Enterprise is a leading advocate for the Section 4 Capacity Building for Community Development and Affordable Housing (Section 4) program. Over the past 10 years, Enterprise has distributed approximately $80 million in Section 4 grants and loans to more than 900 local nonprofit organizations across 48 states and Puerto Rico. These organizations develop affordable housing, finance small businesses, revitalize commercial corridors, and help address local health care, child care, education and safety needs.

Section 4 is the only federal program that is exclusively focused on increasing the effectiveness of these organizations. Through grants, loans, training and guidance, Section 4 provides local organizations with the staffing, program development and financial resources to maximize the impact of the services they provide and ensure the long-term sustainability of their investments.

With Section 4, organizations develop core skills that strengthen their ability to implement HUD programs, raise capital for community development and affordable housing, coordinate on cross-programmatic, place-based approaches, and facilitate knowledge sharing.

**Spotlight on Section 4 Grantee: The Affordable Housing Group**

Founded in 1966, The Affordable Housing Group (TAHG) develops affordable housing for low- and moderate-income families and provides technical assistance to local governments and community-based and faith-based organizations to help them build their capacity to address local affordable housing needs. Serving North Carolina and South Carolina, TAHG is a leading affordable housing capacity building organization. Its efforts have led to the development of thousands of affordable homes and increased capacity for a growing number of local organizations.

To date, TAHG has developed and continues to operate 825 units of affordable housing in 19 properties throughout North Carolina and has an additional 48 units under construction.

**Local challenge**

Many of the properties in TAHG’s portfolio are reaching the end of their 15-year compliance period required by the Low-Income Housing Tax Credit (Housing Credit). As a result, ownership of the properties must be restructured in order to preserve affordability.

In 2014, TAHG needed to restructure ownership of five of its properties and to analyze and devise a plan to refinance one of them. An additional 10 properties were scheduled to reach each the end of their compliance periods in the coming years. In order to preserve its portfolio’s affordability, TAHG needed help analyzing its properties’ financial and ownership needs and developing an action plan. After making several efforts to locate best practices, however, TAHG discovered that only a limited number of helpful and pertinent guidelines were available.
How Section 4 funds were used

In 2014, a $20,000 Section 4 grant helped TAHG hire a consultant to develop a restructuring plan for the five properties, including 268 units of affordable rental housing. The consultant also helped TAHG develop a business model and methodology to help ensure the long-term affordability of 10 additional properties – or 442 units of affordable rental housing – owned solely by TAHG or jointly with other nonprofit organizations. These actions ensured the preservation of TAHG’s portfolio for years to come.

Section 4 grant funds were used to prepare a written preservation plan, including procedures and implementation of the following: initial portfolio assessment, current and projected cash-flow analysis, capital needs assessment, physical needs assessment, legal documentation and requirements, syndicator analysis, project tasks and timeline development. Action items were identified to preserve five properties, with a total of 268 units of affordable housing.

How Section 4 funds enhanced capacity of organization

TAHG had no previous experience transferring Housing Credit ownership interests and refinancing and rehabilitating its existing Housing Credit portfolio. With the investment of $20,000 in Section 4 grant funds, TAHG was not only able to analyze the long-term affordability needs for five properties, but it also gained firsthand knowledge that can be applied to its remaining portfolio.

Specifically, TAHG learned how to assess exit tax implications and the Year 15 timeline, including when to begin planning for Year 15, valuation approaches for properties and partnerships, strategies for negotiating with a limited partner, and critical language for inclusion in partnership agreements to prepare for Year 15.

These lessons learned will be applied to the remainder of Housing Credit properties in TAHG’s portfolio. TAHG has gained a better understanding of methods to analyze projects as they near Year 15, enabling it to be in a better position to select appropriate preservation strategies and be an informed participant in transition negotiations.

This experience also helped TAHG determine the feasibility of acquiring existing Housing Credit properties being sold by other organizations to strengthen TAHG’s portfolio of affordable units.

For more information about this project, please contact: Meaghan Shannon-Vlkovic, 404.698.4612, mvlkovic@enterprisecommunity.org.

For more information about the Section 4 program, please contact: Sarah Mickelson, 202.649.3903, smickelson@enterprisecommunity.org.