CAROLINAS COUNCIL FOR AFFORDABLE HOUSING

Message from the President

On April 19th more than 150 CCAH members, industry leaders, exhibitors, featured speakers, and guests gathered to attend the Annual Meeting of the Carolinas Council for Affordable Housing held at The Marriott Grande Dunes Resort in Myrtle Beach, South Carolina.

During the three-day meeting attendees had the opportunity to hear a presentation on personality profiles that opened our eyes about the effect our personalities have on our personal and business life. We received updates of governmental issues on Capital Hill from our friend Nooley Reinheardt; heard from the Director of Policy and Advocacy from our national CARH representative, Lyan Pernala; and we were excited to have Carlton Jarrett share Rural Development news from the national office. In addition, attendees had an opportunity to question a Compliance Agency Panel and a Preservation Agency Panel composed of representatives from the agencies we work closely with in the promotion of affordable rental housing in North and South Carolina. Some attendees were able to attend a “Nuts and Bolts” training session conducted by Bill Hobbs and the NC Rural Development state office staff as well as Fair Housing training conducted by Sandra Wood of the South Carolina HUD office. There was an exceptional presentation on Gang Awareness presented by Michelle Proper of SLED.

As you can see, we had an exceptional meeting. Everyone seemed to enjoy socializing with friends, partners and associates who have all worked so hard this past year to make available the best of the best in affordable housing for residents of North and South Carolina. I am so proud to be associated with this organization and to have the opportunity to work with the great people in this industry, especially the outstanding agencies and their staffs in both North and South Carolina.

I want to thank Rural Development in both states for all their efforts and participation in our annual meeting and for providing the necessary training opportunities for our membership. We want to especially thank them for the awards program they sponsor each year for our site managers. At the awards luncheon, Rural Development recognized site managers from both states for their outstanding efforts in their affordable housing communities. This awards presentation is always the highlight of our annual meeting.

Thanks to our annual meeting committee for the great meeting. We can’t wait to see what you have in store for us next year. CCAH will celebrate 25 years at our 2010 meeting, and I hope you all will attend and celebrate the anniversary with us on April 25-27 at the Marriott Grande Dunes Resort in fabulous Myrtle Beach.

Carolinas Council for Affordable Housing
388 Cross Point Road
New Hill, NC 27562
(919) 774-7713 (phone)
(919) 774-7713 (fax)
CCAHBOARD@AOL.COM

USDA Awards
CCAH Annual Meeting
April 20, 2009

North Carolina

Gail Ulfig, Site Manager of the Year - Family Housing (award accepted by Angela Hall)

Blanca Sanchez, Site Manager of the Year - Farm Labor Housing

Nancy Farmer, Site Manager of the Year - Elderly Housing

South Carolina

Elizabeth Strong, Site Manager of the Year - Elderly Housing

Phyllis Smith, Site Manager of the Year - Family Housing

Hector Quinones, Maintenance Person of the Year

CCAH Annual Meeting Golf Tournament
Grande Dunes Resort
Myrtle Beach, South Carolina
April 19, 2009




We Need Your Help!

Next year marks the 25th anniversary of the Carolinas Council for Affordable Housing. We want to celebrate this feat and we could use your help. The 2010 Annual Meeting in Myrtle Beach next April is the perfect place and time to pay tribute to the history and accomplishments of this wonderful organization. So now is the time to start planning the celebration. The Board of Directors is seeking assistance from anyone who would like to serve on the Anniversary Committee. Lisa McGee will be the chairperson of the committee and will coordinate all planning sessions. If you are interested in helping us make our 25th Anniversary celebration a memorable success, please contact Lisa directly at lmcgee@greyco.com.

A Washington Report

Nooley R. Reinheardt
Nooley Reinheardt & Associates
Governmental Relations & Public Affairs Consulting Since 1981
TheNooley@gmail.com
(843) 290-8426

August 2009

Our industry, with pointed Congressional suggestion that we do so, has reached agreement on four priorities for future Hill consideration when the bulging legislative calendar provides an opportunity.

With a break in the action, so to speak, I also thought this was a good time to take a few minutes to think back to the factors that have made the LIHTC program so successful, arguably the most successful production program ever.

Like most of the economy we have been in a survival mode, but the programmatic considerations that distinguish the LIHTC from other affordable housing programs are as valid going forward as they have been since 1986.

There is also some news related to other housing programs and funding levels for FY 2010.

If with some initial reluctance and after serious discussion, virtually all of industry has agreed to pursue four legislative priorities after Congress returns in September to finish the first session of the 111th Congress, which could extend to the proverbial Christmas Eve adjournment.

The agreed-upon four proposals:

1) Continue the Credit Exchange Program for one year and include 4 percent credits;

2) Fix the 4% credit at 4%;

3) Allow a five-year (100 percent reinvestment required) carry-back of the LIHTC; and

4) Expand passive loss provisions to permit investment by closely-held C corps, sub-S corps and LLCs.

Not included in the consensus but attractive to many of us was allowing individual investors to use passive losses.

Equally attractive was the credit acceleration provision that enjoyed impressive bipartisan support for inclusion in this year's stimulus bill but was the victim of lack of White House interest and what many, including Members of Congress, believe was an inflated CBO estimate of the budget cost of accelerating the credits generated by the 10-year credit over five years.

While we have met our collective commitment to develop a set of industry priorities and to pursue broad support for the package, remember please that Congress will work its own will when the time and opportunity come to consider LIHTC amendments.

The LIHTC was a bipartisan creation of President Ronald Reagan's tax reform initiative in 1986. But it was the early 1990s before the new program found its footing.

By then the industry on its own initiative had gone to Congress with a set of recommendations to make the Credit more efficient and effective. This self-critique was an unprecedented undertaking.

Even though it meant Republicans challenging their own chairman of the powerful Ways and Means Committee, a strong bipartisan effort made the Credit a permanent part of the Tax Code.

With that brief background, the LIHTC has been successful because:

- It is permanent, relieving investor concern about the uncertainty of their investment. It is not subject to annual or frequent reauthorization like HOME, HOPE VI, Section 515 or other affordable housing programs created by non-tax-writing committees (Financial Services and Senate Banking, Housing and Urban Development) that have housing jurisdiction.
- The Credit has a permanent, dedicated funding source. Unlike other housing programs, it is not vulnerable to the fickle annual appropriations process. Many of you remember the days when the funding levels for Section 8, Section 515, the various categories of rental assistance, HOME money, etc., were not determined until often months into a new fiscal year—or, for that matter, you may remember wondering if funding would be available at all for an existing property or pending application.

continued on page 5

A Washington Report
continued from page 4

- The LIHTC is a federal-state-private partnership, with the important decisions made at the state/local level—not by headquarters in Washington. We saw clear examples of the effect of increased federal involvement with the TCAP and credit for dollars exchange program this year.

The industry did not recommend extending the TCAP program because of its potential drain on HOME funds.

I like the decision not to extend TCAP but for a different reason. I don't believe it is in our best interest to see the LIHTC directly coupled with other programs. It is a bonus to have HOME funds available or CRA requirements in place or other supplemental funding sources in play—as long as they are adjunct to the purity of the LIHTC program.

It actually looks as if many of the 13 major appropriations bills could pass as free-standing legislation (rather than as part of an omnibus bill) before the October 1 start of FY2010. HUD and USDA are among those that seem on track to get to the White House on their own.

With the unimaginable deficits hanging over Congress, the funding levels for both HUD, in particular, and rural housing programs are encouraging.

Of note, the House continues to fund HOPE VI while the Senate provides an appropriation for the new Choice Neighborhoods initiative which would replace HOPE VI. The new program proposed by the Obama Administration has not been authorized, so HOPE VI will probably continue for at least another year.

The committees, however, do follow the administration's proposal to provide no interest subsidy for the Section 8 rural rental housing guarantee program.

Also of interest:

- The House is working on major Section 8 Voucher reform.
- House Financial Services Chairman Barney Frank has legislation that would use TARP dividends to fund the Obama Administration's proposed billion dollar Affordable Housing Trust (not likely).
- Interest in giving more flexibility for CRA credit for investment in affordable housing has quieted.
- The future, if there is one, of Fannie and Freddie has also become a back-burner issue.
- The 2010 mid-term elections are about 445 days away and, yes, they are counting and campaigns and major fund raising are under way. All 435 House seats, of course, are up and each party now controls 18 Senate seats that will be contested next year.
- Hear a lot about special interests in Washington? At last count, there were 257 Congressional Member Organizations, or caucuses, dealing with just about any issue or topic anyone can think of.

As always, please let me know if you have questions or comments.

Properties Training & Education

Training Committee Update

CCAH will sponsor the RD Annual Meeting at Atlantic Beach on September 1-3, 2009. Both NC and SC Rural Development staffs are participating in this meeting. We look forward to seeing everyone at this meeting as it has been a while since the last "Annual" RD meeting. This is always a great opportunity for us to obtain firsthand knowledge from the Rural Development staffs and also to get useful information from others involved in the "Affordable Housing Industry World." This will conclude our PTE training sessions for this year. We will be planning 2010 training activities very soon. A couple of ideas are listed below.

We had great success this year with the three NC statewide trainings conducted by the NC Rural Development MFH staff. The Training Committee Members would like to say a special thanks to those who assisted in these training sessions and those in attendance for your support. Due to the success of these meetings, we plan to repeat this type of statewide trainings in North Carolina in 2010. We are also currently in discussions with South Carolina Rural Development staff for a similar type of training in a general location in 2010. As always, if you have any requests or suggestions for a specific training, please feel free to contact one of the training committee members by email listed on the CCAH Web site.

Financing Affordable Apartments in Today's Economic Climate

By Ginger McGuire

Reprinted with permission from Lancaster Pollard's *The Capital Issue* (Summer 2009) at www.lancasterpollard.com.

The USDA Rural Development 538 loan program has been a very effective source of guaranteed funding for multifamily properties in rural areas. For this reason, many of us were caught off guard earlier this year when Congress passed and the President signed the 2009 Omnibus Appropriations Bill, which included a provision eliminating interest rate subsidy on new 538 loans. It was this 250 basis point reduction on the first $1.5 million in debt that made the program so compatible with low-income housing tax credits.

Following the Appropriations Bill, Rep. Shelley Moore Capito of West Virginia introduced HR 1989; a bill that would allow a portion of the 538 money already appropriated in 2009 to be shifted from guarantee funds to subsidy money and to be used for interest rate credit assistance. Rep. Lincoln Davis of Tennessee has cosponsored HR 1989, giving us hope that the interest credit may be restored in the second half of 2009.

Just when things looked promising however, the Administration sent the President's budget request to Congress for 2010 program investment levels and to our surprise, the interest rate subsidy was not included in the President's budget for 2010. In a climate where funding is hard to come by, many developers have begun to look elsewhere for permanent loan sources to finance rural properties.

The President's 2010 budget request is overall extremely supportive of affordable housing finance programs. For example, the budget is requesting $1 billion from Congress for the National Housing Trust Fund, the first major new housing production program in the past two decades. The Trust Fund, along with stimulus funds from ARRA, should alleviate some of the need for gap funding created by lower prices for tax credits on the equity side, and stricter underwriting standards by most lenders on the debt side.

As the economic climate changes, and as the new Administration places emphasis on different programs, developer/owners are reviewing their financing choices. Below is an overview of the various debt programs that Lancaster Pollard believes are viable financing vehicles for affordable multifamily housing in the next year:

All Geographic Areas

FHA 221(d)(4): The "d-4" insured loan program is a multifamily new construction or substantial rehabilitation program for market rate, moderate-income and affordable housing properties. The maximum loan amount for new construction is the lesser of 90% of estimated replacement costs or the amount supported with a 1.11x debt service coverage. The loan term and amortization is 40 years plus the construction period. The interest rate on d-4 loans is fixed for both construction and permanant phases, removing interest rate risk which makes the d-4 an attractive option for many developers in today's low interest rate environment. Prevailing wages are required.

FHA 223(f): The 223(f) insured program provides funding for refinancing or acquisition of apartment projects, or for seniors independent living projects. Historically, only projects that are at least three years old were eligible, however, during this economic period, this rule has been waived, making the 223(f) a great program for construction loans or "mini-perm" loan takeouts. Up to 85% of the value can be loaned, and terms of up to 35 years are available.

Fannie Mae: Fannie Mae has permanent loan programs specifically tailored to Low Income Housing Tax Credit and other affordable properties. This includes a forward rate lock option for construction projects, which allows the rate to be locked on the permanent loan up to 3 years before it is actually made. In addition, Fannie Mae has an immediate delivery option for permanent loans on stabilized projects. Fannie Mae loans are generally set with a maximum as the lesser of 80% loan to value or a 1.25x debt service coverage. The loan term is generally an 18-year term with up to 30 years amortization. In addition, the processing time for Fannie Mae loans will generally be quicker than most government programs. Fannie Mae offers a good alternative when processing time is an issue or prevailing wages are detrimental to a project.

Rural Properties

USDA/RHS 538: Even without the interest credit subsidy, the 538 may be a viable funding source for some properties in rural areas because even at market rate, the program allows a 40-year amortization and loan term. According to Rural Development staff in Washington, projects borrowing more than $5 million in debt are experiencing little difference to the bottom line with no interest credit subsidy, as the subsidy applied only to the first $1.5 million borrowed. In addition, construction financing can be accessed without triggering prevailing wage requirements, which can be very attractive in these markets.

continued on page 7

Financing Affordable Apartments
continued from page 6

USDA/RHS B&I Loan: The Business and Industry Loan Guarantee program guarantees loans made by eligible lenders to rural businesses. When apartments are not restricting rents to low-income households (in other words, market rate), the B&I Loan can be used in some circumstances to finance apartment buildings in rural areas of 50,000 population and less. The loan may be used for acquisitions, construction, conversion, expansion, repair modernization or development costs. The maximum loan term and amortization period is 30 years and the interest rate is market determined and negotiated with the participating lender.

Though changes to the USDA 538 program have made it a less viable option for some developers, the other programs that exist to develop, acquire or renovate affordable and rural affordable housing will continue to provide the resources necessary to maintain and hopefully grow the housing stock. Lancaster Pollard Mortgage Company, as a USDA, FHA/HUD and Fannie Mae Multifamily Special Affordable and Seniors Housing lender/servicer, can provide access to and unbiased evaluation of each of these options as they apply to individual borrowers. We will continue to advocate for the affordable housing sector.

Ginger McGuire can be reached at (512) 327-7400 or gmcguire@lancasterpollard.com.

Welcome to Our Newest Member

New Regular Member: (They do not manage)
Housing Authority of Myrtle Beach
605 Tenth Avenue North
P. O. Box 2468
Myrtle Beach, South 29578-2468
PH: 843-918-1525
FAX: 843-918-1538
Contact: Sharon Forrest
Email: sforrest@sc.rr.com
Additional Contact: Amy Bogan
Email: amybogan@sc.rr.com