

# MHEG *in a Minute*

Keeping you up to date on MHEG's business in just a minute's time.

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**Midwest Housing Equity Group, Inc.**

## RECENT HIGHLIGHTS

### Open Door Mission Service Day

Last month, staff in the Omaha office partnered with the NIFA staff for a service day at the Open Door Mission. Staff volunteered in three hour shifts over the course of two days.

Some staff helped "Dish It Up" preparing and serving meals, while others worked at the Timberlake Outreach Center sorting through and organizing various items, such as food, clothing, linens, and toys.

"To have the chance to help others who truly appreciate everything that is done for them is truly rewarding," commented Ryan Harris. He spent most of his three hours sorting through clothes, but was also able to visit with some men from the Open Door Mission that were shopping at the Outreach center. "This experience was also a bold reminder that we are very fortunate to have what we do."



Left: Staff members sit for a quick picture before getting to work!  
Right: Shannon Foster, Shannon Johnson, and Chris Pangkerego sort through donated linens.

### MHEG to Close 200th Project

The month of April will include the closing of our 200th project at MHEG! The race is on to see if it will be an Iowa project or an Oklahoma project, as each state has some slated to close in April.

The upcoming closing will bring MHEG's portfolio to over 5,600 units of affordable housing.

### Board Member Retiring

Midwest Housing Equity Group, Inc. announced the retirement of Board of Director's member, Gary R. Petersen on Friday, March 28<sup>th</sup>. The announcement was made during the Board's quarterly meeting. Petersen will also be retiring from MHEG's Budget Committee.

Petersen, an active participant in affordable housing, has been with Bank of the West since 1975 and had just recently announced his retirement from the banking industry, effective March 31<sup>st</sup>, 2008. He joined the MHEG Board in 2001, and has served as the bank's representative for the MHEG Investment Committee since 1993. Peterson's guidance and knowledge will be missed. He brought over 30 years of experience in real estate investments and banking to the Board.

"It has been an honor and a privilege to work with all of the MHEG employees, and its Board members," Petersen remarked after his announcement was made. His next step, "I plan to take some time off to spend with my family before I decide what my next venture will be."



Left: Jim Rieker presents Gary Petersen with a certificate of resolution for his years of service with the MHEG Board of Directors.

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## Message from the President - Jim Rieker

### What Happened to My Cheese?

Every since the start of 2008, we have heard the doom and gloom scenario in the tax credit industry with the reduction of pricing and the reduction of the actual credit rate. What happened to the strong program that we've all counted on?

Thomas Judds does a good job of explaining what happened and why in his Nebraska Operations Message (pg. 5). The bottom line is that we are experiencing a correction in the industry, one that has been talked about for almost 10 years. I think a gradual change would have been preferred, but it seems like it happened overnight and now we're all just wondering what is next. I've heard that many syndicators are on hold until they figure out what the investors and this market will actually do. Unfortunately this makes it difficult to do deals.

I will tell you that MHEG is still doing deals. We were fortunate enough to have money in all but one of our states. As a result, we have the money to maintain our deals and commitments that we made. As for new deals, we're out raising money right now and hope to be able to fill those funds, but we are definitely seeing pricing fall to the low to mid 80's. I see some of our competitors pricing in the mid-to-upper 80's but when pushed to lock

that pricing, they just won't/can't do it. So to our developers out there, be cautious of the promises you are hearing. Remember the saying, if it sounds too good to be true, it probably is.

We at MHEG haven't changed much of who we look to for investors. Over the years, we have made our staple investors the local and community based groups. Yes, we also relied on Fannie and Freddie, but we saw the writing on the wall the last couple of years so we looked to others to help fill that gap. I think, overall, the Midwest has survived the mortgage crunch better than most areas of the country so our local and regional investors are sitting fairly well and are able to make the investments that we need. I just hope there are enough new investors to fill the voids left by some of our investors that have suffered tougher economic times.

Like any industry, there will be good times and bad. Some view this time as pretty bad but yet, even in the tough times there are opportunities for growth and success. MHEG hopes we can be a part of your successes as we tread through these tougher times in 2008.

As always, I'm available if anyone wants to discuss this crazy program or just to chat about life.

## Message from Iowa Operations - Dan Garrett

The first quarter in Iowa brought a flurry of activity. In February we ushered in the completion of a 4% Bond project, St. Mary's of Dubuque, our second bond project done in Iowa and also our second project to partner with Cardinal Capital of Madison, Wisconsin. Like many bond deals, it has offered its hurdles; however, thanks to the great efforts of Kutak Rock and our Director of Underwriting, Becky Christoffersen, we were able to get this project completed.

March began with the awarding of the 2008 tax credits. Four out of the six projects we were involved with were awarded

**"FOUR OUT OF THE SIX  
PROJECTS SUBMITTED  
WERE AWARDED CREDITS."**

credits (one missed out due to developer CAP issues). We are currently looking at other projects, as the market is not very hospitable right now and they are looking for homes. To that end, we expect the second quarter to be full of activity.

The Des Moines office will also be relocating to a new building at the end of April. We will be sending out notifications with the new address & contact information soon.

## Message from Kansas Operations - Pat Michaelis

We have many, many great partners submitting projects for approval in the upcoming tax credit allocation round at the Kansas Housing Resource Corporation. All together, they total more than \$30,000,000. There is a good geographical distribution among the projects; as well as variety with family, senior and special needs housing; and all have financially strong partners. We expect favorable allocations on many of them at the May announcement.

Kansas Asset Management is doing an outstanding job helping and working with existing properties. If and when needed, we will continue to take corrective action on watch list projects. It serves no one for time to pass with the unresolved issues. As a general rule, problems grow over time.

# Recently Closed Projects, Groundbreakings, Construction, and more...

The last few months of the year kept the development coordinators and due diligence department very busy with several tech reviews and closings. Listed below we have a total of 13 closings between four funds, creating an astonishing 408 units of affordable housing.

## **JANUARY Closings**

**Sunrise Ridge Townhomes, LLC**  
 KEF V, L.P.  
 Des Moines, IA • 12 units  
 1/23/2008

## **FEBRUARY Closings**

**Meriden Heights, L.L.C.**  
 KEF V, L.P.  
 Des Moines, IA • 12 units  
 2/25/2008

**St Mary's Apartments of Dubuque, LLC**  
 IEF III, L.P.  
 Dubuque, IA • 59 units  
 2/28/2008  
 \*closed into escrow

## **Upcoming Closings**

**Checotah, Limited Partnership**  
 OEF I, L.P.  
 Checotah, OK • 18 units

**Northwoods Limited Partnership #1**  
 IEF III, L.P.  
 Fort Dodge, IA • 24 units

**Community Homes, L.P.**  
 IEF III, L.P.  
 Des Moines, IA • 18 units

**Boone 2 Limited Partnership**  
 IEF III, L.P.  
 Boone, IA • 24 units



Above: Judds saying a few words at the Greenview Estates, LLC ceremony before the groundbreaking. (March 20th, 2008)



Above: Thomas Judds along with others prepare to break ground at Greenview Estates, LLC located in Omaha, NE.



Above: Construction is underway for Sunrise Ridge Townhomes, LLC, which was recently closed in January.



Above: Dan Garrett and Shallee Keenan attend the ground breaking ceremony of Town Square Apartments, a MetroPlains Equity Group project, in Fort Dodge, IA. (March 28th, 2008)

## New Additions to the MHEG Staff!

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The new year started off with no new hires for MHEG, but some of our staff members are switching from part-time to full time status with additional duties.



### **Jennifer Baldwin, Administrative Assistant**

Jennifer originally joined the Omaha office in March of 2006 as a temp, and was hired part-time the following August. As of March 7th, Jennifer became full-time. She will continue to work at the front desk during most mornings, but she will be taking on additional duties to assist with construction management, compliance and accounting issues, as well as other various projects. Jennifer is a graduate of ITT Technical Institute of Omaha, with an Associates Degree in Applied Science—Multimedia, as well as a Licensed Esthetician and Esthetician instructor. Prior to working at MHEG, Jennifer worked at Genesis Systems as a Graphic Artist and Receptionist.



### **Rachel Wiesner, Asset Analyst**

Rachel started in the Omaha office in December of 2006 as an intern for the Asset Management department while finishing her Accounting bachelors degree at the University of Nebraska at Omaha. Last fall she went from intern to Asset Specialist taking on more duties. Rachel has gradually increased her responsibilities and hours for MHEG over the past year and will begin full time after her graduation in early May. Currently Rachel assists the other managers, and manages a portfolio of 5 Nebraska properties. As an Asset Analyst, she will focus more on investor reporting but will continue to help with other various department projects.

We are excited for both, Jennifer and Rachel, to become full time MHEG employees as their positions and experience continually grow in the company.

## LIHTC Rates

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January 2008 Rates  
70% PVC - 7.93%  
30% PVC - 3.40%  
AFR 4.46%

February 2008 Rates  
70% PVC - 7.92%  
30% PVC - 3.40%  
AFR 4.46%

March 2008 Rates  
70% PVC - 7.84%  
30% PVC - 3.36%  
AFR 4.27%

April 2008 Rates  
70% PVC - 7.84%  
30% PVC - 3.36%  
AFR 4.40%



## Message from Nebraska Operations - Thomas Judds

The one word I would use to summarize Q1 for 2008 would be "uncertainty." In January MHEG represented the investor partner on 6 of the 7 Nebraska projects that received a tax credit reservation for round one, but tax credit projects face some significant threats given the current market conditions of affordable housing resulting from the financial instability of our economy in general.

Today, the March tax credit rate is at its lowest level since July of 2003. The Federal Reserve Bank is expected to cut the prime lending rate again by a full percentage point. This would mark the lowest rate since late 2004. Consequently, this action would put the tax credit rate in jeopardy of falling

again for the fifth consecutive month. What does all this mean to affordable housing? The facts are with a falling tax credit rate, accompanied with lower tax credit pricing (investor demands on yields increasing); mean less equity to a project. In short, developers and owners are finding it very difficult, at best, to find financing sources to fill the development gaps. And if that was not enough, with the added challenge of shrinking soft funds the ability to produce affordable housing becomes even more challenging.

There is some good news. Recently a bill (S.2666) was introduced to the Senate that would modernize the tax credit program. In all, the bill aims to

facilitate development of housing credit property, improve coordination with other federal housing programs, help preserve existing affordable housing and stimulate private investment capital to increase the efficiency of affordable housing investment. Changes to the program have been long over due.

In today's market, receiving a tax credit award is not enough. It will take a concentrated effort from all partners to move a project forward from paper to reality. In closing, although there is uncertainty in our economy, there is one thing that is certain - that is the strong need for decent, safe affordable housing.

## Message from Oklahoma Operations - Jamie Wilson

The Oklahoma office has had a busy 1<sup>st</sup> quarter. We have 8 projects under construction with 4 more set to begin in May and June. OHFA will allocate 2008A tax credits in May which will dictate our efforts for 2008. We will also close up to 6 projects by the end of May so to say "things are hoppin'" is no exaggeration.

With Oklahoma Fund III right around the corner, we are gearing up to start raising funds for that as well. We are heading into the spring and



Woodson Park Apartments, OEF II, in El Reno, OK. nears completion.

summer of what we see as a busy year for us. We are working with wonderful development partners and very diligent investor partners that assure our deals are good ones for Oklahoma and for MHEG.

Our focus for the remainder of the year is to be successful with OF III and do deals that make sense for MHEG and our investors. We pledge to do this while adhering to MHEG's mission.

## UPCOMING EVENTS

### MHEG Annual Meeting and Golf Outing - June 6th, in Omaha, NE - Ironwood Country and Golf Club

#### Nebraska

Spring 2008 Nebraska Economic Development Association Conference  
April 30th - May 3rd - Lied Lodge - Nebraska City, NE

Nebraska Banker Association Convention  
May 8th, 9th - Qwest Center - Omaha, NE

#### Kansas

KBA 2008 Ag & Rural Development Conference  
April 28-29th - Kansas State University Alumni Center -  
Manhattan, KS

2008 Kansas Housing Conference  
August 5th-7th - Pittsburg, KS

#### Iowa

No events scheduled at this time.



#### Oklahoma

Affordable Housing Tax Credit Compliance Review Classes  
September 9-10th, 24-25th  
Tulsa Tech Center (Tulsa, OK) & Rose State College  
(Oklahoma City, OK)

OBA Annual Convention and Trade Show  
June 2nd, 3rd - Renaissance Hotel - Tulsa, OK



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