Syndicating Existing Affordable Housing

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HOUSING
CALIFORNIA
2018

Syndicating Existing Affordable Housing

Tips,

Tricks,

and

Traps

TIP: Like Snowflakes No Two Resyndications Look Alike

Project Attributes
Valuation
Affordability restrictions
Supportable debt
Existing debt
Local support for debt modification
Project size and/or groupings
Building condition and need for rehab

What Does Your Project Look Like?

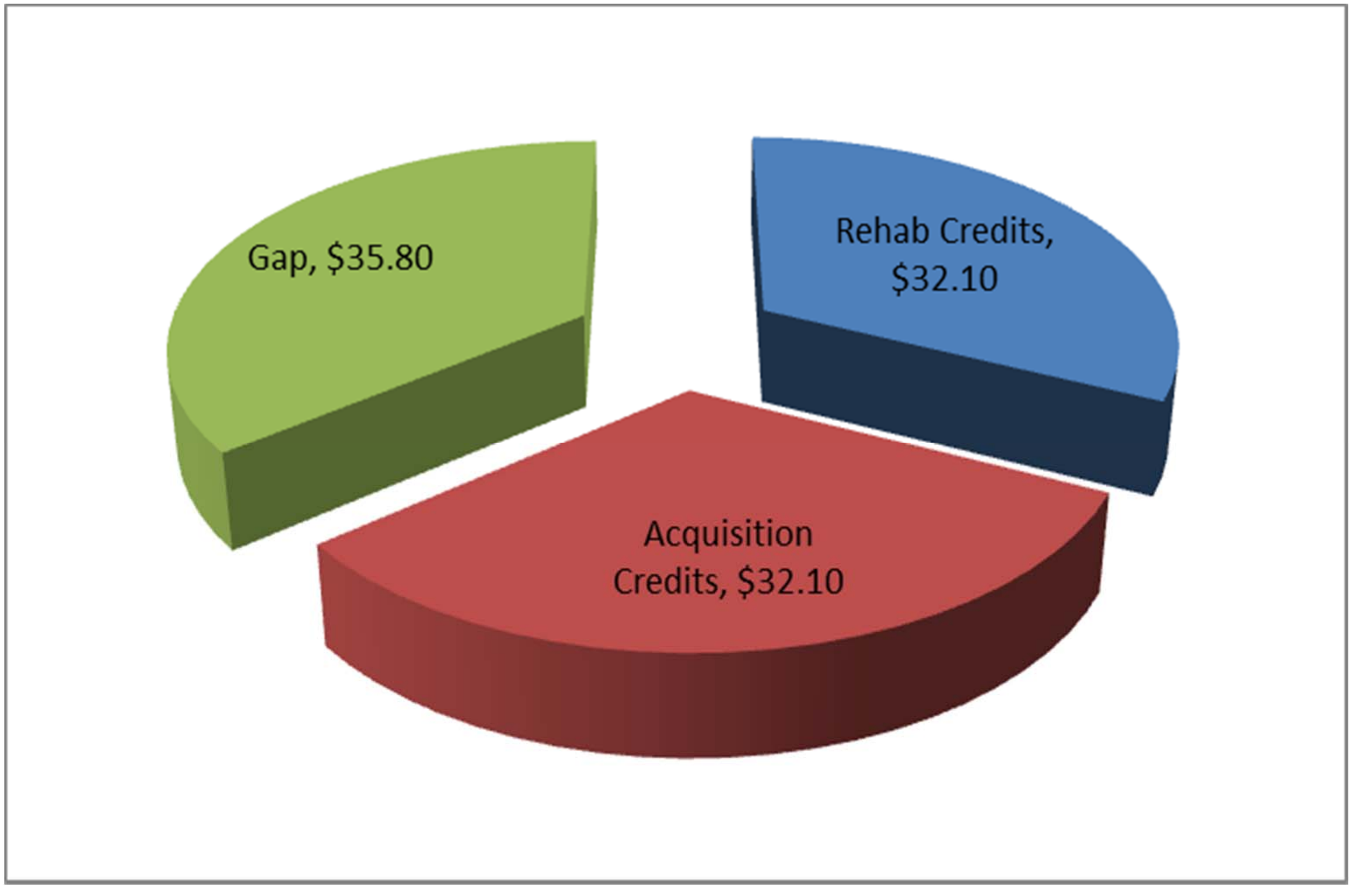
Value	Debt Payoff	Rehab Need
High	High	High
High	High	Low
High	Low	Low
Low	Low	Low
Low	Low	High
Low	Low	High
Low	High	Low
High	Low	High

TRICK: Gap Funding for Resyndications Can Come from Surprising Places

Funding Sources for Resyndications
New soft debt from public agencies
~ $.40 per credit on rehab basis
~ $.30 per credit on acquisition basis
New hard debt generated by recapitalization
“Harvesting” your portfolio for sources

Rehab Basis = $100, Acquisition Basis = $100

Rehab Credits	Non-SDDA/QCT
Basis	100
SDDA/QCT Adjustment	100
Credit Rate	3.21%
Total 10 Year Credits	32.1
Equity Price/Credit	$1.00
Total Equity	**$32.10**
Gap	**$67.90**
Acquisition Credits	
Basis	100
Credit Rate	3.21%
Total Credits	32.1
Equity Price/Credit	$1.00
Total Equity	**$32.10**
Less Loan Pay Offs	
Less Yield Maintenance	
Surplus	**$32.10**
TOTAL GAP	**$35.80**



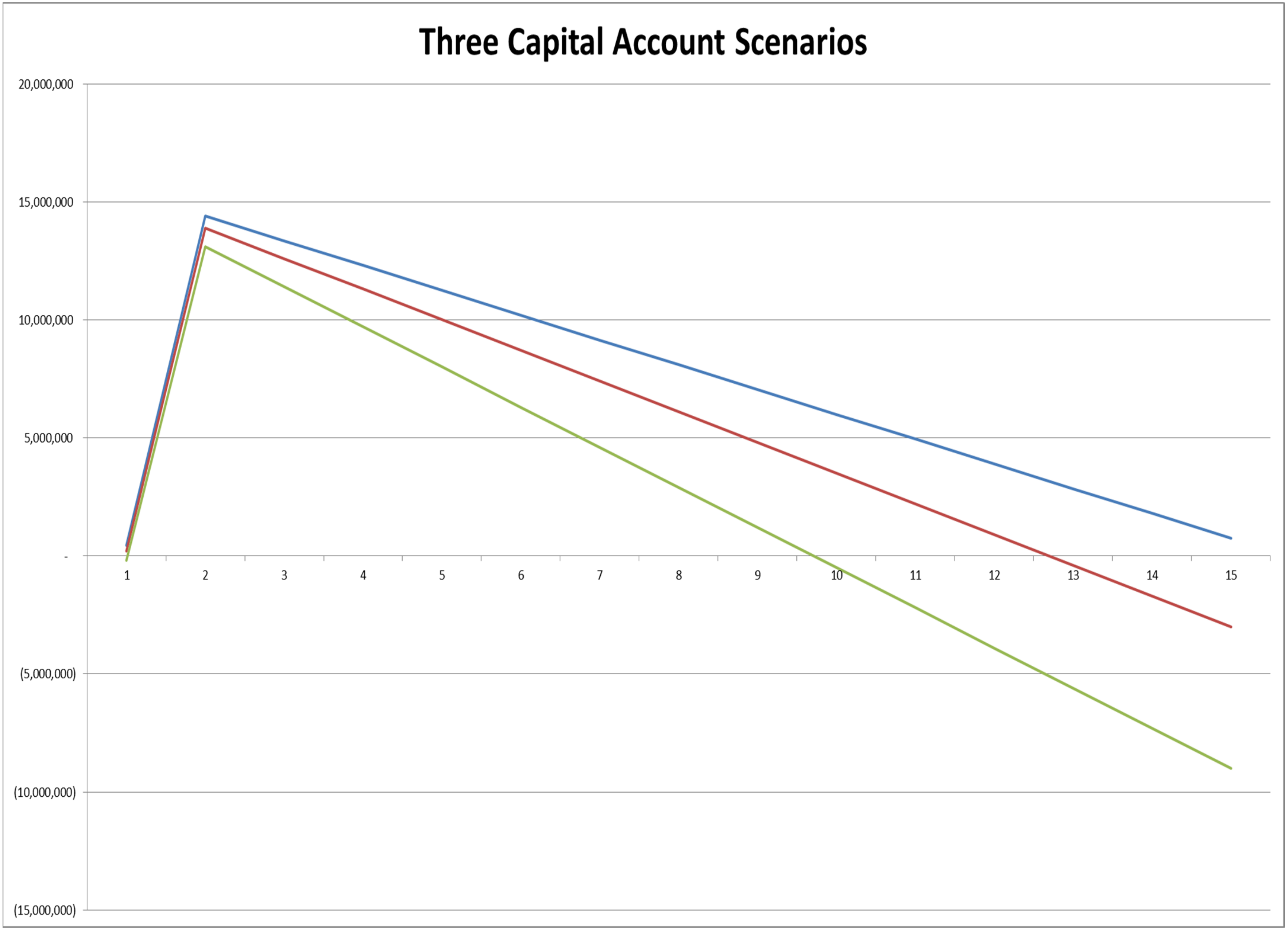
“Harvesting” Subsidy from the Portfolio

PROJECT LOCATION						
Building Name	*Campbell Commons*	*Brickyard Creek*	*East of Eaton*	*Hazel Hotel*	*La Vista Verde*	*Las Palmas*
Address	600 Flume Street	1275 Walnut Street	1577 East Lassen Avenue	880 Hazel Street, #14	1666 Vista Verde Avenue	P.O. Box 1127
City, State, Zip	Chico, CA 95928	Red Bluff, CA 96080	Chico, CA 95973	Gridley, CA 95948	Chico, CA 95928	Hamilton City, CA 95951
County	Butte County	Tehama County	Butte County	Butte County	Butte County	Glenn County
DDA/QCT?						
Transit stop/station w/in 1/2 mile w/ frequent service?	Yes	No	No	No	Unsure	No
Is site in amenity rich urban area?						
DESCRIPTION						
Total # of Units	56	92	76	14	33	12
Tax Credit Project? Y/N	Yes	No	Yes	Yes	No	No
9% or 4% (original app)	9%	9%	9%	9%	9%	9%
PIS Date	July-95	November-00	September-92	September-00	August-84	April-94
Has LP investor exited partnership?	Yes	No	Yes	Yes	No	No
TCAC Affordability Restrictions per Regulatory Agreeement (Average AMI or AMI breakdown)	55 Units must be occupied by Tenants such that the average income of Tenants is at or below 40% of Area Median Gross Income. - Per TCAC Regulatory Agreement Appendix A.	N/A	At least 100% of the Units in the Project must be occupied by Tenants at or below 60% of Area Median Gross Income, such that the average income of all Low-Income Tenants of the project does not exceed 51% of the Area Median Gross Income, and Rent-Restricted in accordance with such income level. Per TCAC Regulatory Agreement Appendix A pg.11.	Average income of tenants is at or below 20%@ 40%, 45% @ 45% & 30% @ 55% of Area Median Gross Income, and, such units shall be Rent-Restricted in accordance with such income level. Per TCAC Regulatory Agreement Appendix A page 13.	N/A	N/A
Type/Population (Special Needs, Seniors, Families)	Single Room Occupancy	Family	Family	Senior	Family	Family
If Special Needs units, how many?	0	0	0	13	0	0
Rental Subsidy Type	N/A	N/A	N/A	N/A	USDA-RA	USDA-RA
Subsidy Contract Expiration	N/A	N/A	N/A	N/A	11/1/2035	6/1/2025
# of Units w/ Subsidy	0	0	0	0	29	12
Rehab Level Needed: Major (Systems, Roof) Mod (Finishes/Interiors) Minor Unknown	Moderate	Moderate	Major	Moderate	Moderate	Moderate
CASH FLOW						
INCOME (Last Year End)	$ 259,648	$ 416,702	$ 482,235	$ 105,792	$ 300,867	$ 108,608
PUPA	$ 4,720.87	$ 4,529.37	$ 6,345.20	$ 8,137.85	$ 9,117.18	$ 9,050.67
EXPENSES (Last Year End)	$ 230,789	$ 441,862	$ 427,490	$ 92,073	$ 183,861	$ 84,712
PUPA	$ 4,196.16	$ 4,802.85	$ 5,624.87	$ 7,082.54	$ 5,571.55	$ 7,059.33
NOI	$ 28,859.00	$ (25,160)	$ 54,745	$ 13,719	$ 117,006	$ 23,896
Vacancy Rate	21.40%	39.10%	23.70%	53.80%	30.30%	25%
Turnover (Average last 12 months or just high, med, low)	Medium	High	Medium	Medium	Medium	Medium
RESERVES						
Replacement Reserve Amount	$ 30,859.33	$ 98,996.00	$ 203,618.40	$ 119,665.12	$ 222,223.72	$ 92,173.84
Operating Reserve Amount	$ 154,120.36	$ 281,401.22	$ 139,733.61	$ 47,612.10		
Other Reserves Amount					$ 953.18	$ 1,608.31
DEBT						
Lender #1	RDAP	FHLB/AHP	RHCP	City of Gridley (EDBG)	Rural Development	RURAL DEVELOPMENT
Oustanding Balance	$ 1,067,868	$ 300,000	$ 5,821,895	$ 230,666	$ 213,401.42	$ 30,734
Int Rate	3%	0	3%	2%	1.00%	1.00%
Current Annual Debt Service	Deferred	0	Deferred	$ 11,446.80	$ 11,432.76	$ 33,663.84
Maturity Date	9/20/2049	N/A	9/18/2032	7/16/2033	11/1/2035	6/1/2025
Affordability Restrictions	N/A	91 units at 50% AMI	58 units VLI, 18 units LI	N/A	N/A	12 units for farm labor families
Lender #2	HOME	City of Red Bluff (HOME)		H.C.D. (CHRP-R)		
Oustanding Balance	$ 610,868	$ 1,392,241		$ 837,069		
Int Rate	1%	3%		3%		
Current Annual Debt Service	Deferred	Deferred		Deferred		
Maturity Date	9/20/2049	4/4/2032		7/31/2049		
Affordability Restrictions	55 units at Very Low Income	22 units of which 4 units NTE 50% AMI set by HUD, and 20 units NTE 60% AMI (not unit specific)		4-1bd units LI, 6-1bd VLI, 3-studio VLI		
Lender #3		MHP/HCD		City of Gridley (CDBG)		
Oustanding Balance		$ 3,492,374		$ 329,180		
Int Rate		3% simple int. with an annual pymt of .42% of orig princ.		2.90%		
Current Annual Debt Service		deferred		Deferred		
Maturity Date		5/30/2055		12/5/2026		
Affordability Restrictions		90 units held at 30% SMI, 1-2bd unit held at 50% AMI		N/A		
Lender #4				Bank of America (AHP) Grant		
Oustanding Balance				$ 193,801		
Int Rate				0		
Current Annual Debt Service				Deferred		
Maturity Date				$50,000- 6/15/18 <> $143,800- 5/18/19		
Affordability Restrictions				N/A		
Lender #5						
Oustanding Balance						
Int Rate						
Current Annual Debt Service						
Maturity Date						

PROJECT LOCATION						
Building Name	*Linden*	*Longfellow*	*Lucian*	*Maple Park 1*	*Maple Park Senior*	*Marymead Park*
Address	2795 West Street	1350 Manzanita Avenue	120 Parmac Rd.	2340 Gum St.	9915 Maple Park	612 E. 17th Street
City, State, Zip	Redding, CA 96001	Chico, CA 95926	Chico, CA 95926	Live Oak, CA 95953	Live Oak, CA 95953	Marysville, CA 95901
County	Shasta County	Butte County	Butte County	Sutter County	Sutter County	Yuba County
DDA/QCT?						
Transit stop/station w/in 1/2 mile w/ frequent service?	No	No	No	No	No	No
Is site in amenity rich urban area?						
DESCRIPTION						
Total # of Units	30	24	38	56	35	68
Tax Credit Project? Y/N	Yes	No	No	Yes	Yes	Yes
9% or 4% (original app)	4%	9%	9%	9%	4%	9%
PIS Date	May-07	September-00	4/2012 ?	February-13	March-16	2007/2008?
Has LP investor exited partnership?	No	No	No	No	No	No
TCAC Affordability Restrictions per Regulatory Agreeement (Average AMI or AMI breakdown)	At or below 7@50%, 22@60% of Area Median Gross Income, and, such Units shall be Rent-Restricted in accordance with such income level. Per TCAC Regulatory Agreement Appendix A on page 16.	N/A	N/A	• 10% of Low-Income Units (6 units) @or below 30% of Area Median Gross Income o 2 - Two-Bedroom Units o 3 - Three-Bedroom Units o 1 - Four-Bedroom Units • 10% of Low-Income Units (6 units)@ or below 40% of Area Median Gross Income • 50% of Low-Income Units (32 units) @ or below 50% of Area Median Gross Income -Per TCAC Regulatory Agreement Appendix A on page 17.	• 1 Low-Income Units at or below 30% of Area Median Gross Income o 3 One-Bedroom Units o 1 Two-Bedroom Unit • 21 Low-Income Units at or below 40% of Area Median Gross Income -Per TCAC Regulatory Agreement Appendix A on page 17.	10%@30%, 15%@45%, 50%@50% of Area Median Gross Income, and, such Units shall be Rent-Restricted in accordance with such income level. -Per TCAC Regulatory Agreement Appendix A on page 18.
Type/Population (Special Needs, Seniors, Families)	Family	Family	Senior/Disabled	Family	Senior	Family
If Special Needs units, how many?	0	10	37	0	34	0
Rental Subsidy Type	N/A	N/A	Section 8	PBV	PBV	Section 8
Subsidy Contract Expiration	N/A	N/A	7/1/1935	Feb-2028	12/31/2030	4/30/2027
# of Units w/ Subsidy	0	0	37	44	34	67
Rehab Level Needed: Major (Systems, Roof) Mod (Finishes/Interiors) Minor Unknown	Moderate	Moderate	Moderate	Minor	Minor	Moderate
CASH FLOW						
INCOME (Last Year End)	$ 253,018	$ 193,899	$ 321,304	$ 525,184	$ 279,040	$ 772,389
PUPA	$ 8,433.93	$ 8,079.13	$ 8,455	$ 9,378	$ 7,973	$ 11,358.66
EXPENSES (Last Year End)	$ 216,311	$ 163,219	$ 186,649	$ 313,300	$ 156,942	$ 536,547
PUPA	$ 7,210.37	$ 6,801	$ 4,912	$ 5,595	$ 4,484	$ 7,890.40
NOI	$ 36,707	$ 29,333	$ 134,655	$ 211,884	$ 122,098	$ 235,842
Vacancy Rate	26.70%	29.20%	18.40%	24.10%	17.10%	11.80%
Turnover (Average last 12 months or just high, med, low)	Medium	Medium	Medium	Medium	Medium	Low
RESERVES						
Replacement Reserve Amount	$ 130,096.41	$ 23,940.28	$ 37,153.63	$ 134,616.18	$ 17,504.13	$ 615,540
Operating Reserve Amount	$ 52,012.39	$ 12,504.98		$ 237,433.00	$ 121,984.86	$ 152,969
Other Reserves Amount		$ 6,994.76	$ 11,185.23	$ 121,936.00	$ 250,159.35	$ 61,820
DEBT						
Lender #1	UBOC	City of Chico Grant	GRANDBRIDGE REAL ESTATE CAPITAL	CCRC (Non-Section 8)	CCRC	UBOC
Oustanding Balance	$ 246,299.13	$ 373,000	$ 22,860	$ 224,877.28	$ 517,351.44	$ 2,007,184
Int Rate	5.35%		5.85%	6.50%	4.5%	6.65%
Current Annual Debt Service	$ 13,346.12		$ 96,189.36	$ 28,971.12	$ 49,663.32	$ 181,496
Maturity Date	12/1/2022		1/1/2042	11/1/2028	2/1/2032	5/1/2037
Affordability Restrictions	N/A	N/A	N/A	N/A	N/A	N/A
Lender #2	City of Redding Redevelopment Agency	AHP Grant		CCRC (Section 8)	City of Live Oak (HOME)	MID-PENN HOUSING COALITION
Oustanding Balance	$ 3,815,144	$ 251,288		$ 945,061.62	$ 4,638,260.15	$ 1,162,385
Int Rate	0%			6.50%	2.00%	4.72%
Current Annual Debt Service	Deferred			$ 121,752.84	Deferred	Deferred
Maturity Date	12/1/2060			11/1/2028	Jan-2072	12/1/2062
Affordability Restrictions	N/A	N/A		N/A	20-1bd units @40% AMI, 1-2bd @ 40% AMI, 5-1bd @ 50% AMI, 4-1bd @ 60% AMI	N/A
Lender #3		City of Chico		City of Live Oak (HOME)	City of Live Oak (CDBG)	
Oustanding Balance		$ 151,736		$ 3,509,497.00	$ 49,072.40	
Int Rate		5%		3%	0	
Current Annual Debt Service		$ 16,554.67		Deferred	Deferred	
Maturity Date		8/31/2030		10/2/2068	Jun-2068	
Affordability Restrictions		N/A		8-2bd units @ 50% AMI, 7-3bd units @ 50% AMI	34 units NTE 60% AMI	
Lender #4		CHAFA		City of Live Oak (CDBG)	Affordable Housing Program	
Oustanding Balance		$ 440,465		$ 631,728.00	$ 340,000	
Int Rate		3%		0	0	
Current Annual Debt Service		$ 28,118.18		Deferred	Deferred	
Maturity Date		Nov-31		10/2/2068	Dec-2071	
Affordability Restrictions		N/A		55 units @ 60% AMI or below	4 units @ 30% AMI, 21 units @ 40% AMI, 9 units @ 60% AMI	
Lender #5				Affordable Housing Program (AHP)		
Oustanding Balance				$ 550,000		
Int Rate				0		
Current Annual Debt Service				Deferred		
Maturity Date				10/2/2068		

TRAP: Tax Reform Made Resyndications Harder – Don't Let It!

Changes from Tax Reform
Building Depreciation = 30 years
Bonus Depreciation for site improvements & pers. property
Corporate tax rate reduced from 35% to 21%
Reduced Pricing
Capital accounts
Need for reallocations


Three Capital Account Scenarios
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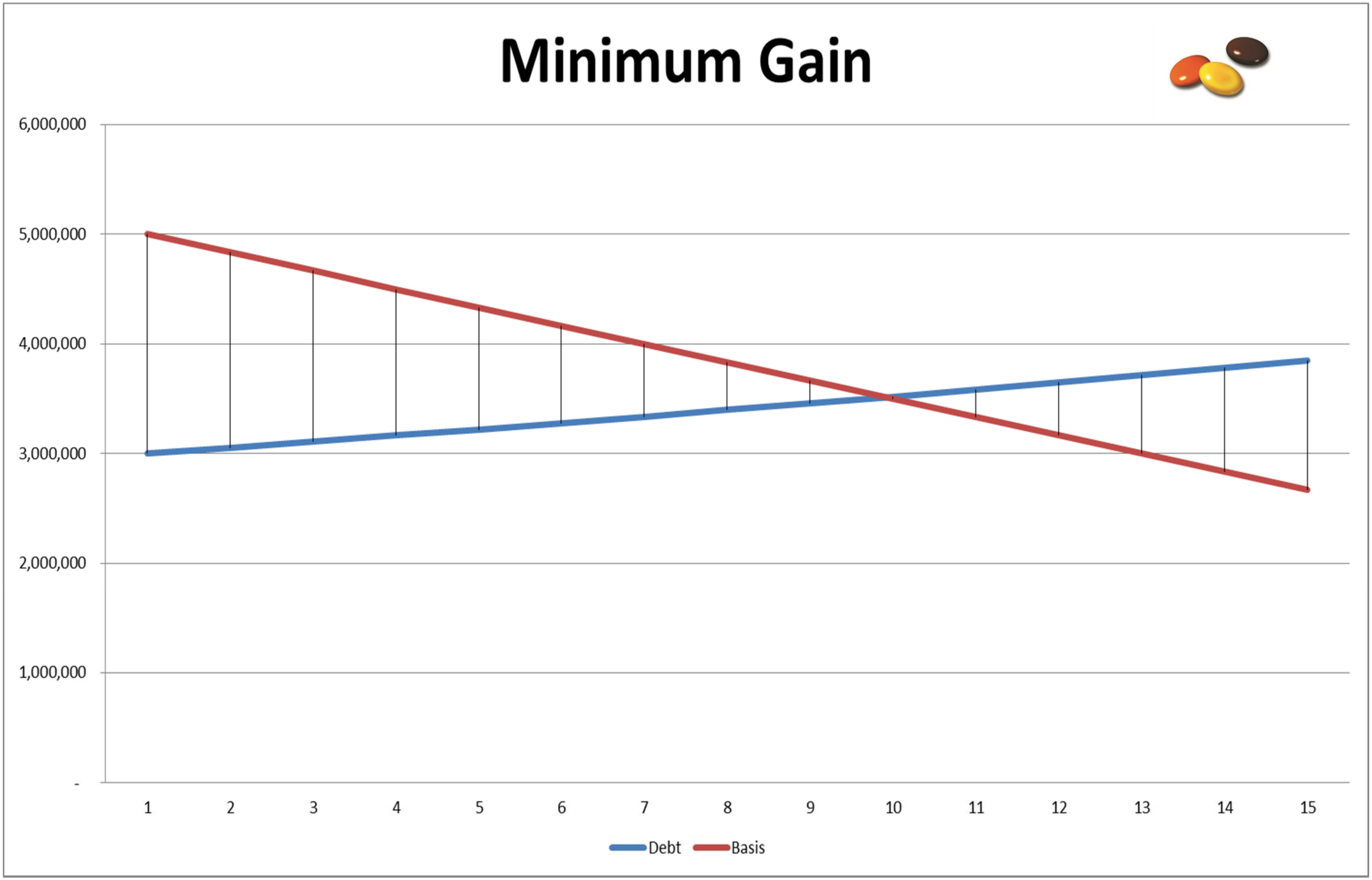
What Helps Capital Accounts?

- High pricing from investors
- 9% tax credits
- 30% basis boost
- Ability to slow down losses, as necessary

What Do We Have?

- Lower pricing from investors
- 4% tax credits
- No% basis boost (on acquisition credits)
- Limited ability to slow down losses


Minimum Gain
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Debt
Basis

Conclusions

- Resyndication projects require a variety of strategies
- Tax reform has made the work more difficult
- Organize your portfolio and “harvest” stronger properties to asssist needier properties
- Push for more resources

I really just wanted to rehab my affordable housing…