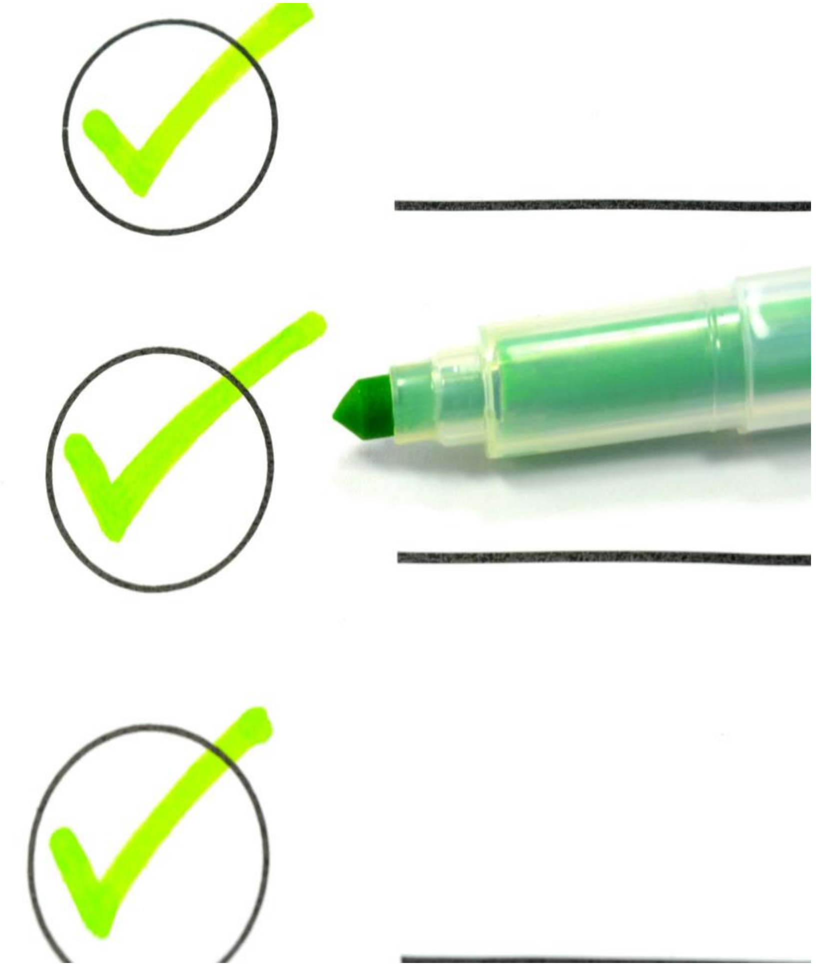
LIHTC
Year 15 Clinic

LISC
HOUSING

Agenda

1. Why Year 15 Matters?
2. Exit Options
3. Planning for Year 15
4. Understanding Your Project
5. Preservation Options



What’s the big deal about Year 15?

- First opportunity to transfer ownership with no risk of tax credit recapture
- No more reporting to the investor
- Opportunity to recapitalize, rehab as needed, restructure financing, and reposition property for the next 15+ years
- Opportunity to sell to third party or acquire

Year 15 Exit Process

Y15 Exit Typologies – Has your organization?

- Assumed all existing debt, acquired the property and continued operations?
- Acquired the property- refinanced and rehabbed?
- Acquired the property- resyndicated (4% or 9%) and rehabbed?
- Sold the property to a third party as rental or homeownership?

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Significance of Year 15 for Investors

- At the Project Level:
  - First opportunity to transfer ownership with no risk of tax-credit recapture and no requirement to post a recapture bond
- At the Fund Level:
  - Wind-up of fund, distribution of remaining fund assets (if applicable,) and assessment of final fund results

Syndicators’ Approach to Year 15

- Efficiency & Timeliness of Project Dispositions / Wind-Up of Fund
- Effectiveness of Communication to Investors of Projected and Actual Results
- ‘Soft’ Results, i.e. Community Relations

Goals Adopted by NEF's Disposition Committee – Your investor may vary!

- Uphold Fiduciary Responsibility to Investors
- Achieve (at least) Targeted Rate of Return
- Wind up Funds in Timely Fashion
- Minimize Impact of Exit Taxes
- Report to Investors on Disposition Activity and Anticipated Exit Taxes
- Minimize displacement of current low-income tenants
- Promote long-term continued low-income use of the property
- Promote purchase of properties by NEF's Non-Profit Partners
- Maintain Positive Community Relations

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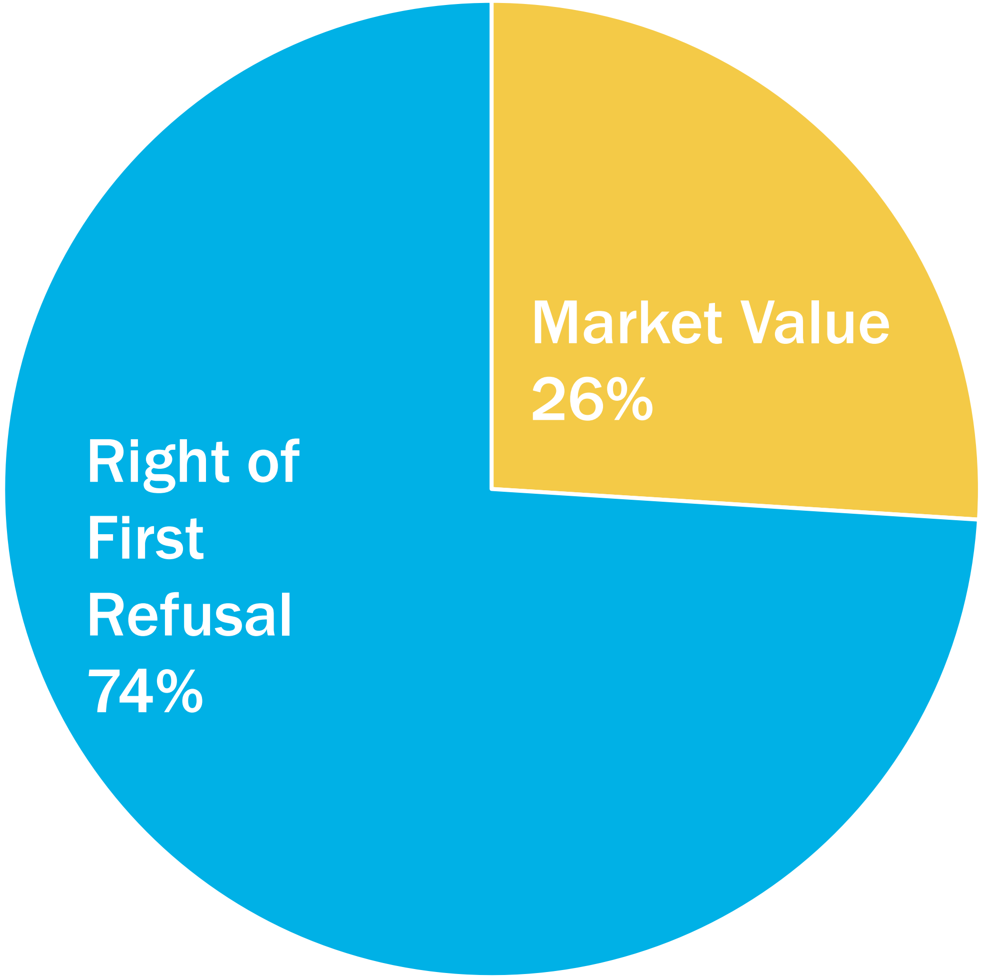
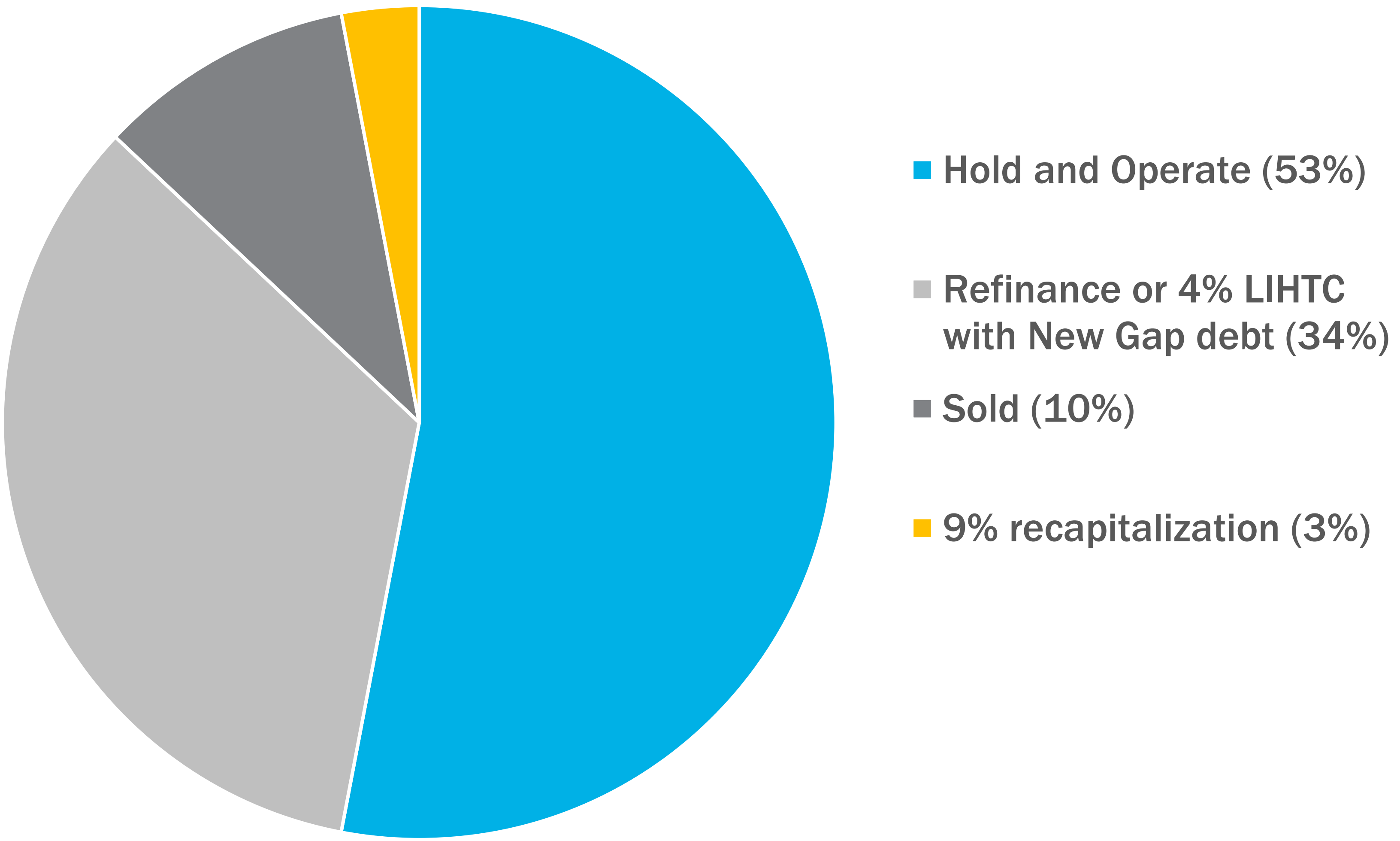
National Equity Fund – Historical Distribution of Buyout Options



NEF– Historical sponsor operating intentions for Y16 and beyond



Preservation Challenges: Two Main Categories

From Year 15 to beyond the Extended Use period:

1. Ongoing physical and financial viability
2. Ongoing preservation of use as affordable housing

Year 15:
Getting Organized

Year 15: Getting Organized

Partnership documents

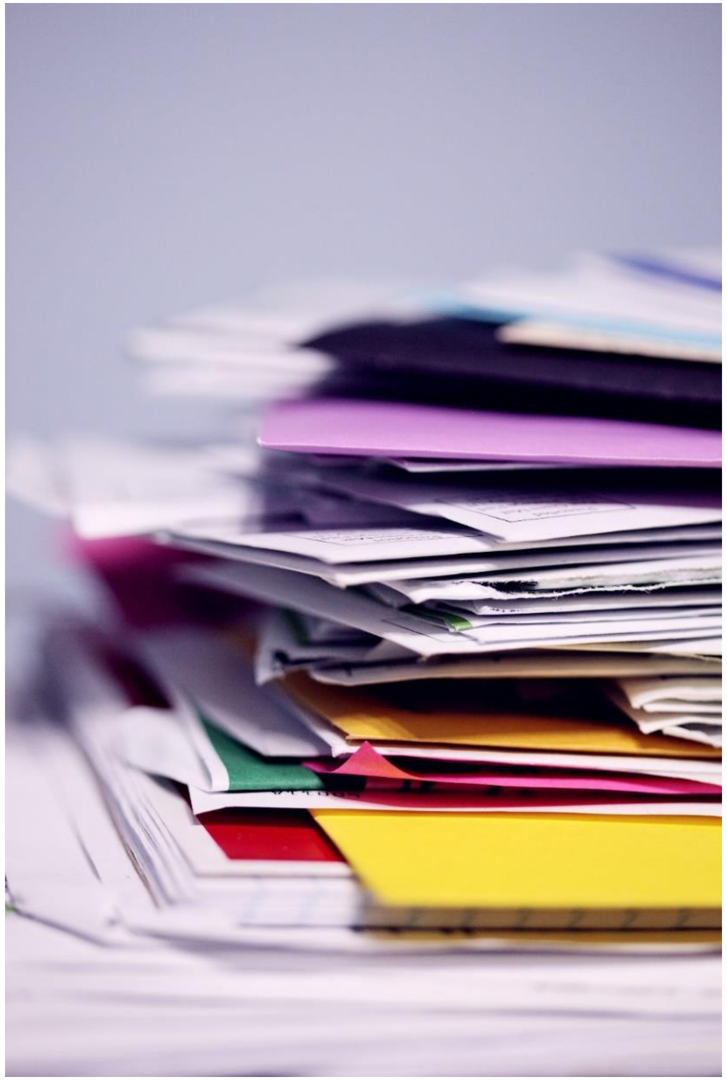
Is there a Right of First Refusal and/or Purchase Option?

If yes, who has that right?

Loan documents

Are lender approvals required to change ownership?

Can the loans be restructured?



Year 15: Getting Organized

- Tax returns, K-1s and 8609s
  - Determining end of compliance period
  - Capital account balances
- All property regulatory agreements
- Physical Needs Assessment or in-house assessment of capital needs
- Property cash flow projection

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Creating the Project Plan

- When is Year 15?
- When and under what terms can my organization buy out the investor?
- What will the purchase price be?
- What are the properties’ capital needs?
- How is the property’s financial health?
- What lender approvals must be secured?

Determining Year 15…
or more accurately, Year 16!

Tax credit compliance for each building begins the first year tax credits are reported on tax returns for that building.

Can be either:

- the first year a qualified building is placed in service (PIS), or
- the year after the building was PIS

Tax credit compliance ends:

- The last day of the 15th year since credits were first claimed on the tax return
- May be different for different buildings
- Building is eligible for disposition without recapture potential on Jan. 1 of Year 16

Consult 8609s

- If there are multiple buildings in a project, timing for Year 15 is determined based on the date of the *last* building to be PIS

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FORM 8609

Could have more than one of these forms available if the project includes more than one building and they were placed in service at different dates.

Line 5 of form 8609 notes the Placed in Service date.

Form **8609**
(Rev. May 2018)
Department of the Treasury
Internal Revenue Service

Low-Income Housing Credit Allocation and Certification

► Go to *www.irs.gov/Form8609* for instructions and the latest information.

OMB No. 1545-0988

Part I **Allocation of Credit**

Check if: ☐ Addition to Qualified Basis ☐ Amended Form

A Address of **building** (do not use P.O. box) (see instructions)

B Name and address of **housing credit agency**

C Name, address, and TIN of **building owner** receiving allocation

TIN ►

D Employer identification number of agency

E Building identification number (BIN)

1a	Date of allocation ► .... **b** Maximum housing credit dollar amount allowable	1b	
2	Maximum applicable credit percentage allowable (see instructions)	2	%
3a	Maximum qualified basis	3a	
b	Check here ► ☐ if the eligible basis used in the computation of line 3a was increased under the high-cost area provisions of section 42(d)(5)(B). Enter the percentage to which the eligible basis was increased (see instructions)	3b	1 %
4	Percentage of the aggregate basis financed by tax-exempt bonds. (If zero, enter -0-)	4	%
5	Date building placed in service ►		

6 Check the boxes that describe the allocation for the building (check those that apply):
a ☐ Newly constructed and federally subsidized b ☐ Newly constructed and **not** federally subsidized c ☐ Existing building
d ☐ Sec. 42(e) rehabilitation expenditures federally subsidized e ☐ Sec. 42(e) rehabilitation expenditures **not** federally subsidized
f ☐ Allocation subject to nonprofit set-aside under sec. 42(h)(5)

Signature of Authorized Housing Credit Agency Official—Completed by Housing Credit Agency Only

Under penalties of perjury, I declare that the allocation made is in compliance with the requirements of section 42 of the Internal Revenue Code, and that I have examined this form and to the best of my knowledge and belief, the information is true, correct, and complete.

► Signature of authorized official ► Name (please type or print) ► Date

Part II **First-Year Certification**—Completed by Building Owners with respect to the First Year of the Credit Period

7	Eligible basis of building (see instructions)	7	
8a	Original qualified basis of the building at close of first year of credit period	8a	
b	Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?	☐ Yes	☐ No
9a	If box 6a or box 6d is checked, do you elect to reduce eligible basis under section 42(i)(2)(B)?	☐ Yes	☐ No
b	For market-rate units above the average quality standards of low-income units in the building, do you elect to reduce eligible basis by disproportionate costs of non-low-income units under section 42(d)(3)(B)? ►	☐ Yes	☐ No
10	Check the appropriate box for each election. **Caution:** Once made, the following elections are irrevocable.		
a	Elect to begin credit period the first year after the building is placed in service (section 42(f)(1)) ►	☐ Yes	☐ No
b	Elect **not** to treat large partnership as taxpayer (section 42(j)(5)) ►	☐ Yes	
c	Elect minimum set-aside requirement (section 42(g)) (see instructions): ☐ 20-50 ☐ 40-60 ☐ Average income ☐ 25-60 (N.Y.C. only)		
d	Elect deep rent skewed project (section 142(d)(4)(B)) (see instructions)	☐ 15-40	

Under penalties of perjury, I declare that I have examined this form and accompanying attachments, and to the best of my knowledge and belief, they are true, correct, and complete.

► Signature ► Taxpayer identification number ► Date

► Name (please type or print) ► First year of the credit period

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 63981U Form **8609** (Rev. 05-2018)

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FORM 1065

It's a second check for the first year of the credit compliance period, which is the 1st year that credits were taken.

Line 15b of Form 1065 indicates the credits claimed in a given year.

Form 1065 (2018) Page **4**

Schedule K		Partners' Distributive Share Items			Total amount
Income (Loss)	1	Ordinary business income (loss) (page 1, line 22)		1	
	2	Net rental real estate income (loss) (attach Form 8825)		2	-294,413
	3a	Other gross rental income (loss)	3a		
	b	Expenses from other rental activities (attach statement)	3b		
	c	Other net rental income (loss). Subtract line 3b from line 3a		3c	
	4	Guaranteed payments		4	
	5	Interest income		5	1,002
	6	Dividends and dividend equivalents: a Ordinary dividends		6a	
		b Qualified dividends	6b		
		c Dividend equivalents	6c		
	7	Royalties		7	
	8	Net short-term capital gain (loss) (attach Schedule D (Form 1065))		8	
	9a	Net long-term capital gain (loss) (attach Schedule D (Form 1065))		9a	
	b	Collectibles (28%) gain (loss)	9b		
	c	Unrecaptured section 1250 gain (attach statement)	9c		
	10	Net section 1231 gain (loss) (attach Form 4797)		10	
	11	Other income (loss) (see instructions) Type ▶		11	
Deductions	12	Section 179 deduction (attach Form 4562)		12	
	13a	Contributions		13a	
	b	Investment interest expense		13b	
	c	Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶		13c(2)	
	d	Other deductions (see instructions) Type ▶		13d	
Self-Employment	14a	Net earnings (loss) from self-employment		14a	
	b	Gross farming or fishing income		14b	
	c	Gross nonfarm income		14c	
Credits	15a	Low-income housing credit (section 42(j)(5))		15a	
	b	Low-income housing credit (other)		15b	406,866
	c	Qualified rehabilitation expenditures (rental real estate) (attach Form 3468, if applicable)		15c	
	d	Other rental real estate credits (see instructions) Type ▶		15d	
	e	Other rental credits (see instructions) Type ▶		15e	
	f	Other credits (see instructions) Type ▶		15f	
Foreign Transactions	16a	Name of country or U.S. possession ▶			
	b	Gross income from all sources		16b	
	c	Gross income sourced at partner level		16c	
		Foreign gross income sourced at partnership level			
	d	Section 951A category ▶ e Foreign branch category ▶		16e	
	f	Passive category ▶ g General category ▶ h Other (attach statement) ▶		16h	
		Deductions allocated and apportioned at partner level			
	i	Interest expense ▶ j Other ▶		16j	
		Deductions allocated and apportioned at partnership level to foreign source income			
	k	Section 951A category ▶ l Foreign branch category ▶		16l	
	m	Passive category ▶ n General category ▶ o Other (attach statement) ▶		16o	
	p	Total foreign taxes (check one): ▶ Paid ☐ Accrued ☐		16p	
	q	Reduction in taxes available for credit (attach statement)		16q	
	r	Other foreign tax information (attach statement)			
Alternative Minimum Tax (AMT) Items	17a	Post-1986 depreciation adjustment		17a	
	b	Adjusted gain or loss		17b	
	c	Depletion (other than oil and gas)		17c	
	d	Oil, gas, and geothermal properties—gross income		17d	
	e	Oil, gas, and geothermal properties—deductions		17e	
	f	Other AMT items (attach statement)		17f	
Other Information	18a	Tax-exempt interest income		18a	
	b	Other tax-exempt income		18b	
	c	Nondeductible expenses		18c	
	19a	Distributions of cash and marketable securities		19a	
	b	Distributions of other property		19b	
	20a	Investment income		20a	
	b	Investment expenses		20b	
	c	Other items and amounts (attach statement)			

Form **1065** (2018)

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What is the Capital Account?

- The **partnership capital account** is an equity **account** in the accounting records of a **partnership**.
- Most Capital Accounts are structured to follow the safe harbor rules under 704(b) which states that all partners in a partnership have capital accounts.
- Capital accounts start at zero, are increased by capital contributions and income allocations, and are decreased by distributions and loss allocations. Most importantly, upon liquidation of the partnership, all capital accounts must return to zero.

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Schedule K-1

- Filed annually with the tax return by business corporations and other entities which use pass-through taxation.
- The K-1 shows you the LP capital account and the losses for the tax year.

651118

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0123

Schedule K-1 (Form 1065) 2018

Department of the Treasury
Internal Revenue Service

For calendar year 2018, or tax year

beginning / / 2018 ending / /

Partner's Share of Income, Deductions, Credits, etc. ▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number

B Partnership's name, address, city, state, and ZIP code

C IRS Center where partnership filed return

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number

F Partner's name, address, city, state, and ZIP code

G ☐ General partner or LLC member-manager ☐ Limited partner or other LLC member

H ☐ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner?

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	%	%
Loss	%	%
Capital	%	%

K Partner's share of liabilities:

	Beginning	Ending
Nonrecourse	$	$
Qualified nonrecourse financing	$	$
Recourse	$	$

L Partner's capital account analysis:

Beginning capital account	$
Capital contributed during the year	$
Current year increase (decrease)	$
Withdrawals & distributions	$ ( )
Ending capital account	$

☐ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☐ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends		
6c	Dividend equivalents		
7	Royalties		
8	Net short-term capital gain (loss)	17	Alternative minimum tax (AMT) items
9a	Net long-term capital gain (loss)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain	18	Tax-exempt income and nondeductible expenses
10	Net section 1231 gain (loss)		
11	Other income (loss)		
		19	Distributions
12	Section 179 deduction	20	Other information
13	Other deductions		
14	Self-employment earnings (loss)		

*See attached statement for additional information.

For IRS Use Only

For Paperwork Reduction Act Notice, see Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11394R Schedule K-1 (Form 1065) 2018

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Assessing the Properties' Financial Health

- What are the terms of current debt?
  - Most LIHTC properties have at least 18-year term debt
  - Interest rate hikes? Higher than current market interest rates?
  - Balloon payments due soon?
- How is the project's cash flow?

A Note About Property Reserves

- Reserves are an asset of the Limited Partnership (LP)
- Limited partners may require that, upon exit, remaining reserves be distributed in accordance with partnership allocation rules and terms of the Limited Partnership Agreement
- Property lenders may require that reserves stay with the property
- Bottom line: get familiar with lender and LP expectations related to reserve distribution at LP exit and plan ahead!

Understanding the Purchase Opportunity

- Purchase Option and/or Right of First Refusal will be included in separate document(s) or in Limited Partnership Agreement (LPA)
- This is your road map: terms such as the Option Period and how purchase price will be determined, are included
- Note: Everything is negotiable. Sometimes.

Variations of the “buy out”

1. Sponsor purchase of the real estate and improvements
2. Sponsor purchase of the limited partner interest
3. Donation of the limited partner interest to the sponsor and dissolution of the partnership
4. Withdrawal of the limited partner interest

Determining the Purchase Price

Right of First Refusal

- Omnibus Budget Reconciliation Act of 1989 allowed the sale of LIHTC projects through Right of First Refusal to certain qualified groups at a bargain price
- Formula price = debt + exit tax
- Not actionable until the end of year 15

- Formula price is available to:
  - Tenants
  - Resident management corporations
  - Qualified nonprofits
  - Government agencies

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Market Value Purchase

- A market value purchase typically includes an assumption of existing debt.
- Any cash payment due as part of a market value purchase price is equivalent to the residual value: market value exceeding the debt balance.

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Residual Value

Residual Value Analysis	AZ
3 year of audit NOI	$ 261,868
Cap Rate	6.00%
Estimated Market Value	$ 4,363,633
Operating Reserve	$ -
Replacement Reserves	$ 143,399
Total Value of Partnership Assets	$ 4,507,032
Total Outstanding Long-Term Liabilities as of 202X audit:	
Mortgage Loan	$ (2,600,798)
Cash Flow Note	$ (337,525)
Accrued Interest	$ (157,118)
Partnership Management services (Accrued Fee)	$ (103,522)
Total Outstanding Long-Term Liabilities	$ (3,198,963)
Value plus Reserves less Debt	**$ 1,308,069**

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What is an "Exit Tax"?

- Exit taxes are the capital gains tax liability that the investor may have upon dissolution or exit of the partnership
  - Cumulative tax losses exceeds the investor's capital
  - Result is a negative capital account
  - Disposition results in a tax liability

Group Exercise: Garden Terrace

Garden Terrace

NOI	$	850,000
Divide by Cap Rate		7.00%
Estimated Valuation	$	12. M

Garden Terrace

Estimate Value Before Capital Needs Adjustment	$	12.1 M
LESS Capital Needs ($15,000/unit*200 units)	$	3.0 M
Adjusted Estimated Value	$	9.1 M

Garden Terrace

Hard Debt	$ 5.0 M
+ Soft Debt	$ 10.0 M
Total	$ 15.0 M
Estimated Value	$ 9.1 M
+ Reserve Balance	$ 400 K
Total	$ 9.5 M

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Exit Tax Estimation

Exit Tax Estimation		
A: Limited Partner Capital Account balance as of 12/31/13:	$	200,000
B: Estimated Annual Losses:	$	500,000
C: Number of Years to End of Compliance Period:		2
D: Projected Losses to End of Compliance Period (B x C):	$	1,000,000
E: Projected LP Capital Account balance at End of Compliance Period (A – D):	$	(800,000)
F: Assumed LP Tax Rate:		35%
G: Projected Exit Taxes with One-Time Gross Up (E x F x (1+F)):	$	378,000

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Early Exit vs. Year 16 Exit Differences

Early Exit	Year 16 Exit
RoFR is not actionable, so all LP interest sales/transfers are for market value	If noted in the LPA, either a RoFR to acquire the property for assumption of debt + exit taxes OR market value
Appraisal required	Probably not required if RoFR exists
Indemnification against recapture is required	Indemnification not required
60% of exits require negotiating an investor distribution	~26% of exits require negotiating an investor distribution or exit tax payment

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Source of Funds for the Buyout Price

- New loan sufficient to pay off existing debt and buyout price
- New subordinate loan to finance buyout
- Resyndication with purchase price by new partnership sufficient to finance buyout
- Apply cash reserves to pay buyout price

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Distribution of Cash at Sale

- The Limited Partnership Agreement delineates the distribution of cash from a sale or refinance event.
- There is a list of priorities for the order in which cash payments are applied. Examples: Amounts due to the LP; LP tax liability associated with the sale; disposition Fees due to the LP; deferred Developer Fee; loans made by LP or GP to the partnership etc.
- Remaining cash flow will be distributed by a set allocation to each partner. This may be a set percentage (i.e., 10% to the GP/90% to the LP) or may be based on the relative balances of the partner's capital accounts.

Disposition Fee

- The Limited Partnership Agreement may specify that the Limited Partner is due a fee at disposition of the property.
  - Example: LP is due a $75,000 Disposition Fee from net proceeds. This fee appears as the third priority distribution of cash at sale.
- NEF does not charge a disposition fee for an end of compliance period exit but does charge for early exits because more analysis and negotiating is required.

Preservation Options Year 15

- Sponsor acquires and continues operations, assuming all existing debt
- Sponsor acquires, refinances and rehabs
- Sponsor acquires, resyndicates and rehabs
- Sale to third party as rental or homeownership: lease-purchase or condominium conversion

Year 15:
Debt Financing Strategies

Year 15 debt financing strategies:

Define objectives:

- Buy out LP, reposition debt, do minor repairs, cash out, mod or sub rehab, new LIHTC resyndication, acquire property, assume existing debt, sell property, etc.

Typical Year 15 Strategies:

- Preservation Refi Cash-Out (buy out LP, reposition debt, minor repairs)
  - FHA 223(f) with or without an FHA 241(a)
  - Fannie Mae or Freddie Mac Preservation
- Preservation Refi Minor Repairs (buy out LP, reposition debt, minor repairs)
  - FHA 223(f) with or without an FHA 241(a)
  - Fannie Mae or Freddie Mac Preservation
  - Fannie Mae or Freddie Mac short term ARM
- 4% LIHTC Resyndication (buy out LP, reposition debt, mod or sub rehab)
  - FHA 223(f) with or without an FHA 241(a)
  - Freddie Mac Bridge to Tax Exempt Loan (TEL) or TEL only
  - Fannie Mae M-TEB Fannie Mae ROAR
  - FHA 221(d)(4)

Debt Options – Quick Overview
Acquisition, Preservation, Mod. and Sub. Rehab, New Construction

Acquisition
(Section 8, existing LIHTC, other affordable restrictions)

- Fannie Mae/Freddie Mac
  - Up to 80% LTV
  - Min DSC 1.20x
  - 30-35yr AM
  - 7-15yr term
  - Adjustable rate (I/O available)
  - 6 month - 1year lock out
  - No prepayment if GSE refi otherwise 1% of UPB
- FHA (223f)
  - Up to 87% LTV (90% for Sect. 202 or if HAP covers 90% of units)
  - Min DSC 1.15x (1.11x for Sect. 202)
  - 35yr AM
  - 35yr term , fixed rate

Preservation
(Section 8, existing LIHTC, other affordable restriction)

- Fannie Mae/Freddie Mac
  - Up to 80% LTV
  - Min DSC 1.20x
  - 30-35yr AM
  - Typically 7-15yr term; FMN will provide up to 30-year terms
  - Interest rate can be fixed or adjustable
- FHA (223f)
  - Up to 87% LTV (90% for Sect. 202 or if HAP covers 90% of units)
  - Min DSC 1.15x (1.11x for Sect. 202)
  - 35yr AM
  - 35yr term, fixed rate

Debt Options – Quick Overview
Acquisition, Preservation, Mod. and Sub. Rehab, New Construction

New construction and sub rehab
(new or resyndicated tax credits)

- Fannie/Freddie don't take construction risk
- Immediate and Unfunded forward products
  - Tax exempt on 4% deals
  - Taxable on 9% deals
  - Up to 90% LTV, min DSC 1.15x
  - 30-35yr AM
  - Typically 15-18yr term (interest only available)
  - Interest rate can be fixed or adjustable
- FHA (221d4)
  - Taxable
  - Up to 90% LTV, min DSC 1.11x
  - 40yr AM (plus 24 month I/O during construction)
  - 40yr term
  - Interest rate fixed

Moderate rehab
(new or resyndicated tax credits)

- Fannie (MTEB) or ROAR, Freddie (TEL)
  - Tax exempt
  - Up to 90% LTV, min DSC 1.15x
  - 30-35yr AM
  - Typically 15-18yr term (interest only available)
  - Interest rate can be fixed or adjustable
- FHA (223f)
  - Taxable
  - Up to 87% LTV (90% for Sect. 202 or if HAP covers 90% of units)
  - min DSC 1.15x (1.11x for Sect. 202)
  - 35yr AM
  - 35yr term
  - Interest rate fixed

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FHA 223(f)

- Primary Uses
  - Acquisition
  - Debt repositioning
  - Cash out
  - Moderate rehab (with or without new LIHTC)
- Immediate funding
- Processing time: 120 days to loan funding
- Up to 40k rehab per unit
- Max LTV: 87% as stabilized (90% if Sect. 202 or HAP on 90% of units)

- Min DSCR: 1.15x (1.11x if Sect. 202)
- Term: 35 years (fixed)
- Amortization: 35 Years
- Index: 10 -year U.S. Treasury (2.50 as of 3/17/17)
- Spread: approximately 90 bps over 10-year UST
- Rate: approximately 3.40% (plus MIP)
- Prepayment Terms: Declining prepayment

Eagle Glen Apartment Homes / $47,768,000 / Murrieta, GA / Multifamily / HUD 223(f)

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FHA 241(a)

- Primary Uses
    - FHA supplemental financing
    - Moderate or substantial rehab with or without LIHTC
- Immediate funding
- Processing time: 120 days to loan funding
- Max LTV: 87% as stabilized (90% if Sect. 202 or HAP on 90% of units); 90% of rehab/construction costs
- Min DSCR: 1.15x (1.11x if Sect. 202)

- Term: 35-40 years (fixed)
- Amortization: 35-40 Years
- Index: 10 -year U.S. Treasury (2.50 as of 3/17/17)
- Spread: approximately 160 bps over 10-year UST
- Rate: approximately 4.10% (plus MIP)
- Prepayment Terms: Declining prepayment
- No Davis Beacon required if underlying FHA debt does not require it (i.e., FHA 223f)

Camden Renaissance / $71,579,000 / Altamonte Springs, FL / Multifamily / Freddie Mac Moderate Rehab

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Advantages of Utilizing 223(f) with 241(a) for LIHTC:

- Lock in today's low FHA rates for a portion of the total debt with a 223(f)
- Execute a LIHTC transaction at some point in the future and utilize 241(a) financing
- No prepayment penalties (which can be significant)
- Lower interest rate and significant ADS savings

Financing Utilizing FHA 223(f) and 241(a)

Loan	Amount	Rate	Annual Payment	Tax Credit Year
223(f)	$7,000,000	3.25%	$335,100	10
241(a)	$3,000,000	5.25%	$187,464	15
Total:	**$10,000,000**	**3.825%**	**$522,564**	

Financing Utilizing FHA 223(f) only

Loan	Amount	Rate	Annual Payment	Tax Credit Year
223(f)	$10,000,000	5.25%	**$624,888**	15

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FHA 221(d)(4)

- Primary Uses
  - Substantial rehabilitation (with or without LIHTC
  - New construction (with or without LIHTC)
- Immediate funding (construction to perm)
- Processing time 120 days minimum to loan funding
- Max LTV: 87% as stabilized (90% if Sect. 202 or HAP on 90% of units)

- Min DSCR: 1.15x (1.11x if Sect. 202)
- Term: 40 years fixed (24 month I/O construction period)
- Amortization: 40 Years
- Index: 10 -year U.S. Treasury (2.50 as of 3/17/17)
- Spread: approximately 160 bps over 10-year UST
- Rate: approximately 4.10% (plus MIP)
- Prepayment Terms: Declining prepayment

Harriman Gardens / $11,100,000 / Harriman, TN / Multifamily / HUD 221(d)(4)

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Freddie Mac Tax Exempt Loan Program (TEL)

- Primary Uses
  - Long term, fixed rate, tax exempt debt for 4% LIHTC
- Immediate and unfunded forward options
- LTV: 90% as-rehabilitated/as-stabilized
- Min DSCR: 1.15x
- Term: 15 -18 years
- Forward Term: 12-to-36-month terms available (rate locked at execution of forward commitment)
- Amortization: 35 Years
- Index: 10 -year U.S. Treasury (2.50 as of 3/17/17)
- Spread: 230 – 245 bps over 10-year UST
- Rate: approximately 4.80%

Waters at St. James / $30,250,000 / Goose Creek, SC / Multifamily / Freddie Mac TEL

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Freddie Mac Bridge to Resyndication

Primary Uses

- Acquisition financing for pre LIHTC resyndication
- Lock rate on perm at bridge closing (in some cases)
- Used in combination with Freddie Mac Tax Exempt perm loan (TEL)
- Max LTV: 85% LTV/85% of purchase price

- Min DSCR: 1.15x
- Term: up two 24 months (6-month extension available)
- Amortization: none – full term I/O
- Interest rate cap: none
- Index: 30-day LIBOR (.93 as of 3/17/17)
- Spread: approximately 235 – 250 bps over LIBOR
- Rate: approximately 3.28%
- Prepayment: none
- Exit Fee: waived if the perm re-syndication is financed by Freddie Mac, otherwise 2%.

Lake Delray / $35,827,000 / Delray, FL / Multifamily / Freddie Mac 4% LIHTC Acquisition Rehab

Fannie Mae Reduced Occupancy Affordable Rehab (ROAR)

Primary Uses: Moderate or Substantial Rehabilitation (with or without LIHTC)

- Immediate funding
- Loan sized based on post rehab rents
- Up to 120k rehab per unit
- Min occupancy and DSC during rehab: 50% and 1.0x
- Stabilized occupancy must occur within 18 months of loan close (potential to go to 24 months)

- Max LTV: 90% as stabilized with new LIHTC, 80% with no LIHTC
- Min DSCR: 1.15x
- Term: min 5-30 years (fixed or variable, I/O available)
- Amortization: 35 Years
- Index: 10 -year U.S. Treasury (2.50 as of 3/17/17)
- Prepayment Terms: YM or declining
- prepayment

Red Stone NJ Portfolio / $144,036,199 / Various, NJ / Multifamily / Fannie Mae Affordable

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Fannie Mae and Freddie Mac Preservation

Primary Uses

- Acquisition
- Debt reposition
- Cash out

- Immediate funding
- Max LTV: 80% (75-80% cash out)
- Min DSCR: 1.20x

- Term: min 5-30 years (fixed or variable), 7yr or 10yr fixed most common
- I/O available
- Amortization: 30-35 Years
- Index: 10 -year U.S. Treasury (2.50 as of 3/17/17)
- Spread: 185 bps over 10-year UST
- Rate: approximately 4.35%
- Prepayment Terms: YM and defeasance with Freddie Mac

Portera at the Grove / $14,960,000 / Wilsonville, OR / Multifamily / Freddie Mac

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Preservation Refi Cash-Out Comparison of Debt Options:

TERMS	HUD	Freddie	Fannie
Estimated Value	$7,680,000	$ 7,680,000	$ 7,680,000
Est. UW NOI	$303,681	$303,681	$303,681
Min DSC	1.15	1.20/1.25	1.20
Max LTV	80%	80%	80%
Amort. (years)	35	30	30-35
Rate	3.70%	4.14%	4.45%
Estimated Loan Amount	$ 5,178,000	$ 4,169,000	$4,019,000
Approx. Payoff Amount	$2,457,780	$2,447,690	$2,446,190
Monthly P&I	$22,005	$20,241	$20,244
Monthly MIP	$1,064	$0	$0
Monthly Payment	$23,068	$20,241	$20,244
Cash Out	$ 2,720,220	$ 1,721,310	$ 1,572,810
Annual Cashflow	**$26,863**	**$60,784**	**$60,748**

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*Interest rates and terms vary depending on transaction particulars such as loan size, market, sponsor, affordability characteristics, etc.

Preservation Refi Minor Repairs Comparison of Debt Options:

TERMS	HUD	Freddie	Fannie
Estimated Value	$ 7,680,000	$ 7,680,000	$ 7,680,000
Est. UW NOI	$ 303,681	$ 303,681	$ 303,681
Min DSC	1.15	1.20	1.20
Max LTV	87%	80%	80%
Amort. (years)	35	30	35
Rate	3.70%	4.14%	4.45%
Estimated Loan Amount	$ 3,000,000	$ 3,000,000	$ 3,000,000
Approx. Payoff Amount	$2,436,000	$2,436,000	$2,436,000
Monthly P&I	$12,749	$14,566	$15,112
Monthly MIP	$1,064	$0	$0
Monthly Payment	$13,812	$14,566	$15,112
Cash Out	**$564,000**	**$564,000**	**$564,000**
Annual Cashflow	**$137,931**	**$128,893**	**$122,342**

*Interest rates and terms vary depending on transaction particulars such as loan size, market, sponsor, affordability characteristics, etc.

4% LIHTC Resyndication Comparison of Debt Options:

Terms	HUD	Freddie	Fannie
Estimated Value	$ 15,000,000	$ 15,000,000	$ 15,000,000
Est. UW NOI	$ 475,000	$ 475,000	$ 475,000
Min DSC	1.15	1.15	1.15
Max LTV	87%	90%	90%
Amort. (years)	35	35	35
Rate	3.70%	4.63%	4.13%
Estimated Loan Amount	$ 8,099,000	$ 6,690,000	$ 7,097,000
Monthly P&I	$34,418	$34,416	$34,416
Monthly MIP	$1,064	$0	$0
Monthly Payment	$35,481	$34,416	$34,416
Annual Cashflow	**$49,225**	**$62,009**	**$62,005**

*Interest rates and terms vary depending on transaction particulars such as loan size, market, sponsor, affordability characteristics, etc.

Year 15 Debt Financing Strategies
Name That Debt Product!

- **Preservation Refi Cash-Out**
    - Rank Fannie Mae, FHA and Freddie Mac in order of highest cash-out potential to lowest cash-out potential
    - I have no plans to resyndicate, but I want to take advantage of todays low cost of capital, max cash out, do a few repairs and be able to use the remaining proceeds to support other aspects of my operations. Which debt products can I use?
- **Preservation Refi Minor Repairs**
    - Rank Fannie Mae, FHA and Freddie Mac in order of highest cash flow to lowest cash flow
    - I might want to resyndicate at a later date, but I am not sure at this point. In the mean time, I'd like to do some minor repairs, and keep my options open on resyndication. Which debt products can I use?
- **4% LIHTC Resyndication**
    - Rank Fannie Mae, FHA and Freddie Mac in order of highest loan potential to lowest loan potential?
    - I plan on resyndicating in the next 1-2 years, what debt products can I use?
- **Bonus**
    - Which product enables the perm rate to be locked at closing of the bridge?

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Year 15 Debt Financing Strategies: Wrap-up

Summary:

- Lots of debt products to choose from that can accommodate almost any year 15 scenario
- Typical Year 15 strategies
    - Preservation refi cash-out
    - Preservation refi minor repairs
    - 4% LIHTC Resyndication
- Define objectives (i.e., cash-out, reposition debt and hold, mod or sub rehab, resyndicate, sell asset, etc.)
- Involve lender as early in the process as possible to help narrow down the best solution to meet your objectives

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Matthew Leber
Manager, Housing Development Systems & Housing Innovation
LISC Housing
mleber@lisc.org

Charlotte O’Connor
Program Officer
LISC Housing
coconnor@lisc.org

Margaret Amu
Assistant Program Officer
LISC Housing
mamu@lisc.org