As increasing numbers of Baby Boomers move toward retirement, various industries are facing losses of trained and experienced leaders, a situation that's more acute in rural states like Maine and New Hampshire. While the affordable housing industry is no exception, current leaders in the field are doing what they can to establish plans for succession and to find and foster new talent.

**CLEARING A PATH**

One challenge for finding new talent – or, more precisely, for talent to find the affordable housing industry – is that jobs in this field don’t typically have a clear career path.

John Gallagher of Maine State Housing Authority (MaineHousing) began his career with an MBA and a job at a hotel company finding properties and negotiating their sales. After ten years he partnered in a real estate company in the Bath/Brunswick area and often worked with first-time homebuyers and lower income buyers, an aspect of the job that he found satisfying. He also worked with the then-Deputy Director of MaineHousing, who eventually offered him a job managing their multi-family loan program. In 2012 Gallagher was appointed Director of MaineHousing.

“Most people I know found their way into affordable housing or public housing, including me,” said Gallagher. “We need to be much more systematic about how we expose young people to this kind of work.”

Jobs in development, asset management, property management, and tax credit management don’t necessarily have a codified curriculum, so in 2015 Gallagher helped to take a step towards one. He collaborated with Southern Maine Community College (SMCC) to launch a Property Management certification program.

The 11-week program is an introductory course in the history, programs, and rules involved in affordable housing property management, as well as technical skills, such as how to understand a lease, how to keep buildings safely maintained, and how to market a property.

Of the 15 students that took the course last year, 13 currently have jobs in property management in Maine.

Gallagher hopes that eventually SMCC will offer a two-year degree program for real estate property and asset management.

**LEADING WITH MISSION**

Chris Miller, Managing Director of the New Hampshire Finance Housing Authority (nhhfa), said that his career path was also “less than direct.” He started out as an environmental planner.

Miller believes that although development and compliance in affordable housing is extremely specific, counterpart careers in the private sector produce employees who are familiar with similar issues.
I
f the start of the real estate investment cycle is acquisition, then at the end of the cycle is disposition. But what does that mean for investments that utilize the Low Income Housing Tax Credit?

First a quick review of how the Housing Credit works. During the initial 15-year compliance period, a developer will enter into a limited partnership with investors so that it can sell the tax credits to the investors. The investor benefits from the tax credits, while the developer benefits from the cash it receives from selling the credits to the investors.

As a regional syndicator, NNEHIF acts as an intermediary between investors and property developers throughout the process. NNEHIF forms limited partnerships to pool the capital of multiple investors into separate funds, which acquire several affordable housing properties. NNEHIF also creates proprietary funds, owned by a single investor.

Properties financed using the federal Housing Credit remain restricted to income eligible tenants at affordable rents after 15 years. Upon completion of year fifteen, investors have typically received the desired tax benefits for that investment (or fund), so they seek to exit the limited partnership. In effect, disposition of the investor’s interest is an opportunity for the developer to acquire full ownership or control of the property. In this way, the developer “buys out” the investor.

PREPARING TO EXIT

Typically, a developer should start thinking about buyout strategy for the real estate two years prior to the end of the initial 15-year tax credit compliance period. Some developers start the process even sooner:

“We start the conversation early so that we understand the developer’s goals for the property, as well as any exit strategies or concerns,” explained Paul Ottoson, NNEHIF’s Senior Asset Management Officer.

“That way, all of the necessary planning is complete and documents are ready to go for the end of year fifteen, whatever the disposition mechanism.”

There are several different ways for a developer to gain full control of the investment property, change or terminate the partnership, and sometimes obtain new capital: refinancing, resyndication, transfer of the investor’s interest, purchase of the property, or sale to a third party.

Refinancing is usually a straightforward underwriting and due diligence process, said Ottoson, like getting a loan on any income-producing property.

Resyndication, or reapplying for new Housing Credits, can provide money for a property that needs rehabilitation, but the process is long and unpredictable, qualifying may be a challenge, and competition for the credits is significant. Of NNEHIF’s 26 investment dispositions to date, only two involved resyndication.

Most commonly the developer acquires complete control and continues to operate the project, either by buying the investors’ stake or the property itself. Additionally, per IRS tax code, nonprofit developers have a valuable “right of first refusal” to purchase the property at favorable terms.

Many developers opt to keep the partnership alive by taking assignment of the investor’s ownership interest, rather than buy the real estate outright. Transfer of investor’s interest within the existing ownership entity means less change, simplified approval process, reduced paperwork, and possibly lower state transfer tax.

With any of these options, stakeholders such as the investors, state housing agency, and lenders, all have approval rights over what will occur. Syndicators like NNEHIF help to ensure that the process goes smoothly on all fronts.

KEEPING HOUSING AFFORDABLE

Of course, the point of the Housing Credit is to build and maintain affordable housing for the people who need it. Although investor partners are expected to end their ownership role at the end of the initial 15 years, properties are still restricted to maintain affordability for a subsequent period of 15 to 84 years, in compliance with recorded land use restrictions.

Continued on page 4—
2017 FORUM ADDRESSES HOUSING POLICY

The National Low Income Housing Coalition (NLIHC) will hold a forum April 2-4 in Washington, DC to bring together policy experts, affordable housing practitioners, low-income residents, leaders from Capitol Hill and others to explore emerging challenges and opportunities. NLIHC will also invite the new HUD secretary to share his vision and priorities and to engage with participants about their goals and concerns.

http://www.nlihcforum.org/

POVERTY CROSSES PARTY LINES

“Poverty Crosses Party Lines,” from the Brookings Institution examines poverty trends in Republican and Democratic congressional districts. The report shows the existence of poverty in every district, regardless of which party represents it.

http://brook.gs/2fB1T3H

PERCENTAGE CHANGE IN THE POOR POPULATION BY GEOGRAPHY TYPE 2000 to 2010-2014

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<th>Republican Congressional Districts</th>
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CULTIVATING TALENT

Once young professionals are welcomed into an organization, how do they get trained in the often-esoteric business of affordable housing?

At nhhfa they’ve established a new effort they’re calling “The Leadership Academy.” Staff members are selected for the two-year program, which includes mentoring across disciplines, participation at board and committee meetings, and access to training and education, including courses at the University of New Hampshire.

Internships are another way to attract and develop young talent. One example is the William Craig legal internship. Craig was nhhfa’s general counsel for more than 40 years, and upon his retirement an honorary was created at the University of New Hampshire Law School for young student lawyers with an interest in affordable housing issues. The first two recipients of the award chose to intern at nhhfa, though it’s not required.

Maine Housing is also working on creating summer internships to introduce more college students to the organization and the work they do.

To help support training needs, NNEHIF offers the “Investing in Your Success Scholarship Fund” for individuals working for its developer partners or property management firms. The annual scholarship can help pay for a wide variety of edu-

Continued on page 4
We introduce Community Capital 2017 and outline the benefits of participating in NNEHIF’s 20th multi-investor fund.

New Leaders Needed (continued from page 3)

cational opportunities in the affordable housing world. (See call-out box to right.)

A CHANGING WORLD

Succession planning isn’t just about replacing retirees. Individual companies and all parts of the industry are operating in a world that’s changing fast, and younger professionals will not only negotiate change, but will create it.

Jan McCormick, Vice President of Asset Management at NNEHIF, recognizes that old paradigms are rapidly becoming less relevant to the evolving ways in which we work.

“It’s exciting when newcomers enter the little pond that is affordable housing in Maine and New Hampshire,” said McCormick. “They bring outside perspectives that are crucial to closing transactions, evolving policy, and moving the industry forward.”

Closing (out) the deal (continued from page 2)

According to Jan McCormick, Vice President of Asset Management at NNEHIF, most deals have a “layer cake” of financing, with NNEHIF providing the “bottom layer” of equity capital. Additional loans or grants that get layered on have their own restrictions which promote the development or rehabilitation of housing for people with low incomes.

To continue with the metaphor, it’s the whole cake that ensures that buildings that once provided affordable housing do not become market rate, profit-maximizing enterprises overnight.

One way that NNEHIF makes the exit transaction easier (and cheaper) is to provide template documents for developers and their attorneys to use. The syndicator is constantly looking for ways to streamline plans and procedures, as well as for opportunities to actively educate its partners about the disposition process.

“We have an obligation to the investor to deliver financial returns, but we also owe it to the development partners that it happens in a way that’s consistent with our values,” said Ottoson.

“We are motivated to sustain the long-term health of our developer partners, because that fulfills our mission of promoting the creation of affordable, secure housing.”

NNEHIF CAN HELP

In 2017 NNEHIF will provide training about disposition for our developer partners, which will include topics such as:

- What are your contractual rights?
- When is your “year 15” and why start early?
- The rare case of exit tax liability
- Buyout “horror stories” and how to avoid them

If you have specific questions you’d like addressed, please contact Paul Ottoson at (207) 772-8255 or pottoson@nnehif.org.

NNEHIF is also available to consult with developers or investors on disposition of properties not in the NNEHIF portfolio. To learn more, contact Paul Ottoson or Jan McCormick at jmccormick@nnehif.org

WWW.NNEHIF.ORG

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.