

NCSHA 2009 Award Entry Description

HFA: Iowa Finance Authority
Nominee: Housing Tax Credit Investor Event
Category: Rental Housing, Encouraging New Production

Entry Description

Around the country, developers are struggling to sell federal Housing Tax Credits to finance the construction or rehabilitation of affordable multifamily housing. As corporations that have historically purchased tax credits watch their profits margins shrink, they no longer need the credits that lower their tax liability. This diminished demand for tax credits means developers aren't able to sell the credits for enough money to finance building costs, if they can sell them at all.

The American Recovery and Reinvestment Act has offered some relief with the introduction of the Tax Credit Assistance Program and Section 1602. But in Iowa, the Iowa Finance Authority (IFA) found its own creative solution to the Housing Tax Credit crisis.

Flooding Presents Problems, Opportunities

The Cedar River flows through the heart of Cedar Rapids, Iowa, bordered by working-class neighborhoods, a vibrant downtown, several public buildings, and numerous historical and cultural centers. In June 2008 massive flooding engulfed the city when the Cedar River crested at 31.12 feet, or 11.12 feet above its previous record crest of 20 feet. Ten square miles (or 14 percent) of the city went underwater. The historic flood directly impacted more than 18,000 people and destroyed or damaged more than 5,400 residential parcels. The flood destroyed or damaged hundreds of single-family and multifamily properties, leaving thousands of people temporarily or permanently without shelter.

By October 2008, Congress allocated an additional \$600 million in Housing Tax Credits to the state of Iowa specifically intended to aid the 88 Iowa counties that had been designated as federal disaster areas. This allocation of "Disaster Tax Credits" was in addition to the Iowa's annual allocation of \$60 million in Housing Tax Credits.

"It was a great way to start the relationship with these organizations and your event was the reason it happened. Hopefully we can do more in the future."

*Robin Hyerstay,
Enterprise Community
Los Angeles, California*

Almost immediately, IFA began receiving applications for tax credits to finance the creation of multifamily housing in Cedar Rapids. The new housing was obviously a necessity, given the hundreds of families who had been misplaced or left homeless.

IFA had ample tax credits to aid disaster-impacted areas, but investors – even those who had traditionally purchased housing tax credits – were at best hesitant to participate in new deals.

IFA Gets Creative

Cedar Rapids city leaders were eager to see the creation of new affordable housing. Housing developers were eager to sell their credits. And the Iowa Finance Authority was inspired to create

"Just wanted to let you know I thought you had an excellent meeting yesterday. Very progressive. IFA is one of the best state agencies I have worked with."

*Steve Owsley, National Development
Company
Quincy, Illinois*

a unique event that would bring together housing developers, tax credit syndicators, potential investors and community leaders.

IFA staff chose Blend Restaurant in Cedar Rapids as the location of an informational afternoon event on May 21, 2009. (Blend recently reopened after suffering major flood damage.)

In a letter from our state's Governor, we invited 194 Cedar Rapids-area CEOs, CFOs and bank presidents to attend a short "meeting" designed to educate them on the housing needs in their area and the opportunity for them to play a unique role in the flood recovery by purchasing Housing Tax Credits. The event also included Cedar Rapids city leaders and elected officials, tax credit syndicators, tax credit developers and staff from the IFA.

Nearly 80 people attended the event, including 26 potential investors who represented some of the following companies and banks:

- Aegon
- Bank of the West
- Bankers Trust Co.
- Banklwa of Cedar Rapids
- Fairfax State Savings Bank
- Highway Equipment Company
- Thorland Company
- True North Company
- US Bank

When guests arrived, they were offered a buffet of appetizers and beverages and were encouraged to meet and greet one another, thus establishing new relationships between developers and syndicators and potential investors. A sharing table and easels allowed developers to showcase their projects, including artists' renderings, etc.

After about 15 minutes of informal chatting, IFA Executive Director Bret Mills invited the group to sit down and enjoy a short presentation. The presentation included the following:

- Lt. General Ron Dardis, Rebuild Iowa Office – Overview of flood recovery efforts
- Jim Beal, RSM McGladrey, Inc. – Overview of Housing Tax Credits
- IFA Staff – Overview of local projects seeking investors

At the conclusion of the presentation, potential investors were provided with a packet of information including two new publications created specifically for the event: A [brochure about the Housing Tax Credit program](#), a [Housing Tax Credit FAQ](#), and a special publication called "[Extra Credits](#)" that specifically outlines the benefits of investing in Housing Tax Credits. The piece included persuasive testimonials from a resident of a Housing Tax Credit-financed project and an existing Housing Tax Credit Developer. We also created a new page on our [Web site](#) that included these documents and other information for potential investors.

After the event, IFA also sent the materials and a letter to potential investors who weren't able to attend.

The Results

The responses to IFA's Housing Tax Credit investor event were nothing short of spectacular. Developers and syndicators have asked us to replicate the event in other large communities around Iowa, an idea IFA is currently considering. One tax credit syndicator said the event introduced him to representatives of six companies who had never previously invested but were interested in learning about opportunities. The same syndicator has currently secured one new investor because of the event is close to securing a second. And one investor who had stopped investing previously has returned the market. Another syndicator made two contacts at the event with corporations who may be interested in investing in the future.

Perhaps most impressive is that in the three months since the event occurred, 31 Housing Tax Credit-financed projects in Iowa have found investors.

More than one year after the historic floods of 2008, the city of Cedar Rapids is still recovering. Some estimates say it may take up to decade to replace all the homes and businesses that were lost. IFA is proud to say that it helped speed up the process of creating and rebuilding affordable multifamily housing in the area. IFA's Housing Tax Credit investor event is proof that we will not sit idly by waiting for the economy to improve and for corporations to begin purchasing tax credits again. We know that we need to work quickly and creatively to find a new way to reach out and educate potential investors. It's the only way to help the thousands of hard-working Iowans who need affordable housing. IFA is creating solutions.