MN CARH
Minnesota Council for Affordable and Rural Housing

News-n-Notes

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CARH Midyear Meeting Highlights

by Marge Alden
MN CARH board member

Half way through the Mid Year meeting it struck me how many acronyms are used in the programs dealing with affordable housing. For the fun of it I started writing them down for the rest of the day. How many do you recognize? HHR, HR, RD, ACS, CORS, QAP, HUD, OGC, CCRC,OIG, PACE, HVAC CAP, IPEN, CARH, CNA, RA, LIHTC, GAP,VOANS, HACK. I am sure I missed some, but it was a fun exercise.

The State Association meeting discussed how some states have expanded their horizons and are growing while others with the decrease in complexes are losing members. Several states are dealing with real estate tax issues where appraisers are required to value the complexes as market rate. This has created a financial problem with the increase in real estate taxes especially where there is not 100% RA. Conferences were discussed. Some states have up to 400 attendees while others are much smaller. The National RD office has sent out representatives to some of the larger conferences. Doing maintenance training is an area that every one concurred is both needed and significantly increased the conference attendance.

Charlie from HD was at the meeting and was praised for all the training they do at conferences or other sessions. They train in many areas of maintenance and provide the service free. There is talk in RD of using REAC for their inspections, so that is probably just down the pike for us. HUD is also reviewing REAC and looking at more curb appeal. Does the complex look good? One of the training sessions HD provides is on REAC. They have about 18 trainers in areas such as HVAC, appliance repair and other areas of maintenance. Software programs being utilized by companies were discussed as was the use of social media. It was recommended not to use Snapchat or Instagram and that Facebook is not good for business. The best means of contacting our legislatures is by email and not using a form letter. Snail mail is very slow getting to Washington offices because it is run through an elaborate process to make sure there is no anthrax or other harmful drugs.

CARH's designation is being looked at closely. There was a sense that it is stagnant and may be discontinued. Members aren't attending or keeping up their designation. The scholarship fund was discussed and donations were accepted at the reception. They raised over $40,000. They showed videos of some of the recipients and what they have accomplished.

Management Committee Meeting discussed the new Reserve forms and issues with the banks. Some of the major banks refuse to participate. For our end it means just approval from RD and no need for double signatures.

Other agenda items included an unnumbered letter changing transition plans, guidance for allocation of RA from prepaid complexes to fund existing plans, farm labor or preservation.

Cross training of staff and continuity was discussed. Several management companies spoke on their different approaches to management ultimately accomplishing similar results.

Development/Owners Joint Committee. The new opportunity zones — cities that qualify for funding. It is a real balancing act to obtain the funding and credits. The process is difficult and cumbersome. Income averaging was also briefly discussed. There is possible guidance coming out from the IRS. It was recommended to only use income averaging in financially distressed situations. Fannie Mac

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CARH Midyear

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spoke on their reorganizing and may be set up for funding in 2020. RD's moving, reorganizing, transfers and expanding of national staff was discussed. There has been a lot of turnover in RD staff.

The government shutdown was a hot topic and whether it would happen again. The panel was split on their views. It was estimated that it would take RD two days for each day off to catch up. The financial impact on complexes not getting their RA was discussed. The major opinion was to take it from the reserve if necessary and email RD.

These are suggestions for RD to address GAO. Have a preservation plan, use available RA for preservation, support the voucher program, encourage transfers, make information public, establish 50-year loans for all new or reamortized 515 loans, prioritize maturing mortgages for preservation and present written response to GAO from the Rural Preservation Group.

Tax changes — There are some significant changes pending for 2020 with regard to amortization and depreciation, allowable deductions and partnership designation.

Succession plans — It is amazing how many of the bigger companies are second- and third-generation owners. Most changed from partnerships to LLC for estate planning purposes. All changes must be reported to RD. Many have life insurance policies to cover expenses and used as a buyout. Also policies covering disability, accounts payable and mortgage insurance. It is recommended a clear power of attorney be put in place. All properties should be valued or the IRS and probate court will value. Appraisals are a good means of value. Don't put it off. We don't know what tomorrow will bring.

Maturing properties — It was a very interesting session with great graphics. RD can offer RA as an incentive to stay in the 515 program. There were some interesting issues with natural maturity. Those in the lawsuit could be restricted further by RD even after their loan matures. RD can stop the RA and the restrictions would stay. On a naturally maturing loan not involved in the lawsuit there were instances mentioned where the last payment is not being accepted by RD so the complex has to stay in the 515 program.

The LIHTC program accounts for 90% of all affordable housing created in the U.S.

RA in 515 units peaked in 2013 and RA peaked in 2016.

The numbers of maturing 515 loans across the program — This is pulled from a graph showing the decline in the program over the next 19 years when all projects will be matured. Interesting to look at the areas where projects exist. The majority are in the eastern and southeastern half of the U.S. starting with Minnesota and Iowa east.

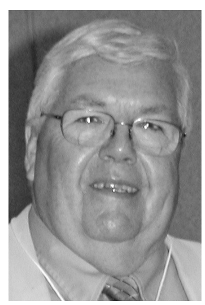
Projects	Years	Units leaving
600	2018-2032	20,000
700	2033-2037	25,000
900	2038-2040	30,000
	2041-2048	0 units left in program

Key prepayment issues listed:

- Uncertainty over RD determination on restrictions or required sale to a non-profit.
- Only current tenants may be protected and the community losses affordable housing.
- Key question — can the current owner be given incentives to keep the project in the program?
- Troublesome facts: RD can't cover the costs and there is a two-year deadline on purchaser to get funding in place.

These are some of the highlights of what is happening in the 515 arena.

A word from MN CARH's President:



Rodney Hestekin

Warm greetings to all of you,

Since the winter of 2019 will long be remembered for snow and cold, I thought we could put that behind us and think of a fun event where we get together to network, learn new ideas, renew old relationships, visit with vendors and look for better ways to communicate with all the individuals and organizations we come in contact with on an ongoing basis.

The event I'm referring to is our MN CARH Annual Conference.

As your Board of Directors we strive to make it more meaningful and exciting every year. The work began immediately after last year's conference by reviewing evaluations and brainstorming ideas and speakers that might appeal to all of you.

Now we need some help from you. Have you heard a great speaker this year? Is there a topic you want to know about? How about getting your feet wet and joining our conference committee? There is something for everyone. We want and need your input and would love to work with you to make this the best conference ever!

Don't wait — volunteer today.

One last message, I hear spring is going to come and we will be able to take our coats off soon!

— Rodney Hestekin