

# Returns

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NORTHERN NEW ENGLAND HOUSING INVESTMENT FUND REPORT

## Advice for the First-Time Housing Credits Investor

According to the Affordable Housing Tax Credit Coalition, the Low Income Housing Tax Credit (LIHTC) is a proven tool to help meet growing demand for affordable housing across the U.S. Since its creation in 1986, the Housing Credit (HC) program has financed more than 2.7 million quality affordable homes; leveraged nearly \$100 billion in equity capital over its history; and supported more than 3 million jobs, mostly in the small business sector.

The HC program is a true public-private partnership. Private investors provide the equity up front and can then claim their tax credits after properties are built and occupied by income-eligible residents (usually about two years into the cycle) and will receive the credits for each individual property for ten years.

While HCs have been hugely successful in building and preserving affordable housing, it can be difficult terrain to navigate for someone who's never participated in the program. So, we asked some colleagues: what advice would you give a first-time HC investor?



*It's worth the effort to be educated on how HCs work, because once you have that 'a-ha moment' with affordable housing, it's really not a difficult decision to make. If you're at a regional or community bank, ask someone at a larger institution about it—I welcome you to talk to us! The product screams complexity, but once you begin to wrap your head around it, the more clear it becomes.*

— David Birkhahn, Vice President, Team Lead of the Community Capital Group at TD Bank

*It's highly useful to have a first-time investor attend a training session about the structure, function, and accounting of tax credit investing. The rules are relatively clear, but they're also pretty arcane, so it's helpful to spend some time understanding those rules—and to understand what the impact will be if a bank decides to invest.*

— Arthur Casavant, Vice President and CRA Officer at People's United Bank

*There are many tax credit conferences and seminars out there—Institute for Professional and Executive Development (IPED), Novogradac, and Spectrum, to name a few. It's worthwhile to attend at least one of these to get a better sense of what's going on in the LIHTC industry and to gain a basic understanding of the expectations, processes, risks and rewards inherent in this kind of investing.*

— Michael Clarke, Senior VP of Community Development Banking at Bank of America Merrill Lynch

*The Tax Credit industry is mature and very competitive. In addition, it is a complex investment with many layers requiring expert underwriting, due diligence, and oversight. Syndicators are great intermediaries to help navigate the market. There are a lot of minefields, so you need that expert advice.*

— Eugene Clerkin, Senior VP of Community Development Lending at Citizens Bank

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NORTHERN NEW ENGLAND  
HOUSING INVESTMENT FUND

# Healthy Homes: Bath Housing Pilots Aging-in-Place Program

**I**t's a simple idea really. Spend a small amount of money to make low-income seniors' homes safer and it will help them stay in their homes longer.

Bath Housing developed this idea into a new program called Community Aging in Place (CAP), which provides home safety checks, minor maintenance repairs, and adaptability enhancements to low-income elderly households in the greater Bath area. For more extensive accessibility modifications, such as building a wheelchair ramp or widening doorways, Bath Housing partners with Habitat for Humanity 7 Rivers.

Although the concept is simple, Bath Housing is deploying CAP with great care and intention. The nonprofit received funding for the pilot program from the John T. Gorman Foundation in the summer of 2015 and spent three months laying the groundwork and creating partnerships.

Bath Housing executive director Debora Keller explained that the CAP concept evolved with the understanding that it's unlikely Maine will be able to build its way out of the senior housing crisis. According to a recent report from the Maine Affordable Housing Coalition, in 2012 there was a shortage of nearly 9,000 units of affordable housing available to low-income older people that will increase to more than 15,000 by 2022 unless apartments are added. By creating a new model for home repair, the program aims to minimize the pressure on existing housing resources.



Debbie, 91, is one of the first CAP participants. The program helped with some basic work on her home, including lighting upgrades, grab bars in the bathroom, and new smoke detectors.

A unique aspect of the program is the level of collaboration with organizations that have different capabilities. Bath Housing, for example, is a property management company, and maintaining homes and making them safe is what they do best. For bigger projects, Habitat for Humanity 7 Rivers was a natural partner; their core strength is their team of trained volunteers.

CHANS Home Health Care at Mid Coast-Parkview Health is the healthcare partner for the CAP program. In addition to donating Occupational Therapy visits for program participants who need it, CHANS staff is providing consulting and resources to ensure the Bath Housing team are doing things according to best practices.

## HOW IT WORKS

To be eligible for the CAP program, participants must meet age, income,



Bath Housing's Maintenance Technician Joshua Dubois at work. Said one CAP participant: "Josh is personable and did a good job. It's hard to find an affordable repair person who is friendly and fixes things correctly."

and geographic requirements. Then, program coordinator Amy Liechty and a technician from the Bath Housing maintenance team meet with the resident in his/her home. In addition to an owner-led tour and safety check, Liechty asks lots of questions.

"The key to the CAP model is that it's really driven by homeowners," said Liechty. "They tell us what would make them feel safer; what would make their home easier to use."

Once the assessment is done, Bath Housing develops a work plan and then reviews it with the homeowner. Participants can choose one-time safety modifications, seek maintenance assistance, or both.

In its first three months the CAP program served 13 residents, and the response has been overwhelmingly positive. One participant who is now mostly confined to a wheel-

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# INDUSTRY NEWS BRIEFS

## REPORT STUDIES SCOPE OF HOMELESSNESS IN NEW ENGLAND

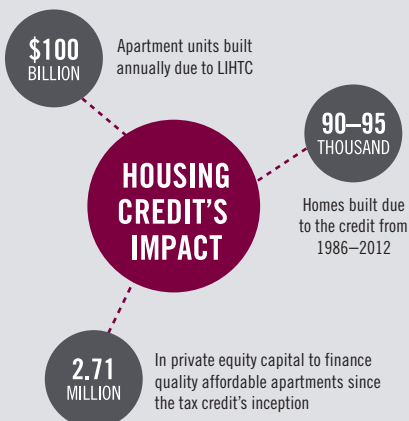
The New England Public Policy Center recently released *Can Subsidized Housing Help Address Homelessness in New England?*, which examines the scope of homelessness in New England and the extent to which subsidized housing can alleviate it in the region. Report authors Robert Clifford and Osborne Jackson focus on the Low-Income Housing Tax Credit (LIHTC) as a source of subsidized housing. They determine that local increases in subsidized housing are likely to reduce neighborhood homelessness, especially in New England.

<http://tinyurl.com/jmx89ah>

## SHOWCASE COMMEMORATES 30 YEARS OF HOUSING TAX CREDIT

To commemorate the 30th anniversary of the passage of the Low-Income Housing Tax Credit, accounting and consulting firm Novogradac & Company LLP published a report about how the Housing Credit works, its history, and its successful role in affordable housing today. The report also looks at the impact the Housing Credit has on residents, developers, investors, and communities.

<http://tinyurl.com/h5zsl7>



## Community Capital 2016 — building on consistency

Since 1996, Northern New England Housing Investment Fund (NNEHIF) has created and is managing 18 multi-investor funds—limited partnerships structured to pool capital from a variety of investors, capital that is then invested in affordable housing developments in Maine and New Hampshire. Year after year, the funds have performed close to, or exceeded, targeted yields.

According to NNEHIF President Bill Shanahan, last year's fund *Community Capital 2015* was the largest fund they've had since 2006. There were 14 investors in *CC '15*, compared to six investors that are now in the NNEHIF's first fund created in 1996.

"We've averaged seven investors in a fund since inception, so the fact we had almost twice our average last year bodes well for 2016," said Shanahan.

While NNEHIF appreciates their traditional larger investors, in recent years there has been increased interest by community banks as well. In last year's fund, ten of the 14 investors were community banks. This growth in participation by community banks is a trend that Shanahan believes will continue.

Whether a large national bank or a smaller community bank, the same motivations for investing still apply: solid returns on investments and meeting CRA objectives.

"So much of the success of the multi-investor funds has to do with matching investors' CRA investment needs to the right projects," Shanahan said. "We're already out there talking to investors about what they need in 2016 and beyond."

As NNEHIF offers *Community Capital 2016*, their nineteenth multi-investor fund, Shanahan notes that with their long-term relationships and deep knowledge of local markets, the syndicator has consistently balanced their ability to raise capital, with potential development deals.

In fact, the pipeline for *CC'16* projects is "very robust," said Shanahan, with as many as eight deals expected to close in the first three months of the year. Considering that NNEHIF traditionally structures 12-15 deals within a year, the active first quarter is a good indication that 2016 is already shaping up to be a busy year.

When asked why someone should consider investing in *CC '16*, Shanahan is clear:

"If someone is motivated to make an investment, it makes a lot of sense to invest in a stable asset class with a very proven track record and a reasonable rate of return, given alternative investments." ♦

If you have any questions about the *Community Capital 2016* Fund, or if you'd like to learn more about Housing Credits investments, contact NNEHIF President Bill Shanahan at [bshanahan@nnehif.org](mailto:bshanahan@nnehif.org), or (207) 772-8255.

*CC '16* will contain a mix of rehabilitation projects and new constructions that will serve different populations—family, elderly, and special needs. All projects will be eligible for Low-Income Housing Tax Credits and may also include Federal Historic Tax Credits.



## In the Next Issue of *Returns*

We explore Historic Tax Credits—the facts, the nuances, and how they work with Housing Credits.

(Continued from the cover)

*If I were a bank wanting to invest in ‘deals’ for return purposes, I would want to know how the syndicator vets a deal, because at the end of the day, it’s still a real estate transaction. Income and expenses, market location and characteristics, developer experience and capacity—all get evaluated consistent with underwriting any real estate transaction. Concurrent to that would be investment analysis,*

*performance expectations, risk assessment and return calculations.*

*I think it is important that the investor have a comfort level that the syndicator has the experience and knowledge to perform this types of analysis.*

— Tom MacDonald, Vice President, Acquisitions at NNEHIF

You may have noticed the common thread of education and

training. If your institution wants to know more about Housing Credits—from the basics to more complex issues—we’re happy to talk with you.

NNEHIF can also direct you to educational resources, training programs, or put you in touch with investor partners that are active Housing Credit investors. ♦

To learn more, contact NNEHIF President Bill Shanahan at [bshanahan@nnehif.org](mailto:bshanahan@nnehif.org), or (207) 772-8255.

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chair called the CAP team “his angels” and thanked them for helping him “to move around and live in my own house.”

### MOVING FORWARD

Seed funding from the John T. Gorman Foundation will allow the CAP program to serve 100 participants in the first year. In that time, Bath Housing believes it will demonstrate that small investments in home safety will not only extend the time low-income seniors can live safely at home, but will also reduce healthcare expenses.

Deferred maintenance costs lead to unsafe homes, and the medical

community is beginning to confirm that stable housing is critical to good health, especially for older people whose health conditions may already be vulnerable.

Bath Housing hopes CAP will continue to evolve as it serves more households. The organization plans to question, assess, and document everything it does, with the goal of long-term sustainability and possible replication in other communities.

Six months into the pilot, Sagadahoc County Sheriff Joel Merry called the program benefits “immeasurable.”

“We know that at a certain age, one thing leads to another. The medical costs of a fall, including all of the required follow-up and rehab, are costly.” he said. “There is no way to measure the depth of prevention you can achieve with these simple modifications.” ♦

### RESOURCES

**CAP Program:** <http://tinyurl.com/zktpj42>

**John T. Gorman Foundation report:** <http://tinyurl.com/z4pgahr>

**Maine Affordable Housing Coalition report:** <http://tinyurl.com/zm4kq5m>

WWW.NNEHIF.ORG



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*The Northern New England Housing Investment Fund (NNEHIF) is a private, nonprofit 501(c)(3) corporation that promotes housing and community development by providing equity capital, technical assistance and consulting to affordable housing developers throughout Maine and New Hampshire.*

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