On a single night in January 2017, the U.S. Department of Housing and Urban Development (HUD) Point-in-Time Count estimated that roughly 40,000 veterans nationwide were experiencing homelessness; 15,000 of those vets were unsheltered or on the street. The same report showed an estimated 131 homeless veterans in Maine, and approximately 124 in New Hampshire.

A coalition of groups in both states have been working to provide homes for veterans. In New Hampshire, the nonprofit agency Harbor Homes recently broke ground on Boulder Point Veterans Housing, a 30-unit apartment complex in the town of Plymouth.

Passion and Perseverance

Harbor Homes is the largest member of Partnership for Successful Living (PSL), an affiliation of six nonprofit organizations that offer programs for New Hampshire’s most vulnerable individuals and families. Harbor Homes is the arm most involved with housing development and veteran services.

According to Vanessa Talasazan, Chief Strategy Officer and Chief of Staff at PSL, the idea for Boulder Point was born more than seven years ago. Cathy Bentwood, executive director of Bridge House and Alex Ray, the owner and founder of The Common Man Family Restaurants, were champions from the beginning.

“When Cathy and Alex witnessed firsthand the lack of housing and services for veterans in their community, they fought for something better,” said Talasazan. “It’s their passion and perseverance that kept this project alive despite all of the challenges along the way.”

Harbor Homes was actually the second developer to attempt to complete Boulder Point. The original plan was for 54 units, but Harbor Homes scaled the project back—to reduce costs and to make each unit a little bigger and include more amenities.

Talasazan and her team worked with many partners to piece together the funding to build the property: N.H. Housing Finance Authority, N.H. Community Loan Fund, N.H. Community Development Finance Authority, HUD, Federal Home Loan Bank of Boston, TD Bank, Enterprise Bank, Meredith Village Savings Bank, plus a host of individual donors and companies.

Because the project serves homeless vets, Harbor Homes also qualified for funds from other sources such as the U.S. Department of Veterans Affairs and The Home Depot Foundation.

Harbor Homes also partnered with NNEHIF to secure a 4% bond deal to finance some of the development costs. It was the first time that Harbor Homes used the Low Income Housing Tax Credit program, but Talasazan

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Returns
NORTHERN NEW ENGLAND HOUSING INVESTMENT FUND REPORT

Creating Homes
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says that “NNEHIF was with us every step of the way.”

RURAL WITH AMENITIES

Building permanent affordable housing in rural areas can be tricky because of the lack of access to amenities such as healthcare, job training, and public transportation. Because of nearby Plymouth University, however, there are plenty of amenities and access to them. Boulder Point residents will enjoy 12 acres of beautiful land and the services they need to live successfully in their new homes.

Boulder Point is on track to open in spring 2019. Harbor Homes will work with the White River Junction Veterans Administration to develop service plans and select tenants. Talasazan expects it will fill up quickly.

Like in New Hampshire, one of the challenges of veteran housing in Maine is providing a remote feeling while still being close to services. Cabin in the Woods, a new housing development for vets in Maine, was intentionally built in a rural setting and with an innovative approach: each home is a free-standing cabin to allow residents the space they need to feel comfortable and safe.

June Koegel, former CEO of Volunteers of America Northern New England (VOANNE), was inspired by a similar project developed in Lake City by VOA in Florida in 2008. According to Terry Baldwin, VOANNE’s current Chief of Operations, it’s taken about seven years to bring the project over the finish line.

“We had the vision early on to build permanent housing for all kinds of vets, including women and those with families, but it took a long time to get the funding together” said Baldwin.

The U.S. Veterans Administration helped to fulfill the vision by giving VOANNE 11 wooded acres of land on the grounds of Togus VA Medical Center in Chelsea, Maine.

THE FUNDING PUZZLE

The Cabin in the Woods model of individual homes instead of apartments is effective—and made the project complicated and expensive to execute. A myriad of groups provided funding and donations for the project, including the Maine State Housing Authority, HUD, local and national VAs, and significant grants from The Home Depot Foundation and T.D. Bank Charitable Foundation.

Of the $5.8 million it cost to build Cabin in the Woods, about $3.8 million was financed through the Housing Credit program.

“We have some tax credit experience, but this was our first large tax credit development project,” said Baldwin. “We wouldn’t have been able to finish it without NNEHIF’s advice and support.”

In addition to the Housing Credits component, VOANNE utilized HUD-VASH (Veterans Affairs supportive housing) project-based vouchers. Veterans pay 30% income of their rent, and HUD-VASH vouchers take care of the rent subsidy on 16 of the 21 cabins. For the other five cabins, Housing Choice or other housing vouchers are accepted. (Boulder Point in NH has 25 project-based VASH vouchers.)

Since the complex opened in August 2018, all 21 cabins have been filled. Two of the families have five-year-old boys who live right across the road from each other! There’s also a “community cabin” with an office, mailboxes, laundry facility, and gathering space. Cabin in the Woods has fast become a community—of the service men and women who live there and their neighbors who support them.
Q&A: Opportunity Zones

When Congress passed the new tax code in late 2017, a community development program was created to drive long-term investments in underserved areas across the country. NNEHIF’s president Bill Shanahan explains Opportunity Zones and what’s next for this new program.

What is the Opportunity Zone program and how would it work?

The “Investing in Opportunity Act” had been in the works, led by Senator Tim Scott, R-NC, Senator Corey Booker, D-NJ, when it was added to the tax bill. Essentially, it is a federal tax incentive that allows investors to shelter capital gains. For example, an investor has a capital gain event – it can come from real estate, stock sales, sale of a business, etc. – and can then take the proceeds and invest them in an Opportunity Fund for projects within an Opportunity Zone. Investors would reduce or eliminate their tax liability on their capital gains, and there is no cap on the amount of capital gains invested.

What are the actual Opportunity Zones?

They are designated low-income census tracts eligible for these tax-favored investments. Governors nominated up to 25% of low-income census tracts in each state, which were then approved by Treasury, the department that oversees the program. 8,762 tracts nationwide were designated and certified. Unfortunately, the program does not allow for changes in these designated zones.

How can this program help create more affordable housing?

There are very few rules or restrictions in the law itself. Funds can invest in real estate, but also in new or existing businesses, partnership, or stock. We in the industry are continuing to figure out how we can take advantage of Opportunity Funds and identify potential investors.

Has anyone in Northern New England moved forward with Opportunity Zones?

Both Maine and New Hampshire have certified Opportunity Zones, but New Hampshire has already made strides toward an Opportunity Fund for the state. The Granite Opportunity Fund is a partnership between the NH Department of Business and Economic Affairs, the NH Community Development Finance Authority, and other agencies, including the Community Development Finance Authority, NH Housing, the Community College System of New Hampshire, and NNEHIF. As the partners anticipate further guidelines, they continue to gather information, review projects funded by other programs, and engage local stakeholders.

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Two studies mean good news for LIHTC

development costs for properties financed through the Low-Income Housing Tax Credit (LIHTC) program are generally no more or no less expensive than market rate projects. That’s the conclusion of two recent studies, one by the Government Accountability Office (GAO) and the other by the National Council of State Housing Agencies (NCSHA).

“Low-Income Housing Tax Credit: Improved Data and Oversight Would Strengthen Cost Assessment and Fraud Risk Management” measured development costs of LIHTC properties in 10 states between 2011 and 2015. The GAO report (the fourth and final in a series of GAO studies on the Housing Credit program) found that the median total development cost per unit in its survey was $204,000 – with significant variation depending on the area of the project. The least and most expensive projects ranged from as little as $104,000 per unit (Georgia) to as much as $606,000 per unit (California), for example.

The NCSHA’s study, conducted by Abt Associates, was a larger survey of Housing Credit construction costs. “Variation in Development Costs for LIHTC Projects,” analyzed a multiyear database of 160,000 homes in all 50 states that used the LIHTC program during 2011-2016. The study shows that although there is a small minority of outlier costs among the developments, the median development cost was $164,757, adjusted for inflation. The report also concludes that land, labor, and materials are the primary factors driving development costs and not state agency administration.

In its report, the GAO recommends some changes in the administration of the Housing Credit program: standardization of development cost data collection between housing finance agencies, a central federal agency to collect that data, more thorough general contractor cost certification requirements, and collection of additional information on syndication fees.

While these recommendations don’t necessarily strengthen the Housing Credit, everyone welcomes the opportunity to work with Congress and the IRS to strengthen and improve the program. Already, state housing finance agencies have begun to collect more cost data (as the NCSHA-commissioned report shows). In addition, last December NCSHA released new Recommended Practices for state agencies which included a recommendation consistent with the GAO recommendation that states institute more thorough cost certifications than required by the IRS.

With these studies showing a general parity in Housing Credit and market-rate development costs, those in the affordable housing industry are glad to have answered what was once a looming question.

“These reports corroborate what we’ve believed all along: LIHTC units are not extraordinarily expensive,” said Bill Shanahan, president of NNEHIF. “Now we can move on and have a meaningful discussion about costs.”

To view the NCSHA study “Variation in Development Costs for LIHTC Projects” go to bit.ly/2R7At6Y

To view the GAO report “Low-Income Housing Tax Credit: Improved Data and Oversight Would Strengthen Cost Assessment and Fraud Risk Management” go to gao.gov/products/GAO-18-637

If you have questions about the studies or how the LIHTC program works, contact NNEHIF President Bill Shanahan at bshanahan@nnehif.org or (207) 772-8255.