

YEAR 15

Presented By: Bob Davidson, Zimmerman Properties

Date/Time:

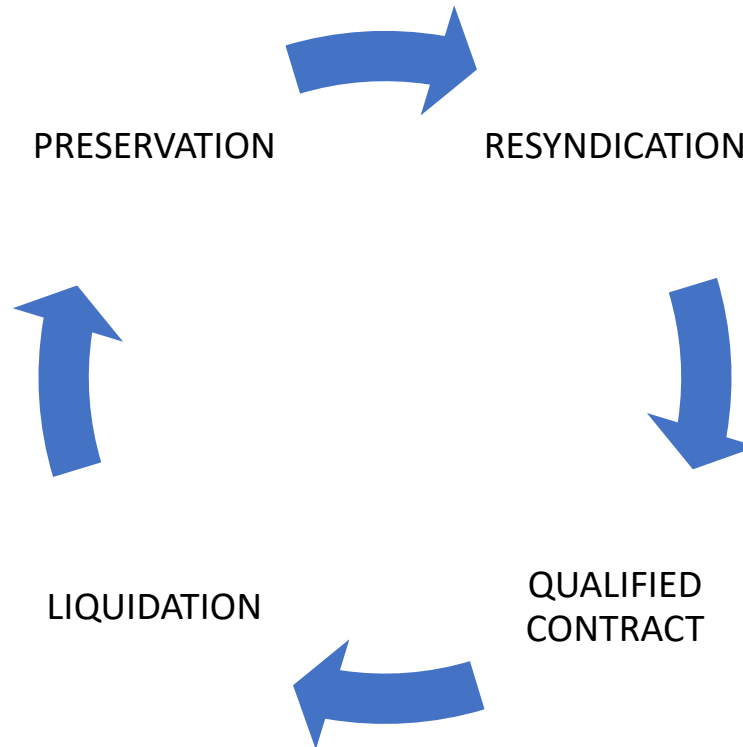
OCAH Affordable Housing Conference
Plan.Build.House.



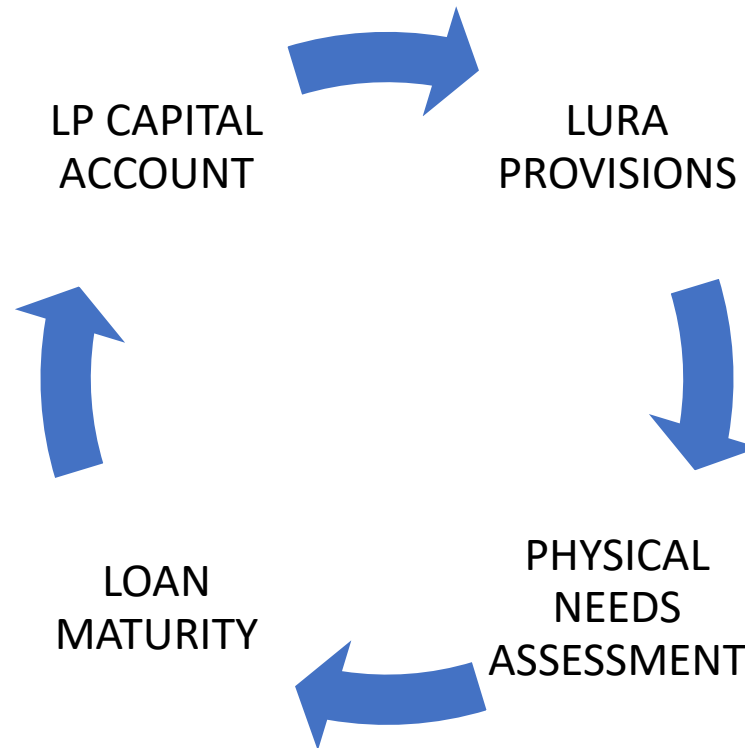
Presenting Sponsor



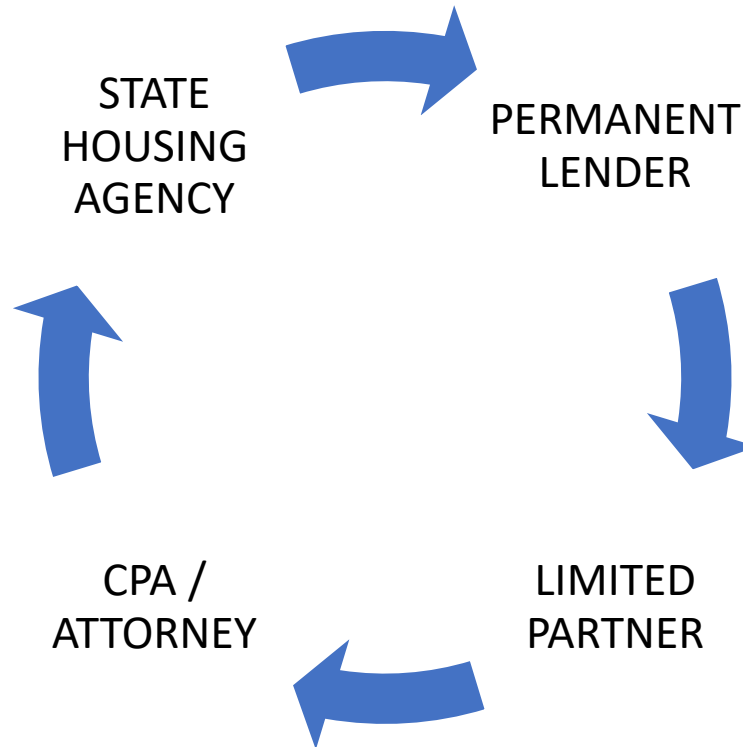
YEAR 15 DECISIONS



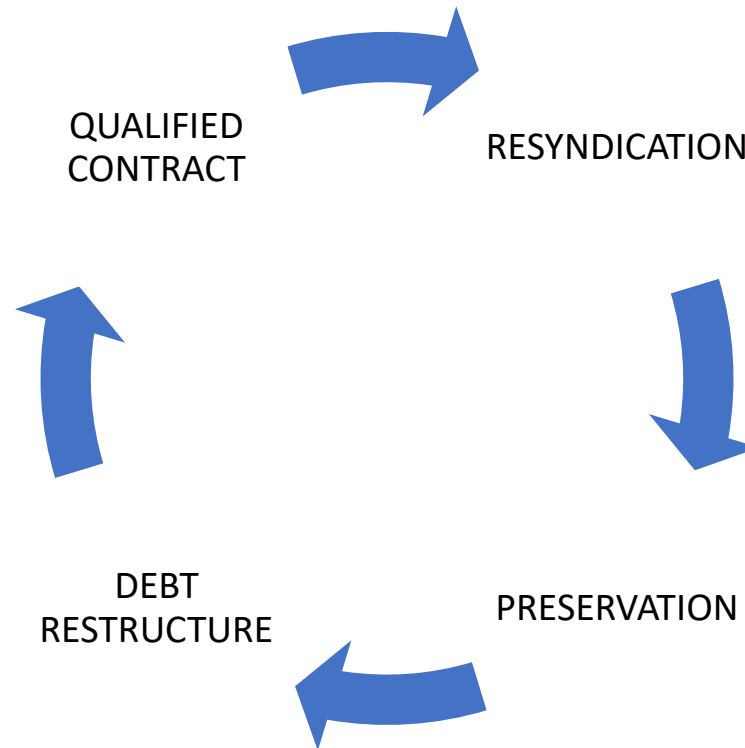
YEAR 15 ISSUES



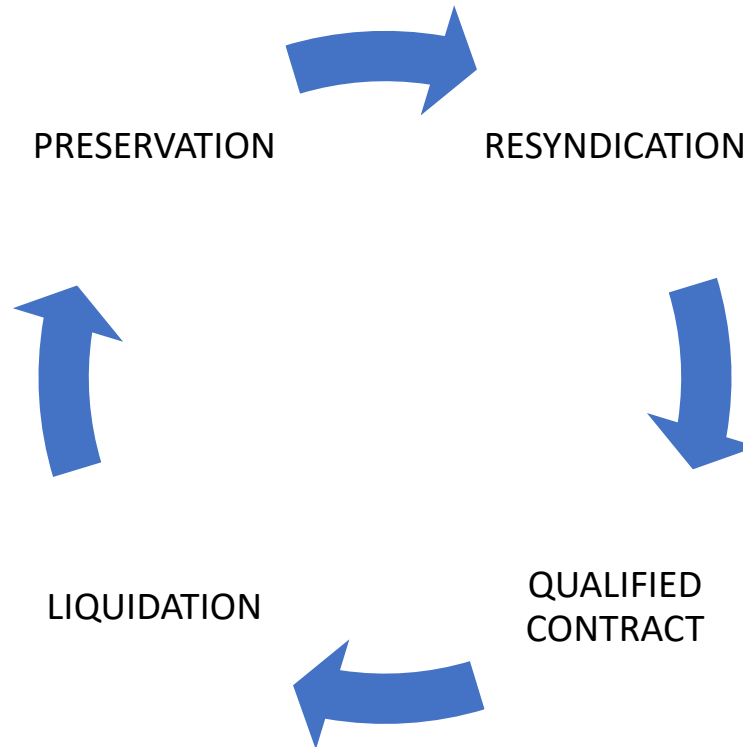
YEAR 15 SUPPORT TEAM



YEAR 15 FINANCIAL OPPORTUNITIES



YEAR 15 DECISIONS



YEAR 15 DECISIONS

- **PRESERVATION**

- Continue Operations under Land Use Restriction Agreement (LURA)
- Modify AMI / Rent Set-Asides as Documents and Parties Allow
- Continue Partnership / Acquire LP Interests
- Address any Physical Needs Assessment Issues
- Restructure / Refinance Existing Debt

YEAR 15 DECISIONS

- **RESYNDICATION**

- Review Funding Ability Under Qualified Allocation Plan (QAP)
- Review Financial Feasibility Under 9% or 4% LIHTC Structure
- Address any Physical Needs Assessment Issues
- Study Local Code Requirements
- Ability to Utilize Acquisition Cost in Eligible Basis / Anti-Churning Regulations

YEAR 15 DECISIONS

- **QUALIFIED CONTRACT**

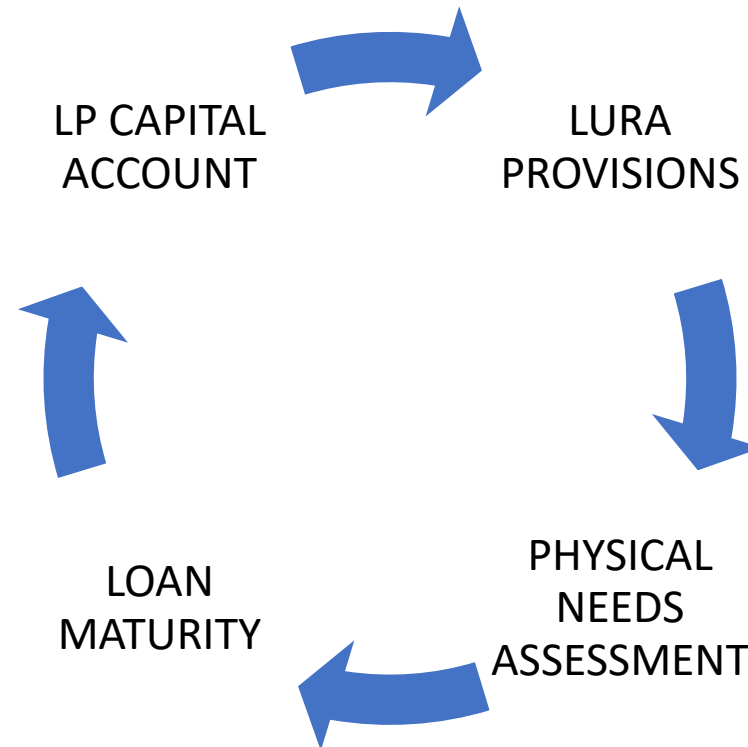
- Feasibility Under Existing LURA
 - Mandatory Extended Use Periods
 - Right of First Refusal
- CPA Prepared Report on Qualified Contract Price
 - Maintain Audits, Tax Returns and Accounting Records From Inception
- State Housing Agency Requirements
 - Compliance Review / Physical Needs Assessment
- Real Estate Analysis
 - Determination of Unrestricted Rents / Market Rate Valuation

YEAR 15 DECISIONS

- **LIQUIDATION**

- Real Estate Analysis
 - Determination of Valuation
 - Physical Needs Assessment
- LURA Requirements on Asset Transfer
- Partnership Provisions
 - LP Consent / Approval / Mandate to Sell Asset
- Existing Debt Provisions
 - Due on Sale Provisions / Loan Assumption
 - Lockout Periods / Yield Maintenance / Prepayment Penalties

YEAR 15 ISSUES



YEAR 15 ISSUES

- **LIMITED PARTNER**

- Understand Partnership Provisions

- LP Capital Account and Liquidation Provisions
- Residual Sale Splits (LP / GP)
- Return of Capital Provisions to LP
- LP Ability to Force Sale / Liquidation

YEAR 15 ISSUES

- **LURA PROVISIONS**

- Mandatory Extended Use Period if Selected
- Right of First Refusal if Selected
- AMI / Rent Set-Aside Restriction Timelines
- Ability to File Qualified Contract

YEAR 15 ISSUES

- **PHYSICAL NEEDS ASSESSMENT**

- Replacement Reserve Balance versus Funding Needs
- Major Component Review
 - ✓ Roofing
 - ✓ Parking Lot
 - ✓ Exterior Façade / Painting
 - ✓ Drainage
 - ✓ ADA Compliant
 - ✓ HVAC / MEP Systems
 - ✓ Appliances / Flooring / Cabinets

YEAR 15 ISSUES

- **LOAN MATURITY**

- Ability to Refinance

- ✓ Lockout Periods / Yield Maintenance / Prepayment Fees
- ✓ Hit Minimum Debt Service Coverage Ratio

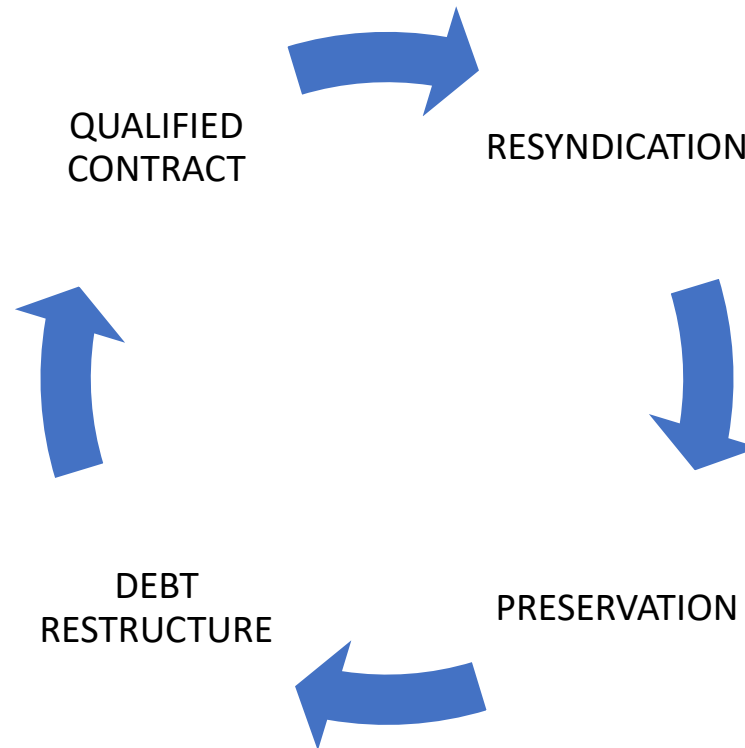
- Existing Restrictive Covenants

- ✓ AMI / Rent Set-Asides More Restrictive Than LURA
- ✓ Ability to Terminate After Payoff / Date Certain

- Ability to Negotiate Discounted Loan Payoffs

- ✓ Creates “Phantom” Income / Tax Liability

YEAR 15 FINANCIAL OPPORTUNITIES



YEAR 15 FINANCIAL OPPORTUNITIES

• QUALIFIED CONTRACT

➤ 5 Year Value Added Process

- ✓ 12 Month Qualified Contract Marketing Period
- ✓ 36 Month Deregulation Period
- ✓ 12 Month Stabilization Period

➤ 60 Unit Restricted Rent Development

- ✓ \$600 / Month Net Rental Income
- ✓ \$3,500 / Unit Average Expenses
- ✓ \$222,000 / Year Net Operating Income
- ✓ Value at 7% Capitalization Equals \$3,140,000

60 Unit **Unrestricted** Rents

- \$675 / Month Net Rental Income**
- \$3,500 / Unit Average Expenses**
- \$276,000 / Year NOI**
- \$3,940,000 Valuation**

YEAR 15 FINANCIAL OPPORTUNITIES

- **DEBT RESTRUCTURE / REFINANCE**

- 60 Unit Restricted Rent Development

- ✓ \$600 / Month Net Rental Income / \$3,500 / Unit Average Expenses

- ✓ \$222,000 / Year Net Operating Income

- ✓ \$2,000,000 Permanent Loan at 7 ½% Interest – Monthly Payments \$13,900

- ✓ **\$2,000,000 Permanent Loan at 5 ½% Interest – Monthly Payments \$11,300**

YEAR 15 FINANCIAL OPPORTUNITIES

- **DEBT RESTRUCTURE / REFINANCE**

- 60 Unit Restricted Rent Development

- ✓ \$600 / Month Net Rental Income / \$3,500 / Unit Average Expenses

- ✓ \$222,000 / Year Net Operating Income

- Eliminate Debt Regulatory Agreement With More Restrictive Rent Than LURA

- ✓ Increase Rents on 30 Units by \$60 / month

- ✓ **\$243,600 / Year Net Operating Income**

- ✓ **\$308,000 Value Increase at 7% Capitalization Rate**

YEAR 15 FINANCIAL OPPORTUNITIES

- **RESYNDICATION**

- 60 Unit Restricted Rent Development

- ✓ \$50,000 / Unit Eligible Basis

- ✓ \$450,000 Development Fee (15% of Eligible Basis)

YEAR 15 FINANCIAL OPPORTUNITIES

- **PRESERVATION**

- Operate Under Existing LURA
- Maximize Net Operating Income
- Analyze Return on Renovation Costs
- Real Estate Asset

YEAR 15 SUPPORT TEAM

