Team Building
HIF Consulting and New England Family Housing

When Steve Schuster started working with Kevin Lacasse on financing using the Low Income Housing Tax Credits program, there wasn’t even a project in play.

Schuster, who manages projects at HIF Consulting (and is the Senior Acquisitions Officer at NNEHIF), met Lacasse in the fall of 2015 when the developer was looking for a property to finance with Housing Tax Credits for the first time.

“We drove around New Hampshire looking at properties, but owners weren’t as motivated to sell as Kevin was to buy,” said Schuster. “But eventually we found a really beautiful site, right in an oxbow of the Newfound River.”

Knowing the Market

Lacasse has been buying and rehabilitating real estate since 2001, and in 2004 he co-founded New England Family Housing. They develop properties in towns such as Rochester, Berlin, and Claremont, which aren’t investment hot spots like Manchester or Portsmouth.

There’s a high demand for quality affordable housing in these “tertiary markets” – and its’ a real challenge to build larger residences with existing, limited subsidies.

“In these markets it’s really, really tough to get conventional financing in place, which limits the size of the project,” explained Lacasse. “I started looking into LIHTC because I thought we’d be able to do a lot more than what we’ve done with just grants or private capital.”

Lacasse began to educate himself about the program, going to conferences and meeting with syndicators and consultants, because “he knew there would be a lot of stumbling blocks along the way.”

According to Schuster, HIF Consulting “filled in around Lacasse’s strengths as a developer” and worked with him to find the right type of project, counsel him in the nuances of the LIHTC program, and then apply for credits in New Hampshire following the Qualified Allocation Plan (QAP).

Building the Team

HIF Consulting’s most important job was to assemble an experienced team. In fact, Lacasse recommends

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that anyone new to the LIHTC program should build the team well before they apply for the credits.

“The right consultant, counsel, architect, insurance provider, and management company will all know how to work within the program successfully - and their expertise and capabilities will help you score well in the competitive round,” said Lacasse. “Having Steve there to guide me through and make the important relationships happen was really important.”

Additionally, when NNEHIF does their underwriting and brings a project to their investors, an experienced team makes investors feel confident in the project.

BREAKING GROUND

After qualifying for Housing Tax Credits, receiving final site plan approvals, and closing on construction loans, the Newfound River Apartments in Bristol, New Hampshire is scheduled to begin construction in the summer of 2017.

The building will provide 32 apartments priced affordably for low- and moderate-income residents. Once an old, abandoned fish hatchery, the new construction will sit on a peninsula with serene water views of the nearby dam and still be within walking distance to downtown.

The apartments are scheduled to open in September 2018, and given the demand for affordable housing in Bristol, they’re expected to lease up quickly.

Now that construction is underway, HIF Consulting will “pass the baton” to others at NNEHIF to manage and monitor the project on behalf of the investors.

With one LIHTC project under his belt, Lacasse is now working on a new affordable housing project, a rehab in Claremont, New Hampshire.

After HIF Consulting helped build the team for the first project, Schuster says that they will “back off further” and let Lacasse take the skills and experience he gained from the Bristol project and apply them to the next one.

Lacasse continues to work with Schuster and HIF Consulting, a partnership that perfectly illustrates one of HIF Consulting’s goals: to bring new, talented developers into the Housing Tax Credit industry.◆

ABOUT NEW ENGLAND FAMILY HOUSING

Established in 2004, New England Family Housing (NEFH) manages property for rent and sale throughout the state of New Hampshire. NEFH offers a range of quality homes, including rentals in residential, multi-family, manufactured homes, and commercial buildings. The company specializes in acquisitions and re-development.

New to the Housing Tax Credit Program?

Learn how HIF Consulting can help. Contact Tom MacDonald at (207) 772-8255 or tmacdonald@nnehif.org.
In the thirty-plus years that the Low Income House Tax Credit (LIHTC) program has existed, millions of affordable homes have been built and preserved. In fact, the Housing Tax Credit provides virtually all of the low-income affordable rental housing developed in the U.S. today.

But for the average investor or developer – or even the seasoned real estate pro – it’s not an easy program to navigate. To help shed more light on the process, we’ll be interviewing a series of Housing Tax Credit experts, beginning with attorney Maurice A. Selinger, III.

Cito Selinger practices in real estate, commercial and corporate law, with an emphasis on affordable housing and community redevelopment, where he represents developers, lenders, and investors. Selinger is lead counsel to developers of multimillion-dollar projects using financing vehicles such as the Housing Tax Credit, Historic Tax Credit and New Markets tax credit.

**Why would someone need representation when dealing with Housing Tax Credits?**

I think Section 42 is the longest section of the federal tax code. It goes on for pages. Although we’re dealing with real estate transactions that most competent lawyers could handle, once you bring in Housing Tax Credits, you bring in the complexities of the code. Then when you add partnership taxation and other issues, it brings in practically the rest of the tax code.

Every deal is different and requires different considerations, so you really need to have competent advisors when you’re using this mechanism.

**What is a common area of concern?**

Investors are concerned about preserving their yield. Developers want to ensure they make decisions that won’t affect their exposure negatively. I think it’s important for the developer to understand why the investor is asking for certain things, because if you can’t address investors’ concerns, you may not have a deal. Understanding the investor’s perspective gives the developer the ability to negotiate confidently.

All participants are concerned about not having surprises. That’s why competent advisors are so important for rooting out potential problems and knowing how to fix them.

**What is a common misconception about the Housing Tax Credit?**

If you ask the general public, they either don’t know what it is, or they assume it’s the government giving people free money – but that couldn’t be further from the truth. It’s hard to explain that someone is making an investment in a project and will receive a return that’s not cash but is measured in dollars, that they’ll get cash equivalent with offsets and tax benefits.

Explaining how it works to people who don’t know is very challenging. This is where NNEHIF in its public face can make a lot of difference.

**What advice would you give an organization considering using Housing Credits for the first time?**

Pick good advisors. Not just a lawyer but an accountant too. If you’ve never developed affordable housing before, hire a consultant. At the end of the day, it’s a construction project. Build it on time and reasonably on budget and the rest will fall into place. But mess it up and the problems multiply. Until your organization builds its expertise, find solid, experienced advisors and you’ll get the guidance you need for a successful project.
Impact & Interest

The role of Community Banks

One way to distinguish community banks from national, international, or “Wall Street” banks, is their size. Community banks tend to be smaller, both in personnel and capacity.

Daniel Hunter, CFO and COO at Gorham Savings Bank, defines community banks by their focus. “Big banks,” typically headquartered in financial centers such as New York City or London, have a wide range of operations, everything from securities to managing international movements of money. Community banks are all about the local.

“We live in the communities in which we operate, so the people who bank with us are our neighbors,” said Hunter. “When an issue arises with one of our customers – even something as difficult as a failed business or home foreclosure – in my experience, community banks take time to work out the problem, whereas a national bank, might move more quickly to dispense with the issue.”

Hunter cited another point of difference: stakeholders. Like most of the two-dozen community banks in Maine, Gorham Savings has a mutual bank structure (as opposed to a stock ownership structure), so their stakeholders include depositors, bank employees, and members of the community itself. At Gorham Savings, the governance structure comes from corporators within the community who identify and elect the bank’s board of directors.

Some community banks do have stock ownership structures – and they tend to share a similar philosophy to mutual banks – but they have the added factor of having to keep shareholders happy.

Of course, the health of the local economy is a primary concern of community banks, not to mention the health of the people. To help make a positive difference overall, Gorham Savings had made a long-term commitment to invest in quality affordable housing.

The bank has invested in Northern New England Housing Investment Fund (NNEHIF) multi-investor funds since 2000, and they’ve been working with NNEHIF since their first fund in 1997 (a direct investment vehicle).

Gorham Savings participates at a “fairly modest level,” according to Hunter, but they’ve made a commitment to invest consistently. He views it as a “portfolio of low-income housing tax credits,” never a “one-off.”

In addition to serving the tremendous need for housing for seniors and residents with low incomes, these investments help the bank to meet Community Reinvestment Act (CRA) requirements, provide an alternative investment vehicle for the bank, and reduce its taxable liability.

Hunter recommends that community banks new to the Housing Tax Credit program educate themselves in its mechanics: economic benefits, legal requirements, tax risks, and other issues.

“It’s a stretch to think that a local banker will understand every single nuance of these rules, so it helps to engage some outside assistance,” said Hunter.

The first time around can be daunting, but after more than 17 years of investing in affordable housing, it’s become much easier for Gorham Savings to manage its administration.

“We wish we could do more to help address the deficit of housing we see in our communities,” said Hunter. “A program like this is one real way to move the dial.”

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