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Tax Credit *Advisor*

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Overlook at Monarch Mills, Columbia, Maryland
Developer: The Shelter Group
Photo by Jeffrey Sauers © 2012 Jeffrey Sauers.com.

A Matter of Vision

Thom Amdur

Sometimes it feels like our lives are a progression of acute crises. It is rare that an initiative or transaction goes exactly as planned, and in adversity it easy to lose sight of the big picture. As I write this column on December 12, the fiscal cliff looms ever closer and the Northeast begins the long recovery from Hurricane Sandy's devastation.

If ever there was a time to draw on a reserve of inspiration that time is today.

If ever there was a time to draw on a reserve of inspiration that time is today.

I was inspired as I listened to the three recipients of the National Housing & Rehabilitation Association's 2012 Affordable Housing Vision Awards at the presentation ceremony on December 10 at NH&RA's 2012 Fall Developers Forum in Boston. I'd like to share a few excerpts from their comments, to inspire you as well to continue advocating for and delivering affordable housing in 2013 and beyond. *(To read detailed profiles of the recipients, see the* Tax Credit Advisor, *September 2012, pp. 26-27.)*

Jim Keefe, Trinity Financial, Inc.

Looking out the window of my first job I saw Tent City Apartments being built. I probably had one of the best views of this beautiful, game-changing project that had been so much the center of controversy for so many years. The thing that really impressed me was how beautiful it is, how the design just fits into the urban context. It was an inspiration to me personally. Not to mention that it had all this affordable housing, something that I really didn't know that much about back then…It was a big inspiration to me to be associated with projects like that…It's not just the bricks and mortar. These projects can change lives, change neighborhoods, and change possibilities.

Patrick Lee, Trinity Financial, Inc.

Many people at the start [of the low-income housing tax credit program] in 1987 said that it was really important that we do right by this program. That we make better lives through this program, that we make better communities. That was enlightened self-interest. As time goes by I hope we don't lose that vision, which has been the bedrock of what we have tried to do at Trinity Financial. All that Jim and I try to do is to pass on that story.

Patrick Clancy, (formerly with) The Community Builders, Inc.

Ultimately the work that we do is very local. And the success of what we do is in the success of the communities that we create…I feel very fortunate to have been able to spend over 40 years doing the work that is so important for this country, providing a decent home at an affordable cost to families that are in need. Today the need is even greater. Close to 50 million people in this country live in poverty. Through the work that you all do about a quarter of those households are able to be significantly better off, having affordable housing as a base to survive poverty and move their lives forward. You are all anti-poverty warriors. I urge each of you to find a place where you have been a part of making a successful environment for families, and to get to know a family, get to know what their life is like, and find out how you can be useful to them. Then let that experience enrich your understanding of the value that you bring to your work and of the value of the work that you do every day. And let it also embolden you to continue to fight for more resources, for more investment in those families, and for a fairer, more economic justice in this country.

I couldn't have said it any better.

Thom Amdur is Associate Publisher of the Tax Credit Advisor *and Executive Director, National Housing & Rehabilitation Association.*

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Photo courtesy of NRP Group

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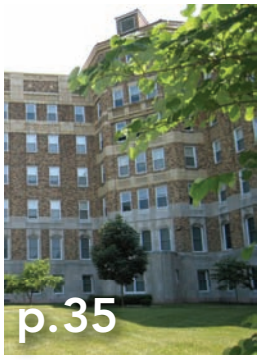

Photo by Dominium

Home G. Phillips Senior Living Community, St. Louis, Mo.

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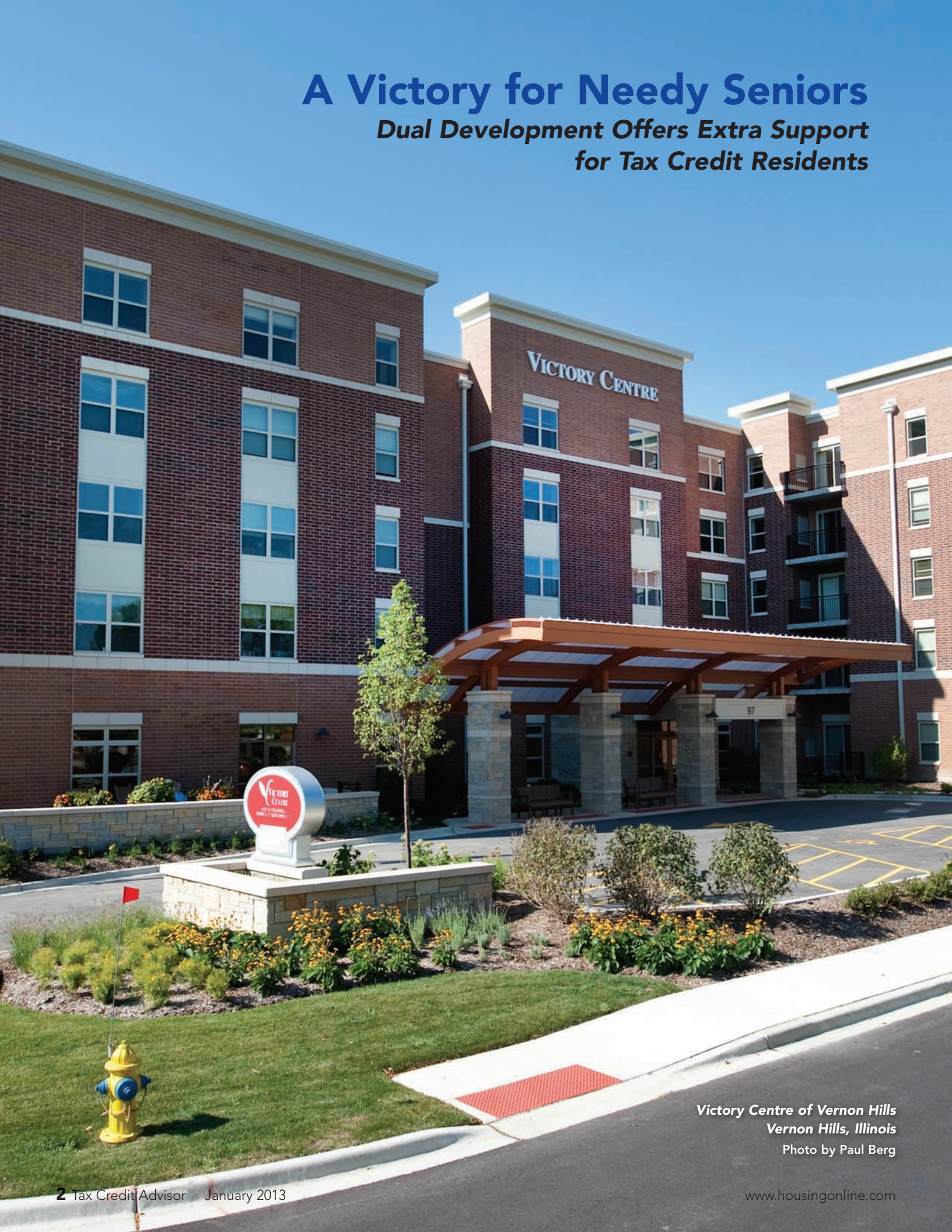

Victory Centre of Vernon Hills
Vernon Hills, Illinois
Photo by Paul Berg

Victory Centre of Vernon Hills, a new affordable senior residential complex in the Chicago suburb of Vernon Hills, is one of eleven similar projects owned and operated by Pathway Senior Living that offer an unusual type of "carrot."

"We offer tax credit residents an insurance policy," says E. James Keledjian, President and a Principal of Pathway Senior Living, a private company based in Des Plaines, Ill. "When they run out of money they can qualify for Medicaid. And that's a big draw for us."

Victory Centre of Vernon Hills is actually two separate low-income housing tax credit projects adjacent to one another. One of the two five-story buildings contains 111 affordable apartments for seniors 62 or older. The second building is a supportive living facility (SLF), an affordable assisted living facility certified under Illinois' Supportive Living Program. The SLF contains 120 studio units of which 80% are low-income housing tax credit units and 20% are market-rate for "private pay" residents. In this facility, restricted to individuals 65 and over (the eligibility age), residents receive room and board, three meals per day, personalized care, and other services to assist them with activities of daily living (e.g., medication management, housekeeping, laundry, bathing, dressing).

Streamlined Medicaid Process

The "insurance policy" for tax credit residents of the SLF is due to the State of Illinois' Medicaid waiver program, which Keledjian said differs from the Medicaid waiver programs of other states in that it is a "project-based" program rather than a "voucher" program.

Under Illinois' program, the operators of assisted living facilities that qualify for state certification as "supportive living facilities" collect monthly Medicaid payments directly on behalf of Medicaid-eligible residents to help pay for the provided services. These payments are funded half by the federal government and half by the state. In addition, the operators process residents for Medicaid eligibility themselves. Under voucher programs, individuals apply to the state for approval for Medicaid and then must search for a participating facility with an open bed.

In order to be admitted to the SLF, individuals, regardless of whether private pay or tax credit, must score 29 or higher on the Illinois Department of Healthcare and Family Service's Determination of Need screening tool, which amounts to needing assistance with two or more activities of daily living. To be eligible for Medicaid in Illinois, individuals must have an annual income of no less than the Supplemental Security Income (SSI) amount (of $698 per month) but no more than $32,400, and have no more than $2,000 in assets.


Jim Keledjian

At Victory Centre of Vernon Hills, residents have the option of using Pathway's services or providing their own under Pathway's supervision. Medicaid eligible residents, generally earning 50% of AMI or less, are charged a daily rate of $74.66 for services and a monthly rate of $608 for room and board. Medicaid-eligible residents each month pay the $608 for room and board from their own pocket and are allowed to keep $90 in income for personal use. Medicaid reimburses the facility for the balance of the cost of the services provided to each such resident.

In addition, Keledjian notes, "Most of our [SLF] residents qualify for food stamps." Pathway is designated as a food stamp vendor, and residents receive an average of $80 to $120 per month in food stamps that is applied toward their board costs. Keledjian indicated that the average SLF resident probably has an annual income of less than $16,000 and financial net worth of less than $2,000. The total amount of revenue that Pathway Senior Living collects per month per SLF resident, including from payment for room and board and from Medicaid, food stamps, and private pay payments averages over $2,900 per month.

Pathway Senior Living, which has 650 employees, screens applicants for LIHTC eligibility at its affordable senior apartment and SLF properties.

Complicated Development

Both buildings at Victory Centre of Vernon Hills achieved full lease-up recently, taking only nine months compared to the typical 14 months, says Keledjian. The SLF is the second in Lake County.

The development had to overcome some hurdles and required a complicated funding package, according to Keledjian, one of three principals at Pathway Senior Living – along with Jerome Finis and Robert Helle – and analyst Patrick Dimaano.

The project had its origin in 2009 when the Village of Vernon Hills issued an RFP seeking a developer to build affordable apartments, for seniors, on a parcel of

Victory Centre, continued on page 4

Victory Centre, continued from page 3

village-owned land. Pathway Senior Living was the successful respondent. "We convinced the village that in order for us to do the senior apartments that we'd have to do the SLF in conjunction with them," says Dimaano.

The company then applied for 9% federal housing credits and eventually obtained two separate tax credit awards totaling $5,058,737 annually from the Illinois Housing Development Authority (IHDA) in the fall of 2009. The awards reflected a 30% basis boost because the project was located in Lake County Illinois, which was designated a flood disaster area.

Unfortunately, the awards came as the LIHTC market was crumbling, with corporate investor demand for housing credits drying up and credit pricing tumbling. But Pathway Senior Living was able to find an equity investor for the tax credits and soft dollars to close the gap, including nearly $5 million in combined federal Section 1602 Exchange Program grants received from IHDA for both buildings.

Syndicator National Equity Fund, Inc. purchased the federal housing tax credits for both buildings on behalf of two investors for net pricing of 56 and 64 cents per dollar of tax credit.

The first mortgage financing for both developments was provided by the U.S. Department of Housing and Urban Development. Additional funding included a deferred developer fee, equity generated from the sale of Illinois Affordable Donation Tax Credits, and HOME grants from Lake County.

Construction of both buildings began in November 2010 and was completed in January 2012 for the senior apartments and in March 2012 for the SLF. Pathway Senior Living is the developer and service provider as the managing co-general partner, while a local nonprofit, Lake County Residential Development Corp. is the non-operating co-general partner.

Monthly Rents

INCOME LEVEL	SUPPORTIVE LIVING FACILITY STUDIO UNITS (ALL)	SENIOR APARTMENTS 1 BEDROOM	SENIOR APARTMENTS 2 BEDROOM
30% of AMI Units	Medicaid Service Rate - $74.66 (daily)	$362	–
50% of AMI Units	Room & Board Rate - $608 (monthly)	$625	$760
	Food Stamps - $80-$120 (monthly if eligible)		
60% of AMI Units	Service Rate - $74.66 (daily)	$730	$880
	Room & Board Rate - $796 (monthly)		
	Food Stamps - $80-$120 (monthly if eligible)		
Market-Rate Units	$3,300 (Monthly)		

Source and Uses Summary

SOURCES	SUPPORTIVE LIVING FACILITY	SENIOR APARTMENTS
First Mortgage	$12,101,000	$3,145,000
9% LIHTC Equity	$11,118,789	$18,961,747
Section 1602 Funds	$1,246,626	$3,745,049
State IAHTC Equity	$32,500	$155,750
Land Donation	$100,000	$600,000
Lake County Home Equity Grant	–	$216,080
GP Equity	$100.00	$100.00
Deferred Development Fees	$1,484,235	$1,966,082
Total Sources	**$26,083,250**	**$25,044,808**
USES		
Land Costs	$862,246	$1,342,581
Construction Hard & Soft Costs	$20,879,396	$24,105,454
Reserves	$1,757,281	$444,324
Developer Fee	$2,584,327	$2,897,449
Total Uses	**$26,083,250**	**$28,789,808**

Mix of Tenant Income Levels

The senior apartment building contains 90 one-bedroom and 21 two-bedroom units. All are LIHTC units, with 12 rented to households at or below 30% of AMI; 34 at 50% of AMI; and 65 at 60% of AMI. HUD's FY 2013 annual income limit for an individual in the Chicago area at 60% of AMI is $30,960.

The SLF units are all 360-square-foot studios with one resident each with a separate bathroom, sleeping area, and sitting area. Twelve of the 120 units are rented to individuals at or below 30% of AMI; 36, 50% of AMI; and 48, 60% of AMI. The remaining 24 are market-rate units for private pay residents.

According to Keledjian, the two buildings share the same property management and engineering staff. The company's SLFs typically have about 50 employees each, full and part-time workers.

The average age of residents is 78 to 82 years old at the senior apartment building and 85 or 86 at the SLF. The senior apartment building provides no special services to residents but they can purchase services from the SLF if they wish, such as maid service. A tenant council organizes social and recreational activity programs for the residents.

Keledjian said there is some "flow back and forth" of residents between the two buildings. Some residents move from the senior apartment building to the SLF when their condition deteriorates and they need extra help. TCA

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GAO Issues Report on 2008 LIHTC Changes

The Government Accountability Office (GAO) recently issued a report that examines the implementation by state allocating agencies of 2008 legislative changes to the federal low-income housing tax credit (LIHTC) program and the impact of these changes.

The Housing and Economic Recovery Act (HERA) of 2008 made more than 20 changes to the LIHTC program. It provided a temporary boost to states in the annual per capita housing credit volume cap, set a temporary minimum rate of 9% for the 70% present value housing credit, and allowed state allocating agencies to provide a basis boost in credit awards to projects outside of high-cost areas.

HERA directed GAO to study the changes to see if they fostered more LIHTC projects.

GAO found that while HERA's broad effects on the LIHTC program are difficult to measure, stakeholders generally believed there was a temporary increase in per capita tax credit allocations. It noted that the temporary rate floor for the 9% credit and additional discretion to state agencies to make enhanced credit awards seemed to improve the financial viability of many projects.

GAO also found that several federal and state agencies have made significant changes to LIHTC program guidance to accommodate provisions of HERA. For instance, the IRS issued notices and revenue procedures reflecting changes made by HERA and several state allocating agencies made modifications to their LIHTC qualified allocation plans.

Finally, GAO's report noted that HUD's LIHTC project database generally seems to include incomplete information about project characteristics between 2006 and 2010. GAO notes that without more complete data on the LIHTC program, the federal government's ability to evaluate basic program outcomes such as how much LIHTC housing has been produced, as well as overall federal efforts to provide affordable housing, may suffer.

(Report: http://tinyurl.com/a5s8mvl) TCA

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4 States
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AUGUST 2012

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AUGUST 2012

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New Markets Fund
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20 Tax Credit Properties
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Grass-Roots Survival Tactics

LIHTC Program Participants Give Tips for Effective Advocacy in the New Congress

The stakes for tax credit advocates couldn't be higher when the new 113th Congress convenes in January.

With lawmakers expected to write tax reform legislation, advocates of current federal tax credits benefitting American families and communities – the low-income housing tax credit, new markets tax credit, historic rehabilitation tax credit, and renewable energy tax credit – will be challenged to present their best arguments and evidence as to why these incentives should be kept as is in the tax code and not curtailed.

So what makes for effective advocacy? And what should advocates do?

In recent interviews, LIHTC industry officials offered advice for effective grass-roots advocacy by program participants to build a firewall of support for the housing credit in Congress. These recommendations are useful for advocates of the other tax credits as well though the message may differ.

Tax Reform on Horizon

Tax reform legislation appears highly likely in 2013, with President Obama and many Congressional leaders favoring this. And if tax reform means finding a revenue-neutral way to slash the corporate tax rate, say from 35% to 28% or 25%, a whole host of current corporate tax incentives and tax breaks will have to be eliminated or scaled back to pay for the rate cuts.

Photo by Nixon Peabody LLP

Richard Goldstein

"The way you could lower rates is to eliminate or reduce a number of tax expenditures, of which the low-income housing tax credit is one," says Washington, D.C. Richard Goldstein, a partner at Nixon Peabody LLP and counsel to the Affordable Housing Tax Credit Coalition. "So we're not going to be immune from being looked at. And we're not going to be immune from the pressure to eliminate or potentially reduce the housing credit in an effort to lower rates. We will be on the table with lots of other items."

"I think everything is vulnerable," warns Barbara Thompson, Executive Director of the National Council of State Housing Agencies. "It [LIHTC] is not an inexpensive program. So in the hunt for revenue it stands out."

Don't Take Support for Granted

The LIHTC program has had deep bipartisan support in Congress to date. In addition to the fact that it is a "permanent" program, one sign is the large number of co-sponsors – 24 in the Senate and 86 in the House – of bills introduced in the recent 112th Congress (S. 1989, H.R. 3661) to make the minimum 9% credit rate permanent and to establish a minimum 4% credit rate for non-bond financed acquisition costs.

Nonetheless, lobbyists say advocates can't be complacent and take Congressional support for granted in 2013. "We could well have a situation where people support the credit but they have to come to a decision that we as a country can't afford it," warns Thompson.

Peter Lawrence

"You're going to need Members of Congress to stick their necks out and say, 'Not only do I support this program, but I do not think it should be affected by tax reform,'" says Peter Lawrence, Senior Director of Public Policy and Government Affairs at Enterprise Community Partners.

Advocates will also have to hit the ground fast and early in the new Congress to educate the many new members – 12 in the Senate and around 85 in the House – about the LIHTC program: what it is and does, how it works, the benefits provided, and the actual LIHTC properties in the Member's district or state. *(For list of new members, go to http://tinyurl.com/ama53cv)*

Advice for Effective Advocacy

LIHTC industry officials offered the following advice to program participants on how they can effectively advocate for the housing credit with Members of Congress:

- **Build Relationships.** The foundation is building trusted relationships with Representatives, Senators,

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Advocacy, continued from page 8

and their staffs. This means get-acquainted and ongoing meetings by advocates with lawmakers and/or their aides in their Washington or district/state offices, inviting them to LIHTC site events, supporting political fundraisers, etc. Developer Bob Greer, President of Michaels Development Co., Marlton, N.J., prefers meeting Members in their district office. "They're more relaxed, have more time, and are more open to listen," he notes. "When I meet them on the Hill, if they give you 10 minutes that's a lot."

- **Hold Site Events.** "We invite elected officials to all of our [project] ribbon-cuttings and groundbreakings to share the message of the low-income housing tax credit and share with them who lives in the community," says developer J. David Heller, a principal of Cleveland-based NRP Group. The company invites the two U.S. Senators, the Representative for that district, their staffs, state and local elected officials, the project subcontractors, residents, and others. Just in the past year, NRP Group has succeeded in getting five Congressmen and two Congressmen-elect from Texas to attend ribbon-cutting ceremonies at new NRP tax credit properties. "There's nothing as effective as get-

Advocacy, continued on page 10

The Michaels Development Approach


Bob Greer

Bob Greer, President of Michaels Development Company, often visits Members of Congress in their Washington or district offices to build relationships and advocate for the low-income housing tax credit generally and for specific actions that the industry is seeking.

In addition, Michaels Development carries out a formalized events-driven process it has devised to build support for the LIHTC program among Members of Congress and state Governors, by getting them to groundbreaking and ribbon-cutting events at the company's new tax credit projects.

Greer recently described the details of this process.

Letter 1
This initial letter from Michaels Development Company goes out to the two U.S. Senators, the U.S. Representative for the district, and the Governor when the company receives a tax credit award for a new project. It informs them of the company's receipt of the tax credit award for a project in their district or state, thanks them for their support in helping the company to obtain the award, and provides basic details about the project (e.g., location, no. of units, total development cost). The letter closes by saying the official will be contacted again at the project's next step.

Letter 2
This goes to the same officials, just before or after the financial closing, reminding the Member of Congress or Governor that this LIHTC project will be built in their district or state, reiterating the basic details about the project, specifying the number of jobs that the project will create, its total development cost, and other local financial benefits that will be generated (e.g., local taxes and payments for local building suppliers, other vendors, and subcontractors). The letter also provides a brief sources and uses of funds and identifies all of the project participants, such as the equity provider, lender, local attorneys, local title company, etc. "By now," says Greer, "they're gathering a sense that this is a deal going in my district that involves a lot of people who voted for me or who may vote for me. And they begin to show a very serious interest in what this is all about."

Letter 3
This goes out to the same officials when Michaels Development Company is getting ready to hold a public groundbreaking ceremony for the project. It invites the Member or Governor to attend and speak, but asks them which of several potential event dates would work best for their schedule. [A suitable date is subsequently finalized.] The letter identifies the other individuals expected to attend (e.g., mayor, city council members, Governor's office, Chamber of Commerce), the local news media outlets expected to cover the event, and the basic details about the project once again. Enclosed with the letter is a proposed agenda with order of speakers and a map showing the location of the event.

Letter 4
This goes out to the same officials when Michaels Development Company is preparing to hold a public grand opening ceremony for the completed LIHTC property. Again it invites the Member or Governor to speak and asks them which of several possible dates would work best for them; identifies the other people and news media outlets expected to be present, and provides basic facts about the project. Enclosed with the letter are a map, an agenda, and a draft news release describing the event that the Member's office has an opportunity to help finalize. At the event, the Member gets to speak and take credit for the development and usually presents a ceremonial key to the property's first resident. "These four letters," says Greer, "help us to communicate what's going on with that elected official, let them know what it is that we are doing, and tell them who will benefit from this development."

Letter 5
This goes out after the groundbreaking ceremony and after the grand opening event to each Member or Governor that actually attended that event. It thanks them for taking the time to participate and is accompanied by a photograph of them speaking at the ceremony, a plaque, photos of the completed property and the site before, and a trinket from the event (e.g., pair of scissors).

"This is a process that we have followed now for several years," Greer says. "We find it generates great acceptance and the elected officials genuinely appreciate it. And we find new business opportunities that surface because of that respect for them and the good relationship we create through this process." TCA

Advocacy, continued from page 9

ting Members out to see these properties," says Goldstein. "It has a real impact when they see the way in which these properties are changing communities, changing the residents' lives, and creating jobs." Members get to speak at site events, take credit for the development, meet residents, network with constituents, and see the positive results of the LIHTC program firsthand. Heller says it's also vital to invite staff members of Representatives and Senators and "treat them with the same respect and dignity as the Member. We've trained our staff to be just as happy having the staff members from the Congressional offices and doing the outreach and advocacy with them."

- **Get Creative.** Project groundbreakings and ribbon-cuttings aren't the only possible site events. Says Lawrence, "If it's under construction, a hardhat tour. If it's already up and running, you can have an issues forum in one of the building's common areas. If there are a decent number of constituents that the Member believes will show up for an event, they will come." Many Members are home in their districts on the weekends, Monday mornings, and Friday afternoons.

- **Cultivate Future Members.** NRP Group also invites elected state and local officials to its site events: state representatives, state senators, the Governor, the mayor, and city council members. "In many cases that's your feeder pool to Congress," says Heller, noting many Members of Congress were once elected state and local officials.

J. David Heller

- **All Hands on Board.** Grass-roots advocacy needs to be done by all types of LIHTC program participants: developers; contractors; subcontractors; funders; nonprofit organizations; resident groups; low-income advocates; housing agencies; and others. "This is not something that can just be done by a handful of lobbyists in Washington," says Goldstein.

- **The Right Message.** Conveying an effective message to Representatives, Senators, and their staffs is huge. The message is that the LIHTC provides much-needed affordable and safe rental housing that improves the lives of residents; creates jobs and other financial benefits for localities [one industry estimate is 116 construction jobs for a 100-unit project]; revitalizes neighborhoods; has an excellent track record; is efficient; and utilizes public-private partnerships. Many trade and membership organizations have standard fact sheets or summaries that advocates can use or draw from. Photos of properties and residents and resident testimonials are valuable as well. Thompson says advocates should understand where the particular Member "is coming from" before meeting him or her, to be able to "appropriately hone the message" to present the facts and arguments that will resonate best with that Member (e.g., job creation, affordable housing).

- **Don't Fudge the Facts.** "The worst thing you can do is not be factually accurate or untruthful," says Goldstein, once a House staff member. "That's the quickest way to find yourself persona non grata. You've got to make sure that you're factually correct and well-prepared."

- **Have a Plan and Work the Plan.** Bob Greer and Michaels Development Co. have created a highly successful formal process that they religiously follow to build support among Members and to get them out to project site events *(see p. 9)*.

- **Remember Your Manners.** Lastly, no one ever went wrong sending a thank-you note to a Member or staff person after meeting them or having them attend a site event. It's just common courtesy. TCA

Valuable Tax Credit Advocacy Resources

Affordable Rental Housing ACTION
http://www.rentalhousingaction.org

Housing Advisory Group
http://www.bostoncapital.com/about/hag.html

National Housing & Rehabilitation Association
http://www.housingonline.com/Advocacy.aspx

Historic Tax Credit Coalition
http://historiccredit.com

New Markets Tax Credit Coalition
http://nmtccoalition.org

Bring the health care into the housing

A hundred years ago, it was unremarkable to be born at home, and to die at home. Fifty years ago, it was unremarkable for a doctor to make house calls, and the equipment he brought was nothing more than a mysterious black bag, a stethoscope, a tongue depressor, and hands as cold as if he kept them permanently in a freezer.

That all changed over the ensuing decades. Health care went high-tech, and as it did, its capital costs rose dramatically – expensive surgeries, complex diagnostic and treatment machines like MRIs. Coupled with the expansion of America's bollixed approach to health insurance – employer-paid, therefore insensible to customer choice and cost savings, and tort-based, therefore litigation-defensive rather than health-proactive – that in turn has led us to place-based health care. It has now reached the point where we signal someone's well-being by using locations as code words. We're moving her to assisted living (we say with sorrow); to a nursing home; to a hospital; to a hospice.

We've place-based our high-tech health care, depersonalized treatment, and taken the person out of the process. She is a "patient"' (a demeaning term connoting passivity and dependency) who can't heal herself and must therefore be trundled from one location to another for the convenience of the "health care professionals" (a pompous neologism) who speak in a dual arcana – first medical and then Medicaid/Medicare. The result is a health care system that no one defends because no one understands it, its costs are soaring (and going higher under Obamacare), and it cannot show progress by any common-sense measure.

Meanwhile, when we look at the nation's inventory of existing elderly housing – both purpose-built and NORCs (Naturally Occurring Retirement Communities) – we look back to the past. These properties and their occupants are aging side-by-side. What was designed for persons with an average age of 65 is now occupied by people (mainly single women) averaging 75 or older. The corridors are narrow; the electrical wiring disco vintage; the pipes possibly lead or PVC; the bathrooms

David A. Smith

small; the appliances turquoise and avocado; and the carpeting a harvest gold deep shag that still shows the footprints of the since-vanished Zenith console television. Yet, to this individual who has lived here for decades, it is *home*, and familiar, and beloved.

If we want to maximize people's healthspan (because that enhances their lifespan), we want to keep them living at home.

More importantly, this apartment is *home* to the resident because here she is surrounded by a home-grown community – her fellow residents. By now she knows them as well as her children or grandchildren, and they see her more often and know her better. As a result she is happiest when at home and she doesn't want to move. Yet, as her physical mobility diminishes, she may be forced at some point (by medical or insurance circumstances) to move out of her home to a new, alien environment, on the grounds that this will be better for her health, when you and I know (as does she) that staying put in her home is what she wants.

So, if we want to maximize people's healthspan (because that enhances their lifespan), we want to keep them living at home, by bringing change in to their homes rather than moving them out.

To do this, and in light of the increasing predominance of preservation and acquisition-rehab projects in low-income housing tax credit transactions, our imperative should be ***to use every financing or recapitalization as an opportunity to retrofit the physical space***

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within properties to maximize wellness and to be health-care-delivery compatible. This implies the following four dimensions:

1. *Apartment configurations.* Frailty is not illness. But it changes living rhythms. Doorknobs become handles. Lights get brighter. Bells get louder. Stove-top controls are in front, not in the back. Bathtubs have either lower rims or side entrances. All of these features make the home gentler for a frail person to live in by herself.

2. *Hallways and corridors.* They should be brighter and wider, with sitting areas at intervals of every 50 or 100 feet, with different wall colors on each floor or wing and possibly railings along the walls. Corridors should not be mere passages to be hustled through, but rather be a series of front stoops where the internal community can gather.

3. *Common areas and gathering places.* Dispose of the sagging couch, the two bookcases filled with dog-eared large-print romances and westerns, and the warped ping-pong table with the rickety leg. Make the common areas into service spaces that nurture both the aging body and aging mind. Create some medical stations, with a bit of visual and auditory privacy, where a nursing practitioner or health care aid can dispense advice, sympathy, and common sense. Add or refurbish a kitchen or pantry that can serve light meals or deliver meals brought in from the outside. Bring in broadband work stations with headsets (and bright young people to set up the Skype), a big-screen plasma television with a camera (for virtual museum tours), and free Wi-Fi throughout the building.

4. *Activities and activity hubs.* People die in part because they no longer want to keep living; depression kills slowly and quietly. Social connections and society lead to mental alertness, better spirits, and better eating. These lead to increased activity (like group walking or tai chi) that leads to lower blood pressure, lower obesity, and less incidence of adult diabetes. Better mobility means fewer falls, fewer broken hips, fewer traumatic ambulance rides to the hospital – meaning longer and happier lives, greater independence, and substantially lower Medicare and Medicaid bills for taxpayers.

In short, an acquisition-rehab transaction that fails to retrofit an elderly property for compatibility with service enrichment has blown an irreplaceable opportunity: The developer who sponsors such a project has been asleep at the switch and the tax credit allocator who approves it without thinking has fallen down on the job.

A lot can be done with very old properties. At Recap we've proven it, in a thought experiment we recently commissioned at our own expense – a retrofit physical feasibility analysis of an existing elderly property in Upstate New York. Drop me an email and I'll send it to you. TCA

David A. Smith is Chairman of Recap Real Estate Advisors, a Boston-based real estate services firm that optimizes the value of clients' financial assets in multifamily residential properties, particularly affordable housing. He also writes Recap's free monthly essay State of the Market*, available by emailing dsmith@recapadvisors.com.*

NH&RA News

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

NH&RA Meets with HUD Officials on Multiple Issues

Representatives of the National Housing & Rehabilitation Association (NH&RA) and its Legislative Leadership Committee had separate meetings on December 7th with representatives of the U.S. Department of Housing and Urban Development to discuss various housing issues. Peter Bell, President & CEO of NH&RA, met with Carol Galante, Acting Assistant Secretary for Housing/Federal Housing Commissioner, to discuss FHA mortgage insurance issues. Thom Amdur, Executive Director of NH&RA, met with Dan Sullivan, Thomas Goade, and Robert Arbios to talk about current activities of the FHA Working Group. Amdur and Bell also met with Margaret Salazar to talk about multifamily housing preservation issues.

(For details on NH&RA's Councils, go to http://www.housingonline.com/Councils.aspx)

Upcoming Conferences

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

National Housing & Rehabilitation Association
2013 Annual Meeting & Pre-Conference Symposium on Senior Housing
March 6-9, 2013
Loew's Miami Beach Hotel, Miami Beach, Fla.

National Council of Housing Market Analysts
2013 Spring Policy Forum
April 2-3, 2013
Hyatt Regency Washington, Washington, D.C.

National Housing & Rehabilitation Association
2013 Spring Developers Forum
May 7-8, 2013
Ritz-Carlton Hotel, Marina del Rey, Calif.

National Housing & Rehabilitation Association
2013 Summer Institute & New Markets Tax Credit Symposium
July 24-27, 2013
El Dorado Hotel, Santa Fe, N.M.

HOPE VI-Mixed Finance Council to Meet With HUD

Representatives of NH&RA's HOPE VI-Mixed Finance Council are scheduled to meet with HUD officials in January to discuss changes to the Notice of Funding Availability (NOFA) for the next funding round of the Choice Neighborhood Initiatives program. The aim is to assist the Department in making the next NOFA more attractive to private developers. A working group is being set up to facilitate these discussions.

(For details on NH&RA's Councils, go to http://www.housingonline.com/Councils.aspx)

Registration Open for NH&RA Conference, Agenda Available

Registration is open for NH&RA's 2013 Annual Meeting and Pre-Conference Symposium on Senior Housing, scheduled for March 6-9, 2013 at Loew's Miami Beach Hotel in Miami Beach, Fla. An agenda for the conference with topics has been released. NH&RA Executive Director Thom Amdur, though, is still soliciting suggestions for panel speakers and topics. Contact him at tamdur@housingonline.com, 202-939-1753. Registration for the National Council of Housing Market Analysts' 2013 Spring Policy Forum, set for April 2-3 in Washington, D.C., will open in January.

(For details and to register, go to http://www.housingonline.com/Events.aspx)

Tennessee Developers Council Testifies on Bond Program

NH&RA's Tennessee Developers Council (TDC), represented by Thom Amdur, testified recently to the Tennessee Housing Development Agency (THDA) to present the group's recommended changes to THDA's

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rules for its tax-exempt multifamily housing bond program. In Tennessee, THDA generally doesn't issue multifamily housing bonds but rather allocates bond authority to local agencies that issue the bonds. These offerings are governed by THDA's multifamily bond program description and its qualified allocation plan (QAP). TDC has proposed changes to facilitate individual bond issues that fund multiple multifamily projects at once and to provide smooth interaction between the bond program rules and THDA's QAP governing the award of 9% low-income housing tax credits. TDC submitted its recommendations in writing to THDA as well.

(For details on NH&RA's Councils, go to http://www.housingonline.com/Councils.aspx)

NCHMA Seeks Additional Comments on Revised Draft of Model Content Standards

NH&RA's National Council for Housing Market Analysts (NCHMA) is soliciting additional comments from members and others on a new draft revision of the organization's model content standards for market studies. The changes reflect the newly expanded scope and mission of NCHMA beyond market analysis for just affordable housing projects, to also include market analysis for other types of multifamily housing properties and market analysts and other participants in the market-rate multifamily housing sector. A vote by NCHMA members on adoption of the revised model content standards is expected in early 2013.

(For details on NH&RA's Councils, go to http://www.housingonline.com/Councils.aspx)

CEFAH Participates in Multifamily Retrofit Initiative

Executive Director Thom Amdur, representing NH&RA and its Council for Energy Friendly Affordable Housing (CEFAH), participated in a December 4th meeting of a working group organized by the Center for American Progress to identify methods for creative financing of energy retrofit improvement projects for affordable multifamily rental housing properties. The initiative is being funded by a grant from the John D. and Catherine T. MacArthur Foundation.

(For details on NH&RA's Councils, go to http://www.housingonline.com/Councils.aspx)

NH&RA in Process of Developing Strategic Plan

NH&RA Executive Director Thom Amdur and NH&RA staff are in the process of developing a strategic plan for the organization for 2013, which will involve making changes to NH&RA's Web site and communications with members, making plans for future activities, and creating a set of metrics to measure progress in achieving the elements of the plan. A draft of the strategic plan is expected to be submitted to NH&RA members in January for comment.

NH&RA Councils Convene at Boston Conference

NH&RA's Developers Council, Historic Preservation Development Council, and Council for Energy Friendly Affordable Housing met during the Association's 2012 Fall Developers Council on December 10-11 in Boston. The conference also featured the first-ever meeting of nonprofit housing developers to discuss issues of particular concern to them and other matters.

(For details on NH&RA's Councils, go to http://www.housingonline.com/Councils.aspx) TCA

NH&RA 2013 Annual Meeting

March 7-9, 2013 Miami Beach, Fla.

AGENDA

Thursday, March 7

11 am	**Developers Council Luncheon**
1 pm	**Welcome & Introductions**
1:45 pm	**Developers Roundtable**
3 pm	**Economic Update**
4:15 pm	**Tax Credit Equity Roundtable**
6 pm	**Opening Reception & Dinner**

Friday, March 8

8 am	**Affinity Breakfast: HUD Professionals**
9:15 am	**Negotiating Dispositions: Deal Points & Lessons Learned from Year 15 and GP/LP Sales**
10:30 am	**Tax-Exempt Bonds Roundtable**
11:30 am	**State Housing Finance Agency Roundtable**

Saturday, March 9

9 am	**Affordable Housing Debt Roundtable**
10:15 am	**Structuring Joint Ventures Between Private Developers and Non-Profits or Housing Authorities**
11:30 am	**Niche Housing Products: Veterans Supportive Housing**
12:30 pm	**Conclusion of Sessions**
5 pm	**Closing Reception**

Park View at Severna Park
Severna Park, Maryland
Developer: The Shelter Group
Photo by Ken Wyner

Building a Community

Affordable Rental Projects for Seniors Require Smart Design, Adequate Services, Social Opportunities

Park View at Severna Park, a brand new garden apartment community near Annapolis, Md., is an example of the type of affordable senior rental properties being developed today.

Developed by The Shelter Group and managed by Shelter Properties, both based in Baltimore, the development contains 103 spacious one- and two-bedroom apartments restricted to renters 62 and older and has extensive amenities, services, and conveniences that the company's Web site says are designed to help independent seniors "live life to the fullest."

Funded in part by federal low-income housing tax credits, Park View at Severna Park features apartments with fully equipped kitchens, bathrooms with enhanced safety features, and washers and dryers. Common area amenities include a patio and gazebo, computer café, multi-purpose community room, theatre and media room, and wellness suite. The community, located near health care providers, transportation, and shopping, supports residents with educational, social, and recreational programs customized to meet the needs of residents through Shelter's community-based nonprofit partner, Partners in Care.

Great Demographics...But

The numbers alone suggest that developing an affordable apartment community for seniors should be a slam dunk: by 2030 the number of Americans 65 and older is projected to double, to 70 million.

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"There's a big need for senior housing and growing demand," says market analyst and appraiser Cash Gill, of Gill Group, Inc., Dexter, Mo. "And from what I read we're not keeping up with it."

But while the demographics are powerful, the true picture is more complicated.

This is partly because of the wide diversity among seniors – in age, physical condition, finances, needs, and tastes. This diversity creates demand for many different types of housing, including market-rate and affordable age-restricted apartment communities, independent and supportive living projects, assisted living facilities, continuing care retirement communities, and more. There are also different definitions of age-restricted housing for seniors, 55+ and 62+. (See article on p. 22).

According to industry participants, affordable senior rental projects for seniors – such as those financed by housing tax credits – come with both pros and cons compared to family projects. Senior LIHTC properties typically have a much lower tenant turnover rate. And proposed projects are less likely to run into neighborhood opposition – so-called NIMBYism. On the flip side, they usually take longer to lease up, although those with project-based Section 8 rental assistance can fill quickly, says CEO Jenny Netzer of Boston-based TCAM, a company that provides LIHTC asset management and other services. Also, 55+ projects naturally have a larger prospective applicant pool than 62+ developments.

Senior properties generally require more services for residents than family properties, and pose the added challenge to owners and managers of figuring out how to help tenants stay in the community as long as possible as they get older and frailer.

"What seniors are looking for today, and probably will more in the future, is to be able to age in place," says Nancy Libson of LeadingAge, a national membership organization for nonprofits that advocates on senior issues. "That means having the services available over time that they'll need to keep them out of nursing homes, to keep them out of hospitals time and again, to keep them out of emergency rooms."

One challenge is that many state allocating agencies today favor family over senior projects in awarding 9% low-income housing tax credits. "Most state housing finance agencies have put their emphasis on family housing – and rightfully so," says market analyst and consultant Lynne Sweet of LDS Consulting Group, LLC, Newton, Mass. "But there is this other population that really needs to be able to have some housing choice."

Sweet noted there is increased pressure on housing credit programs to fund senior projects because there are few new elderly rental developments being funded under the U.S. Department of Housing and Urban Development's Section 202 program. In addition, she said, "the wait lists for family and elderly public housing are growing everywhere."

Similarly, the USDA Rural Development Section 515 program, responsible for producing a huge number of affordable rural rental housing units for seniors over many decades, isn't funding new units any more, for seniors or families.

'What seniors are looking for today... is to be able to age in place.'

— NANCY LIBSON, LEADINGAGE

Elements for Success

When it comes down to it, the successful development and operation of affordable senior rental housing communities requires attracting and retaining senior renters. Critical elements include:

- **A good location**. Senior renters, many of whom don't own cars, want to have access to reliable transportation (public or private) and be near doctors' offices, medical facilities, the local senior center, drug stores, shopping, etc. "The best sites I've seen have proximity to those services that seniors use," says Gill.
- **Smart design.** Developments need to be designed to accommodate seniors' special needs (physical, social, lifestyle, etc.), both in the apartments and in the property's common areas. This may mean apartments with door handles rather than doorknobs (easier to use for someone with arthritis); light switches at lower levels for persons in wheelchairs or with mobility limitations; no carpeting or carpeting that won't snag walkers; cabinets at lower heights; grab bars in bathrooms; and "pull cords" that residents can reach and tug if they fall down to summon assistance. "It goes piece-by-piece as you think about the types of systems that will make this ideal

Senior, continued on page 18

Senior, continued from page 17

for people who are in their seventies and aging," says Jeffrey Hettleman, Principal and Executive Vice President of Shelter Development, LLC. Properties also need attractive common amenities as well as plenty of space for socializing, activities, services, and programs.

- **Ample room.** Seniors generally want apartments with at least one bedroom and preferably two, to have room for their possessions and for visiting relatives and friends. Studio and efficiency apartments are non-starters in most locations. According to officials, the typical occupant of a senior LIHTC apartment is a single female.
- **Services (social, supportive, etc.).** "Services are key at any property," says Hettleman. "Providing services is what ultimately makes you successful, by providing more than just shelter for your residents. If you want to have satisfied residents, limit turnover, and maximize customer satisfaction – all of which translate into good business – finding a way to provide services is very important." This means an array of social events and opportunities so the property creates a sense of belonging among residents, and providing or arranging access to services (health-related, educational, etc.) that meet the needs of residents and enable them to stay independent.

Jeffrey Goldstein of Boston Capital and Greg Hand of WNC & Associates, Inc., two companies that syndicate low-income housing tax credits, favor affordable senior apartment projects in good locations with solid demand that provide amenities and services to address the needs of seniors and enable them to age in place. They also look for sponsor experience in developing senior tax credit properties.

"We want a deal that provides services," says Hand. "It can be a wide variety. What's important is that there be services that will not only attract seniors but also provide a sense of community."

Goldstein added, "In addition to just market demand, you have to think a great deal about design and the needs of seniors at various points in their lives. A 55 year old is a bit different from a 65 year old or 75 year old."

Goldstein says Boston Capital likes to see such property features as social events, meal programs, and health care services.

Customized Service Plans

The Shelter Group devises a customized tenant services plan for each of its senior properties. The specific activities and services are determined by what the residents want, the availability of particular services and service providers (e.g., nonprofits), the cost of services, the availability of grants or other subsidies to help pay for services, and the project's budget. In some cases local nonprofits provide services for free; in other cases service providers charge.

Common social activities at Shelter's affordable senior properties include bingo nights, speakers, coffee hours, parties, and even Wii video game competitions. "Those have really taken off," says Hettleman. On-site services often include health care screenings, flu shots, exercise and other classes, computer and Internet training, library book drop-offs, and on-site meal programs or delivered meals.

Shelter also tries to arrange for transportation for residents so they can go to the doctor, go shopping, etc. This may mean coordinating with local governments or transit agencies that provide van-type service. Shelter has also used grants to purchase three vans that are shared by many of its affordable senior properties.

In addition, to better serve residents, address the aging-in-place issue, and generate added revenues, Shelter has helped create a new company called Tribute Home Care that will offer senior residents various services to assist them with daily living that are ineligible for Medicare reimbursement. "Housekeeping, medication management, shopping, dressing, bathing – whatever they want," Hettleman says.

At Homes for America, Inc. (HfA), a nonprofit housing sponsor based near Annapolis, Md., services are also a crucial element at its 35 affordable senior rental properties – including 30 LIHTC projects – in the Mid-Atlantic.

Julie McCabe, HfA's Manager of Resident Service Programs, who oversees the design and delivery of services at all of the nonprofits' rental properties, says a services package is crafted for each development. Some senior properties have an on-site resident services coordinator, such as in cases where a grant is obtained to fund this position, but at most properties the site manager helps to coordinate the services.

HfA President Nancy Rase says that property operating budgets typically can't afford an on-site resident services coordinator and comprehensive services. As a result,

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Homes for America relies heavily on services and programs provided by local nonprofits, local agencies, and other entities that HfA partners with in order to cost effectively deliver services to its residents and address their needs.

HfA's senior properties see "strong demand," says Rase. "We pretty much have waiting lists everywhere." In 2011, the average occupancy rate was 95% and the average turnover rate a bit less than 14%. According to Rase, 90% of the senior units are occupied by individuals; 9.2% by two persons; and 0.2% by three or more persons. HfA's senior properties typically contain a mix of one- and two-bedroom apartments.

Creativity Required

Creativity is certainly the watchword in developing affordable senior rental housing projects these days.

For instance, Homes for America, in partnership with a local nonprofit that runs the local senior center, developed a senior property in Hurlock, Md. next to a building that houses both the senior center and a respite care facility for disabled persons. "We even have a walkway that connects the two buildings so that [residents] can get over there for their activities," says Rase.

At several of its senior properties in Anne Arundel County, Md., Homes for America has partnered with the county Department of Aging for weekday delivery of hot meals to residents. It's also partnered with several senior centers that pick up its residents and take them to and from the senior center. Homes for America pays the senior center for the cost of transportation and the residents' annual membership fees.

LDS Consulting Group's Lynne Sweet reported one client is planning to use federal housing tax credits to create affordable one- and two-bedroom apartments for seniors in Webster, Mass. through the renovation and adaptive re-use of an historic former school building in which the town is going to locate the local senior center. The site is next to City Hall and a library and a block from the hospital. "There really is no senior housing choice today in this part of Massachusetts, the Greater Worcester area," Sweet says.

Rase reported that more and more residents at HfA's senior rental properties are being served on site by visiting home health care nurses and personnel; the services are Medicare-eligible. "Home health care works," says Rase. "We certainly encourage and facilitate that."

According to LeadingAge's Nancy Libson, new models of combining affordable housing and health care for seniors are emerging, often tapping both federal housing dollars or incentives and federal health care monies.

An example of a hybrid model is the co-location of "PACE Centers" in buildings containing affordable apartments for seniors or adult day health centers.

PACE (Program of All-Inclusive Care for the Elderly) is a federal program that provides comprehensive long-term health care services and supports to Medicaid and Medicare enrollees, delivered in coordinated fashion by teams of health professionals. Recipients receive care at home or at another location, such as at a PACE Center.

Libson reported that PACE Centers have been co-located in some public housing communities in Pennsylvania. TCA

Park View at Severna Park
Severna Park, Maryland
Developer: The Shelter Group
Photo by Ken Wyner

Requirements for Tax Credit Senior Housing

By A. J. Johnson


A. J. Johnson

Many low-income housing tax credit properties are designated as "senior housing" or "housing for the elderly." This is often a requirement of a project's extended use agreement – sometimes known as a Land Use Restrictive Agreement or "LURA." When state tax credit allocating agencies want to see additional senior housing developments, they often award points in their competitive allocation cycles to applications from developers promising to restrict their proposed LIHTC project to seniors.

LIHTC program regulations do not contain any specific requirements regarding senior housing. For a property to qualify as "senior," it must meet the requirements of federal fair housing law.

The Fair Housing Amendments Act of 1988 added families with children under age 18 ("familial status") as another protected class. As a result, rental housing properties may not restrict occupancy to adults only. There is an exception, however, for properties that qualify as "housing for older persons." The purpose of this exception is to ensure that the familial status provisions of the Fair Housing Act do not unfairly limit housing choices for elderly persons. This exception, though, does not permit a "dual purpose" facility, where part of a housing project is designated for elderly residents and part is open to anyone.

Three Qualifying Tests for Senior Housing

To qualify under this exception, a residential rental property must meet one of the following three tests:

1. *Housing provided under any state or federal program that the U.S. Department of Housing Urban Development (HUD) determines is specifically designed and operated to assist elderly persons.* This recognizes that housing developed for elderly persons under government programs may be custom-tailored to the special needs of elderly persons and may exclude children. HUD and USDA Rural Development (RD) elderly projects fall within this category, although neither HUD nor RD have designated any of their elderly housing programs as exempt from the familial status provisions of the Fair Housing Act. Therefore, children of otherwise qualified applicants are permitted in these properties. HUD and RD elderly housing projects also classify apartments occupied by handicapped/disabled residents as elderly units.

2. *Housing intended for, and solely occupied by, persons 62 years of age or older (62+).* To qualify under this, all residents of the property must be at least 62. A couple consisting of a 62-year-old husband and 59-year-old wife, for example, would not be eligible for occupancy. The only people under 62 who can live in the property are a site employee (and their family) or a live-in-aide necessary for the care of a 62+ resident. In addition, the property must be "intended" for persons 62+. Therefore, a property that has 10 one-bedroom apartments occupied solely by persons 62 and older will not be considered to be senior housing unless the property's units are intentionally leased to 62+ renters.

3. *Housing intended and operated for occupancy by persons 55 years of age or older (55+).* This is housing in which at least 80% of the units are occupied by at least one person aged 55 or older. In addition, the property must comply with HUD rules regarding verification of such occupancy by reliable surveys and affidavits, and publish and follow policies and procedures demonstrating an intent to provide housing for persons 55+. This provision was amended in 1995 to require all advertising, programs, and policies to clearly state that the property is for older persons. The 1988 law required the housing to provide "significant facilities and services specifically designed to meet the physical and social needs of older persons." As now written, though, the rule only requires that a property have policies and procedures demonstrating an "intent" to provide housing for this age group. While this is much less restrictive than the requirements for 62+ housing (No. 2 above), this exception places more requirements on a property. However, any property intended for older persons will certainly meet these requirements and the 55+

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test is generally recommended. Verification that this threshold test has been met is required, which is achieved through "reliable surveys and affidavits."

Potential Traps, Recommendations

Developers, owners, and managers choosing No. 3 above should be aware of two potential traps. First, units occupied by on-site employees younger than 55 are not included in the unit count for purposes of determining compliance with the 80% threshold test. Secondly, in new construction projects the 80% test must be met once 25% of the units have been occupied.

Care should also be taken with the other 20% of units. The law permits less than 100% elderly occupancy in properties to accommodate surviving spouses under age 55 and to allow live-in individuals that care for elderly residents (e.g., nurses, aides).

Following are some general recommendations in this area for housing providers and managers:

- Make sure that properties stay well above the 80% threshold in order to avoid falling below this crucial marker due to the death of a surviving spouse, etc. A good policy is to require that all units be 55+;
- Ensure that all marketing and internal operations clearly show that the property is intended for persons age 55+. An ad or other marketing should make it clear that the entire development is intended for persons 55+. A property advertised as 80% senior and 20% non-senior will be treated as a family property; and,
- For a new project, when the requirement for senior housing is part of a LURA or local regulatory agreement, owners should ask the allocating agency to word the LURA to allow the property to use the 55+ test as the standard for meeting the LURA's requirements. In other words, try to avoid having a LURA that requires all residents to be 62+. TCA

A. J. Johnson is president of A. J. Johnson Consulting Services, Inc., a Williamsburg, VA-based full service real estate consulting firm specializing in due diligence and asset management issues, with an emphasis on low-income housing tax credit properties. He may be reached at 757-259-9920, ajjohn@cox.net.

Refinancing Section 202 Properties

Program Changes Offer Opportunity

By Matt Henney, Lancaster Pollard

Changes made by the U.S. Department of Housing and Urban Development (HUD) during 2012 to its Section 202 Supportive Housing Program for the Elderly make it more attractive for non-profit owners to prepay and refinance their existing loans during the current low interest-rate environment.

What Properties Are Eligible?

Modifications made by Housing Notice 2012-08 apply to owners of 202 properties built before 1992 who must obtain HUD's consent to prepay their original direct loan. But owners not requiring HUD permission may also take advantage of the notice's benefits.

Owners of properties generally built during 1972-91 that have 202 mortgages with interest rates of 6% or higher must demonstrate that there would be annual debt service savings to be able to refinance. Refinancing proceeds can be used to fund needed repairs to the property or a replacement reserve.

Matt Henney

Properties generally built during 1959-71 with loan rates below 6% do not have to show debt service savings to refinance. But the property must undergo "substantial rehabilitation," i.e. the replacement of two or more major building components or rehab of more than $12,025 to $17,550 per unit, depending on location.

What's Different?

The notice requires 202 owners seeking to prepay their loan to enter into a use agreement extending 20 years beyond the original loan's maturity date. At refinance, the owner enters into a new HAP contract adding 20 years to the old contract.

The new guidance clarifies that allowable uses of loan proceeds include:

- Additional supportive services for elderly tenants.
- Rehabilitating, modernizing, retrofitting, or reconfiguring the current structure, including common areas or apartments.
- Construction, with HUD's approval, of an addition or new facility for the elderly, provided this is in the same geographic area and has the same owner.
- Payment of a developer fee to the owner, sponsor, or third-party developer (see details below).
- Transaction costs for secondary financing (e.g., third-party reports, loan fees, closing costs).
- For other eligible HUD-assisted senior housing projects. This requires HUD approval and a 10-year use agreement on the benefiting property that includes a rent reduction for unassisted tenants.

New Benefits

Notice 2012-08 permits a larger potential developer fee. Before, this was capped at 15% of the amount of the total repairs to be performed on the property. Now,

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the cap is 15% of acceptable development costs or, if low-income housing tax credits are being used, the fee permitted by the state's LIHTC program. Acceptable development costs include costs of acquisition or loan prepayment, initial reserve deposits, and transactions expenses. The developer fee is paid at closing.

To illustrate this potential increase in the developer fee, assume that an owner of a Section 202 property built in 1985 in need of capital improvements plans to perform $1 million in repairs, fund a $500,000 initial deposit to a replacement reserve to meet future capital needs, pay off existing debt of $2 million, and pay all transaction costs. Before Notice 2012-08, the developer fee would be capped at $150,000. With the change, the cap is nearly $550,000.

REFINANCE COSTS	BEFORE NOTICE	AFTER NOTICE
Repairs and Improvements	$1,000,000	$1,000,000
Initial Deposit to Replacement Reserve	$500,000	$500,000
Prepayment of Existing 202 Debt	$2,000,000	$2,000,000
Transaction Costs (estimated at 3% of loan)	$112,887	$125,065
Developer Fee	$150,000	$543,760
New Loan Amount	**$3,762,887**	**$4,168,824**

Disadvantages

HUD whittled back some of the benefits from Notice 2012-08 in clarifying guidance issued in September in a frequently-asked-questions (FAQ) document.

The primary clarification was how new 20-year HAP contracts are to be set. Previously, 202 owners could refinance at a lower interest rate and keep the rents the same. Annual debt-service savings had to either fund a debt-service-savings escrow or be funneled into residual receipts. In either case, these funds could be used to benefit the property's residents.

The FAQ essentially removed the concept of ongoing debt-service savings, clarifying that the budget created for the new 20-year HAP contract should use post-refinance debt service, which will be smaller than the current 202 debt service. Depending on the size of annual debt-service savings, this could potentially reduce contract rents.

To minimize this negative impact, owners can recapitalize their properties. The incentives established by Notice 12-08, the FAQ, and HUD's Section 8 renewal guide encourage owners to take the full developer fee, fully fund the replacement reserve, and perform as many repairs and upgrades as necessary. The result is a modern facility that continues to provide safe and affordable housing for area seniors. The byproduct is a new 202 debt service amount comparable to the old one, minimizing the potential for a contract rent reduction. If debt-service savings are left after recapitalization, the loan term can be decreased to minimize the risk of a rent cut. Rental income should be sufficient to cover all operating expenses and debt service, since the rents are based on the property's budget. The owner can also request annual operating-cost adjustments for the project going forward to offset rising increases.

Second Refinancing

A 202 property refinanced a second time (re-refinanced) with an FHA-insured loan is no longer exempt from Mark-to-Market restructuring and may not, when the HAP contract expires, renew at above-market-rate or exception rents. These rents are possible for current 202 owners, but recent changes to the Section 8 renewal guide have reduced the significance of this advantage.

A re-refinancing through HUD's Section 223(a)(7) program may still make sense depending on several factors (e.g., current rents relative to the market, the remaining HAP contract term, the current loan rate).

A 202 property refinanced a second time with a conventional loan keeps its Section 8 exemption status and can renew its HAP contract under Option 4. But conventional loans are generally not as large as FHA loans and typically have higher rates and shorter terms that can generate a higher annual debt service burden.

In figuring out how to continue providing affordable housing for seniors in their communities, nonprofits need to think strategically about when to refinance their Section 202 properties and about how much rehab to perform. They must assess the pros and cons of refinancing with the additional use restrictions that come with it. Still, for owners looking to upgrade their 202 property, the combination of current low current interest rates and the benefits from the new HUD guidance may make the present a good time to refinance. TCA

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The Bluffs at Nine Mile Creek
Eden Prairie, Minnesota
Photo by Dominium

Beyond 100% Tax Credit

Keys for Successful Mixed-Income LIHTC Properties

By Allen Feliz, TCAM

Especially strong and effective strategies and execution in marketing, leasing, management, and compliance are essential for success in mixed-income low-income housing tax credit (LIHTC) projects, according to our observations and "do's" and "don'ts" from developers, owners, and property managers.

A typical mixed-income LIHTC project is a development in which at least 20% of the apartments are leased at restricted rents to low-income households making up to 60% of the area median income and the remaining units are leased at unrestricted rents to households of any income. These latter "market-rate" units may have significantly higher rents than the LIHTC units.

The most common types of mixed-income LIHTC projects are redeveloped public housing communities funded by federal HOPE VI grants, which usually have a mix of public housing, tax credit, and market-rate units, and "80-20" developments financed by tax-exempt bonds. In addition, some states have density bonuses, inclusionary zoning ordinances, and other land-use regulations that promote mixed-income developments. Common in states such as California, these programs require developers of market-rate single-family homes to simultaneously provide a certain amount of affordable rental units.

Allen Feliz

Given the huge demand for affordable rental housing, leasing up the LIHTC units in a mixed-income development is relatively easy. The keys to success are (1) attracting and retaining a sufficient number of moderate-income renters to fill the market-rate units, and (2) creating an appealing and comfortable atmosphere within the community for residents of all income levels.

The first step is having the right product.

Successful mixed-income projects generally have larger apartments and better amenities than 100% LIHTC developments. At Dominium, a Minneapolis-based multifamily developer/owner/manager, its mixed-

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Mixed-income, continued from page 30

income LIHTC properties offer a wider variety of floor plans and feature larger apartments with better finishes and more appliances (e.g., in-unit washers/dryers, high ceilings) than the company's 100% LIHTC developments. They also have underground parking and such features as enhanced fitness centers, clubhouses, rooftop decks, and game rooms.

For example, The Bluffs at Nine Mile Creek, a Dominium property in Eden Prairie, Minn., has underground parking, a fitness center, movie room, swimming pool, and other upscale amenities. The eight-year-old bond-financed development, now 95% occupied, has 63 LIHTC units with monthly gross rents ranging from $720 to $858 and 125 market-rate units renting from $1,155 to $2,000. Dominium constantly updates its mixed-income properties as they age with a robust maintenance program and new amenities and services to keep them attractive and competitive in the market. For instance, common areas such as community rooms, theaters, and fitness rooms are periodically re-furnished with couches, new equipment, and art work. Festive events such as Oktoberfest and chili cook-offs often feature live music performed free of charge by local bands.

Dominium offers services and activities that appeal to residents of all income levels and does not tailor services to any specific income band.

Services and Activities Crucial

Services and activities are crucial for successful mixed-income projects. Dominium offers services and activities that appeal to residents of all income levels and does not tailor services to any specific income band. Budgets for these social services are typically larger at its mixed-income properties compared to its 100% LIHTC developments, and common areas – used for social gatherings and other tenant events – are usually larger as well.

The amenities and services previously described are typically available at mixed-income properties with a higher proportion of market-rate units. At properties with a higher share of affordable units, such as HOPE VI developments, services may be tailored more toward the needs of lower-income tenants. For example, Interstate Realty Management, an affiliate of The Michaels Organization, Marlton, N.J., offers residents health care seminars, scholarship opportunities, job training, and employment opportunities.

Marketing, Leasing, Management

Executives reported that the marketing, leasing, and management strategies and techniques that their companies use for their mixed-income developments are generally the same as for their 100% LIHTC properties.

Brendt Rusten, Senior Vice President of Asset Management, and Jean Ferguson, Vice President of Property Management, believe that Dominium's success with mixed-income properties is due to marketing to prospective tenants across all income bands in the same fashion, presenting each development as "one property."

Dominium's comprehensive marketing strategy is similar for both its mixed-income and 100% low-income properties and includes print and online advertising, community outreach, and open house events. Marketing plans for Dominium-managed properties differ mostly by location. For example, less outreach is needed for properties in stronger, high-demand markets.

Similarly, Finlay Management, Inc., a Jacksonville, Fla.-based firm, employs the same advertising and marketing vehicles to target prospective affordable and market-rate renters.

At New Orleans, La.-based Latter & Blum, Inc., site managers begin the lease-up process at least 90 days prior to receiving certificates of occupancy. During this period they obtain a temporary CO to create a model unit and begin taking calls to build a waiting list. The firm advertises each property on the company's Web site and apartment Web sites and places ads, for example, on buses and at the local airport.

These owners/managers stress the importance of hiring and retaining highly qualified and motivated site management employees to assure successful lease-up and operation of mixed-income properties. They also mention having site staff willing to go the extra mile. For example, site managers for Finlay Management and Interstate Realty Management actually help new tenants move into their apartments.

Successful companies also often invest more

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Mixed-income, continued from page 32

resources in maintenance and capital improvements at their mixed-income properties to help in attracting and retaining residents.

LIHTC Compliance

The operators employ the same basic screening checks for prospective affordable and market-rate tenants (e.g., credit, criminal, background, employment).

A big difference, though, is in tax credit program compliance – making sure that the mixed-income property satisfies the LIHTC program requirements. As in 100% low-income properties, this means verifying that households applying for and living in the LIHTC units meet the tax credit program's income limits and other eligibility requirements.

However, owners and managers at mixed-income LIHTC properties must keep close track of which units are occupied by qualified low-income households and which units are occupied by market-rate residents in order to assure that the property's applicable fraction (i.e., minimum set-aside requirement) is met continuously. They must also monitor LIHTC households for income increases that would trigger the tax credit program's "next available unit" rule; make sure there is a proper distribution of affordable and market-rate tenants among comparable units; and properly manage move-ins, move-outs, and unit switches by tax credit residents to assure ongoing compliance.

Mixed-income tax credit properties must be managed effectively in order to be successful. Attentive and highly qualified site staff as well as sound maintenance programs that keep buildings and apartments in excellent physical condition are important for all types of multifamily rental housing developments. However, these features and strategies are even more crucial for mixed-income properties. TCA

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People in the News

Doug Snyder and **Trent Carroll** have joined Volunteers of America, a national nonprofit housing developer/owner, as Development Directors in Denver and Detroit, respectively. Each is focusing on development, acquisition and recapitalization of affordable housing opportunities in their multistate regions. Both were previously consultants.

Ted Toon has been named Director of the Office of Multifamily Housing Development at the U.S. Department of Housing and Urban Development (HUD) and **Margaret Salazar** has been named Deputy Director of HUD's Office of Affordable Housing Preservation.

Orlando J. Cabrera has joined Squire Sanders in its Washington, D.C. office to lead its Housing, Tax Credits and Community Development Industry Group, a new group within the real estate practice.

Brian Hudson, Executive Director & CEO of the Pennsylvania Housing Finance Agency, was elected as the new President of the National Council of State Housing Agencies at NCSHA's 42nd Annual Conference in Orlando in late October.

Larry Curtis, President and Managing Partner of Boston-based WinnDevelopment, has been elected to the Board of Trustees of the National Trust for Historic Preservation. Curtis is also a member of the Board of Directors and a past chairman of the National Housing & Rehabilitation Association.

Paul Barrett has joined multifamily housing mortgage lender Oak Grove Capital as Senior Vice President. He will focus on new loan originations and lead a new office the company is opening in Boston. He was previously the Northeast director for the AFL-CIO Housing Investment Trust. TCA

Schmidt Artist Lofts
Saint Paul, Minnesota
Photo by Dominium

Creating Housing from Jewels

Dominium Renovates Unique Historic Buildings into Apartments

Minneapolis-based Dominium is as much a developer of historic preservation projects as it is of multifamily rental housing.

The company, a major Midwest owner, developer, and manager of affordable, market-rate, and mixed-income apartment projects, utilizes federal and sometimes also state historic tax credits to help fund many of its developments.

These tax credits – and the equity they generate – help close the funding gap to enable Dominium to redevelop historic buildings, according to Dominium Partner Jeff Huggett and Senior Development Associate Owen Metz.

Huggett said the company will undertake an historic preservation project if the location makes sense and if the structure is an important part of a redevelopment district and contributes to a neighborhood or region. The historic buildings that Dominium renovates into apartments are usually in urban locations near jobs, shopping, services, and public transportation.

Photo by Dominium

Jeff Huggett

Huggett noted Dominium also looks for historic buildings with large windows that can be redeveloped to offer unique floor plans. Dominium's renovated buildings and the apartments within are often much more distinctive than new developments, providing a cachet with consumers. "You can get amazingly unique structures," says Huggett. "And unique structures usually provide unique living spaces for people. And our customers really appreciate that."

The latest example is the Schmidt Artist Lofts in Saint Paul, Minn., Dominium's largest project ever at a total development cost of $122 million. Recently closed and under construction, the project will include 247 affordable "live/work" loft apartments targeted to local artists, created from the renovation and adaptive re-use of the 400,000-square-foot historic brewhouse and bot-

Dominum, continued on page 36

Dominium, continued from page 35

tling buildings that were once part of the former 15-acre Schmidt Brewery. Constructed in 1855, the complex was used to brew beer under various owners until 2002 but had been vacant for more than 10 years prior to the closing and was the subject of failed redevelopment attempts. Funding for the project includes equity generated by federal and Minnesota state historic tax credits and the federal low-income housing tax credit, tax-exempt bond financing, tax increment dollars, environmental grants, and other sources.

A local nonprofit is redeveloping nearby buildings that were part of the brewery complex for commercial uses.

Photo by Dominium

Metropolitan Artist Lofts, St. Louis, Missouri

A Preference for Artists

Huggett and Metz noted that a number of Dominium's historic tax credit projects provide a preference in occupancy to artists. At each of these properties, a panel made up of residents or representatives of the local arts community screens applicants to verify that they are committed to the arts and meet certain threshold qualifying requirements. Dominium also crafts its marketing to appeal to artists. The Web site for Metropolitan Artist Lofts says, "Our goal is to create an energy-filled environment of collaborative inspiration."

The developments are designed with features appealing to artists, including apartments that often have large windows and high ceilings. In addition, the buildings typically have fitness centers and common area spaces where artists – painters, sculptors, potters, dancers, musicians, actors – can work, practice, display their work, or put on performances. "We'll do things like clay studios, paint studios, several mixed-media type rooms and studios, and performance spaces," says Metz. "Residents don't pay anything extra for it, so it increases the value of those units."

Photo by Dominium

Owen Metz

Additional examples of Dominium's historic preservation artist live/work loft apartment projects include:

- **Metropolitan Artist Lofts, St. Louis, Mo.**
  Completed in the fall of 2012, this $23 million project contains 72 affordable one- and two-bedroom apartments, ground-floor studios and spaces for artisans, and underground parking created from the renovation and adaptive re-use of an historic eight-story building. "We achieved 100% occupancy in the first month of opening," says Huggett. The building, in St. Louis' Midtown Historic District and the Grand Center Arts District, was constructed in 1908 and once housed physicians' offices but had been vacant for many years.

- **Leather Trades Artist Lofts, St. Louis, Mo.**
  Opened in the fall of 2011 and fully leased within 30 days, this development has 86 affordable one- and two-bedroom apartments as well as studios and other facilities and spaces for artists. Constructed in 1912 and located in a former manufacturing district, the historic building originally contained a leather tanning business and for years had various tradesmen, craftsmen, and artists as tenants. Prior to

Dominium, continued on page 37

Dominium, continued from page 36

Dominium coming along, though, it was vacant and had been the subject of several failed residential redevelopment attempts. The $20.8 million project was funded by tax-exempt bonds, equity generated by federal and state historic and housing tax credits, and other sources.

- **A-Mill Artist Lofts, Minneapolis, Minn.** Dominium is redeveloping the former Pillsbury A Mill, completed in 1881 and the largest flour mill in the world for 40 years, into 251 live/work apartments for artists as well as studios and other facilities. Located on the banks of the Mississippi River, the property – a National Historic Landmark – will offer studio, one-, two-, and three-bedroom apartments. The building had been vacant for more than a decade and the prior developer had been foreclosed upon after a planned condo project failed. Dominium's estimated $135 million project will be funded by tax-exempt bonds, equity generated by federal and state historic tax credits, low-income housing tax credits, environmental grants, and other sources.

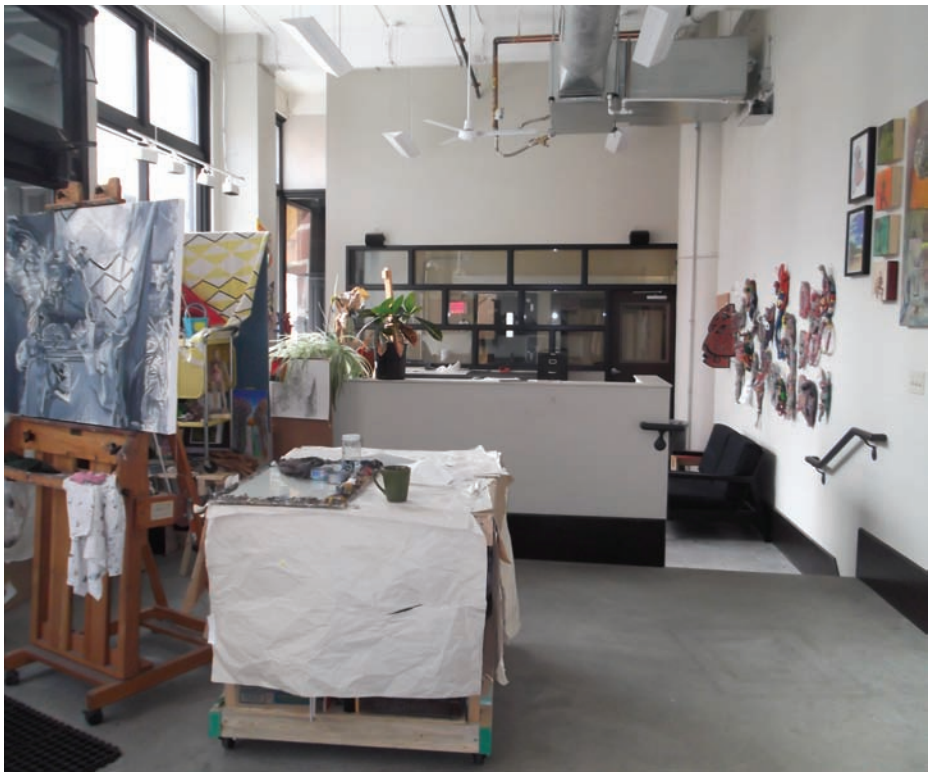


Photo by Dominium

Paint Studio at Leather Trade Artist Lofts, St. Louis, Missouri

Fundamental Requirements

According to Huggett, Dominium has developed some historic preservation projects that are 100% affordable apartments, some that are 100% market rate, and some that are a combination of affordable and market-rate. The company has been most active in developing historic preservation projects thus far in Iowa, Kansas, Minnesota, Missouri, Wisconsin.

The company's first historic tax credit project was also the adaptive re-use of another former brewery, the former Blatz Brewing Company building in downtown Milwaukee, in the late 1980s.

In selecting historic buildings for projects, Huggett says that Dominium looks for properties, primarily urban, that are well-located. "They're good real estate," he notes.

Another fundamental requirement is a sufficient number of windows to allow for light-filled apartments and common spaces. "People love light," Huggett says.

The last requirement is the ability to cobble together enough dollars and subsidies from different sources to make a transaction pencil out. "It's important to have the proper amount of resources to bring back these jewels," Huggett noted.

Metz said that some projects are feasible with just the federal historic tax credit and either the federal housing tax credit or market-rate rents. "But it's unusual that you can get a deal to work without some other type of resource besides just the federal historic tax credit," he notes. "That 20% credit just doesn't do enough."

Often the gap filler is a state historic tax credit. These are available in many states, including Iowa (25% of qualified rehab costs), Kansas (25%), Missouri (25%), Minnesota (20%), and Wisconsin (5%). Some states, such as Missouri, also have state affordable housing tax credits. Dominium also taps hard or soft debt of some type. Local tax abatement, tax-increment funds, and environmental grants or credits are other financing tools that it utilizes. TCA

Celebrating Harlem

Unique New Markets Project to Offer Housing, Educational, Cultural Opportunities

In the West Harlem section of New York City, the federal new markets tax credit is helping to finance the development of an $80 million mixed-use project that will contain affordable rental and supportive housing units, an early childhood center, and a unique children's museum that celebrates the neighborhood's history, bringing new housing and educational opportunities to a distressed community.

The new development, called Sugar Hill, is sponsored by Broadway Housing Communities, a nonprofit housing developer of permanent supportive housing for low-income and homeless individuals and families in Harlem.

Housing, Other Functions

The project, expected to be completed in late 2013 or early 2014, will contain 124 affordable studio to three-bedroom apartments, of which 25 units will be designated as supportive housing units for formerly homeless individuals or families. Of the 124 units, 30% will be rented to households making 30% or less of the area median income (AMI), 40% rented to households at 50% or less of AMI, 10% rented to households at 51% to 60% of AMI, and 20% rented to households making no more than 80% of AMI.

An early childhood education center in the same 13-story building, associated with the Head Start program, will serve 100 to 120 local preschool-aged children. The Sugar Hill Children's Museum of Art and Storytelling will serve children from pre-kindergarten through fifth grade as well as other visitors.

According to Broadway Housing Communities, the children's museum will be a new cultural institution celebrating the rich heritage of the historic neighborhood and engage visitors in activities related to art and storytelling. It will house galleries to display artwork generated in or inspired by Harlem, both by renowned artists and by the children. There will also be spaces for art making, performances, and workshops; a museum shop; a café; nonprofit office space; underground parking; and other features.

Rich Cultural Past

The development site is on the northern edge of West Harlem's Sugar Hill historic district, which has a rich cultural and African-American history. Sugar Hill was named in the 1920s as an epicenter of the Harlem Renaissance when African American intellectual and social prominence and wealth flourished. Sugar Hill residents included musicians Count Basie, Duke Ellington, Cab Calloway, and Paul Robeson; NAACP founder W.E.B. Du Bois; writers Langston Hughes and Zora Neale Hurston; boxer Joe Louis; U.S. Supreme Court Justice Thurgood Marshall; actress Lena Horne; and civil rights activists Roy Wilkins and Rev. Adam Clayton Powell. The Sugar Hill area was named a municipal historic district in 2000.

The area, however, is characterized by a high poverty rate, overcrowded housing, rising housing costs, high unemployment, and low educational performance. The site stands at the crossroads of three distinct communities: Washington Heights, a stronghold of the region's Dominican population; Central Harlem, primarily African American; and West Harlem, a mixed community of blacks, whites, and Hispanics.

At the project's groundbreaking ceremony in July, Ellen Baxter, Founder and Executive Director of Broadway Housing Communities, said, "Sugar Hill is the culmination of Broadway Housing Communities' 30-year commitment to create opportunities to strengthen individuals, children, and families and communities with access to affordable housing, early childhood education, and cultural opportunities – three integral components of a sustainable and vibrant community."

Multiple Funding Sources

A large number and wide variety of private, public, and philanthropic funding sources are being utilized for the project. These include federal new markets tax credits, federal low-income housing tax credits, federal HOME program dollars provided by the New York City Department of Housing Preservation & Development,

Sugar Hill, continued on page 39

Sugar Hill, continued from page 38

funding from the state's Housing and Homeless Assistance Program, multiple grants, and other sources.

The Corporation for Supportive Housing provided an $11 million new markets tax credit allocation for the project – one of three developments supported by NMTC allocations from CSH. All three contain some supportive housing units. TCA

Coalition Releases Reports on Impact of New Markets Tax Credit Program

The New Markets Tax Credit Coalition recently released an economic impact report that provides estimates of the benefits generated by federal new markets tax credit (NMTC) program investments during 2003-2010. According to the report, during this period NMTC investments created more than 500,000 jobs in economically distressed communities across the nation. In addition, they generated more than $5.3 billion in federal tax revenues and more than $3 billion in state and local tax revenues – much more than the cost to the federal government in lost federal tax revenues. In 2010 alone, NMTC investments produced 124,000 permanent jobs and nearly $1.1 billion in federal tax revenues, offsetting the estimated $720 million cost of the program. The same day, the Coalition released a second report describing scores of individual NMTC projects throughout the U.S. TCA

(http://tinyurl.com/cec86re)

In Brief

Richman Group Closes Multi-Investor Fund

On November 26, the Richman Group Affordable Housing Corporation announced the closing of a $186.5 million low-income housing tax credit fund, U.S.A. Institutional Tax Credit Fund LXXXVIII L.P. The multi-investor fund, with a projected after-tax return to investors of 6%, has 10 banks as investors and will fund a diversified portfolio of properties in 16 states containing 1,683 units.

Morgan Stanley, NEF Expand Disaster Relief Fund

Morgan Stanley and National Equity Fund, Inc. are expanding their joint Rebuilding Local Economies Fund with $75 million to support the development of additional low-income housing tax credit projects in communities devastated by Hurricane Sandy to replace lost housing. The fund, launched in 2011, finances affordable housing for low-income residents in FEMA-declared disaster areas while also jump-starting economic activity with new jobs and development activity. The now $200 million fund has already committed $108 million to development projects across parts of the Midwest and South that were battered by tornadoes and floods over the last 18 months. The new $75 million commitment will focus exclusively on parts of New York, New Jersey, Connecticut, Rhode Island, and other areas hit by the hurricane.

Red Stone Announces Closing of Preservation Transaction

New York-based Red Stone Partners recently announced the closing of a tax-exempt bond transaction through its Direct Bond Purchase Program. Red Stone structured and acquired $12.1 million of tax-exempt bonds issued by the Philadelphia Authority for Industrial Development. The bond proceeds will fund renovations and a permanent mortgage for Beckett Gardens, a 132-unit Section 8-assisted property in Philadelphia, Pa. The property was acquired by and will be rehabilitated by an affiliate of SA+A Development ("SA+A"), a national affordable housing developer specializing in urban preservation transactions. Additional funding for renovations is coming from approximately $6 million in low-income housing tax credit equity provided by Stratford Capital Group.

(http://tinyurl.com/cre8p43)

NYU Releases Policy Brief on LIHTC Tenant Traits

New York University's Furman Center and Moelis Institute recently issued a policy brief, entitled, *What Can We Learn about the Low Income Housing Tax Credit Program by Looking at Tenants?* The new analysis, based on a lengthier previous report, describes characteristics of residents of numerous urban, suburban, and rural LIHTC properties based on data collected from state allocating agencies and other sources. Findings include that 40% of the units were occupied by tenants making less than 30% of the area median income and that nearly 70% of these tenants receive some type of rental assistance.

(http://tinyurl.com/azd8ax2) TCA

State Roundup

North Carolina Releases Final 2013 QAP

The North Carolina Housing Finance Agency recently published its final qualified allocation plan (QAP) for its 2013 low-income housing tax credit program as well as releasing an online application. One funding round will be held. Deadlines are January 25, 2013 for pre-applications and May 17 for full applications.

(http://tinyurl.com/d6ndjg3

Nebraska Releases Final 2013 Allocation Plan

The Nebraska Investment Finance Authority recently issued its final qualified allocation plan for its 2013 low-income housing tax credit program. For the first time, NIFA will utilize an online application. Two funding rounds will be held. Deadlines for Round 1 are February 4, 2013 for submission of full applications for threshold review and March 18 for submission of final full applications. For Round 2, the deadlines are May 6 and June 3, 2013.

(http://tinyurl.com/cf3m66t)

Delaware Releases Draft 2013 QAP

The Delaware State Housing Authority recently released for public comment a draft 2013 qualified allocation plan for its low-income housing tax credit program. One funding round is proposed with an application deadline of April 12, 2013.

(http://tinyurl.com/7zztbnu)

Texas Releases Final 2013 QAP and Multifamily Rules

The Texas Department of Housing & Community Affairs recently released its final 2013 qualified allocation plan for its low-income housing tax credit and its final Uniform Multifamily Rules. The latter govern the agency's multifamily housing funding programs, including the LIHTC and multifamily housing bond programs. One funding round will be held for housing tax credits. Deadlines are January 8, 2013 for pre-applications and March 1, 2013 for full applications.

(http://tinyurl.com/425dkbc)

Ohio Senate Approves New Markets Legislation

On December 7 the Ohio Senate passed a bill (SB 327) that would extend the state's new markets tax credit program and divide it into two parts: the New Markets Revitalization Tax Credit program, with a volume cap of $15 million, and the New Markets Expansion Tax Credit program, with a volume cap of $35 million. The measure was sent to the state House of Representatives for consideration.

(http://tinyurl.com/7hk46w4)

Maryland Provides Update on 2013 QAP Revision

The Maryland Department of Housing and Community Development recently issued a notice providing an update on the agency's progress in revising its qualified allocation plan and guide for its 2013 low-income housing tax credit program. The notice said release of the draft documents is now anticipated in January 2013, with plans to hold a public hearing shortly afterwards and to release a second draft in February. The agency said the goal is have a final version of the 2013 QAP and guide in place in March 2013, well ahead of a competitive funding round in late summer or early fall.

(http://tinyurl.com/dy3l8fw)

Arizona to Hold LIHTC Application Workshop

The Arizona Department of Housing has announced that it will hold a 2013 low-income housing tax credit application workshop on January 23, 2013 in Phoenix. Attendance is mandatory for developers planning to apply for housing tax credits in the 2013 funding round.

(http://tinyurl.com/d268zsz)

South Carolina Releases Final 2013 QAP

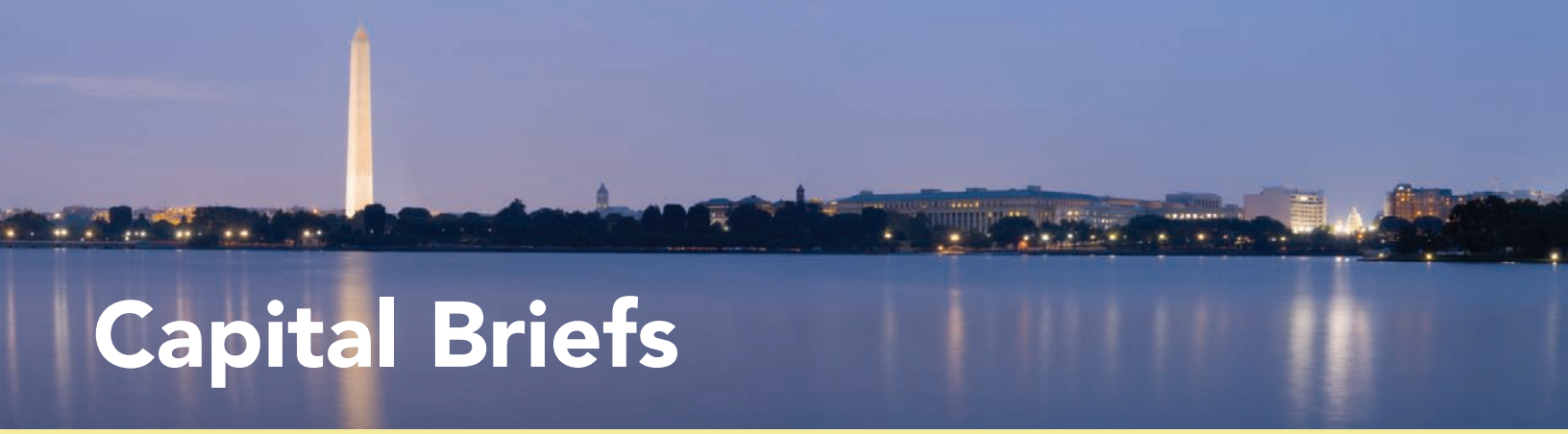
The South Carolina State Housing Finance & Development Authority has issued a final qualified allocation plan and manual for its 2013 low-income housing tax credit program. One funding round will be held. Applications will be accepted March 4-8, 2013.

(http://tinyurl.com/buysovg)

Virginia to Host Universal Design Seminar

The Virginia Housing Development Authority will host a seminar on universal design on January 31 in Glen Allen, Va. It will allow design professionals to meet criteria for extra points under VHDA's QAP in its LIHTC program.

(http://tinyurl.com/a4dschf) TCA



Capital Briefs

HUD Issues FY 2013 Income Limits

On December 11, the U.S. Department of Housing and Urban Development (HUD) released revised income limits for Fiscal Year 2013. Immediately effective, the newly revised Multifamily Tax Subsidy Project (MTSP) income limits are used to set tenant income and rent limits for housing units financed by low-income housing tax credits, and tenant income limits for units financed by tax-exempt private activity bonds. HUD simultaneously issued a separate set of FY 2013 income limits to be used for other programs and purposes, including HUD's Section 8 program. The Department originally issued FY 2013 income limits on December 4 but then had to revise and reissue them due to certain errors.

(http://tinyurl.com/3j5dznt)

IRS Releases 2012-2013 Priority Guidance Plan

The Internal Revenue Service recently released its 2012-2013 Priority Guidance Plan, which identifies 317 tax projects the Service intends to work on during July 1, 2012 through June 30, 2013, including regulations, revenue procedures, and other types of tax guidance.

(http://tinyurl.com/cckjmgo)

NPS Updates Fee Schedule for HTC Applicants

The National Park Service recently published a notice with revised fees for reviews of Historic Preservation Certification Applications. The new fee schedule applies to new applications received by State Historic Preservation Offices after December 30, 2012.

(http://tinyurl.com/cwkt6qw)

Senators Announce Plans for Disaster Area Tax Relief Legislation

On December 10, U.S. Senators Charles Schumer (D-N.Y.) and Robert Menendez (D-N.J.) announced they were set to introduce the Hurricane Sandy and National Disaster Tax Relief Act of 2012. Among other things, the legislation would provide additional per capita low-income housing tax credits to states for 2013-2015 for use in Hurricane Sandy disaster areas and increase the size of the federal rehabilitation tax credit for expenditures in these areas before 2015. The rate would be raised from 20% to 26% for rehab expenses for certified historic buildings and from 10% to 13% for rehab expenses for pre-1936 buildings. The legislation would also provide additional new markets tax credit allocation authority to states during 2013-2015 for use in FEMA-declared major disaster areas.

(http://tinyurl.com/ajrmk7k)

HUD Announces Final Small Area Demonstration FMRs

HUD recently published Final Fair Market Rents for FY 2013 for the Small Area Fair Market Rent Demonstration Program. The FMRs, effective October 1, 2012, apply to the Housing Voucher program.

(http://tinyurl.com/bktu4yu)

HUD Issues New Guidance

HUD recently issued the following guidance: Notice H 2012-25, *Policy for Amended and Restated Use Agreement for Multifamily Projects Subject to the Low-Income Housing Preservation and Resident Homeownership Act of 1990 (LIHPRHA)*; Mortgagee Letter 2012-25, *Revised Requirements for Project Capital Needs Assessments, Estimated Reserves for Replacements and Remedies for Accessibility Deficiencies*; and Notice H 2012-22, *Further Encouragement for Owners and Management Agents to Adopt Optional Smoke-Free Housing Policies.*

(http://tinyurl.com/63owm5g) TCA

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April 2-3, 2013 • Hyatt Regency Washington, Washington, D.C.

National Housing & Rehabilitation Association
2013 Spring Developers Forum
May 7-8, 2013 • Ritz-Carlton Hotel, Marina del Rey, Calif.

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