

CAROLINAS COUNCIL FOR AFFORDABLE HOUSING



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Affordable Housing**
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Message from the President

Most articles have a perennial theme of "how to save money," "how to save time," "how to be loved," or "how to have fun," so my goal is to accomplish all of those themes in this article.

As I move into my final months as the Council's President, I am pleased with the activities and accomplishments of the past year and I anticipate we will accomplish many things in the upcoming year under the direction of our new Board. This year we assembled the greatest, most professional group of Council members. It is a pleasure to work with them, learn from them, and unite in making our Council more beneficial for our members.

What our Council does best is bring people together and give them a place to come together for a common purpose. Under the leadership of our Education Chairperson, Lisa McGee, I believe we have done an outstanding job of providing networking opportunities and worthwhile education to members. As a result, over 300 people have participated in meaningful educational opportunities from Accessibility by Mark English to Fair Housing training from HUD to new inspirational audit guideline training by our own Bill Hobbs. You can expect to see other great opportunities coming in 2008, as I know Spectrum Seminars has already committed to us for STAR and C3P training in October 2008 and our Annual Meeting in Myrtle Beach is just around the corner. Which, by the way, Nancy Cross tells me registrations are coming in fast and our block of rooms is quickly getting filled, so if you haven't registered please do so soon.

I was fortunate to have been able to attend the recent National CARH Mid Year Meeting in San Francisco along with our immediate Past President, Jill Odom. Unfortunately, I cannot bring back news that Rental Assistance is coming for all of us, equity funds are rising and preservation money is growing on trees. But you knew that. I can, however, tell you that there are some exciting preservation stories out there and RD, the HFAs and some investors are willing to work with those who have a good idea and the skills and willingness to work with them. One such success story was presented by our Jill Odom from CAHEC during a session entitled "Financing the Future Through Preservation Today." Jill's story, like the other preservation examples given, involved complicated lengthy processes and was beyond my comprehension. It was, however, exciting to listen to the preservation success stories across the country and to know that some of the most innovative and industry-leading successes are right here in the Carolinas.

I attended the State Association Committee meeting and compared notes of our Council activities with those of other Councils around the country. I came back even more proud of our relationship with the RD offices in North and South Carolina. Our ability to work together and

President's Message
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understand that we are all on the same team is priceless and unfortunately not enjoyed in all states. The CCAH educational and networking opportunities are as good and as affordable as those of any state council thanks to the volunteer efforts of our Council members and our executive director, Nancy Cross.

It is clear to me that the success of CARH and CCAH is dependent on the time committed by the members, RD and each HFA office to support the organization. As busy as we all are, most of us suffer from time poverty and are only given to periods of episodic volunteering. I am one of those people. So, my hat's off to those "ultra" volunteers who have made CCAH, CARH and our industry what it is today. This year CCAH will again be looking for volunteers to lead it into the future. If you are interested, let me know or let our own "ultra" volunteer and Nominating Committee Chairperson, Jill Odom, know.

Ok, so I didn't tell you how to be loved or save money, and I asked for you to volunteer your time instead of saving you time, but you are invited to Myrtle Beach to have some fun and network at our Annual Meeting April 20 - 22. Thanks for your support and participation. See you at the beach.

Rick Allen

Annual Meeting April 20-22 Myrtle Beach Marriott at Grande Dunes Resort Scroll to Page 6 for information and forms.

A Washington Report

Nooley R. Reinhardt

Nooley Reinhardt & Associates

Governmental Relations & Public Affairs Consulting Since 1981

TheNooley@roadrunner.com

February 2008

Preserve and Protect: Our 2008 Hill Agenda

Last year's first session of the 110th Congress was universally maligned for gridlock and partisan intransigence—even when some of the political deadlock was actually intra-party. This year's second session has started out looking a whole lot like 2007, except usually even less is accomplished in an election year.

The bipartisan economic stimulus package, which many members of Congress privately question, was one of those things that had to be done. The \$150+ billion package is almost certainly an abbreviation and not an indicator of things to come.

It is interesting that the Speaker of the House said that the first goal of the stimulus package should be to "do no harm."

As for political comity, on one day in one state: a nine-term Republican Congressman was attacked from the right for being too moderate and lost his election; not too far away, an eight-term Democrat was also soundly defeated by a liberal challenger—again for being too moderate.

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A Washington Report
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Presidential candidates of all stripes are found lacking by their own for bipartisan legislative efforts, voting with a member of the opposing party, or saying something that could be considered, even in a back-handed way, as complimentary of a leader of another pack.

With that said, I have been asked to provide a rather brief description of my priorities for the year.

The FY2009 Bush Administration budget promises sufficient rural development rental assistance—even though \$100 million of the total of \$997 million would come in the form of a voucher demo program—to protect the some 230,000 tenants now receiving assistance.

This has to happen. House Budget Committee chairman Rep. John Spratt (D-SC) and most in the Carolinas' delegations are supportive.

On the HUD side, a continuing concern from last year is that enough funds be allocated to meet all of the needs for project-based rental assistance. Again, this promise must be kept.

The Administration again attempts to eliminate the Section 515 and Section 502 loan programs. This makes no sense, particularly when the country is buried in a housing crisis that seems to be getting worse.

The President's budget recommendations would also increase the guarantee fee by at least 50 percent for Section 502 guaranteed loans and eliminate all interest subsidy for Section 538 multifamily loan guarantees.

There is also an attempt to reclaim \$20 million in unused rural housing revitalization funds from this year's budget and eliminate funding in the future.

The Administration again recommends deep cuts in HUD elderly programs and elimination of funding for HOPE VI.

Not to overlook the positive, there is an increase recommended for HOME.

That, briefly, is why I say our mission this year is to preserve and protect what we have.

Welcome New Members!

Did you know that the Carolinas Council for Affordable Housing was founded twenty-three years ago in February 1985, under the name North Carolina Council for Rural Rental Housing? In September 2000, we changed our name to reflect the merger of the North and South Carolina Councils. Currently we represent over 45,000 units of affordable rental housing in the Carolinas.

In 2008, we welcome our newest members to the Carolinas Council for Affordable Housing:

- Tenant Check, Inc.
- John Nunnery - PNC Multi-Family Capital
- Victoria Robinson - PNC Multi-Family Capital
- Pendergraph Management, LLC

The Council's primary goals are to represent, advocate for, and provide quality educational opportunities to our members. If you have been a member in past years but have not renewed your membership for this year yet, please do so as soon as possible. Our membership renewal form can be found on our Web site: www.carolinascouncilforaffordablehousing.com.

Prepare Early to Combine USDA Funding with Tax Credits

By Ginger McGuire

Reprinted with permission from Lancaster Pollard's *The Capital Issue* (Fall 2007) at www.lancasterpollard.com.

The U.S. Department of Agriculture's Rural Development Office of Multi-Family Housing estimates that 4,250 Section 515 affordable rural housing properties "will physically deteriorate to the point of being unsafe or unsanitary within the next few years." They further estimate the injection of capital required to preserve these 85,000 units at as much as \$3.2 billion for portfolio-wide rehabilitation; accommodating merely the most distressed would still cost \$850 million.

As expensive as preservation is, it is more cost-effective than further deterioration or building new. For the past decade, the USDA Section 538 loan guarantee program has been available to rural properties as a response to this financing need, as well as for new construction. It is only recently, however, that the number of loans closed annually through this program has been on the rise. The program is increasingly being combined with low-income housing tax credits, providing new financing options in many rural locations where the cost challenges associated with low area median incomes once seemed difficult to accommodate.

A 538 guarantee puts the full strength of the government behind the borrower, allowing the property to access lower interest rates through an interest rate buy-down on the first \$1.5 million of a loan. This portion of the loan can receive a subsidy to reduce the borrowing rate to the Applicable Federal Rate.

When compared to conventional financing, the 538 Program can provide more loan proceeds for construction or rehabilitation at a similar monthly debt service. These additional funds can make the difference between merely repairing deferred maintenance and updating amenities and designs for the next 20 years. The program offers a long 40-year amortization in addition to the lower interest rate.

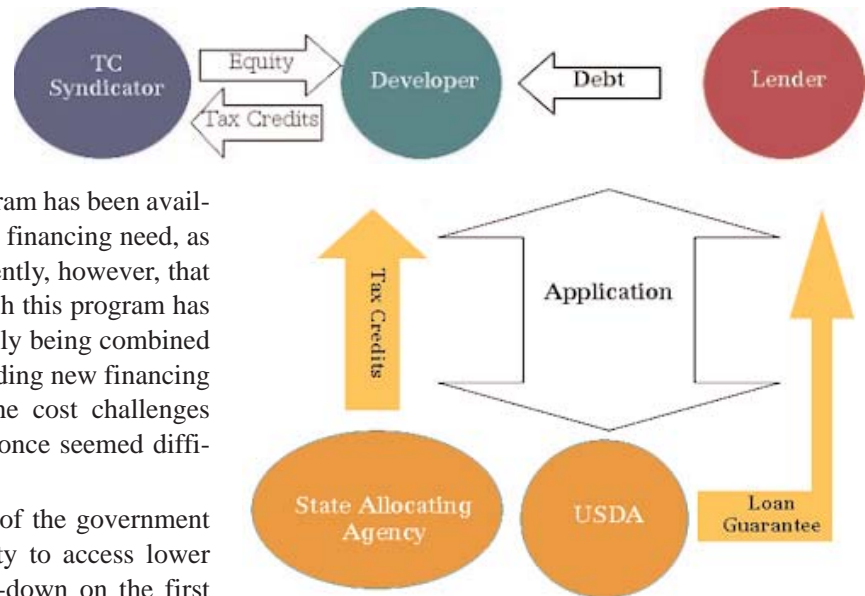
Early preparation can benefit properties applying for both the USDA Sec. 538 program and competitive tax credits: Some states give preference to tax credit applicants that have secured 538 funding. Properties that anticipate renovations, acquisitions or new construction within the next year should coordinate these two options and start familiarizing themselves with the 538 program and their state's Qualified Allocation Plan (QAP).

Combining Tax Credits and the 538 Program

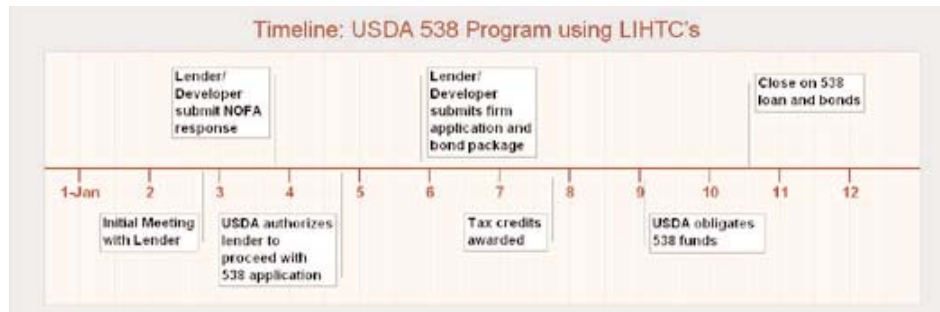
In 2006, 70 percent of the Section 538 loan guarantees were paired as debt with tax credits. Tax credits provide a dollar-for-dollar reduction of federal income tax liability over a 10-year period in exchange for renting housing units to low-income individuals or families. Private investors are sought to buy the credits and thus provide equity for development costs in exchange for the opportunity to receive the tax benefits.

Two types of low-income housing tax credits are available: 9 percent and 4 percent credits with bonds. States allocate credits based on federal threshold requirements and criteria outlined in their QAPs, usually a scoring system evaluating such factors as the units' affordability, developer/applicant experience, local government support, property design features and location in "difficult to develop" areas or "qualified census tracts." Several states offer competitive advantages to properties that have already secured an obligation of 538 loan funds.

It is very important to understand the timeline for using the 538 and tax credits together. This information can often be found in the tax credit QAP and in the Section 538 Notice of Funds Availability. The steps are interrelated, and in some states certain



steps must be completed with documentation prior to making the next move. Some of these items may occur simultaneously, and it is important to monitor progress and ensure requirements are met on time.



Using the 538 Program

As the 538 Program is used more frequently, lenders, developers and USDA Rural Development are finding more efficient ways to make it work.

USDA is allowing rent increases with property improvements in many locations, so long as the final rents are comparable to rents of similar units in the area. Lancaster Pollard has seen average per-unit rent increases ranging from \$10 per unit to \$182 per unit. The property improvements, reserves and the comparable area rents will dictate the rent increase possibilities.

Section 538 can be used in combination with 4 percent tax credits as a bond enhancement on tax-exempt bonds, providing an excellent tool for portfolio transfers and rehabilitation. In a recent financing, the 538 loan provided an additional \$889,042 in loan sources for the transfer and rehabilitation of 219 units of Section 515 housing. Developer Chris Hodges of Emerald Housing Partners is using one 538-enhanced tax-exempt bond and four 538 loans to maximize the economic benefits to the project. When compared with an alternative Fannie Mae bond/debt option on the same four properties, the 538 structure realizes a lower overall interest rate (5.2 percent vs. 6.0 percent) and a longer term of 40 years vs. 30 years.

Tax-exempt bond origination costs can be cost-prohibitive on smaller transactions and may cancel out some of the benefits that can be realized by issuing them. A Section 538 guarantee on a taxable loan may accomplish the same goal as a tax-exempt bond issuance on a transfer of fewer than five properties. In many instances, Rural Development permits sharing of rental assistance on property combinations where one 538 loan is used as debt in a bond-like transaction. A 538 guarantee, without bonds, may be more efficient than a tax-exempt bond structure on a smaller number of combined projects because of the lower origination and legal costs, although if 4 percent tax credits are used, tax-exempt bonds must be utilized.

The 538 is being used in many states to combine properties. Three existing 515 properties in New Mexico that were destroyed by a breached levy will relocate to a new site in the same area by using one 538 loan for all three properties, combined with emergency tax credits that New Mexico reserves for such disasters and other emergencies. All three properties have 100 percent rental assistance and will retain their 515 loan to keep the rental assistance and increase the rents.

Preparing for Preservation: Start Now

- Research your state's tax credit allocation timeline and the elements of its Qualified Allocation Plan. Each state's scoring process is different; knowing the requirements and point system will help improve your application's chances of receiving a tax credit allocation.
- Plan to contact a lender about the financial portion of your 538 structure several months ahead of the due date for tax credits. The federal government will issue guarantees for only a finite amount of funds each year (approximately \$100 million in 2007), and only those who are prepared to act will be able to take advantage of the opportunity. Some states require that a 538 guarantee be approved prior to tax credit allocation. Plus, tax credits will be allocated based on how much debt a property can take on, which will be affected by the debt product being used.
- Put your development and financing team together early in the process to maximize your efficiency, and your application's chances of receiving the necessary resources. This team will help you determine your eligibility for various structures, understand your options, and help complete each step in the process.

**Carolinas Council for Affordable Housing
2008 Annual Meeting
April 20-22
Registration Information**

No e-mail registrations! Company check/payment must accompany registration. We do not accept credit cards or personal checks. Registrations **must be received by 5:00 P.M. on March 17, 2008, to qualify for the discounted rate.**

No mail-in registrations will be accepted after April 10, 2008. Registration at the door is \$375 per person.

Cancellations must be made in writing. Cancellations received prior to April 1, 2008, will receive full refund. Cancellations received between April 1 and April 10, 2008, will be charged a \$100.00 cancellation fee. Cancellations after April 10, 2008, will receive no refund.

Registration Fees

Registration deadline March 31, 2008

	<u>Before 3/14</u>	<u>After 3/14</u>
Member Registration (includes lunch)	\$225	\$275
Members' PTE credits will be deducted at \$60 per attendee until all credit is used. PTE credits may be used ONLY for attendees to the Education track. For PTE credit balance, call or e-mail the CCAH office.		
Non-member Registration (includes lunch)	\$275	\$325
Government Personnel Registration	\$125	\$125
Spouse/Guest (does not include meetings)	\$50	\$75
Golf (please provide handicap)	\$89	\$100

Please use registration form on page

Mail Registration and Payment to:
CCAHA

388 Cross Point Road
New Hill, NC 27562

Need more information? Have questions?

Contact: Nancy Cross, Executive Director • Email: ccahboard@aol.com • Phone: (919) 774-7713

**Carolinas Council for Affordable Housing
2008 Annual Meeting
April 20-22
Hotel Registration and Information**

Myrtle Beach Marriott at Grande Dunes Resort

TO MAKE RESERVATIONS CALL: (843) 449-8880

Ask for: Aimee Hamm

(Do NOT call the 800 number or make reservations online!)

CCAH has negotiated a special room rate of \$140.00 per night (double occupancy) plus applicable taxes and surcharges. Additional persons in the room will be charged \$20.00.

This room rate applies only to reservations made prior to March 17, 2008.

Our block of rooms will be released on March 17, 2008 at midnight.

Check in: 4:00 P.M. Check out: 12:00 P.M.

Government per diem will be honored with government identification.

DIRECTIONS

Myrtle Beach Marriott at Grande Dunes Resort

8400 Costa Verde Drive • 82nd Parkway and Ocean Boulevard

Phone: (843) 449-8880

From the South: Take US-17 Bus./17 Bypass North, turn right onto 82nd Parkway, turn right into the hotel.

From the North: Take US-17 South, turn left onto 82nd Parkway, turn right into the hotel.

The resort is in Myrtle Beach, **NOT** North Myrtle Beach, and is oceanside, **NOT** on the inter-coastal waterway.

Meeting Notes

Sunday Reception: We will serve a **HEAVY HORS D'OEUVERS BUFFET.**
We have extended the duration of the reception—more time to meet and greet! You will not need to go to dinner afterward!

Golf Tournament: At Myrtlewood Golf Course.

Join the fun and win some prizes!

Captain's choice allows all golfers (ladies and gents) to contribute to the fun.

Sign up early!

Arrive at **10:30 am** and we will tee off at **11:00 am** sharp!

Fees include golf cart, lunch and prizes.

Properties Training and Education Notes

Maintenance for Managers

Mark Cukro, President of Plus One Consulting, Inc.

Mark is a noted speaker in the multifamily housing and service industry. Mark has given hundreds of presentations specific to the multifamily industry and helped thousands of people increase their technical knowledge including management teams. Mark's training and services result in a better understanding of maintenance and service operations, which increases a company's NOI.

Please Note: CCAH PTE Credit may be used ONLY for attendees who are attending the training session.

Exhibitors' Notes

Exhibits on Monday Only

Exhibit table size is 8 x 10. Each table will be draped and has two chairs.

You will be able to set up your exhibit on Sunday, April 20 at 5:00 P.M.

Exhibits must be cleared from exhibit area by Monday, April 21 no later than 9:00 P.M.

The Resort does not have storage area for display items shipped ahead.

CAROLINAS COUNCIL FOR AFFORDABLE HOUSING

PRELIMINARY 2008 Annual Meeting Agenda

Myrtle Beach Marriott Grande Dunes Resort

April 20-22, 2008

General Meeting

Sunday, April 20, 2008

Location

10:30 am.....Golf Tournament.....Myrtlewood Golf Course
2:00-6:00 pm.....Registration.....North Hall
6:00 pm.....Board Meeting.....Heron
7:00-8:30 pm.....Welcome Reception.....Oleander Ballroom

HEAVY HORS D'OEUVERS BUFFET

Monday, April 21, 2008

7:30-8:30 am.....Continental Breakfast.....Atlantic 6 & 7
8:00-11:00 am.....Registration.....
8:30 am.....Welcome/General Business Meeting.....Atlantic 5
President, Rick Allen
9:00 am.....Agency Compliance Panel.....Atlantic 5
SCHFDA, NCHFA, NCRD, SCRd, NCHUD, SCHUD & Quadel
10:30 am.....Break.....Atlantic 6 & 7
10:50 am.....National RD Update.....Atlantic 5
Carlton Jarrett
11:45 am.....CARH Update.....Atlantic 5
Speaker
12:00 noon.....Luncheon.....Oleander A
RD Awards-Golf Awards
1:20 pm.....Building Green.....Atlantic 5
Building Performance Engineering
3:00 pm.....Break.....Atlantic 6 & 7
3:15 pm.....8823 Guidelines.....Atlantic 5
Sara Newsom and C. Dennis Cokley
4:15 pm.....Adjourn.....Atlantic 5
6:30 pm.....Reception.....Oleander Ballroom

Tuesday, April 22, 2008

7:30 am.....Continental Breakfast.....Atlantic 6 & 7
8:00 am.....Registration.....North Hall
8:30 am.....Announcements.....Atlantic 5
President, Rick Allen
8:45 am.....Washington Update.....Atlantic 5
Nooley Reinhardt
9:10 am.....Smoke Free Housing.....Atlantic 5
Jacque Petterson , Smoke Free Housing Consultant
10:00 am.....Break.....Atlantic 6 & 7
10:15 am.....Preservation Panel Discussion.....Atlantic 5
NCRD, CAHEC, NCHFA, SCRd, SCHFDA
11:40 am.....Closing Remarks.....Atlantic 5
President, Rick Allen

Properties Training and Education

Monday, April 21, 2008

9:00 am.....Maintenance for Managers.....Atlantic 8
Mark Cukro
10:30 am.....Break.....Atlantic 6 & 7
10:50 am.....Maintenance for Managers.....Atlantic 8
12:00 noon.....Luncheon.....Oleander Ballroom
1:20 pm.....Maintenance for Managers.....Atlantic 8
3:00 pm.....Break.....Atlantic 6 & 7
3:15 pm.....Maintenance for Managers.....Atlantic 8
4:30 pm.....Adjourn

