

## PRESIDENT'S MESSAGE

### Connecting The Dots



*Don Sterhan*  
MPEG President & CEO

Recently I attended a conference sponsored by the Business Civic Leadership Center (BCLC), a non-profit division of the U.S. Chamber of Commerce. The mission of the BCLC—and purpose of the conference—is to explore new ways and opportunities for organizations to “partner” with one another to help build and revitalize our local communities. The attendees were as diverse as the topics, ranging from small non-profit enterprises to several corporations listed among the Fortune 500.

Everyone had something unique to offer, but there was one common bond that I found most impressive: the passion and commitment they shared. Across the board, these organizations are working to improve opportunities and raise the quality of life for low-income families.

Resolved to make a difference, they dedicate their time, expertise and money to make it happen. For those companies that are fully engaged in this pursuit, I commend them for their sincere sense of corporate social responsibility.

But as inspired as I was to learn more about these players and their worthy goals, I must admit one observation that continues to trouble me: we have a long way to go in becoming “partners” in this effort. Although we share many common objectives, we have not yet mastered the art of collaboration. As a consequence, many of the players (including large corporations) are charting their own course. They develop their own set of priorities and execute this agenda over a time horizon of 2-5 years. Sound familiar?

Well, I'd like to challenge that practice just a bit. How about some room for flexibility or variance – or maybe even a little multi-tasking? Let me give you an example ...

I recently spoke with the Community Development officer of a major U.S. corporation. This corporation has been very generous and active in advocating corporate social responsibility, so I know this is one of the companies that “gets it.” Nevertheless, I was advised that low-income housing has no place in their set of priorities. Instead, they have adopted a 3-year grant program based solely upon “elementary education.”

OK, I think text books, curriculum and laptop computers are indeed important. But only that one priority? Don't you think that investment would be far more effective if it is combined with the broader view ... perhaps to include food and shelter? I do. Maybe then we can be assured that when little Johnny sits down to do his homework, he will have food in his belly and a warm place to call home. I happen to think these necessities are an important part of getting a good education.

That's just one example, but it illustrates the point. If we are to get maximum impact, then we must be mindful of opportunities to “connect the dots.” Granted, I'm pretty biased, but I happen to believe that affordable housing is one of the dots that needs to be included in any strategy to develop a vibrant and sustainable community.

So regardless of your vantage point, think about whether you have unrealized opportunities out there. Are there maybe ways to more fully leverage your time and money by reaching out and connecting the dots? And by the way ... what are you doing for housing?

## INSIDE THIS ISSUE

President's Message .....	1
Sustainable Design .....	2
Project Updates .....	3
NDBA Endorsement.....	3
Now Leasing.....	3
Coming Soon.....	4
LIHTC Applications.....	4
Compliance Corner .....	5
Calendar of Events .....	5

## OUR VISION

Mountain Plains Equity Group, Inc., is dedicated to the development of affordable housing units. By providing equity investment capital and other key resources to project developers, MPEG is working to enhance the quality of life and to promote sustainable growth in our communities.



## SUSTAINABLE DESIGN

### And Its Place In Affordable Housing

With the ever-increasing emphasis on “Green Building,” it’s worth taking a look at the impacts of these sustainability initiatives on affordable housing projects. States are stipulating that projects competing for LIHTC awards achieve ever-higher standards of energy efficiency. Developers



Tim Morgan  
Development Risk Manager

attempting to achieve high scores in the competitive tax allocation arena are pushing project teams to provide designs that meet the highest levels of recognized “Green Building” standards (LEED, Energy Star, etc.) in order to capture tax credit awards. Although the primary focus of the state requirements is on energy conservation, the requirements also address a wide range of other environmental concerns including water use, transportation, light pollution, heat island effects and indoor air quality.

The question for the LIHTC housing developer is “How do I achieve a winning level of sustainable design at a cost that sustains the affordability of my project?” Regardless of what proponents of sustainable design might claim, there is indeed a cost to achieving sustainability. These costs can include the certification process (to many the certification label is as important as the building’s performance), green materials, systems testing and certification, and potentially more complex systems and maintenance requirements. On the other hand, there can be operational savings that are passed on to tenants through reduced energy costs (gas, electric) and to owners (reduced water use and landscape maintenance). Depending on the level of sustainability achieved, the cost of green building can be nearly 0% to more than 10% of a project’s hard cost budget.

The answer lies in the development team establishing a strategy for making effective choices early in a project. Early strategic decisions can reduce costly reevaluations and changes later and will contribute significantly to optimizing construction efficiency and budgets. Here are some considerations that may be helpful in developing an effective sustainable affordable housing development strategy:

- Although “certification” may add prestige to a project, a plaque on the wall adds little to the project’s sustainability. Consider the possibility of designing to a certification standard, but not “paying for the plaque.”
- Compare state-mandated sustainability requirements to any standard that you are considering as a goal. Many requirements become “low hanging fruit” for meeting the benchmarks for certification, because they are required anyway.
- Techniques like engineered framing and panelization have become increasingly effective strategies to reduce material and labor costs. Consider the potential for both labor and material savings when choosing building systems and components.
- The higher the level of certification, the higher the cost of achievement. This is especially true in areas that require field testing of in-place installations to verify compliance with a certification standard. Pick the easily achievable criteria first and consider carefully the cost/benefit of more complex alternatives.
- AMI (Area Median Income) and associated maximum rent levels will have an impact on the affordability of sustainable choices. Projects in areas with higher AMI’s will have correspondingly higher rent levels. These projects can afford more aggressive sustainability choices.
- Consider where the benefits of sustainable strategies are realized. For instance, strategies that reduce energy costs reduce tenant expense. Strategies that increase life-cycle will lower maintenance costs and reduce operating costs, producing greater cash flow. Both are beneficial to the overall goals of affordable housing, but need to be balanced to achieve a successful project.

Sustainable design is increasingly important in light of environmental imperatives and limited resources, but it has also become, in some cases, a “trendy label.” For those of us dedicated to the goal of providing truly affordable housing, our ongoing challenge is to develop projects that are both environmentally and economically sustainable—no small task in this increasingly complex business.



## PROJECT UPDATES

As an update to the previous MPEG newsletter, we are pleased to report that two acquisition rehab projects have been completed and fully leased by Machacek Real Estate Holding Company, LLC and Syringa Property Management.

Aspen Creek Apartments is the product of the acquisition and substantial rehab of a 25-unit family Rural Development project located in Jackson, WY. Rocky Point Apartments, located in Evanston, WY is an acquisition and substantial rehab of a 24-unit family Rural Development project.

Tenants of both properties are now benefiting from the many improvements to both the interior and exterior of the property. These two projects serve as a prime example of how, through quality rehabilitation, we can ensure our



*Aspen Creek after Rehab.*

existing, yet aging, affordable rental housing inventory will remain viable for years to come. By infusing tax credit equity capital, MPEG is proud to have teamed with Wells Fargo Bank and Machacek Real Estate Holding Company, LLC, to bring both of these worthwhile projects to fruition.

## NDBA ENDORSEMENT

*North Dakota Bankers Association Endorses MPEG*

MPEG is pleased to announce that in late February, after a lengthy due diligence process, we have been chosen as one of only fifteen Endorsed Vendors of the North Dakota Bankers Association (NDBA). Each endorsed vendor is researched and approved by the nine-member NDBA Services Inc., Board of Directors. With this endorsement and distinction, the NDBA recognizes MPEG as a valuable partner to offer services to the members of the association.

In today's economic climate, many financial institutions are looking at their investment strategies and exploring new ways to improve the bottom line. One way to realize better results is to consider proven tax measures and tax mitigation strategies to hold on to more of the earnings. MPEG is pleased to be working closely with NDBA member banks to achieve that objective.



## NOW LEASING

The first building of **Weeks Field Estates II** was completed in early February, and the lease-up process is already complete! The last resident moved into the 28-unit building on March 28th.



*Weeks Field Estates II*

The second building will be completed in June. Currently, thanks to the efforts of a very organized property management team, 20 of the 28 units in that building have been pre-leased to qualified tenants. Weeks Field Estates II is a 56-unit family project constructed with the use of ARRA funds through the Alaska Housing Finance Corporation (AHFC); it is the second phase of an existing project in Fairbanks, Alaska.

Through a contract with the AHFC, MPEG is providing technical assistance and asset management services in the development of the project.



*Birchwood Estates*

**Birchwood Estates**, an 18-unit family development in Grafton, North Dakota, is now in the process of leasing units. Birchwood Estates is the product of an acquisition rehab, constructed through the use of ARRA funds through North Dakota Housing Finance Agency. Noting the level of restoration, the original market rate apartment building located on this site was demolished down to the foundation and rebuilt. The new rental units, including air conditioning and washers & dryers in each unit, will be a welcome addition to the community.



Meadowlands Apartments

## COMING SOON

To a Community Near You

**Meadowlands Apartments, LLC**, with Thomas Development Company as developer and Butte Affordable Housing as the Managing Member, began construction in December 2010 of a new 48-unit senior development in Butte, MT. In spite of delays in early 2011 due to adverse weather conditions, the Meadowlands Apartments project is on schedule and slated for completion in late August of this year.

## LIHTC APPLICATIONS

### Colorado:

In the first round of its allocation process, the Colorado Housing Finance Agency (CHFA) allocated over \$5.5 million to 5 of the 22 projects that applied for funding. A total of 320 units will be added to the state's affordable housing inventory. Two of the projects receiving allocations will provide 160 units of senior housing. For more LIHTC program information, visit the CHFA website at: [www.chfainfo.com](http://www.chfainfo.com)

### Montana:

The Montana Board of Housing (MBOH) allocated a total of \$2.45 million to 4 of 8 projects that requested over \$4.5 million in funding. A total of 94 new affordable housing units, and the rehabilitation of 60 existing units, will be made possible as a result of the 2011 tax credit allocation. For more LIHTC program information, visit the MBOH website at: [www.housing.mt.gov](http://www.housing.mt.gov)

### North Dakota:

The North Dakota Housing Finance Agency (NDHFA) has awarded \$2.9 million to 6 projects. The Agency received 12 applications requesting more than twice the amount of available annual housing credits. Through a mixture of new construction and rehabilitation, developers will deliver 258 units to the state's affordable housing inventory. For more LIHTC program information, visit the NDHFA website at: [www.ndhfa.org](http://www.ndhfa.org)

### South Dakota:

The South Dakota Housing Development Authority (SDHDA) has awarded 8 proposed developments over \$2.77 million in credits. Three of the awards are for new construction, adding 186 units to South Dakota's affordable housing inventory. Three projects will improve the existing housing inventory with the acquisition and rehabilitation of 87 units. For more LIHTC program information, visit the SDHDA website at: [www.sdhda.org](http://www.sdhda.org).

### Wyoming:

The Wyoming Community Development Authority (WCDA) has awarded 6 applicants just over \$2.5 million in credits for the construction of 146 new construction housing units. In total, the WCDA received 16 applications for housing tax credits. All 6 of the projects will utilize HOME Funds as a funding source. For more LIHTC program information, visit the WCDA website at: [www.wyomingcda.com](http://www.wyomingcda.com).

## CURRENT RATES

Tax Credits

LIHTC RATES	2011	
	30%	70%
January	3.29%	7.67%
February	3.32%	7.75%
March	3.33%	7.78%
April	3.33%	7.78%
May	3.33%	7.77%
June	3.31%	7.73%
July		
August		
September		
October		
November		
December		

**For 70% credit projects, the HERA of 2008, allows buildings placed in service after July 30, 2008, and before December 31, 2013, to use the minimum rate of 9%. No similar flat rate was set for 30% credits.**

## LIHTC 101

The Basics Webinar

June 22, 2011, 10 a.m. to 12 p.m. PDT  
Presented by Wayne Michael,  
Novogradac & Co.

This webinar is designed for those new to low-income housing tax credits, as well as for those who've worked in the industry for a few years and are looking for a refresher on how their area relates to other parts of the "big picture."

For more information or to register go to: <http://www.novoco.com/events/other/webinar/lihtc101/index.php#>

## COMPLIANCE CORNER

On May 20th I had the privilege of attending a LIHTC/HOME compliance training in Casper, Wyoming, conducted by Erik Whitton of Spectrum Seminars. One of the topics addressed during that



Tarie Beck  
Asset Manager

training seemed to cause some confusion as to when to count grants, loans, or scholarships as income. I know that in the short nine years I have been in this industry, this particular rule has changed at least four times . . . no wonder we're all confused. For those of you that were not in attendance, I want to quickly clarify when those items should or should not be included in the annual income calculation.

Student loans are never included in income. Whether or not scholarships or grants are included in income depends on whether the student is receiving Section 8 assistance. If the student is receiving Section 8 assistance, all grants and scholarship amounts (in excess of the tuition amount) should be counted as income.

Yes, as always, there are exceptions. In this case there are two. One, if the student is over the age of 23 with a dependent child or children, grants and scholarships are not allowable. Two, if the student is living with his or her parents who are applying for or receiving Section 8, grants and scholarships should not be included in the income calculation.

If you would like to view this information direct from the HUD Handbook, please go to: <http://www.hud.gov/offices/adm/hudclips/handbooks/hsg/4350.3/index.cfm>

## CALENDAR UPCOMING NOTICES & EVENTS

### Montana:

- Annual MBOH Compliance Training  
September 15-16, Helena, MT  
September 19-20, Kalispell, MT  
September 22-23, Billings, MT  
Details to follow on the MBOH website:  
[www.housing.mt.gov](http://www.housing.mt.gov)

### North Dakota:

- NDBA/SDBA 2011 Annual Conference  
June 5-7, Sioux Falls, SD  
Details on NDBA website:  
[www.ndba.com/education/convention](http://www.ndba.com/education/convention)

### Colorado:

- 2011 Housing Colorado NOW! Conference  
October 11-14, Vail, CO  
Details on the Housing Colorado website:  
[www.housingcolorado.org](http://www.housingcolorado.org)

### South Dakota:

- 5th Annual Statewide Homeless Summit  
June 13-14, Chamberlain, SD  
Details on the SDHDA website:  
[www.sdhda.org](http://www.sdhda.org)
- 2010 Statewide Housing Conference  
November 8-9, Pierre, SD  
Details at a later date on the SDHDA website:  
[www.sdhda.org](http://www.sdhda.org)

### Regional:

- Mountain Plains NAHRO  
Annual Regional Conference  
June 22-24, Park City, UT  
Details on the Mountain Plains NAHRO website:  
[www.mpnahro.org](http://www.mpnahro.org)

### National:

- National Council of State Housing Agencies  
2011 Housing Credit Conference & Marketplace  
June 13-16, Atlanta, GA  
Details on the NCSHA website:  
[www.ncsha.org](http://www.ncsha.org)
- National Housing & Rehabilitation Association (NH&RA)  
Summer Institute  
July 20-24, Martha's Vineyard, MA  
Details on the NH&RA website:  
[www.housingonline.com](http://www.housingonline.com)
- National Association of State & Local Equity Funds (NASLEF)  
18th Annual Conference  
September 21-23, Columbus, OH  
Details on the NASLEF website:  
[www.naslef.org](http://www.naslef.org)