The RAD Experiment Begins

HUD Announces Initial Commitment Awards

The U.S. Department of Housing and Urban Development has given initial approval to the first transactions under the new Rental Assistance Demonstration (RAD) program, committing to issue new long-term contracts providing federal project-based rent subsidies to properties once owners have finalized all their funding sources.

RAD is designed to test new ways to upgrade public housing projects and certain HUD-assisted multifamily properties and preserve them as affordable rental housing, by providing them with new long-term rental assistance contracts that enable public housing authorities and owners to obtain private equity and debt that can help pay for renovations. This is done by converting the current subsidies to the properties to long-term Section 8 project-based rent subsidies.

RAD, a voluntary program, has two components: one limited to public housing and Section 8 Moderate Rehabilitation (Mod Rehab) properties; the second open to owners of Mod Rehab, "Rent Supp," or "RAP" multifamily properties. *(See sidebar for details.)*

RAD is designed to test new ways to upgrade public housing projects and certain HUD-assisted multifamily properties and preserve them as affordable rental housing.

On January 10, HUD Secretary Shaun Donovan reported that HUD has approved applications and made 112 initial commitments to 68 public housing authorities (PHAs) to enter into new Housing Assistance Payment contracts to provide project-based vouchers or rental assistance to convert 110 public housing properties (11,910 units) and two Mod Rehab projects (343 units) owned by PHAs. These awards were from 116 total applications submitted during a competitive application cycle last fall.

In addition, as of mid-January HUD so far had approved 11 requests to convert Rent Supp and RAP properties containing 1,069 units under RAD's second, non-competitive component.

A Valuable Tool for PHAs and Owners

During a news briefing, Donovan said RAD "will allow public housing authorities as well as private owners of some assisted housing to preserve their affordable housing, to rebuild it and renovate it, by accessing for the first time new private funding sources."

He indicated that RAD will enable PHAs to make a dent in the current estimated backlog of $25.6 billion in needed renovations to the nation's existing public housing properties, by enabling PHAs to access private debt, low-income housing tax credit equity, and other funding sources for approved projects and combine them with

RAD, continued on page 13

Background on RAD

Under the first component of the Rental Assistance Demonstration, public housing authorities may apply to HUD to convert the current subsidies for public housing properties to either project-based Section 8 vouchers or rental assistance under new contracts of up to 20 years. The same conversion choice was available in the initial competitive funding cycle to owners of Section 8 Moderate Rehabilitation (Mod Rehab) projects.

Under the second component, owners of multifamily properties assisted under three HUD "orphan" rent subsidy programs – Mod Rehab, Rent Supplement (Rent Supp), and the Section 236 Rental Assistance Program (RAP) – may apply to HUD to convert funding allocated for tenant protection vouchers issued upon the expiration of their current contract to project-based vouchers, under new contracts of up to 20 years.

HUD can approve conversions for up to 58,750 public housing units and up to 1,250 Mod Rehab units under the first component. The number of units that can be converted under the second component isn't capped but is subject to available HUD budget funding for tenant protection vouchers. TCA

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public housing funds to renovate and preserve public housing properties as affordable rental housing for the long-term.

"The public housing authorities that received these awards will be using RAD Section 8 contracts to accomplish a full range of really innovative things in their communities," Donovan said. "In some cases they'll be modernizing aging properties for families and the elderly, including energy retrofits that will save on long-term energy costs. In other examples they're reducing densities of larger troubled projects and demolishing severely distressed or obsolete units while constructing new units nearby on a one-for-one basis."

"Private owners of certain types of assisted housing with expiring subsidies will also be able to convert their existing rental assistance to new long-term Section 8 contracts that will preserve and recapitalize this valued form of housing as well," he continued. "If we hadn't done this those contracts would run out and that affordable housing could have been lost forever."

Donovan said, "Our next step is going to be to work with these winners to finalize their financial commitments over the next few months so that they can begin the renovation work that is so desperately need-

RAD, continued on page 14

RAD First Component: Public Housing Conversional Regional Pools

Number of Units

	NORTHEAST	MIDWEST	SOUTH	WEST	TOTAL
Awarded Authority	759	1,760	7,645	1,746	11,910
Remaining Authority	18,606	9,260	15,900	3,074	46,840
Total	**19,365**	**11,020**	**23,545**	**4,820**	**58,750**

Source: HUD; as of 12/19/12.

RAD, continued from page 13

ed. So we expect by this summer to have construction workers on the job, hammers swinging, and to see the renovations starting to happen."

Traits of Public Housing Awards

Of the initial 68 PHAs receiving initial awards, 84% are *small* or *medium* in size. *Small* is a portfolio of less than 250 public housing units; *medium*, 251-1,249 units. The South led all regions by far in awards (63 of 110 total commitments) and in units (7,645 of a total 11,910), followed by the Midwest, West, and Northeast. Most of the public housing projects are in small and medium-sized communities, not major cities.

Other facts about the approved public housing transactions are:

- 78% rehabilitation, 22% new construction.
- 54% of projects requested project-based vouchers, 46% project-based rental assistance.
- $977 million in proposed total financing sources, including $409 million from equity generated by 9% and 4% low-income housing tax credits; $257 million in first mortgage debt; $74 million from PHAs; and $237 million in secondary financing.

Patrick Costigan, Senior Advisor in the Office of the Secretary, said the length of the new contract and type of project-based rent subsidy for each project (voucher or rental assistance) will be finalized after the PHAs finalize their funding sources. In their applications, PHAs had to request project-based vouchers or rental assistance, submit a statement of proposed sources and uses of funds, identify the proposed funding sources, and submit letters of interest from those sources. These and other materials were required to demonstrate that applicants met specified threshold and ranking criteria in the inital competition.

With the initial 30-day application period now over, HUD, by design, is now accepting additional applications from PHAs on a rolling basis and will review and approve applications on a first-come, first-served basis, subject to the 60,000-unit cap.

HUD, under the second component, continues to accept additional conversion requests from owners of Mod Rehab, RAP, and Rent Supp properties that have existing rental assistance contacts scheduled to expire before October 1, 2013. The Department is also forming a "queue" for projects with later contract expiration dates and intends to invite owners in the queue to submit a formal conversion request during the quarter ending September 30, 2013. To be placed in the queue, owners must submit a letter of intent received by HUD no later than April 1, 2013.

(For a complete list of initial award recipients, related materials, and other details about RAD, go to http://tinyurl.com/bgaqw8c) TCA

People

Carol A. Galante was confirmed in December by the U.S. Senate as Assistant Secretary for Housing/Federal Housing Commissioner of the U.S. Department of Housing and Urban Development.

Ava Goldman was recently named President of The Michaels Development Company, Marlton, N.J. She succeeds Robert Greer, who retired after 35 years with The Michaels Organization. Goldman was previously Senior Vice President of The Michaels Development Company and is only the third President in the 40-year-old company's history.

Jacob Sipe has been appointed as Executive Director of the Indian Housing & Community Development Authority. Previously the agency's Chief Real Estate Officer and Director of Production and Interim Executive Director since July 2012, Sipe joined the agency in 1999.

Boston Financial Investment Management, LP, a low-income housing tax credit syndicator, has promoted **Sarah Laubinger** and **Gregory Voyentzie** to co-lead the company's equity production group. They share responsibility for the strategic direction of the group, including identifying and marketing new capital sources, structuring and pricing new funds, and selecting property-level investments. Laubinger joined Boston Financial in 1997; Voyentzie in 1999.

Jonathan Lahn has joined Irvine, Calif.-based WNC as Vice President, Originations. He is responsible for sourcing and securing partnerships in low-income housing tax credit properties in the Southeast U.S.

Laurel Tinsley and **Mike Saunders** have been promoted to Senior Vice President at McCormack Baron Salazar. Prior to joining McCormack Baron Salazar, Tinsley was a partner at Husch Blackwell. Saunders joined McCormack Baron Salazar in 1995. TCA

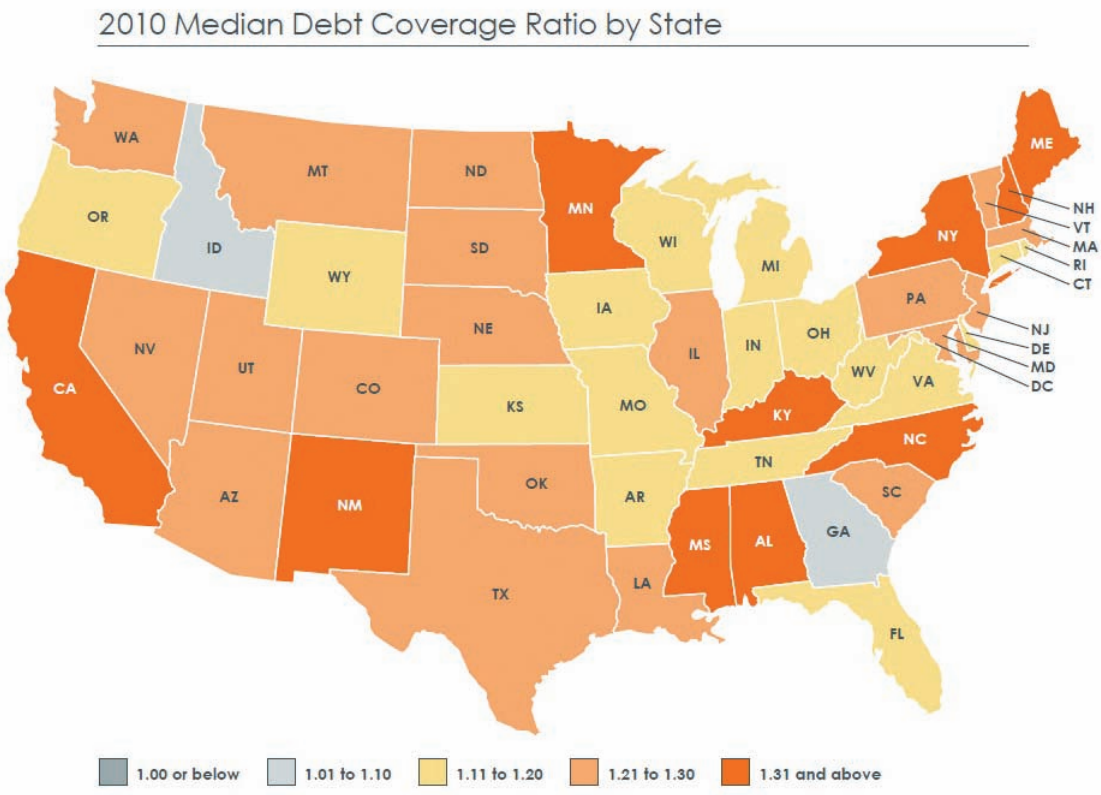
Study, continued from page 36

pancy (96.6%) and median debt coverage ratio (1.24) and very close for median annual per-unit cash flow ($419 per $412).

The median debt coverage ratio trended upward during 2008-2010, to 1.24 in 2010, median per-unit cash flow jumped sharply, while median physical occupancy held steady in the 96-plus percent range.

The incidence in 2010 of underperforming properties – defined as a physical occupancy rate below 90%, a debt coverage ratio below 1.0, or zero or negative per-unit cash flow – was 12.5% of all stabilized properties in the first category, 27.5% in the second, and 27.5% in the third, respectively. The percentages for underperformance in these three categories decreased from 2008 to 2010. A small fraction of properties underperformed throughout 2008-2010.

Only 98 of the total 17,118 properties were in foreclosure at some point prior to year-end 2010, for a foreclosure rate of 0.57%.



Source: The Low-Income Housing Tax Credit Program at Year 15: An Expanded Look at Its Performance, CohynReznick LLP.

Closer Geographic Analysis

The new report also breaks out data on the number of stabilized LIHTC properties and operating performance data for them during 2008, 2009, and 2010 for: all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands; 12 geographic regions incorporating the former; and more than 200 metropolitan statistical areas (MSAs).

Copeman noted that one "impressive finding" by the new study was that the median debt coverage ratio was above the break-even level of 1.0 in all states. "That was not the case in prior years," he said. "We no longer have a situation of having what I would call weak parts of the market from an investment perspective."

The study found wide differences among states in operating performance in two of the three metrics.

Among the 50 states in 2010, the median physical occupancy rate for stabilized LIHTC properties ranged from 94.0% in Idaho to 99.0% in Hawaii, with the vast bulk of states at 95% to 97%. However, median debt coverage ratio ranged from 1.04% in Idaho to 1.69% in Hawaii and median annual per-unit cash flow ranged from $111 in Idaho to $2,422 in Hawaii.

The top five states as measured by tax credit net equity for the properties, accounting for 42% of the total for the entire portfolio, were, in order, California, New York, Texas, Florida, and Illinois. Some 26.3% of the total net equity was concentrated in 10 MSAs, led by the NY-NJ-PA MSA, followed by Los Angeles, Chicago, and San Francisco.

By a large margin, the region incorporating the New England and Mid-Atlantic states accounted for the largest number of stabilized properties and units, housing credits received, and tax credit net equity among the 12 regions. Lowest was the region comprised of Alaska and Hawaii. Among the 12 regions in 2010, median physical occupancy ranged from 95.0% to 99.4%; median debt coverage from 1.13 to 1.34; and median annual per-unit cash flow from $250 to $959.

Study, continued on page 38

Study, continued from page 37

More Accurate Underwriting

Copeman said a major takeaway from the study's findings is that LIHTC program participants – developers, syndicators, lenders, and credit allocating agencies – have gotten much more accurate in estimating future operating expenses when underwriting new projects.

He also noted that the very high level of physical occupancy for stabilized LIHTC properties throughout 2008-2010 – a tad above 96% – clearly demonstrates that there isn't an oversupply of affordable rental housing in the U.S.

Copeman noted that his recent informal canvas of five or six of the largest syndicators that participated in the new study found continuing strong performance by their LIHTC properties in 2011. "The good news is that cash flow and occupancy have held in 2011," he said. "Debt coverage was down a bit, but not enough to write home about."

CohnReznick expects to issue a third report in the near future analyzing the impact of the Community Reinvestment Act on housing tax credit pricing.

(The Low-Income Housing Tax Credit Program at Year 25: An Expanded Look at Its Performance, http://tinyurl.com/dxw2azo.) TCA

New $100 Million Fund Links Affordable Housing, Health Care

Morgan Stanley, The Kresge Foundation, and the Local Initiatives Support Corporation (LISC) have launched a pioneering new $100 million investment fund that will finance additional affordable rental housing and health care facilities for low-income households in an integrated fashion.

The new Healthy Futures Fund will provide developers of rental housing and federal qualified health centers with equity, loans, and grants. The equity will be generated by federal low-income housing tax credits, which will help fund the housing projects, and by federal new markets tax credits, which will help fund the health centers.

The initial fund is being seeded with capital to finance the development of 500 housing units with integrated health services and to construct eight federally qualified health centers that will serve an estimated 75,000 people. The initial investments will fund projects expected to create 2,200 jobs in hard-hit communities.

"Connections between health and housing for low-income people need to be intentional. We can't rely on serendipity to make this happen," said LISC President and CEO Michael Rubin. "This is the painful reality: low-income people generally experience higher levels of sickness and disease and have lower life expectancies. With this fund, we can help move families from deteriorating apartments into quality, affordable homes and provide them with first-rate health care. That can be life-changing."

Morgan Stanley is investing $63 million in equity in the Healthy Futures Fund in exchange for receiving federal housing and new markets tax credits. The Kresge Foundation, LISC, and Morgan Stanley are providing another $37 million in loan and grant capital for the projects.

The fund expects to expand in coming months with additional new markets tax credits and lending capital from new partners. Organizations already signed on include the National Development Council, NCB Capital Impact, Capital Link, Primary Care Development Corporation, Mercy Loan Fund, and Opportunity Finance Network.

The Healthy Futures Fund is in part a response to the Patient Protection and Affordable Care Act and the 20 million new health care consumers that the legislation is likely to create.

Certified by the Health Resources Services Administration (HRSA) of the U.S. Department of Health and Human Services, federally qualified health centers provide free or low-cost health care services to low-income patients. HRSA provides capital grants and loans that help fund the construction or expansion of such health centers and help cover operating expenses. HRSA grants and loans have been paired with new markets tax credits to fund numerous federally qualified health centers. *(For background, see* Tax Credit Advisor, *November 2012, p. 37.)* TCA

A Handy Guide

Tennessee Agency Releases Statewide Housing Needs Assessment Study

Housing needs in Tennessee are widespread, diverse, and have intensified since 2000 despite significant resources devoted to assisting homeowners, renters, and others in the state, according to a comprehensive new statewide housing needs assessment study released by the Tennessee Housing Development Agency (THDA).

The 94-page study, prepared by THDA Policy Analyst Mick Nelson, PhD, provides the "big picture" about the size, breakdown, and occupants of Tennessee's housing stock; the prevalence and type of housing problems; and the degree and amount of assistance provided to Tennesseans through THDA-administered housing programs and other major federal housing programs.

Information and statistics are provided for the state as a whole and in many instances for each of Tennessee's 95 counties, either in charts or indicated on color maps of the state that depict all of the counties.

"What Dr. Nelson has provided for us is a treasure trove of useful information that helps us better understand the housing challenges in Tennessee that we face," THDA Executive Director Ralph M. Perrey said in an interview. "And it will inform the decisions that we make on where we need to work and the kind of work we need to do."

He added that THDA intends to use the study "as a tool to help us make good decisions about what we're doing, where we're putting our resources to work, and the kinds of programs that we might wish to develop in the future to meet particular needs."

Perrey noted, for example, that THDA already decided to modify its qualified allocation plan for its 2013 low-income housing tax credit program to place a greater emphasis on preservation projects than in the past in response to some of the early findings that ended up in the final report.

Nelson indicated that the new study provides a guide to help THDA in its mission and vision. "Our vision is that we want every Tennessean to live in a safe, sound, and affordable home," he noted. "And for us to carry out or make that vision more of a reality, we need to have a good understanding of the issues facing Tennesseans across the state. So this is an important first step."

The publication, *Tennessee Housing Needs Assessment*, is divided into three sections. The first examines housing needs in each of Tennessee's 95 counties and compares the state to the region and country. The second part provides an overview of housing programs for which statewide data are available. The third part looks at the relationship between housing needs and the volume and penetration level of housing programs delivered in each county.

A Sampling of Findings

Some of the study's findings are that:

- Homeowners surpass renters among all Tennessee households by 69.7% to 30.3% and are generally better off financially;
- 68.6% of all housing units are single-family detached dwellings and only 12% are in multifamily buildings (5+units);
- A much higher share of renter than homeowner households are cost-burdened (paying more than 35% of income for housing). But the rate has risen significantly for both groups since 2000 due to stagnant or falling incomes and rising housing costs;
- Monthly median rents vary widely across the state, from a low of $334 in Clay County to a high of

Tennessee, continued on page 40

Tennessee, continued from page 39

$1,045 in Williamson County. Similarly, the incidence of cost-burdened renter households ranges from 18% in Clay County to 46% in Madison County;

- About one in four Tennesseans experience significant housing problem (paying more than 35% of income for housing, living in overcrowded housing, or lacking complete kitchen or plumbing facilities). The rate is nearly half among minority households. Over half of all housing problems are outside the four major urban counties – containing Chattanooga, Knoxville, Memphis, and Nashville; and,
- Nearly 600 affordable rental housing developments containing 50,000 units have been developed in Tennessee with low-income housing tax credits or tax-exempt bond financing.

One finding that Nelson found striking is the acute needs of Tennessee's renter population, particularly very low-income renters. "We found there were only two affordable units for every five very low-income renters across the state," he noted. "We have 250,000 renters earning less than $20,000 a year and only 150,000 units that rent for less than $500 a month." Moreover, of the 150,000 units, 50,000 were occupied by renter households making more than $20,000 a year.

Reaction to Study

Thom Amdur, Executive Director of the Tennessee Developers Council and of the National Council of Housing Market Analysts – two councils of the National Housing & Rehabilitation Association – called THDA's study a "great document. It's probably the most extensive statewide housing needs assessment that's been done anywhere, based on our analysis."

"First and foremost," he noted, "it's useful in evaluating the success of Tennessee's current program delivery...It also has a lot of potential to help direct [THDA's] priorities."

However, Amdur suggested that while the study provides a good general overview of where there are housing needs in Tennessee, data for smaller geographic areas than counties, such as for census tracts, would be more useful for purposes such as better targeting THDA's LIHTC qualified allocation plan and giving developers a better idea of where to plan new tax credit projects.

Perrey and Nelson indicated that THDA has already begun to share the study and its findings with some of the agency's stakeholders and will continue to do so going forward as well as further digest the document's findings internally.

(To view the study, go to http://tinyurl.com/c62vp89) TCA

Basic Information on Housing in Tennessee

	Tennessee		United States
	2010	2000	2010
Total Housing Units	2,812,133	2,439,443	131,704,730
Vacancy Rate	11.3%	8.5%	11.4%
Owner Households	ACS 2005-2009 [1]	2000	ACS 2005-2009 [1]
Number	1,682,052 (69.7% of all households)	1,561,461 (69.9%)	75,320,422 (66.9%)
Median Annual Income	$53,175	$55,750	$64,338
Median Home Value	$128,500	$116,250	$185,400
Median Monthly Housing Cost (with mortgage)	$1,136	$1,103	$1,486
Number/Share Housing Cost-Burdened	404,598 (24.1% of owner households)	236,959 (15.2%)	22,545,257 (29.9%)
Renter Households			
Number	730,515 (30.3% of all households)	671,444 (30.1% of all households)	37,290,607 (33.1% of all households)
Median Annual Income	$25,305	$30,013	$31,258
Median Monthly Gross Rent	$658	$631	$817
Number/Share Housing Cost-Burdened	311,354 (42.6% of renter households)	224,119 (33.4%)	17,241,359 (46.2%)

Source: Tennessee Housing Needs Assessment; [1] American Community Survey, 2005-2009

Global Water Center Building
Milwaukee, Wisconsin
Photo by Kahler Slater

Another NMTC Funding Option

Foreign Investor Capital

Low-cost capital raised from foreign investors under the federal "EB-5" program can help finance new markets tax credit (NMTC) projects, as illustrated by three real estate projects in Texas and Wisconsin.

Under the EB-5 pilot program, administered by a unit of the U.S. Department of Homeland Security, foreign nationals that invest at least $500,000 in an eligible job-producing project or business receive an array of benefits. *(See sidebar on p. 42 for details.)*

Two of the three new NMTC projects, a hotel in Dallas and a Marriott hotel in downtown Milwaukee, closed funding in 2011. The third, an office building project in Milwaukee, closed in July 2012.

U.S. Bancorp Community Development Corporation (USBCDC) is the NMTC investor in all three projects. In each, some of the EB-5 dollars have been used to help capitalize the Qualified Equity Investment and some have been lent directly to the project, according to Steve Kramer, Senior Vice President at USBCDC. For each project, a bridge loan was utilized to provide funding upfront, to be repaid over time as the foreign investor dollars come in.

Photo by FirstPathway Partners

Steve Kramer

Option for Tough-to-Fund Projects

EB-5 dollars can "help fund [new markets tax credit] projects that can be difficult to finance based on the cost of development or the project's inability to attract other, more conventional private sources of capital," Kramer said. "Both programs focus on increasing

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NMTC, continued from page 41

domestic capital investment, promoting economic growth, and creating jobs, which means that projects under consideration are often eligible for EB-5 funds and new markets tax credits."

Kramer said that USBCDC didn't alter its underwriting procedures for the three projects because they would utilize EB-5 funding. "Any time we underwrite a new markets tax credit project," Kramer said, "we want to know that the source of funds is available when it's needed by the project or to capitalize the QEI. As long as funds are made available when needed – which in these cases was at closing – we underwrite and structure the same way as we would any other source of funds."

The Dallas Development Fund, a CDE affiliated with the City of Dallas, committed a NMTC allocation for the $24.6 million boutique hotel project in Dallas. The 76-room NYLO Dallas South Side, which opened in 2012, was created from the historic rehabilitation and adaptive

NMTC, continued on page 43

The EB-5 Program: Key Facts

The EB-5 Immigrant Investor Visa Program is administered by U.S. Citizenship and Immigration Services (USCIS), part of the U.S. Department of Homeland Security.

The program offers conditional green cards to foreign investors – and their spouses and children under 21 – that invest $1 million or more in eligible projects or businesses that create at least 10 full-time permanent jobs for U.S. workers.

Foreign investors approved by USCIS and their family members receive a green card with two-year conditional permanent resident status. They can live and work anywhere in the U.S. if they wish, travel back and forth from the U.S. without a visa, and their children can qualify for in-state tuition rates at American colleges. After five years of being a permanent resident they are eligible for U.S. citizenship.

An EB-5 pilot program, reauthorized through September 30, 2015, requires a minimum investment of only $500,000 but limits investment to businesses and projects in "targeted employment areas," which are rural or high unemployment areas. The minimum 10 jobs can be created indirectly or directly and also be jobs preserved through the acquisition of a troubled existing business as well as from new projects or businesses.

Investments must be made through federally approved Regional Centers (about 250 nationwide), which have defined geographic areas for EB-5 investment and specify the types of businesses and projects eligible for EB-5 investment. There are about 250 Regional Centers nationwide.

Among the eligible projects of the Milwaukee Regional Center, for example, are hotels, manufacturing facilities, and office buildings. The Milwaukee Regional Center's investment zone includes Kenosha, Milwaukee, Ozaukee, Racine, Waukesha, Washington, and Walworth counties.

Specialized private intermediary firms are often used by project sponsors to help them determine if their venture is eligible for EB-5 funding and to line up foreign investors and their capital through the EB-5 program.

For a list of Regional Centers and a link to detailed information on the EB-5 program, go to http://tinyurl.com/yh5a26r. For an article on combining EB-5 and new markets tax credits, go to http://tinyurl.com/bgyoxt2. TCA

NMTC, continued from page 42

re-use of a five-story, 100-year-old building once used to manufacture coffins.

The EB-5 funds were channeled to the project through the Dallas Regional Center, which is managed by Civitas Capital Management on behalf of the city.

The $56 million Marriott Hotel project in Milwaukee, which closed on the financing in December 2011, received separate NMTC allocations from the Wisconsin Business Growth Fund and from the Wisconsin Community Development Legacy Fund, the latter an affiliate of the Wisconsin Housing and Economic Development Authority. The 10-story, 200-room hotel is slated to open in July.

Photo by Jacob Tindall

NYLO Dallas South Side, Dallas, Texas

The third project, the Global Water Center, expected to be completed by July, involves the historic rehabilitation and adaptive re-use of a seven-story former warehouse building in Milwaukee into offices for tenants involved in research, education, and business related to water. Milwaukee, in the midst of the Great Lakes, is a center for the fresh water industry.

The EB-5 capital for both Milwaukee projects was channeled through the Milwaukee Regional Center, which is administered by the Metropolitan Association of Commerce. The capital was raised by FirstPathway Partners, a Milwaukee-based private firm that acts as an intermediary to assist foreign investors with the EB-5 process and raise foreign investor capital through the EB-5 program for projects within the investment zone of the Milwaukee Regional Center.

Photo by FirstPathway Partners

Joe Klein

The developer of the $22 million Global Water Center project is HKS Holdings LLC. Joe Klein, one of the partners, is also Chief Investment Officer of FirstPathway Partners.

Primarily Chinese Investors

Most of the EB-5 capital raised today by FirstPathway Partners is from Chinese investors, Klein said, although the company also raises monies from foreign nationals in other countries through a worldwide network of employees and agents. These employees and agents identify and hold seminars for prospective EB-5 investors using marketing and investor packages prepared by the company on the EB-5 program and individual projects.

Klein said FirstPathway's investors for a project typically come in over a six-month period and usually put their money in upfront as equity in an investment fund or limited partnership set up for the project. FirstPathway can't use the funds, however, until the investors are approved by the federal government. As a result, the company must either wait until the last investor is approved to release the funds for the project, or make arrangements for another party to provide a bridge loan on behalf of FirstPathway. The bridge loan is then paid off over time with the foreign capital as the investors are approved.

Klein says developers wishing to utilize the EB-5 program as a funding source should have patience, a high level of risk tolerance, and the ability to find a bridge lender if there are timing gaps. He said there isn't any predictability as to how long it takes to get foreign investors approved by the federal government, noting it can sometimes take many months.

It probably doesn't make sense to utilize the EB-5 program for a project unless raising at least $15 million to $20 million, Klein said, adding that FirstPathway Partners generally tries to have EB-5 capital fund 80% of a project's total cost. TCA

State Roundup

Arizona Revises 2013 Allocation Plan, Deadline

In response to the recently passed American Taxpayer Relief Act (ATRA), the Arizona Department of Housing has made several changes to its 2013 qualified allocation plan for its low-income housing tax credit program after receiving approval from the governor. One change moved the application deadline from March 1 to May 1, 2013. ADOH also clarified that the allocation plan will have set-asides for two permanent supportive housing projects, one rural project, and one project on tribal land. These clarifications were made in response to an interpretation that ATRA's extension of the minimum 9% credit rate to projects receiving housing credit allocations before 2014 does not cover 2014 credits that are forward allocated.

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

Georgia Releases Final 2013 QAP

The Georgia Department of Community Affairs has released a final version of its 2013 qualified allocation plan to govern the award of federal and state low-income housing tax credits and federal HOME funds. The QAP was sent to the governor for approval. The agency plans one funding round with an application deadline of June 13, 2013.

(http://tinyurl.com/arnd6j9)

Texas Releases Updated Multifamily Program Materials

The Texas Department of Housing & Community Affairs has posted final versions of its 2013 Housing Credit Program Qualified Allocation Plan and 2013 Uniform Multifamily Rules, as approved by the Governor and the *Texas Register*. These versions do not reflect substantive changes from previous versions. The agency has also posted a list of frequently asked questions related to the competitive 9% housing credit program.

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

New York Governor Announces $1 Billion Affordable Housing Plan

In his recent State of the State address, New York Gov. Andrew Cuomo said New York State will significantly increase its investment in affordable housing with a $1 billion program to preserve or produce 14,000 affordable housing units over the next five years. He said the plan, called House NY, will be paid for by reallocating and making better use of existing funds. Cuomo also noted that the state's Mitchell-Lama housing program portfolio – 44 projects containing over 10,400 units – will be transferred from Empire State Development to New York Homes and Community Renewal (HCR). This will allow HCR to refinance these properties and utilize private and public funds to renovate 8,700 units.

(http://tinyurl.com/cdkrl7f)

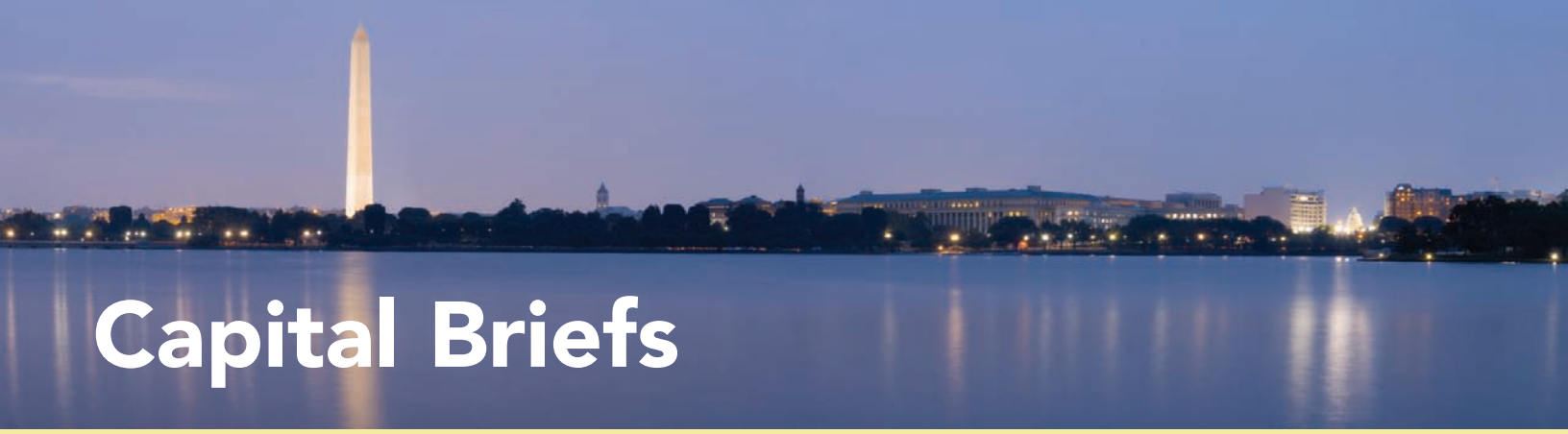
Governor Vetoes New York Historic Credit Legislation

In December, New York Gov. Andrew Cuomo vetoed a bill (S. 6134) passed by the state legislature that would have increased the maximum award of 20% state historic tax credits per project from $5 million to $12 million. In his veto message, the governor said he shared "the Legislature's goal of incentivizing the rehabilitation of blighted historic structures" but noted the forthcoming state budget process "is the better context and forum in which to review both the economic development and fiscal impact of the proposed higher cap."

Missouri Lawmaker Introduces State Tax Credit Bill

Missouri State Sen. Will Krause has introduced a bill (SB 163) to reauthorize certain state tax credits, bar further authorization of certain tax credits, and modify the state's historic preservation and low-income housing tax credits. It would establish authorization caps for 9% and 4% state housing credits of $110 million and $20 million, respectively, for FY 2014, and progressively smaller annual caps for FY 2015 through 2017. The annual cap would be $27.5 million for 9% credits after January 1, 2017 and $5 million for 4% credits after June 30, 2016. The bill would also cap authorized state historic tax credits starting at $80 million in FY 2014 declining afterwards down to $20 million per year after FY 2016. The measure would also bar the combination of state historic and 9% housing tax credits in the same project; reduce the carryback period for state housing credits to two years; and permit state historic tax credits to be carried back one year or forward for five years.

(http://tinyurl.com/a45jqkn) TCA



Capital Briefs

USDA Announces Availability of Rural Preservation Funds

The U.S. Department of Agriculture's Rural Housing Service has announced the availability of $19.9 million under a demonstration program to preserve and revitalize existing rural rental housing projects. Under the demo, existing RHS Section 515 rural rental housing loans and Section 514/516 off-farm labor housing loans will be restructured to ensure that the projects are preserved as affordable housing for current very low-, low-, or moderate-income residents. Pre-applications are due by February 28.

(http://tinyurl.com/a2l6a6k)

HUD Proposes Process for Awarding Section 202 Preservation Contracts

The U.S. Department of Housing and Urban Development (HUD) recently published a notice outlining a proposed process for awarding 20-year Senior Preservation Rental Assistance Contracts (SPRACs) to prevent the displacement of elderly residents in certain Section 202 supportive housing projects. Implementing 2011 legislative authority, HUD plans to provide SPRACs to projects funded by Section 202 Direct Loans with interest rates of 6% or less, in cases where the loan will be refinanced with no anticipated debt service savings to the project owner. HUD has invited comments on the proposed awards process and eligibility criteria by March 11.

(http://tinyurl.com/a8cvdct)

Taxpayers Ask Supreme Court to Review Boardwalk Decision

On January 17, attorneys for the taxpayers filed a motion with the U.S. Supreme Court asking it to review and reverse the decision of the U.S. Court of Appeals for the Third Circuit in the *Historic Boardwalk Hall* case. The Third Circuit held that an affiliate of Pitney Bowes LLC wasn't entitled to claim federal historic tax credits for the renovation of the former Atlantic City convention center building and affirmed an IRS adjustment to reallocate all the tax credits to the New Jersey Sports and Exposition Authority. *(For details of Third Court decision, see* Tax Credit Advisor, *October 2012, p. 8.)*

(http://tinyurl.com/by4226h)

HUD Seeks Comments on Proposed LIHTC Data Forms

HUD is seeking comments by February 26 on a proposed information collection consisting of two forms that the Department proposes to use to collect information annually from low-income housing tax credit allocating agencies on LIHTC properties placed in service during the year and on certain characteristics of tenants of all existing LIHTC properties within their jurisdiction. Tenant characteristics include race, ethnicity, family composition, age, use of rental assistance, and income. HUD collected LIHTC tenant data in recent years using a previously approved form that expires May 31.

(http://tinyurl.com/afh4cmr)

Public Transit Final Rule References Affordable Housing

The Federal Transit Administration recently issued a final rule and proposed implementation guidance for a program that offers competitive funding for new public transit projects. Under the final rule, two of the criteria that FTA is to use in assessing prospective projects are the amount of existing affordable housing within the applicant's proposed transit corridor and the applicant's plan for developing and preserving affordable housing within the transit corridor in the future.

(http://tinyurl.com/aos53cp)

OMB Issues Memo to Federal Agencies Regarding Sequestration

The Office of Management and Budget recently issued a memo to federal agencies directing them to prepare plans for managing their operations in FY 2013 under the reduced funding levels called for by the sequestration act if sequestration occurs. The implementation of the FY 2013 across-the-board spending cuts was delayed to March 1 by the American Taxpayer Relief Act.

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

NATIONAL HOUSING & REHABILITATION ASSOCIATION

Pre-Conference Symposium on Senior Housing

March 6, 2013

Loew's Miami Beach Hotel
Miami Beach, Fla.

TOPICS INCLUDE:

Senior Housing Market Overview
Senior Housing Funding Sources
Project Case Studies
Networking Breaks

OTHER UPCOMING EVENTS

National Council of Housing Market Analysts / NH&RA
2013 Multifamily Housing Exchange
(including 10th Annual New Markets Tax Credit Symposium on April 4th)
April 2-4, 2013 • Hyatt Regency Washington, Washington, D.C.

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

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

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