

Boston Health Care for the Homeless Program

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Boston Health Care for the Homeless, Roxbury

- n **MHIC – private non-profit created 20 years ago to finance affordable housing and community development projects in low-income, primarily minority neighborhoods throughout MA**
 - Initial focus on affordable housing through the LIHTC program
 - Diversified into CRE financing through New Markets Tax Credit Program – now a 6-time allocatee; expanded geographic market in 2009 to include all 6 New England states; closed 45 projects to date

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- n **BHCHP - 2nd Community Health Center expansion project combining New Markets Tax Credits, federal (10%) and state (20%) HTC's and 80% loan guaranty from Federal Health Resources and Services Administration (HRSA) – replicated prototype financing structure created for Holyoke Health Center**
- n **Sponsor: Boston Health Care for the Homeless Program, a federally qualified health center providing free health care to the City's estimated 20,000 homeless and national leader in its field**

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n **Project**

- Acquisition of leasehold interest, adaptive reuse and historic renovation (10%) of a 4-story, 77,000 s.f. building in LIC to create a central hub and a homeless health care bridge to the mainstream health care system unlike any in the U.S.
- Building constructed in 1933; owned by Boston Public Health Commission and used as City morgue

Boston Health Care for the Homeless, Roxbury

- n **Capital structure – financed \$37 million in TDC (\$487/sf), including \$2.86 million paid developer fee**
 - **Sponsor financing: \$12 million; \$1.9 million leveraged**
 - **NMTC gross equity: \$5.7 million (81 cents)**
 - **10% Federal HTC equity: \$2.8 million (90 cents)**
 - **20% State HTC equity: \$5.3 million (86 cents)**
 - **Wainwright Bank leverage lender: \$12.5 million**

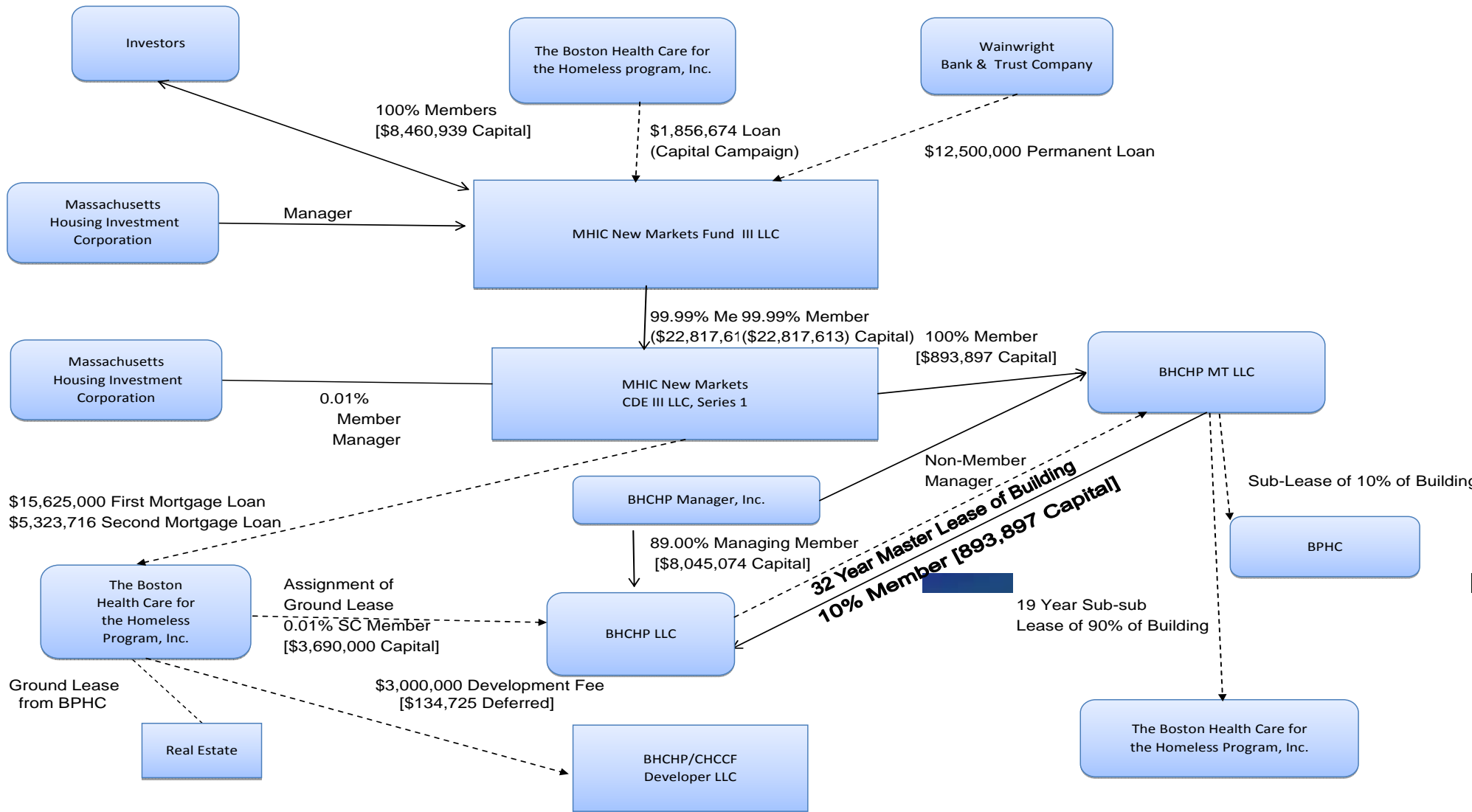
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- n **Capital structure – maximized utility of financing sources and filled \$12.8 million financing gap**
 - 80% HRSA loan guaranty converted to 100% loan guaranty at project level – attracted 15 yr. below-market fixed-rate financing from local bank
 - Use of 10% Federal historic credits leveraged 20% state HTC
 - Commitment of New Markets Tax Credit financing helped sponsor catalyze its capital campaign

Boston Health Care for the Homeless, Roxbury

- n **Ideal high impact NMTC project for MHIC – new facility allowed sponsor to significantly increase its capacity to serve an underserved low-income population and project injected millions of dollars into the local economy**
 - **Capital project: ~\$45.4 million in direct, indirect and induced expenditures**
 - **Expanded operations: by 2010 ~\$26 million in annual operating revenue**

**Boston Health Care for the Homeless
New Market Tax Credit/Historic Tax Credit Structure**



BHCHP LEASE CONSTRAINTS

TAX EXEMPT USE RULES (HTC):

n FOR-PROFIT ENTITY MUST OWN PROJECT AT PLACED-IN-SERVICE IN ORDER TO QUALIFY FOR HISTORIC TAX CREDIT

n MAXIMUM LEASE TERM OF ANY LEASE IN THE TRANSACTION MUST BE LESS THAN 20 YEARS UNDER LEASE STACKING RULES

HRSA RULES:

n NON-PROFIT HEALTH CENTER MUST OWN IMPROVEMENTS WHILE GUARANTEED LOAN IS BEING DISBURSED

n NON-PROFIT HEALTH CENTER MUST HAVE A LONG-TERM RIGHT TO OCCUPY THE COMPLETED IMPROVEMENTS

BHCHP LEASE CONSTRAINTS [CONTINUED]

NMTC RULES AND CONSIDERATIONS:

- n UNDER RELATED-PARTY RULE, CDE MUST NOT HAVE MORE THAN A 50% INTEREST IN THE CAPITAL OR PROFITS OF THE QALICB**
- n LEASES MUST BE OF SUFFICIENT DURATION AND HAVE HIGH ENOUGH RENT TO SATISFY TRUE DEBT ANALYSIS**
- n SPONSOR DESIRES TO MINIMIZE VALUE OF MASTER TENANT ASSETS TO DEPRESS POTENTIAL CALL PRICE AT END OF THE NMTC CREDIT PERIOD**

BHCHP LEASE STRUCTURE

n SPONSOR HOLDS FEE TITLE TO IMPROVEMENTS ON A GROUND-LEASED SITE DURING CONSTRUCTION AND WHILE THE HRSA-GUARANTEED LOAN IS BEING ADVANCED

n SPONSOR LEASES THE PROPERTY TO THE MASTER TENANT WHOLLY OWNED BY THE CDE FOR A TERM OF 19 YEARS COMMENCING AT PLACEMENT IN SERVICE

n MASTER TENANT SUBLEASES 90% OF THE PROPERTY TO THE SPONSOR FOR A 15-YEAR TERM

n SPONSOR TO ASSIGN ITS RIGHTS UNDER GROUND LEASE & CONVEYS THE IMPROVEMENTS TO THE FOR-PROFIT QALICB PRIOR TO THE PLACED-IN-SERVICE DATE WITH QALICB ASSUMING ALL DEBT

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Jean Yawkey Place

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