Housing Credit (HC) investing can be complicated and confusing—but also very rewarding for investors and communities alike. The Board of the Northern New England Housing Investment Fund (NNEHIF) helps to guide the work of the syndicator, bringing to the table valuable insights about tax credits, community development banking, and much more.

**EUGENE CLERKIN**
Senior Vice President of Community Development Lending at Citizens Bank, joined the NNEHIF Board in the Fall 2014 and is a member of the Finance Committee.

At Citizens Bank, Clerkin focuses on East Coast debt originations, underwriting and closing opportunities with long-time development clients, in addition to expanding the bank’s market presence in northern New England.

Citizens Bank has had a long-standing relationship with NNEHIF that dates back to 1997. The bank has invested over $30 million in eight HC funds to support the preservation and development of affordable housing. The bank first invested in HCs in 1990, and has significantly increased their investing in recent years with the launch of a billion dollar lending initiative. (In just two years, Citizens is already close to reaching their goal.)

According to Clerkin, the HC program benefits communities by providing clean, safe and affordable housing to the neighborhoods that need it most, acting as a catalyst in revitalizing those neighborhoods and encouraging further development in those areas. For bank investors, these credits also help earn positive consideration under the Community Reinvestment Act (CRA), while reducing their federal taxes.

**Why should a community bank invest with NNEHIF?**
"NNEHIF has an intimate knowledge of the Maine and New Hampshire housing communities, which enables them to underwrite transactions with applicable market intelligence and to mitigate risks up front."

**ARTHUR CASAVANT**
Vice President and CRA Officer at People’s United Bank, is the newest member of the NNEHIF Board and the Finance Committee, although he’s been involved with the group as an investor for many years.

At People’s United, Casavant manages the CRA program and CRA-related investment portfolio. His primary role is to encourage economic and community development investments and loans throughout New England.

The bank’s involvement in the HC world is driven by several features: increasing high quality affordable housing; improving economic returns; and, most importantly, trying to meet the needs of lower- and moderate-income consumers and communities within the bank’s footprint.

People’s United has been investing in HCs since the early nineties. They increased their volume of investments significantly in 2009 when they created a widely distributed tax credit investing program. They use multiple vehicles for investing, including direct investments in HC projects, historic and state tax credits, New Markets Tax Credits, and syndicator investments, such as NNEHIF funds.

Continued on page 3—
Building Community THE CALEB GROUP MAKES MORE THAN HOMES

Whether you’re single, elderly, or part of a family, a stable home is critical to one’s well-being—but you need more than four walls and a roof to truly succeed. That’s what Joan and Warren Sawyer realized when they started The Caleb Group with their daughter Debra Nutter twenty-three years ago.

In the early 1990s, federal housing laws were changing, including the National Affordable Housing Act (NAHA), which increased funds for rental assistance, and the HOPE VI program, which became the main funding engine for the construction of new federally subsidized housing.

At the time, Joan and Warren were approaching retirement and the mission-driven family wanted to create something that would impact their community in meaningful and lasting ways. They knew there was a lack of safe, affordable units for rent, and with 50 years of real estate and development management between them, they saw where they could make a difference.

The Caleb Group opened its first property, Valley View, in Bangor, Maine in 1994. Since then, the nonprofit has acquired, preserved, developed, and managed affordable housing communities in Maine, New Hampshire, Massachusetts, and Connecticut. They now own 23 properties, which are home to more than 4,000 people.

According to Marianne McDermott, the group’s Director of Development and Public Relations, their approach to affordable housing has evolved over time. Not long after founding the organization, the family realized that people who find themselves in affordable housing often lack a support structure that people with more resources take for granted.

“If someone is living in affordable housing, chances are they need more support—finding a job, putting food on the table, making sure their kids have what they need,” said McDermott. “The Caleb Group helped expand the notion that while success starts with a stable home, it doesn’t end there.”

The group was instrumental in creating the position of Service Coordinator (SC), a person that helps the residents help themselves, Continued on page 4—

STATE OF THE NATION’S HOUSING 2015

The Joint Center for Housing Studies of Harvard University (JCHS) released The State of the Nation’s Housing 2015, which includes current demographic trends within the U.S. housing market, the status of housing sales and construction, and housing challenges. The report reveals that homeownership rates have continued to drop, while the demand for rental properties increasingly outpaces supply. The report also suggests that although the Low-Income Housing Tax Credit (LIHTC) is “a critical source of investment capital” necessary to keep rental units affordable, the tax credit program is under extreme pressure due to federal budget cuts.

For more information: http://bit.ly/1Kap6Um

IMPORTANCE OF LIHTC PROGRAM

Cumulative Low-Income Units Placed in Service (Millions)

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<tr>
<td>New Construction</td>
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<td>0.2</td>
<td>0.3</td>
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<td>0.6</td>
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<td>Rehabilitation or Acquisition</td>
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Note: Data includes only units financed with 9% and 4% credits by year placed in service. Source: JCHS tabulations of HUD, Low-Income Housing Tax Credit Database.
Why a Syndicator? (Continued from the cover)

Why should a community bank invest with NNEHIF?

“HC investments and affordable housing are very specialized and require a fair amount of expertise. Not every bank has the capacity to hire an expert. By becoming an investor in one of the NNEHIF funds, a smaller bank can participate in tax credit investing and add capital without maintaining a large staff to do it.”

MICHAEL CLARKE
Senior Vice President of Community Development Banking at Bank of America Merrill Lynch (BofAML), specializes in tax credit origination, working with both direct investments for the bank and fund investments, including NNEHIF funds. He has been a Board member since 2013. As someone who has worked for a syndicator and has also worked in asset management and other aspects of real estate, Clarke offers a unique perspective.

NNEHIF helps BofAML cover its specific CRA needs in Maine and, to a lesser extent, New Hampshire. The bank has also been working on a ten-year $1.5 trillion commitment to community development, an initiative that includes increased HC investments and investments in the Historic Tax Credit market.

Other ways that BofAML fulfills its community commitment is by providing housing for homeless veterans nationwide and partnering with strategic nonprofit organizations, such as Habitat for Humanity, to help renew and preserve strong communities. The bank has donated more than 53,000 properties to not-for-profit groups, including municipalities and land banks in over 45 states.

BofAML has a long history of working with NNEHIF, largely because of their expertise and the relationships NNEHIF has built in the region. According to Clarke, development deals in New England tend to be fairly complicated, with multi-layered financing. In his experience, working with a regional syndicator like NNEHIF gives them access to local developers that a large bank may not otherwise have.

Why should a community bank invest with NNEHIF?

“NNEHIF has a capable staff that knows their markets and knows the developers. They are able to match the needs of the stakeholders and investors in a way that is, I think, unique to NNEHIF. It brings added comfort to investors to know that they have a syndicator that stands behind their investments and their projects.”

DAVID BIRKHAHN
Vice President, Team Lead of the Community Capital Group at TD Bank, has been on the NNEHIF Board since 2009. He started on the Finance Committee and was assigned to the Executive Committee. A self-described “real estate guy” focusing on multi-family properties, Birkhahn brings his day-to-day national experience to the fore when market questions arise.

At TD Bank, Birkhahn is responsible for originating CRA types of investments in the New England region, including the purchase of HC and New Markets Tax Credit investment products. He notes that on the investment side, HCs have been a strong and proven product since the late 1980s.

Real estate investing in northern New England can be different than in more high profile markets, such as New York or Boston, according to Birkhahn. TD Bank tries not to involve national players when doing deals in Maine, Vermont, or New Hampshire, because no one is as entrenched in the local developer market than those that live and do business in the region.

When working with a syndicator like NNEHIF, TD Bank is primarily a proprietary investor; meaning they set up their own funds rather than go through multi-investor funds. Birkhahn believes that this footprint-wide strategy helps the bank “get more money out the door” because they’re in the deal early, working closely with the developer and the syndicator.

Why should a community bank invest with NNEHIF?

“NNEHIF understands the ins and outs of affordable housing. They’re very hands-on with all of their projects and partners, and they’re looking out for all the investors, not just the big guys.”

COMPETITION FOR CREDITS

All four Board members agree that the biggest issue with HCs right now is the increasing competition among banks for quality HC loans and investments.

According to Clerkin, the result is a downward pressure on equity yields, loan interest rates and terms. “The timing of equity capital pay-ins is being stretched out to improve yield on the investments,” he said, “which creates an opportunity for banks to provide additional bridge financing.”

Birkhahn believes that as the high demand for HCs continues to outpace supply, pricing will continue to increase (though less so in Maine and parts of New Hampshire as in large urban markets like New York City, Boston, and Los Angeles). He sums it up this way: “It’s still a good product, that’s why the demand is still there.”

◆
Building Community (Continued from Page 3)

Whether it’s providing information about available job training or educational opportunities, or helping residents navigate bureaucratic challenges that anyone would find daunting, the SC role becomes especially valuable for residents who are elderly or have physical or mental disabilities.

McDermott is quick to point out that there is a “firewall” between the SC and the property manager. The property manager is responsible for maintaining the units, managing leases, and the like, while the SC is a supporter for the residents, sometimes acting as a liaison between the two.

In many cases, the SC also makes the property manager’s job easier, everything from helping resolve any lease violations (thus reducing apartment turnover), to facilitating a stronger sense of community at the property, which decreases crime and increases safety.

As The Caleb Group has grown, so too has the role of the SC. In recent years, as residents have been faced with more and more economic challenges, the SCs have learned how to best support them. Food insecurity, for example, has become a major issue, and so each of Caleb’s SCs (and the organization as a whole) has become more conscious and knowledgeable about how to help residents get the food they need.

Caleb continues to be more intentional in its support of residents, including helping them work towards financial independence. Caleb recently partnered with Compass Working Capital, a financial coaching nonprofit, to pilot an innovative program that gives affordable housing residents the tools to build assets, identify and meet financial goals, and create a roadmap to financial security.

Service Coordinators have become more common within affordable housing communities, but twenty years ago it was a brand new concept. In 1999, Warren Sawyer was the inaugural board chair of the American Association of Service Coordinators (AASC), a national group that he was instrumental in creating—the AASC now has more than 3,000 members.

Debra Nutter, The Caleb Group’s President, CEO and Co-Founder, understood from the beginning how hard it is for anybody to truly go it alone, especially as the economy struggles to get back on track.

“Our job is to provide housing for people who need it, plus help them become part of the community inside—and outside—of those walls,” said Nutter. “That’s fundamental: if our residents don’t thrive, then our communities don’t thrive.”

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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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