



NOVOGRADAC

# Journal of Tax Credits™

Insights On Affordable Housing, Community Development, Historic Preservation, Renewable Energy and Opportunity Zones

October 2021 • Volume XII • Issue X

Published by Novogradac

EXCERPT FROM

## THE 4% LIHTC/BOND ISSUE

TAX-EXEMPT  
BONDS

### STORIES INSIDE

7 Steps to Improve Odds of Accessing Tax-Exempt Bonds for Affordable Rental Housing

4% LIHTC Equity Market in Flux Due to COVID Complications

Competitive Bond Landscape Leads to New Challenges with 50% Test for Private Activity Bond and 4% LIHTC Transactions

Allocating Agencies are Feeling the Pressure of Increasing Competition for PABs

# LIIF Sets Anti-Racist Goals

NICK DECICCO, SENIOR WRITER, NOVOGRADAC

The Low Income Investment Fund (LIIF) is making strides on its anti-racist goals.

LIIF deepened its commitment in 2020, announcing a goal to drive \$5 billion in investments to advance racial equity during the next decade as part of its new, four-year strategic plan.

In July, the nationwide community development financial institution (CDFI) that specializes in flexible capital for affordable housing and community facilities as well as early child care and education—sometimes using tax credits, including new markets tax credits in the process—unveiled four fundamental principles to guide its anti-racist organizational goals.

In August, LIIF launched a major endeavor on this path, the Black Developer Capital Initiative (BDCI), created in partnership with the National Affordable Housing Trust, a nonprofit low-income housing tax credit syndicator that LIIF teamed with in 2020 along with the Stewards of Affordable Housing for the Future. The goal of the BDCI's initial launch is to provide \$70 million to support the growth of Black-led affordable housing endeavors.

LIIF is making a stand for its principles, said Lucy Arellano Baglieri, LIIF's chief strategy officer and senior vice president.



“Our new mission statement is opportunity, equity and well-being for everyone,” she said. “It’s a statement of our conviction. By investing in those facing the deepest inequities, everyone benefits.”

*Image: Courtesy of Low Income Investment Fund*  
Lucy Arellano Baglieri is the chief strategy officer for the Low Income Investment Fund. The fund announced anti-racist goals as part of its four-year strategic plan in 2020.

Amy Hook, chief social impact officer at Novogradac, applauded LIIF's efforts.

“When we saw LIIF's recent announcement that they have become an anti-racist organization, we knew we wanted to shine a light on it and provide an additional platform for the organization to talk more about their journey and current state,” said Hook.

## Moving the Needle

LIIF began developing a new strategic plan in 2019 with an eye toward addressing racial inequities and disparities. According to the plan, the organization felt it was striving toward inclusive and equitable development, but still more progress was needed.

That's not for lack of effort. LIIF played a leadership role in the Strong, Prosperous and Resilient Communities Challenge, participated in the CDFI Racial Equity Collaborative on Education and had its own internal racial equity committee, as well as engaged external consultants such as RaceForward and Crossroads Antiracism Organizing and Training.

Arellano Baglieri said when LIIF was building its new strategic plan, it was looking at the impact it can have on broader systems.

“What's our theory of change?” Arellano Baglieri asked. “What will get us to move the needle more if we're saying it hasn't moved enough? What levers do we have that we can personally pull? Internally, one lever is our own decision-making. Externally, how can we influence the field around this? We're not the only ones, but how can we be part of the solution? Similar to being an ally as a person, how do we leverage power and resources in our network so we're part of the solution to make a change?”

Hook was struck by the way Arellano Baglieri spoke about moving the needle.

“[It] rings so true for us here at Novogradac,” Hook said. “We are heavily focused internally right now—methodically moving through every area of the firm to examine any institutional biases that may be present, creating higher levels of stakeholder engagement, providing training and education—all of this contributing to a stronger and more sustainable foundation, but we continue to expand upon ways to engage and influence more externally.”

### Borne Out of Barriers

LIIF unveiled four anti-racist guiding principles in July:

1. To seek out, listen to, and respond to the voices of communities and people of color.
2. Institutionalize the internal and external changes it makes.
3. Develop and implement clear mechanisms for accountability.
4. Collaborate, contribute to, and learn from others’ anti-racism journeys.

“All of our principles are borne out of barriers we have seen to equitable community development,” said Arellano Baglieri. “We agreed on principles that responded to the barriers Black and Latino communities face and pushes us to do things differently, pushes us to find ways to combat those barriers.”

Changing those barriers for LIIF means actions as well as plans. Kimberly Latimer-Nelligan, president of LIIF, and Arellano Baglieri said the new BDCI products reflect the firm’s values, especially the first principle of listening and responding to people of color. Latimer-Nelligan said the genesis of the initiative came from a need to fill the market gaps.

“That really came internally from staff in the market, working with developers who reflect the communities we’re looking to serve,” Latimer-Nelligan said.

“We want to develop in communities that don’t have access to traditional capital. ... Our market



directors cultivated these relationships, raised it to leadership and worked to bring the initiative to fruition. Without their input and leadership, we wouldn’t have this innovative pilot program.”

*Image: Courtesy of Low Income Investment Fund*  
 Kimberly Latimer-Nelligan is the president of the Low Income Investment Fund. In August, the fund unveiled the Black Developer Capital Initiative, a \$70 million effort to support the growth of Black-led affordable housing endeavors.

### A New Lending Framework

Latimer-Nelligan, who left Citigroup after more than two decades to join LIIF in 2008, said institutionalized real estate development practices including redlining—an industry-wide avoidance to invest in certain geographic areas along racial lines—have had a cumulative effect in curbing access to capital for people of color.

The impact of this has tendrils that grow in many directions. While it means CDFIs such as LIIF are often working in service of people of color, it also means those same people are less frequently the individuals with whom CDFIs have historically done business. This wealth gap further restricts access to capital, Latimer-Nelligan said. She pointed to the primary tools for secured CDFI real estate lending, property value and balance sheets.

“Redlining, for example, drives down property values while a lack of intergenerational wealth can be restrictive to developers,” she said. “Our two primary underwriting tools—even as a CDFI—are biased, so it’s not surprising to look at our own portfolio and still find very few Black developers.”

One solution to this in line with LIIF’s principles is to build a framework for underwriting that assesses risk in a new way, trying to account for racial bias.

The firm seeks to do this with its Impact Risk Profitability framework, which aims to help LIIF deepen its impact and be more intentional about its lending. In addition, LIIF is working to broaden the scope of factors considered in underwriting, from property value and balance sheets to include developers' consistency and dependability. Maybe a developer doesn't have a robust balance sheet, but it brings other intangibles such as decades of experience, for example.

"Folks think our lending is riskier," Latimer-Nelligan said, emphasizing that perception is not always reality. "The notion of perceived risk versus actual risk has a long and deep history. We know our customers and know our markets. As an unregulated lender, we are not forced to take aggressive action in the event of a loan default. We work with our customers to preserve community assets and get repaid. That history absolutely shows itself with how lenders interact with Black developers today. That's why the Black Developer Capital Initiative is valuable—to refute these persistent biases."

## Measuring Success

How will LIIF know it's achieving its anti-racist goals?

Given her experience, Latimer-Nelligan said she wants to look at quantifiable data. "I'm a data person," Latimer-Nelligan said. "I'm a finance person. I have to see the numbers. I do think that's important." However, she also said that just as their new lending framework seeks a wider lens, success is measured in broader, less quantifiable terms, too.

"I think when we look at who we're working with, who are our customers, who we're lending to, when they

look like the people in the community, I think that's how we know that we're listening, that we're serving that community," Latimer-Nelligan said.

Arellano Baglieri said with regard to the data, "in 20 years, these numbers better not look the same."

"My measure of success is we are a partner and ally to communities of color and responding to what our communities are saying they need to take ownership of power and decision making," said Arellano Baglieri.

She said that despite all of the practices and issues stacked against people of color, they continue to succeed regardless. She recognized that, for some, progress is seen as a danger.

"Our goals, our aspirations and measures of success are viewed as a threat by some. That's clearly the dilemma of our lives," she said. "Power doesn't want to let go of power."

## Equity for All

Arellano Baglieri said cohorts in community development as well as colleagues at LIIF ask her if they can be involved and have an impact in doing their own anti-racist work.

"And my answer is 100%, yes," she said. "These systems are comprised of all different pieces. There are barriers to talk about—lots of stakeholders, lots of different priority areas. It will take all of us doing things differently to really, really be successful. ... Everyone has value to contribute if they're ready to advance this work." ❖

---

© Novogradac 2021 - All Rights Reserved.

This article first appeared in the October 2021 issue of the Novogradac Journal of Tax Credits. Reproduction of this publication in whole or in part in any form without written permission from the publisher is prohibited by law.

Notice pursuant to IRS regulations: Any discussion of U.S. federal or state tax issues contained in this article is not intended to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties under the Internal Revenue Code; nor is any such advice intended to be used to support the promotion or marketing of a transaction. Any discussion on tax issues reflected in the article are not intended to be construed as tax advice or to create an accountant-client relationship between the reader

*and Novogradac & Company LLP and/or the author(s) of the article, and should not be relied upon by readers since tax results depend on the particular circumstances of each taxpayer. Readers should consult a competent tax advisor before pursuing any tax savings strategies. Any opinions or conclusions expressed by the author(s) should not be construed as opinions or conclusions of Novogradac & Company LLP.*

*This editorial material is for informational purposes only and should not be construed otherwise. Advice and interpretation regarding property compliance or any other material covered in this article can only be obtained from your tax advisor. For further information visit [www.novoco.com](http://www.novoco.com).*

## EDITORIAL BOARD

### PUBLISHER

Michael J. Novogradac, CPA

### EDITORIAL DIRECTOR

Alex Ruiz

### TECHNICAL EDITORS

Thomas Boccia, CPA  
James R. Kroger, CPA  
Diana Letsinger, CPA

Matt Meeker, CPA  
John Sciarretti, CPA  
Stacey Stewart, CPA

## COPY

### SENIOR EDITOR

Brad Stanhope

### SENIOR MARKETING MANAGER

Teresa Garcia

### COPY EDITOR

Mark O'Meara

### SENIOR WRITER

Nick DeCicco

### CONTRIBUTING WRITERS

Jim Campbell  
Melissa Chung  
Cindy Hamilton  
Jim Kroger

Rich Larsen  
Stephanie Naquin  
Michael K. Wong

## ART

### CREATIVE DIRECTOR

Alexandra Louie

### GRAPHIC DESIGNER

Brandon Yoder

## CONTACT

### CORRESPONDENCE AND EDITORIAL SUBMISSIONS

Teresa Garcia  
teresa.garcia@novoco.com  
925.949.4232

### ADVERTISING INQUIRIES

Christianna Cohen  
christiana.cohen@novoco.com  
925.949.4216

ALL MATERIAL IN THIS PUBLICATION IS FOR INFORMATIONAL PURPOSES ONLY AND SHOULD NOT BE CONSTRUED AS PROFESSIONAL ADVICE OFFERED BY NOVOGRADAC OR BY ANY CONTRIBUTORS TO THIS PUBLICATION.

ADVICE AND INTERPRETATION REGARDING THE LOW-INCOME HOUSING TAX CREDIT OR ANY OTHER MATERIAL COVERED IN THIS PUBLICATION CAN ONLY BE OBTAINED FROM YOUR TAX AND/OR LEGAL ADVISOR.

## ADVISORY BOARD

### OPPORTUNITY ZONES

Dan Altman	SIDLEY AUSTIN LLP
Glenn A. Graff	APPLEGATE & THORNE-THOMSEN
Shay Hawkins	OPPORTUNITY FUNDS ASSOCIATION
Martin Muoto	SOLA IMPACT

### LOW-INCOME HOUSING TAX CREDITS

Jim Campbell	SOMERSET DEVELOPMENT COMPANY LLC
Tom Dixon	BOSTON CAPITAL
Richard Gerwitz	CITI COMMUNITY CAPITAL
Elizabeth Bland Glynn	TRAVOIS INC.
Rochelle Lento	DYKEMA GOSSETT PLLC
John Lisella III	U.S. BANCORP COMMUNITY DEV. CORP.
Derrick Lovett	MBD COMMUNITY HOUSING CORP.
Thomas Morton	PILLSBURY WINTHROP SHAW PITTMAN LLP
Rob Wasserman	U.S. BANCORP COMMUNITY DEV. CORP.

### PROPERTY COMPLIANCE

Jen Brewerton	DOMINIUM
Kristen Han	WNC
Michael Kotin	KAY KAY REALTY CORP.

### HOUSING AND URBAN DEVELOPMENT

Victor Cirilo	NEWARK HOUSING AUTHORITY
Flynann Janisse	RAINBOW HOUSING
Ray Landry	DAVIS-PENN MORTGAGE CO.
Denise Muha	NATIONAL LEASED HOUSING ASSOCIATION
Monica Sussman	NIXON PEABODY LLP

### NEW MARKETS TAX CREDITS

Frank Altman	COMMUNITY REINVESTMENT FUND
Maria Bustria-Glickman	US BANK
Elaine DiPietro	BLOOMING VENTURES LLC
Chimeka Gladney	ENTERPRISE COMMUNITY INVESTMENT INC.
Merrill Hoopengardner	NATIONAL TRUST COMMUNITY INVESTMENT CORP.
Scott Lindquist	DENTONS
Tracey Gunn Lowell	U.S. BANCORP COMMUNITY DEV. CORP.
Ruth Sparrow	FUTURES UNLIMITED LAW PC
William Turner	WELLS FARGO

### HISTORIC TAX CREDITS

Irvin Henderson	HENDERSON & COMPANY
Bill MacRostie	MACROSTIE HISTORIC ADVISORS LLC
Claudia Robinson	BANK OF AMERICA
Donna Rodney	MILES & STOCKBRIDGE
John Tess	HERITAGE CONSULTING GROUP

### RENEWABLE ENERGY TAX CREDITS

Jim Howard	DUDLEY VENTURES
Elizabeth Kaiga	DNV GL
Forrest Milder	NIXON PEABODY LLP

© Novogradac  
2021 All rights reserved.  
ISSN 2152-646X

Reproduction of this publication in whole or in part in any form without written permission from the publisher is prohibited by law.