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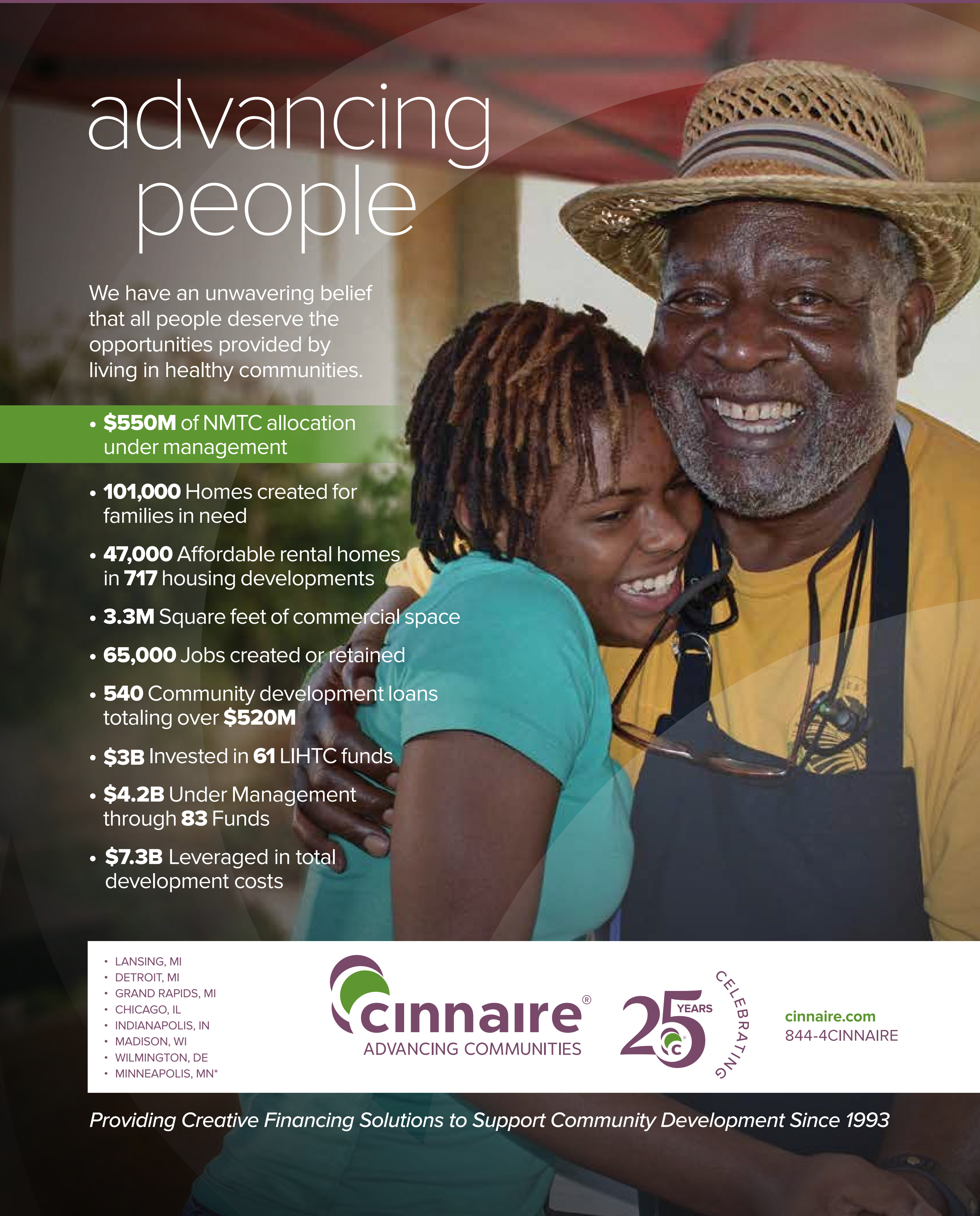
New Markets in a New Marketplace

The Architect of OZ

OZ or New Markets? Or both?

Pittsburgh's New Energy Innovation Center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people
We have an unwavering belief that all people deserve the opportunities provided by living in healthy communities.
• $550M of NMTC allocation under management
• 101,000 Homes created for families in need
• 47,000 Affordable rental homes in 717 housing developments
• 3.3M Square feet of commercial space
• 65,000 Jobs created or retained
• 540 Community development loans totaling over $520M
• $3B Invested in 61 LIHTC funds
• $4.2B Under Management through 83 Funds
• $7.3B Leveraged in total development costs
• LANSING, MI
• DETROIT, MI
• GRAND RAPIDS, MI
• CHICAGO, IL
• INDIANAPOLIS, IN
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Story Architects

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Carenia Burlingame (*The Land of OZ,* p.16) has more than ten years in structuring and closing transactions incorporating tax credit financing, including low-income housing, Historic and New Markets Tax Credits. Burlingame's practice includes Historic Tax Credit transactions for developers and investors, and closing projects financed with NMTCs for qualified active low-income community businesses, community development entities and investors.

Mark Fogarty (*NMTC Allocation Trends,* p.18 and *A Path Forward*, p. 21) has covered housing and mortgages for more than 30 years. A former editor of *National Mortgage News*, he has written extensively about tax credits. He has also had pieces published in the *Chicago Tribune* and *Miami Herald*, among others.

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BLUEPRINT FOR DECEMBER

By Marty Bell

New Markets in a New Marketplace

Hey, all you folks out there oozing over OZones: remember New Markets Tax Credits? You know, the ones that over the 18 years since the program's inception have supported the development of health centers, schools, early learning centers, food markets, tech plants, innovation centers and a lot of other improvements to distressed communities – impactful additions that trigger change and further creative development. Jeez, with all the conversations and presentations, tongue-licking and tax-delaying on Opportunity Zones, NMTCs must feel like the boyfriend you used to have, or Norma Desmond in "Sunset Boulevard," or Carmelo Anthony. At one time everyone wanted me. But now?

Okay, NMTC. We still want you to feel needed and appreciated. In fact, this is our annual issue devoted to you and we're not going to ditch you just because there's a new kid on the block. Instead, we're going to dance with the one that brung us. The market you're in is changing – and for the better. America has always been obsessed with the new. So Opportunity Zones are going to be the desired prom date for a while. But the new eventually becomes less new. And so we decided to look at some of the good work you, dearest NMTC, continue to do (despite your age), while at the same time continuing to learn about the potential of that new OZ kid in the neighborhood, and also surmise about how the two of you might complement each other.

In the following pages, you will find three inspiring stories about the evolution of projects that are providing significant boosts to their communities (as well as our national community) and that most likely would not have seen the light of day without NMTCs. Mark Fogarty looks at the extensive services offered at the Salvation Army Freedom Center in Chicago (p. 21), Scott Beyer visits the versatile Energy Innovation Center in Pittsburgh (p. 8) and Mark Olshaker talks with the Mosaic Company team about their re-imagining of the Golaski Labs in Philadelphia, a project that unites NMTCs with Opportunity Funds – and also includes crowd funding. (p. 24)

We are always interested in where and how innovative ideas originated and so we are honored this month to have an interview with one of the trio of folks who originally conceived the Opportunity Zone program and brought it to the Senators (Cory Booker and Tim Scott) who sponsored the bill. In this month's *Talking Heads*, Darryl Hicks talks with Steve Glickman now of Develop, LLC, who provides the clearest view I have heard yet about the motivation and goals for the program. (p.10)

Now that a first pass of OZ regulations have been offered by the IRS, in our monthly *Land of OZ* feature, attorneys Jerome Breed and Carenia Burlingame of Miles & Stockbridge speculate on how this program might interact with existing tax credit programs. (p. 16) And, of course, we could not possibly close out our forum on the new marketplace without input from our guru, David A. Smith, on the roles that will be played going forward by both the Opportunity Zone and New Markets Tax Credits programs.

Perhaps our Amrican infatuation with the new is because it kindles our imaginations about possibilities in the future that we never could have conceived of before. It transports us into a whole new world. Turn this page, sit back and just imagine.

Happy holidays,
Marty Bell, *Editor*

Thanksgiving & The Midterms

Thom Amdur

On this recent Thanksgiving, I hope our elected officials—both present and future—took the opportunity to remember the spirit of collaboration between the Mayflower Pilgrims and the Wampanoags on that first Thanksgiving. Now that the midterms are behind us, it would be wise to also leave the storm of divisive political discourse in advertisements, debates and television coverage behind, because there is still a lot of work to be done both before and after the new Congress is seated.

I am hopeful that Congress will use the remaining days of the "Lame Duck" session to enact meaningful improvements to the Low Income Housing Tax Credit and Historic Tax Credit and extend or, better still make permanent, the New Markets Tax Credit. Should a tax vehicle present itself, it is likely we will need your help, perhaps on a moment's notice, to make calls and send emails and assist us in mobilizing the final support we need to get to the finish line.

While there are many motivated parties that want to make a tax deal before the conclusion of this Congress, as well as strong support for our community development programs, there is also some potential conflict that could send the whole process off the rails. With the December 7 end of the current continuing resolution to temporarily fund the government approaching and a potential showdown between Congress and the president on the border wall looming, a budget fight and government shutdown could throw a significant wrench in the works.

Regardless of what happens legislatively in December, we will face the challenge of educating the new arrivals in January. There will be more than 80 new Representatives in the House and at least four new Senators. The vast majority of them will need to be informed about the value of the LIHTC, HTC and NMTC. Neither Republican lead sponsor of SB 548 and HR 1661—Senator Orrin Hatch (R-UT) and Representative Carlos Curbelo (R-FL)—will be returning to Congress in January. In fact, more than 40 co-sponsors of HR 1661/SB 548 were either defeated or are retiring.

At the same time, some of the strongest supporters of the LIHTC and other community development programs will be in positions of great influence. This includes Representative Nancy Pelosi (D-CA), the presumptive Speaker of the House; Representative Richard Neal (D-MA), the likely chairman of the House Ways & Means Committee; and the indominable Senator Maria Cantwell (D-WA), the staunchest advocate for expanding affordable housing.

Housing and community development seems poised to be a prominent issue in the national dialogue in 2018 as evidenced at a local level, where affordable housing won on the ballot in communities from coast to coast. This included affordable housing bond measures to the tune of $652.8 million, $250 million and $50 million in Portland, OR; Austin, TX and Charlotte, NC, respectively. Several prominent new members of Congress actively ran on housing affordability as an issue and with the increasing coverage of affordable housing in the mainstream media, perhaps the issue will even take center stage in the next presidential election.

This past Thanksgiving there was much to be thankful for. We survived tax reform and even modestly expanded the LIHTC. Even more importantly, we built and operated a lot of quality affordable housing for the most vulnerable members of our society. As you will read in this issue, the already popular new Opportunity Zone program can work innovatively alongside tax credits to garner increased support for distressed neighborhoods.

Our job for next year? Redouble our efforts to educate the new class of representatives and senators and recruit new champions.

Happy holidays. TCA

The wonderful new markets of OZ

In 2001, roughly as the New Markets Tax Credit (NMTC) was coming into effect, Apple introduced the iPod. It did only one thing—fully portable personal music—though at the time Apple's wizard, Steve Jobs, made that only thing sound insanely great. Although starting slowly, the iPod took off in 2004, and became a huge seller.

Then came the iPhone.

Today, the few remaining iPods are collectibles valued not for their utility but solely for their nostalgic scarcity.

For more than 40 years, urbanist policymakers have sought to create incentives that would do for community development (CD) and economic development (ED) what accelerated depreciation, the Community Reinvestment Act and Low Income Housing Tax Credit (LIHTC) have done for affordable housing – create a robust national ecosystem that reliably flows capital into socially impactful real estate. The first attempt was the Enterprise Zone, an umbrella term for a potpourri of state and local incentives—reduced regulations, tax exemptions or rebates, targeted tax credits or concessionary financing—intended to "energize community capitalism in distressed areas." New Markets was the second. The third was the Choice Neighborhoods Initiative (CNI), an effort to repurpose and rebrand HOPE VI away from severely distressed public housing into transforming entire neighborhoods, but CNI never had a fair shake: too little money, too many mandates, too much regulation and process, and too little Congressional or Administration support.

Now has arrived the 4G model, the Opportunity Zone, and judging by the rising buzz with which it is being greeted – more than 1,300 people at an OZone conference a few weeks back – it's about to burst on to the scene as the hot new product.

The reasons why are revealed by a comparison of features:

- NMTC is structured around debt – risk-averse, fixed-payment, collateralized, exit-reliable debt. OZones are designed for equity – risk-tolerant, variable yield, upside and success dependent.
- NMTCs are capped. OZones are uncapped.
- NMTCs are competed and awarded by Treasury's CDFI Fund. OZones are as-of-right.
- NMTCs must flow through Community Development Entities (CDEs) that must be pre-certified by Treasury. OZones go through funds that are qualified by virtue of what they invest in, so anybody can form one.


David A. Smith

- NMTCs can be earned on only a discrete subset of real estate properties (and importantly, exclude purely residential uses). OZones are ecumenical – any kind of property except 'sin' businesses qualifies.
- NMTCs don't work with housing. OZones do, and readily handle mixed-use.
- NMTCs are governed by a thicket of rules and requirements. OZones have fewer, partly because they're newer and partly because they're less circumscribed by statutory requirements.
- NMTC is top-down: money flows from Washington (Treasury) to intermediary entities (CDEs) and thence into individual properties. OZones are bottom-up: put a wrapper around an OZone geography, buy property inside it, and you have a fund.

From the perspective of capital formation and capital flexibility, these are compelling comparative advantages – especially for new players already active in urban markets but not in affordable housing or community development. Investors already familiar with §1031 like-kind exchanges and the Tenants-In-Common (TIC) model of making §1031s into funds will readily grasp the investment advantages of OZones.

Against these significant common-sense advantages, where is NMTC comparatively superior?

- OZones are still being conceptualized and defined. NMTCs have well-bounded rules.

- OZones are not a natural fit for banks (which generally can't own equities and don't generate capital gains) and their CRA-earning potential is at best latent. NMTCs are bank-compatible and CRA-approvable.
- OZones have yet to demonstrate investment paradigms – all of us are experimenting. NMTCs have multiple proven models and real estate typologies.
- OZone intermediaries or fund sponsors have yet to emerge. NMTC's market leaders are known and configured for NMTC leadership.
- OZone practice is still in its infancy. NMTCs have plenty of practitioners who have figured out how to make them work.
- OZones only apply in specific, bounded, fixed locations. NMTCs can be used more widely.

In short, while OZone is a new product still creating its market, NMTC is a proven if supply-constrained product with a large base of installed users.

But those arguments could have been said (probably were said) by iPod loyalists around about 2007 when Apple trumped its own ace. The iPhone was simply and instantly a better product and from its introduction, iPod was first devalued, then doomed.

While NMTCs can work alongside OZone investments, it's hard to see how NMTCs sustain their pricing against the yield competition of new OZone products entering the space; likewise, developers that now choose to conform their properties to NMTC compatible uses can diversify, so NMTC may see a decline in its real estate product pipeline, especially if the volume of OZone fund activity starts to swamp NMTC's aggregate volume.

How will we know? Watch the behavior of NMTC fund sponsors and NMTC developers. The speed, volume and sophistication of OZones' early adopters, funds and properties will tell you everything you need to know about the two products' relative futures. TCA

Pittsburgh

A new kind of energy

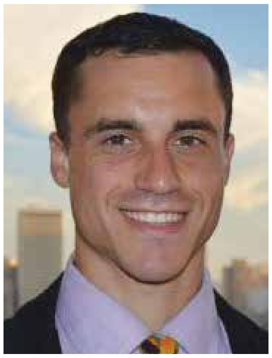
This city has made headlines recently as one that's transitioning from an old to a new economy. It used to be an industrial engine built on extracting and refining natural resources – and some parts of the metro still sputter along like this. But much of the city proper has moved on. There are now multiple neighborhoods where eds, meds and technology, not large factories, are the main job drivers, and high-skilled employees the residents.

A recent major development called the Energy Innovation Center (EIC) embodies this transformation. Recently I toured the facility, and found that it was a compendium of everything Pittsburgh aims to become.

EIC is 200,000 square feet, and located on a 6.6-square-acre campus in the Lower Hill District, a traditionally-underserved community sitting just uphill from the central business district. The purpose of the facility, according to its Facebook page, is to "co-locate collaborative university-industry projects, proof-of-concept energy technology demonstration laboratories, an early-stage business incubator and targeted workforce training programs. Corporate partners will showcase new products and deploy advanced energy management systems."

EIC occupies the former Connelley Trade School, which opened in 1931 as a high school for Pittsburgh students hoping to work in heavy industry. The front of the school was used for classrooms, cafeterias, auditoriums, etc., while the rear was a model workshop where students learned skills, before graduating to go work in Pittsburgh's many factories. At its peak, Connelley had 1,800 students, and its massive imprint up on the hill still makes it part of Pittsburgh's skyline.

But in 2004, Connelley, like other old Pittsburgh public schools, shuttered, a victim of this declining Rust Belt economy. The city considered redeveloping it as senior homes, but Bob Meeder had different ideas. He grew up in Pittsburgh viewing the school from his house; Meeder's father even went there. At the time the school closed, Meeder had decades of experience in fundraising and economic development, and several years before had founded Pittsburgh Gateways Corporation (PGC), a nonprofit dedicated to redeveloping distressed parts of Pennsylvania. PGC purchased the school, and after several years, retrofitted it as this EIC tech hub. In 2015, PGC began leasing the space, and there are now 14 tenants within the building.



Scott Beyer

EIC's financing structure includes 34 contributors, lenders and investors, making it, "one of the nation's most complex development projects," says Meeder, during a sit-down interview. Twenty-three percent of the financing has come from tax credits, including New Markets Credits, Federal and State Historic Credits and conservation easement credits. Significant funding has also come through donations, as Pittsburgh has one of America's largest metro-level philanthropic asset bases. Philanthropy accounts for $14 million of EIC's funding, including $8 million from the Richard King Mellon Foundation. Different levels of government—including the U.S. Department of Energy—have also gotten involved. Finally, much of the rest comes from business transactions, which gets to the heart of EIC's purpose.

The facility leases much of its space, with the largest client being the University of Pittsburgh Medical Center (UPMC), which trains doctors here. The advantage of different companies locating in EIC—whether they're geared around health, energy, tech or something else—is having proximity to other companies doing similar things. EIC is thus an incubator for pooling ideas and developing products. Because it is relatively new, not all the space has been leased, but Meeder says that, "When 65 percent of this place is rented, it will meet all of its facility operating expenses."

Another revenue-generating tool is workforce development. EIC teaches young people skills for different tech and clean energy trades, bringing the facility full-circle from its early days as an industrial training mill. The building overwhelmingly helps minority students from the Hill District, which is mostly black. Outside companies then pay EIC for access to these skilled workers.

Lastly, companies—mostly within the energy utility field—pay or donate to have their equipment displayed in EIC's facilities. This helps them, since EIC conducts frequent trade shows where students and experts can view the technology. Among the partnering companies, include Eaton, an electrical power management firm, and Duquesne Light Company.

These revenue models mean that EIC, which could have a $100 million final cost, will hopefully one day be able to support itself, in case government subsidies or donations dry up.

"We never approach the corporations as if they're making a community donation for a social cause," says Meeder. "We really want it to be a business transaction so they stay with it long-term."

This whole collection of enterprises has made for an impressive display throughout the building. In fact, it seems like almost every corner of the place has something unique happening. The UPMC nurse and doctor training facility on the top floor has built-in medical testing rooms. The roof has solar panels and a garden. The parking lot has concrete specially designed to collect rainwater, helping mitigate Pittsburgh's long-time flooding problems. There is, across the campus, a wind turbine, a power station and a built-in smart energy grid. Every HVAC function—pipes, water heaters, ventilation—has been intentionally exposed for research purposes.

Perhaps the most interesting aspect of EIC is the "ice farm" that was built in the basement, inside the old school swimming pool. During the summer, the cold air from the farm gets circulated throughout the building via fans and piping, helping the building save on AC costs. Different energy utility companies are now touring the farm, to see how it could be adapted to other old buildings. In the future, Meeder and staff hope that the entire EIC facility becomes this sort of destination, attracting pioneers in tech, health, clean energy and other trades who want to learn about best practices.

If EIC becomes this, it will fit nicely into Pittsburgh's innovation ecosystem. Because right now, much of the scene is occurring in neighborhoods downhill from this one – such as Oakland, The Strip District, The Golden Triangle and East Liberty. The Hill District used to be a thriving black neighborhood that the government decimated through urban renewal. Ever since, it's been an under-developed scar in the middle of the city. Having a functioning tech scene there would help reconnect these fragmented parts of the city; and nothing will accomplish this faster than a multi-story behemoth, like the Energy Innovation Center. TCA

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Talking Heads

Steve Glickman

Founder and Chief Executive Officer, Develop LLC

The Architect of the Opportunity Zone Program

By Darryl Hicks

As a senior economic advisor to President Barack Obama, Steve Glickman sought out policymakers, economists, investors, business and community leaders and other experts and gathered ideas that could be used to help struggling communities recover from the Great Recession.

After leaving public service in 2013, Glickman co-founded the Economic Innovation Group (EIG), a Washington, DC-based bipartisan research organization focused on addressing America's most pressing economic challenges, with public policy expert John Lettieri and billionaire philanthropist and entrepreneur Sean Parker (co-founder of Napster, Plaxo and Facebook).

Based on the feedback they received, EIG conceived the Opportunity Zones program and drafted the underlying legislation—the "Investing in Opportunity Act"—that would be championed by Senators Tim Scott (R-SC) and Cory Booker (D-NJ) and included in the Tax Cuts and Jobs Act of 2017.

In September 2018, Glickman left EIG to form his own consulting firm, Develop LLC, to advise Opportunity Zone Fund managers and communities that want to utilize the Opportunity Zones program.

Tax Credit Advisor sat down with Glickman to learn more about the evolution of the Opportunity Zones program, the potential market size, the newly published IRS regulations and where he sees the program headed.

***Tax Credit Advisor:* What inspired you to create the Opportunity Zones program? Where did the idea originate?**

Steve Glickman: The Opportunity Zones program is, in many ways, the brainchild of Sean Parker, who co-founded EIG with me and John Lettieri, to create long-term investments in communities cut off from the economic recovery. Sean realized early on that the tax code was the most

Steve Glickman

important way to stimulate change in the capital markets. We incentivize donations to charities through the Charitable Contribution Deduction and encourage homeownership through the Mortgage Interest Deduction, but a friction has always existed between investors and the markets that would become Opportunity Zones. We wanted to change that mindset by creating a real financial incentive that looked beyond the traditional markets and created what we believe is the first totally scalable geographic incentive program in the tax code and the only program that provides total forgiveness of capital gains taxes.

***TCA:* Have there been other programs you would compare it to?**

Glickman: Opportunity Zones were inspired by early bipartisan attempts by Congressman Jack Kemp and President Bill Clinton to build geographic-based incentives, which led to the creation of Enterprise Zones, Empowerment Zones, Renewal Communities and ultimately the New Markets Tax Credit. All of these programs had limitations, though. Only a few hundred zones were created. They moved a couple billion dollars of capital that focused on small businesses. They had a mixed track record. Most people don't view them as being particularly effective. The New Markets Tax Credit was more successful, but it only moves about $3.5 billion a year, it's tightly regulated and it's not very flexible. With Opportunity Zones, we created a program with no cap that could tap

Talking Heads, continued on page 12

Talking Heads, continued from page 10

as much capital as needed for these markets. At EIG, we calculated that there is over $6 trillion in unrealized capital gains sitting on the sidelines that could be invested. We also wanted it to be very flexible, so that it wasn't focused on just one sector but could be used for real estate, businesses, energy, infrastructure, basically anything that you could invest in as an equity investor. We are in essence creating a new marketplace that we think is going to move hundreds of billions of dollars in capital that far exceeds all of these previous programs combined.

TCA: In this data driven environment, how did you measure the potential effect of this program? How did you model its impact?

Glickman: The program is less than six months old. There's no holistic way to measure impact just yet. Capital hasn't started to move in scale, but investor demand is very high. There are a number of funds that are launching and beginning to raise hundreds of millions of dollars each and communities are mobilizing across the country to take advantage of it. When the legislation was introduced, there were reporting requirements built into the program, but they were stripped out of the final bill because of procedural reasons. I think there is some movement in Congress to reinstitute some of the reporting requirements, which I think is a good idea. But right now, the flow of capital is not transparent, which makes it hard to evaluate the impact of Opportunity Zones in the earliest stages. At the end of the day, though, this program will be assessed by how many mayors and local leaders see its impact and potential and who use it as part of their economic development toolbox.

TCA: Did you select Senators Tim Scott and Cory Booker to shepherd the bill through Congress? If so, why them?

Glickman: We spent two years before EIG was publicly launched meeting with policymakers at the federal, state and local levels, as well as economists and investors to determine the level of interest for Opportunity Zones. It became obvious that Cory Booker and Tim Scott would be natural champions of the legislation. They understood the communities that the program would benefit. Senator Booker had been the mayor of Newark, NJ, a heavily distressed area, and who had long focused on public-private partnerships focused on economic revitalization. Senator Scott grew up with a working-class background in South Carolina, which has all sorts of challenges and successes around economic development. And they both work well together on issues, such as apprenticeships and criminal justice reform. They were organically very attracted to this model and were willing to put their political clout into the game and convince their colleagues to get on board.

TCA: On October 19, the IRS and U.S. Treasury issued proposed regulations for the Opportunity Zones program. What was your initial reaction? What would you like to see changed or clarified further?

Glickman: In general, I thought the proposed regulations were a step in the right direction. They answered many questions that real estate investors, in particular, had. They created more flexibility around the timing that an Opportunity Zone Fund must deploy capital by creating a safe harbor vehicle that funds can use to hold capital for 31 months. They clarified that in calculating the statutory requirement that investors put at least as much improvement dollars into the project as they did in acquiring the project, land values can be excluded, which makes it more likely that investments will be made in denser, urban markets where land can be a large part of the overall purchase price. And IRS provided definitional clarity, in particular, on how you define a business that's investable and created a reasonable threshold that 70 percent of the business' tangible property had to be in an Opportunity Zone. There are still a lot of open questions for business and real estate investors. On the real estate side, for example, there are still some basic open questions, like how depreciation and refinancing work within this program. For business investors, however, there is currently a much steeper hill to climb. There are still several threshold definitional questions around how you make business investments in entities beyond newly created companies. And for all investors, there's a big open question around whether funds can recycle their investments, so that they can sell an investment and reinvest into another asset without any unintended tax consequences. That was the intent of the program, but Treasury has not been clear on whether funds can move their capital from asset to asset without creating a longer period of time that investors must hold their interests in the funds to get the full tax benefit.

Talking Heads, continued on page 14

EXTRAORDINARY THINGS HAPPEN WITH GREAT PARTNERS AND GREAT EMPLOYEES.

LISA STRENGTHENS COMMUNITIES

I recall discovering in college that I had a dichotomy of career interests and couldn't decide between finance and teaching. I wanted to positively impact the lives of others, but I also genuinely enjoyed studying the field of finance. Well, finance ultimately won out, but the desire to better my community stayed with me. My first job after college was an investment analyst, and while I enjoyed the work, I wasn't crazy about its outcome. Then I came across the LIHTC industry and entered the world of syndication and investor relations. Since then, I haven't looked back and love what I do. It's challenging and frustrating at times, but the fact that I've found a career that blends relationship, philanthropy and finance makes me feel daily blessed.

Lisa Decker,
Investor Relations

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Talking Heads, continued from page 12

TCA: The wealthiest individuals and companies benefitted from an earlier tax cut. This program offers them another tax deferral and possible savings. How did you balance that with the needs this program can fulfill?

Glickman: The goal was to incentivize capital from the private investor community, who have been the beneficiaries of the widespread growth in the stock and real estate markets. But, the idea is to get that capital off the sidelines and to incentivize those investors to put their capital to work in communities that had been cut off from the capital markets. It stemmed from a realization that federal and local governments don't have the balance sheets to make investments at this scale, or in many cases, even the proper vehicle to invest in job-creating businesses or real estate development projects. We wanted this to resonate with the private market and we think it has.

TCA: You're now advising investors and communities across the country who are interested in taking advantage of the Opportunity Zones program. What's the first thing you tell them? What noteworthy trends are you seeing in the marketplace?

Glickman: At its core, this program is about making long-term predictions, backed by private capital, on what neighborhoods are going to appreciate meaningfully over the next decade or more. While there will initially be lots of deals that are very opportunistic, what's really interesting will be the places that you see transform over time. I tell investors and communities to prepare for that reality. For communities, it means building a strategy and cataloguing and organizing assets in such a way that will attract investors. For investors, I suggest the mirror image of that, which is that you should be identifying places where you will have local partners that understand this program and use that measuring stick as a way to identify where the critical mass of your investment dollars should go. I take a very long-term view of how communities and investors should view this program, because it takes a long time to transform neighborhoods. Development projects can take several years. Transforming neighborhoods can take a decade or more. You see that where I live in Washington, DC, where just in the span of 20 years there has been an enormous amount of change, development and business activity that was unthinkable when I first came to town. I think the city and its residents have benefited from that and the question is who's next? The South Side of Chicago? St. Louis? Louisville? Baltimore?

TCA: You seem to be focused on urban markets. Can the Opportunity Zones program realistically turnaround rural areas of America that are suffering as much as their urban counterparts?

Glickman: Absolutely, there are a number of interesting investment opportunities in smaller communities, which make up 25 percent of Opportunity Zones that can support projects, like renewable energy infrastructure, vertical agriculture and manufacturing. But investors will initially look more closely at densely populated areas. It's a totally market-based program, so wherever you can make good long-term investments work, you'll be able to see a lot of impact.

TCA: Where do you want to see the OZ program 12 months from now? How will you measure the results and the impact?

Glickman: Twelve months is a pretty short lens to assess neighborhood transformation, but I think you'll see some changes. I foresee more regulatory clarity that will make it easier for investors to come in. Big institutional wealth managers who oversee a huge number of capital gains in the marketplace of high net worth investors will spur more investors to come in. Eventually, I think you'll see substantial individual and corporate capital coming in, which will push investors to look beyond the low-hanging fruit of real estate projects that we are seeing now and get into second and third-tier markets. As we get regulatory clarity, I think we'll also create room for a business marketplace to complement what's happening on the real estate side. The two need each other. You can't build successful real estate projects without having businesses that come in as tenants and provide services to those commercial or residential developments. On the business side, it's hard to stimulate business development without real estate where people want to live and work. So, I think you will see a more crowded marketplace with more capital and a bigger range of assets. That's when things get really exciting. TCA

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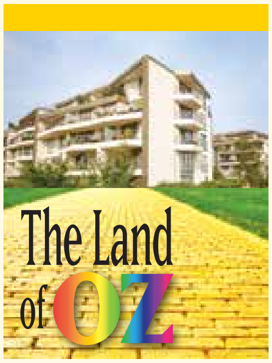
The Land of OZ: Some Potential Marriages

Investing Opportunity Fund Proceeds Into Tax Credit Projects

By Jerry Breed and Carenia Burlingame



The IRS has recently published an eagerly anticipated, thoughtful and helpful Opportunity Zone Program (OZP) guidance. That guidance provides answers to questions regarding eligibility, fund formation and opportunity zone business qualification. This now provides us all with sufficient information to assess how the OZP interacts with tax credit programs, specifically New Markets Tax Credit (NMTC), Low Income Housing Tax Credit (LIHTC), Historic Rehabilitation and Renewable Energy. So let's look at the marriage of the OZP with each of these credits:

New Markets Tax Credits

A number of the requirements of the OZP applicable to a Qualified Opportunity Zone Business (QOZB) borrow elements from the NMTC program. Each governor designates Opportunity Zones from NMTC eligible census tracts located in his or her state. "Sin businesses" that are exempted from NMTC investment are also excluded from OZP Investment. Like the NMTC, the OZP investments must be made into active businesses that do not have excessive "non-qualified" financial property.

However, other NMTC program requirements make a marriage of NMTC and OZP investments very difficult.

NMTC investments are structured as equity investments into a fund that borrows funds and invests the aggregate amount into equity interests in a Community Development Entity (CDE). The CDE then provides permanent financing to a Qualified Low-Income Community Business (QALICB). Since the assets of the CDE (long-term loans) constitute "non-qualified" financial property, the CDE cannot qualify as an Opportunity Zone business. Moreover, many QALICBs are nonprofit organizations that cannot issue equity interests as required for OZP investment. Accordingly, NMTC transactions are not compatible with the OZP. While a for-profit QALICB could issue OZP interests to an investor in a side-by-side transaction, the OZP investment is not leveraged by the NMTC.

Low Income Housing Tax Credits

Because the traditional large bank investors in LIHTC projects do not consistently have large amounts of qualifying capital gain, most LIHTC investors will not routinely use OZP funding to make investments in projects located in Opportunity Zones. Moreover, 80 to 90 percent of the residual value and cash flow of LIHTC projects are typically allocated to the general partner. As a result, the possibility of appreciation to maximize the benefit of the fair market value basis step-up applied to OZone investments after ten years—an attraction to potential Opportunity Fund investors—is very limited.

This now provides us all with sufficient information to assess how the OZP interacts with tax credit programs, specifically NMTC, LIHTC, Historic Rehabilitation and Renewable Energy.

OZone funds compiled from those who do collect capital gains, however, may well be an equity source for developers who locate LIHTC projects in OZones. Such projects may support additional investment funds beyond the tax credit equity and available hard and soft loans to bridge the gap created by increased construction costs. An OZP-funded general partner will obtain OZP FMV step-up several years before the project reaches the expiration of the 15-year LIHTC compliance period. Although the general partner's percentage interest in the operating income of the entity that owns the affordable housing project is typically small (generally anywhere from 0.01 to one percent), its carried interest of 80 to 90 percent of sale and refinancing proceeds provides a potential significant upside. The amount of appreciation that is sheltered from taxation by means of the OZP basis increase will depend on the applicable facts and circumstances—the affordability restrictions (including the term and the level of restrictions in place), terms of any soft debt financing the project and the location and condition of the project itself. Rural Mississippi projects, for example, do not have the same upside potential of suburban projects in rapidly growing metropolitan areas.

A note of caution should be sounded, however, with respect to OZP-funded LIHTC general partners. LIHTC developers rarely contribute significant capital to LIHTC projects. Frequently the capital is proportional to their small-percentage interest in operating profits. A basis step-up to 90 percent of the value of a project with respect to an OZone capital contribution of a few thousand dollars does not appear to be consistent with the statutory intent. While the general partner's capital contribution would clearly qualify for OZP benefits under the current statute, the proposed regulations invite comments on whether there are circumstances which may be considered abusive. If the IRS believes that a de minimis capital investment does not support a disproportional gain exclusion, the IRS could recharacterize a portion of the general partner's share of sale and refinancing proceeds as compensation for the services of the general partner with respect to the project – and deem it ineligible for inclusion in the amount of appreciation that avoids taxation under the OZP. LIHTC developers should monitor future guidance with respect to the "abuse" exception to OZP benefits.

Historic and Renewable Energy Tax Credits

Traditional tax credit investors are unlikely to combine OZP funds with investments in Historic Rehabilitation Tax Credit (HTC) and Renewable Energy (RE) projects. Utilizers of these investment tax credits have generally exited their investment soon after the expiration of the five-year recapture period, too brief a holding period to qualify for OZP benefits. Moreover, these transactions have been structured to distribute the smallest possible amount of cash flow and residual value to the investor, sufficient to support the partner/owner status of the investor under the *Historic Boardwalk* analysis. The general partner/developer side of the transaction will balk at the prospect of transferring five more years of cash flow and residual value to an investor in exchange for an OZP profit enjoyed only by the investor.

The general partner side of HTC and RE transactions, however, enjoys a substantial opportunity to profit from OZone investments. The flip of percentage allocations from 99 percent in favor of the tax credit investor to 95 percent in favor of the developer, allows the developer side to leverage the capital provided by the tax credit investor for their benefit. Moreover, unlike LIHTC transactions, HTC and RE developers frequently deploy substantial capital into transactions. This capital may be sourced through private equity, friends and family investors or through "mezzanine" or "back leverage" indebtedness. These investors, if they are willing to make a ten-year equity investment, can utilize the OZP to enhance their yield. HTC transactions may be better poised to deploy OZP funding since rehabilitated historic properties are not subject to income limitations and can generate significant upside residual value. RE transactions typically depreciate over time, due to the degradation of solar panels and turbines, as well as their shorter economic useful life. Even so, a step up in basis to fair market value in a RE transaction will have the effect of converting depreciation recapture into a tax-free return of equity and significantly enhancing yield. If the private equity investors claim the HTC or RE credits as well, their yield can be further enhanced and additional gain beyond their investment can be sheltered.

Many OZP investments thus far have been made by individuals and closely held corporations. Practitioners and taxpayers in OZP tax credit transactions must resolve the at-risk and passive loss limitations issues that will arise from these investments. These rules are complex and difficult, but can generally be navigated with careful analysis. Taxpayers who marry OZP investments with tax credits must also navigate the basis and distribution rules that hopefully will be addressed in the next round of guidance.

Despite the challenges of structuring these transactions, in a time of increasing construction costs and dwindling governmental subsidy, the OZP may provide a welcome source of additional capital for tax credit projects located in designated OZones. TCA

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NMTC Allocation Trends

Support Services for Housing, Minority Ownership

By Mark Fogarty

The traditional wisdom is that the New Markets Tax Credit (NMTC) and the Low Income Housing Tax Credit (LIHTC) operate in two separate arenas: housing for the LIHTC and business/commercial for the NMTC. And while that's mostly true, a look at the most recent NMTC allocations shows that almost one-third of proceeds will likely go to projects that involve real estate in one way or another.

According to the CDFI Fund, which allocates NMTC credits, fully $1 billion of total investment proceeds of $3.42 billion from the calendar year 2017 awards announced in February of this year are likely to go to finance and support real estate projects in low-income communities. The rest should go for loans to, or investments in, businesses in low-income communities.

NMTC supports innovation at Portland's Blackburn Building

One such real estate-related entity is the Corporation for Supportive Housing of New York City (CSH), which received a $50 million allocation in the round. It will use its allocation, "to invest in projects that serve low-income, high-health-need individuals and families who are homeless, at risk of homelessness or reside in permanent supportive housing," the CDFI Fund says.

The scope of the effort is national. "These projects will include community health centers; projects that offer supportive services, such as social, educational and/or workforce development services; and mixed-use projects with onsite PSH. The organization will offer a flexible debt product."

CSH has received four NMTC allocations, including this one, for a total of $180 million.

According to Robert Friant, managing director of the nonprofit community development financial institution, the corporation's NMTC deals support the non-housing part of a mixed-use project. So, while LIHTC money might go towards the actual building of housing units, NMTC proceeds would go to build associated supportive services, like a healthcare facility. The New Markets money could also go to a health facility with no associated onsite housing.

"The need is for easy access to community-based services," says Friant, fitting the model of supportive housing, which includes mental health and chemical dependency services for the residents of the permanent housing.

Combining with LIHTC

One such CSH deal cited by Friant is the Blackburn Building in Portland, OR that used both NMTC and LIHTC money to support local economic development and has even acted as an economic development accelerator, since local healthcare providers contributed another $21.5 million to build even more supportive services.

That deal was a $15 million allocation to Central City Concern for the Blackburn Building, a 51,000-square foot health facility that includes a pharmacy and 51 respite beds.

NMTC Allocation Trends, continued on page 20

NMTC Allocation Trends, continued from page 18

LIHTC money is going towards housing in the same building – 124 units of single-room occupancy and studio units.

"CSH staff are proficient in both kinds of tax credit," says Friant, "as well as other financing sources, like their own loans."

"CSH provides financial products to supportive housing developers," the nonprofit says, "as well as technical assistance and training to nonprofits that may not customarily work with agencies, such as mental health, substance use and medical services providers."

The group says it has, "used its prior rounds to leverage other sources of capital to finance projects that have created hundreds of supportive housing units and set the stage for nearly 100,000 new healthcare visits annually by people who most likely lacked care in the past. In addition, CSH investments have poured millions of dollars into economically depressed areas and generated close to 2,000 high-quality construction and permanent jobs."

Another real estate effort funded by the NMTC is the Housing Partnership Network (HPN), Boston, also national in scope, which received a $30 million allocation, "to invest in affordable housing developers that revitalize and stabilize neighborhoods riddled with vacant and foreclosed properties by rehabbing and constructing homes and then selling them, thus creating homeownership opportunities for low-income persons and residents of low-income communities," according to the Fund.

"The organization will offer an equity-equivalent debt product with below-market rates and flexible terms," the Fund says. HPN, a collaborative of about 100 housing and community development nonprofits, also received $40 million in NMTC allocations in the 2016 round.

Rebuilding Detroit

A 70-unit new and rehabbed home effort in the North End and Grandmont-Rosedale neighborhoods of Detroit used the HPN NMTC approach, using a single-family housing model developed by Smith NMTC Associates, "to grow our members' single-family for-sale housing business," says Thomas Bledsoe, group CEO, in a blog.

The project is part of nonprofit Develop Detroit's, "multi-faceted approach to stabilizing and strengthening targeted neighborhoods with mixed-income and mix-use projects," writes Bledsoe. "The preservation of Marwood apartments, a naturally occurring affordable housing property, is already underway in the same neighborhood, and the development of these abutting and nearby single-family homes is part of a comprehensive revitalization effort being spearheaded by Develop Detroit."

The project's groundbreaking in the North End and Grandmont-Rosedale, "is more than a celebration of 70 new homes, it's the celebration of the momentum of the revitalization of Detroit," writes Bledsoe.

Reading the tea leaves

Besides the abundance of real estate projects, what else might developers, syndicators and investors be on the lookout for as they read the NMTC tea leaves for next year?

Further analysis of the 73 allocatees by the Fund indicates they are based in 29 states, the District of Columbia and Guam. The geographic scope of their activities ranges from national to as small as the city or county level Thirty-five have a national service area, 15 a multi-state footprint, 11 will focus on a single state and 12 are zoned in cities or counties.

Urban areas will see most of the investment, at $2.75 billion in proceeds, while rural areas take down the other $680 million.

Investors that have cultivated relationships with community development financial institutions may have shown some savviness, as fully 40 percent of February's allocatees were CDFIs or units of them and received $1.44 billion.

Another good area for investors to be familiar with is minority-owned institutions, as 13 of the allocatees for last year were minority- or Native American-owned. They took down $555 million in allocations. And non-urban is a significant cluster as well. Fourteen of the allocatees are rural community development entities. TCA

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HPN blog, https://housingpartnership.net/ideas/articles/breaking-ground-on-new-homeownership-in-detroit

NMTC CASE STUDY:

A Path Forward

Chicago's Salvation Army Freedom Center

By Mark Fogarty

The Salvation Army Freedom Center consists of three interconnected buildings in the Humboldt Park neighborhood of Chicago.

Projects, like the Salvation Army's Freedom Center in Chicago, partially financed by New Markets Tax Credits, are changing the way people think about issues, like homelessness, substance abuse and the reintegration of prisoners into society.

Take Princess. Princess, who works in the maintenance department of the Center, which is in the West Humboldt Park neighborhood of Chicago, lived in a homeless shelter with her children when she started her job with the Salvation Army. Now, after receiving job training at the Center and getting hired there, she no longer lives in a shelter but would like to own one.

With Princess' formidable work habits, it seems unwise to bet against her achieving this unusual goal. She would get up in the shelter by 4:00 AM each day to get her children to their babysitter and then continue the long bus ride to work. Now, she and her children live in their own apartment.

Princess has gone from living in a homeless shelter to wanting to own a homeless shelter.

"Before I started the training program, I was applying for 40 jobs a day. Nobody wants to hire a single mother that lives in a homeless shelter. Coming here, they give you all the tools you need for a job. If you show them you want to work and you're a hard worker, they will find the resources for you. They will do whatever it takes to get you here," according to Princess.

Aspirational Housing

Peter Giles, vice president at Cinnaire, a Lansing, MI-based community development financial institution, which used an allocation of $8.8 million in NMTCs to help finance the Freedom Center, says unanticipated things, like Princess' new aspirations, happen all the time there.

In addition to the main Salvation Army programs combined in the Center, called Harbor Light (residential/outpatient substance abuse) and Pathway Forward (residential work-release program for up to 210 ex-prisoners) "they also have a community center," says Giles.

"They have developed different programs there that weren't exactly contemplated at the original finance closing that have been a direct response to the needs of the community around them. Things, like dental services for the community and food pantries that have engaged the community. They have a Meals on Wheels program and a health clinic there. All very community facing.

Freedom Center, continued on page 22

Freedom Center, continued from page 21

"It's not just a halfway house for transitioning ex-convicts," says Giles, who heads Cinnaire's NMTC efforts. "It also is a program that reengaged that community and sought to engage some of its local needs."

Total cost of the 188,000 square-foot center, which has three interconnected buildings, was $61.7 million. According to Giles, the balance of the financing came from Salvation Army capital. The Salvation Army says 319 jobs were created or retained at the Center, which it estimates will serve 25,000 people a year.

Cinnaire got involved with this project because it also helped develop an earlier project for the Salvation Army in Chicago, the 127,000 square-foot Kroc Center, which provides recreational and performing arts facilities, including an indoor sports complex, an aquatic center, outdoor stadium, a fitness center and a 600-seat performing arts center in the West Pullman neighborhood of Chicago.

"We just had a good relationship," Giles says. "Salvation Army leadership reached out to us to let us know about the project. It was a very large project so it took some time for everything to fall into place, both on the financing side and the real estate development side. That's common with New Markets projects given their scale and complexity. They can take a long time to mature."

Giles says, "One thing that drew us to the project, and that we saw in the Kroc Center, was the Salvation Army's engagement in the community. The Kroc Center was very responsive to the Pullman neighborhood. We saw the same sort of engagement in the Freedom Center."

Harbor Light, "is a residential, as well as outpatient substance abuse treatment center," says Giles. "They provide a very holistic approach, case management, education support groups and they do a lot of training and services for family members of the individuals going through treatment."

One such individual who saw his family helped through the program was Tim, a long-term substance abuser who was brought to the Center by his family after a serious physical attack.

"Tim credits the Freedom Center with saving his grandson's life," according to the Salvation Army. "His grandson attended the Back-to-School Health Fair at the center, where he was diagnosed with diabetes – a condition that had never been diagnosed or treated."

Tim, a client of the Freedom Center's substance abuse program, saw additional services provided to family members save his grandson's life.

"They also have located there the Pathway Forward program, which is a reintegration program for formerly incarcerated individuals," says Giles. "Basically, it's a halfway house providing case management and life skill training for people coming out of federal incarceration."

The Freedom Center, "is also the base of operations for the Salvation Army's outreach ministry – mobile feeding and mobile outreach," the group says. "Every day, the mobile feeding unit makes 24 stops throughout Chicago, providing a hot meal for homeless men, women and children. The mobile outreach teams provide emergency transportation to shelters, enrollment in Salvation Army programs or referral to services needed, such as medical care."

Cinnaire has received a total of six NMTC allocations, totaling $304 million. It has $550 million of NMTC allocations under management.

"We've really done a variety of projects," Giles says. "We do both rural and urban projects. A combination of manufacturing and industrial site projects, like foundries and paper mills, meat curing and processing facilities, but we've also done some rural community centers, YMCAs and health clinics.

"Most of it has gone to urban projects, the sort that provide some sort of social service or social benefit to the low-income population of a community. Also, training facilities that work to address unemployment or underemployment for low-income people. We've done a couple of culinary arts training facilities, a hospitality-focused trade school for people with disabilities, also health clinics and schools."

Perhaps one day Cinnaire will help finance Princess' homeless shelter. TCA

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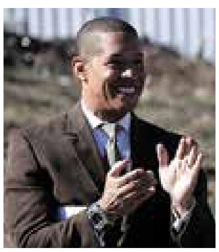
NMTC CASE STUDY:

A Community of Investors

Mosaic's Golaski Labs uses NMTC, OZ Funds…and Crowd Funding

By Mark Olshaker

The question is: Why would a successful, experienced developer that relatively easily could have raised the $7.2 million needed to build a mixed-use Opportunity Zone project in northwest Philadelphia from a small number of well-heeled investors, instead go for a complex financing structure involving investments as small as $500?


Greg Reaves

The answer lies in the very reason Gregory "Greg" Reaves and Leslie Smallwood-Lewis got into the development business in the first place.

Golaski Labs is a 40,000 square-foot, mixed-use development, located in the historic Philadelphia community of Germantown. The site is the location of the former Golaski Laboratories Vascular Prosthetics and Biomaterials factory that manufactured Dacron blood-vessel replacements, at the corner of Wayne Avenue and Apsley Street. It includes 15,000 square feet of commercial area, space for co-working and a business incubator and features a coffee shop and microbrewery restaurant, as well as 39 residential units. The project is being funded using Historic and New Market Tax Credits, and a new resource for the affordable housing industry: crowdfunding.

Some backstory is in order.

Inspired Transition

Greg Reaves graduated from college (where he played varsity soccer) with a degree in chemical engineering and began his professional career with McNeil Consumer Products, a division of Johnson & Johnson, then to Merck and Company, where he quickly rose through the corporate ranks, eventually becoming vice president for research, communications and policy, which included management of the celebrated Merck Manual.

"A good friend of mine owned a large, suburban-based Philadelphia real estate company that had big tenants, like Walmart, Lowes and Ikea, and brought me on," Reaves says. If the transition from the upper reaches of the corporate world to real estate development seems a strange one, Reaves explains, "The common thread, the one thing I've always had was math, so I was able to analyze things in a systematic way. This let me take the emotion out of decisions and deal with facts. And when I saw what was involved in real estate—operations, management strategy—in an industry I never knew existed, I was fascinated."

"Still," he admits, "it was a big transition going from a large corporation to entrepreneur: No secretaries, no support staff. I had to actually do the work I talked about!"


Leslie Smallwood-Lewis

The company, which Reaves joined in 2004, was the Goldenberg Group, where he rose to become a vice president and chief operating officer. There he met Leslie Smallwood-Lewis, a Villanova University Law School graduate who became Goldenberg's senior vice president of development.

"We decided we wanted to do something needed in the market," Reaves recalls. "There were very few people of color making decisions about how neighborhoods were developed. There was a lot of development going on [in traditional commercial corridors], but significant dollars were not being invested in neighborhoods. I had found much more diversity in corporate America than in real estate, whose companies and practices were built more on family legacies than sound engineering and business principles."

Creating a Mosaic

Reaves and Smallwood-Lewis opened their new company, Mosaic Development Partners, in Philadelphia in 2008, "About two months before the market completely crashed," Reaves notes. The name Mosaic is fitting, connoting as it does the arrangement of small pieces of different colors to create an artistic and satisfying whole. "We are multicultural in thought and focus," Reaves says,

Golaski, continued on page 26

Affordable Family Housing at Sunset Court Apartments

RBC Capital Markets' Tax Credit Equity Group is proud to have committed over $8.6 million in federal LIHTC equity for affordable family housing at Sunset Court Apartments. This project is part of the Sunset Area Revitalization Program started in 2006 by the City of Renton, a 7-time winner of the Governor's Smart Communities Award. The design encourages pedestrian activity with onsite amenities and close proximity to shopping and services for the convenience of families in the community. RBC is pleased to have partnered with Renton Housing Authority on this impactful project development in King County.

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Golaski, continued from page 24

and he could have added, hiring policy. "How do we help [all minorities and women] reach professional levels and become attorneys, engineers and architects?

"For the first three years, we couldn't get any traction, but we started to build a pipeline, started working in neighborhoods with local community groups."

Mosaic's first project came in response to a $20 million RFP for a housing and mixed-use building, "in a very challenged neighborhood one block from Temple University." Diamond Green's 128,000 square footage includes 92 apartments, 12,000 square feet of retail space and a parking garage. The development, which opened in August 2012, was completed in only nine months using modular construction techniques.

"In that tough economy, we had to use modular, off-site construction," Reaves says, his math background having paid off again. "Now we've completely bought into that as a strategy going forward."

Edison Square is a $13 million, 500,000 square-foot, community-based shopping center that arose from the site of the long-shuttered Edison High School that Mosaic bought from the Philadelphia School District, in a previously high-crime area. The project, which opened in 2014, created more than 100 local jobs and employed a woman-owned general contracting firm. Mosaic used New Market Tax Credits to help finance the project.

The nearly 20-year-old New Markets program fits perfectly into Mosaic's wheelhouse, a government initiative that generates more tax revenue than it expends and designed as it was to increase the flow of capital to businesses and low-income communities. According to the New Markets Tax Credit Coalition in Washington, DC, the $42 billion in direct NMTC investments between 2003 and 2015 leveraged nearly $80 billion in capital investments to businesses and revitalization projects in communities with high rates of poverty and unemployment. Between 2003 and 2015, the program generated more than a million jobs at a cost to the federal government of less than $20,000 per job.

That facilitates a lot of new taxpayers. And as Reaves declares, "Our mindset is to build wealth in communities of color."

The second phase of Edison Square will be known as Edison 64, a $13 million, 68-unit veterans housing development

Golaski Labs once manufactured vascular prosthetics

dedicated to fallen soldiers from Vietnam. The former annex of Edison High School is being converted into a 60,000 square-foot residential development that will also provide training and job placement and is being developed in conjunction with Orens Brothers Real Estate, Inc. and the Veterans Multiservice Center with the support of Low Income Housing Tax Credits from the Pennsylvania Housing Finance Authority. Edison High School lost 64 graduates to the Vietnam War, one of the highest tolls in the nation, which has particular significance to Reaves, a military brat born in Germany who partly grew up in California and went to high school in New York state.

Eastern Lofts, in a former Railway Express building that had remained roofless and vacant for decades, opened in 2016 with 37 residences, a parking garage, eight office spaces, a community-based child care center and a coffee shop. Using New Markets and Historic Tax Credits, the 70,000 square-foot building, "has helped the [North Philadelphia] neighborhood become very diverse," says Reaves.

Edison Square and Eastern Lofts are emblematic of the objective put forth on Mosaic's website of focusing on "improving communities through the redevelopment of real estate," through "building new ideas, especially in locations where solutions aren't obvious."

A Community of Investors

Which brings us back to Golaski Labs, which Reaves characterizes as "a mix of everything we'd done and learned. We decided the highest and best use for the site would be affordable market-rate residential at 80 to 120 percent of AMI [area median income] and commercial businesses to support the residential New Markets tax structure."

Golaski will now house Philadelphia's workforce

In addition to New Markets Tax Credits, Golaski Labs is in an Opportunity Zone, which relieves the federal taxes on capital gains income from any source if that profit is reinvested in a state-designated, low-income or economically distressed area. The incentive was part of the Tax Cuts and Jobs Act of 2017. Accredited investors, an SEC term for those with an annual income of at least $200,000 for the past two years or a net worth of at least $1 million, can invest a minimum of $5,000.

"We were involved with Opportunity Zones before the term existed," says Reaves. "Eighty percent of our projects happened to be in Opportunity Zones."

Not only is Mosaic employing modular construction at Golaski Labs, in addition to repurposing the old commercial structure, it is getting the community involved on the most basic level: through personal investment.

Reaves says, "Typically, our investor is a high-net-worth individual prepared to put in $500,000-plus. That creates nice projects, but the moment we don't own that project, anything can happen. What we are interested in is creating a mechanism for [neighborhood residents] to invest."

That mechanism is through a crowdfunding service called Small Change, whose website, smallchange.com, proclaims:

WE BRING YOU PROJECTS THAT MAKE CITIES BETTER.
YOU INVEST IN THEM.
TURN SMALL CHANGE INTO REAL CHANGE.

The minimum investment through this mechanism is $500. "Fifteen hundred dollars with a 20 percent return is not much," Reaves concedes, "But it is powerful in changing mindsets and giving people a tangible stake in their own communities and their shared concerns. I don't underestimate the power of money!"

Having said that, he and Smallwood-Lewis did underestimate what it would take to educate a population with little previous investment opportunity or experience. For Mosaic's next project, they plan to budget for an educational outreach effort.

The community investment component is one of the ways Reaves hopes to preserve Opportunity Zones for their intended purpose and are not so "successful" that they displace local businesses and residents, as has been feared by many stakeholders and observers.

"Our problem is a little bit like Don Quixote tilting at windmills, in that what we're fighting, what we're up against all the time, is the triad of infrastructure, tradition and institutional thinking. Our approach is not consistent with current thinking."

Ultimately, Reaves believes that education is the key to minority advancement and transforming neighborhoods, and those cities and areas with the highest levels of education have fared the best. "We really haven't mastered education yet." He sees education and economic empowerment going hand-in-hand. "It's one of the creative ways to develop neighborhoods," he says.

His wife Beth has a key role in that effort as president of the Washington School for Girls, a private, tuition-free Catholic-based school in the Anacostia section of the nation's capital, whose stated mission is to close the educational gap and broaden the educational opportunities for girls from economically disadvantaged communities in grades three through eight. Beth and Greg have three children: Jordan, Josh and Mia. They live in the DC area, and Greg spends an average of two days a week in Philadelphia.

He hopes Mosaic Development Partners can be a model for other companies in terms of inclusion and diversity, both corporately, and in the urban communities they impact.

"We are a for-profit company, and we need for-profit models," he states, "but ones that meet the needs of the people we're working for. That's the goal." TCA

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The Give And The Take

California and Florida go in opposite directions

By Scott Beyer

Many states have affordable housing trust funds. But how—or even if—they use that money on housing can depend on the political whims of voters and lawmakers. The divergence has been on display recently in California and Florida. This past November, voters in the Golden State voted on three ballot measures in such a way as to encourage affordable housing construction in a state with a shortage. Two of the measures will allocate money for affordable home-building, while the third will uphold laws that fend off rent control. In Florida, by contrast, an existing trust fund that was meant to pay for affordable housing has routinely been raided for other spending purposes. The results of the state's gubernatorial election recount may determine whether or not this practice continues. Here's a look at the situation in both states.

California

The affordable housing industry indeed has much to celebrate in the latest California ballot votes. There were two propositions—Prop 1 and Prop 2—that will increase the state's affordable housing stock. Prop 1, called the Housing Programs and Veterans' Loans Bond, was approved on a 54 percent yes vote. It authorizes $4 billion in bonds for housing-related programs, loans, grants and projects for veterans. The largest chunk of that ($1.5 billion) will be loans for the construction and rehabilitation of units, which serve veterans making 60 percent or less of area median income (AMI). The California Legislative Analyst's Office (CLAO) estimates that the measure will help 55,000 families.

Prop 2, called the Use Millionaire's Tax Revenue for Homelessness Prevention Housing Bonds Measure, passed on a 62 percent yes vote. It allows the state to use revenue from a previous proposition to pay $2 billion in bonds for projects that house the mentally ill homeless. The specific revenue leveraged will be a one percent tax on income above $1 million. The proceeds, some of which will be held in trusts, will fund an estimated 20,000 supportive units. This will put at least somewhat of a dent in a statewide homeless population that has now risen to 134,000.

A third housing-related ballot measure, Prop 10, received a 61 percent no vote. The measure, had it passed, would've repealed the Costa-Hawkins Rental Housing Act, which prevents California cities from imposing rent control on housing first occupied after 1995. Prop 10 was actually supported by many tenant and affordable housing activists, but opposed by the real estate industry, since it would allow cities to apply rent control to new units, raising concerns—long echoed by economists—that this would discourage new construction. The defeat of Prop 10, mixed with the victorious Props 1 and 2, will ensure that more housing of all price levels gets built in California.

Which is important, because California needs a lot more of it. According to Politifact, it has the second lowest housing units per capita, trailing only Utah (which is likely first because of religion; Mormons have large families). The CLAO estimates that the housing shortage in California will increase by 90,000 units annually, and that if this figure were multiplied over the decades, the backlog by 2010 would've reached a whopping 2.7 million units. Of course, it only gets worse with time – in 2017, the entire state added just 98,000 units. By comparison, metro Houston and Dallas combined for 105,000. The three ballot measures were a reaction to this obvious statewide shortage.

Florida

In Florida, affordable housing politics are a different story. The state already has the Sadowski Housing Trust Fund, which was enacted in 1992 to create a dedicated revenue source for affordable housing. It's funded by a one percent documentary stamp tax paid on all real estate transactions. The fund usually collects several hundred million annually, and, according to a *Miami Herald* report, has collected $1.87 billion since the start of the recession.

There are no legal requirements, however, that this fund must be spent on housing. And so it isn't. Since that recession, nearly $1.3 billion of the $1.87 billion has been diverted by Florida lawmakers for other priorities.

"Part of the reason," says Jeff Branch, a legislative advocate for the Florida League of Cities, "is that the state constitution requires balanced budgets." So when

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some event causes a budgetary disruption—recessions, major hurricanes, etc.—the money gets redirected. In the most recent case this year, the state's public schools needed money to bolster their security after the school shooting in Parkland.

"But increasingly," continues Branch, "the fund has become play money that specific lawmakers use for their pet priorities. And because the money is redirected into the general fund, it's sometimes unclear what the alternative spending priorities even are.

"Some years," says Branch, "we have a budget surplus and they still sweep the fund. So it's not like they're using the fund to fill holes."

This means that cities get a fraction of the Sadowski Trust Fund money, making it difficult for them to plan. In 2017, Republican state senator Kathleen Passidomo, in response to Gov. Rick Scott's new budget, proposed legislation, SB 874, that would outlaw the sweeps. But this past March, the bill, despite bipartisan support, died in subcommittee.

Branch says that the results of Florida's recent gubernatorial race could determine whether or not these sweeps continue. New governor Ron DeSantis hasn't taken a position on the issue.

The situation in Florida shows the tenuous nature of housing trust funds, which can be subject to both political and budgetary whims. During the recession, Arizona was, like Florida, hit hard by the subprime mortgage crisis. Legislators responded by capping the amount that could be appropriated into the housing trust fund. In 2012, California closed its redevelopment agencies, cutting off much of the state's affordable housing money. Even at the federal level, the National Housing Trust Fund was nearly cut by the Trump administration just one year after it became fully operational (HUD eventually released $219 million for the fund in 2018). And there are many other examples showing that such trusts and programs are never truly safe. Right now those battles are playing out differently in Florida and California. TCA

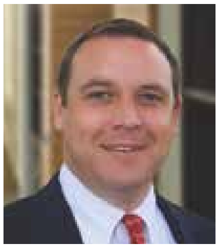
Love Your Company's Affordable Housing Portfolio? So Buy It.

MVAH Partners build new development company

By Mark Olshaker

Brian McGeady and Michael Riechman share a dedication to affordable housing, a dedication that is reflected in the origin story of their new company, MVAH Partners.

The story begins at the Miller-Valentine Group, a multi-focused construction, development and real estate management company headquartered in Dayton, OH. "Mike and I were both on the Miller-Valentine executive committee," McGeady explains. "The company does a lot of different things, including office, industrial, residential, mixed-use and senior living, among others, and we were in the midst of the strategic planning process for the future of the organization. We realized there was no real synergy between the affordable housing component and other segments of the business. Mike and I had a passion for affordable housing, and we thought that separating it out on its own would offer a better focus for both organizations."



Brian McGeady

Under McGeavy's stewardship, in 2016, Miller-Valentine was named the third largest affordable housing developer in the country for new units created. In 2004 through 2005, he was with Paramount Financial Group, underwriting tax credit properties; involved in more than $150 million of equity investment.

It took about a year for the concept to mature. Valuation of the properties is covered by a confidentiality agreement. But the two found a financial organization with deep experience in various types of tax credits, that was interested in participating in affordable housing with a portfolio and leadership team already in place. McGeady and Riechman were then able to arrange an asset purchase from Miller-Valentine of 91 properties, comprising about 5,500 units, serving about 7,500 residents.

"That organization is the investor member and Mike and I are the managing members," McGeady says. "It was a natural fit."

MVAH purchased portfolio of 91 properties.

An Avalanche of Approvals

The portfolio transfer involved approvals from lenders, investors, syndicators, state agencies and local governments. "There had to be north of 50 or 60 organizations whose consent we needed," McGeady recalls. "Getting those 91 properties transitioned required over 600 documents. Informally, we let people know of our plans toward the end of 2017. We actually started the process March 1, 2018 and closed on September 28."

Based in West Chester, OH, about midway between Cleveland, Columbus and Pittsburgh, MVAH will concentrate on nine percent Low Income Housing Credit (LIHTC) transactions as its core business. There is also an office in Charlotte, NC. "Our overall goal is to grow a large affordable portfolio through new development using nine percent and four percent housing credits while also being able to acquire affordable properties and portfolios," Riechman told *Affordable Housing Finance*.

Michael Riechman

About 50 management people came over to MVAH from the Miller-Valentine corporate side, and another 100 or so in the field attached to the various properties. "They had the passion we do going forward with this company. That, to me, was the most exciting part." Support staff

MVAH, continued on page 33

JAPANTOWN SENIOR APARTMENTS SAN JOSE, CA PHOTOS: BERNARD ANDRE

MVAH, continued from page 31

includes marketing, training, maintenance and accounting professionals, working with advanced technology, information and procurement systems. According to the website, the company stresses its dynamic relationship with investors based on aligning mutual goals to optimize their income and expense expectations. The website also lists a number of high-level jobs the company is looking to fill.

Long-term Partners

The partners have a long history together, longer than they realized when McGeady came to Miller-Valentine in 1998 and worked under Riechman. It turned out they both attended Alter High School in Kettering, OH, five years apart. "I'll leave it to others to figure out which of us is older," McGeady offers. Riechman left Miller-Valentine to run the LIHTCs platform for RBC Capital Markets, with an annual investment volume of approximately $600 Million. He then became senior managing director and head of the affordable housing equity group at Centerline Capital Group, where his responsibilities included syndications and portfolio dispositions, before returning to Miller-Valentine in 2014.

In the new company, McGeady will have responsibility for guiding construction and development activities and processes, and for the strategic planning, acquisitions, feasibility analysis and the creation of strategic housing partnerships with both nonprofit and for-profit organizations. Riechman will oversee portfolio management and investor relations. They will split office management tasks, with McGeady concentrating on human resources and Riechman focusing on accounting functions. Both partners stress, though, that they work closely together and are in frequent consultation on both the management and portfolio sides of the business.

Unlike Miller-Valentine, which has its own in-house construction component, MVAH will serve as construction manager, but will farm out actual construction to third-party general contractors. The partners are looking to hire builders with local connections who are familiar with the conditions and workforces in the areas in which they operate. This approach also will allow the company to be more flexible with resources in searching out and taking advantage of new business opportunities. With its existing portfolio, MVAH currently operates affordable and senior developments in 15 states throughout the Midwest and Southeast: Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Missouri, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee and West Virginia. "And we are exploring opportunities in Florida, New York and Wisconsin," McGeady adds. He and Riechman have a stated goal of doubling the portfolio by 2023.

Among the most recent projects to open is the Riverside Senior Lofts and Cottages in Dayton, OH, a new, $11.5 million affordable housing community of 62 units for adults 55 and over, featuring one- and two-bedroom apartments and two-bedroom villas with attached garages. The development, a partnership with the nonprofit, faith-based St. Mary's Development Corporation includes modern, energy-efficient kitchens and laundry facilities, as well as a fitness center, media room, business center with computer workstations and a community room.

"We always want to do new development but focus on the portfolio is more of a driver than it was at Miller-Valentine," McGeady states. "We will probably launch an acquisition platform in 2019."

The key characteristic of the new company is easily summarized by McGeady. "We are very mission-oriented: 100 percent focused on affordable housing. We are here to give our residents as much peace of mind as possible – through safety, security and a comfortable living environment. The true driver of who we are and what we want to accomplish is to make their lives better.

"I can't tell you how invigorated I get every time I go to a grand opening. I'm always telling my staff, 'You have to go out there and meet the people, see firsthand how they live. It gives you a whole new perspective.'"

MVAHPartners.com has an online resident services feature through which, among other things, residents can enter maintenance requests. Preventative maintenance is considered one of the keys to maximizing the value of the portfolio.

Though the two companies are distinct, they will work together on joint ventures. "We have an outstanding relationship with Miller-Valentine going forward," McGeady says. "Leaving was bittersweet, but we couldn't be happier. It was the best course for both companies. To go through a process as cumbersome as this and still have a great relationship, I think says a lot about both organizations."

For his part, McGeady couldn't be happier. "I'm smiling every day now. I'm skipping to work. We care about what we do and, hopefully, we can have some fun." TCA

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Michael Riechman, *michael.riechman@mvahpartners.com*

Corporate Tax Credit Fund Watch | *December 2018*

Sponsor (1) Investor Contact Acquisition Contact	CURRENT MULTI-INVESTOR LIHTC CORPORATE FUND Fund Name Geographic Focus	Amount of Equity Raised to Date for Fund	Expected Size of Current Fund	Average Net Tax Credit Price	Cash Needs Basis IRR	# of Properties Specified	% of Gross Proceeds (2)	Estimated Front End Expense Load (3)	All LIHTC Equity Raised & Closed by Syndicator in 2018
Alliant Capital Stacie Nekus (312) 342-9696 Jen Erixon (303) 916-6311	***Alliant Tax Credit Fund 94*** National	$100,000,000	$140,000,000	$0.91	Tiered; Economic 6.00% and CRA 5.00%	10	96%	N/A	$240MM
Boston Capital Kevin Costello (617) 624-8550 Brenda Champy (617) 624-8874	***BCCTC Fund XLVI*** National	$92,000,000	$92,000,000	$0.904	4.25% to 4.50%	15	100%	6.50%	$409M
	California Fund VIII California	$84,000,000	$84,000,000	$0.951	4.25% to 4.75%	7	100%	6.50%	
Boston Financial Investment Management Todd Jones (502) 450-9951 Sarah Laubinger (617) 488-3230	***ITC 50*** National	$68,486,363	$200,000,000	$0.906	Tiered; 5.75%	11	53%	5.00%	$389.98MM
Cinnaire Marge Novak (517) 364-8929 Jennifer Everhart (517) 364-8911	***Cinnaire Mid-Atlantic Capital Fund 4 LP*** DE, MD, NJ, PA	$29,500,000	$34,500,000	$0.967	3.85%	4	100%	2.28%	$192.25MM
CREA, LLC Tony Bertoldi (617) 892-6071 Charles Anderson (317) 808-7365	***CREA Corporate Tax Credit Fund 66, LLC*** National	$254,700,000	$254,700,000	N/A	Tiered; 5.30%	31	100%	7.35%	$522MM
Enterprise Housing Credit Investment *(formerly Enterprise Community Investment)* Amy Dickerson (503) 553-5659 Raoul Moore (410) 772-2685	***EHP 31*** National	N/A	$230,000,000	N/A	N/A	N/A	N/A	N/A	$517MM
	EHCF VI California	N/A	$70,000,000	N/A	N/A	N/A	N/A	N/A	
	EHNYF 1 New York City	N/A	$60,000,000	N/A	N/A	N/A	N/A	N/A	
Massachusetts Housing Investment Corp. Peter Sargent (617) 850-1027 Kathy McGilvray (617) 850-1008	***MHEF XXV*** Massachusetts	N/A	$60,000,000	N/A	N/A	N/A	N/A	5.00%	$73.5MM
Midwest Housing Equity Group, Inc. Becky Christoffersen (402) 334-8899 Tom Stratman (402) 334-8899	***MHEG Fund 51, LP*** Midwest	N/A	$200,000,000	N/A	N/A	N/A	N/A	7.25%	$197.985MM
National Development Council Mike Griffin (216) 303-7175 Jim Poznik (216) 303-7179	***NDC Corporate Equity Fund XV*** National	$70,000,000	$85,000,000	$0.92	4.50%	12	75%	6.50%	$40MM
PNC Real Estate Tax Credit Capital Megan Ryan (202) 835-5965 Gayle Manganello (603) 387-6205	***PNC LIHTC Fund 70, LLC*** National	$110,000,000	$170,000,000	$0.909	Tiered	25	86%	up to 7%	$364MM
R4 Capital LLC Jason Gershwin (646) 576–7661 Marc Schnitzer (646) 576-7659	***R4 Housing Partners X LP*** National	$137,000,000	$225,000,000	N/A	Tiered	20	100%	N/A	$430MM
Raymond James Tax Credit Funds Steve Kropf (800) 438-8088 James Horvick (800) 438-8088	***RJTC Fund 45*** National	$50,000,000	$200,000,000	N/A	Tiered	24	80%	7.00%	$1.046B
RBC Capital Markets Tammy Thiessen (216) 875-6042 Tony Alfieri (216) 875-6046 Craig Wagner (980) 233-6459	***CA Fund 5*** California	N/A	$75,000,000 to $100,000,000	N/A	N/A	N/A	N/A	N/A	$935MM
	RBC National Fund 29 National	N/A	$225,000,000	$0.9143	Tiered; 5.50%	23	N/A	N/A	
Red Stone Equity Partners Ryan Sfreddo (212) 225-8300 Rob Vest (704) 200-9505	***Red Stone Equity - 2019 National Fund, LP*** National	N/A	$175,000,000	N/A	Tiered; 6.00%	25	N/A	N/A	$321M
Regions Affordable Housing LLC Catherine Such (404) 581-3750 Brian Coffee (205) 264-5613	***Regions Corporate Partners Fund 55 LLC*** National	$45,000,000	$100,000,000	$0.90	Tiered; 5.75%	13	100%	N/A	$262MM
The Richman Group Affordable Housing Corp. Stephen M. Daley (843) 936-3030 David Salzman (203) 869-0900 x333	***USA 119*** National	$133,000,000	$133,000,000	N/A	N/A	N/A	N/A	N/A	$326MM
	USA 125 Puerto Rico	$50,000,000	$50,000,000	N/A	N/A	N/A	N/A	N/A	
WNC & Associates Christine Cormier (949) 236-8233 Anil Advani (949) 236-8247	***WNC Institutional Tax Credit Fund 46, LP*** National	N/A	$110,000,000	$0.8923	5.75%	19	N/A	N/A	$455MM

1) All data has been provided directly by the fund sponsors. Accordingly, neither Ernst & Young LLP nor *The Tax Credit Advisor* take any responsibility for the accuracy of the data or any calculations made by the sponsors. 2) The gross equity needed for properties for which an executed syndication contract is in place, as a percentage of total expected gross proceeds, assuming all single-payment cash investors. 3) The estimated expense load is the percentage of gross proceeds the sponsor expects to expend for offering costs and expenses, acquisition fees and expenses, brokerage commissions and all other front-end costs (other than working capital reserves) assuming all available units are sold to single-payment cash investors. If you would like to have a fund listed in the next edition of *The Tax Credit Advisor*, call Jillian Flynn, Tax Credit Investment Advisory Services, Ernst & Young LLP, at Jillian.Flynn@ey.com, 617-375-3796. There is no charge for a listing.

NH&RA News

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

NH&RA Hosts Another Successful Fall Developers Forum

Drawing more than 200 attendees, this year's NH&RA Fall Developers Forum, Oct. 22-23, explored many key issues and new financing opportunities. Housing Finance Agency executives from Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont shared insights and programmatic developments on the LIHTC and TEB programs. Other session highlights included panels exploring the Qualified Opportunity Zone incentive, tax exempt bond & tax credit equity roundtables and HUD's Rental Assistance Demonstration Program. NH&RA also feted John Gahan (partner, Sullivan & Worcester) and William McGonagle (administrator, Boston Housing Authority) at our 2018 Affordable Housing Vision Awards presentation and luncheon.

NH&RA Tennessee Developers Council Submits Additional Bond Program Comments

Throughout October and November, NH&RA's Tennessee Developers Council submitted multiple sets of comments to the Tennessee Housing Development Agency with recommendations on how to further enhance the state's tax-exempt bond program through changes to its Qualified Allocation Plan and Bond Program Description. The comments addressed an array of topics, including development cost limits, construction and rehabilitation requirements, scoring requirements and more.

NH&RA Organizes Workforce Housing Discussion at Utah Housing Conference

NH&RA Executive Director Thom Amdur organized a panel at the Utah Affordable Housing Coalitions November Conference entitled "Preserving & Creating Housing for a Broader Tenant Base." The panel included several NH&RA members, including Russ Condas (Dominium), Chris Herrmann (Enterprise Community Investment), Laura Wilder (Cohn Reznick), as well as Nefi Gamez from the Utah Housing Corporation. The panel explored housing demographics in Utah, as well as several strategies to address workforce housing shortages including Income Averaging and Naturally Occurring Affordable Housing (NOAH) preservation. TCA

Member News

Freddie Mac Publishes White Paper on Rural Affordable Housing in Appalachia & Indian Country

Freddie Mac published two new white papers titled, "Spotlight on Underserved Markets: LIHTC in Rural Middle Appalachia" and "Spotlight on Underserved Markets: LIHTC in Indian Areas."

In the first paper, Freddie Mac explores Middle Appalachia's multifamily housing market with a special focus on the primary means of developing affordable housing in undeserved markets. The paper examines the market size of the LIHTC subsidy program, including the geographic distribution of properties receiving LIHTC allocations, its importance in serving lower-income households, and highlights development challenges based on demographic, economic and topographical factors.

In the second paper, Freddie Mac aims to provide clarity on the definition of Indian Areas and explore the role that the LIHTC program plays in providing affordable multifamily rental housing for tribal members throughout the nation. It examines the market size of this subsidy program, as well as demographic and economic characteristics of Indian Areas, and highlights some challenges to LIHTC development that are unique to this market.

McCormack Baron Salazar Announces New Key Leadership

McCormack Baron Salazar (MBS) announces that Gary Buechler is joining the national affordable and mixed-income housing developer as chief operating officer to support the company's continued growth and success. As COO, Buechler will oversee all day-to-day operations of the company, including overseeing project management, project finance, design and construction and business development strategy.

Enterprise & FrameWorks Institute Release Reports on Building Public Support for Affordable Housing

Enterprise, in partnership with the FrameWorks Institute, has released a pair of reports outlining an effective language strategy to build public support for affordable housing. "Finding a Frame for Affordable Housing" is an evidence-based approach to countering NIMBYism and public misperception in debates about affordable housing. The companion paper, "Piecing it Together," takes these findings and translates them into a playbook for advocates that provides specific recommendations about the "do's and don'ts" of campaigning for affordable housing. TCA

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State Roundup

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

Florida Housing Announces 2nd Workshop for RFA 2018-117 Elderly Housing Community Loan

Florida Housing will hold a second workshop regarding RFA 2018-117 "Elderly Housing Community Loan (EHCL)" on December 6, 2018, beginning at 2:00 PM, Eastern Time. The workshop will be available by telephone or interested parties may attend in person at Florida Housing's offices located at 227 N. Bronough Street, Seltzer Room, Suite 6000, Tallahassee, FL.

The workshop will be held to solicit comments and suggestions from interested persons relative to RFA 2018-117. Funding under this RFA must be used to provide for life-safety, building preservation, health, sanitation or security-related repairs or improvements to developments currently serving elderly persons pursuant to the Federal Housing Act. An estimated $2,163,000 in loan funding is expected to be made available in this RFA. The maximum loan request amount will be $750,000.

The call-in information, agenda and a draft of the RFA will be posted to the website prior to the workshop. A listserv notice will be issued when this information is available.

MI Housing Announces $1.5 Million NEP Funding Opportunity

The Michigan State Housing Development Authority (MSHDA) announced a competitive opportunity for local units of government and/or nonprofit organizations to assist neighborhoods statewide through a Request for Proposal (RFP) window through January 25, 2019.

The RFP can be found on MSHDA's website at Request for Proposal, https://www.michigan.gov/mshda/0,4641,7-141-5564-378665--,00.html.

The NEP's goals are to identify and fund innovative activities to address a neighborhood's specific needs; assist and then showcase Michigan neighborhoods where people are engaged and facilitating change; and to provide funding to facilitate and implement activities.

The NEP can financially assist high-impact, innovative, housing-oriented activities that benefit low- and moderate-income areas and residents.

MN Housing Announces Investment of $87.5 Million in Affordable Housing Statewide

Minnesota Housing and its funding partners are pleased to announce an investment of more than $87.5 million for developments that will create and preserve more than 1,700 affordable homes across Minnesota.

This year's selected projects include workforce housing in Greater Minnesota, suburban new construction, single-family homeownership opportunities and proven models for supportive housing. At a press conference, at the Jeremiah Program in St. Paul, MN, Housing Commissioner Mary Tingerthal and community leaders shared the news of this much needed investment in affordable homes.

Ohio Announces New Fund Aimed at Creating Diverse, Mixed-Income Communities

In launching the new FHAct50 Building Opportunity Fund, the Ohio Housing Finance Agency (OHFA) is staking its claim as a leader in the mixed-income movement. This groundbreaking program empowers each of Ohio's three largest cities to distribute $30 million in tax credits over ten years to neighborhoods where affordability is at risk and the demand for creative housing solutions is high.

Named in honor of the 50th anniversary of the Fair Housing Act, FHAct50 (pronounced Fact50) is designed to build mixed-income neighborhoods from the ground up. To achieve this ambitious goal, each affordable unit that OHFA finances will be leveraged by a market-rate housing unit produced at the same time and in the same neighborhood. Learn more at http://ohiohome.org/news/documents/Newsletters/Fall2018/2/index.html.

OR Housing Issues RFP For Workforce Housing Study

Oregon Housing and Community Services has issued a Request for Proposals (RFP) for an Oregon Agriculture Workforce Housing Study.

The Agriculture Workforce Housing Facilitation Team (AWHFT) was formed in an effort to keep abreast of current issues around agricultural workforce housing, resources available for developing agricultural workforce housing and to address the needs of agricultural workers in Oregon. By Oregon statute, OHCS' role is to help facilitate, create a forum and provide a place for the team to meet and discuss issues affecting farmworkers in Oregon.

In order for OHCS to more deeply understand the housing needs of Oregon's agricultural workforce communities across the state, OHCS is seeking RFPs to award a potential contract to a successful proposer for the purpose of gathering current information on the housing needs and barriers of agricultural workers, the employer's needs and perspective when developing and maintaining housing for agricultural workers, housing needs analysis of specific regions across the state and developing recommendations based on information gathered. The successful proposer will be expected to gather information and put together a comprehensive report, which will be used to help inform future OHCS programs and policy. TCA

Bulletins

Breaking news from Washington and beyond

Elizabeth Warren's Ambitious Fix for America's Housing Crisis

Elizabeth Warren (D-MA) introduced new legislation taking aim at segregation, redlining, restrictive zoning and the loss of equity by low-income homeowners. The bill, the American Housing and Economic Mobility Act, would attempt to subsidize developments in rural, low- and middle-income communities by pouring a half-a-trillion-dollars over ten years into affordable housing programs.

Focusing on race and class, the bill attempts to strip away the zoning laws that have made developing housing so expensive while also addressing the ways housing inequality falls along racial lines.

Additionally, the bill restructures the Community Reinvestment Act (CRA), a 1977 law proposed to monitor banks with discriminatory loan policies against communities of color. Warren's bill gives the CRA more enforcement mechanisms and expands its policing power to include credit unions and nonbank mortgage companies. Lastly, the bill strengthens antidiscrimination laws by expanding Fair Housing Act protections to include gender identity, sexual orientation, marital status and source of income, attempting to limit housing segregation in the future.

Progressive housing groups have already begun lining up and supporting the legislation.

An outside study conducted by Mark Zandi of Moody's Analytics finds that raising the estate tax would ensure the bill doesn't create a deficit and that the bill would lower rents by ten percent in ten years. In conclusion, Moody's report says that the bill would, "go a long way towards addressing this mounting housing crisis."

IRS Issues Opportunity Zone Proposed Regulations

On October 19 the Internal Revenue Service (IRS) issued several critical documents relating to the Opportunity Zone Incentive. This includes:

- Seventy-four pages of proposed regulations
- Revenue Ruling 2018-29
- Draft Form 8896 with Draft Instructions
- Updated Frequently Asked Questions

Taken together, this package of guidance addresses several critical areas relating to the structuring of Opportunity Zone investments. The guidance addresses many heretofore, unanswered questions relating to the new incentive created in last year's Tax Cut and Jobs Act.

With the issue of these proposed regulations, a 60-day public comment period (comments due December 22, 2018) has opened and a public hearing has been scheduled for January 10, 2019.

NCSHA Publishes Opportunity Zone Fund Directory

The National Council of State Housing Agencies has published an online "Opportunity Zone Fund Directory," which is a compilation of Opportunity Zone funding opportunities. This resource provides descriptions and contact information for publicly-announced funds that have been formed for the purpose of attracting investment in Opportunity Zones. NCSHA is tracking only multi-project opportunity funds. NCSHA will update the directory regularly and invites funds to submit details for inclusion by completing the submission form. Please contact Jim Tassos with additions, questions, or comments.

The power to__ shape the future

"Building a company that people want to work for, invest in and do business with is at the heart of ESG—a strategy that we're sharing with organizations in affordable housing to help them create sustainable growth."

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Environmental
Impact on living and nonliving natural systems, including the air, land and water, as well as complete ecosystems.

Social
Capacity to generate trust and loyalty with your workforce, customers and society.

Governance
Business systems and processes that ensure creation of long-term value.

ESG IS GOOD BUSINESS

Companies of all sizes are adopting Environmental, Social and Governance (ESG) principles to positively impact financial performance and society at large. As a guiding strategy, ESG can help attract customers, investors and employees who increasingly value social responsibility. More than a measure of doing good, ESG is an indicator of smart business growth for the future.

CONSUMERS DEMAND ACTION

Many people, particularly younger generations, favor companies that demonstrate a greater social purpose. Generation Z and millennials are leading the charge, but research shows that ESG has broad support across most demographic categories. Talking to your customers and employees about ESG can help you assess the value they place on these principles while also reinforcing your commitment.

STAKEHOLDER/INVESTOR APPEAL

Executives, regulators, investors and other key influencers are increasingly seeing the connection between sustainable success and commitment to addressing product safety, gender diversity, income equality and other issues. Corporate transparency is rising as almost 85% of the S&P 500 published corporate responsibility reports in 2017.[2] ESG is also attracting capital and M&A activity from investors who seek value from sustainable companies.

To learn more about ESG strategies for businesses in affordable housing, contact us or visit bofaml.com.

[1] 2017 Cone Gen Z CSR Study: How to Speak Z. [2] Flash Report: 85% of S&P 500 Index Companies Publish Sustainability Reports in 2017, March 2018.

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