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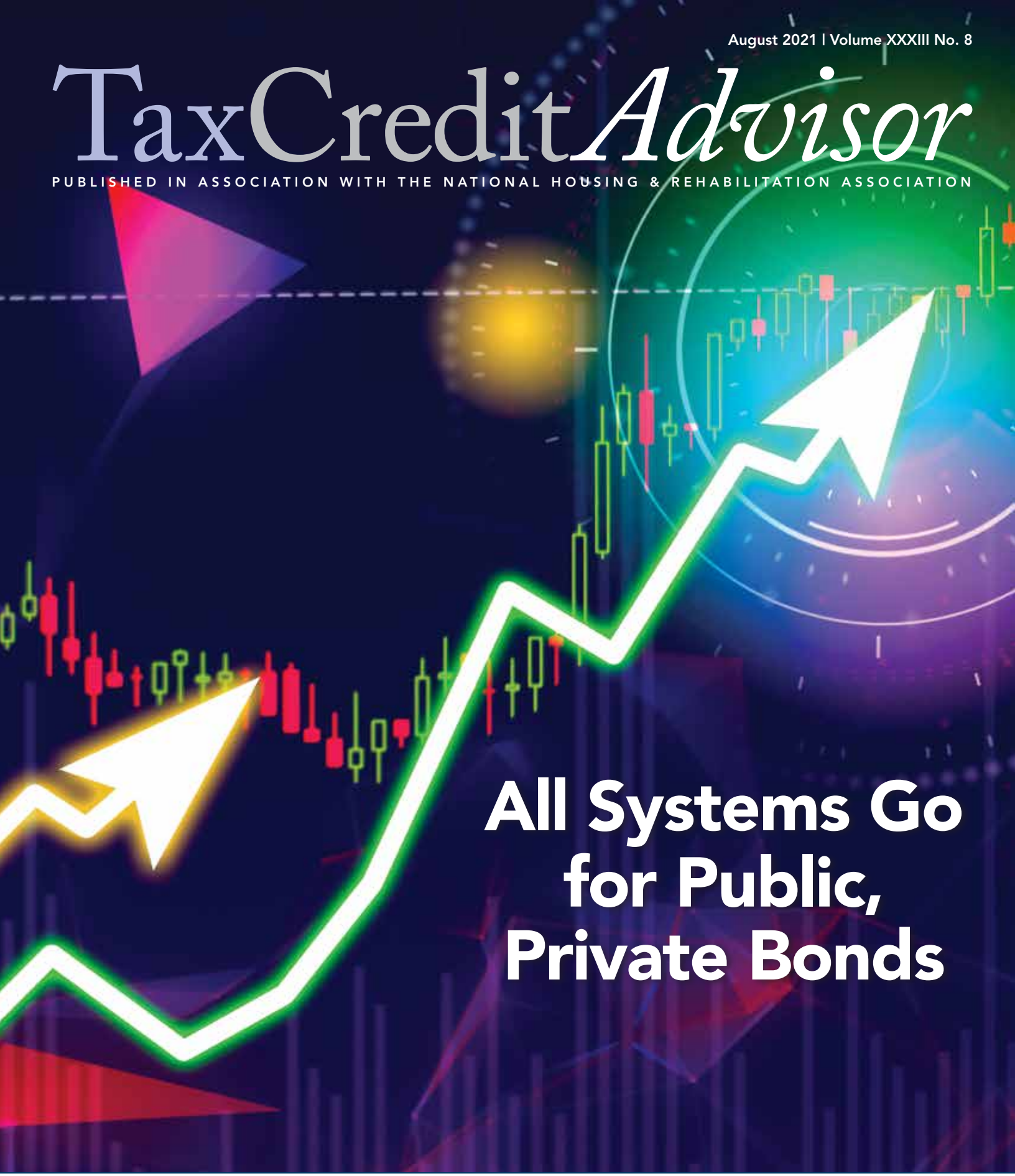

All Systems Go for Public, Private Bonds

ALSO IN THIS ISSUE:

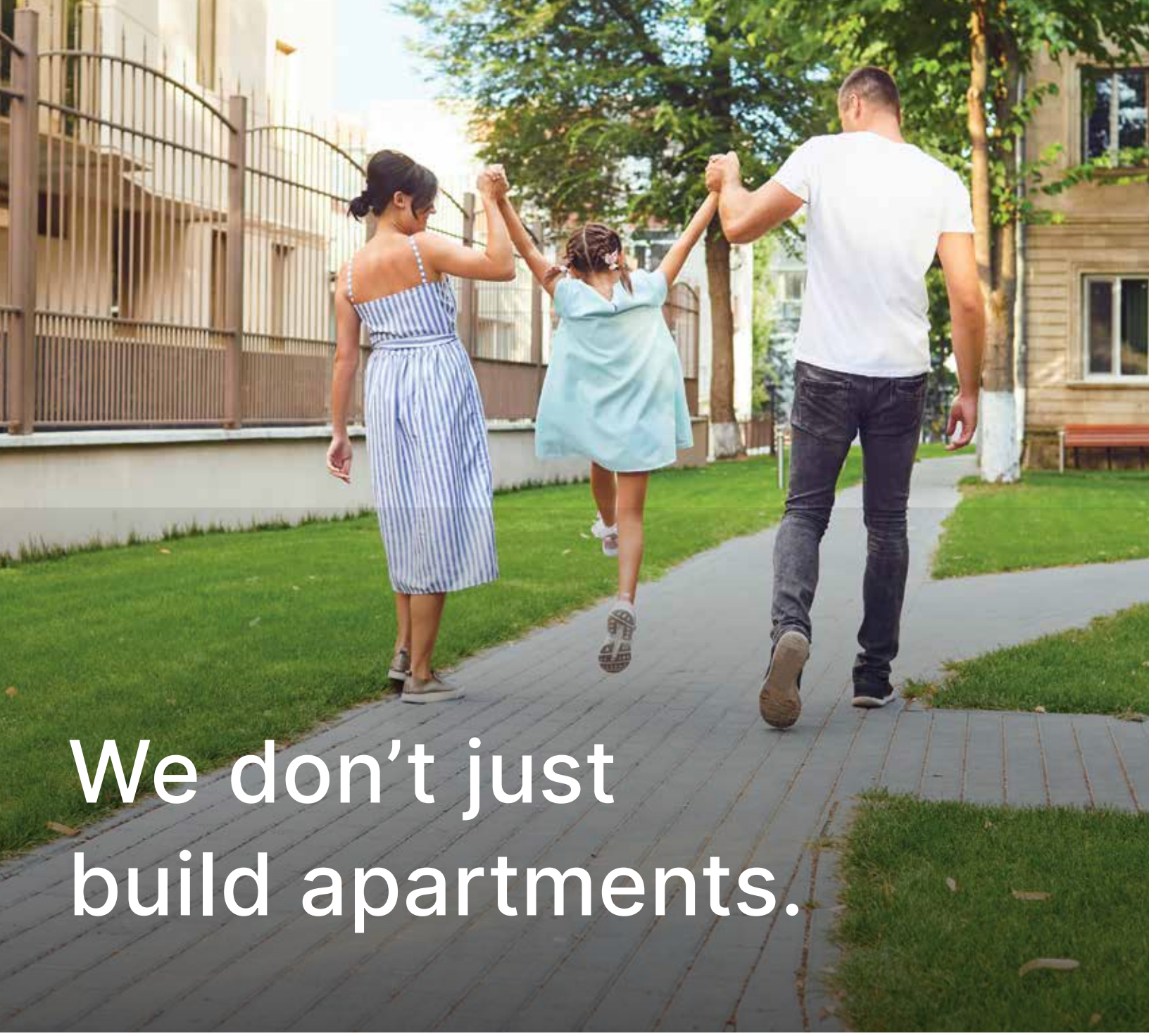

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TABLE OF CONTENTS

AUGUST 2021

Finance Trends Issue

Case Studies

Columns

Monthly Features

Story Architects

Thom Amdur (*New Developments*, p. 5) is the executive director of the National Housing & Rehabilitation Association, associate publisher of *Tax Credit Advisor* and has been the leader in the creation and presentation of the Preservation Through Energy Efficiency program.

Scott Beyer (*Housing USA*, p. 8 and *Niche and Gap Funding*, p. 14) is a cross-country traveler covering U.S. urban issues. For three years, he circled America to live in 30 cities for a month each, starting in Miami and ending in New York City, the purpose of which is to write a book about revitalizing cities through Market Urbanism. You can find more about him on his website, Bigcitysparkplug.com.

Paul Connolly (*Blueprint*, p. 3) is executive editor of *Tax Credit Advisor*. Connolly has worked as a journalist and editor covering Congress, the U.S. Supreme Court and executive agencies in Washington, DC, and prior to that covered business and government news in Detroit. Most recently, he worked in communications for a small business advocacy association.

Mark Fogarty (*Bonds Trends Report*, p. 10; *Case Study: Sursum Corda in Washington, DC*, p. 16; *Case Study: Terracina at Lancaster in Los Angeles County*, p. 18 and *Case Study: Bergen Circle in Springfield, MA*, p. 21) has covered housing and mortgages for over 30 years. A former editor at *National Mortgage News*, he has written extensively about tax credits. He has also had pieces published in the *Chicago Tribune* and *Miami Herald*, among others.

David A. Smith (*The Guru Is In*, p. 6) is chairman of Recap Real Estate Advisors, a Boston-based real estate services firm that optimizes the value of clients' financial assets in multifamily residential properties, particularly affordable housing. He also writes Recap's free electronic periodical *State of the Market*, available by emailing dsmith@recapadvisors.com. TCA

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BLUEPRINT FOR AUGUST

By Paul Connolly

Redeveloping a Developed Nation

Seems like I got a lucky draw when I was born in the United States, the wealthiest nation in the world. I was fortunate to be alive for the final Apollo mission when Americans last set foot on the surface of the moon. As a kid, I watched the first Space Shuttle launch in 1981 and with 135 missions over 30 years, they hardly made the news anymore by the time I was an adult.

Growing up in a working-class neighborhood, I never gave a second thought to the quality of the roads where potholes were filled every spring, or the brand-new elementary school I attended as one of its first students. My mom was a single parent, but managed to earn enough to maintain a home for the family.

As I became an adult, I read about problems in other countries that I assumed would never happen here. Lack of clean water. Limited access to healthcare. No housing or food for large parts of the population. Those were problems in developing countries, and I knew I was lucky enough to be living in a developed nation where my problems were a bus running late, or the icemaker failing in my fridge.

But slowly, things have changed. Or maybe I've become more aware of what was there all along.

As a young reporter in 1997, I covered passage of the Children's Health Insurance Program to help uninsured kids get access to proper medical care, leading to some 6 million additional children per year getting health insurance. Back in 2007, the I-35 bridge in Minneapolis collapsed. In 2014, residents of Flint, MI, discovered their drinking water was tainted after the city switched sources. And this summer, the news was focused on billionaires flying themselves into space rather than NASA astronauts.

And of course, we have millions of Americans who don't have an affordable place to live – a problem that's always been there and has been exacerbated by the pandemic.

Affordable housing is a priority for the Biden administration, and Congress has pumped billions of dollars into existing and new programs in the past several months. As my colleague Thom Amdur points out in his column this month, America is poised to take once-in-a-generation initiatives to provide more affordable housing than ever before.

It's possible there may be more funding coming, depending on the on-again, off-again infrastructure bill winding its way through Congress. It's unclear at press time if the wheels are going to fall off the infrastructure bus, but if it does you can be sure it will be back. To paraphrase *1984:* It is infrastructure week. It has always been infrastructure week.

In this issue, we have lots of experts talking about all this funding and how it's affecting financing in our industry. There is lots of new ground to cover in bonds, four percent deals, funding dedicated to historically underserved communities and much, much more. No matter your political stripes, the Biden mantra of "build back better" translates to some new and exciting opportunities. We'll keep the discussion going and do our best to keep you up-to-speed on all the latest.

Paul Connolly
Executive Editor

Tax Credit Advisor *welcomes reader comments. Contact the executive editor at pconnolly@dworbell.com.*

Affordable Housing Finance As It Is and As It Could Be


Thom Amdur

It will shock nobody when I assert that the affordable housing finance system is deeply entwined and enmeshed with the actions and activities of federal government activities. The backbone of our financial system depends on entities like the Federal Reserve System and the role it plays in setting monetary policy and benchmark interest rates through its open markets committee or, during the great recession, creating liquidity with policies, such as quantitative easing. The government sponsored enterprises (GSEs) and Department of Housing and Urban Development (HUD) also play a key role in providing liquidity to the mortgage markets through their various guarantees, mortgage insurance and securitizations. House and Senate appropriators supplement these activities with additional funds for rental assistance contracts and various grants and programs to fill affordable housing project gaps. This is all business as usual during ordinary times.

Of course, we are living through extraordinary times. With a little luck and a decade's worth of hard-earned advocacy, our affordable housing finance system is poised for potential transformative change.

For example, in a not-unexpected decision, on June 23 the Supreme Court ruled that the Federal Housing Finance Agency's (FHFA) structure was unconstitutional, because it restricts the president's power to remove officers who disobey commands, are negligent, have different views on policy or come from a competing political party who are against their agenda. In short order, President Joe Biden removed Mark Calabria from his role as FHFA chair. This change in leadership matters. Under a Biden administration, the FHFA is likely to slow efforts to recapitalize the GSEs and expand their efforts around affordable housing investment and lending. Specifically, we can probably expect a review of the GSEs' annual lending caps (currently set at $70 billion apiece), increased Low Income Housing Tax Credit investment and probably new debt products with features meant to support affordable housing construction, preservation and sustainability.

Speaking of Biden, on July 7 he made a major speech where he directly connected affordable housing as critical infrastructure stating, "We need to deal with the shortage of affordable housing in America. Over 10 million renters in this country pay more than half their income for the rent on their apartment, and the lack of affordable housing prevents people from moving to communities where there are more opportunities. So, we're going to make historic investment in affordable housing, increasing and improving the housing supply by building and rehabilitating more than 2 million homes, especially in places that need more housing." With this level of engagement from the administration, there has never been a better chance for some of the most ambitious housing legislation in a generation to be enacted into law. Our hopes have never been higher for Congress to adopt key features from the Affordable Housing Credit Improvement Act (AHCIA) in infrastructure legislation, and that could just be the beginning.

For example, you may have missed that the Senate Democrats' $3.5 billion budget resolution included the creation of the Clean Energy Accelerator, a major step forward toward the creation of a national green bank. This would be a major new resource to facilitate sustainability, resiliency and energy-related investments in affordable housing properties and underserved communities. Likewise, on July 15, House Financial Services Committee Chairwoman Maxine Waters (D-CA) observed, "The reconciliation bill provides us with a once-in-a-generation opportunity to provide the housing resources that our country so desperately needs." As such, she is pushing an ambitious package too "in equitable, affordable and accessible housing infrastructure." The package would create a major new "infrastructure bank" called the National Investment Authority (NIA) that would support infrastructure and social impact projects through new debt issuances and serving as secondary market maker for municipal issuers investing in public goods and projects.

Chairwoman Waters' package would also fund an additional 3.5 million housing vouchers, as well as provide hundreds of billions of new funding for the National Housing Trust Fund, HOME, Section 811, Section 202 and the Capital Magnet Fund. And that's not all. If enacted, it would also establish a new $75 billion grant program for owners of federally-assisted housing and naturally occurring affordable housing to make energy efficiency, resiliency and other upgrades, a separate $5 billion preservation grant fund for Section 8 properties and another $5 billion for the capital needs backlogs for Section 515 and 514 properties.

Any one of these initiatives would be consequential. Taken together, they could transform the affordable housing finance and delivery system, expanding production and bringing major new players to the ecosystem. Of course, there are no guarantees in politics, but the next few months will be telling and potentially revolutionary for the work we do. TCA

Mutual Benefit Entities

As I showed in last month's *Guru*, under-reinvested urban neighborhoods are left behind or short-changed on economic capital, political capital, municipal infrastructure, coordinated government policy and local income and earning power. Successfully addressing these interconnected challenges takes more than good intentions, money and good programs – it requires the emergence of authentic community impact entities, self-organized and self-governed and rapidly evolving to its changing political-economic microclimate.

Today, many cities are sprouting entities called Business Improvement Districts, Community Land Trusts, Neighborhood Improvement Districts, Community Investment Trusts, business co-operatives and half a dozen more names. No matter their names, these homegrown entities exhibit deep structural similarities in their inception impetus, motivation, activities and challenges, and promise to catalyze underinvested urban neighborhoods. These recently launched neighborhood mutual benefit entities are surprisingly similar to both current emerging-world global practices and to two centuries' worth of American mutual benefit entity experience in uplifting impoverished or marginalized neighborhoods and people.

Mutual benefit entities self-organize at a neighborhood level. From what I've observed and deduced, both here at home and abroad, they find their way to converge on a self-reinforcing and self-sustaining set of elements that includes:

Agreed framework of founding principles, often set forth in an announcement, constitution or charter, and usually stated in explicitly moral terms.

Local leadership and governance. Leaders are local, and governance is both local to the place and widely shared among the members. Many use some form of consensus-oriented dialog akin to a town meeting or a non-member, one-vote approach. By extension, there is typically high decision transparency, especially at the outset.

Pooling of private resources for mutual benefit. Members regularly contribute to the entity their time, money or both – even if in small amounts.

Collective impact. Although the entity can deploy its resources for private benefit, all activities are viewed through the lens of collective impact.

David A. Smith

Action and impact are externally observable in the community at large. Publicly visible benefit is a core objective.

Localized rapidly adaptive response. Autonomous governance allows for flexible action based on changing imperatives.

Cultural cohesion. Members feel kinship with each other, usually based on pre-existing shared affinity, whether ethnic, religious, linguistic or otherwise.

Member equity. Members derive economic and democratic power from their membership.

Personal trust networks among the members. It starts slowly and builds over time.

Personal connections between members and leadership. Leaders are accessible and 'just like us.'

Local voice for local impact. Members are expected to be vocal, and believe their voices are heard and acted upon.

Mutual benefit entities have a proud legacy in American Black history, dating back to antebellum times. In the 1780s, the Free African Union Society was founded in Newport, RI, and in 1787 there followed Boston's Free African Society. By 1830, similar societies had arisen in Charleston; New York; Chillicothe, OH; Baltimore; Philadelphia and Pittsburgh.

The earliest mutual assistance societies among free Blacks provided a form of health and life insurance for their members – care of the sick, burials for the dead and support for widows and orphans. Later societies sought to promote education and job training, especially for newly arrived African Americans, freemen and fugitive slaves.[1]

Beyond health were employment, education and family aspiration. New York's 1833 Phoenix Society promoted education, and "outlined achievable steps to enroll Black children and adults in reading and writing classes, trade apprenticeships, lending libraries, lecture series and self-improvement groups – even providing clothing to children who could not otherwise participate."

Mutual benefit entities are a global phenomenon arising spontaneously in emerging countries. What has been true in America before is true throughout the world today: virtually every emerging country where I've worked has a home-grown population of such entities. They come by many names, and many origin stories, including:

- Village savings and loan associations (VSLAs) incubated by CARE globally;
- Savings and credit cooperatives (SACCOs), which have grown exponentially since 1955; and
- Tontines, as they are called in West Africa, for serial intra-member lending.

Importantly, the biggest challenge the societies have faced—whether in bygone America, emerging-world countries or 21st century America—has been lack of funds, both operating subscriptions (dues) and working capital.

While the number of societies attests to the wide-ranging efforts of northern free Blacks, most were hampered by low funds and low membership.

Many of those that survived and grew were kick-started by philanthropic benefactors who provided both organizational expertise and a birthright endowment.

Even as they grow, mutual benefit entities are virtually always highly localized and reach a maximum size where further growth erodes cultural cohesion, personal trust networks or localized touch – hence new or subdivided entities emerge, often as chapters of a larger trade association[2] or network that is itself frequently established with the critical stimulus of an establishing endowment provided by a benefactor, such as a foundation.

I've personally worked with one of the most ambitious: Slum Dwellers International, today a network of 32 countries' federations of localized mutual benefit entities. SDIs' 'practices for change'[3] capture core principles that echo those of historical American mutual benefit societies: savings schemes; central participation of women; enumerations of people and mapping of places;[4] partnerships with complementary stakeholders; neighborhood [slum] upgrading; and peer-to-peer learning exchanges. Forming themselves into a network created visibility that attracted a major endowment grant from the Gates Foundation to enable SDI to launch the International Urban Poor Fund, a self-governed, self-managed fund.

And that is the mutual benefit societies' endgame of success:[5] to evolve into formalized and sustainable cooperative enterprises in industries some of which are so humdrum we never even think of them—such as mutual insurers, credit unions or cooperative banks—that are, most importantly of all, self-governed and self-managed.[6]

For Blacks, the benevolent societies served as an all-important training ground, which ultimately provided the knowledge and experience upon which Black insurance companies were founded.

When cities grow too big to provide localized community touch to every neighborhood, people who have lost the city's ear either find themselves silenced and forgotten…or they come together for collective voice, collective action, for mutual benefit. It's time to give them their past and present due. TCA

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[1] National Humanities Center, Toolbox Library, Section 5: Mutual Benefit.

[2] Such as Kenya's National Cooperative Housing Union, founded 1979.

[3] https://sdinet.org/our-practices-for-change/.

[4] Mapping is critical where peri-urban areas are informally settled, hence invisible in the cadaster and the polity.

[5] Over the last couple of decades, neoclassical economists have been developing and debating theories to reconcile the Environmental, Social and Governance (ESG) value proposition of mutual benefit entities with classical capital asset theories of economics and companies.

[6] They even develop their own liquidity sources, such as the National Consumer Cooperative Bank, the Association of Corporate Credit Unions, the Cooperative Finance Corporation and the Federal Home Loan Bank System.

Enterprise's "Equitable Path Forward" for Home Industry Diversity

For decades, racial discrimination has been a real problem in housing – both for those building it and those living in it. Reversing the trends that limit housing access, and spurring economic mobility, has become a salient goal for the affordable housing industry.

To that end, Enterprise Community Partners, a national affordable housing nonprofit, launched an Equitable Path Forward (EPF) initiative in 2020. The five-year, $3.5 billion program aims, according to the website, "to help dismantle the deeply-rooted legacy of racism in housing – from the types of homes that are built, where they're built, who builds them and the wealth that is generated from them."

In short, Enterprise wants to ensure that there is more diversity among real estate developers. The initiative will invest $3.1 billion in outside debt, equity and grants and is spearheaded by a "Growth Fund" that targets minority businesses involved in affordable home development. It will provide them financial support, including unsecured credit lines on terms aimed at supporting the developer's growth, guaranties to assist these developers in accessing otherwise difficult financing sources, as well as project-level financing through private equity, Low Income Housing Tax Credits and New Markets Tax Credit investments.

Shelterforce reports that Enterprise is specifically targeting minority-owned and led firms for investments from EPF.

"Entities that receive financing and other support under EPF must have greater than 50 percent of their board members be self-identified people of color, or their CEO/executive director/managing partner must be a self-identified person of color. Enterprise is also tracking the racial composition of its borrowers' boards and staffs over time, presumably to confirm that the fact that they are led by people of color is not symbolic or temporary," writes *Shelterforce* CEO Miriam Axel-Lute.

Scott Beyer

Enterprise is offering a "Standby Guaranty Facility" to ensure access to institutional funding sources. Community Investment Guarantee Pool has provided $5 million in second-loss guarantee support and Charles and Lynn Schusterman Family Philanthropies is providing $10 million in third-loss support for the facility. The program has lofty goals, with Enterprise president and CEO Priscilla Almodovar stating that, "Our vision is nothing short of dismantling the legacy of racism in housing. By investing in these housing providers who are on the ground and engaged with their communities, Equitable Path Forward will lead to a new and needed level of responsiveness, investment and equity in the communities that get built."

EPF seeks to correct a disparity between those who create affordable homes and those who live in them. As Lori Chatman, president of Enterprise's Community Development Financial Institution, Enterprise Community Loan Fund, states by email: "Black people make up nearly half of those living in federally subsidized homes, but just two percent of real estate development companies are Black-led and 1.5 percent of real estate assets under management are controlled by minority-owned firms," she says. "Even among community development corporations, only 16 percent are minority-led."

Through the EPF Growth Fund, Enterprise injected $1 million into the Aequo Fund, a Maryland-based community investment firm which, aims, among other things, to improve financing for developers who struggle to attain it from traditional sources. Enterprise's investment will be directed at minority housing providers "to grow their portfolios and create affordable homes at the same time." The investment is targeting affordable housing rehabilitation projects in Buffalo, Richmond, Baltimore and Philadelphia.

Chatman says that Aequo looks to use the funds in part "to help jumpstart the careers and portfolios of the next generation of BIPOC developers, who in fact are focusing on community and homeownership approaches." Aequo's founder, Ernst Valery, has worked with the city of Baltimore on redevelopment initiatives, and once took legal action against Wells Fargo based on allegations of the bank's discriminatory behavior.

Aequo intends to improve access to homes by reducing credit checking-based barriers for applicants. Its alternative methodology, described by Yahoo Finance, will use "better-contextualized data to businesses for the one-in-three Americans living with a criminal record, and consumers with thin credit files."

"Through the Aequo Fund, Enterprise is making a catalytic investment in a BIPOC developer, who will use that capital to help jumpstart the careers and portfolios of the next generation of BIPOC developers and create more equitable impact in their communities," Chatman said when the investment was announced. Enterprise recently closed new EPF deals in other markets nationwide, including New Orleans and Los Angeles.

Enterprise hopes these efforts will lead to a reexamination of the lending standards used by CRA-motivated banks and other institutional lenders for multifamily affordable housing. A representative speaking to *Shelterforce* cited liquidity requirements as one major barrier for less established developers. "We know most institutional investors require developers to have $1 million of liquidity and $5 million of net worth. We also know based on many years of experience that developers with less liquidity don't necessarily perform worse than developers with more liquidity."

Enterprise's EPF program is a sizable investment in advancing racial diversity in housing development. If the $3.5 billion fund can create a sizable number of new BIPOC affordable home developers, it will play a small part in bridging a racial wealth gap that's existed for centuries. TCA

This article featured additional reporting from Market Urbanism Report *content staffer Ethan Finlan.*

Bonds Trends Report

All Systems Go For Public, Private Bonds

By Mark Fogarty

The planets are all lined up for tax-exempt affordable multifamily bonds right now, for both public offerings and private placements. That's the unanimous conclusion reached by a panel on the Tax Exempt Multifamily Bond Market at the recent Summer Institute of the National Housing & Rehabilitation Association.

Rates on tax-exempts versus taxable executions "continue to get stronger," according to R. Wade Norris, partner at Washington, DC-based Norris George & Ostrow PLLC and panel moderator, who said some "wonderful circumstances" are at work currently.

R. Wade Norris

Norris noted his then seven-attorney law firm last year was involved in the financing of more than $3 billion in private placements and over $1 billion in private offerings, out of an estimated $21 billion of total tax-exempt multifamily bond and loan volume and said he expects it will do even more this year.

Broad Muni Market Overview; Numerous Positive Changes on the Buy Side

Karl Hummel, managing director at RBC Capital Markets, giving the "big picture" overview, said there has been "a basic fundamental shift on what our buyers are looking at" as "people start to do more unique things."

Karl Hummel

In interest rate moves since August 2020, the Treasury market has risen, and so have municipals, but the ratio of where municipal market data (MMDs) are "is getting lower and lower and lower" according to Hummel, making for "really crazy" ratios.

"These are ratios we've never seen before, and it's pretty much the same for five-, ten-, and 30-year maturities.

"The combination of low ratios and low rates really has our investors looking at alternative finance solutions," he said. "They're looking for any sort of yield they can find."

Another factor is huge money inflows, he said. "So, it is sort of a perfect storm here. If you see how much money is coming into the municipal space, it's just tremendous. They have to put this pile of money to work."

Big Muni Bond Inflows

To illustrate the big increase, for the week ended July 7, Lipper reported a municipal bond inflow of $2.3 billion, up from just $832 million the week before.

Alternative finance sources are much more popular, he said. Before, "We probably had a handful of people in the industry that would do this. The muni buyers are real dinosaurs." Now, things are different.

An example he gave is forward bonds. "The arbitrage accounts figured out the math. They would buy forwards. Then they would sit on the forwards. They would hedge them up. When they would become regularly settled bonds, they would sell them to my traditional muni buyers."

Now, he said, "Investors are saying, 'why am I letting these guys be the buyers? Why don't we look under the hood and take that incremental yield?'"

Bottom line, we have customers that are involved in forwards. The other thing we are looking at is Cinderella bonds. And I have customers that are talking about purchasing drawdown bonds."

Hummel said he has seen a huge change in fund behavior in the last couple of years, "even more so since the pandemic."

Low Muni Rates Produce a Long-Awaited Affordable Workforce Housing Model


Alex Zaman

Alex Zaman, a managing director at Citigroup Global Markets Inc., briefed the meeting on the tremendous recent interest in limited public offerings of "high-yield" unrated bonds issued by California's Joint Powers Associations (JPAs), which enable the JPAs to move apartments into public ownership, triggering real estate tax relief and enabling the JPAs to make the housing more affordable to the workforce segment.

"We now have a bond-financed workforce housing program that works exceptionally well," he said. What happens in sum is a city or municipality offers an abatement in taxes in return for reduced rents. The JPA acquires ownership of the multifamily housing, assumes governmental authority at the time of bond issuance, restricts income to renters at the 80 to 120 percent workforce area median income level, and caps rents at 30 to 35 percent of those levels.

The city enters into a Public Benefit Agreement, whereby the city and other taxing entities receive all the surplus revenues that flow down when a property is sold or refinanced. The city does not incur any administrative fees nor are there any credit implications, making it an attractive option. The city then has a couple of options. Zaman said in Year 15 the city can purchase the property itself, force the sale of the assets, pay off the bonds and receive the net proceeds, refinance the bonds and take possession of the property, or it can pay off the bonds entirely and leave the property to the developer.

The bonds, Zaman said, are typically unrated tax-exempt municipal bonds, no equity, no subsidies beyond the tax abatement. "A number of the deals we've seen have had multiple senior tranches, and we're starting to see some bespoke structures that include mezzanine or true subordinate debt."

Zaman called these JPA financings "an elegant structure" and said a lot of California municipalities are starting to take advantage of them. They have worked best in small and mid-sized cities, he said. Larger cities "are still very much a work in progress."

Usually, the JPA deals have involved the acquisition of existing multifamily market-rate Class A properties, with more of them on the newer side, having been constructed in the last 20 years. But he thinks eventually there will be opportunities for older properties and potentially even new construction.

Unrated Bonds, but Acting Like Rated Ones

In this market, "These bonds are trading like A-rated securities, even though they are unrated," Zaman concluded.

A specific recent JPA transaction he worked on is Moda at Monrovia Station in Monrovia, CA, 20 miles east of downtown Los Angeles. "We issued about $118 million of bonds for this property, 251 Class A luxury multifamily units, loaded with amenities, directly adjacent to a railroad station and has transit-oriented development (TOD) written all over it."

The city and renters both benefited from this, Zaman said. The property tax given up is about $200,000 per unit, but the rental reductions came to about $560 million per unit, meaning about $20 million in net savings over the life of the bonds. Renters at 120 percent AMI got an eight percent discount, 100 percent AMI residents got nine percent and 80 percent AMIs saw a 25 percent discount.

More Than $2.5 Billion in Volume

Norris, whose firm has represented Citi and RBC and other clients in a number of these financings said, "Think about what a remarkable development this is! This is 100 percent financing to create high quality, desperately needed affordable workforce housing in high-cost rental markets where many of these residents would otherwise have to live 20, 30, 50 miles or more away from their jobs. The industry has talked about affordable workforce housing for years. Using this structure, California has just produced over $2.5 billion of this financing in the last

Bond Trends, continued on page 12

Bond Trends, continued from page 11

two years alone!" Both Zaman and Norris said that they believe this success has implications for other markets as well.

Low Muni Rates Have Also Supported Other Public Offering and Private Placement Structures


Greg Goldberg

Greg Goldberg, director at RBC Capital Markets, pointed to a different bond mechanism in use at Salem Heights, a Massachusetts project sponsored by Preservation of Affordable Housing (POAH), which priced in June, financed by a $32.1 million publicly offered forward Fannie Mae M.TEBs with three-year forward and 18-year term, as achieving a very low cost of capital. It also provided higher proceeds of $3.9 million, outweighing negative arbitrage of $1.5 million. M.TEBs stands for mortgage-backed security as tax-exempt bond collateral.

The all-in pay rate was estimated to be between 80 and 92 basis points lower than comparable agency executions, he said.

Another unusual transaction done by RBC last year was The Bosco in Berkeley, CA, to build 15 units, including 12 market-rate and three affordable, using "recycled" bonds for "a little more creative execution." RBC found a bond of the perfect size and these recycled bonds were tax exempt with no Low Income Housing Tax Credits involved "to achieve a very competitive cost of capital."

This created affordable housing in a high-cost area just across from the Berkeley campus.

RBC has also worked with nonprofits to sell unrated bonds across the country at a very low cost of capital. "We're seeing a lot of activity in that space," he said.

FHA and Rural Development Taxable Loans Combined with Short-Term Cash Backed Tax Exempt Bonds Still Exceptionally Strong


Kelly Boyer

The final panelist, Kelly Boyer, managing director of Rose Community Capital, spoke about federal agency executions in the multifamily space, particularly the Federal Housing Administration and Rural Development, calling the agency space "a very effective platform." She concentrated on discussing the FHA 223f "heavy" loan and the familiar FHA 221(d)(4), which she said was good for urban infill. The 223fs do not trigger Davis Bacon wage requirements and there is no longer a three-year waiting period for these executions after a prior financing.

On the RD side, she touted the benefits of the USDA Section 538 guaranteed rural rental loan for projects located in designated rural communities.

These loans are eligible for packaging into Ginnie Mae securities, which are 100 percent guaranteed by the federal government and AAA rated and are sold in the taxable markets. These structures offer 35- or 40-year loan amortizations with no balloon, and no new project underwriting following rehab or completion of construction. Stated mortgage rates can now fall as low as three percent or a bit lower for FHA 221(d)(4) financings and below 2.5 percent for 223fs. Moreover, Boyer indicates that processing times of 120 to 180 days are being achieved in a number of markets, making these strong executions for these types of loans. Goldberg added that the coupons on the short-term tax-exempt bonds sold to meet the 50 percent test in these financings are so low (now 20 to 30 basis points), that bond side negative arbitrage on these deals has all but disappeared.

Concluding Overview

Norris reminded attendees that we saw major decline in interest rates through last summer, with the ten-year Treasury yield declining 80 percent from a yield of 3.25 percent in October 2018 to 0.54 percent in August 2020. Norris stated: "This was a huge wind at our backs on the debt side of these financings, producing additional loan proceeds at a rate of over one percent additional proceeds per month during this two-year period. (Moving from a 35-year loan amortization to 40 years produced another five points.) We've now given back about 40 percent of this general decline in rates, with the ten-year Treasury yield at about 1.50 percent. But because of the strong and growing demand for tax exempt municipal bonds, the debt side executions on these financings have held up extraordinarily well over the past year, and we believe that the muni market will continue to strengthen and provide further support for these financings through the end of this 2021 and beyond." TCA

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Niche and Gap Funding

Three Financing Tools That Can Preserve Affordability

By Scott Beyer

A recent NH&RA presentation describes new and underutilized options for affordable home providers.

While the affordability of workforce housing is technically supposed to be "naturally-occurring"—meaning it filters down and becomes cheaper over time—that does not always happen. Strategies for preserving affordability were the focus of a recent National Housing & Rehabilitation Association webinar called 'Niche Financing Tools: Faircloth to RAD, Fannie Mae's Sponsor Initiated Affordability and Property Assessed Clean Energy." According to a Fannie Mae analysis cited by Angela Kelcher, one of the presenters, as many as 500,000 workforce units in America could cease to be affordable given market conditions. The purpose of the webinar was to educate NH&RA members on all three financing mechanisms, through a panel of affordable housing industry experts.

NH&RA President and event moderator Thom Amdur opened by noting that the association tries to look for as many financing tools, especially new or underutilized ones, for affordable housing financing as possible. The first one he focused on was Faircloth-to-RAD.

As the Department of Housing and Urban Development's website notes, "Faircloth refers to a limit on the number of public housing units a Public Housing Agency (PHA) can own, assist or operate. The Office of Recapitalization indicates that many PHAs operate fewer public housing units than their Faircloth limit, meaning that currently 220,000 units of public housing could be developed. The new Faircloth-to-RAD option is designed to establish a long-term, reliable rental subsidy contract to help PHAs and their development partners more readily finance the construction of new deeply affordable units."

Tom Davis, the director of recapitalization at HUD's multifamily housing division, and Dan Rosen, a real estate attorney with Klein Hornig, went into more detail as panelists at the seminar. They described the Faircloth limit, which was established by a 1998 rule that caps the total number of public housing units a PHA can support. The rule makes project underwriting difficult, which is problematic given that over the last two decades, Davis said, approximately 220,000 units have been removed from the nation's public housing stock.

The conversion program allows PHAs to access Rental Assistance Demonstration (RAD) financing to help them make up for the lost units. RAD funds the conversion of standard public housing into privately-managed units that are underwritten via Section 8 vouchers. According to Davis, this protects moderate-income and naturally-occurring affordable housing. This is in concert with a federal investment of $213 billion into "new affordable housing resources," including $55 billion in Low Income Housing Tax Credit allocations. The objective of such a conversion is to place an additional subsidy "on top of the mixed-finance structure" that aids with underwriting.

Davis added that recent guidance HUD issued about Faircloth-to-RAD will be helpful for financiers who are interested in such conversions. He said that HUD will soon develop a tool for determining the rent payoff from a hypothetical RAD conversion.

Kelcher, representing Fannie Mae on the panel, spoke to a second program designed to maintain deep housing affordability: Sponsor-Initiated Affordability (SIA) incentives.

Lument.com describes SIA as a program that, "Encourages Fannie Mae DUS® borrowers to set rent and income restrictions in conventional workforce housing in exchange for lower borrowing costs. SIA incentives will be available for borrowers that preserve or create a minimum of 20 percent of units for renters earning less than 80 percent of area median income (AMI)...with rents not exceeding 30 percent of AMI."

Fannie Mae, said Kelcher, now does $43 billion in business for federally-subsidized projects, and 50 percent of Fannie-financed units are "mission-driven," targeting those whose AMIs are 80 percent or below.

SIA will make it easier to help this demographic. It seeks to partner with organizations that want to finance or build deeply affordable housing, ranging from technology firms that invest in workforce housing, to ones that use Fannie's social bonds for affordable rental housing.

Under Fannie's voluntary restriction arrangement, rent for qualifying properties cannot exceed 30 percent of household income, which Kelcher says should appeal to

"socially-minded" financiers. The program is structured around new units, as opposed to existing LIHTC properties.

The third program discussed was Property Assessed Clean Energy (PACE), with Sal Tarsia, managing partner at CastleGreen Finance, providing an overview. A poll of the audience found that few were familiar with this program.

While overseen by the Department of Energy, PACEs are state and local programs that, according to Energy.gov, "Allow a property owner to finance the up-front cost of energy or other eligible improvements on a property and then pay the costs back over time through a voluntary assessment." The program, similar to special assessment districts by city governments, but for individual homeowners, helps fund water conservation, energy efficiency, disaster resilience and other improvements that lower a home's long-term utility costs.

PACE programs typically last between 20 and 30 years, and Tarsia notes that over 200 lenders have been involved. Meanwhile, the overall presence of PACE has grown, with 37 states passing enabling legislation, including Massachusetts, Tennessee and Washington. The cities of Chicago and Philadelphia have recently launched PACE initiatives, and New York City has begun its program in concert with its Climate Mobilization Act.

"Three of the largest cities in the country have just come on board with PACE in the last month to two years. We've really only scratched the surface," Tarsia said. "We're converting a construction project, which is very often being financed with floating rate debt. We're taking some of the risk out of the equation from an interest rate perspective."

That is because, in addition to making homes more environmentally-friendly, PACE financing tends to replace debt or reduce gaps in equity financing. Tarsia observed that projects that had been hurt by COVID-related losses could use PACE funding to recoup lost liquidity during "lookback" periods in several states. In other words, while PACE isn't a program that produces deeply affordable housing unto itself, it can add to the capital stack of such projects.

In conclusion, all three of the programs discussed during the NH&RA seminar provide opportunities for financiers who need to meet certain affordability goals for their projects. The key is taking these programs beyond the "niche," and into mainstream awareness and adoption. TCA

This article featured additional reporting from Market Urbanism Report *content staffer Ethan Finlan.*

CASE STUDY:

Sursum Corda in Washington, DC

Condo Structures Can Make Mixed-Income Deals Work

By Mark Fogarty

The Sursum Corda development in Washington, DC is a huge and hugely complicated deal. One thing that is helping to bring more than 1,000 planned units of housing to the capital neighborhood is structuring separate condominiums for the affordable and market-rate units.

"We believe strongly mixed-income works in DC," said Jon Cortell, managing director at L&M Development Partners Inc., citing, "the strength of the diverse fabric that city unquestionably has." L&M bought the 6.7-acre property in 2018 and its partners are Toll Brothers Apartment Living as co-developer and Goldman Sachs Urban Investment Group as financial partner and tax credit investor.

Jon Cortell

Cortell, speaking at the Summer Institute of the National Housing & Rehabilitation Association's panel on leveraging condo structures, said he hopes Sursum Corda will be leased up next year.

Phase 1 plans 561 units—118 of them reserved for tenants between 30 and 80 percent of area median income—a much bigger development than the current property, which is an affordable tenant-owned cooperative of 199 units on land quite close to the Capitol Building at First and North Capitol Streets NW in the District.

Under an agreement with the cooperative, all those tenants will have units reserved for them in the new project after temporary relocation as the current property is demolished, with at least 100 of those units in Phase 1. (There will be two, possibly three, phases at Sursum Corda.)

Julia Schmidt

According to Julia Schmidt, panel moderator and partner at Katten Muchin Rosenman LLP, the existing project was built in the 1960s and has fallen into disrepair, making a redevelopment attractive. It consists of garden-style apartments and townhomes and was financed by the Department of Housing and Urban Development, initially.

"The cooperative engaged a development firm to assist it in up-zoning the site," said Cortell, noting the members of the cooperative have a stake in the value of the property. "In what might be called entrepreneurialism, they pursued the up-zoning and in place of the 199 units the District permitted something in the ballpark of 1,200 to be developed on the sight in place."

He noted, "1,200 units are a lot for anybody to digest, and I think the triventure between L&M, Goldman and Toll represented the team appropriate to take on the beast of a 1,200-unit prospect."

Experienced on Mixed-Income

L&M and Goldman have a long track record of working together, Cortell said, and it has worked with Toll Brothers as well. "Mixed-income has been part and parcel" of the Toll partnership.

"The site is too integral to the fabric of DC not to be more positively activated," Cortell said, giving credit to the District for the up-zoning. "With 1,200 units, we can activate this site, which has not been a magnet but rather a repellant."

The density is "welcome and probably necessary as we try to reposition this property." The District has aggressive housing goals and increasing density is one way to help achieve them.

One priority of Phase 1 will be to reintegrate a derelict park into a central feature of Sursum Corda. "We hope the outdoor space will be the magnet that draws, say, the employees of National Public Radio, or area residents looking for green space," said Cortell.

Financing, Schmidt said, is being provided by Citibank (construction tax exempt and taxable), Freddie Mac (permanent tax exempt and taxable) and the District of Columbia Housing Finance Agency, which is providing the tax-exempt bonds.

There is a $23 million tax-exempt loan from Citi/DCHFA, a separate $137 million taxable loan from Citibank, and Freddie Mac will provide the permanent financing, she said.

Cortell said L&M regularly uses Goldman "on deals that smack of any complexity" as this one did, including "the brain damage mixed-income frequently provides."

All parties in the transaction, including DCHFA, showed flexibility on this particular project, he said.

"We see both the economic and the social impact here," said Dan Alger, Goldman managing director.


Dan Alger

Two Buildings in Phase 1

Phase 1 will include nine- and ten-story towers of approximately 600,000 square feet in total.

"There is shared parking and there will be a ton of amenities," said Schmidt. "This is really going to revitalize the area."

Shared amenities include a rooftop deck, a children's playroom, a fitness center with a rock-climbing wall, a spa with saunas, a pool and a lounge room, a media lounge, co-working space, a demonstration kitchen and a green house.

Of the 118 reserved units, 12 will be at 30 percent AMI, 64 will be at 50 percent AMI and 42 will be at 80 percent AMI, using income averaging to keep the average AMI below 60 percent.

There is no separate condominium contemplated for the parking or the retail now, said Schmidt. The two-unit condo being done will segregate the 118 affordable units and the 442 market-rate units.

Getting condo deals approved can take quite a while, said Schmidt. "So, what we did was close on a master affordable lease to segregate the 118 affordable units and have those leased by a Low Income Housing Tax Credit borrower."

Prior to conversion, a two-unit condo will be created, after which a market-rate borrower will convey the LIHTC condo unit to the LIHTC borrower and the master leasehold will be maintained.

"More often we used this kind of structure, just because of the time it takes to get the condo in place," said Alger.

Ikeogu Imo, senior director at DCHFA, said, "Over the last five years we have done six projects similar to this, and only one has had the condo in place prior to getting to this stage."


Ikeogu Imo

Sometimes, Three Condos

Derek Weaver, senior manager at CohnReznick, said his firm is seeing both condominium structures where there are two residential units, and sometimes there is another one for retail as well. "It's becoming more frequent over the past couple of years, certainly," he said.

Schmidt quizzed the other panelists as to what benefits this complex structure provides.

Alger said, "There are some additional complexities," but the tax benefit of being the fee owner of the affordable component was an important component.

"The key here for us is, despite the fact we're on both sides, is really making sure we can look at the affordable component and our investment on the affordable side and have that truly stand on its own."

"There is not an intention to sell, but we need to have those types of rights," he said. Also, having the affordable component insulated from the operations of the market-rate component "was something that was important to us."

The complexity of these structures is worth it, said Cortell, "because I believe in mixed-income as the answer to more efficiently provide for affordable housing solutions in our cities. I'll sign up for this any day of the week. If condo regimes are a necessary prerequisite, okay. Condos aren't fun, but the end product is a better outcome for the low-income residents and the municipality as a whole."

Imo said the District is in favor of having affordable housing in more expensive markets, such as this one, instead of places with lower land costs. "The market-rate portion helps offset the need for subsidies or additional costs the affordable portion would have to carry."

Strong underwriting underlies the success of projects like these, Imo said. "The deal certainly has to pencil." Cortell said the income averaging component was important to the deal but was made more complicated because of the returning residents. The way this deal is structured gives residents more flexibility as to which units to return to.

Sursum Corda is a four percent LIHTC deal, but Alger said Goldman has used similar structures for nine percent deals, but they are not exactly the same.

Alger said the underwriting on deals like this is the same used on any LIHTC deal. "Part of the challenge is the bifurcation of the expenses across the two units."

Derek Weaver, senior manager at CohnReznick, the final speaker, talked about the concept of cost segregation in deals of this sort.


Derek Weaver

In a mixed-income deal, where you have a low-end piece and a market-rate piece, "we're using cost segregation methodologies to determine development basis attributable to each of the two condo units," he said. TCA

CASE STUDY:

Terracina at Lancaster in Los Angeles County

Thinking Big in SoCal Affordable Housing

By Mark Fogarty

Terracina at Lancaster, an affordable apartment community developed by USA Properties Fund of Roseville, CA.

USA Properties Fund thinks big.

By developing a large number of affordable housing units in its projects, the Roseville, CA-based firm helps house more families and develops economies that reduce costs.

Its latest project, Terracina at Lancaster, has 264 affordable apartments planned. And Terracina at Lancaster is part of a quartet of projects currently being developed in Southern California by USA Properties, totaling 814 units at about $275 million in financing.

"You get economies of scale with larger projects," says USA Properties President Geoff Brown. It's important to create economically viable deals in affordable housing, and it's easier to accomplish that with larger communities."

There's plenty of demand for the company's communities. USA Properties' occupancy rate is almost 98 percent. "Vacancy isn't something we're really worried about," Brown says.

USA Properties has about 11,000 units in California and Nevada.

Other projects underway in Southern California include 239 units in Panorama City in the San Fernando Valley, and 311 at two projects in Simi Valley (99 of those will be affordable senior housing). USA Properties has a total of 814 SoCal units under construction.

"Our mantra is creating outstanding communities, and the larger the apartment community, the easier it is to accomplish that objective," Brown says.

Terracina at Lancaster—located in northern Los Angeles County—is a larger-than-usual development for the company.

USA Properties broke ground on Terracina in May and expects to complete the project in 2023, Brown says. He notes the firm has a second project in Lancaster, not far from the Terracina site.

USA Properties purchased the nearby Avenida Crossing project a few years ago. Brown says that whenever he visits Avenida Crossing, the community manager asks him about developing another apartment community to meet the burgeoning demand for housing in Lancaster.

Avenida Crossing, Lancaster, CA.

"We're doing our grading right now and working on our underground," Brown says. "It's a phased project, with 11 three-story blocks of buildings. The first buildings won't be delivered until the end of 2022. I'm guessing November or December of 2022 we'll complete our clubhouse, and one or two of the buildings will be completed."

USA Properties will have a head start on lease up by having the clubhouse and the first buildings finished then, and plans to implement a phased lease up.

Four-Bedroom Units Available

Terracina unit sizes will run up to four bedrooms, for residents at 50 to 60 percent of the area median income (AMI).

"There tends to be a lot of interest in those units," Brown says. "In a community, like Lancaster, where we're going to have more families, four-bedroom units will be very desirable. It's a good unit to have in our portfolio. It makes a lot of sense."

Total financing on Terracina at Lancaster is $89 million.

"We're proud that we're financing this deal with tax-exempt bonds and tax credits and no other subsidies," Brown says.

JPMorgan Chase is the lender on the deal, while WNC and Associates is the investor. Total equity raised comes to about $33.5 million, using four percent tax credits.

Plans are for Terracina to have a large community space with a pool, sports court, tot lot and barbecue and picnic area.

The company says that Terracina will offer rents about 35 percent less than nearby market-rate communities, according to RentCAFE. As far as eligibility goes, a family of four with household income of less than $71,000 would qualify under the 60 percent AMI. Estimated rents will range from $1,108 to $1,330 for a one-bedroom apartment, to $1,715 to $2,058 for a four-bedroom home.

Apartments will include energy-efficient appliances and light fixtures, ceiling fans and low-flow faucets, showers and toilets. Ground-floor apartments will have a patio, with a balcony for those on the second- and third-floor units. Residents will also enjoy a long list of community amenities, including a pool, picnic and barbecue areas with shade structures, a tot-lot play area and a sports court for basketball, four-square, hopscotch and tetherball. Walking paths with benches along the way are part of the 11-acre community. USA Properties is a Build It Green Builder.

Activities On Tap

Other amenities at Terracina at Lancaster include a community room with a hospitality kitchen, a computer area, fitness room and on-site laundry facilities. The community will have an after-school resources room, a space where children can do homework or residents can enjoy hobbies or learn new skills, according to USA Properties.

The company places a lot of emphasis on community well-being and resident outcomes, so Terracina will be served by LifeSTEPS, its social-services partner.

USA Properties' community service efforts include a scholarship program named after J.B. Brown, Geoff Brown's father and the founder of the company.

"The JB Brown Fund helps residents, whether it's awarding scholarships to attend college or helping a family pay for their children to participate in youth sports, or even helping a family with an unexpected financial emergency, such as a job loss or a death in the family," says Brown.

Tax Credit Advisor featured USA Properties in a February 2018 article on resident outcomes.

Brown notes his father had a special feeling for the needs of elderly residents. "I continue what he started. He was very connected to the elderly. He was very passionate about seniors."

One effort is a pilot program that places a nurse in three senior communities. The aim of this effort? "We'll see if we can help people age in place because they can't afford assisted living," says Brown. TCA

CASE STUDY:

Bergen Circle in Springfield, MA

Massachusetts Rehab Shows an Egalitarian Spirit

By Mark Fogarty

An egalitarian spirit of co-locating affordable renters in a development along with middle-income residents and market-rate occupants is a housing idea that is being seen more and more. One such effort is in Springfield, MA, where a rehab is underway to create revitalized housing for a population that includes all three types: affordable, workforce and market-rate renters.

Bergen Circle Apartments is a 201-unit project with the majority of units in one seven-story building and the rest in seven two-story townhomes. One hundred seventy of the units will receive housing subsidy vouchers, with 118 of the units affordable to those at 60 percent of area median income (AMI), while an additional 52 are for households earning up to 80 percent of AMI. The other 31 are market-rate units.

Rico Swinton, a resident at Bergen Circle Housing in Springfield, MA, addresses the June groundbreaking ceremony for the renovation of the 201-unit community, which dates to 1974.

Unit sizes at Bergen Circle range from two- to four-bedrooms. There are 89 one-bedroom apartments, 72 two-bedroom apartments, 20 three-bedroom apartments and 20 four-bedroom apartments. The AMI for Springfield is $77,200 for a household of four.

Tom Farmer, spokesman for funder MassHousing, confirms, "All the units will be the same regardless of income," and Executive Director Chrystal Kornegay says the much-needed work planned by Michaels at the nearly 50-year-old project "will revitalize the property and provide quality housing and economic opportunities for the Bergen residents for many years into the future."

Springfield's mayor says he was pleased with the wide variety of income levels. "This development checks every mark for our low- and moderate-income residents and market-rate housing," says Mayor Domenic Sarno.

While The Michaels Organization is a national real estate developer, property manager, construction company and financier, Bergen Circle is its first affordable housing development in Massachusetts.

TMO Takes Over

Edward Henderson, vice president, says Michaels got involved in the ownership and management of Bergen Circle when the existing general partner got out and Michaels replaced it. Michaels Construction is serving as the general contractor and Michaels Management is serving as the property manager. Michaels' involvement dates to April of this year.

"We didn't change any of the income tiering," Henderson says. "There is going to be no segregation, and no displacement of residents." Residents will be relocated temporarily to on-site hotel units while construction goes on. "Most of the residents will be moved to different units. But they will all remain at Bergen Circle," he says.

Construction will start in late July and take 18 months in total, he says. There is no tax credit finance at Bergen Circle, but the quasi-public MassHousing has provided a $13.3 million construction loan and a $7.9 million loan for repairs.

"We allocated almost $17 million to address the physical needs for the property. That covers a long range of items," says Henderson. They include building envelope repairs and water infiltration remediation, the installation of new windows, flooring and appliances, kitchens, bathrooms and HVAC upgrades, and replacing sanitary and water risers on the midrise building.

Bergen Circle, continued on page 22

Bergen Circle, continued from page 21

Shovels and hard hats were at the ready for a recent groundbreaking for an extensive rehab of Bergen Circle Housing in Springfield, MA.

"We're leaving the footprint of the units themselves as is," Henderson notes. "I don't foresee any specific challenges. This is what we do all across the country and are lucky to do this for a living. The substantial rehabilitation of the buildings, as well as the upgrades to individual apartment homes will improve the lives of our current residents while preserving the affordability of the community for years to come.

Putting in Parking

One vacant building on the property will be demolished, Henderson says. "It was an old commercial building that's been vacated," he notes. But Bergen Circle will be residential only, with no commercial usage to replace what was in that vacant building. There will, though, be an important addition made on the demolition site.

"We're adding parking," he says.

Security will be upgraded as well where necessary, Henderson adds.

Henderson emphasizes that Mass Housing is a terrific partner, whose goals align with Michaels' mission of lifting lives. "This is a win-win for all involved, especially the residents of Bergen Circle."

The project, which dates to 1974, is at 15 Girard Ave. in a residential neighborhood in the McKnight area of Springfield. The general contractor is Michaels Construction. The architect is Urban Practice and the management agent is Michaels Management.

The Michaels Organization serves 146,000 residents in more than 425 communities nationwide. MassHousing has financed 12 rental housing communities in Springfield totaling 2,564 units of housing with an overall original loan amount of $157.4 million.

The agency has also provided home mortgage loans to 4,736 homebuyers and homeowners in Springfield with an original purchase principal balance of $356.7 million.

Egalitarian Goes Bigtime

A couple of recent, big housing projects show an egalitarian outlook of a wide mix of incomes, including the Sibley Building in Rochester, NY and Envision Cayce in Nashville.

The Sibley (*Tax Credit Advisor,* March 2020) is an enormous reconfiguration of a historic department store, an "everything building," which has residential, retail, a food market and even campus space for two local educational institutions.

On the residential side, 300 units are being developed in three separate developments at The Sibley, including affordable, workforce, affordable senior and market-rate housing. The affordable and workforce units (that segment is being called "the Liberty Lofts") are on three floors of the building, with the units being identical and no segregating of affordable and workforce residents.

The Sibley project is so big that even 300 housing units only take up about a third of its space.

Envision Cayce in Nashville (*Tax Credit Advisor*, July 2021) is an ambitious project to decentralize poverty by moving more than 700 residents of aging public housing into a newly constructed community in East Nashville where they will be intertwined with equal numbers of workforce and market-rate renters. TCA

Corporate Tax Credit Fund Watch | *August 2021*

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Sponsor (1) Investor Contact Acquisition Contact	CURRENT MULTI-INVESTOR LIHTC CORPORATE FUND Fund Name Geographic Focus	Amount of Equity Raised to Date for Fund	Expected Size of Current Fund	Average Net Tax Credit Price	Cash Needs Basis IRR	# of Properties Specified	% of Gross Proceeds (2)	Estimated Front End Expense Load (3)	All LIHTC Equity Raised & Closed by Syndicator in 2021
NATIONAL FUNDS									
Alliant Capital Sharon Goldstein (310) 740-0502 Jen Erixon (303) 916-6311	***Alliant Tax Credit Fund 107*** National	$135,000,000	$160,000,000	$0.865	Economic Tier: 6.00% CRA Tier: Varies Vol. Discount Tier: 6.25% to 6.60%	15	100%	N/A	$121MM
Boston Financial Investment Management Todd Jones (502) 450-9951 Brenda Champy (617) 488-3529	***ITC 55*** National	$206,000,000	$206,000,000	$0.891	Economic Tier: 6.00% to 6.45% CRA Tier: 4.45% to 6.25%	22	100%	6.32%	$280MM
CREA, LLC Tony Bertoldi (617) 892-6071 Charles Anderson (317) 808-7365	***CREA Corporate Tax Credit Fund 88, LP*** National	$100,000,000	$300,000,000	N/A	Tiered; 3.75% to 6.75%	25	100%	7.35%	$426MM
Enterprise Housing Credit Investment Danielle Hammann (410) 772-2765 Scott Hoekman (410) 772-2508	***EHP 36*** National ***EHP 37*** National	N/A N/A	$160,000,000 to $180,000,000 $200,000,000 to $220,000,000	N/A N/A	Tiered Tiered	N/A N/A	N/A N/A	N/A N/A	$613MM
Merchants Capital Julie Sharp (317) 735-5842; Linda Hill (415) 987-2217 Josh Reed (317) 714-6032	***Merchants Capital Tax Credit Equity Fund V, LLC*** National	N/A	$175,000,000	$0.880	Economic Tier: 7.10% to 7.25% CRA Tier: 6.75%	17	100%	N/A	$45MM
PNC Real Estate Megan Ryan (202) 835-5965 Gayle Manganello (603) 387-6205	***PNC LIHTC Fund 81, LLC*** National	N/A	$175,000,000	$0.87	Economic Tier: 5.75% CRA Tier: 4.00% to 4.75% Vol. Discount Tier: 6.25% Bridge Tier: 6.50%	18-20	100%	Up to 7.00%	$398MM
R4 Capital LLC Jason Gershwin (646) 576–7661 Marc Schnitzer (646) 576-7659	***R4 Housing Partners XVII LP*** National	$0	$185,000,000	N/A	Tiered	12	100%	N/A	$352MM
Raymond James Tax Credit Funds, Inc. Steve Kropf (727) 567-5214 James Horvick (727) 567-1964	***RJTCF 49 LLC*** National	$100,000,000	$300,000,000	N/A	Tiered	15	75%	6.00%	$970MM
RBC Community Investments Tammy Thiessen (216) 875-6042; Kathleen Calvert (213) 608-5590 Craig Wagner (980) 233-6459	***RBC National Fund 32*** National	$0	$175,000,000	N/A	N/A	N/A	N/A	N/A	$482.9MM
Red Stone Equity Partners Stephanie Kinsman (212) 225-8295 Rob Vest (704) 200-9505	***Red Stone Equity – Fund 90 LP*** National	$0	$200,000,000	N/A	N/A	N/A	N/A	N/A	$357MM
Regions Affordable Housing LLC Jon Burckin (516) 869-7410 Victor Sostar (516) 869-7420	***Regions Corporate Partners Fund 57 LLC*** National	$91,000,000	$125,000,000	$0.87	Economic Tier: 6.25% CRA Tier: 5.00% Vol. Discount Tier: 6.40%	16	100%	N/A	$217MM
The Richman Group Affordable Housing Corporation Stephen Daley (203) 413-0387 David Salzman (203) 413-0333	***USA 135*** National	$219,000,000	$219,000,000	N/A	Economic Tier: 6.00% to 6.50% CRA Tier: 4.00% to 5.50%	N/A	100%	N/A	$210MM
WNC Christine Cormier (949) 236-8233 Anil Advani (949) 236-8247	***WNC Institutional Tax Credit Fund 51, L.P.*** National	N/A	$107,000,000	$0.8575	Economic Tier: 6.00% Vol. Discount Tier: 6.25% Bridge Tier: 6.50%	15	100%	N/A	$176MM
CALIFORNIA REGIONAL FUNDS									
Boston Financial Investment Management Thomas Pereira (617) 488-3527 Brenda Champy (617) 488-3529	***California Fund I*** California	$0	$100,000,000	$0.90	CRA Tier: 4.75% to 6.00%	7	38%	5.19%	$280MM
Enterprise Housing Credit Investment Danielle Hammann (410) 772-2765 Scott Hoekman (410) 772-2508	***EHCF VIII*** California	N/A	$80,000,000 to $85,000,000	N/A	Tiered	N/A	N/A	N/A	$613MM
RBC Community Investments Tammy Thiessen (216) 875-6042; Kathleen Calvert (213) 608-5590 Craig Wagner (980) 233-6459	***RBC CA 7*** California	$116,600,000	$116,600,000	$0.8999	Base Yield: 5.50% Vol. Premium: 6.00% CRA Tiers: 4.00% (San Francisco Co.) & 5.00% (LA Co.)	7	100%	N/A	$482.9MM
Red Stone Equity Partners Stephanie Kinsman (212) 225-8295 Rob Vest (704) 200-9505	***Red Stone Equity – 2021 CA Regional Fund, L.P.*** California	$0	$120,000,000	N/A	N/A	N/A	N/A	N/A	$357MM
OTHER REGIONAL FUNDS									
Cinnaire Vicki Mincey (517) 364-8922 Susan Frank (302) 655-1420	***Cinnaire Mid-Atlantic Capital Fund 6 LP*** DE, MD, NJ, PA ***Cinnaire Fund for Housing Limited Partnership 36*** IL, IN, MI, MN, WI	$51,750,000 $136,000,000	$51,750,000 $136,000,000	$0.936 $0.875	4.85% Economic Tier: 5.00% & 6.10%; CRA Tier: 4.35% Vol. Discount Tier: 6.25% & 6.35%	5 14	71.4% 62.6%	2.50% 5.00%	$2.7MM
Ohio Capital Corporation for Housing Jennifer Seamons (614) 545-7823 Brian Langmeyer (614) 545-7827	***Ohio Equity Fund for Housing XXXI*** Ohio and surrounding states	$294,000,000	$300,000,000	$0.90	Non-Impact Investor Tier: 5.25% Impact Investor Tier: 5.00% Vol. Discount Tier: 6.00%	37	78%	5.00%	$119.95MM
The Richman Group Affordable Housing Corporation Stephen Daley (203) 413-0387 David Salzman (203) 413-0333	***Richman US Territory Fund*** US Territories ***Richman Western Regional Fund I L.P.*** Western States	$0 $100,000,000	$100,000,000 $100,000,000	N/A N/A	Economic Tier: 6.00% to 6.50% CRA Tier: 4.00% to 5.50% Economic Tier: 6.00% to 6.50% CRA Tier: 4.00% to 5.50%	N/A N/A	100% 100%	N/A N/A	$210MM

1) All data has been provided directly by the fund sponsors. Accordingly, neither Ernst & Young LLP nor the *Tax Credit Advisor* take any responsibility for the accuracy of the data or any calculations made by the sponsors. 2) The gross equity needed for properties for which an executed syndication contract is in place, as a percentage of total expected gross proceeds, assuming all single-payment cash investors. 3) The estimated expense load is the percentage of gross proceeds the sponsor expects to expend for offering costs and expenses, acquisition fees and expenses, brokerage commissions and all other front-end costs (other than working capital reserves) assuming all available units are sold to single-payment cash investors.

If you would like to have a fund listed in the next edition of *The Tax Credit Advisor*, call Jillian Flynn, Tax Credit Investment Advisory Services, Ernst & Young LLP, at Jillian.Flynn@ey.com, 617-375-3796. There is no charge for a listing.

NH&RA News

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

NH&RA Signs Letter Supporting Tax Credits to Decarbonize Buildings

NH&RA signed a letter to Congress along with 120 organizations supporting federal legislation that would create tax credits for zero-carbon buildings and retrofits. Buildings are the largest single contributor of global greenhouse gas emissions, producing approximately 40 percent of global emissions. The proposal includes six refundable tax credits aimed at lower-income Americans who may not owe enough taxes to benefit from the tax credits to Real Estate Investment Trusts that aren't structured to utilize tax credits.

NH&RA Sends Senate Banking Committee Letter Supporting Nomination of Julia Gordon as FHA Commissioner

NH&RA sent a letter to the Senate Committee on Banking, Housing and Urban Affairs supporting the nomination of Julia Gordon as Federal Housing Commissioner/Assistant Secretary for Housing at the Department of Housing and Urban Development. TCA

Member News

NH&RA Members Recognized in 2021 *Novogradac Journal of Tax Credits* Awards

Congratulations to the several NH&RA members that were recognized as winners of the 2021 *Novogradac Journal of Tax Credits* Awards:

- **Metropolitan Community Impact:** Columbus Metropolitan Housing Authority and McCormack Baron Salazar for the redevelopment of Poindexter Village;
- **Rural Community Impact:** Volunteers of America National Services for Miremonte;
- **HTC Residential Development that Best Exemplifies Major Community Impact:** WinnDevelopment for The Tyler;
- **Non-Metro in the Community Development Entity (CDE) Category:** USBCDE LLC for Lakota Tech;
- **Small Business in the CDE Category:** Cinnaire New Markets and The Community Builders Inc. for Paul's Place – Groundwork Kitchen; and
- **Real Estate in the CDE Category:** The Rose Urban Green Fund LLC and Chase New Markets Corporation for Salt City Market.

The Architectural Team Opens Several Properties in Boston

The Architectural Team announced several new properties it designed with more than 200 units of mixed-income housing will open this month in and around Boston and will highlight a variety of innovative design solutions addressing housing shortages and improving livability in diverse urban neighborhoods.

Monarch Names DiCenso President of Asset Management

Monarch Private Capital announced that it named Emily DiCenso the new president of asset management. DiCenso previously was a vice president at Boston Capital.

Project Destined Partners with Detroit Public Schools, Olympia Development and Cinnaire Solutions

Olympia Development of Michigan, Cinnaire Solutions and the Detroit Public Schools Community District recently partnered with Project Destined to offer a real estate internship program for underserved youth in the city of Detroit.

Project Destined launched in Detroit in 2016 with a focus on increasing the number of diverse owners and leaders in the commercial real estate industry. The social impact platform, now active across 20 markets, partners with corporations, schools and nonprofits to train students in the fundamentals of commercial real estate. Students learn through immersive sessions where they analyze live deals with experienced architects, contractors, bankers and developers. TCA

State Roundup

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

Arizona Legislature Passes State LIHTC

On June 29, the Arizona legislature passed a State Low Income Housing Tax Credit in S.B 1124. The state credit available to properties placed in service after June 30, 2022 is equal to at least 50 percent of the federal credit with a $4 million annual cap.

California 2021-2022 Budget Includes $5 Billion for Affordable Housing

Governor Gavin Newsom (D) recently approved California's 2021-2022 budget, which includes the following investments in affordable housing:

- $1.75 billion for construction of thousands of new affordable homes that are held up in the state pipeline awaiting allocations of scarce federal tax-exempt private activity bonds;
- $1.45 billion in FY 2021/22 and $1.3 billion in FY 2022/23 for Homekey to acquire hotels, motels and other properties to provide housing for individuals and families who are experiencing or who are at risk of homelessness;
- $500 million in additional State LIHTCs;
- $500 million for the creation of a Foreclosure Intervention Housing Preservation Program;
- $300 million for the preservation of existing affordable homes;
- $250 million for the Infill Infrastructure Grant Program;
- $50 million for the Joe Serna, Jr. Farmworker Housing Grant Program;
- $45 million for the Mixed-Income Program;
- $50 million for the Golden State Acquisition Fund;
- $45 million to develop state excess sites with affordable housing;
- $20 million for the San Gabriel Valley Regional Housing Trust; and
- $20 million for the Bay Area Housing Finance Authority.

California Extends Eviction Moratorium Through Sept. 31, Will Pay All Past Due Rent

A bill recently approved by the California legislature and signed into law by Governor Gavin Newsom (D) extends the state's eviction moratorium through the end of September and will pay off 100 percent of all past due rent from April 2020 through September 2021 for tenants making less than 80 percent of the area median income. The state will also assist with unpaid utility bills.

Illinois Passes Affordable Housing Property Tax Incentive

A new property tax incentive passed the Illinois General Assembly in the landmark affordable housing omnibus. The incentive establishes tiers of affordability and property tax relief:

- **Tier 1:** If rental buildings of seven+ units hold between 15 and 35 percent of their units at affordable levels, they can receive a 25 percent reduction in their assessed value;
- **Tier 2:** If rental buildings of seven+ units hold at least 35 percent or more of their units at affordable levels (at or below 60 percent of AMI), they are eligible to receive a 35 percent decrease in assessed value; and
- **Tier 3:** Rental buildings in downtown Chicago and certain suburbs may qualify for the incentive if they hold at least 20 percent of their units at affordable levels. The incentive is based on the difference between the value of the property one year before the affordable units are occupied and post-construction assessed value and declines over time.

Property owners who comply with the terms of the program can receive the reduction for ten years, and they can renew for two additional ten-year terms (30 years total) if the Department of Buildings certifies they are in good condition.

Oregon Legislature Invests $896 Million in Housing

The Oregon legislature approved $896 million invested in housing solutions in Oregon Housing and Community Services' 2021-2023 biennium budget, more than double that of the last biennium:

- $591.8 million for affordable housing;
- $28.18 million for homelessness;
- $62 million for stabilization;
- $150 million for wildfire recovery; and
- $65 million for homeownership. TCA

Bulletins

Breaking news from Washington and beyond

HUD Rescinds Trump-Era Disparate Impact Rule, Restores Obama-Era Rule

A new proposed rule from the Department of Housing and Urban Development, "Reinstatement of HUD's Discriminatory Effects Standard," would rescind the Department's 2020 disparate impact rule and restore the 2013 discriminatory effects rule. Comments are due by August 24.

HUD's 2020 disparate impact rule raised the burden of proof to bring a disparate impact claim, making it harder to pursue housing discrimination cases. HUD's 2020 rule never took effect due to a preliminary injunction from the U.S. District Court for the District of Massachusetts in the Massachusetts Fair Housing Center v. HUD case.

The 2013 disparate impact rule provides the plaintiff with the initial burden of showing that a challenged practice has a disproportionately adverse impact on persons in a protected class; the burden then shifts to the defendant to show a "legally sufficient justification" for the challenged practice. "Legally sufficient justification" requires that defendants show that the challenged practice is necessary to achieve a substantial, nondiscriminatory goal and that no less discriminatory alternative is available to achieve that goal. If the defendant makes that showing, the burden then shifts back to the plaintiff to show that there is, in fact, a less discriminatory alternative.

House Appropriations Subcommittee Approves FY 2022 HUD Funding

The Transportation, Housing and Urban Development, and Related Agencies Subcommittee of the House Appropriations Committee approved FY 2022 funding for HUD. The bill includes $56.5 billion in HUD funding, a $6.8 billion (12 percent) increase over FY 2021. If enacted in its current form, several programs would see substantial increases over FY 2021 levels. This includes $500 million in additional funding for the HOME program, $545 million for project-based rental assistance contracts (sufficient to renew all PBRA contracts), $3.4 billion in additional tenant-based rental assistance ($1 billion of which would be set aside for new vouchers) and $1.2 billion in additional funding for CDBG.

President Biden Commits to Including Housing in Reconciliation Bill

In a press release, House Financial Services Committee Chairwoman Maxine Waters (D-CA) announced she secured a commitment from President Joe Biden (D) to include housing in the partisan, reconciliation bill. In a speech on July 7 in Illinois, the president said the following on the reconciliation package, "We need to deal with the shortage of affordable housing in America. Over 10 million renters in this country pay more than half their income for the rent on their apartment, and the lack of affordable housing prevents people from moving to communities where there are more opportunities. So, we're going to make historic investment in affordable housing, increasing and improving the housing supply by building and rehabilitating more than 2 million homes, especially in places that need more housing."

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Our members have always been our greatest asset and this is especially true during these trying and uncertain times. No one has all the answers but our members' willingness to share their experiences with others helps us all learn and adapt to the ever-changing circumstances. NH&RA created several forums for members to engage with each other on COVID-19 related topics, including weekly Town Halls, a devoted COVID-19 news page and a members-only discussion forum. To learn more about becoming part of the NH&RA community please visit: https://www.housingonline.com/about/nhra-membership/

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