that can ensue when everything you once took for granted – daily rhythms, home, job, purpose, friends, culture – is now, suddenly, not a single choice but hundreds if not thousands of choices, some of them to be made impromptu, when in every case you have to look not left but right.

David A. Smith

What you want, most of all, is what all of us want and most of us take for granted: a place of security (inside which you are safe), privacy (inside which you are your own person), and affection (inside which you are loved). Most of us call that home and return to it every night. Some veterans have that waiting for them: family, loved ones, fellow veterans. Some do not. Of those who do not, a distressing percentage find the lack of a safe place waiting back home leads them to stumble in some way, and if they stumble, it is all too easy to fall into either or both of the veterans' post-traumatic sinkholes: homelessness and incarceration.

Instead of treating returning veterans as just another population of housing demand, some entities – many of them non-profits – have been developing re-entry campus-style housing properties

First and foremost, returning veterans need a proper home. Yet a home is not the cornerstone of VA practice, nor is it a cornerstone of American affordable housing policy. Instead we have pockets of home-oriented assistance, such as the HUD-VA Veterans Affairs Supportive Housing (VASH) program that staples a Housing Choice Voucher to a lucky veteran, but at the all-too-inadequate rate of roughly 10,000 vouchers a year, versus roughly 100,000 a year retiring from active military service. And those vouchers are generally portable, when what the veteran most wants is a secure and stable place.

Instead of treating returning veterans as just another population of housing demand, some entities – many of them non-profits – have been developing re-entry campus-style housing properties, including two particularly noteworthy models:

- **Soldier On**, which started in Pittsfield, MA and now has six more properties in development through the VAi2 Innovation Initiative. The apartments are campus-style, some new-built and others adaptive reuse

of old schools, and mix permanent and transitional housing. They often replicate with modern technology the old RBK (room, bathroom, kitchen) with a central meals facility that was a staple of the pre-WW2 boarding house.

- **Casa de Cabrillo** in Long Beach, CA, which combines permanent and transitional housing, most of it RBK and some of it a roommate-style suite arrangement. Like Soldier On, it focuses on supportive services customized for returning veterans, which it delivers through a contractual partnership with the non-profit U.S.VETS.

Aside from the cost savings of purpose-built campus-style housing with small apartments, central kitchens and communal meals, both eliminate a sort of look-right stress and encourage mutual support among veterans, preserving the esprit de corps that comes for men based on shared experiences and without needing words.

These pilots are small-scale, and they're hard to finance. The challenge of combining HUD and VA programs is exceeded only by the challenge of melding VA and HUD administrative cultures. Hence the role of entrepreneurial non-profits, like Soldier On and Cabrillo's Century Housing, who are used to dealing with government as the counterparty and, likewise, used to being the interlocutor between their residents/customers and the government that says it is here to help them.

We may subconsciously devalue transitional housing and take it for granted, but there's one model whose moveout is always treated as a celebration. Graduation from college or university isn't framed as losing a dorm but as gaining skills to enable us to succeed in life. We value time and money spent on education and celebrate its completion. In the same way, a re-entry campus that graduates returning veterans into independent strong adults is an investment that not only pays our veterans back for their service, it pays us all forward for their future contributions to families, communities, and America. TCA

Homes to Come Home To

Eliminating Veterans' Homelessness

By Mark Olshaker

The treatment of military veterans has been an emotionally fraught and politically loaded topic since the beginning of the nation. It took until 1818 – 35 years after the British surrender – for Revolutionary War veterans to receive a pension. In the meantime, many of them had to sell off land claims they had been promised for their service to speculators. In the years since, the treatment of veterans has risen and fallen with the times and public temperament, from the Bonus Army marches following World War I to the G.I. Bill after World War II.

Today, political candidates are trying to enhance their own positions by standing up for veterans. Donald Trump has called the Department of Veterans Affairs "a scandalous, corrupt organization" and complained, "Frankly, illegal immigrants get treated better than many of our vets. It's a disgrace what's happening in this country."

Ironically Trump's first notable public mention of veterans came in 1991 when he wrote a letter to the New York State Assembly seeking a statute blocking disabled veterans from vending on Fifth Avenue in front of Trump Tower. His message to Mayor Michael Bloomberg was pretty much the same in 2004 when he complained, "Whether they are veterans or not, they should not be allowed to sell on this most important and prestigious shopping street." That right, it turns out, goes back 150 years, when the state legislature granted special vendor's licenses to disabled Civil War veterans.

Yet whatever political blather candidates may display, their concerns regarding veterans' services should be taken seriously. Housing veterans is a responsibility and a challenge. How well is the challenge being met?

An Area of Progress

The problems of the VA (officially now the Department of Veterans Affairs) in adequate and timely delivery of health services is well-known, with each secretary, in turn, promising reform. It is too early to know whether the latest attempts will reverse what has been a chronic and often scandalous situation. On the housing front, however, where it has been estimated that between one out of every ten and one in four homeless persons was a veteran, measurable progress is being made.

"I do think the Department of Veterans Affairs has made a true effort," states Patrick Sheridan, Executive Vice President for Housing at Volunteers of America (VOA). "Also HUD and the President and First Lady."

Michelle Obama and Mitch Landrieu (left) celebrate end of veterans' homelessness in New Orleans

Several specific programs and initiatives have been responsible for putting more veterans under permanent roofs. In 2010, the Obama administration set a goal of ending veterans' homelessness by 2015, called "Opening Doors." Though hard figures are elusive in this field, that focus led to about a 36% decrease by the beginning of 2014 and a 50% decrease in unsheltered veterans living on the street. To push things further along, on June 4 of that year, First Lady Michelle Obama announced the Mayors Challenge to End Veterans Homelessness, saying that 77 mayors, four governors and four county officials had already signed on to meet that goal, and called on additional mayors and local leaders to join the commitment. Ultimately, 570 did.

On April 20, 2015, Mrs. Obama joined Mayor Mitch Landrieu in New Orleans to declare that city as the first to house all of its homeless veterans. She dubbed it an "extraordinary achievement."

Landrieu commented, "We never leave a soldier on the battlefield, and we certainly never leave a soldier on the streets of America. That's something that transcends politics, race and geography."

The key to Landrieu's success was bringing together and mobilizing an alliance of federal, state and local agencies, together with nonprofits, corporations and faith-based organizations. Together, they were able to establish a rapid-response system combining permanent housing and supportive services within an average of

30 days per case. Another innovation was recruiting 150 active and former service members as an outreach team to look for those needing assistance.

This multifaceted model has been duplicated in other regions with similar results. Mary Tingerthal, the highly regarded Commissioner of the Minnesota Housing Finance Agency, which also signed on to the Mayors Challenge, is "very hopeful we will reach a functional level of zero by the end of 2016."

Mary Tingerthal

Minnesota's integrative effort is built around the Veterans Registry, implemented last year. "It's a voluntary system that allows information to be shared with multiple professionals and agencies," Tingerthal explains. This is possible because of the Interagency Council formed in 2012 that encompasses 11 agencies related to homelessness and meets three or four times a year on the commissioner level. "We're bringing together professionals who can speak each other's language. We take a veteran-by-veteran approach and marshal all the resources we need – housing, food, mental health, transportation, addiction and so on. Because of a very robust outreach, we have housed 372 vets; 75 more than we counted last year."

Thus far, 20 metropolitan areas have effectively ended veteran homelessness, including Albany, Houston, Las Vegas, Philadelphia, Phoenix and Salt Lake City. Virginia is the first state to achieve 100% housing for its veterans.

While the President's goal of ending veteran homelessness by 2015 was not reached – 48,000 veterans remained homeless as of November – the trend is encouraging, down each year since 2010. At the same time as the New Orleans announcement, HUD and the Department of Veterans Affairs made available $65,000,000 in rental assistance. Since 2010, HUD vouchers and VA programs have assisted around 230,000 homeless veterans and their families.

Housing First

One of the most encouraging initiatives is known as Housing First, and it runs counter to many traditional social service theories. In the past, to qualify for housing assistance, veterans first had to be successfully treated for substance abuse and/or mental/emotional problems. Says HUD Secretary Julian Castro: "Housing First means we don't make people jump through hoop after hoop to prove they can have a safe place to live. We give them the safe housing right away and then work with the VA to get them back on their feet. It's a model that really works."

This testimonial is confirmed by numerous local experts.

"It's critical," says Patrick Sheridan. "From the standpoint of positive impact on lives, we think it's been very successful."

"Absolutely, yes," says Mary Tingerthal. "We've had very good results."

"Housing First has great value in recognizing the importance of a stabilized living situation in dealing with personal problems," says Gary Busiek, Divisional Social Services Director for the Salvation Army in St. Louis.

Since 2008, HUD and the VA have partnered in the HUD-Veterans Affairs Supportive Housing program (HUD-VASH) that combines Housing Choice Voucher rental assistance with case management and clinical services, provided at VA medical centers and community-based outreach facilities. It was designed to identify and aid the most vulnerable and chronically homeless veterans. The program impacts about 50,000 of them and vouchers are allocated based on a combination of measured need in individual communities and the administrative performance records of the public housing agency in each of those locations. There is at least one local program operating in each of the 50 states, plus D.C., Puerto Rico and Guam. Michelle Obama has been outspoken in urging landlords to accept Section 8 vouchers from veterans.

The limitation of HUD-VASH is characterized by Busiek: "VASH presents a number of challenges. One is maintaining occupancy, and another is the challenge of available resources. We've found that these programs work best with a great deal of wrap-around supportive services. We, as a country, government and VA, have to supply more resources for supportive services, and place the same level of commitment on them that we do for housing itself."

SSVF

Supportive Services for Veteran Families (SSVF) helps out low-income families who are in or transitioning to permanent housing. Funds are granted to private nonprofits and other community partnerships. "We probably have the most SSVF contracts in the country," says Sheridan. "It's meant to be transitional, to help families get stabilized. Project- and tenant-based VASH and SSVF have all made a positive difference." In January, the VA announced the availability of up to $300,000,000 in grants to nonprofits providing SSVF services.

Another critical piece of the puzzle in some regions is

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Veterans' Housing, continued from page 13

the Enhanced-Use Lease program, whereby underutilized VA-owned land is leased to the private sector for veterans housing. "There were some questions at the beginning, such as, what was the selection process, and how do you lease land from the VA and use the tax credit structure?" Sheridan states. "But I really have to give kudos to the VA for working with us and other project sponsors, trying to make the process work."

State Efforts

Minnesota has made broad use of Enhanced-Lease. For example, the Upper Post Veterans Community at Fort Snelling, an outpost dating back to the Indian Wars, located at the confluence of the Mississippi and Minnesota Rivers, has 58 units of affordable housing and is only one light rail stop from the VA Medical Center, an essential VASH feature. It was built using both Low-Income Housing and Historic Tax Credits. Other such facilities are close to or adjacent to VA medical centers in St. Cloud and St. Paul.

Veterans For Tomorrow in Rhode Island is pursuing similar strategies throughout the small state. The Blackstone Valley Development Corporation, for example, converted a historic mill in providence into VASH voucher housing using 4% LIHTCs, federal Historic Credits and tax-exempt bonds. Other states have similar projects underway.

One thing all of the experts agree on is the need for additional resources to complete the veteran homelessness agenda. "There has been a fair amount of permanent funding," observes Sheridan. "The question is: Is it enough? Homelessness is always a moving target."

"You hear folks from the U.S. Council on Homelessness saying that we're really about making homelessness rare, brief and nonrecurring," comments Tingerthal. Based on her experience, her three suggestions for other states are organized interagency cooperation that includes corporations and the philanthropic community; a veterans registry; and, simply, "We have to keep building more housing." Sheridan and Busiek stress the need to maintain supportive services.

As Secretary Castro put it, "Despite the positive strides our nation has made, I know that we have a long way to go before we can end homelessness for good."

That sentiment is echoed by committed developers. Richard Baron is founder and Chairman of McCormack Baron Salazar, one of the nation's leaders in affordable housing and urban rebuilding and reuse. While he has high praise for the "superb" job the nonprofits have done, he says the government's efforts have been fragmented. "The amount of veterans' housing that has been generated has not, in any way, met the need. Like every other phase of affordable housing, not enough is being done."

Baron is firm in his conviction that a much more focused capital investment is necessary from the government, as well as a focal point of action. "There's no lack of interest," he notes, "But HUD or the VA's ability to do anything is a function of congressional appropriation. So far, it's all been chipping away at the edges with a program here and another one there. Right now there is no clear program. You have to set out a goal, streamline the process and, say, 'This is who's in charge and these are the resources.' If there is a hurricane, we know that FEMA drives the recovery; they are the focal point. We don't have that for veterans housing."

He would like to see an efficient process of nonprofit organizations and for-profit companies like his working together with adequate government support and cites his Conway Residence in Washington, D.C. as an example of the challenges. The architecturally striking mixed-income apartment includes permanent supportive housing for veterans exiting homelessness in addition to other affordable and low-income units. Financing the $33 million cost included LIHTC equity, tax-exempt bonds, Federal HOME funds provided through the DC Department of Housing and Community Development, support from the DC Housing Finance Agency and Department of General Services, several banks and four major foundations. "The layered financing to make these deals work is much too complicated. It's not realistic to answer the need. It took us four years to build 124 units."

So, while the task remains unfinished, those on the front lines are generally praising the HUD and VA efforts. And despite the political capital some of the current presidential candidates (not one of whom served in the military) are trying to generate, just about everyone actually involved in the housing effort wants to keep this nonpartisan.

Sharing the podium with Mayor Landrieu in New Orleans that day last April, Mrs. Obama summed up the nonpartisan commitment she and the President expected from the nation: "I think we can all agree that when our veterans risk their lives for this country and come home kissing the ground, none of them should ever have to sleep on it." TCA

REBUILDING BALTIMORE

In 1975, when then Mayor William Schaefer was concerned about Baltimore's reputation, he gathered four local ad agencies who put their heads together and decided to solve the problem by giving the town the nickname, Charm City.

40 years later, in April of last year, Governor Larry Hogan and Mayor Stephanie Rawlings-Blake found their town being criticized by the media following the killing of Freddie Gray and the massive unrest that kindled urban fire. The epic disparity in living conditions between the beautiful glass high rises along the Inner Harbor and the decaying row houses along the side streets in Sandtown would no longer be tolerated. For now, the charm was gone. This Governor and Mayor also responded—but not with a catchphrase.

All Through the Blight

By Joel L. Swerdlow

The large map shows the city of Baltimore broken into block clusters, color-coded to designate variables such as home ownership and occupancy rates.

"What are all those red specks?" I ask Paul T. Graziano, the city's Housing Commissioner and Executive Director of the Housing Authority of Baltimore City. Specks spread like a rash that is most intense around downtown Baltimore.

"Abandoned buildings," Graziano responds. "Baltimore has a high concentration in a significant number of neighborhoods thanks to 50 years of disinvestment and job and population loss. This has, among other things, disrupted the tax base, thereby limiting the resources the City can dedicate to neighborhood revitalization." According to the city's official count, at least 17,000 buildings are now abandoned and uninhabitable—more than one for every 40 people living in Baltimore.

Such abandonment pervades most of America's older, formerly industrial cities; what is noteworthy in Baltimore, however, is the skill with which "strategic demolition" has been utilized to combat it.

Graziano has held his position since 2000, making him the longest-serving chief of housing in Baltimore history; before that, he served seven years as chief executive of the New York City Housing Authority. Noteworthy successes in addressing those red specks, he says, "have come from two broad types of projects: Strategically targeted Low Income Housing Tax Credit [LIHTC] projects upon land cleared and assembled through the Mayor's "Vacants to Value" program that is also part of other neighborhood revitalization efforts which coordinate public and private investment; and secondly, large scale redevelopment involving sites ranging from a few dozen acres to over 100 acres of land.

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Going RAD

By Joel L. Swerdlow

"We have two options," an official from the Housing Authority of Baltimore City (HABC) tells a meeting of several hundred people who live in an HABC-owned building. "We can begin necessary repairs and rehabilitation and have it all done in the next 200 years, or we can begin now and have it all done in two years. Which do you want?"

Decades of deferred maintenance are not difficult to see. Elevators don't work well; plumbing can be unreliable; electrical wiring is dated. And there are no basic amenities, such as an activity and community meeting room.

The residents—who obviously support the "two year" option—are about to have their homes significantly improved, thanks to a federal program that brings two forms of "preservation" to affordable housing.

The U.S. Department of Housing and Urban Development's Rental Assistance Demonstration (RAD) Program, created by Congress in 2012, gives owners participating in three HUD 'legacy' programs (Rent Supplement, Rental Assistance Payment, and Section 8 Moderate Rehabilitation) the opportunity to convert from public housing to long-term project based Section 8 contracts that provide the incentive for private investors to sustain and improve the property and assure the buildings remain as affordable housing.

According to a 2014 report from the federal Government Accountability Office, "the goals of the RAD program include maintaining the affordability of federally assisted rental properties and improving their physical and financial condition. Specifically, property owners can leverage the subsidy payments under the newly converted contracts to raise capital through private debt and equity investments to make improvements."

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Hence, the two "preservations": preserve a unit's status as affordable housing, and physically preserve it so it does not decay into non-livability.

And hence the "two and 200-year" figures. With the capital available to the Housing Authority of Baltimore City in the absence of RAD, repairs and rehabilitation of the building would have stretched out for two centuries—a ridiculous figure because in 8-10 years, experts estimate, decay and neglect would have made the building uninhabitable. And with the RAD program, all work to be completed over the next two years—extending the building's useful life by decades.

Big Baltimore RAD deal

A developer with extensive experience building and maintaining affordable housing in Baltimore and other cities, Christine Madigan, Executive Vice President, Enterprise Homes, says "RAD is an important, innovative tool for upgrading public and assisted housing because it allows private capital to help meet the backlog of repair and renovation needs, particularly in public housing, and preserve this housing."

Nationwide, there is $26 billion backlog of deferred maintenance and other necessary public housing capital improvements.

In Baltimore, roughly $300 million in RAD funds—available thanks to Maryland Governor Larry Hogan, who received the funds in an allocation by HUD—will be devoted to 23 HABC buildings, rehabilitating about 4,600 units, which are 40% of the city's total HABC units.

This makes Baltimore the most RAD-active city on the east coast, and developers are excited. "The RAD program allows HABC and its developer partners to make once in a generation renovations for a portfolio of public housing properties that have suffered from decades of deferred maintenance," says Catherine Stokes, Vice President of Washington, DC based Telesis Corporation, which specializes in affordable housing and is working on two RAD-financed projects in Baltimore. "The infusion of private resources will enable these teams to significantly improve the quality of life for thousands of low-income Baltimoreans."

These feelings are echoed by Christine Madigan, whose company, Enterpise, is also doing several RAD projects in Baltimore, who adds, "RAD fills a significant gap caused by the shortage of federal funding for capital projects within public housing, and utilizes private capital to significantly upgrade the units and the overall communities. These investments will provide significantly better housing for people."

Buildings for RAD in Baltimore are selected by HABC according to need, number of residents, and strategic placement in that their rehabilitation will have a positive impact on nearby neighborhoods. Emphasis is also placed on buildings occupied by the elderly and people with disabilities.

What is done to these buildings? What requests and demands does the Housing Authority make? "They're trying to maximize benefit to the residents through improvements in the physical condition of the property," says Stokes. "As the physical needs and resident desires differ from building to building, HABC is not being prescriptive. Rather, it is committed to ensuring that the physical needs of the building are addressed and that the rehabilitation is transformative for residents, providing tangible benefits, such as new finishes and fixtures, upgrades to common spaces and new resident amenities."

Examples of Improvements

She cites examples that Telesis is working on in Baltimore: "The Brentwood is a 150-unit, mixed population, 13-story high-rise built in 1977, and has not had a significant renovation since that time. The $13 million phased renovation began in December 2015 and will involve modernization of the building, including the replacement of exterior windows and doors, roof insulation, interior finishes, plumbing fixtures and risers, as well as mechanical and electrical systems. In addition, accessible units and common areas will be reconfigured as required to meet the uniform federal accessibility standards.

"And, the Ellerslie is a 117-unit, mixed population, five-story building built in 1974. The scope of the construction is still under development, but will include the replacement of roof insulation, interior finished, plumbing fixtures, and reconfigurations to meet the uniform federal accessibility standards."

Developers, profit-making and not-for-profit, for RAD projects in Baltimore are selected by HABC through a competitive process. These developers are responsible for securing the financing, so lender and investor partners vary from transaction to transaction. Developers are also responsible for selecting a management agent for the RAD properties.

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"Vacants to Value" [V2V] began after Mayor Stephanie Rawlings-Blake took office in 2010, and decided to address building abandonment in a comprehensive way. "Where others saw an intractable problem, I saw an opportunity to rebuild neighborhoods, improve the lives of residents and attract new homeowners and private investment," she explains.

V2V has streamlined the process by which the city enforces codes and disposes of abandoned property; facilitated investment in areas of strength; increased homebuyer incentives; supported development and major redevelopment activity; and coordinated the provision of green, healthy and sustainable home and neighborhood improvements, such as community gardens.

To support this vision, Maryland's Governor Larry Hogan recently joined Baltimore's mayor in announcing Project Creating Opportunities for Renewal and Enterprise (CORE) through which the Governor will provide $75 million over the next four years for demolition under the V2V program. "As I walked the streets of this city, people were repeatedly calling out and begging us to help do something about the blight that is all around them," Hogan told reporters. "We have heard calls for action."

Hogan, who has also committed hundreds of millions of dollars in additional resources to reinvestment in the City of Baltimore, is a Republican. His constructive working relation with Baltimore, which is dominated by Democrats, stands out during a nationwide era of partisan inaction and bickering, and has contributed to impressive numbers: Since its launch, Vacants to Value has filed receivership cases on nearly 1,800 privately-owned vacant buildings; helped initiate the sale of 1,365 properties, the rehabilitation of nearly 2,700 vacant properties, and the demolition of 1,737 dilapidated structures; assisted in the award of more than 500 homebuyer assistance grants; facilitated development parcels at key locations for multifamily rental housing, often utilizing LIHTCs; and empowered community groups to adopt more than 900 vacant lots and recently cleared land as community gardens, parks and other green space.

Downtown Tour

Graziano grabs his coat. "The best way to understand this is to see it," he says. Jumping in his car, he drives through perhaps a dozen neighborhoods. He clearly knows the city well, often slowing down to marvel at a turret

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Christine Madigan says that optimally RAD developers need "significant experience in refinancing and rehabilitating apartment communities with residents in place," and that a successful RAD project "involves significant communication and coordination between the developer and various departments both within the local housing authority and HUD."

With such working relationships in mind, HABC structures the RAD transactions through Baltimore Affordable Housing Development (BAHD), a 501(c)(3) affiliate controlled by HABC, and the developers. HABC will deed its entire interest in each RAD property to BAHD in order to facilitate the financings. BAHD, among other things, facilitates the transfer of the RAD Properties and acts as the lender of the sale proceeds; serves as HABC's contractor to perform various oversight tasks; and performs waiting list management services. This structure enables HABC to separate its obligations and revenue generated through RAD from its obligations and revenue under the public housing program. TCA

All Through the Blight, continued from page 19

or re-use of old bricks, stopping to talk to people.

Why so many abandoned buildings?

"Baltimore has lost a third of its population since 1950, and has experienced significant disinvestment resulting in major concentrations of blight in areas throughout the city," Graziano responds. "High concentration of abandonment in a significant number of inner city neighborhoods leads to a diminished tax base, thereby limiting the resources the City can dedicate to neighborhood revitalization. Other challenges include extremely high poverty rates, limited employment opportunities and an aging housing inventory.

"We can't just leave the decaying buildings there, and to simply decimate them is not good either. From a broad policy perspective, demolition is not preferable to restoration. In fact, we consider demolition to be the last resort, not the first resort."

He explains: "As we consider strategies to address large scale blight related to our whole block demolition program, we start by examining the percent of occupancy, the architectural and historical merit, overall structural condition and feasibility of rehabilitation from both an engineering and economic perspective. Only once it is determined that there is no reasonable alternative, do we do demolition."

We drive along the Greenmount Avenue corridor, a major north-south gateway to downtown Baltimore. In the center of this corridor is what Graziano refers to as a "strategic target" in which the City has undertaken a coordinated strategy to address blight and create new housing opportunities. An approximately 15 block stretch commencing in the south at Johnston Square and extending through the Greenmount West and Barclay neighborhoods is home to six completed or under construction LIHTC projects which replace blight with hundreds of affordable units. "These investments together with targeted demolition and other public investments have attracted significant amounts of private capital for the renovation of a high percentage of long-term vacant structures in these neighborhoods to provide high quality for-sale housing as well as market-rate and affordable rental," Graziano explains.

On many blocks, the ultimate measure of success is visible: houses that are adjacent to affordable housing, recently sold at full market rates.

Graziano emphasizes that such projects proceed only after years of discussion with citizens and community leaders. "Community" is the goal, and emerges house by house, family by family, block by block, and not from centralized planning. But always at the core of community development is real estate, primarily affordable housing—living confirmation of conclusions reached by a major recent study, "Investing in What Works" published by the Federal Reserve Bank of San Francisco and the Low Income Investment Fund.

In addition to community input and buy in, Graziano emphasizes that the state-city cooperation is essential every step of the way. "The State of Maryland is a critical partner through its housing finance agency, which provides a variety of resources for for-profit and not-for-profit developers. These programs include, but are not limited to: Low Income Housing Tax Credits (9%), Multifamily Bond Program (4%), Rental Housing Funds (RHF) that include the State's Home Investment Partnership (HOME Funds) program and the Rental Housing Program (RHP). The State's commitment to Baltimore is evidenced by its funding of the RAD program and the recent awards of 9% LIHTCs; and state programs—including Partnership Rental Housing Program (PRHP), Group Home Program and the Maryland Affordable Housing Trust Grant—to assist both nonprofit and for-profit affordable housing developers with supportive and/or transitional housing. The State also supports community development initiatives through a variety of grant and loan programs. Community revitalization funds are available for both planning and projects through the Community Legacy program, Baltimore Regional Neighborhood Initiative, Strategic Demolition and Smart Growth Impact Funds, and Operating Assistance Grants. Additionally, the State supports small business development as part of its larger community development efforts through the Neighborhood Business Works program."

Turning the Page

Darkness forces Graziano to end the tour he is giving me. As we say goodbye, he is returning to his office and I realize I've been seeing the Next Chapter in the history of great American cities, like Baltimore—adjusting to loss of jobs and population by unleashing market forces to stimulate community development. And add to all this vigorous public involvement and 21st century green goals.

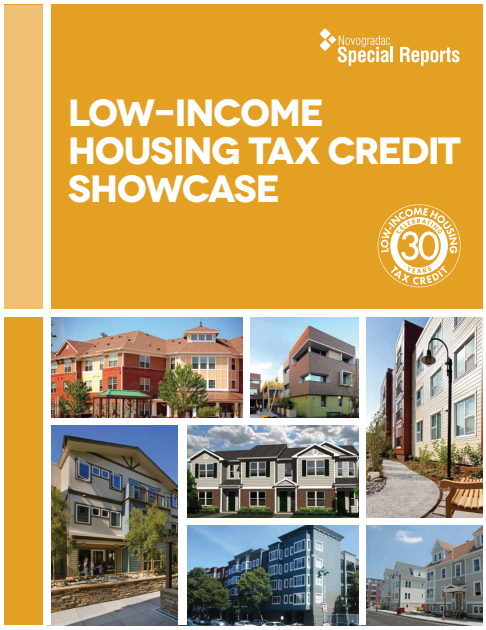
That Graziano goes back to work makes sense. "Full implementation of Project CORE and the demolition of a total of 4,000 non-viable, blighted structures in our redevelopment areas will take at least another four years," he told me. And all this involves the lives of very real people. TCA

Novogradac

Program Serves Diverse Constituency

By Lauren Anderson

The *Novogradac Low-Income Housing Tax Credit Showcase*, released in January to commemorate the 30th anniversary of the federal drive to encourage affordable housing, shows the LIHTC program in action by profiling 72 LIHTC developments in 34 states and territories. The featured developments include housing for veterans, people with disabilities, homeless individuals, and communities that are rebuilding after a natural disaster. LIHTC developers are as diverse as the people who call their properties home. The program has helped build "multi-story buildings, garden-style apartments, single-family lease-purchase, single room occupancies (SROs), and the adaptive re-use of historic buildings."

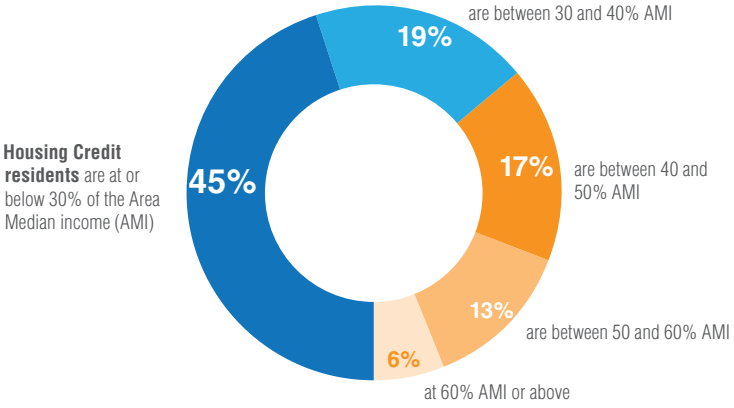


The Showcase answers questions about the program that anyone – from legislators to potential investors to an average citizen – might ask. How does the program work? Who lives in LIHTC housing? What kind of return have LIHTC investors seen? The report reveals a tool that brings together many parties – developers, residents, syndicators, investors, and housing finance agencies – to produce housing that is affordable for residents whose paychecks do not add up to their area's median income.

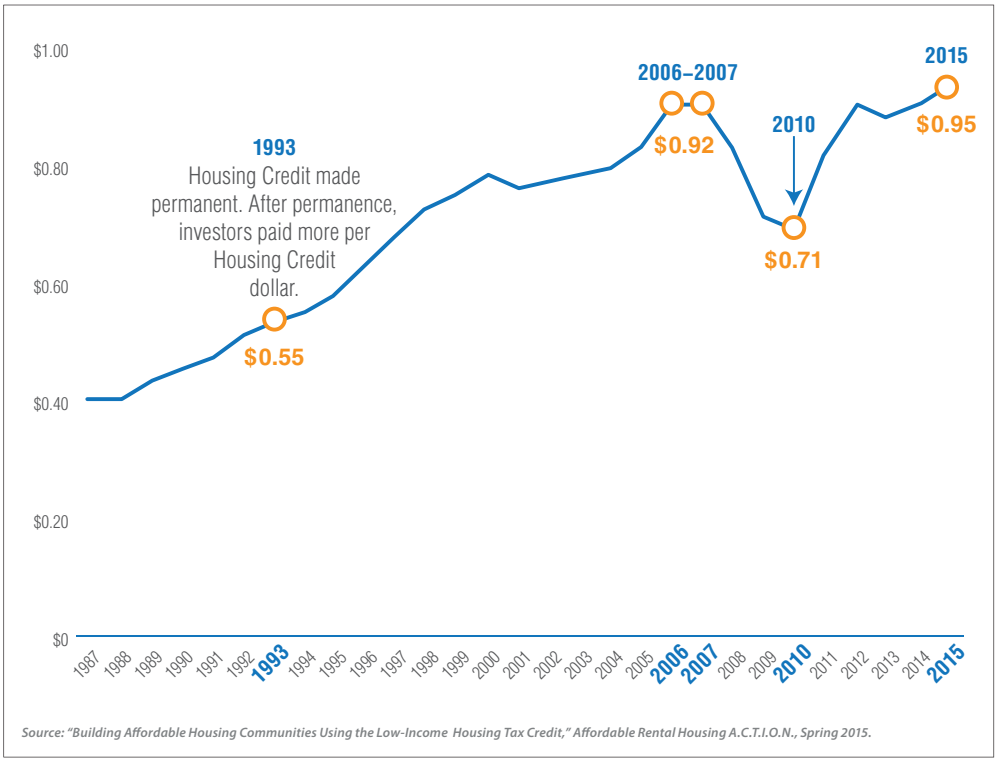
"For 30 years, the LIHTC has helped America's less-fortunate citizens find quality, safe, affordable housing and this report highlights why and how it works," said Michael J. Novogradac, CPA, managing partner in Novogradac's San Francisco office. "As one developer says, the LIHTC is the 'sun that all the other affordable housing programs revolve around.' This report shows how that happens–and it also highlights the benefits to the nation as a whole.

When looking at who lives in LIHTC properties, Novogradac found that the program serves residents at several income levels. This section of the report draws from a study completed by the U.S. Department of Housing and Urban Development and was released in early 2015.

- 45% of residents' incomes are at or below 30% of Area Median Income.
- 19% are between 30 and 40% of AMI.
- 17% are between 40 and 50% AMI.
- 13% are between 50 and 60% of AMI.
- 6% are at or above 60% of AMI.
- 36% of LIHTC households have had at least one member under 18 years old.
- 33% of households have had an elderly member.



In addition to a diversity of income levels, the report revealed that LIHTC serves a diversity of ages. More than a third of LIHTC households have at least one member younger than 18 years. At the same time, about a third of LIHTC households have an elderly member. The head of household for 29% of LIHTC properties is at least 62 years old.



Source: "Building Affordable Housing Communities Using the Low-Income Housing Tax Credit," Affordable Rental Housing A.C.T.I.O.N., Spring 2015.

Novogradac's report considers how the program has grown stronger and more successful over the years since it was enacted in 1986. The report maps the changes in credit pricing, starting close to 40 cents on the dollar and climbing to an average of 95 cents today. Developers and investors alike tout the success of the program. The report is chock full of quotations from industry leaders on LIHTC's impact.

"[LIHTC is] extremely important. It's probably the most successful housing program ever enacted in our country, as evidenced by the past 30 years or so," said Raoul Moore, the Senior Vice President of tax credit syndication for non-profit Enterprise Community Partners. "It's the only housing program that provides affordable housing on any real scale."

The program has attracted $100 billion dollars in private equity capital to finance quality affordable apartments since the tax credit's inception. Over the history of the program, less than 1% of LIHTC properties have foreclosed.

With this report, Novogradac demonstrates the tremendous bipartisan support that has made LIHTC a tool that "provides virtually all low-income affordable rental housing developed in the United States." The program was enacted under President Reagan, made permanent under President Clinton, and expanded under President Bush. While this is not included in the report, it is important to note that the minimum rate for the 9% LIHTC was set under President Obama.

Peter Lawrence, Novogradac's director of public policy and government relations in Washington, D.C., said the special report comes at a crucial time. "As Congress considers significant tax reform, this showcase reminds us of how successful the LIHTC has been for decades," he said. "People all over the nation have had their lives enriched by housing that was built only because of the LIHTC. In light of its achievements, it makes sense for Congress to consider an increase in LIHTC resources to help meet the tremendous need and demand for affordable rental housing." TCA

CohnReznick

Property Performance Continues to Improve

By Lauren Anderson

At 30 years old, the Low-Income Housing Tax Credit has never looked better according to CohnReznick. *The Low-Income Housing Tax Credit Program at Year 30: Recent Investment Performance (2013-2014)*, the national accounting firm's look back at the performance of LIHTC properties over the program's lifetime, as well as at recent trends across the portfolio, delivers good news to both for-profit and non-profit multifamily developers, as well as those who invest in their projects. The report provides a data-driven argument to strengthen and expand the program to create more affordable housing across the country.

The report, which describes LIHTC as the "longest tenured federal affordable housing program in history," details the broad impacts and successful results that have made the program a mainstay of affordable housing development, as well as a strongly supported program amongst legislators. LIHTC has financed the construction or rehabilitation of about 2.8 million units over its lifetime. About 20,000 properties make up the current LIHTC portfolio. The report takes a deep dive into both property performance and fund investment performance.

Signs of Strength

Since CohnReznick completed its last survey of the LIHTC program in 2012, the "basic metrics" of success – physical occupancy, debt cover ratio, and per unit per annum cash flow – have continued to improve. Physical occupancy increased half of a percentage point to 97.5%. Debt coverage ratio went up from 1.30 to 1.33. The average amount of annual cash flow generated by a unit improved by about 20%, improving from $498 to $597. In this report, for the first time, CohnReznick also considers economic occupancy, which takes into account how much income a unit generates, as opposed to physical occupancy, which only looks at whether the unit is occupied at all. The report's authors sought to determine if the recent recession, which strengthened the performance of many LIHTC properties based on the traditional measures of success, also improved economic occupancy. Their findings suggest it did. In 2014, median economic occupancy was 96.6%, which is within a percentage

point of physical occupancy. According to the report, this "demonstrates very powerfully how the demand for affordable housing units has lowered the turnover rate in housing credit properties, reduced the costs associated with units turning over, and lowered the loss in rental income associated with rent skips." While this is a positive finding for the calendar year, it does not allow room for additional growth in rental income.

In addition to looking at the number of LIHTC properties that are performing well, the report considers those that are not. In 2005, CohnReznick found that about 35% of LIHTC properties were operating below breakeven. By 2014, that fell to 16.9% and the properties included in that group "failed to [achieve breakeven operations] by relatively modest amounts." When looking at underperforming properties across the 12 regions designated in the report, properties with physical occupancy under 90% ranges from 1.4% (GU, PR, VI) of the stabilized portfolio to 12% (IA, KS, NE, MO). All 12 regions saw an improvement in physical occupancy from 2013 to 2014. The percentage of properties with economic occupancy

below 90% is more variable across the regions. Only 4% of California, Oregon, and Washington portfolios is below 90% economic occupancy. On the other hand, more than a fifth (20.9%) of Iowa, Kansas, Nebraska, and Missouri portfolios is below 90%.

Impact of Who and How

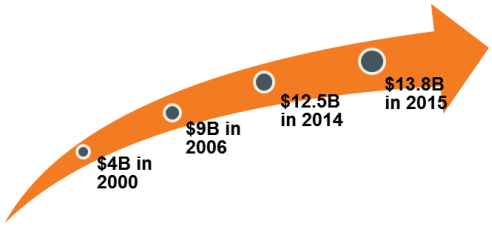
The report's authors wrote that they are often asked to compare for-profit and non-profit developers in terms of their success in operating LIHTC properties. They found that occupancy is slightly higher in properties developed by non-profit developers and cash flow is slightly higher in properties operated by for-profit developers. However, the differences are minimal and the report concluded that "there is no meaningful difference in performance between the two groups."

There does appear to be a possibility of meaningful difference in terms of how other industry professionals are doing their jobs. For the report, CohnReznick asked Ohio Capital Corporation for Housing to look at how their operating expense underwriting varied from the actual results five years later. When they looked at data for 2004 on properties that were underwritten in 1999, they found an average variance of 32%. For properties underwritten in 2009, they found that the variance had diminished to nearly a quarter of that. While there is not enough data to support a conclusion, this initial information suggests that a more solid methodology for underwriting operating expenses may be a factor in the LIHTC portfolio's increasingly strong performance. CohnReznick plans to look further into this possibility in future reports.

The report demonstrates that those who invest in these properties are sharing in the success. The report takes a look at 1,700 Low-Income Housing Tax Credit funds, both proprietary and multi-investor, from the calendar year 2000 and on. As of 2014, the average LIHTC investor has realized 98.4% of the credits it was promised. TCA

Equity Volume Reached Record High in 2015

- Based on data collected by CohnReznick from all active syndicators and six direct investors, we estimate that investors collectively funneled at least **$13.8 billion** into the housing credit investment market in the last year, making 2015 a record volume year in the history of the housing credit program.



- Nearly $10 billion (71%) of the $13.8 billion of equity closed in 2015 was syndicated, while the remaining $3.8 billion (29%) consisted of direct investments. Of the syndicated portion, the five largest syndicators collectively closed $3.9 billion; the next tier of seven syndicators each closed between $400 and $700 million in 2015.

- We believe that the increase in gross equity is attributable to an increase in credit pricing, an increase in the number and size of 4% credit transactions, and a modest increase in the volume cap.

- Despite diminishing yields and soaring housing credit prices, investors, especially those incentivized by the Community Reinvestment Act, continued to demonstrate robust appetite for housing credit investments.

Current National Multi-Investor Funds

Syndicator/ Fund Name	Estimated Fund Size (millions)	Projected After -Tax Cash Needs IRR	Net Equity Price	Target Closing
Alliant - Tax Credit Fund 85	$100	Tiered	TBD	5/16
BFIM - Institutional Fund 45	$200	Tiered	TBD	5/16
Boston Capital - Fund 42	$132	4.00%	$1.03	3/16
CREA - Corporate Fund 48	$225	Tiered (5.10% high)	$1.03	6/16
Enterprise - Fund 27	$250	TBD	TBD	Q4/16
NDC - Corporate Fund XII	$70	5.75%	TBD	3/16
PNC - Institutional Fund 61	$125 - $150	4.00% - 5.00%	TBD	6/16
Raymond James - Fund 42	$200	Tiered	TBD	TBD
RBC - National Fund 23	$251	Tiered	$1.06	3/16
Red Stone - 2016 National Fund	$125	Tiered	TBD	Q3/16
Richman - USA Fund CVIII	$100 - $150	4.00%	TBD	6/16
Sterling - Corporate Fund 55	$100	Tiered	TBD	9/16

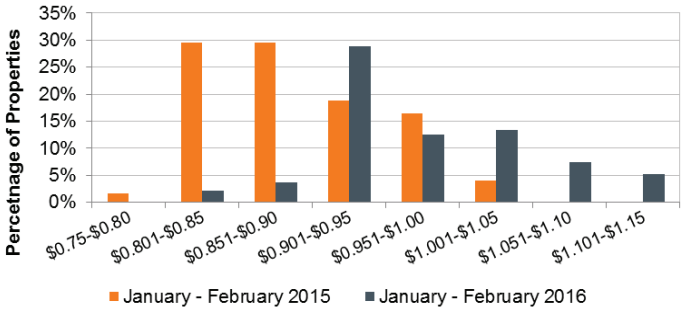
Equity-weighted Average	Net Equity Price	Projected After Tax IRR
All National Funds	**$1.04**	**4.39%**

Housing Credit Pricing Update

- The incidence of sub-5.00% investor yields on national funds has taken a strong hold since September 2015 as housing credit prices continue to remain above the $1.00 mark in many markets. This trend has shown no indication of stopping as we head further into 2016.

- The following graph represents the distribution of lower tier pricing for participating syndicators in the last 60 days based on 85 properties, presented in comparison to survey data from a year ago.

- The average housing credit price reported by syndicators in the last 60 days remains at **$1.02**, consistent with the average reported price in the January 2016 issue of this publication. There has been a notable shift in the last 12 months toward properties priced north of $0.90.



Current State & Regional Multi-Investor Funds

Syndicator/ Fund Name	Regions	Estimated Fund Size (millions)	Projected After-Tax Cash Needs IRR	Net Equity Price	Target Closing
CAHEC - Fund XXI	Southeast and Mid-Atlantic	$150	4.25%	$1.00	3/16
Cinnaire - Fund 31	MI, IL, IN, MN, NY WI	$130	TBD	TBD	9/16
Cinnaire - Mid-Atlantic Fund 3	DE, MD, PA, NJ	$30	TBD	TBD	11/16
Enterprise - CalGreen IV	CA	$80	TBD	TBD	Q4/16
Merritt - Fund XVIII	CA	$75.5	4.25%	$1.14	2/16
MHEG - Fund 46	Midwest	$175	5.00%	TBD	Q3/16
MHIC - MHEF XXII	MA	$87	5.50%	$1.015	3/16
OCCH - Fund XXVI	OH, KY, WV	$250	4.50% - 4.75%	$0.99	4/16 - 5/16
Raymond James - CA Housing Opp. Fund V	CA	$162	Tiered	TBD	1/16
WNC - Fund X CA Series 14	CA	$129	4.25%	$1.06	Q2/16

Equity-Weighted Average	Net Equity Price	Projected After-Tax IRR
State / Regional Funds Excluding CA	**$1.00**	**4.75%**
California Funds	**$1.09**	**4.25%**

Note: All fund data was provided by fund sponsors and compiled by CohnReznick. Neither CohnReznick nor the Tax Credit Advisor takes responsibility for the accuracy of the data represented by the sponsors. If you would like a fund included in the next Housing Tax Credit Monitor, please contact TCIS@cohnreznick.com or (617) 648-1414 to speak with a professional with CohnReznick's Tax Credit Investment Services practice. Visit CohnReznick's website at www.cohnreznick.com.

A Creative Approach to Long-Term Financing

Barkan works with Federal Financing Bank

By Paul Smith

The affordable housing industry has long required multifamily developers and owners to be creative in structuring financing for their developments given a seemingly endless need for limited resources to create and preserve these properties. In today's environment of increased competition for scarce resources and rising costs, it is of paramount importance for developers to be innovative in maximizing each capital source on every transaction. Each additional dollar generated aids in development or rehabilitation.

Boston-based Barkan Development ("Barkan") recently displayed financial creativity with the acquisition and rehabilitation of Wood Ridge Apartments in North Andover, MA. The 230-unit apartment complex was originally constructed in 1979 and contains a mix of one, two, three, and four bedroom apartments. Residents range from elderly singles to large families with many school-age children. The project is a Cooperative, with 100% of the units benefiting from a project-based Section 8 contract. The rehabilitation will allow the owner to invest $8.9 million into the property for improvements which will help maintain vital affordable housing to the residents of North Andover.

Founded in 1964 by Mel Barkan, Barkan Development is an established developer, owner and manager of multifamily housing with over 20,000 units under management.

To facilitate the acquisition and rehabilitation of the property, Barkan utilized the familiar "cash-collateralized" tax-exempt bond structure. The cash collateralized structure originated in the late 2000's, when exempt rates far exceeded prevailing taxable rates for the same loan term. The increased cost of capital, created a strain on developers who had traditionally utilized tax exempt bonds and 4% LIHTC for affordable housing development or rehabilitation. To combat the inefficient tax exempt market, developers have been utilizing short-term tax-exempt bonds paired with a long-term taxable loan, typically from Fannie Mae, Freddie Mac or FHA/GNMA, who offer attractive long-term taxable financing for affordable housing. The TE bonds are used to satisfy the 50% test for tax purposes, and are "cash collateralized" by proceeds from the taxable loan or other transactions sources, such as LIHTC equity, subordinate financing, etc. After construction completion and lease-up, the bonds are retired, and the permanent taxable loan stays in place. This structure allows borrowers to take advantage of historically low taxable permanent rates, while meeting all tax exempt bond requirements to earn the 4% LIHTC. It has been utilized at great length since the late 2000's by LIHTC developers, who have depended upon long-term financing from Fannie Mae, Freddie Mac and FHA as these governmental agencies provided efficient taxable financing terms for affordable housing not replicated in the private sector.

To combat the inefficient tax exempt market, developers have been utilizing short-term tax-exempt bonds which are paired with a long-term taxable loan, typically from Fannie Mae, Freddie Mac or FHA/GNMA, who offer attractive long term taxable financing for affordable housing.

The benefits of the cash collateralized structure include:

- Low permanent financing rate and maximum first mortgage leverage
- Long-term, fully amortizing permanent loan options
- Elimination of or significant reduction of negative arbitrage due to draw down bond structure and/or GIC earnings to offset interest carry on cash collateralized bonds
- Maximum leverage up to 90% LTC under FHA programs and 90% LTV under Fannie or Freddie programs
- Short-term bond issuance, which enables the 50% Test to be passed.

The unique aspect of Wood Ridge, is that instead of

utilizing Fannie, Freddie or FHA for the long-term permanent taxable financing, Barkan used a new resource for permanent lending – the Federal Financing Bank ("FFB").

The FFB was created in 1973 by Congress to reduce the cost of federally assisted borrowing from the public. The entity operates under the US Treasury and initially was not authorized to buy loans from Housing Finance Agencies ("HFA"). However, in 2008, as a part of the HERA legislation, the FFB was authorized to begin to provide financing for multifamily housing. The change was made in response to the increasing demand for affordable housing during a time when private financial institutions maintained tight lending parameters.

The FFB permanent loan structure offers the same benefits of standard cash-collateralized structure, and does not require adherence to Davis Bacon Wages, which further reduces costs and improves the economics for the borrower when compared to a traditional FHA structure.

For Wood Ridge Apartments, the FFB worked with the local HFA and Mass Housing, to fund the permanent loan. Mass Housing issued $24 million of short-term tax exempt bonds to serve as a "construction" loan to allow the borrower to meet the 50% Test requirements associated with 4% LIHTC transactions. The bonds were cash-collateralized by the FFB permanent mortgage until the property reaches stabilization, at which point the bonds will be retired.

The $34.5 million taxable permanent mortgage features a 90% LTC ratio, minimum DSC of 1.10x and carries with it a 40-year fully amortizing term and an all-in interest rate of 3.89%. In comparison to a traditional credit enhanced tax exempt structure where the all-in permanent rate would be approximately 5.00% or more, this unique structure allowed the borrower to generate an additional $5,050,000 in first mortgage proceeds when compared to an FHA structure and, the elimination of Davis Bacon wages reduced the borrower's total construction costs. TCA

More Than a Hotel

NMTCs support training institute for disabled

By Bendix Anderson

Erskine Training Institute & Teaching Hotel, Muncie, Indiana

A new Courtyard Marriott Hotel in Muncie, Indiana offers more than a comfortable room and a good meal. Within its walls, people with disabilities are being trained for careers in hospitality.

"I'm very excited about the independence we'll get here," says Brendan, one of the seven students enrolled at the new Erskine Green Training Institute & Teaching Hotel, which launched in January.

The unemployment rate for people with disabilities, like Brendan, is 82%. However about 85% of people with disabilities are able to work, according to The Arc, "the largest national community-based organization advocating for and serving people with intellectual and developmental disabilities and their families."

The Arc of Indiana Foundation, one of the Arc's 100 local chapters around the U.S., created the Erskine Green Institute & Teaching Hotel to help people, like Brendan, get the skills they need to find employment.

The Institute will train an estimated 200 people with disabilities every year from around the state of Indiana in any aspect of hotel and restaurant operations they are interested in, plus six areas of healthcare.

The new Courtyard by Marriott in downtown Muncie, Ind., looks like a regular hotel, just up the street from the city's convention center. In the hometown to Ball State University and Jim Davies' Garfield comic strip, the hotel provides a home to the Institute, where seven students, including Brendan, are already enrolled in the Institute's nine-to-13 week project.

"We make sure that they leave the program with everything that they need to be successful," says Jill Vaught, executive director of The Arc of Indiana Foundation.

The Erskine Green Training Institute shares space in its building with the Courtyard hotel and a new Thr3e Wise Men restaurant, with room to seat 120. It's the latest restaurant created by Scott Wiess, the creator of the "Scotty's Brew House" restaurant chain. The two businesses employ 129 people, from managers to busboys. Both have committed that at least 20%of their employees will be people with disabilities qualified to do the work.

The students attend classes at the Institute and gain work experience through an internship at the hotel arranged by the Institute and graduate with a certificate recognized by the Indiana Hotel & Lodging Association.

"We will be training people with a variety of disabilities," say Vaught. Their disabilities range from cognitive disabilities to blindness.

The first class of seven disabled people came from across Indiana and even further away. They stay at the hotel and can eat their meals with fellow students in the dining halls of Ball State University, a mile and a half from the Institute.

The hotel and restaurant are already doing better than expected. The restaurant is expected to start earning a profit in just six to nine months — fast for a new restaurant. "We are well ahead of schedule," says Vaught.

Erskine Green, continued on page 32

Erskine Green, continued from page 31

The hotel is also performing better than the expectations on its pro-forma. "It should be profitable next year," says Vaught. "The hotel has already had its first sold-out night."

The Arc leaps into development

The Arc developed the new building using an innovative finance plan that combined charitable donations with federal New Markets Tax Credits (NMTCs).

"They are gutsy – they jumped right into this," says Peter Giles, vice president of business development for Cinnaire, the leading tax credit syndicator formerly known as Great Lakes Capital Fund.

The developer had to overcome several barriers before it could start construction.

It cost $31.9 million to build Erskine. That's more than any one of the local banks the developer worked with could provide efficiently. So three local banks partnered to provide the loan, led by First Merchants Bank, based in Muncie.

Normally, construction lenders won't lend until the borrower has finalized its plan to eventually permanently finance the project. The Arc's $31.9 million permanent financing plan for the Institute includes an $11 million package of equity investments that generate NMTCs that closed in December 2015, plus another $20 million in charitable contributions that will be made by 2019. But only a few of those donations had come in when the Arc of Indiana planned to start construction in 2014.

If the developer had to wait for those donations before starting construction, it would still be waiting today.

The City of Muncie gave the project its first big break. It provided an "anticipation note" to the development. The note promises that the city will provide the development with a permanent loan, if needed, to cover any shortfall when the construction loan comes to the end of its term in 2019.

"That promise was the security needed for construction financing," says Giles.

The Arc is still busy raising money from its wide network of philanthropists to help pay down its construction loan before the loan comes due.

"We have raised almost $15 million," says Vaught. Those millions include many pledges by donors to contribute over the next few years. The donors include the Muncie-based Ball Brothers Foundation, The Community Foundation of Muncie and Delaware County, Inc., Shafer Foundation and many others.

Sources of Funding for the Erskine Green Training Institute & Teaching Hotel

$5 million grant from the Indiana Economic Development Corp.
$2.5 million in philanthropic donations
$3.5 million in New Markets Tax Credit equity from Chase
$20.9 million in additional philanthropic donations by 2019
$31.9 million total development cost

Uses:

$29.1 million in construction costs
$2.8 million in soft costs
$31.9 million total development costs

The developer plans to avoid having to take out a permanent loan, even though the hotel and restaurant are now on track to generate enough income to support permanent financing.

"That would mean less money that can go back to the mission," says Vaught. The Arc expects more fund raising to provide the remainder of the permanent financing.

NMTCs build on generosity

The developer finished an $11 million piece of its permanent financing puzzle in December 2015, when it closed a package of equity investments in the Institute that generated NMTCs.

By December, donors had written the checks to contribute $2.5 million. The project had also received a $5 million grant from Indiana's Economic Development Corp.

The project leveraged these donations with NMTCs that were brought to the property by Cinnaire, which had an allocation of NMTCs from the U.S. Treasury's Community Development Financial Institution Fund. Chase committed to invest in the project, paying $3.5 million for its NMTCs.

The investment from Chase finished off the $11 million package of qualified equity investments, which also includes the $5 million grant and $2.5 million in contributions.

If more donations had come in by the time the NMTCs closed, the property could have counted them as qualified equity investments to generate even more NMTCs. Cinnaire had access to millions of dollars more in NMTC authority. However, many donors have pledged to make donations in the future, too late to generate NMTCs. The $11 million New Markets financing has already helped pay down a significant piece of Erskine's $31.9 million in construction financing.

The Arc of Indiana is now planning to develop three more businesses that could provide jobs to its graduates and other disabled people in a variety of professions. "We would probably do NMTCs again," says Vaught. TCA

State Roundup

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

Report Reveals Significant Impact of Alabama Historic Rehab Tax Credit

For every $1 of the Alabama Historic Rehabilitation Tax Credit that is allocated, $3.90 is returned to state and local tax collections over a 20-year period. This was among the conclusions drawn in the Alabama Historic Rehabilitation Tax Credit Program Comprehensive Economic Impact Study, which was prepared by Novogradac & Company, LLP.

The report reveals that the Alabama Historic Rehabilitation Tax Credit is responsible for over $384 million in private investment in the state and has created 2,133 direct construction jobs and 1,373 operational-phase jobs, which are expected to grow overtime. The success of the tax credit program is under threat. Unless legislation is passed to extend the program it will end in 2016. *Read the full report at preserveala.org.*

California Releases Federal and State Credit Estimates for 2016

The California Tax Credit Allocation Committee estimates that its total federal credit ceiling is $93,025,488 for the year ahead. TCAC also has $60,942,981 in state credits available to allocate. TCAC has set-aside $39,070,706 of its federal credit authority for non-profit developers, rural development, at-risk housing, special needs/SRO housing, and a supplemental set-aside. TCAC plans to allocate $18,639,971 of this set-aside funding during Round 1. TCAC distributed the remaining credit authority among the state's geographic regions, with the City of Los Angeles, the rest of LA County, and the North and East Bay Region receiving the highest allocations. TCAC set-aside 15% of its state credit authority for bond financed projects. TCAC will also make $5,047,118 in State Farmworker Tax Credits available in 2016. *Read the more at www.treasurer.ca.gov/ctcac/2016/estimates.pdf.*

California Offers Guidance on Determining Rural Status of Site

The California Tax Credit Allocation Committee is required to set aside 20% of all 9% federal credits for projects in rural areas. TCAC regulations require all projects in rural areas compete for credits in the rural set-aside, with certain limited exceptions. Therefore, all applicants for 9% tax credits must document, to the Committee's satisfaction, the rural or non-rural status of the project.

TCAC released a memo of February 3, 2016 to explain the methodology for determining the rural status of a project site. There are two methodologies for determining a project's rural status for TCAC applications. One option is for a project to pass one of the three steps provided in the memo and detailed in Section 50199.21 of the Health and Safety Code: Step 1: Non-metropolitan Counties Step 2: Rural Housing Service (RHS) Eligible Area Step 3: Small City Status. The second option is that the applicant must provide a current letter from the California State Office of the USDA Rural Housing Services (RHS) stating that the project is in a RHS Section 515 eligible area. *For more information, read the memo at http://www.treasurer.ca.gov/ctcac/2016/methodology.pdf.*

Colorado Reduces Mortgage Insurance Premiums for Multifamily Loans

With the recent Federal Housing Administration announcement to reduce mortgage insurance premiums for affordable housing, as well as housing that meets certain green and energy efficient standards, the Colorado Housing Finance Authority announced that it will reduce the mortgage insurance premium for multifamily loans using the CHFA 542(c) Risk Share 50/50 program to 12.5 basis points, from 25 basis points. This change will apply to FHA commitments issued after April 1, 2016 only. *www.chfainfo.com*

Kentucky Hosts 2017 QAP Roundtables

As Kentucky Housing Corporation (KHC) begins developing the Qualified Allocation Plan (QAP) for fiscal year 2017 Low Income Housing Tax Credits, the KHC welcomes input from developers, syndicators, lenders, and management companies. The first roundtable took place in Frankfort on February 24. The next two roundtables will take place on March 9 in Frankfort and March 17 by webinar. For additional details and to register, please email rentalqap@kyhousing.org and indicate the date you want to attend, as well as the number of people who will attend.

Louisiana and Michigan Clarify Impact of 9% LIHTC Fixed Credit Rate

The Protecting Americans from Tax Hikes Act of 2015, which became law on December 18, 2015, established a minimum 9% Low-Income Housing Tax Credit rate. Louisi-

ana and Michigan both recently released guidance on how this will affect their Qualified Allocation Plans.

The Louisiana Housing Corporation will use the 9% applicable percentage on IRS Form(s) 8609 for any new building placed in service after December 18, 2015 and which is not federally subsidized. No change in the amount of LIHTCs previously awarded or allocated by LHC to buildings placed in service after December 18, 2015 is anticipated. The LHC will reduce the maximum qualified basis for each building in a qualified low-income housing project on IRS Forms 8609 so that the statutory 9% applicable percentage will be applied to a lower specified maximum qualified basis on IRS Form 8609 in order to equal the LIHTCs previously awarded or allocated to such buildings.

Michigan State Housing Development Authority stated that owners of projects that received LIHTC funding from the October 2015 funding round or earlier will be eligible to use the fixed 9% credit rate, regardless of whether or not a previous election to fix the credit rate was made. However, any project receiving LIHTC awards during this period of time will continue to be limited to the initial amount of credit that was awarded and will not be eligible to receive any additional credit. Applicants applying for LIHTC Funding from the April 1, 2016 Funding Round will be eligible to utilize the fixed 9% credit rate in their project underwriting and calculation of eligible credit. Applicants should be aware that MSHDA updated the QAP so that projects achieving a score of 10 points under the Green Policy will only be eligible to receive up to a 15% basis boost, unless otherwise located in a QCT, DDA, or if they have other characteristics that qualify for a higher basis boost under Exhibit V. Additionally, projects that are not located in a QCT, DDA, and do not meet any of the criteria highlighted in Exhibit V will no longer be eligible for a basis boost of any amount. Projects submitted in the April 1, 2016 LIHTC Funding Round should be aware that the maximum point total under the Low Income Targeting section of the Scoring Criteria will be 20 points and the weighting factors will be doubled from their current levels. MSHDA has released a revised scoring criteria, which is available at www.michigan.gov/mshda. If you have any questions regarding any of the above items or general questions regarding the April 1, 2016 funding round, please contact LIHTC staff at (517) 373-6007.

Ohio Medicaid Subsidy Demonstration Offers $3M to New Tax Credit Developments

The Ohio Department of Medicaid (ODM) has made available approximately $3 million in funding for 15-year operating subsidies in new housing tax credit projects awarded through the 2016 and 2017 Housing Tax Credit program allocation years. A webinar presentation, which was held on Tuesday, January 19, 2016, is posted to the Ohio Housing Finance Agency website and will provide further information to prospective applicants and an opportunity to ask questions to OHFA and ODM staff about this new funding opportunity. *ohiohome.org*

Pennsylvania Sets Closing, Construction Deadline for 2016 Tax Credit Awardees

The Pennsylvania Housing Finance Agency received 140 Intent to Submit an Application forms in January. The full application for Agency multifamily resources, including Low-Income Housing Tax Credits and PennHOMES, is due by 3:00 pm on Friday, March 4, 2016. PHFA anticipates being significantly oversubscribed with the number of applications versus resources. As a result, the developments awarded 2016 tax credits will be required to meet a closing and commencement of construction date of March 31, 2017. Failure to do so may adversely impact future applications with the Agency. *PHFA posted additional guidance on the Multifamily Program Application web page at www.phfa.org.*

Rhode Island Finances First Mortgage Under HUD Risk Sharing Program

Rhode Island Housing's Board of Commissioners approved the refinancing of an $11,400,000 mortgage for a property in Lincoln, RI, ensuring that the development will remain affordable for at least 40 years. This is the first time Rhode Island Housing has financed a development through the FFB Risk Sharing program. Rhode Island is the third state to be approved by HUD to use the program, after New York and Massachusetts.

The refinancing was made possible by the U.S. Department of Housing and Urban Development's (HUD) Risk Sharing program. Risk Share provides credit enhancement for mortgages of multifamily housing projects whose loans are underwritten, processed, and serviced by housing finance agencies like Rhode Island Housing. HUD and the housing finance agency share in the risk of the mortgage. Under the FFB program, Rhode Island Housing is able to provide reduced interest rates for affordable multifamily apartments. The low interest rates and affordability of the units are locked in for the length of the loan term. TCA

NH&RA News

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

Preservation Through Energy Efficiency Road Show Series is Available Online

In 2014 and 2015, the Preservation Through Energy Efficiency Road Show brought together leading developers and multifamily residential energy efficiency experts in seven cities around the country. Hundreds of multifamily rental housing developers and owners were able to participate in the Road Shows, generating productive discussions around identifying, financing, and implementing energy and water efficiency improvements. NH&RA has released the Chicago PTEE Road Show as a series of online videos in order to make this resource available to a broader number of multifamily developers. The videos are available cost-free until April 30, 2016, at www.housingonline.com under the Energy Efficiency tab.

NH&RA Launches One-Stop-Shop for State QAP Information

NH&RA members now have access to a comprehensive database of documents, deadlines, and information for every state's Low-Income Housing Tax Credit program. The database's main page offers at-a-glance documents, deadlines, and information for Qualified Allocation Plans. Users can click on individual state pages for a deeper dive into their programs. The database is available at www.housingonline.com/resources/facts-figures/qualified-allocation-plans.

NCHMA Spring Meeting Focuses on Federal Program Updates and Local Development Efforts

The agenda for the National Council of Housing Market Analysts Spring Meeting is packed with local examples of major rental housing industry trends, as well as updates on recent changes to important U.S. Department of Housing and Urban Development Programs. With an updated Multifamily Accelerated Processing Guide from the Federal Housing Administration, the first day of panel sessions will focus on the impact of relevant updates in the Guide. The second day will begin with a conversation with Housing Finance Agencies on their future priorities and a look at opportunities for market analysts to support HUD's renewed commitment to fair housing. After lunch, conference participants will look at redevelopment efforts through the lens of recent initiatives in Baltimore. They will have a chance to see many of these initiatives in action during a pre-meeting site tour the day before. The Spring Meeting will wrap up with a look at the market study best practices for determining demand and analyzing turnover. Registration is open at www.housingonline.com/events. Early registration ends March 4.

NH&RA Will Host Asset Management Symposium in Arlington, VA, on June 6-7

Last year's Asset Management Symposium, which was a one-day event held in conjunction with the NH&RA Summer Institute, revealed that asset management is a topic that is weighing on the minds of many of our members. As the tax credit community continues to mature, well-developed asset management practices are becoming increasingly important to multifamily affordable housing developers. That is why NH&RA is expanding this effort and hosting a two-day symposium to look at strategies for creating portfolio value through asset management. NH&RA will host the event on June 6-7 at the Hilton Arlington in Arlington, VA. Registration will open soon at www.housingonline.com/events.

Annual Meeting & Public Housing Symposium Draws Big Audience, Big Conversations

NH&RA hosted its biggest ever event on February 24-28 at The Breakers in Palm Beach, CA. The Annual Meeting and Public Housing Joint Venture Symposium convened nearly 200 multifamily affordable housing developers and other tax credit professionals. The conversations focused on today's major industry issues. The one-day Public Housing Joint Venture Symposium considered strategies for private developers to partner with public housing authorities through programs like the Rental Assistance Demonstration Program. Key staff from the U.S. Department of Housing and Urban Development provided updates and participated in the discussions.

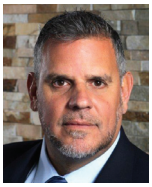
The NH&RA Annual Meeting kicked-off with a conversation between innovative developer Jonathan Rose and NH&RA President and CEO Peter Bell, as well as a multifamily affordable housing developers roundtable to discuss priorities for the future. Panel sessions over the following two days spanned from breaking developments at HUD to innovative case studies to the of the New Markets Tax Credit development. More information is available at www.housingonline.com/events/past-events TCA

Member News

California Housing Consortium Appoints Affirmed Housing's Jim Silverwood as Chair

Affirmed Housing President and CEO, James Silverwood, will serve as Board Chair for the California Housing Consortium (CHC) for 2016. James Silverwood, President and CEO of Affirmed Housing, joined the CHC Board in 2010 and has served as Vice Chair the last two years. CHC is a non-partisan advocate for the production and preservation of affordable housing for low- and moderate-income Californians.

Conifer Realty Promotes John Giannuzzi to Senior Vice President



Conifer Realty announced the promotion of John Giannuzzi to Senior Vice President of Conifer Realty, LLC. He has led the company's Property Management Department since joining the organization last year. Mr. Giannuzzi brings over 17 years of property management expertise. He held previous positions focusing on a large affordable housing portfolio, including expertise in tax credit, Section 8 and US Department of Agriculture Rural Development.

Enterprise Releases Major Policy Platform to Strengthen Federal Assistance for Rental Housing

Enterprise released An Investment in Opportunity, a long-term platform that lays out the federal, state and local policy changes necessary to address America's growing rental housing crisis and create communities of opportunity across the U.S. It includes input from thought leaders and partners across the country. The platform offers 23 discrete policy recommendations built around four strategies for reform. The policy recommendations include improving the Section 8 program and creating more opportunities for mixed-income development through the Low-Income Housing Tax Credit and other federal subsidies. More information is available at www.investmentinopportunity.org.

Lancaster Pollard's Housing Group Expands to Southeast

Lancaster Pollard announced the promotion of Padam Singh to expand the firm's investment banking and mortgage banking finance activities for market-rate, income-restricted and subsidized rental properties. Singh will be responsible for clients in the Southeast with a major emphasis on Georgia, North Carolina, South Carolina and Tennessee.

The Michaels Organization Welcomes New President of Michaels Development Company

Gary Buechler has been named president of The Michaels Development Company. Mr. Buechler succeeds Ava Goldman, who transitioned to the role of Executive Consultant in December 2015 after 22 years with the organization, the last three as Michaels Development Company President. Mr. Buechler previously served in a number of roles, including as Managing Director of Development at Lendlease Americas, a leading property and infrastructure company that offers services in development, investment management, project management, construction, and asset and property management.

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Nixon Peabody Affordable Housing Attorneys Join Partnership

Nixon Peabody welcomed two attorneys, Meghan Altidor and Aaron Yowell, from its affordable housing practice to the firm's partnership. Meghan Altidor represents non-profit and for-profit developers in acquiring, constructing, rehabilitating, and operating affordable housing developments across the country with a focus on New York and Washington, D.C. Aaron Yowell represents private, public, and non-profit developers, investors, and real estate owners, with a focus on affordable and supportive housing developers as well as alternative financing structures for affordable housing, including private equity investments. He provides advice in all aspects of project development, rehabilitation, and operation, including tax exemptions, acquisitions, dispositions, public and private financings, and joint ventures.

Charlie Adams Joins Pennrose Properties

PENNROSE
We Bring It All Together

Charles L. Adams has joined Pennrose Properties, LLC to establish and lead the company's northeast region office in Boston, MA, and to oversee and manage development activities in the New England area. Adams was most recently senior project manager with Preservation of Affordable Housing, Inc. where he structured and financed acquisition and redevelopment of real estate transactions.

R4 Capital Launches Tax-Exempt Debt Business

R4 Capital launched a new business, R4 Capital Funding, a tax-exempt debt platform that will provide mortgage capital by originating, structuring, acquiring, and securitizing tax-exempt mortgage revenue bonds issued by state or local housing agencies and authorities to finance the new construction or acquisition and rehabilitation of affordable multifamily housing properties. James Spound joined R4 Capital on January 25, 2016 to serve as President of R4 Capital Funding. Tara Nussbaum joined R4 Capital as Senior Vice President of its new debt business.

Reno & Cavanaugh Welcomes Lauren Lyon-Collis

RENO&CAVANAUGH PLLC

Lauren Lyon-Collis was named the newest Member of Reno & Cavanaugh, PLLC. Lyon-Collis's practice, based out of the Columbia, Maryland office, focuses on representing developers and housing authorities in complex multifamily housing development transactions using mixed finance sources, such as the Rental Assistance Demonstration (RAD) program, private debt, Low-Income Housing Tax Credit (LIHTC) equity, bond financing, FHA-insured financing, project-based rental assistance and the Choice Neighborhoods Program.

USA Properties Fund Honored for Work with Emergency Homeless Shelter

USA Properties Fund Inc. has received 2015 Builder of Hope awards for its contributions and efforts for the expansion and renovation of the Next Move Family Shelter Campus, a much-needed emergency homeless shelter for families in the Sacramento region. The developer was also honored with the Builder of Hope-Builder Captain award for its leadership and support of HomeAid, Sacramento's mission to help displaced parents and their children. Michael McCleery, Senior Vice President for USA Properties, oversaw the project and accepted the Builder Captain award. Josh Rhinehart, a superintendent for the company, received the Builder of Hope award for his expertise and day-to-day management of the $2.8 million project. TCA

Bulletins

Breaking news from Washington and beyond

Obama Seeks to Leave Behind Strong Affordable Housing Programs

President Obama is wrapping up his final term with an ambitious FY-2017 budget proposal for the fiscal year ahead. The budget serves as a statement of the administration's policy and funding priorities. The budget solidifies the Administration's commitment to expanding opportunities for private developers to build housing stock that is affordable to individuals and families at all income levels and improve the quality of existing federally-assisted housing. It seeks to strengthen the Low-Income Housing Tax Credit (LIHTC) and New Markets Tax Credit (NMTC) Programs. It also proposes higher funding levels for several key U.S. Department of Housing and Urban Development (HUD) programs. Tax Credit Programs include: LIHTC, NMTC, Manufacturing Communities Tax Credit, and America Fast Forward Bonds.

Federal Budget and Appropriations Process:

The President's proposed budget is just the first step in the appropriations process. Next, both the House and the Senate will respond by setting the total level of discretionary funding for the fiscal year. Once the total level is approved by a vote, the appropriations committees in each chamber (House and Senate) become responsible for determining program-by-program funding levels. The total funding is divided up among 12 different appropriations bills, each assigned to a subcommittee. The bill most relevant to affordable housing is the Transportation and Housing and Urban Development (THUD) funding bill.

For more information on Tax Credit Programs or US Department of Housing and Urban Development Programs go to, https://www.housingonline.com/2016/02/10/20600/

Basis Reporting Deadline Extended Until March 31, 2016

The enactment of the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 imposes new basis reporting rules under §6035 for any estate actually filing or required to file a federal estate tax return Form 706 after July 31, 2015.

Under the new rules, estates required to file a federal estate tax return are now also required to file with the IRS a supplemental report delineating each asset in the estate, providing its value as set forth on Form 706, and identifying the beneficiary to whom such asset has been or is intended to be distributed. Additionally, each beneficiary must receive a separate schedule listing the assets actually distributed or intended to be distributed by the estate to such beneficiary.

The due date for these reports is the earlier of:

i. 30 days after the date which Form 706 is required to be filed (including extensions, if any); or

ii. 30 days after the date Form 706 is actually filed – even though property distributions may not yet have been made.

To the extent the inclusion of the asset in the estate caused an increase in the overall estate tax, such value will establish the basis of the property to the recipient beneficiary.

CohnReznick recommends that representatives of the following estates continue to gather information necessary to file the required report on or before March 31, 2016:

- Estates required to file or which actually filed a Form 706 after July 31, 2015
- Any estate owing federal estate tax with a due date after July 31, 2015

Second Annual Secretary's Awards for Healthy Homes Calls for Nominations

HUD, in partnership with NEHA, recently announced a call for nominations for the second annual Secretary's Awards for Healthy Homes. These awards are a recognition of excellence in healthy housing innovation and achievement in three categories: Public Housing/Multifamily Housing; Policy and Research Innovation; and Cross Program Coordination among health, environment, and housing providers and related organizations.

To learn more visit, https://www.huduser.gov/portal/sites/default/files/pdf/HUD-Secretary-Award-healthy-homes-brochure-2016.pdf

FHA reduces Insurance Rates for Multifamily Mortgages

In an effort to help preserve and increase the amount of affordable, quality rental housing across the country, the FHA recently announced a multifamily insurance rate reduction designed to encourage capital financing of affordable and energy-efficient apartments. The rate reductions will go into effect as of April 1, 2016 and will directly impact FHA's Multifamily Housing Programs, properties that house low to moderate income families, and/or developments installing energy efficient systems or building federal energy guidelines.

The FHA estimates that the multifamily housing insurance rate reductions will spur the rehabilitation of an additional 12,000 units of affordable housing per year nationally, which means that over the next three years, close to 40,000 families could benefit from higher quality affordable housing.

"Families across the country are struggling through an affordable housing crisis," said Secretary Julian Castro. "By reducing our rates, this Administration is taking a significant step to encourage the preservation and development of affordable and energy efficient housing in communities large and small. This way, hard-working families won't have to make the false choice between quality or affordable housing."

FHA's new annual multifamily insurance rates include:

- For 'Broadly Affordable' housing (at least 90% of the units are under Section 8 contract and/or covered by Low Income Housing Tax Credit (LIHTC) affordability requirements), FHA is lowering annual rates to 25 basis points, a reduction of 20 or 25 basis points from current rates.
- For Affordable mixed-income properties that is properties that set-aside units based on affordability including partial LIHTC, partial section 8, inclusionary zoning, or other local affordability requirements, FHA is lowering annual rates to 35 basis points, a reduction of 10 to 35 basis points from current rates.
- For energy-efficient properties (those committed to industry-recognized green building standards, AND committed to energy performance in the top 25 percent of multifamily buildings nationwide), FHA is lowering annual rates to 25 basis points, a reduction of 20 to 45 basis points. Qualification for the top 25% will be determined using EPA's Portfolio manager 1-100 score.
- To ensure that the Broadly Affordable and energy-efficient properties benefit directly from the lower rates, FHA will limit the fees that can be charged on these loans.
- Multifamily insurance rates for market-rate properties that are not energy efficient (as defined above) will remain unchanged.

For First Time, Freddie Mac Leads in Multifamily Lending

Freddie Mac became the nation's leader in multifamily lending for the first time, with $47.3 billion in loan purchase and bond guarantee volume for its Multifamily business in 2015, up from $28.3 billion the previous year.

Of the total new business volume, approximately $17 billion was not subject to the Federal Housing Finance Agency loan purchase $30 billion cap and included certain loans for affordable housing, smaller multifamily properties, seniors housing and manufactured housing communities.

Freddie Mac Multifamily helps ensure an ample supply of affordable rental housing by purchasing and securitizing mortgages on apartment buildings nationwide. The loans range from $1 million to several billion and roughly 90 percent support rental units for low- and moderate-income households. Freddie Mac purchased more than $47 billion in multifamily mortgages in 2015, the majority of which were securitized, thus transferring the vast majority of the expected credit risk from taxpayers to private investors.

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NATIONAL COUNCIL OF
HOUSING MARKET ANALYSTS

2016 Spring Meeting

April 19-20, 2016

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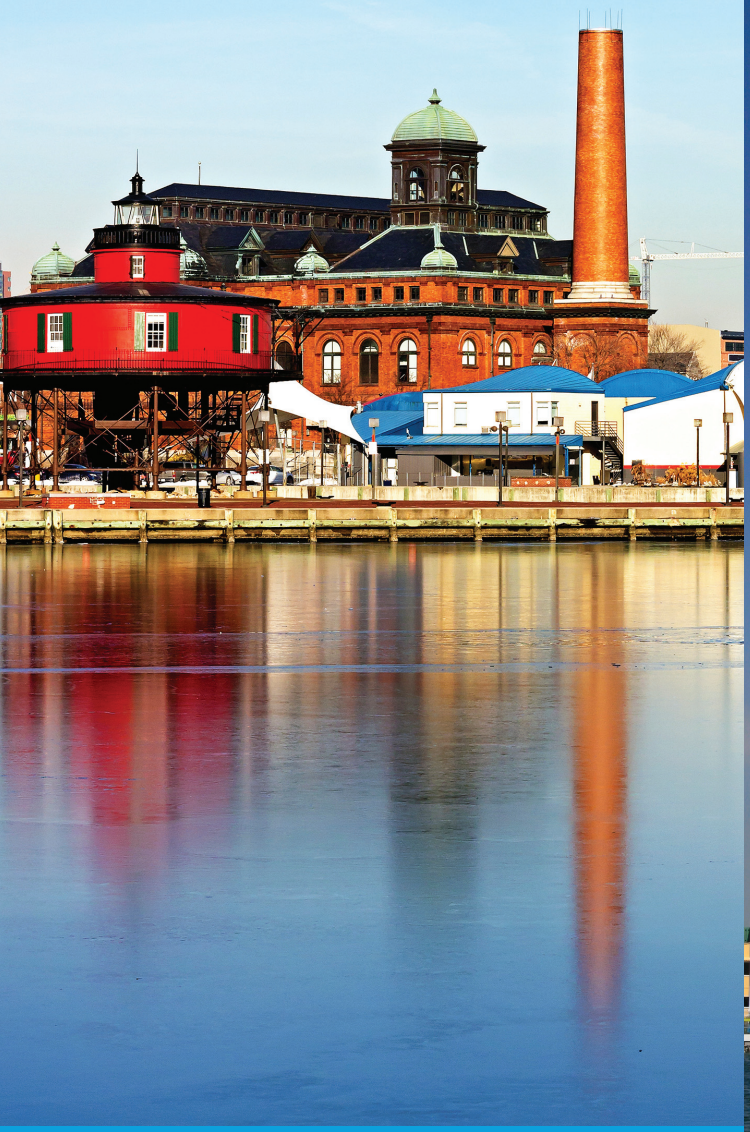

UPCOMING EVENT

National Housing & Rehabilitation Association
2016 Summer Institute & Pre-Conference Symposium
Juy 20-23, 2016
Harbor View Hotel • Martha's Vineyard, MA

NATIONAL HOUSING &
REHABILITATION ASSOCIATION

2016 Spring Developers Forum

May 16-17, 2016

The Ritz-Carlton
Marina del Rey, CA

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