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**KPM Affordable Housing Symposium  
Leading The Organization Through Turbulent Times**

Tuesday, October 20, 2009  
Omni Parker House  
Alcott Ballroom

**Welcome and Opening Remarks**

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“Change is the law of life and those who look only to the past or present are certain to miss the future.”

- John F. Kennedy

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## The One-Two Punch

*-“While good times produce lots of wonderful things, they seldom build stronger organizations.” (Harvard Business Review)*

It takes turbulent times, such as what we are now experiencing, to do that. Tough times have the opportunity to produce unparalleled opportunities.



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## Yes...The Reality



- ◆ The cost of the recession: 7 million jobs lost, \$1 trillion in new debt has been shifted into the future and no less than \$1.2 trillion in potential output has been lost!
- ◆ The current market has shaken everyone, perfect storm
- ◆ Lots of vulnerability within all of our housing-related organizations
- ◆ The September 2009 unemployment rate was 9.8% (highest since 1983)
- ◆ We are seeing a clear correlation of the times to rising rates of homelessness, domestic violence, divorce and other social ills
- ◆ Durable goods orders decreased in August by 2.4%
- ◆ Overall construction spending down .8% in August

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## Glimmers of Hope



- Indicators Are Up
  - Fed policies, 3Q09 economic expansion at 3.2% annual pace
  - Stress tests indicates banks are “regaining their health”
  - Consumer sentiment index rose to 73.5 in September , from 65.7 in August, from 57.3 in last March (Recent Harris Poll, optimism)
  - Dow Jones has been steadily moving up (March 9, 2009 6,547)
  - *Residential* construction spending rose 3.8% in September
  - *Residential* construction spending is forecast to jump 14% from 4Q09 to 4Q10
  - New home sales rose 6.5% in September
  - 30-Year Conventional Mortgage rates +/- 5.01%
  - Washington working on “solutions”

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◆ **Green Works!**

- ◆ TCAP (“Tax Credit Assistance Program”) and Exchange Program working, but guidance got out of the gate late
- ◆ Average price per dollar of credit in 2Q09 was about 74 cents with investor yields at 9%, compared to 85 cents and about 7% a year ago
- ◆ Syndicators say that *“strong deals, strong developers, strong relationships”* is the key to moving projects forward
- ◆ Seeing “some” economic investors, non-CRA motivated
- ◆ Due diligence still increasing, slowing down getting deals done
- ◆ Trends in debt structuring and underwriting is becoming tougher and tougher, lending to permanent financing issues

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## What We Need to Be Thinking About

- ◆ We need to be wary of faulty perspective
- ◆ Push to get TCAP projects rolling
- ◆ Developers *“gotta get the deal done”*
- ◆ Developer fees
- ◆ Project guarantees
- ◆ Owners need to maximize existing properties
- ◆ Respond to the marketplace
- ◆ Create alliances
- ◆ Be open to project scope changes



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## What We Are Working On

- ◆ Extend the Exchange Program
- ◆ Further broaden the investor base
- ◆ Stimulate the program and create demand by increasing the credit carry back period



[www.rentalhousingaction.org](http://www.rentalhousingaction.org)

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**Tweet Anyone?**

<http://twitter.com/KPMCPA>

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# **The Washington Update**

**David Gasson  
Boston Capital  
Housing Advisory Group**

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# KPM & Associates Affordable Housing Forum

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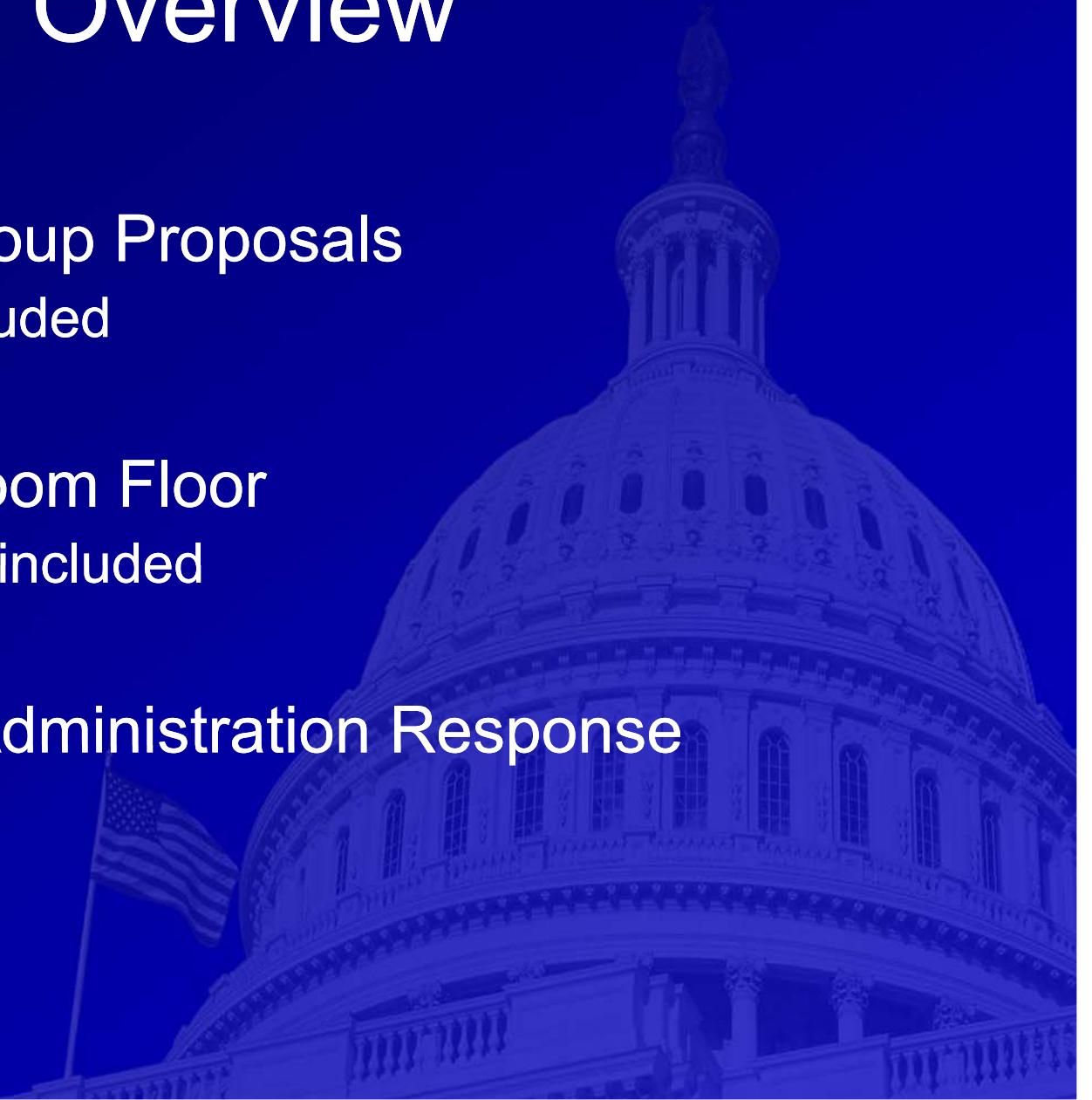
## Housing Legislation Update

David Gasson  
Boston Capital Corporation  
Housing Advisory Group

The background of the slide is a blue-tinted image of the Massachusetts State House dome. The dome is a large, ornate structure with a central cupola. To the left of the dome, an American flag is visible on a pole. The entire scene is set against a dark blue background.

# Overview

- Consensus Group Proposals
  - What was included
- The Cutting Room Floor
  - What was not included
- Legislative & Administration Response
- Questions



# Where We Started

- Prior to the passage of American Recovery and Reinvestment Act (ARRA), industry was badly divided
- Initial resistance to Exchange Program
- “Accelerator” was opposed by some investors
- Result was that Congress heard “dissonance” and only passed short-term solutions—Exchange and TCAP

# Consensus Group Emerges

- After ARRA passed, Congressional staff urged the industry to get its act together
- In late Spring, Center for American Progress convened industry-wide meetings to attempt to reach consensus proposals
- Object was to reach consensus on a short list of proposals needed to deal with stalled projects and re-invigorate the investor market

# Consensus Reached

- Consensus reached quickly on extending 9% Exchange and Carryback proposals
- Proposal to amend the passive loss rules very controversial, but compromise eventually reached
- Consensus proposals agreed to in July—now over 80 national and regional housing organizations have signed on
- Letter and information is available at [www.rentalhousingaction.org](http://www.rentalhousingaction.org)

# Consensus Proposals

- **Three proposals**

1)(A) Extend the 9% Exchange program for one more year on same terms

(B) Expand the Exchange program to 4% bond deals and allow States and Owners to substitute taxable financing if bonds cannot be sold—bond cap could be recycled to other multifamily bond transactions but without LIHTC

# Consensus Proposals

- **Three proposals**

2) Carryback Proposals—both would extend the current 1 year carryback of credits to 5 years for LIHTC only—original proposal was developed jointly by AHTCC and AHIC

- Part A—applies to existing investors—would be required to reinvest amounts carried back in new LIHTC investments in the year return is filed. As proposed, would be effective for three years. Intended to provide immediate stimulus.
- Part B—applies to new investments—would have the benefit of 5 year carryback for entire credit period. As proposed, would be permanent provision. Would help produce new investors.

# Consensus Proposal

- **Three proposals**

## 3) Passive loss rule modification

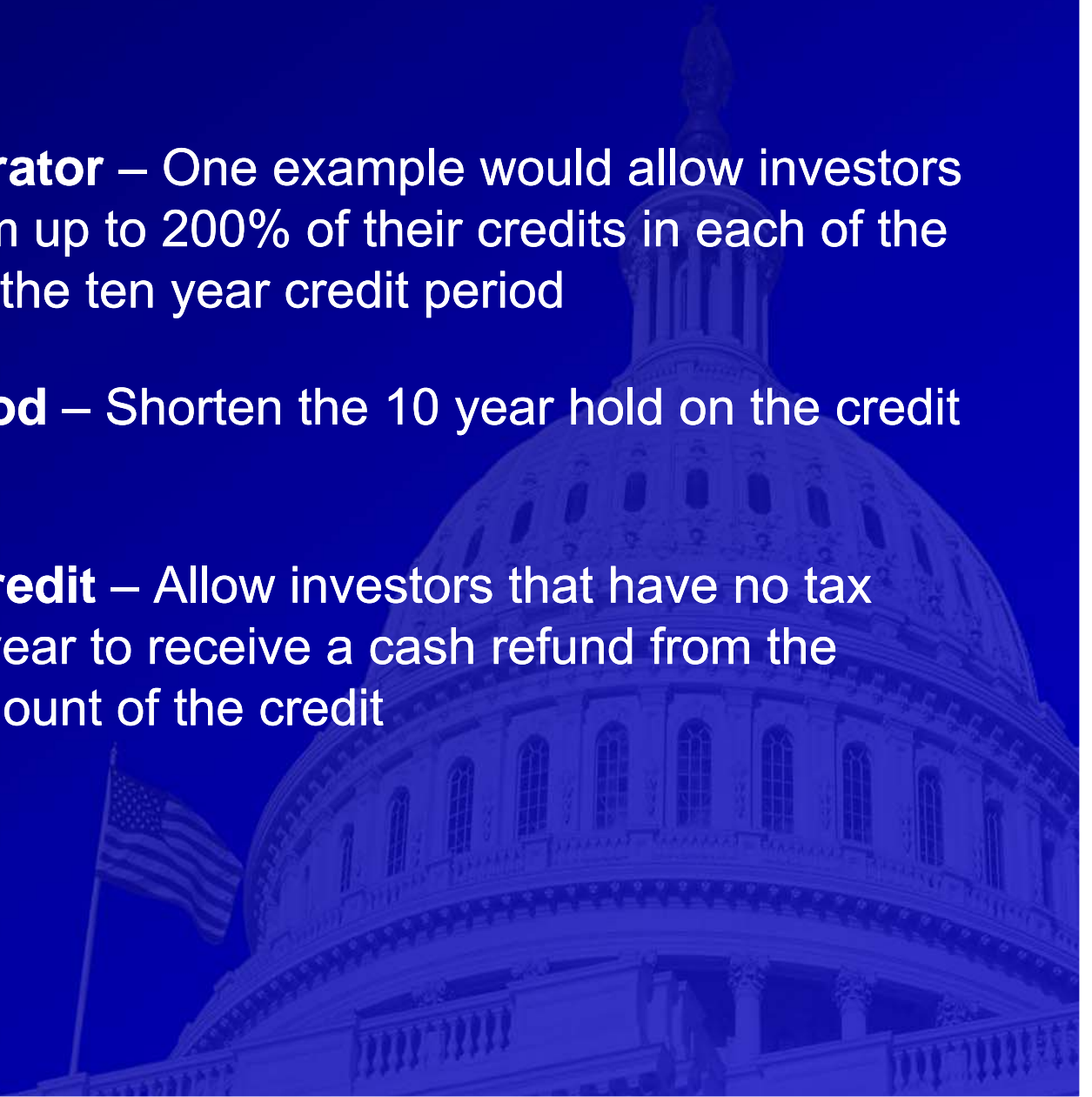
- Original proposal would have greatly expanded the current \$25,000 deduction equivalent to \$250,000 in order to attract high net worth individual investors
- Resistance to opening up the passive loss rules and the concern about losing corporate oversight and discipline
- Compromise:
  - S corps, LLCs, closely held C corps and other pass-through entities with \$10MM in annual revenue, not organized for the purpose of investing in LIHTC deal and with reasonable expectation of asset management would be able to take advantage of LIHTC and depreciation deductions
  - Main target would be community banks organized in this way

# The Cutting Room Floor



# What Was Not Included

- **Tax credit accelerator** – One example would allow investors to temporarily claim up to 200% of their credits in each of the first three years of the ten year credit period
- **5 year credit period** – Shorten the 10 year hold on the credit to five years
- **Refundable tax credit** – Allow investors that have no tax liability in a given year to receive a cash refund from the Treasury in the amount of the credit



## What Was Not Included (cont.)

- **4% credit floor** – As was done for the 9% credit in HERA (Housing and Economic Recovery Act), the 4% credit should be pegged at 4% and not on a floating rate
- **Increase the 9% credit percentage**
- **Changes to CRA** – Consider provisions that would encourage additional LIHTC investment by CRA institutions

## What Was Not Included (cont.)

- **Permit taxpayers to sell their credits** – allow investors to sell their credits as opposed to selling their interest in the entity that owns the credit producing property
- **Eliminate or reduce exit tax** – Allow tax to be eliminated or reduced if property is sold to qualified buyers that intend to maintain affordability
- **Extension of TCAP Funding**

# Legislative & Administration Response?

- **Congress**
- **White House**
- **Department of Housing and Urban Development**



# That's All Folks

David Gasson

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# Making Green Work In Affordable New England



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# 2009 Annual Affordable Housing Symposium:

## Making Green Work in Affordable New England

October 20, 2009

# Making Green Work

- Panelists

- David M Abromowitz, J.D. – Moderator
  - Partner, Goulston & Storrs
- Nancy Ludwig
  - President, ICON Architecture
- Madeline Fraser-Cook
  - Program Director for the Green Development Center, LISC
- Jenny Netzer
  - CEO, Tax Credit Asset Management (TCAM)
- Kathleen Pedersen
  - Senior Project Manager/Environmental Review Specialist, BRA

# Making Green Work - Legislation

- What's Working – what's not
- Upcoming Legislation
- CEFAH initiatives

# Making Green Work - Maverick

- “Leed” Certified Public Housing Redevelopment Project
- What went well
- Challenges



# Making Green Work - Project

- Design Issues
- Team coordination and Skills
- Residents as an integral part of the process.

# Making Green Work - Financing

- Costs and Payback
- Funding – Grants, Credits etc.
- Affordable Housing Challenges



# Making Green Work - Boston

- Sustainable Housing in Boston
- Certification Issues and Requirements
- Public Policy and Information Dissemination

# Making Green Work

- Questions?

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20 Minute Break

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# Key Perspectives for an Industry in Transition



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# 2009 Annual Affordable Housing Symposium:

## Key Perspectives for an Industry in Transition

October 20, 2009

# Key Perspectives

- Panelists

- Marianne Heard, CPA, MST – Moderator
  - Tax Director, KPM
- Marianne Votta
  - SVP, Asset Management Executive  
Bank of America Merrill Lynch
- Peter Sargent
  - Director of Capital Development, Massachusetts Housing Investment Corporation
- Beverly Bates
  - Senior Vice President, The Community Builders (TCB)
- Wendy Cohen
  - Director DHCD
- Daniel M. Rosen, J.D.
  - Partner, Klein Hornig, LLP



# A National Investors Perspective

- Competition with TCAP and 1602
- Current Portfolio – Challenges/Solutions
- Status of Investors/Developers

# A Regional View of Housing

- Affordable Housing in the northeast as compared with some of national challenges
- Are we marching in place or moving forward?
- What is on the horizon?



# Developers' View

- Working with the new short term programs
- Financial Issues for Developers
- Projects that have succeeded – creative strategies

# State Agencies New Roles

- TCAP (gone but not forgotten) what's left?
- Exchange (1602) Program
- Status of standard LIHTC projects



# Structuring in the New Era

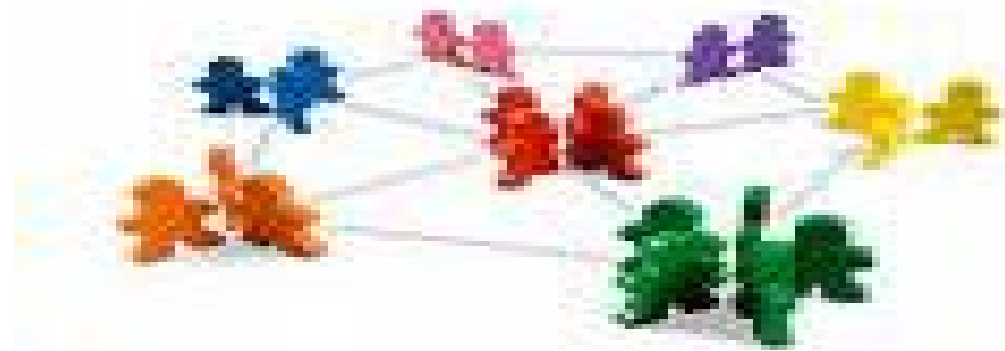
- Issues and challenges with current programs
- What will new legislation do for LIHTC
- Other real estate tax credits impact



# Key Perspectives

- Questions?

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## Closing Remarks

Visit us at [www.kpmonline.com](http://www.kpmonline.com)

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