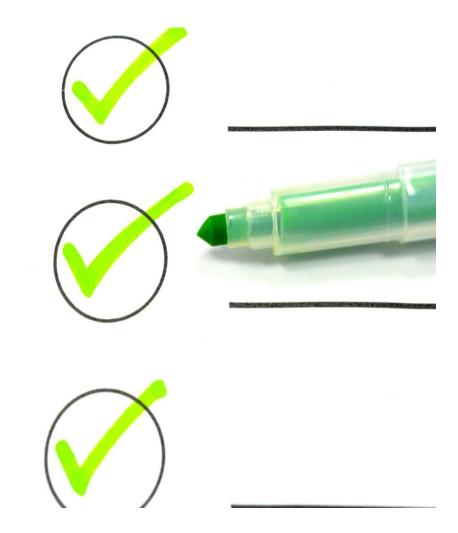
LIHIC Vear 15 Clinic

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?



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

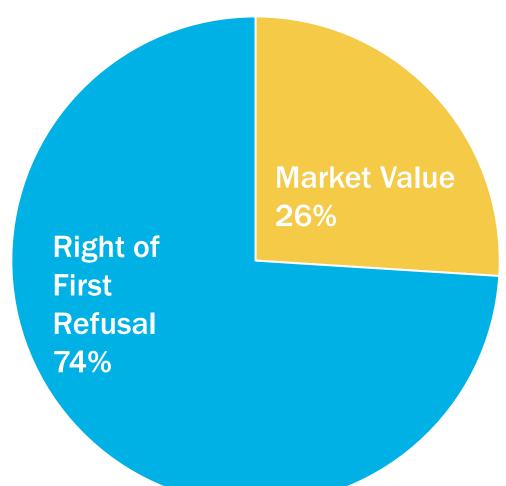
- Efficiency & Timeliness of Project Dispositions / Wind-Up of Fund
- Effectiveness of Communication to Investors of Projected and Actual Results
- 'Soft' Results, i.e. Community Relations

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

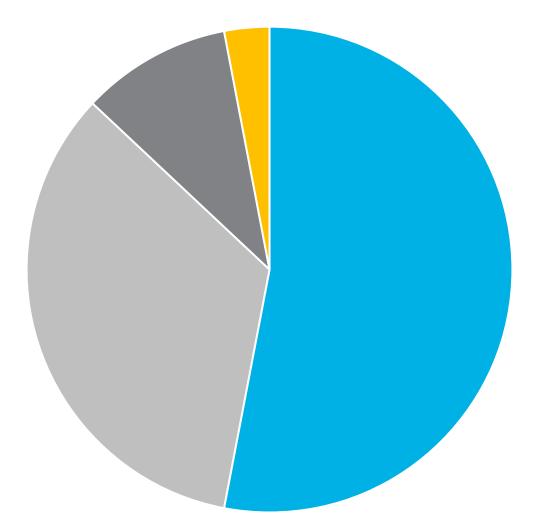
- Uphold Fiduciary Responsibility to Investors
- Achieve (at least) Targeted Rate of Return
- Wind up Funds in Timely Fashion
- Minimize Impact of Exit Taxes
- Report to Investors on Disposition Activity and Anticipated Exit Taxes

- 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

National Equity Fund – Historical Distribution of Buyout Options



NEF – Historical sponsor operating intentions for Y16 and beyond



Hold and Operate (53%)

- Refinance or 4% LIHTC with New Gap debt (34%)
- Sold (10%)
- 9% recapitalization (3%)

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

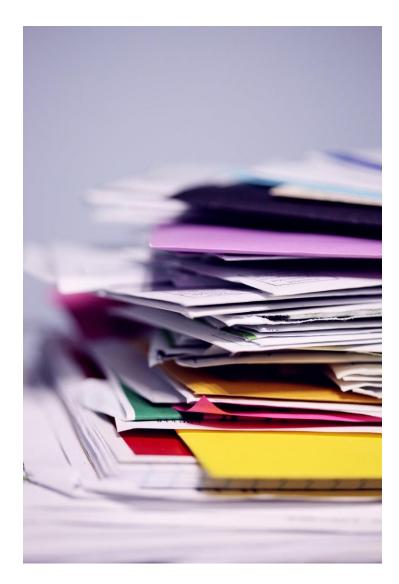
Is there a Right of First Refusal and/or Purchase Option?

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

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



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.

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9a If box 6a or box 6d is checked, do you elect to reduce eligible basis under section 42(0)(2)(8)? \Ves	Under that I h) Part 7 8a	penalties of perju ave examined the Signature of First-Yea Eligible basis o Original qualifi	ry, I declare that the a s form and to the best rauthorized official ar Certification — Co of building (see instr ed basis of the buik	allocation made of my knowled ompleted by uctions) ding at close of	e is in compliance with the ge and beliet, the inform Name get Building Owners with r	he requirements of section 42 of ation is true, correct, and compl ease type or print) respect to the First Year of the ariod	f the Ir lete. ne Cre 7	nternal R	Date
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 ► 10 Check the appropriate box for each election. Caution: Once made, the following elections are irrevocable. ► Yes ► Yes ► a Elect to begin credit period the first year after the building is placed in service (section 42(l)(1)) ► Yes ► b Elect not to treat large partnership as taxpayer (section 42(j)(5)) . ► Yes ► c Bect minimum set-aside requirement (section 42(g)) (see instructions): □ 20-50 □ 40-60 □ Average income □ 25-60 (N.Y.C. only) d 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 are true, correct, and complete. Taxpayer Mentilication number Date	Under that I h Part 7 8a	penalties of perju ave examined the Signature of First-Yea Eligible basis o Original qualifi Are you treatir	ry, I declare that the as form and to the best reuthorized official ar Certification — Cr of building (see instreed basis of the building ing this building as	allocation made of my knowled ompleted by uctions) ding at close of part of a mu	e is in compliance with the ige and belief, the inform Name get Building Owners with r of first year of credit p Itiple building project	he requirements of section 42 ation is true, correct, and compl assetype or print) respect to the First Year of the priod	t the ir iete. ne Cre 7 8a	dit Perio	Date
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For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 63981U Form 8609 (F	Jinder hat i h hat i h Partit Ban b b b b b b c d Jinder are truc b c	Signature of Signature of Signature of Signature of Signature of First-Year Eligible basis of Original qualifit Are you treating (see instruction of For market-rate to reduce eligible Check the app Caution: Once Elect to begin Elect not to the Elect mont to the Elect mont on the Elect mont on the peralities of perjudy, correct, and contained the signature of th	ry, I declare that the as form and to the best rauthorized official ar Certification — Cr of building (see instr ed basis of the building as ns)?	allocation made of my knowled ompleted by uctions)	e is in compliance with it ge and beliet, the inform Neme are Building Owners with it of first year of credit p- Itiple building project reduce eligible basis u indards of low-income un non-low-income units ur re irrevocable. he building is placed in (section 42(I)(5)) (see instructions): income 2 4)(B)) (see instructions) s form and accompanyin Taxpayer id First year of	the requirements of section 42 of ation is true, correct, and complete ation is true, correct, and complete to the First Year of the respect to the First Year of the for purposes of section 42 (i)(2)(B)? Its in the building, do you elect ader section 42(d)(3)(B)? . ► a service (section 42(f)(1)) ► 25-60 (N.Y.C. only))	f the it interior interio interior interior interior interior interior interior inte	Ves Yes Yes Yes Yes 15-40 knowled	

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)			F	age 4			
Sched	ule K	Partners' Distributive Share Items		Total amount				
	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)						
	b	Expenses from other rental activities (attach statement) 3b	1					
	c	Other net rental income (loss). Subtract line 3b from line 3a	3c					
_	4	Guaranteed payments	4					
SS	5	Interest income	5	1,002				
2	6	Dividends and dividend equivalents: a Ordinary dividends	6a					
e		b Qualified dividends 6b						
E I		c Dividend equivalents 6c	1					
ncome (Loss)	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)						
	c	Unrecaptured section 1250 gain (attach statement) 9c	1					
	10	Net section 1231 gain (loss) (attach Form 4797)	10					
	11	Other income (loss) (see instructions) Type >	11					
ş	12	Section 179 deduction (attach Form 4562)	12					
io.	13a	Contributions	13a					
ct	b	Investment interest expense	13b					
ğ	c	Section 59(e)(2) expenditures: (1) Type ► (2) Amount ►	13c(2)					
ő	d	Other deductions (see instructions) Type >	13d					
Self- Employ- Deductions	14a	Net earnings (loss) from self-employment	14a					
~ 응드	ь	Gross farming or fishing income	14b					
a m s	c	Gross nonfarm income	14c					
	15a	Low-income housing credit (section 42(j)(5))	15a					
	ь	Low-income housing credit (other)	15b	406,866				
Credit	c	Qualified rehabilitation expenditures (rental real estate) (attach Form 3468, if applicable)	15c					
ě	d	Other rental real estate credits (see instructions) Type >	15d					
0	e	Other rental real estate credits (see instructions) Type ► Other rental credits (see instructions) Type ► Other credits (see instructions) Type ►	15e					
	1	Other credits (see instructions) Type >	151					
	16a	Name of country or U.S. possession ►						
	ь	Gross income from all sources	16b					
	c	Gross income sourced at partner level	16c					
ű		Foreign gross income sourced at partnership level						
茶	d	Section 951A category e Foreign branch category	16e					
ša	1	Section 951A category ► e Foreign branch category ► Passive category ► g General category ►	16h					
ü		Deductions allocated and apportioned at partner level						
Ĕ	1	Interest expense ► j Other	16j					
6		Deductions allocated and apportioned at partnership level to foreign source income						
Foreign Transactions	k	Section 951A category ► I Foreign branch category ► Passive category ► n General category ► o Other (attach statement) ► Total foreign taxes (check one): ► Paid □ Accrued □	161					
ē	m	Passive category n General category o Other (attach statement)	160					
-	р	Total foreign taxes (check one): ► Paid	16p					
	P	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					
e É É	b	Adjusted gain or loss	17b					
Ite un	c	Depletion (other than oil and gas)	17c					
E.E.E	d	Oil, gas, and geothermal properties-gross income	17d					
₹jife	e	Oil, gas, and geothermal properties-deductions	17e					
	1	Other AMT items (attach statement)	171					
Other Information	18a	Tax-exempt interest income	18a					
Ē	b	Other tax-exempt income	18b					
Ĕ	C.C.	Nondeductible expenses	18c					
fo	19a	Distributions of cash and marketable securities	19a					
Ē	b	Distributions of other property	19b					
Per le	20a		Investment income					
5	b	Investment expenses	20b					
	c	Other items and amounts (attach statement)		12.27				
				Form 1065	(2018)			

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.

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.

Schedule K-1		0040			Final K-1 Amends	d K-1	OMB No. 1545-0 Tent Year Income,
Form 1065)		2018	•		Deductions, Cred		
epartment of the Treasury	,			1	Ordinary business income (loss)	15	Credits
ternal Revenue Service		For calendar year 2018, or tax	year				
boginning	/ / 2018	anding / /		2	Net rental real estate income (loss		
Partner's Share	of Income, I	Deductions,					
Credits, etc.	► See bac	k of form and separate instruc	tions.	3	Other net rental income (loss)	16	Foreign transactions
Part Informa	ation About the	Partnershin		4	Guaranteed payments		
	yer identification num		_				
	,			5	Interest Income		
B Partnership's name.	address, city, state, a	and ZIP code					
				6a	Ordinary dividends		
						_	
				6b	Qualified dividends		
C IRS Center where p	artnership filed return		_	60	Dividend equivalents		
				7	Breating	-	
D Check if this is	a publicly traded part	narsnip (PTP)		L '	Royalties		
Part II Informa	ation About the	e Partner		8	Not short-torm capital gain (loss)	17	Alternativo minimum tax (AMT) II
E Partner's Identifying			_	1			
				90	Nat long-term capital gain (loss)		
F Partner's name, ack	tress, city, state, and	ZIP code		9b	Collectibles (28%) gain (loss)		
				90	Unrecaptured section 1250 gain	18	Tax-asampt income and nondeductible expenses
G General partne	orLLC	Limited partner or other LLC		10	Net section 1231 gain (loss)		
momber-mana	jor	member					
H Domestic partn	or	Foreign partner		11	Other Income (loss)		
 What type of entity i If this partner is a re 		P/Keogh/etc.), check here				10	Distributions
	rofit, loss, and capital						
	ginning	Ending					
Profit	9	6	96	12	Section 179 deduction		
Loss	9	6	%			20	Other Information
Capital	9	6	%	13	Other deductions		
						-	
K Partner's share of la	Beginning	Ending					
Nonrecourse .		1					
Qualified nonrecour							
financing	su 5	\$		14	Self-employment earnings (loss)		
Recourse	. 5					-	
L Partner's capital ac							
Beginning capital as		1	_	*Se	attached statement for as	dition	al information
Capital contributed Current year increas				- 56	e attached statement for ac	atton	ai information.
Withdrawals & distri		\$(
Ending capital acco		\$		≥.			
				18	•		
Tax basis	GAAP	Social states book		lse			
Other (explain)				IRS Use			
				For IB			
	Include property with a	built-in gain or loss?		ų r			
Yes If "Yes." attach	statement (see instru	ctions)		1			
- 100, 01001				<u> </u>	rm1065 Cat. No. 11394		Schedule K-1 (Form 1065) \$

Assessing the Properties' Financial Health

- What are the terms of current debt?
 - Most LIHTC properties have at least 18year 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"



Sponsor purchase of the real estate and improvements



Sponsor purchase of the limited partner interest

3 Donation of the limited partner interest to the sponsor and dissolution of the partnership



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

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.



Residual Value

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

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

Garden Terrace

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

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

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

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

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)

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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 30year 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

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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

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)



- 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



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



- 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)



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

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)

BETHANY

- Prepayment Terms: YM or declining
- prepayment

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

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



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	\$O
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

USC *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

LISC

*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,

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?

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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