



CAHEC

Community Affordable  
Housing Equity Corp.

CAHEC is guided by a three-part mission:

- raise and invest equity capital in qualified low-income housing tax credits and other tax credit products that further our mission
- empower residents living in developments CAHEC helps finance
- promote homeownership





Dana S. Boole  
President and CEO

These days it's hard to find a company or organization without a mission statement. It is even harder to find a company that believes in—and acts on—its mission more than CAHEC. We are committed to increasing the opportunities for low-income individuals and families throughout the Southeast and mid-Atlantic region—opportunities to live in decent affordable housing, increase their earning potential, and form communities they are proud to call home.

First, we are committed to **raising the capital necessary for developing and preserving quality affordable housing** under provisions of the federal Low-Income Housing Tax Credit program. Since 1992, CAHEC has worked with investors, developers, financial institutions, nonprofits, property management companies, and state and local officials to help solve one of the nation's most pressing problems: the growing shortage of decent and safe affordable rental housing. In its report released in May 2002, the Millennium Housing Commission named *affordability* as “the single greatest housing challenge facing the nation.” Furthermore, the shortage affects not only workers making minimum wage but also the providers of essential community services—namely, police officers, firefighters, nurses, and teachers. Working with our network of partners, CAHEC is making a difference by enabling households earning 60% or less of the area median income to live in safe, quality rental properties. CAHEC's equity funds have proven a successful investment vehicle for corporations seeking tax credits and a reliable source of capital for financing the production of low-income housing.

Second, CAHEC is proving that good business and social responsibility are not mutually exclusive. We recognize that smart business practices can assist in realizing our community-minded goals in a powerful way. Operating as a nonprofit, CAHEC budgets substantial capital for **an array of supportive services programs available to any affordable housing development we help finance**. These *Community Programs* encourage residents to set and achieve goals, strengthen job skills, enhance their well-being, and help their communities thrive. CAHEC's involvement with its rental properties provides residents with the means to feel empowered, take control of their lives, and improve their prospects for success.

Perhaps the ultimate way to empower low-income citizens is to help them share in the American dream of owning a home. Guided by the third component of our mission statement, CAHEC has made substantial strides in **promoting homeownership** among residents living in CAHEC-sponsored properties. Our *Homeownership Program* is a savings-incentive program geared for households ready to take the necessary steps toward purchasing a home. Our *Open Doors Homeownership Grant* is designed to help build the capacity of nonprofit developers to create quality affordable housing for sale to low-income residents of the states CAHEC serves. In this respect, CAHEC is unique among nonprofit equity syndicators in its efforts to turn dreams into reality.

On the following pages you'll learn more about CAHEC's winning collaborations with project partners, residents, and communities. Whether you are a developer, investor, or other professional, we hope you will consider joining us in *Opening New Doors*®.

### CAHEC

raise and invest equity  
capital in qualified  
low-income housing  
tax credits and other  
tax credit products  
that further our mission  
empower residents living  
in developments CAHEC  
helps finance  
promote homeownership

## What is the program?

Enacted in 1986, the Low-Income Housing Tax Credit (LIHTC) is a federal program that encourages collaboration between the public and private sectors to develop affordable rental housing. To qualify for tax credits, housing developments need to satisfy the Internal Revenue Code's definition of "low income" in terms of the number of units available to residents making 60% or less of the area median income. Developments receiving LIHTCs must also meet the tax code's requirement of a 15-year compliance period.

## How does it work?

Every year the Treasury Department authorizes an allotment of tax credits to each state based on its population. The states' allocating agencies, in turn, create a list of criteria known as the Qualified Allocation Plan, or QAP, that includes the state's housing priorities (e.g., housing needed in certain locations or for special populations). A competitive process then follows in which the allocating agency scores applications from developers proposing affordable rental properties. Applications earning the most points are awarded a tax credit allocation based on the project's eligible costs. The credit provides a ten-year, dollar-for-dollar reduction in income tax liability.

*Continued on page 4*

# Partnering with CAHEC The Competitive Advantage

Raising capital for investment in qualified low-income housing tax credit developments is at the core of CAHEC's business. As a nonprofit equity syndicator, CAHEC has worked since 1992 with developers, investors, property managers, financial institutions, and state and local officials with a vision for improved affordable housing. With our partners we have succeeded in making that vision a reality for thousands of low-income households.

Why have our business associates chosen CAHEC as their partner in this

worthy enterprise? In large measure it's because CAHEC is committed to being the best—employing the right people, quickly meeting our customers' needs, and ensuring the quality and performance of the properties in our portfolio. We take pride in sharing success with our partners and the residents who drive our mission.

CAHEC's funds reflect a diversity of investment types—new construction, acquisition and rehabilitation of existing properties, and adaptive re-use developments for families, seniors, or individuals with special

*Part of a new HOPE VI community, Parkview Manor, a seniors development in downtown Raleigh, replaced the city's oldest public housing project.*



needs. We also invest in historic projects that are rehabilitated for mixed-use purposes.

CAHEC's underwriters work closely with all members of the development team to help plan, structure, and finance their projects. Our purchase price for credits and equity pay-in schedules are flexible, and combined with our Community Programs give us a competitive advantage. CAHEC's Community Programs Manager is also available to advise developers interested in including CAHEC's Community Programs as part of their tax credit application. The high retention rate among our developer partners is the result of our ongoing commitment to meeting customers' needs.

Similarly, CAHEC has maintained enduring relationships with many of its

*Families earning between 50 and 60 percent of the area median income have found a home in McKenzie Park Phase II in Sanford, North Carolina, and Oak Grove Village in Jefferson, North Carolina.*

investors. We are careful to protect the interests of our investors by admitting to our funds only those properties that make good economic sense. We are scrupulous in our underwriting practices. Each potential addition to CAHEC's project portfolio undergoes a rigorous examination by an in-house Technical Review Committee before final presentation to the Investment Committee.

Keeping our investors informed is also important. CAHEC's fund administrators provide investors with timely and accurate financial reporting.

Rounding out our team, CAHEC's nationally certified asset managers and compliance specialists pro-

tect investments for developers and investors by ensuring that properties perform as projected and are in compliance with the tax code. Specializing in assigned regions, each asset manager monitors approximately 25 properties. Asset managers also host pre-leasing orientations for the developer and management agent, conduct financial and compliance reviews, and contribute during technical review sessions.

By joining forces with our partners, CAHEC can deliver safe, clean, affordable housing. It's the first step in achieving our overall goal of *Opening New Doors*® for low-income families and individuals.



### CAHEC Delivers Value-Added Services

- **Financial Assistance** – *Low-interest loans to nonprofit developers for pre-development expenses such as market studies, site option fees, surveys, preliminary plans, and tax credit application fees.*
- **Technical Assistance** – *Support for developers throughout the life of the project, from initial planning to asset management and compliance monitoring.*
- **Compliance Monitoring** – *Pre-approval of tenants during lease-up as well as review and retention of all initial tenant files.*
- **CAHEC Partners Conference** – *An annual meeting that offers continuing education and industry updates to all affordable housing practitioners.*
- **Property Managers Workshop** – *An informational and entertaining review of compliance regulations and property management strategies.*



*Continued from page 2*

Most developers receiving an allocation sell their tax credits to investors rather than claim the credits over the ten-year span. Typically, the equity raised from the sale ranges from 50 to 60 percent of total development costs. These proceeds reduce the project's mortgage and overall debt service payments. It is these savings that allow for below-market rents.

Although investors may purchase tax credits directly from the developer, most work through equity syndicators. Acting as an intermediary, syndicators pool investors' capital to create equity funds, which are then used to purchase the tax credits from developments that the syndicator has identified as sound investments. The syndicator serves as the fund's general partner. The investors become the fund's limited partner and as such gain the limited liability protections of the partnership. In addition, the tax credits, profits, and losses associated with the development flow through to the investors.

Throughout its history, the LIHTC program has generated an attractive return for taxpayers. Besides the financial incentive, investments in affordable housing contribute to economic development and neighborhood revitalization. Financial institutions investing in LIHTC developments receive favorable consideration under the investment test component of the Community Reinvestment Act (CRA).

## Tools to Build a Better Life

CAHEC considers its Community Programs not just an investment in the properties CAHEC helps finance but an investment in the *people* who live in its housing developments. CAHEC's many Community Programs provide residents with opportunities for a quality education, a better job, and even a home of their own.

Quite purposefully, the Community Programs require residents to take initiative and seize the opportunity. Individuals wishing to participate must show their commitment to achieving a specific goal. Community Programs designed for entire proper-

ties need to benefit all residents. The Community Programs' general objectives are to promote self-sufficiency, independence, positive behavior, and community pride. (See page 6 for descriptions of each Community Program.)

All developments in which CAHEC invests are eligible. Working with CAHEC, developers decide which Community Programs are right for their projects. CAHEC provides administrative support throughout the life of each Community Program.

*Residents of all ages find opportunities for enriching their lives through CAHEC's Community Programs.*





Once adopted and implemented, the Community Programs typically enhance relations between property managers and residents. As a result, developers and property managers are more likely to experience tenants who take better care of their units, pay their rent on time, and refer prospective tenants.

The Community Programs also serve as an inspiration. Over the years, CAHEC has seen formerly homeless individuals become homeowners, former drop-outs earn college degrees, and underprivileged youngsters enjoy the camaraderie of their peers. In short, Community Programs are the “keys” that truly open new doors.



**David T. Peet Adult Scholarship Program** – Residents 18 and older may apply for a grant to cover tuition and other educational expenses at an accredited college, university, community college, or vocational school.

**Resident Wellness Center** – CAHEC provides a variety of fitness equipment chosen by the development. The developer provides a secure facility, insurance, and maintenance.

**Community Grant** – CAHEC makes grants available for amenities and property improvements. To qualify, a development surveys residents to generate ideas and identify which items are desired. Purchases have included a wide-screen TV for movie night, a pool table for a seniors' community room, and plantings for a community garden.

**Homeownership Program** – This savings-incentive program is available to all residents who complete a home buyer's training course, qualify for a mortgage, and save for the purchase of a home.

**Technology Learning Center** – CAHEC provides and installs hardware and software. The developer is responsible for security, maintenance, Internet connectivity, and training for residents.

**Youth Recognition Program** – This Program promotes improved academic performance, good school attendance, and appropriate behavior for students in grades 3-12. Students who successfully complete the program earn an expense-paid trip to a regional location (e.g., a theme park) at the end of the school year.

**Senior Recognition Program** – Similar to its youthful counterpart, the Senior Recognition Program rewards successful participants with an expense-paid overnight trip to a destination of their choice. To qualify, residents must take part in 100 hours of on- and off-site activities each year.

## Supportive Services Coordinator Initiative Reinforces Mission

CAHEC's commitment to *empowering residents* entails providing low-income families and individuals with the means to improve their quality of life. Beginning in 2007 a new program got underway designed to work in tandem with the Community Programs. The **Supportive Services Coordinator Initiative** sets up on-site supportive services coordinators trained by CAHEC to promote the benefits of the Community Programs.

Expanding on this corporate mission, the Initiative affords CAHEC's partners an opportunity to play a considerable role in empowering residents, too. Through the Initiative, investors desiring more direct community involvement fund grants

to support placing part-time supportive services coordinators (SSCs) at select developments. CAHEC awards the grants to developers for hiring SSCs to work 40 hours per month at the developers' properties. Then CAHEC trains and monitors the SSCs, who help deliver and sustain the sites' Community Programs, represent the sites' supportive services at compliance reviews, and connect residents to resources in the local area.

The Supportive Services Coordinator Initiative allows a greater number of residents to take advantage of an enriching array of programs and services. And in the process of empowering themselves, residents strengthen their communities.

*Residents of Dallas High School in Gaston County, North Carolina, thank CAHEC for the Community Grant that purchased an ice maker, snack machine, dishwasher, and digital camera.*



# Fulfilling the Dream

Promote Homeownership

To own a home is not only the American dream; it's a way to create wealth. But for most low-income households, the dream remains out of reach, especially when saving for a down payment or qualifying for a mortgage seems unachievable. CAHEC's commitment to *promoting homeownership* represents a small but important step toward turning the dream into a reality for America's low-income workers.

**The Homeownership Program** is a way for individuals and families living in CAHEC-sponsored rental properties to build wealth by using savings to purchase real property. When an application is received, CAHEC posts an initial monetary contribution in the participant's name. Once the resident completes a home-buyer's training course, qualifies for a mortgage, and saves a set minimum amount toward the

purchase of a home, CAHEC makes another contribution. As the resident accumulates additional savings, CAHEC authorizes matching funds. At the time of closing, CAHEC makes a final contribution. To date, the majority of CAHEC's new homeowners have been single mothers determined to build a better life for their children.

CAHEC's second program is the **Open Doors Homeownership Grant**. Available to nonprofit organizations that help low-income citizens become homeowners, the grant may be used to supplement an organization's operations. In this



*At the end of the compliance period, residents of T. S. Martin Homes in Columbia, South Carolina, will have an opportunity to purchase their units.*

way, CAHEC helps build the capacity of nonprofit developers working to create quality affordable housing for sale to low-income residents. Although the non-

profit must work in CAHEC's service area, no previous relationship with CAHEC is required.



### Qualifying for Historic Tax Credits

The federal Historic Tax Credit is a one-time credit granted when a rehabilitated certified historic structure is placed in service. The Federal Historic Preservation Tax Incentives program is administered by the National Park Service (NPS) in partnership with the Internal Revenue Service and relevant state historic preservation officers. To be eligible, the project must first be approved, or certified, by the NPS.

Only certified historic structures qualify for historic rehabilitation tax credits. A certified historic structure is a building that is listed individually in the National Register of Historic Places or a building that is located in a registered historic district and certified by the NPS as contributing to the historic significance of that district. For projects involving buildings or districts not so registered, owners must request from the NPS a preliminary determination of significance by completing Part 1 of the Historic Preservation Certification Application—Evaluation of Significance.

After the NPS issues a preliminary determination of significance, the owner submits plans and specifications for the building's rehabilitation (Part 2 of the application process). The entire project is reviewed, including related demolition and new construction, and is certified for historic rehabilitation only if the overall project meets NPS standards. The NPS assumes that some alteration will occur to provide for efficient use. However, the project must not damage, destroy, or cover materials or features, whether interior or exterior, that help define the building's historic character.

Once the project has been completed, the owner submits Part 3 of the application—Request for Certification of Completed Work. If the NPS finds that the rehabilitated building conforms to the proposed rehabilitation treatment described in Part 2, the project is approved and receives final certification. The tax credit is guaranteed to the owner.

Adapted from "Preservation Tax Incentives for Historic Buildings," Heritage Preservation Services, National Park Service, 1996.

# Preserving the Past for the Future

In addition to housing equity funds, CAHEC also manages historic-only credit funds. Similar to the LIHTC, the historic credit provides investors with a dollar-for-dollar reduction in their income tax liability. Yet unlike housing credits, historic tax credits are generated from rehabilitating certified historic structures that are held for the production of income—that is, for businesses whose end use is commercial (office, retail, industrial) or rental housing.

As the funds' general partner, CAHEC makes investments in carefully selected projects. CAHEC gives prefer-

ence to projects that are located in a low-to-moderate-income census tract, serve the needs of a low-to-moderate-income population, contribute to community stabilization and preservation, or promote employment for low-to-moderate-income individuals. In addition, CAHEC looks for projects situated in officially designated and identified economic redevelopment areas sponsored by municipal, county, state, or federal entities.

Developments that combine LIHTCs and historic tax credits simultaneously provide a safe, decent home for low-income households and preserve an



Built around 1926, the former Grainger High School is a local landmark. The rehabilitated auditorium functions as a performing arts center, and classrooms have been converted into safe, affordable apartments for senior citizens.

## Historic Projects

area landmark. Through rehabilitation, abandoned or underused structures are transformed and returned to the community as useful, functioning properties. Oftentimes these buildings once served a vital role in the community, and developers usually find local sup-

port when they propose preserving an existing building through adaptive re-use.

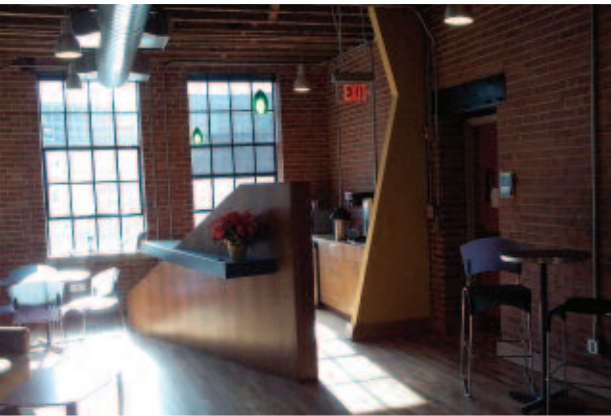
Since 1997, CAHEC's equity funds have invested in rehabilitation projects that have received both housing and historic tax credits. These buildings have architectural features such as

high ceilings, large windows, original molding, and hardwood floors that are typically incorporated into the new rental units. When completed, these developments open their doors to low-income families or seniors.

CAHEC's investments in historic tax credits, whether

for affordable housing or market-rate uses, have yielded numerous benefits. We take pride in our partners' creative solutions for preserving not only a piece of local history but also buildings that will serve future generations.

*Rehabilitation has preserved American Heritage Place, the first skyscraper in Richmond, Virginia.*

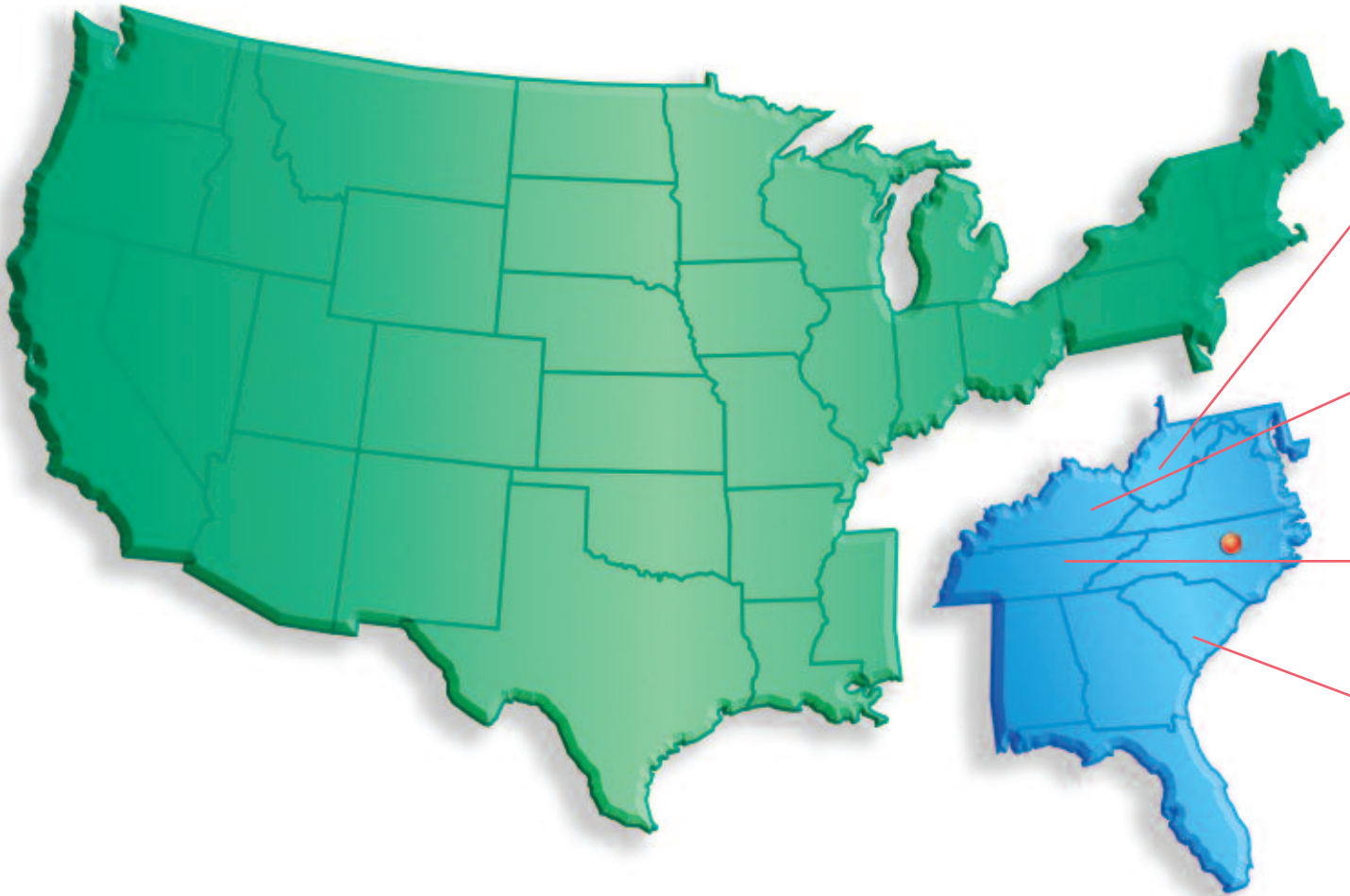


*State-of-the-art office suites occupy a former warehouse in Roanoke, Virginia.*



## Geographic Scope

Beginning in 1992 as *North Carolina* Affordable Housing Equity Corporation, the Company included its southern neighbor in 1998 to become *Carolina* Affordable Housing Equity Corporation. Its name today—*Community* Affordable Housing Equity Corporation—reflects CAHEC's geographic expansion into ten southeastern and mid-Atlantic states plus the District of Columbia.





◀ *Chesterfield Village Apartments provide 24 townhomes for families in Charleston, West Virginia.*



▲ *The former high school in Glasgow, Kentucky, has become Liberty School Apartments, a 20-unit historic rehabilitation LIHTC project for seniors.*



▲ *Residents of Finley Villa Elderly Apartments in Kingsport, Tennessee, enjoy a peaceful mountain view.*



▶ *Stately oak trees enhance the courtyard setting of Grand Oak Apartments, an elderly development in Charleston, South Carolina.*

# Want to Learn More? Call CAHEC

CAHEC has built a reputation for teamwork by being responsive, providing quality service, and maintaining high professional standards. We value our partners and the commitment we share to create and preserve affordable housing.

If you would like more information about CAHEC, please give us a call at (919) 420-0063 or visit our Web site at [www.cahec.com](http://www.cahec.com). By combining our efforts, resources, and know-how, we can build attractive affordable communities that will hold out hope to many.



*The LaSalle at Lincoln Heights offers affordable apartment living to eligible senior citizens in Charlotte, North Carolina. CAHEC has provided residents with a Wellness Center and a Technology Learning Center, both components of the Community Programs available to developments that CAHEC helps finance.*

## PHOTO CREDITS

### Peter Damroth Photography:

Front cover townhouse image; pages 1, 2, 4, 5 (top), 6, 7 (bottom right), 12

### The Housing Authority of the City of Columbia, South Carolina:

Inside front cover, page 7 (top and bottom left)

### Rhode Island Mill, Eden, North Carolina:

Page 5 (bottom)

### Landmark Asset Services, Inc., Winston-Salem, North Carolina:

Page 8

### Humanities Foundation, Inc., Charleston, South Carolina:

Page 11 (bottom)

### CAHEC Staff:

Pages 3, 9, 11 (top and middle)



7700 Falls of Neuse Road • Suite 200 • Raleigh, North Carolina 27615 • (919) 420-0063 • (919) 420-0019 fax  
[www.cahec.com](http://www.cahec.com)