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For more on D&I strategies for businesses and organizations, contact us or visit bofaml.com/diversity-inclusion.

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1 McKinsey Global Institute. 2 Harvard Business Review’s Center for Talent Innovation. 3 Ibid.

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

**Scott Beyer** (Housing USA, p. 8 and West Coast Housing Report, p. 42) is a cross-country traveler covering U.S. urban issues. For three years, he will be circling America to live in 30 cities for a month each, starting in Miami and ending in New York City. The purpose is to write a book about revitalizing cities through Market Urbanism. You can find more about him on his website, Bigcitysparkplug.com.

**Mark Fogarty** (My Old Kentucky Dome, p. 28 and Spinning Gold Into Food, p. 32) has covered housing and mortgages for more than 30 years. A former editor of 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.

**John Gahan** (Land of OZ, p. 15) is an attorney for Sullivan & Worcester LLP. Gahan has extensive experience in complicated financing structures, including syndication of State and Federal Low Income Housing Tax Credits, State and Federal Historic Credits, New Markets Tax Credits, Brownfields Credits, energy-related credits and other state credits. He currently serves on the Board of Directors of Preservation Massachusetts and the National Housing & Rehabilitation Association and assisted in drafting laws and regulations dealing with affordable housing properties to better facilitate the advancement of his clients’ projects.

**Darryl Hicks** (Talking Heads, p. 10) is the vice president, Communications for the National Reverse Mortgage Lenders Association and a 19-year veteran of associations managed by Dworbell, Inc, the management company of National Housing & Rehabilitation Association.

**Mark Olshaker** (NH&RA 2018 Vision Awardees, p. 17) is a best-selling author of fiction and non-fiction and an accomplished researcher in the areas of crime and medicine. Olshaker has written 15 books, including Law & Disorder with former FBI Agent John Douglas. His latest book is Deadliest Enemy: Our War Against Killer Germs, with Dr. Michael Osterholm and published by Little Brown.

**Edward Seiler** (Housing Affordability Includes Commuting Costs, p. 36) is the VP, Research and Economic Analysis for National Housing & Rehabilitation Association. In this capacity, Seiler leads economic research for the organization. Previously, Seiler was chief housing economist and director at Summit Consulting, was director of economics at Fannie Mae and has lectured graduate-level micro-economics at Johns Hopkins University.

**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.
T he word that stands out throughout this issue is community. We didn’t plan it that way. But in stories devoted to a wide range of subjects, including multi-credit deals, Opportunity Zones, state funding for housing and even NH&RA’s 2018 Vision Award honorees, the concept of community demanded attention. Community in these stories does not refer to a place, but rather to a congregation of people from various venues and backgrounds who come together to address a need. It is an encouraging word and a comforting notion. Put it right up there on the favorite American convention chart alongside family and home.

In West Hartford, CT, more than 15 funders and businesses of various expertise have come together to reinvigorate an old Swift gold leaf factory as a combination of food focused businesses and affordable housing that will serve as both a job and health generator for a struggling community. Staff writer Mark Fogarty reached out to the folks at Community Solutions, Boston Capital Loan Fund, MacRostie Historic Advisors and MassHousing who collaborated on this project with funding, according to Deb Favreau of MHIC, from “three state agencies, three federal agencies, three tax credits, three foundations, three CDEs, a CDFI, US Bancorp and National Grid.” (Spinning Gold into Food, p. 32)

In Lexington, KY, resident and NH&RA board member Holly Weideman looked at the abandoned 120-year-old courthouse and vacant eyesore for years before pulling together her community for a long overdue and breathtaking restoration (see our cover) into a multiuse facility that is bolstering the entire downtown neighborhood. (My Old Kentucky Dome, p. 28)

In this month’s Land of OZ feature, attorney John Gahan suggests that the ongoing support for Opportunity Zones is going to depend upon providing evidence of their success and urges key players in the designated communities to join together and figure out how to measure those results locally right now. (p.15)

In addition to writing for us this month, Gahan, now a partner at Sullivan and Worcester LLP, joins Bill McGonagle of the Boston Housing Authority as this year’s Vision Award honorees. Both men are most of all team players with long histories of pulling human resources together for affordable housing in the Boston area, histories you can read about in staff writer Mark Olshaker’s profiles beginning on page 17. They will accept their awards at NH&RA’s Fall Forum at the Harvard Club of Boston on October 23.

And our peripatetic staff reporter, Scott Beyer, reports this month on both creative funding initiatives driven by community and legislative will up and down the West Coast states (p. 42), as well a program in Baltimore (where Scott spent the month) providing down payment assistance to restore value to the city’s vacant buildings. (Housing USA, p. 8)

I hope what you will take away from this issue is a heightened sense of the achievements that become possible when goal-minded people and businesses come together as a community. And we look forward to reporting on your community in future issues.

Marty Bell, Editor
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Austin, Texas
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Affordable & Supportive
Workforce Housing at Aldrich 51

RBC Capital Markets’ Tax Credit Equity Group is proud to have committed over $10.2 million in LIHTC equity for affordable & supportive workforce housing at Aldrich 51. Included in the mixed-use redevelopment of the former Austin Mueller Airport, this project has 240 apartments of which 204 are LIHTC units. This community offers tenant services and outstanding amenities and has convenient access to downtown Austin and nearby employment opportunities. RBC is pleased to have partnered with DMA Development Company on this project serving working families and individuals in the Mueller community.

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Telling Our Story

There are many reasons why the Low Income Housing Tax Credit (LIHTC) and the Historic Tax Credit (HTC) have endured politically and produced or preserved so many affordable units and historic structures. They are bipartisan programs and are built on pay-for-success principals. While both are federal programs, there is local oversight by the housing finance agencies and State Historic Preservation Offices, respectively. They blend well with other resources (including each other) and are not victim to the vagaries of the federal appropriations process. Perhaps, most importantly, a professional industry has grown along with the programs, developing and enforcing standards and best practices that help ensure its success.

In an era where federal deficits are ballooning, trust in government programs and institutions is at an all-time-low and the need for housing at an all-time-high, we have an obligation to be good stewards of government resources and the assets they produced. Fortunately, we have a great story to tell – through industry standards, like National Council of State Housing Agencies’ (NCHSA) Recommended Practices, Affordable Housing Investors Councils’ Operating Subsidy Review Guidelines and Risk Rating Guidelines, NCHMA’s Model Content Standards for Market Analysis and more, we do a thorough job at self-policing. Numerous checks and balances that are baked into the LIHTC allocation, underwriting and compliance processes, including Project Capital Needs Assessments, subsidy layer reviews, cost certifications, guarantees and more, are designed to ensure that projects are not over-subsidized on the front-end and that the affordable units are delivered and leased up to qualified residents.

Taken together, the results are encouraging – year-in and year-out the LIHTC has the lowest rate of foreclosure of any commercial real estate asset class. A recent study, Variations in Development Costs for LIHTC Projects, commissioned by NCHSA and conducted by Abt Associates, demonstrates that housing credit financed apartments on average cost roughly the same to develop as typical conventional apartments, even though LIHTC properties must, by law, meet many requirements that conventional apartments buildings do not. The report also examined development cost growth in housing credit properties through multiple methodologies and data suggests that LIHTC Total Development Cost (TDC) actually grew less than conventional TDC (based on Fannie Mae data) or at roughly the same average rate as overall apartment development costs (based on the RS Means Historical Cost Index).

Still, this fall the tax credit development community faces a sort of moment of truth. At a time when the lack of affordable housing as a national issue of concern has never been higher, on September 10, House Ways & Means Committee Chairman Kevin Brady (R-TX) introduced a three-bill package dubbed “Tax Reform 2.0.” Though we are still recovering from the reduction in the value of the LIHTC and HTC resulting from “Tax Reform 1.0,” there are no provisions to relieve this by enhancing the LIHTC or Historic Credit in the first iteration of 2.0.

As we go to work to secure additional legislative enhancements this fall or winter, we are faced with a potential distraction: the release of the third of a series of reports from the Government Accountability Office (GAO) focused on the cost of developing affordable housing. Anticipating the report’s release, I feel a little bit like a student waiting to find out the grade for an exam scored on a bell-curve. Knowing that GAO’s analysis is based largely on a sample of high cost states, there is concern that results will skew high and not present the complete picture. Fortunately, we have substantial data and great practices that will enable us to fill in the rest of the story.
To stay profitable, an intermediary (syndicator, CDFI, mortgage originator, donor/technical assistance provider, development consultant) always has to have its own proprietary value proposition – a statement we make about ourselves that, if believed to be true, leads inevitably to the conclusion, ‘Do business with us’. Further, because intermediaries simultaneously face two ways (developer on one side, investor, lender or grant-maker on the other), their value proposition arrow has to point both ways – it has to be equally valid for capital consumer and for capital provider, and equally expressible to both.

Conceptually, our intermediary’s value proposition can include any of these elements:

- **Reduced search costs.** While investors and developers can go directly to each other, finding and fitting to the right counterparty can be faster, cheaper and more focused if the work is funneled through an intermediary.

- **Reduced execution risk.** No developer wants to pursue money that turns coquettish when it’s time to close. No investor wants to chase a CRA beauty-contest’s rising price. A good intermediary brings parties steadily to convergence.

- **Preserving the air of mystery and creating the perception of competition.** A developer wants capital providers to think they are competing for the scarce deal; a lender or investor wants capital consumers to think they are competing for the scarce money. By interposing themselves in the dialog, intermediaries can preserve the air of mystery, heighten the competitors’ desire and encourage them to demonstrate that in better pricing or terms.

- **Reduced post-closing relationship risk.** They say that documents speak, but actions speak louder, and character, as demonstrated through action under duress, speaks loudest. Integrity and commitment are proven in the instant of crucible and impossible to know until you have been there together. An intermediary that has worked with both parties previously validates each to the other and invests trust on which the parties will draw when stresses and crises inevitably arise.

- **Up-to-the-minute domain expertise.** Like objects in the overhead compartment, markets encountering turbulence shift rapidly, and each party wants to have its execution optimized to the current market. Being continuously in the arena through a stream of transactions gives a nimble intermediary good touch on it.

- **Scaling up or scaling down.** Capital likes to scale up into portfolios; real estate likes to scale down to specific locations. An intermediary can assemble a collection of unique objects that nevertheless meet portfolio-level diversification targets, aggregating the small into the large and vice versa.

- **Refinement of raw material.** To the capital markets, real estate ownership is a raw material full of irregularities and financial impurities (volatility, risk) that a good intermediary slices like a butcher into suitable capital cuts, returning to the developer the giblets, the investment’s parts the capital markets don’t pay for but that are nevertheless tasty to the developer.

- **Uniqueness and standardization harmonized.** Capital likes investments that perform as standardized abstract numbers of yield; real estate has physical grit and inherent volatility. Good intermediaries dampen variability by value-engineering it away via economic structuring provisions or building in safety valves, like property-level or fund-level reserves.

- **Being the shock absorber of hard-to-price risk.** When risks are new, perceived risk is usually much higher than real risk will prove to be. Intermediaries can take such risks out of the principals’ transaction by interposing themselves as the risk shock absorber. There’s a reason B pieces have a high yield.

---

1 Underwriting and closing LIHTC properties using a warehouse line is a good example of intermediaries absorbing hard-to-price risks by buying them.
For an intermediary seeking a winning value proposition, it is never enough to state anodyne platitudes. In a competitive environment—and when has our industry ever been less that feverishly competitive?—the value proposition has to be particular, specific and proprietary, to beat not only the intermediary’s direct competitors, but also the ultimate threat – the do-it-yourselfer.

Hence the intermediary’s market paradox: good eras for principals are bad eras for intermediaries.

Maturing markets tend not just to stabilize but also to commoditize. When the business space is thriving and grooved, when most of the players are the surviving and scaled veterans, when everything is known and knowable, electronically available in an instant, then the intermediary’s value diminishes asymptotically, tracking the compression of spreads toward zero. Eventually, when buyers and sellers can go direct, or can bring the previously arcane knowledge in-house, intermediaries’ entire business models are vulnerable to disintermediation.

By contrast, when a business or financial space is new or chaotic, rich with new opportunity and complex with new risk, capital takes flight to quality, spreads to safe rates widen to the level of the perceived risk of the unknown, and stakeholders hasten to take counsel from industry solons. In such times, when the upside is abstract and the way forward unclear, when the risks are hard to price because they are new and few have taken them yet, when paradigms are rare or unproven, then the intermediary can thrive.

Hence, another intermediary’s paradox: good eras for principals are bad eras for intermediaries, and today’s affordable housing intermediaries can choose to work in either future:

- **LIHTC** is thriving and grooved, spreads are minuscule, and (were one rude enough to ask) some of our most venerable intermediaries might find it hard to crisply state their value proposition.

- **Opportunity Zones** are nascent, wholly unformed, and in many ways distinctly different from tax exits: as-of-right, not competed; open-ended, not capitated; use-ecumenical, not use-restrictive; and neither income capped nor rent capped.

Challenge creates advance. As Ellsworth Huntington put it in *Mainsprings of Civilization*, the course of human progress has always been “coldward and stormward.” For intermediaries, the terra incognita is the Opportunity Zone, and the march of their effort and innovation should be riskward and impactward. 

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During an era of urban renaissance, and while sitting within one of America’s most prosperous regions, Baltimore has managed to become the nation’s biggest tragedy. In the last three years, it was grown into the most violent major city, setting a city record for murders in 2017. The heroin epidemic is glaring at street level, with an estimated eight percent of citywide population addicted to the drug. In some neighborhoods there is visible disorder, which alludes to a larger crumbling civic infrastructure, from schools that can’t provide heat in the winter, to police who won’t stop open-air drug sales. It really isn’t surprising, given these conditions, that the city broke out into riots three years ago.

And this is reflected, predictably enough, in the built fabric of the neighborhoods where people and businesses have escaped. Baltimore has 16,500 vacant buildings, which are found throughout the city, but particularly on the east and west sides. The multi-block stretches of empty formstone and brick rowhomes might be one of the city’s saddest features; areas that could embody historic, walkable urbanism instead sit hollowed out.

What is the city to do about all these structures, when the blight itself results from more deeply-rooted civic and social issues? Well, there is no easy fix, but one thing the city has tried is the Vacants to Value program (V2V). Launched in 2010, it was the signature housing policy of ex-mayor Stephanie Rawlings-Blake. The program, which is administered by Baltimore’s Department of Housing & Community Development, offers various incentives to homebuyers and developers to fix up vacant properties. For developers, it provides a Newly Constructed Dwelling Tax Credit, where the first owner-occupant buyer after rehab gets a 50 percent property tax reduction the first year, and a ten percent reduction by year five. For homebuyers, it offers a number of different incentives, depending on their circumstances – $10,000 in downpayment assistance; a $5,000 “Buying into Baltimore” grant; a $5,000 loan through the CDBG Homeownership Program; and $6,000 through the Live Near Your Work program, which is a grant paid out equally between the city and a homebuyer’s employer.

V2V focuses not so much on the lost blocks of Baltimore, where derelict rowhomes stretch side-by-side by the dozens, but on blocks that offer the prospect of recovery. These blocks may have some units that are occupied and others that are vacant. The city’s goal is to activate the vacant ones, to make these areas more functional overall.

Code enforcement, namely of the carrot-and-stick variety, has also been a major feature of V2V. The program aims to reduce the regulatory burden for incoming buyers who want to purchase and improve a property. But absentee landlords who sit on their properties face the prospect of penalties or confiscation. As Next City’s Oscar Perry Abello wrote in 2016:

“One of the unexpected pillars of the program has been the city putting properties into receivership, obtaining court orders to force owners to make repairs or auction off properties to a new private owner. Before 2010, the city never filed more than 100 receivership cases in a year; in the first four years of the program, the city filed 1,876 lawsuits against private property owners.”

Focus on Rehab

Under current mayor Catherine Pugh, Baltimore’s blight eradication strategy has moved more towards demolition, sometimes of entire blocks. But the V2V program remains active, and its primary focus is still rehab.

Over these eight years, the program has had mixed results. Perhaps the biggest flaw—as pointed out in separate reports by the Abell Foundation and the Baltimore City Paper—is that it suffers from bad data and misinformation. Following the first four years, the city claimed that V2V had helped rehab 1,585 homes; an independent analysis found that number was 906, or possibly less. Some of the homes that the city claimed to have rehabbed through V2V turned out, upon investigation, to not even be residential properties – but were instead auto repair shops, hair salons and warehouses.

That aside, the rehabs that have occurred are helping the city – and the total number is now up to 4,200 (inside and out of V2V). An area where V2V has performed particularly well, according to a city report,
are the neighborhoods directly north and east of Johns Hopkins Hospital, which have seen $35 million in current or anticipated private investment. Like much of Baltimore, these are dense, highly-urbanized neighborhoods that could theoretically attract professional-class medical workers. They’re still too dangerous for this, but have made obvious strides in cleanliness and population since I last visited them six years ago.

V2V thus appears to be a cost-effective urban revival measure, at least when it actually does lure in investors. For as little as $10,000—which is negligible compared to other housing programs—the city is, through a piecemeal approach, reducing blight, adding foot traffic and bringing new housing onto the market.

**Not a Panacea**

But V2V isn’t going to be a panacea. After the program’s eight years, Baltimore has only 300 less vacant structures than it did in 2010, when the city was getting hit by the recession. For every empty building that gets rehabbed or demolished, a new one pops up due to the city’s population decline.

“The city faces two principal obstacles to putting a dent in that [vacant building] number any time soon,” writes Ian Duncan for the Baltimore Sun. “The lengthy legal process it must follow to take control of buildings, and the rate at which people are leaving Baltimore – creating new vacant.”

And that speaks to the bigger cause behind Baltimore’s vacancy problem, beyond the efficacy or not of any one program. The city has been losing population for decades now, and conditions here are arguably worse than ever before. If the city wants investment in its toughest neighborhoods, there’s only so much it will be able to do to motivate investors, via programs like V2V. To create actual market demand, it needs to restore the quality of the areas – by cleaning the streets, enforcing laws, and improving the schools. But for the Baltimore neighborhoods that already offer these qualities at some minor level, V2V is a relatively cheap strategy for incremental improvements.
Brian Goeken is widely regarded as one of the nation’s top historic preservation experts with a background spanning over 25 years in urban planning, architecture, economic development and urban design.

Since 2011, he has served as chief of technical preservation services at the National Park Service, where he oversees a staff of 20 people and day-to-day management of the federal government’s Historic Tax Credit (HTC) program.

Prior to joining the National Park Service, Goeken worked in the City of Chicago’s planning and development department for 15 years, including ten years as deputy commissioner in charge of the city’s historic preservation program.

Tax Credit Advisor sat down with Goeken to talk about current trends in the wake of tax reform, upcoming initiatives, and where he sees the program headed.

**Tax Credit Advisor:** What impact has tax reform had on the utilization of the HTC program? Are you seeing more applications, fewer, about the same?

**Goeken:** Certainly, in the first half of the fiscal year, we fielded a lot of questions and saw an increase in application activity as a result of tax reform, particularly as Congress was deliberating on a bill before it was passed and signed into law on December 22, 2017. We saw an increase in the number of applications at the end of the 2017 calendar year—a 40 percent increase in Part 1 applications (Evaluation of Significance) and a ten percent increase in Part 2 applications (Description of Proposed Rehabilitation). However, our year-to-date numbers do not show as much of an increase – only a four percent increase in Part 2 applications year-to-date over last fiscal year.

**TCA:** Besides tax reform, how else has the program changed under the current administration? Does the administration have any key priorities for the HTC program this year and next?

**Goeken:** Tax reform has had, by far, the biggest impact on the tax incentives program this year, particularly as property owners have applied for NPS approvals as they sought to undertake projects under the transition provisions that would allow them to take the tax credits under the old rules. One of the Department of the Interior’s key priorities is to support job creation, and the tax incentives program is one of the programs that advances that priority. The program generated an estimated 107,000 jobs in the last fiscal year, and more than 2.5 million jobs since the program was established in 1976.

**TCA:** Let’s discuss program trends. What states are you seeing the most HTC activity? What types of structures are being rehabilitated? What are the most popular end uses?

**Goeken:** The tax incentives program is administered by the National Park Service in partnership with the State Historic Preservation Offices, which play a major role in the promotion, carrying out, and ultimate success of the program. The top five states last fiscal year in terms of Part 2 applications (proposed projects) were Louisiana, Missouri, New York, Ohio and Virginia, but Part 2 applications were received from all but two states last year – so the tax incentives program is making an impact throughout the nation. We see all types of buildings rehabilitated through the...
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program: schools, warehouses, factories, churches, barns, retail stores, apartments, hotels, houses, office buildings, theaters, etc. Some of the more unusual building types in FY2017 included two asylums, a Civilian Conservation Corps camp, a winery, a log cabin, an armory and convention hall, a trolley barn, a 1930s service station, a cotton compress warehouse, an ice house, a WWII-era barracks and several livery stables.

About half of all projects involve residential building types. Most of the completed projects last fiscal year had residential or commercial end-uses, but this would include residential buildings that may have been converted into a commercial use, like a hotel, and non-residential buildings, like a textile mill converted into apartments. A significant portion of the residential projects involved low- and moderate-income housing, both new and rehabilitated. More than a third of all new or rehabilitated housing units in FY2017 were reported to be low- and moderate-income units.

In FY2017, 1,035 historic rehabilitation projects were certified by the NPS after they had already been completed, representing $5.82 billion in estimated rehabilitation costs that qualified for the 20 percent tax credit. Another 1,501 proposed projects were also approved in FY2017. Many of these projects involved buildings that were abandoned or underutilized and in need of substantial rehabilitation to return them to, or for their continued, economic viability. The HTC program also is an important tool in helping to revitalize older, economically depressed communities. According to NPS data analyzed by online demographic tool, PolicyMap, 50 percent of the certified rehabilitation projects in FY 2017 were located in low- and moderate-income census tracks and over 79 percent were located in economically distressed areas.

A common misconception about the HTC program is that it only supports large projects and projects in large cities. Half of all projects in FY17 were under $1 million in rehabilitation costs, and 20 percent were under $250,000. A quarter of all certified rehabilitation projects in FY17 were located in communities with under 50,000 in population and over 15 percent in communities with under 25,000 in population.

**TCA:** What is your preservation philosophy when it comes to approving or denying tax credit applications? Has that philosophy evolved since you took over in 2011?

**Goeken:** The program, as created by Congress, has a dual mission – to promote, through private investment, both historic preservation and community revitalization (through the rehabilitation of historic buildings). To be eligible for the HTC, the National Park Service must certify that the rehabilitation retains and preserves the historic character of the property, including its character-defining features, spaces and materials. The Secretary of the Interior’s Standards for Rehabilitation are the basis for that determination. The Standards have an inherent flexibility necessary to be applied to a wide range of property types, projects and conditions, and are applied taking into consideration economic and technical feasibility. Additionally, the Standards are applied on a “cumulative-effect” basis – that is, taking into account the entire project, rather than on each treatment or aspect of the project individually. The National Park Service has continued to make periodic changes to the program administration and guidance, taking into account concerns expressed by the tax credit industry, as well as by other interested parties.

For example, in 2016 we issued new guidance, developed in response to concerns raised by industry stakeholders, for rehabilitating functionally-related buildings. Adapting and rehabilitating complexes of historic buildings can be challenging, and the new guidance allowed greater flexibility in how these projects could be treated for certification purposes. We also issued new guidance on other topics, such as accommodating necessary changes as part of maintaining the continued historic use of a property—for example, changes to industrial and manufacturing buildings related to meeting new special safety, environmental and other regulatory requirements, or changes in the manufacturing processes. More recently, we updated the guidelines that accompany the Secretary of the Interior’s Standards to ensure they continue to reflect best practices, as well as address, the treatment of buildings constructed with newer materials and systems from the mid-to-late 20th century. The new guidance addresses the challenges of repairing curtain-wall systems and other building systems when it may not be possible to repair or replace individual components or materials, meet modern code requirements, etc., without replacing the entire system.
We use our investment management expertise to help people achieve a lifetime of financial security.
**TCA:** What are some of the common reasons that applications are denied? What advice can you give our readers to avoid these mistakes?

**Goeken:** The most common reason that applications are denied is for work undertaken without prior review and approval that does not meet the Secretary of the Interior’s Standards for Rehabilitation—for example, removing historic features, historic interior spaces or historic materials and finishes. In many, if not most instances, a denied project can often still be brought into conformance with the Standards for Rehabilitation with changes to the project. If the work has already been undertaken, however, it may make it more difficult to make changes to the project, or it may require remedial work in order to bring the project into conformance with the Standards.

**TCA:** The administration has not submitted any nominees to the Senate to fill the positions of National Park Service Director or Assistant Secretary for Fish, Wildlife and Parks, which has jurisdiction over the HTC program. What impact is this having on the tax credit program and the division you oversee?

**Goeken:** The work of the tax incentives program continues with the support of Departmental and NPS leadership.

**TCA:** I understand that multiple people in your office have retired or moved on and that these vacancies haven’t been filled. As a result, developers and others are experiencing longer wait times for their applications to be reviewed and approved. What steps are you taking to fill these vacancies?

**Goeken:** The Technical Preservation Services Office, which administers the program on behalf of the National Park Service, has experienced a number of vacancies over the past year as a result of retirements and other staff changes. We are in the process of filling them as quickly as possible. Regarding review times, we appreciate the effects longer review times can have on rehabilitation projects seeking approvals, and we have focused our office’s efforts on review of applications. We did caution applicants to anticipate longer review times during this period, but for most states Part 2 reviews have generally continued to be at or close to (within a few days) 30 days for complete applications. In other instances, depending on the volume and particularly when there are spikes in application numbers—sometimes applications from a state arrive all at once—there have been periods of longer review times, particularly at the beginning of the fiscal year when we did see a marked increase related to tax reform in the number of submitted applications.

**TCA:** Where do you see the HTC program in five years? Are there any programmatic changes or enhancements that you would like to see implemented to help improve the administration of the program?

**Goeken:** The rehabilitation of modern resources, often involving new, experimental, under-engineered, or difficult-to-repair materials and systems, will continue to be a challenge. To this end, we will be looking at updating existing guidance and issuing new guidance, and we’re pleased to be sponsoring on March 13-16, 2019, the *Preserving the Recent Past* conference, last held 15 years ago, and the third in a series of conferences NPS has sponsored on the topic with the Historic Preservation Education Foundation (and next year also sponsored with the University of Southern California School of Architecture). We are also working on ways to better issue new and updated guidance by moving from a predominantly print format to a web-based format that would allow us to update guidance more easily and frequently, make changes, include more examples, etc. Lastly, and most importantly, we want to continue to look for ways to strengthen and build upon our partnership with the State Historic Preservation Offices—whom we work closely with in administering the program and who play a critical role as the first point-of-contact for program users—as well as the tax credit industry and other preservation partners who are instrumental in the promotion and utilization of the tax incentives program.

**STORY CONTACT:**

Brian Goeken, Brian_Goeken@nps.gov
The last couple years of watching Washington has taught us that everything is fair game for subjective (call that “partisan”) interpretation. In this highly politicized environment, it is easy to predict that the recently enacted tax-incentive legislation creating Opportunity Zones (“Ozones”) will have many strong proponents and some number of vociferous detractors.

While the program is in its infancy, there will likely come a day when the pro-Ozone folks will be facing off against the naysayers, one side espousing great results and the other finding negativity at every turn. Even now, one can postulate about the critics’ mantras – the loss of tax revenue, the displacement of low-income residents and businesses and the assertion that the only successful Ozones are those that were already attracting capital before the tax benefits were added into the equation.

For any future message of success to resonate, the positive impacts of Ozones must be measured. Ozone legislation provides the tax incentives for the investment and some (scant) rules of the road. But no guidance exists yet to inform the public or Congress how we will know whether the anticipated benefit to the selected communities is occurring. Unless something changes, it may fall to the communities themselves to proclaim whether Ozones are making a difference and whether those living in the Ozone are catching up with (or even surpassing) their non-Ozone neighbors.

Because the focus of Ozones is location-based, community leaders within the Ozone should coordinate efforts among the communities, the investors and the Ozone businesses. This community engagement should start now as investments are being made and be continuously updated (maybe on annual intervals through publicly available reporting) and publicized. Indeed, early positive measurements can inform future investment decisions, hopefully creating a snowball effect.

In the inevitable battle for truth, there will also be winners and losers and, if someone is keeping score, they must know what to measure. Proponents of Ozones should develop methodologies and data-recovery metrics that illuminate the positive results.

Who Should Be Involved?

One way to construct a methodology that determines the winners is by asking those who are already in the game and who stand to benefit at the time the final score is announced. In the Ozone world, that includes:

- Governors who designated the Ozones – remember, governors, Republican and Democrats alike, selected the Ozones. They are (or should be) invested in the success of their designations;
- Those who deployed capital, made wise investment choices and realized significant (tax-free) appreciation;
- The businesses that used the investment dollars to create the gains and, hopefully, jobs; and
- The communities themselves.

A glimpse at the intersection of traditional market real estate and Ozone social investing illustrates one of the issues inherent in measuring success. Many in the real estate world see Ozones as perfectly suited for their investment strategies as the legislation targets “location, location, location” coupled with a long-term hold. If real estate values soar, as they have in recent years in many communities, the Ozone investments could spike a round of property sales ten or more years from now, as investors reap their tax-free exit rewards. But measuring an increase in property value in Ozones misses the fundamental social investment goal. For those who want Ozones to work, who want to see capital invested in low-income communities, who want “all boats to rise” in ways that benefit the residents, the workers and businesses in the Ozone, it is essential to stop now and consider how this scoring should be done.

Community benefits

While it is axiomatic that measuring capital invested in Ozones is a critical starting point, the inherent intent is to deploy capital in ways that benefit the existing (pre-investment) community. Gentrification is not a goal, even if it is a likely by-product.

One obvious measurement is whether an Ozone (a low-income census tract) has moved up and out of that category. The initial data point to be observed is household median income – measured by census tract and com-
pared to area median income. In a re-mapping of zones in 2026 (theoretical or actual), how many designated tracts have shown material and sustained economic growth?

Growth in the average income of residents in low-income census tract status is only one factor to consider. Unemployment rates, poverty levels and population growth or loss are also fundamental to any meaningful analysis. A partial list of data to be measured and analyzed for positive community impact might include:

- Opportunity Fund dollars invested in Ozones; the percentage of Ozones in which Opportunity Fund investments have been made;
- Business start-ups;
- New jobs created in the Ozones and the quality of those jobs (i.e., part-time versus full-time; education level required);
- Wage growth;
- Reduction in unemployment;
- Reduced crime;
- Appreciated property values, not just for the properties improved by investments made with Opportunity Funds, but for all properties located in an Ozone;
- In the Low Income Housing Tax Credit world, the number of awards from state housing finance agencies to properties being developed in Ozones;
- Average cost of single-family houses and residential rental prices;
- Increased number of housing units in the Ozone, particularly “affordable units” or “first-time home buyers”;
- Increased government spending on infrastructure;
- Increased spending on schools in the Ozone and better educational outcomes for students in those schools; and
- Net population migration into the Ozones.

For those who want Ozones to do more than create opportunity for the more prosperous to defer, reduce and avoid taxes, we must remember that the attention spans for public issues are regrettably short. Those who sit in judgment will not wait ten (or more) years to announce success or failure. Mouths and pens simply do not stay silent that long.
Each year since 2004, NH&RA has bestowed its **Affordable Housing Vision Award** to affordable housing and community development leaders who have made significant and valuable contributions to the field and demonstrated years of leadership, commitment and imagination. Recognizing that providing housing for those who cannot meet the market rates is a complex and challenging endeavor, demanding both perseverance and foresight, NH&RA seeks to single out individuals in all aspects of the industry whose careers and achievements serve as examples and role models. Traditionally, one man or woman is chosen from the profit sector and one from the nonprofit or government sector.

Honorees are nominated and selected by an expert committee of NH&RA directors representing a wide range of disciplines, including developers, syndicators, attorneys, accountants, government and regulatory officials and other affordable housing industry professionals.

The two individuals honored this year have demonstrated impressive leadership in the field and truly exemplify the vision the award recognizes and promotes. **William McGonagle** is administrator of the Boston Housing Authority. **John W. Gahan III** is a partner in the law firm Sullivan & Worcester. They will be honored at an awards luncheon in conjunction with the NH&RA Fall Developers Forum on October 23 at the Harvard Club of Boston.

Previous Vision Award winners include the late Boston Mayor Tom Menino; former Representative Barney Frank; Jack Manning of Boston Capital; Lisa Alberghini of the Boston Archdiocese Planning Office for Urban Affairs; Sheila Dillon, cabinet chief of housing for the City of Boston and director of the Department of Neighborhood Development; William F. Machen, Esq., partner in the Boston office of the Holland and Knight law firm; Maurice Barry, chief of the Asset Resolution Branch in the HUD Multifamily Boston Satellite Office; and Fred Copeman, Esq., principal at CohnReznick LLP, and national director of its Tax Credit Investment Services department. Last year’s awardees were Pamela Goodman, chief executive officer of Beacon Communities of Boston, and Chrystal Kornegay, undersecretary of the Massachusetts Department of Housing and Community Development. **TCA**
If you’re looking for one word to summarize John W. Gahan III’s approach to affordable housing—and virtually every other important aspect of his life—that word would be teamwork. A close second would be community. From college sports, to serving on a local zoning board, to coaching his daughters’ athletic teams, closing complicated housing deals, helping to create new legislation, speaking about Opportunity Zones, and serving on the NH&RA board, John’s career is testament to his philosophy that a group of people with different perspectives and expertise can work for a common cause and accomplish a great deal.

For the past two decades, John’s practice has focused on real estate acquisition, financing, management and development, principally involving the development and management of multifamily housing. In March 2018, he became a partner at Sullivan & Worcester, moving over from Murtha Cullina.

“NH&RA and the broader affordable housing and historic preservation community have benefitted immensely from John’s leadership,” says NH&RA Executive Director Thom Amdur. “He is a creative deal maker and a tireless advocate for his clients and the broader industry. John has been a champion for numerous NH&RA initiatives and, on a more personal note, a friend and mentor. At virtually every NH&RA conference, John organizes and moderates a panel discussion or speaks on a topic of current interest to our members. He has a knack for explaining complex issues in a down-to-earth, easy-to-understand and often humorous manner.”

John recalls the first panel he moderated, after starting to attend NH&RA events with his dear friend and professional colleague, Larry Curtis of Winn Development. “The person scheduled to moderate had a family emergency. I was asked if I would fill in and said, ‘Yes.’ It was a panel with some of the big names in NH&RA on a subject I was unfamiliar with. I loved it. I listened, and I learned. The panelists performed as a team of very smart, committed people who came at a problem from different points of view. And the beneficiaries of our team effort were the communities where we live and work.”

That attitude is characteristic of John.

Born in Boston, he grew up in Gardner, in the north-central part of the state, where he attended public school. At Yale, John played on Division I teams in basketball and baseball. While he says he was not a star in either sport, “I loved the teams and what they represented, what we could do collectively if everyone had a role and performed the role well. I loved participating, being part of something constantly trying to get better.”

And he assimilated another value at Yale. “I learned there, and have followed since, a feeling of public service that so many of my classmates had. That was part of the education we got and gave each other. The sense was when we left college, we might not all be performers on a big stage, but we could all pitch in and contribute in our neighborhoods.”

Law school at Boston University “broadened my outlook even further. I got a job at a law firm, where I said ‘yes’ to whatever they asked me to do: divorce, landlord-tenant, bankruptcy, litigation, whatever was needed. Over time, I started representing landlords and developers in Boston and came to understand that both landlords and tenants come in all shapes and sizes and there is good and bad in each.

“If there was a legitimate dispute, or a situation in

At virtually every NH&RA conference, John organizes and moderates a panel discussion or speaks on a topic of current interest to our members. He has a knack for explaining complex issues in a down-to-earth, easy-to-understand and often humorous manner.
ax·i·om  noun.
A statement or proposition that is regarded as being established, useful, accepted as true without proof.

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which personal circumstances put a burden on a tenant, I would recommend to my landlord clients to treat the tenant as a fellow human being and give them a second chance. Most of the time, my clients went along. It’s all a matter of being in a community and realizing you don’t have to be in a war over everything. I developed a little bit of a reputation in housing court. Often, the chief justice would ask my opponent, ‘Have you sat down with Mr. Gahan? I’ve found him to be reasonable and creative in solving problems.’”

John recounts how he became involved in closing affordable housing transactions. “A complicated closing needed to occur. The partner who was supposed to handle it was pregnant, the closing was in another state and the weather prediction was terrible. I said I’d go. I might not have known as much as my partner, but I felt I knew how to get deals done. There were a number of attorneys involved, each arguing for their solution. I approached the closing as a function of learning what each party needed and negotiated to satisfy as many of those ‘wants’ as possible. Ultimately, compromise and collaboration worked.”

When John and his wife Catherine, and their daughters Kelly and Kimberly (both now grown, have given them two grandchildren each), moved to Belmont, MA, he wanted to give back to his community. Land use was something he knew about, so he accepted an appointment to the board of zoning appeals, on which he remained for 25 years, most of that time as chairman. “We heard all kinds of cases, from neighbors doing simple renovations, to supermarket expansions, cluster developments, doggie daycare businesses, to a landmark case involving a Mormon temple. I felt like I was involved and contributing to the town where I lived.”

Throughout his career, John has worked on numerous game-changing projects around the country, utilizing State and Federal Low Income Housing Tax Credits, Historic and Brownfields (environmental cleanup) Credits and various forms of HUD financing. He assisted in the drafting of Massachusetts’ 2009 Chapter 40T legislation, a law intended to assist in preserving housing as affordable.

Recently, John has immersed himself in Opportunity Zones, speaking nationwide about this community-focused legislation. “Actually, my clients have been doing deals and investing in low-income areas before they were even called Opportunity Zones. I like being part of it – a lot of people coming together for a good result. What I do now with Ozones is a natural progression, an outgrowth, of things I do anyway. I understand the mission: making communities better for everyone.”

The 40T legislation was another example of teamwork writ large. “It grew out of a concern relating to ‘expiring use properties.’ What would happen to affordable housing properties when public subsidies and/or use restrictions ended? Should residents ultimately be in charge of their own destiny? Should they have a right to buy the property from an owner, and, if so, where would they get the money? Could those developers who had stepped up and built the housing in the first place have it—or its economic value—taken away after years of doing the right thing?”

“We gathered a committee of attorneys representing developers and various tenant groups, as well as general counsel to the state housing agency, etc. One goal was to balance the rights of the people who had invested their money, time and lives in these developments, with the interests of people who lived in them and wanted to remain in affordable housing, centered on preservation when possible, but in any event, creating a process to inform stakeholders and give everyone the opportunity to formulate plans. We took time to get to know each other and find out what was important to each constituency. We went through draft after draft, realizing that to succeed, each side had to give a little. Core principles were not abandoned by either side, and a transparent process evolved. The result was a workable law with checks and balances; not perfect, but workable.”

His summation is characteristic of John’s approach: “40T works because a bunch of people who represented the various stakeholders got together and asked, ‘How can we all get to ‘yes?’ I call that ‘teamwork legislation.’”
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William “Bill” McGonagle literally has spent nearly his entire life involved with public and affordable housing. The esteemed administrator of the Boston Housing Authority was born and raised with his five brothers and sisters in a small apartment in the Mary Ellen McCormack public housing development in South Boston, and every job he has held has, in some form, been devoted to that demographic of people.

“I came from a large, Irish-Catholic, working-class family, and my memories of growing up in the McCormack development are very fond,” he says. “It was a wonderful community that provided decent, safe housing for poor and working families. And I want to see that this continues.”

The Boston Housing Authority last year selected WinnDevelopment to renovate McCormack, which was the first, and one of the largest, public housing developments in New England.

“Bill is a lifelong civil servant who has dedicated his professional life to the betterment of public housing residents in Boston,” states NH&RA Executive Director Thom Amdur. “Throughout his career, he has been directly involved in some of the most impactful and transformational initiatives at the BHA, including the integration of public housing developments in the 1980s, and later the revitalization of numerous BHA communities through HOPE VI and Choice Neighborhoods Initiatives.”

On one level, Bill’s dedication was a product of the times. “I was a teenager in the 1960s, and many of my political notions were shaped by the activism and the Civil Rights movement. That was also the time of the Boston tenant movement and the struggle for social and economic justice.”

He was also influenced by his close friend and mentor—and eventual brother-in-law—John Patrick Connolly, a social activist from an early age who formed the first tenant task force and became the first tenant appointed to the Boston Housing Authority Board of Commissioners.

“I started attending meetings and caught the bug and commitment for advocacy and service from John,” Bill says.
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McGonagle, continued from page 22

“I’ve known Bill for 50 years,” says Doris, who also served as a state representative who was honored this year by having the Walnut Park housing complex in Roxbury renamed for her. “He’s a man who puts his money where his mouth is.”

Doris and Bill worked together in the heroic effort to integrate public housing in South Boston and Charlestown. “I’ll tell you, it wasn’t simple,” she recalls. Integration anywhere is difficult, at best, and it was particularly difficult here in Boston. One thing you find when you go down that road is you hear a lot of myths and untruths. It was a long, hard road, and we met with everyone. But it has been successful. And now, more than ever in these times, I’m so happy we undertook that effort.”

“I’ve known Bill for about four years,” says Tiara Murphy, president of the Charlestown Resident Alliance at the Bunker Hill development. “He’s a great guy, amazing. He cares about everyone’s living situation. Whether it’s mice, not having hot water, enough food on the table, whatever it is, he cares. He has an open-door policy. He’s like a father figure, always there to talk.”

“I do have an open-door policy,” Bill confirms. “I am extremely accessible. Most tenants have my cell phone number, so they can get me 24/7. I have developed deeply personal relationships, and in many cases, they are my close friends. I have been to their weddings, their baptisms, and unfortunately, their funerals. I have tried not to get incapacitated in a bubble in my 11th floor office. It’s too easy to lose sight of the personal struggles our residents go through, so I relish the opportunity to get out into the developments.”

“He has a lot of great stories of things he’s experienced over the years,” says Lydia Agro, BHA’s chief of staff. “He’s a lot of fun to work with. He’s very close to residents and we, as part of his team, try to do the same.”

“My mantra to my staff in the context of looking at any issue, policy or management decision, is to ask, ‘How will this impact the residents we serve?’” Bill explains. “We make no decision until we have seriously weighed that. And if it is not in their best interest, we don’t do it.”

Massachusetts has perhaps the most progressive affordable housing policy in the nation, but also one of the greatest needs. Like San Francisco, New York and other major metropolitan areas, Boston real estate has become increasingly expensive and out of reach for a sizeable percentage of the citizenry. BHA and its associated organizations and stakeholders fight a constant battle to keep up with the affordable housing requirement.

“Two things don’t solve the problem but help mitigate it,” Bill states. “Despite serious cuts in aid from the federal government in recent years, we maintain 98 percent occupancy. I consider this an extraordinary accomplishment. We utilize all Section 8 certificates and we’re leaving nothing on the table. And when we approach our redevelopment efforts—and there are several going on at this moment—we insist on a one-to-one replacement and strive for a wise, appropriate use of our resources. Having said that, we still have 42,000 families on the waiting list.”

“He even cares about people on the wait list,” says Tiara. “He is constantly interacting with residents; he doesn’t steer anyone away.”

“I am familiar with state law and federal law, and I don’t know anyone who has dared to make a one-to-one commitment,” Doris Bunte declares.

Bill and his wife Ellen have been married for 46 years, having met when he was 17. “We have three wonderful children – Matthew, Mark and Alyson, and I am the very proud papa of five grandchildren: Maggie Claire, ten; Andrew, eight; Lucy May, five; Evelyn, three; and Calvin, three months.”

He has been honored for leadership and public service by the Urban League of Eastern Massachusetts, the Massachusetts Union of Public Housing Tenants and the South Boston Citizens Association.

“I think it’s extremely important to maintain direct contact with the community. I don’t know how you can do your job without those interpersonal connections, and I have thrived on that for decades.”

“If there is a problem, he addresses it,” Tiara notes. “All of his efforts are for the preservation of low-income housing. He has a heart, and that’s why he’s been so successful.”

“I can’t think of anyone more deserving of [the Vision Award] than Bill,” says Doris. “He’s my hero.”

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Corporate Tax Credit Fund Watch | October 2018

T ax Cr edit Fund 94
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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 sponsor.
2) The equity amount provided for properties for which an appraisal or estimation has not been completed or estimated is the percentage of total expected gross proceeds, assuming all single-payment commitments.
3) The estimated interest rate is the percentage of gross proceeds over the sponsor’s expected trailing interest rates and expenses, acquisition fees and expenses, brokerage commissions and all other front-end costs (other than working capital) assuming all available equity is sold to single-payment 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 listing.

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<th>Acquisition Contact</th>
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<th>Geographic Focus</th>
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<td>Mike Griffin</td>
<td>(216) 303-7175</td>
<td>NDC Corporate Equity Fund XV</td>
<td>National</td>
<td>$50,000,000</td>
<td>$85,000,000</td>
<td>$0.90</td>
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<td>12</td>
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</tr>
<tr>
<td>Ohio Capital Corporation for Housing</td>
<td>Jonathan Welby</td>
<td>(614) 522-8494</td>
<td>Ohio Equity Fund for Housing XXVII</td>
<td>OH, KY, WV, PA</td>
<td>$289,500,000</td>
<td>$272,500,000</td>
<td>$0.90</td>
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<td>38</td>
<td>80%</td>
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<tr>
<td>PNCL Real Estate Tax Credit Capital</td>
<td>Megan Ryan</td>
<td>(212) 835-7943</td>
<td>PNCL LHITC Fund 70, LLC</td>
<td>National</td>
<td>$35,000,000</td>
<td>$125,000,000</td>
<td>N/A</td>
<td>Tiered</td>
<td>18 to 22</td>
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</tr>
<tr>
<td>RJ Capital LLC</td>
<td>Jason Daskashin</td>
<td>(440) 874-7861</td>
<td>RJ Housing Partners X LP</td>
<td>National</td>
<td>$80,000,000</td>
<td>$225,000,000</td>
<td>N/A</td>
<td>Tiered</td>
<td>20</td>
<td>100%</td>
</tr>
<tr>
<td>Raymond James Tax Credit Funds</td>
<td>Gena Kripf</td>
<td>(404) 438-6306</td>
<td>RJ/UTC Fund 45</td>
<td>National</td>
<td>N/A</td>
<td>$200,000,000</td>
<td>N/A</td>
<td>Tiered</td>
<td>20</td>
<td>80%</td>
</tr>
<tr>
<td>RFC Capital Markets</td>
<td>Tammy J. Newson</td>
<td>(216) 875-6042</td>
<td>CA Fund 4</td>
<td>California</td>
<td>$54,000,000</td>
<td>$54,000,000</td>
<td>$1.0145</td>
<td>Tiered, 5.0%</td>
<td>5</td>
<td>100%</td>
</tr>
<tr>
<td>Red Stone Equity Partners</td>
<td>Ryan Sheddell</td>
<td>(212) 230-8300</td>
<td>Red Stone Equity - 2018 CA Regional Fund, LP</td>
<td>National</td>
<td>$70,000,000</td>
<td>$70,000,000</td>
<td>N/A</td>
<td>Tiered</td>
<td>6</td>
<td>100%</td>
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<tr>
<td>Regions Affordable Housing LLC</td>
<td>Brian Salzman</td>
<td>(510) 697-0930</td>
<td>Regions Corporate Partners Fund 55 LLC</td>
<td>National</td>
<td>$35,000,000</td>
<td>$100,000,000</td>
<td>$0.90</td>
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<td>92%</td>
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<tr>
<td>The Richman Group Affordable Housing Corp.</td>
<td>Stephen M. Dailey</td>
<td>(614) 796-4000</td>
<td>USA 119</td>
<td>National</td>
<td>$140,000,000</td>
<td>$140,000,000</td>
<td>N/A</td>
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<tr>
<td>WNC &amp; Associates</td>
<td>John Adamson</td>
<td>(909) 253-8233</td>
<td>WNC Institutional Tax Credit Fund 46, LP</td>
<td>National</td>
<td>N/A</td>
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A $32 million renovation of an old courthouse in Lexington, KY, using both State and Federal Historic Tax Credits, has converted an 120-year-old structure into a beautiful multi-use boon to downtown redevelopment – and also righted a spectacular architectural fail from 50 years ago when a beautiful interior dome was sealed off and turned into an HVAC closet.

An unusual facet of the financing for the Fayette County Courthouse project was an unexpected and fortuitous chance to get a match for about $5 million of Federal Historic Tax Credits with State Historic Credits. In order to get the unusual match, developer Holly Wiedemann remembers that she had to have the building done by a rigorous deadline. And that work included bringing the dome back into view.

“In the 1960s, there was what I would call a brutal intervention where they inserted a floor to double the size of the courtrooms,” says Wiedemann, principal of AU Associates. “They filled in the central atrium with elevators and restrooms and they sealed off the dome by pouring a concrete floor and locating all the HVAC equipment in the rotunda area,” she remembers. “So they had a nice rotunda for the HVAC equipment. The good news is because they did that and literally sealed it off, they didn’t scrape every vestige of the historic fabric off, which they did in the rest of the building.”

The present building, a Richardson Romanesque-style design by the old Ohio firm of Lehman and Schmitt, has an 120-foot central atrium. It is the fourth courthouse on the site going back to 1806. It had been left to the pigeons since a museum there closed in 2012. (A new courthouse had been built at another site and opened in 2001, ending the old one’s judicial use).

“This was a very huge project for downtown Lexington. I’ve seen this building my whole life,” says the native Lexingtonian. “It was troublesome. I spoke to a couple of mayors about the possibility of re-energizing this
vacant abandoned building." She found success with the current mayor, Jim Gray, who himself had a background in building, having led big manufacturing builder Gray Construction before turning to politics.

**Special State Historic Credit Expansion**

The financing mix for the public-private partnership project included $10.4 million in Historic Credits, half each through the federal and the state programs. The city, under Mayor Gray, came through with $21.5 million in taxable bonds. Wiedemann found an investor for the tax credits in Old National Bank.

The state credits came through an unexpected opportunity that sped up delivery dates, says Wiedemann. She took advantage of a special historic credit expansion the state legislature approved that was apparently meant to benefit the 21c Museum Hotel in Lexington. The bill had a number of qualifications, including a put-in-service date of December 31, 2017.

The art boutique hotel got its tax credits, but there was no dollar limitation on the special expansion and the courthouse was just adjacent to the hotel.

"After reading the guidelines it became a blinding flash of the obvious that the courthouse, that sits cheek to jowl with the 21c building, could benefit from the same thing," says Wiedemann. "I don’t think the state of Kentucky anticipated there would be several other buildings that would fit in those very narrow guidelines, but in fact the courthouse did. We had to move with blinding speed."

Planning began in 2015, with Wiedemann bringing in Deborah Burke Partners of New York and K. Norman Berry Associates out of Louisville, both architecture firms with extensive historic preservation experience. Wiedemann’s firm, in existence for 28 years and specializing in adaptive reuse, urban infill and affordable housing, did the exterior construction work. She also got the building listed on the National Register of Historic Places.

“My portion (of the courthouse construction) began in mid-July 2016 and we completed all the exterior and the roof and removed the scaffolding in January/February of 2017. Messer Construction of Lexington took over at that point to do the interior.

“We blasted through that to get a total cost of owner-
we replaced the slate on the roof we replaced it with the exact same slate. From the same quarry (as the original),” she says, a small quarry in Virginia.

A lot of grime accumulated over the years represented another problem. “Schnell Contracting did an absolutely beautiful job because this building had been blackened by soot and probably carbon deposits and exhaust, it was almost black and you couldn’t see any of the detailing. It was wonderful to have that all cleaned,” says Wiedemann.

The Shining Crown of Downtown

Mayor Gray is set to formally christen the building on November 20th, capping a project that has helped revitalize a historic part of the city. Many of the tenants are already operating out of the renovated courthouse, and the project won this year’s Ida Lee Willis Memorial Award for historic preservation.

Wiedemann’s projects often include housing, such as her next venture, which will restructure some vacant buildings on a local Veterans Hospital site into housing for veterans. But the courthouse lent itself to other uses.

“All the uses are already happening except for the final one, a restaurant and bourbon bar. The top floor event space has already had 200 events,” says Wiedemann, including a Harry Potter convention. “They’re fully booked every Saturday in 2019 already.”

The event space is in the rotunda. Below that are the offices of the Breeders Cup organization. “Our visitors center, VisitLex, is on the first floor. The courthouse is the spoke of the wheel for Lexington. The radii of all of our main arterials are spokes in that wheel,” she says, reflecting the old days when all roads led to the courthouse in towns and cities around the South.

“This project alone created 500 construction jobs and 360 indirect jobs. It’s more than paid for itself and it’s created an economic engine for downtown that will function in perpetuity,” says Wiedemann.

“From a vacant abandoned old courthouse that was riddled with pigeons and lead and asbestos, it’s now the shining crown of downtown.”

STORY CONTACT:

Holly Wiedemann, Principal
AU Associates, Lexington, KY
holly@auassociates.com

Gleaming restorations of a grand staircase and a long-hidden interior dome are among the highlights of the Fayette County Courthouse project in Lexington, KY.
ENTREPRENEURIAL CREATIVITY. INSTITUTIONAL EXECUTION. TRUSTED CLIENT PARTNERSHIPS.

CLOSED TRANSACTIONS

$13,761,124  
4% LIHTC  
SENIOR / REHABILITATION  
KNOXVILLE, TN

$9,082,970  
9% LIHTC  
FAMILY / HISTORIC REHABILITATION  
COLUMBUS, GA

$8,050,570  
9% LIHTC  
FAMILY / NEW CONSTRUCTION  
WILLMAR, MN

$5,077,050  
9% LIHTC  
SENIOR / HISTORIC REHABILITATION  
KINSTON, NC

INVESTORS
RYAN SFREDDO  
212-225-8300  
RYAN.SFREDDO@RSEQUITY.COM

DEVELOPERS
RICHARD ROBERTS  
212-225-8291  
RICHARD.ROBERTS@RSEQUITY.COM

ROB VEST  
704-200-9505  
ROB.VEST@RSEQUITY.COM

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Financing complex community development projects can take a lot of time and a whole lot of funding sources. The Swift Factory renovation in northeast Hartford, CT is a good example, at eight years and counting in development and more than a dozen money sources, including three kinds of tax credit allocations.

Groundbreaking took place last month and construction will continue through next year as the former gold leaf factory, started in the 19th century, gets transformed into a jobs generator for a distressed neighborhood. A food theme among its new tenants will actually mirror the property's use as a farm way back in the day.

Though no actual gold is involved now, a long list of participants are hoping there will be metaphorical neighborhood gold at the end of this project's rainbow.

A brochure from the project's developer, Community Solutions Inc. (CSI), lists no fewer than 15 different interim and permanent financing partners, with a total of $33,946,974 raised. These include State and Federal Historic Tax Credits and New Markets Tax Credits, at about $24.5 million of the total. The project also was financed through many grants and loans.

According to a fact sheet on the deal by the Massachusetts Housing Investment Corp. (MHIC), a lead member of the financing team, three community development entities provided New Markets financing: MHIC itself ($11.3 million); the National Trust Community Investment Corp., ($10 million); and Boston Community Loan Fund, ($3 million). MacRostie Historic Advisers LLC, Washington, DC, helped CSI in obtaining Historic Tax Credit money, which totaled about $8.5 million through both federal and state programs.

Tax credit investors included US Bancorp Community Development Corp. and New England utility Eversource, according to MHIC. MHIC and Boston Community Loan Fund (BCLF) provided bridge loans. Multiple state and federal agencies provided debt financing or grants, and many groups and even an individual provided philanthropic support.

Deborah Favreau, chief development officer at MHIC, summed up the financing complexity this way during a presentation on the project at a National Housing & Rehabilitation Association conference this past summer: “three state agencies, three federal agencies, three tax credits, three foundations, three CDEs, a CDFI, US Bancorp, and National Grid.” (National Grid is a United Kingdom-based utility serving the northeastern United States.)

She summarized the neighborhood as having a population of 24,000, a poverty rate of 40 percent, 30 percent unemployment, a life expectancy ten years lower than neighboring West Hartford, and having just 38 percent of residents with a high school degree.

The project is creating 225 construction jobs and 150 permanent jobs, according to the MHIC.

**Food as the Economic Generator**

The need for community revitalization is clear. According to CSI, northeast Hartford suffers from a very

Artwork on the side of the Swift Factory spells out the word “love,” mirroring a labor of love by multiple parties to get a $30 million redo off the ground.
OUR WORK IS THEIR HOME

Even in uncertain market conditions, Stratford Capital Group continues to build strong partnerships with investors and developers to bring affordable housing to thousands of families through solid underwriting and transparency. Partner with Stratford Capital Group and see why our clients continue to trust us to navigate the process. For your next project, choose someone who knows the way. Choose Stratford Capital Group.
poor economy and unhealthy lifestyles. Health outcomes are dire, with high levels of diabetes, infectious disease, obesity, cardiovascular and respiratory disease. The Swift Factory project (called M. Swift and Sons Co. while it was operating) is intended to take both of those things on, by providing jobs for local residents and by locally grown food and other food projects.

Food-oriented tenants for the 82,000-square-foot facility will include Bear’s Smokehouse BBQ, using 14,000 square feet of space to produce spices and condiments for use in the company’s restaurants, FreshBox Farms, a hydroponic lettuce producer using 37,000 square feet of space and a food business incubator using 4,500 square feet. There will also be office space of 10,000 square feet.

Patrick McKenna, Community Solutions’ senior project manager, said the nonprofit decided not to develop housing on the site after extensive consultations with community residents after they acquired the property in 2010. (The gold leaf factory, started in 1887, had closed its doors in 2005 after being run by five generations of the Swift family).

“The community was concerned with disinvestment, public safety and jobs. New housing was not top of the list,” he said.

“How do we improve public safety? People need jobs to get them off the streets,” said McKenna. “Unemployment a few years ago was about 27 percent in the neighborhood. We wanted to try to figure out an industry that we could bring into the building that would employ people in the neighborhood.”

After some study and concluding the area was a food desert, “We settled on food and food businesses as the economic engine for the factory.”

McKenna said CSI thought the food industry would create entry-level jobs that would work for local residents. “We wanted jobs to be accessible to the neighborhood,” he said. He noted that Bear’s, a local restaurant chain, has about 75 percent Hartford residents in its employee base. The chain recently raised its minimum wage to $15. They plan to operate a commissary kitchen at Swift Factory to provide “sauces for their restaurants, and wholesale distribution through supermarkets and online.”

FreshBox plans indoor farming of lettuce for sale to markets in the region. Two houses on the property will be renovated as well. One will be a community space focused on art. The other will be focused on health, McKenna said.

“It’s a really complicated project,” said Albert Rex, Northeast partner at MacRostie Historic Advisors. “With this many building types (five brick industrial buildings and two houses) and the potential different uses, we had a lot to work through.”

**Golden Quirks**

Working in gold engendered a few unusual effects at Swift Factory, he said. Windows were tinted to prevent curious passersby from peering in and to prevent thieves from planning to steal the precious metal. Employees were vacuumed to recover any gold that might have fallen on them during their shifts.

“The family that owned the Swift Factory actually pulled up all the floorboards down to the subfloor and put them in their kiln and melted them and walked away with $250,000 of gold from all the gold dust over the years,” Rex related.

One complication proved to be environmental concerns that had to be ironed out to get historic credit approvals. “Some unusual uses of solar energy can be difficult from a Park Service approval perspective. They don’t want to see things on a roof,” Rex said. “So we’re putting the solar in at an angle so it’s not really visible from the public way.

“Also, there’s some geothermal component to the project. They’re pulling out every kind of potential sustainable energy to make this project as cost effective as they can and to make an opportunity to create jobs within this very, very poor neighborhood.”

**Funding Quirks**

Having so many financial firms and government agencies in the mix made for some difficulty, Rex said. “The attorneys and accountants on the job really had to work hard to make these pieces come together. I’ve seen a lot of different structure charts over my career, but this thing looked like a circuit board from a 1950s radio. It was really a testament to the lawyers and accountants and owners to use all these different funding sources.”
Swift Factory proved to be a project many people are passionate about. Boston Community Loan Fund, for instance, stepped up multiple times, according to its president, Michelle Volpe.

“Our earliest involvement was we provided a pre-development line of credit to Community Solutions to move the project forward to construction. We provided $3 million in NMTC allocations. We also provided the bridge loans to bridge some of the different equity sources to the project, including Historic Tax Credit Equity, and we provided leveraged debt, construction and mini-permanent,” she said.

“We’re all in. We love the project.”

Volpe said, “We were very excited about the deeply engaged community process that Community Solutions engaged in. It was part of a broader strategy with a broader set of partners that were all aligned around this, including a HUD Promise Zone, and the health focus that included area hospitals and health centers.

“It was a very ambitious project and we felt the sponsors did a fantastic job of identifying and overcoming the sets of hurdles that one faces in a project like this, including getting the building substantially preleased before closing.”

The BCLF president agreed with Rex on the occasional hair-pulling properties of the deal. “At one point during the closing process, the team of attorneys declared this was the most complex transaction they had ever worked on. Pairing all the different sources of equity and debt proved to be enormously complex.”

STORY CONTACTS:

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Albert Rex, Northeast Partner
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arex@mac-ha.com

Michelle Volpe, President
Boston Community Loan Partners
mvolpe@bostoncommunitycapital.org

advancing people

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• $3.7 B in Total Investments
• 65,000 Jobs Created
• 101,000 Homes Created for Families in Need

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Introduction

Rental-housing affordability is a serious issue for many essential moderate-income (“workforce”) workers – especially in more affluent population centers. The commonly used measure of affordability (rent and utility payments relative to household income) does not provide a comprehensive assessment as it does not reflect, among other things, the costs of travel to daily destinations. A more accurate assessment would also consider proximity to the workplace and associated pecuniary, time and health costs of commuting. In order to build location-efficient affordable housing, planners need to consider the combined cost burdens of housing and transportation.

Quantifying Housing and Transportation Costs

In a 2012 study, the Center for Housing Policy and Center for Neighborhood Technology (CNT) discussed how moderate-income households were losing financial ground on two fronts due to the rising costs of housing and of transportation. The study showed that moderate-income homeowners pay a disproportionate share for housing and transportation (H+T) costs (equal to 59 percent of household income versus 33 percent for above median-income households).

The study also showed that combined H+T cost burdens can change the geographic calculus of affordability. For example, in Chart 1, the cost burden for housing, as a percentage of average area household income, is higher in Boston than in Houston (blue columns). Adding in transportation costs, that are relatively high in sprawling Houston, reverses this relationship (orange columns).

CNT’s H+T Affordability Index

CNT publishes a geographically granular H+T Index (see https://htaindex.cnt.org/) that provides affordability and location efficiency metrics.

For example, CNT’s 2017 Fact Sheet for Riverside-San Bernardino-Ontario, CA shows a lack of location efficient neighborhoods, that average annual transportation costs are $14,262 (~26 percent average income), and that housing costs are 33 percent of average income. This leaves just 41 percent of income for non-H+T costs.

Interestingly, the CNT Fact Sheets also include information on greenhouse gas emissions. We will further discuss the “social costs” of commuting and location inefficiency later in this article.

---

Transportation Costs are High, and Commutes are Getting Longer

When affordable housing is only available in a far-away place, time also becomes a more significant economic expense. As an alternative to paying expensive rents closer to city centers more people are opting for longer commutes. For example, Zillow reports that renters in Seattle with a commute of less than 20 minutes pay 34 percent more per square foot than those who have a 20 to 40-minute commute. Consequently, the average commute time nationwide is up to 26 minutes (from 21.7 minutes in 1980).

A recent Brookings study showed that the number of jobs in major metro areas within a typical commute fell by seven percent between 2000 and 2012. Moreover, this change adversely affected poor and minority residents. The number of jobs near poor residents fell by 17 percent, and the corresponding decreases for Hispanic and black residents were 17 and 14 percent. The authors of this study underscore that their findings “point to the need for more integrated and collaborative regional strategies around economic development, housing, transportation and workforce decisions that take job proximity into account.”

Also, the number of commuters who travel for longer than 90 minutes one-way (aka “super-commuters”) has pointedly increased over the past decade. For example, in Massachusetts, from 2010 to 2015, median rent increased 15 percent and the number of super-commuters increased by 45 percent. And a 2017 report from Apartment List estimates that ten percent of residents in Stockton, CA (situated 75 miles east of Oakland) are super-commuters, and in Riverside (situated 55 miles east of Los Angeles), the figure is 7.3 percent. Even within cities, there are significant numbers of people who face these daunting commutes. In New York City, about 6.7 percent of residents super-commute, and in San Francisco, 4.3 percent do so. While super-commute rates are not increasing everywhere, it is a nationwide problem – the U.S. Census Bureau estimates that the number of super-commuters increased by 30 percent between 2005-16.


4 U.S. Census Bureau.


6 Ibid.


9 Henderson (ibid).
Most super-commuters have lower incomes. According to a NYU study, in nine out of ten metropolitan counties studied, more than half of the super-commuters earned less than $40,00010, and a Pew Research Center study of Minnesota’s workforce found that between 2010 and 2015, the proportion of super-commuting teachers and police officers rose by almost 30 percent11.

Along with time, these long commutes yield several other kinds of economic costs. They add to traffic, place greater strain on public transit systems, and over the long-term, can lead to various health issues.

**Externalities**

Economists refer to a side effect or consequence of an activity that affects an external third party who did not choose to incur that cost or benefit as externalities. (See: https://en.wikipedia.org/wiki/Externality).

- Positive externalities provide “social” benefits. For example, by keeping my lawn beautiful, neighbors who walk by may benefit.
- A negative externality is an effect of an individual’s choice that yields a social burden or other kind of detrimental cost to an external third party.
- Commuting by car creates multiple negative externalities:
  - The greenhouse gas emissions may affect another person’s health. Pollution also causes damage to forests, crops, and buildings.
  - Commuting causes noise pollution.
  - As additional drivers use public roads, congestion increases and commute times are longer. A greater number of drivers also increases the likelihood of traffic accidents.

**Long Commutes and Health**

The costs of a long commute include psychological and physical tolls. A long commute adds stress to an already busy life, adds fatigue to an already tiring workday, reduces free time that could be spent with family or exercising, and more.

The good news is that a commute that involves walking may be a benefit, rather than a cost. Also, better public transport connectivity is associated with lower mental distress12. With that said, public transport often adds significant time to commutes. In addition, as seen in Table 1, most commuters still drive to work in many metro areas—even those with relatively good public transportation systems.

<table>
<thead>
<tr>
<th>City</th>
<th>% Drive</th>
<th>% Drive Alone</th>
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<tbody>
<tr>
<td>Boston, MA</td>
<td>44.9</td>
<td>38.9</td>
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<tr>
<td>Houston, TX</td>
<td>88.0</td>
<td>76.3</td>
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<tr>
<td>Los Angeles, CA</td>
<td>77.6</td>
<td>68.5</td>
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<td>New York, NY</td>
<td>26.6</td>
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<td>Sacramento, CA</td>
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<td>San Diego, CA</td>
<td>83.7</td>
<td>74.8</td>
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<td>San Francisco, CA</td>
<td>42.2</td>
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<td>San Jose, CA</td>
<td>87.9</td>
<td>76.3</td>
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<tr>
<td>Tampa, FL</td>
<td>86.5</td>
<td>78.4</td>
</tr>
<tr>
<td>Washington, DC</td>
<td>39.1</td>
<td>33.7</td>
</tr>
</tbody>
</table>

Source: American Community Survey 2012-2016 5-year estimates

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11 Henderson (ibid).
EXTRAORDINARY THINGS HAPPEN WITH GREAT PARTNERS AND GREAT EMPLOYEES.

DELORES PROVIDES OPPORTUNITIES

I grew up in Chicago public housing and am so thankful that my parents and I, along with my 13 siblings, had access to decent low-cost housing. With affordable housing and my dad working two jobs we did not have to worry about shelter but were able to have stability in our lives and enough to cover other necessities. That makes working in the affordable housing industry feel like giving back for the opportunities that I had. Helping those that are less fortunate makes me feel passionate about what I do.

Delores Freeman-Coleman, Staff Fund Accountant

At National Equity Fund, our professionals are not only the best at what they do, they’re passionate about what they do and what we can accomplish together. Get to know our people and why they work in affordable housing. NationalEquityFund.org/Team
To quantify the adverse physical and emotional costs of commuting, we utilize the Gallup-Sharecare Well-Being Index. This index, based on a phone survey of approximately 175,000 employed adults from about 160 metropolitan areas across the country, scores well-being on a zero to 100 scale, with a higher number indicating increased well-being. The survey includes questions asking about indicators of physical and mental well-being. Table 2 shows the relationship between commute time and well-being, and Table 3 shows how individuals with different commute times responded to some of the emotional health-related questions.

This data implies that long commutes have negative effects on workers' well-being. This is true for physical health inputs into the index (e.g., neck or back pain, high cholesterol and obesity), and for emotional health (as in Table 3).

### Table 2: Commuting Time and Well-Being Index Scores

<table>
<thead>
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<th>Minutes from Home to Work</th>
<th>Average Index Score</th>
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<tr>
<td>0-10</td>
<td>69.2</td>
</tr>
<tr>
<td>11-20</td>
<td>68.3</td>
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<tr>
<td>21-30</td>
<td>67.5</td>
</tr>
<tr>
<td>31-45</td>
<td>67.1</td>
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<td>46-60</td>
<td>66.4</td>
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<tr>
<td>61-90</td>
<td>66.1</td>
</tr>
<tr>
<td>91-120</td>
<td>63.9</td>
</tr>
</tbody>
</table>

Source: Gallup-Sharecare Well-Being Index, July 2009-June 2010

### Table 3: Commuting Time, Worry, Enjoyment, and Rest

<table>
<thead>
<tr>
<th>Commute Time (Minutes)</th>
<th>% who experienced worry for much of the previous day</th>
<th>% who experienced enjoyment for much of the previous day</th>
<th>% who felt well-rested the previous day</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-10</td>
<td>28</td>
<td>88</td>
<td>71</td>
</tr>
<tr>
<td>11-20</td>
<td>29</td>
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<td>21-30</td>
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<td>31-45</td>
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<td>46-60</td>
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<td>61-90</td>
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<tr>
<td>91-120</td>
<td>40</td>
<td>80</td>
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</tbody>
</table>

Source: Gallup-Sharecare Well-Being Index, July 2009-June 2010

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14 As Crabtree notes, the effects are present among full-time and part-time workers, and they are present after controlling statistically for respondents’ age, education and income levels.
In Closing

Affordability is a function of rental-housing costs and transportation costs. Because renters face a trade-off between higher rents and longer commutes, a comprehensive economic development strategy needs to promote location-efficient affordable housing. This is a major challenge for planners, who must also consider factors, including school quality, neighborhood safety, fair housing concerns and the environment. Ultimately, if affordable housing professionals want to achieve the goal of allowing households to live in affordable, stable homes, the challenge of accounting for transportation needs cannot be ignored.
Much like America’s East Coast, the West Coast is struggling from a housing affordability problem—meaning Washington, Oregon and California. The region has five major metros—San Diego, Los Angeles, San Francisco, Portland and Seattle—whose home price medians are double or more the national average. A number of the smaller cities, especially in California, also see this price inflation. Homelessness rates are significantly higher in the region, while declining recently throughout much of America. Large companies are increasingly finding it difficult to field workforces, due to the working-class and professional-class exodus alike. In a recent poll by the Bay Area Council, 46 percent of Bay Area residents said they were thinking of moving in the next few years due to the prices.

The legislatures in all three states are starting to respond. This year they’ve passed a number of laws, and there are more proposals and ballot measures on the way. Each are designed either to increase the funding for affordable housing, or liberalize laws that would make it easier to build. Below is a breakdown of each state’s actions.

**Washington**

The Washington state legislature has been busy with housing measures starting early in 2018. The legislature included $106.8 million in its Biennial Capital Budget for the Housing Trust Fund, which will create a projected 3,000 new affordable units. The budget also includes $112.5 million for Brownfields redevelopment and other innovative home construction techniques. Legislation was passed that bans income discrimination, such as when landlords turn away prospective tenants who use federal or local housing subsidies. That bill, HB 2578, includes funds for landlord risk mitigation.

But the most substantive bill may be HB 2382, which will free up public land for affordable housing construction. This bill was introduced by Rep. Cindy Ryu (D), who represents the Shoreline suburb of Seattle, and is concerned about the regional housing shortage. The legislation requires various state government agencies, rather than just hoarding underutilized property, to inventory it, so that it can be sold to various other government agencies, or to private firms, for the purpose of building affordable housing. This land can even be sold at discounts. As the final report for the bill, which became effective in June, states:

“Any state or local agency with authority to dispose of surplus property may transfer property to any public, private, or nongovernmental body on any terms agreeable to the parties, including a no-cost transfer, if the property is used for a public benefit. Public benefit means affordable housing development, or related facilities, for households at or below 80 percent of the local adjusted median income.”

The law’s impacts could be especially pronounced throughout greater Seattle. For example in King County, there are over 300 parcels of vacant or underutilized public land that exceed 20,000 square feet, and are within a quarter-mile of transit.

**Oregon**

This past August, Oregon became the first state to legalize mass timber high rises. Following an addendum to the building code, the state will allow timber buildings to exceed six stories without special consideration.
The decision came after wood towers received approval from the International Code Council, which is a collection of code experts and industry leaders who create the guidelines from which Oregon models its own building code. ICC found that wood towers, if built following their recommendations, would be adequate in dealing with potential problems for loadbearing, waterproofing, sealing and seismic activity.

The addendum comes after Portland—which could be called the urban heart of America’s timber country anyway—has seen some recent timber tower activity. Path Architecture built Carbon12, which at 85 feet, is the nation’s tallest mass timber project. It is located in northern Portland. And Lever Architecture is set to surpass this with Framework, a 12-story, 90,000-square-foot mixed-use project that got a permit last summer from the state and the City of Portland. It was expected to be complete this winter, but is on hold because of financial difficulties.

Although these two projects, specifically, do not offer cheap units, the possible spread of the timber tower idea could be key for the future of affordable housing. Skyscrapers, after all, are more expensive than most low-rise housing because they’re built with reinforced concrete or steel. Using timber instead would reduce project costs, although this depends on whether other states follow Oregon in legalizing the idea.

California

California made national news recently with an aggressive housing bill—SB 827—that would have transformed the state’s urbanized areas. Proposed by Senator Scott Wiener, the bill would allow mid-rise construction on any land within walking distance of high-frequency mass transit. The bill died at its first committee hearing.

But in August, a less ambitious bill overwhelmingly passed the senate: AB 2923. It gives authority to the Board of Directors for Bay Area Rapid Transit, the rail system serving metro San Francisco, to build transit-oriented development around rail stations. The law could create as many as 20,000 new units throughout the Bay Area, and must now be signed by Governor Jerry Brown.

And in this November’s election there will be a pro-housing ballot measure, Proposition 1. It would authorize $4 billion in general obligation bonds for programs, loans, grants and projects for a variety of housing types. The money would especially focus on housing services for veterans and the homeless (California is now second in the nation both in per capita homelessness, and in homeless population growth rate). The two main expenditures from Prop 1 would be $1.5 billion for the Multifamily Housing Program, which provides loans for building and preserving housing for those earning at or below 60 percent area median income; and $1 billion for the CalVet Home Loan Program, which loans to veterans wishing to purchase traditional homes, mobile homes or farms. The proposition has received $250,000 in support from the Chan Zuckerberg Initiative, which is the philanthropy that Facebook co-founder Mark Zuckerberg started with his wife.

As much as these various bills and propositions may help with housing affordability in Washington, Oregon and California, they aren’t going to fix the problem. The biggest metros in these states have had chronic housing shortages for decades. According to the state’s Legislative Analyst’s Office, California, for example, underbuilds by more than 100,000 units annually. For these markets to truly reach equilibrium, there would need to be overt top-down political action. But for now, measures like these can at least chip away at the problem.
NH&RA News

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

NH&RA Executive Director to be Honored at NHP Foundation Symposium

On October 16, the NHP Foundation will host its 2018 Symposium & Dinner in Washington, DC. This year’s symposium features Housing & Health: The Backbone of Strong Communities, a dynamic discourse on the intersection of housing and health. NH&RA’s Executive Director Thom Amdur will be honored for his industry leadership at the dinner along with former HUD Secretary Henry Cisneros, former National Housing Trust President Michael Bodaken, Monica Mitchell (Wells Fargo), Michael Novogradac (Novogradac & Company) and Maria Torres-Springer (NYC Department of Housing Preservation & Development). “I am incredibly flattered to be honored by the NHP Foundation, an organization I have had the pleasure and privilege of collaborating with for many years,” observed Amdur. “And to be honored alongside industry visionaries, like Michael Bodaken, Michael Novogradac and Henry Cisneros is truly humbling.”

POAH Acquires More Than 1,000 Affordable Apartments in Ohio and Kentucky

Preservation of Affordable Housing has acquired 20 properties with over 1,000 affordable apartments in Ohio and Kentucky from The Model Group (TMG), a for-profit development company with deep roots in Cincinnati. This represents POAH’s largest portfolio acquisition to date and comes at a time when some Cincinnati neighborhoods are seeing significant investments in infrastructure, new public transportation options and an expansion of the district’s arts and dining scene.

Vitus partners with Colorado Coalition of the Homeless to provide housing for low-income and homeless families in Denver

Vitus, a national developer and owner of affordable housing, has announced the preservation and planned renovation of Renaissance 88, an affordable housing complex in the northeast quadrant of the Denver metropolitan area. Renaissance 88 is the company’s first project in Colorado and will provide relief for residents at a time when a lack of affordable housing is posing a significant threat to the economic security of families across the state.

Development Strategies Announces Leadership Transition

Development Strategies announced leadership transition to a new ownership group comprised of Larry Marks, AIA, AICP; Brad Beggs, MAI; and Matt Wetli, AICP. Current projects include a downtown strategy for Blacksburg, VA, a real estate strategy for Bowling Green, OH, a transit corridor study for the City of St. Louis, a neighborhood plan for Linden in Columbus, OH, as well as many other projects located throughout the United States.

LISC’s Job Training Program Highlighted by NY Times

A recent article in The New York Times highlighted a partnership between LISC and New Community – an accredited post-secondary school in Newark, to improve its wallet-related programs. LISC aided New Community in starting and funding one of about 90 community organizations with a financial opportunities center. Additionally, LISC’s innovation, Bridges to Career Opportunities, which New Community started two weeks ago, teaches basic math, science and reading – all tailored to each course.

NH&RA’s Tennessee Developers Council Submits Comments on QAP

NH&RA’s Tennessee Developers Council has submitted updated comments to the Tennessee Housing Development Agency on its draft 2019-2020 Qualified Allocation Plan. Comments focused on scoring criteria, total development cost limits and language relating to the Tax Exempt Bond program.

NH&RA Executive Director Participates on Income Averaging Webinar

On September 20, NH&RA Executive Director Thom Amdur participated on a webinar hosted by Birch Island Real Estate Consulting focused on income averaging. Amdur provided insight into Housing Finance Agency trends relating to the implementation of IA policy around the country. Fellow panelists included Vinnie Viola (Birch Island Real Estate Consulting), Tim Henkel (Pennrose), Troy Pohlkamp (Red Stone Equity Partners), Scott Michael Dunn (Costello Compliance), Marie Peace (TFJ Group) and Beth Mullen (CohnReznick).
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$219 million
R4 Housing Partners IX LP
National multi-investor equity fund

$70 million
R4 California Housing Partners IV LP
CA-only multi-investor equity fund

$36 million
Proprietary Funds
Two new equity funds established

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James Spound, President, R4 Capital Funding
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Jay Segel, Executive Vice President
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Ronne Thielen, Executive Vice President
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Paul Connolly, Executive Vice President
646 576 7664 | pconnolly@R4cap.com

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State Roundup

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

Oregon Governor Announces Strategy to End Homelessness; Proposes Major New Investment in Affordable Housing Development

Oregon Governor Kate Brown unveiled a new strategy to prioritize ending homelessness for children and veterans, and to increase housing affordability for all Oregonians. Through the publication of a white paper titled “Housing Policy Agenda: Housing Stability for Children, Veterans and the Chronically Homeless and Increased Housing Supply for Urban and Rural Communities,” Governor Brown calls for $370 million of state investments, focusing on housing stability for families with children, veterans, the chronically homeless and rural communities. Over $200 million of these funds would be dedicated for housing development and preservation.

California Legislature Passes Affordable Student Housing Legislation

On August 28, the California legislature passed a measure (SB 1227) that would require cities and counties to grant a 35 percent density bonus when an applicant for a housing development of five or more units seeks and agrees to construct a project that contains at least 20 percent of the total units for lower-income students in a student housing development. All units of the student housing development must be used exclusively for undergraduate, graduate or professional students enrolled full-time at an institution of higher education. The applicable 20 percent units will be used for lower income students, defined as students that have a household income and asset level that does not exceed Cal Grant A or B award recipients. The units shall be subject to a recorded affordability restriction of 55 years.

Kentucky Enhances Developer Fee for Bond Transactions

Kentucky Housing Corporation (KHC) updated its 2019-2020 Multifamily Program Guidelines to state that the developer fee on Tax-Exempt Bond projects may not exceed 20 percent of the total development cost, minus the following deductions:

- Developer fee;
- Consultant fee;
- Any fees resembling developer or consultant fees; and
- Acquisition costs (related-party transfers only).

KHC eliminated the requirement to subtract acquisition costs from total development costs for the developer fee calculation. However, please note that the total acquisition cost may not exceed the as-is, appraised value at restricted rents. Developers who have already prepared models using the previous version may request KHC to correct the formula within those models by forwarding them to Shawn Dyer or Diane Beidleman at sdyer@kyhousing.org or ordbeidleman@kyhousing.org. This change will take effect immediately; however, it will not be reflected in the Multifamily Program Guidelines until the 2020 funding round.

Massachusetts Proposes Income Averaging Policy

The Massachusetts Department of Housing and Community Development issued proposed guidance on the new income averaging election for the Low Income Housing Tax Credit program. The Department will hold several information sessions on income averaging over the next month. Use of income averaging requires DHCD consent. DHCD currently contemplates limited use of income averaging, primarily in four percent preservation projects, where income averaging may help avoid displacement of residents whose incomes would not otherwise allow them to qualify for LIHTC units. In other contexts, income averaging presents much more complex legal and policy issues, particularly in the absence of implementing federal regulations. This is particularly true in the context of nine percent credits. Accordingly, at this time, DHCD will only contemplate approval of income averaging as the basis under which a project may qualify as a “qualified low-income housing project” under Section 42(g)(1)(C) of the Act under circumstances outlined in the guidance.

MI Housing Issues LIHTC Application Reminder

As noted in the LIHTC Program Updates memorandum dated July 30, 2018, applicants seeking Affordable/Market Rent Differential points will be required to name up to three comparable market-rate properties so that the market analyst can assist MSHDA with verifying the rents being charged at the comparable properties and determine whether the proposed development will receive the points. MSHDA is asking that all applicants who are seeking the Affordable/Market Rent Differential points in the 10/1/2018 LIHTC Funding Round send the three comparable market-rate properties to MSHDA as soon as possible by e-mail to Chad Benson at bensonc@michigan.gov. Applicants who are not seeking the Affordable/Market Rent Differential Points are not required to submit comparable properties for this analysis.
Sen. Wyden Introduces Middle-Income Housing Tax Credit

On August 22, U.S. Sen. Ron Wyden (D-OR) introduced legislation to create a middle-income housing tax credit (MIHTC) aimed at sparking the development of rental homes affordable to Americans with moderate incomes. The bill builds on the successful Low Income Housing Tax Credit (LIHTC) model, allocating funds to states based on population with state housing authorities and then following a competitive process to allocate the tax credits to developers for individual new construction projects or rehabilitations. The legislation aims to provide a comprehensive affordable housing package in tandem with the LIHTC, a tool Wyden has long supported that’s helped to finance construction of affordable rental units.

To Keep You Healthy, Health Insurers May Soon Pay Your Rent

A recent article on Forbes.com highlights efforts by Health Insurers including Anthem, Aetna, Humana, Medicare, Medicaid and UnitedHealthcare to invest in housing as a “social determinant of health” in an effort to increase profits and reduce costs. “UnitedHealth has invested $350 million since 2011 in affordable housing in 14 states. And the nation’s second-largest health insurer, Anthem, has committed more than $380 million to affordable housing over the last decade. And other insurers, such as Humana, are investing and partnering in certain communities as part of a “Bold Goal Initiative” that targets a variety of social determinants.”

DC Court Dismisses Fair Housing Suit

A lawsuit by not-for-profit fair housing advocacy groups against HUD to reinstate an assessment tool for local governments to measure progress in meeting Fair Housing requirements was dismissed in U.S. District Court in the District of Columbia on Friday, August 17, at the request of the cabinet department. The decision by Chief Judge Beryl Howell eliminates the request for an injunction to preserve an anti-segregation tool created by the Obama Administration.

The Affirmatively Furthering Fair Housing Rule was added in 2015 to encourage communities to comply with the widely unenforced 1968 Fair Housing rule aimed at ending racial segregation. The online assessment tool was created as a means to measure and monitor compliance in local government agencies.

While HUD conceded that the new tool is “superior” to prior methods of aiding program participants to meet the AFFH requirements, it also argues that the Assessment Tool was “unworkable.” The plaintiffs contended that withdrawing the tool impeded progress made over the past few years to “fulfill the statutory promise of furthering fair housing policies.” New York State made a motion to intervene in the case on behalf of the plaintiffs arguing withdrawal of the tool “will make it more difficult for New York’s local jurisdictions to analyze barriers to fair housing choices or identify meaningful actions to address these barriers.”
New Markets Tax Credit Applications Exceed Authority 4-Fold

The U.S. Department of the Treasury’s Community Development Financial Institutions Fund has received a total of 214 applications under the 2018 round of the New Markets Tax Credit Program.

The CDEs that applied under the 2018 round are headquartered in 43 states, the District of Columbia and Puerto Rico. Applicants requested an aggregate total of $14.8 billion in NMTC allocation authority, over four times the $3.5 billion in authority available for the 2018 round.

Through the first 14 rounds of the NMTC Program, the CDFI Fund has made 1,105 awards totaling $54 billion in tax credit allocation authority. This $54 billion includes $3 billion in Recovery Act Awards and $1 billion of special allocation authority to be used for the recovery and redevelopment of the Gulf Opportunity Zone.

For more information about the NMTC Program, visit the CDFI Fund’s website at www.cdfifund.gov/nmtc.

OCC Seeks Comments on Modernizing Community Reinvestment Act Regulations

The Office of the Comptroller of the Currency released an Advanced Notice of Proposed Rulemaking (ANPR) seeking comment on the best ways to modernize the regulatory framework implementing the Community Reinvestment Act (CRA).

Through this ANPR, the OCC seeks stakeholder comments on ways to modernize the regulations that implement the CRA, in order to better achieve the statute’s original purpose, increase lending and investment where it is needed most, and reduce the burden associated with reporting and assessing CRA performance.

The ANPR solicits comment on a number of questions regarding improvements to the CRA regulations related to:

- Increasing lending and services to people and in areas that need it most, including in LMI areas;
- Clarifying and expanding the types of activities eligible for CRA consideration;
- Revisiting how assessment areas are defined and used;
- Establishing metric-based thresholds for CRA ratings;
- Making bank CRA performance more transparent;
- Improving the timeliness of regulatory decisions related to CRA; and
- Reducing the cost and burden related to evaluating performance under the CRA.

Comments on this ANPR will be accepted for 75 days after publication in the Federal Register.

CEDAC Report: Burdended Renters in “Central Cities”

In all of the 50 largest cities across the country (or the “central cities”), 75 percent of the extremely low-income (ELI) population is rent “burdened” and paying more than 30 percent of their income for housing, according to a new report issued by Bill Brauner, director of Housing & Preservation at the Community Economic Development Assistance Corporation (CEDAC) in Boston. Families that are highly burdened (paying over 50 percent for rent) sacrifice spending on food and healthcare to be able to pay rent.

Surprisingly, according to the report, there is only a slight correlation between the percentage of ELI renters who are burdened and the expensiveness of rent in their city.

The three central cities with the lowest percentage of burdened ELI renters—Boston, Atlanta and El Paso—while geographically separated, share middle-range populations and have significant inventories of government-owned public housing, Section 8 vouchers, assisted privately-owned affordable housing and unsubsidized market-rate affordable housing (NOAH). But each has a different mix of housing types that have helped them be eight to ten percentage points below the 50-city average.

The Affirmatively Furthering Fair Housing Rule was added in 2015 to encourage communities to comply with the widely unenforced 1968 Fair Housing rule aimed at ending racial segregation. The online assessment tool was created as a means to measure progress in meeting Fair Housing requirements was a lawsuit by not-for-profit fair housing advocacy groups against the Administration. A decision by Chief Judge Beryl Howell eliminates the request for an injunction to preserve an anti-segregation tool created by the Cabinet department. The court dismissed in U.S. District Court in the District of Columbia on Friday, August 17, at the request of the cabinet department. The Department of Housing and Urban Development (HUD) conceded that the new tool is “superior” to prior methods of aiding program participants to meet the AFFH requirements, it also argues that the Assessment Tool was unworkable.” The plaintiffs contended that withdrawing the tool would create a middle-income housing tax credit (MIHTC) aimed at sparking to allocate the tax credits to developers for individual new construction with state housing authorities and then following a competitive process. The bill builds on the successful Low Income Housing Tax Credit (LIHTC) model, allocating funds to states based on population incomes. The bill builds on the successful Low Income Housing Tax Credit (LIHTC) model, allocating funds to states based on population incomes. The bill builds on the successful Low Income Housing Tax Credit (LIHTC) model, allocating funds to states based on population incomes.
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$39,559,258
TOTAL DEVELOPMENT COST
228 Rehab Units for Families
4% LIHTC
Business and Fitness Centers
TOLLESON, ARIZONA

$6,912,787
TOTAL DEVELOPMENT COST
38 New Units for Families
9% LIHTC
Detached Single-Family Homes
BASTROP, LOUISIANA

$17,607,403
TOTAL DEVELOPMENT COST
115 New and Rehab Units for Families
9% LIHTC
Section 8 Contract for All Rehab Units
PAWTUCKET, RHODE ISLAND

$24,567,436
TOTAL DEVELOPMENT COST
168 Rehab Units for Families
4% LIHTC
Social Services
MAPLEWOOD, MINNESOTA

$3,857,233
TOTAL DEVELOPMENT COST
24 New Units for Families
9% LIHTC
Single Family and Duplex Homes
VAN BUREN, ARKANSAS

$39,381,571
TOTAL DEVELOPMENT COST
216 Rehab Units for Families
4% LIHTC
99% Rental Assistance
RICHMOND, VIRGINIA

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Georgia Tech Global Learning Center • Atlanta, GA

National Housing & Rehabilitation Association
2019 Spring Developers Forum
May 6-7, 2019
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