

NH&RA 2009 SUMMER INSTITUTE

HUD Owners and Developers Update

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 DOMINIUM

Dominium Portfolio

- Founded 1972
- Total Units 18,635 units
- States 18 states
- Section 42 12,496 LIHTC units
- HUD 3,356 HUD units

Introduction

1.) HUD = Time Delays

Time Delays = Risk

2.) Deals can still being closed; however, expect more risk.

3.) Additional variables create additional risk.

Current Market is Upside-Down

	2007 and Prior	Currently
• Equity	Easiest	Difficult
• Primary Debt	Moderate	Moderate
• Soft Money, HUD Waivers, 9% Allocations	Difficult	Easiest

Dominium Acquisitions: 2006 – Present

Year	HUD Projects	HUD Units	HUD Fees / [Failed Transactions]	Non-HUD Projects	Non-HUD Units	Non-HUD Fees / [Failed Transactions]
Open Inventory	5	369	\$3,800,000	6	568	\$4,400,000
2009 YTD	2	192	\$700,000	4	288	\$300,000
2008	5	495	\$3,850,000 [\$2,500]	9	768	\$1,700,000 [\$23,532]
2007	5	453	\$4,200,000 [\$709,683]	2	147	\$500,000 [\$168,107]
2006	6	345	\$4,225,000 [\$12,156]	2	241	\$1,900,000 [\$98,733]
Total	23	1,854	\$16,050,661	23	2,012	\$8,509,628
Average Per Project		80	\$684,075		87	\$360,273

Risks

Types of Risk:

- Office by office risk
 - Unnamed Ohio office

- Local risks
 - Houston
 - State of California

- Transfer of Physical Assets Time Frame

- HUD risk – Longer time frames
 - Time frames are not predictable.
 - Outcomes are reasonably predictable.
 - Therefore, Time not Outcome is the Primary Risk

- Value of Counsel

As the number of variables increases, the overall risk increases exponentially.

Conclusion

- 1.) HUD time delays create additional risk.
- 2.) Expect more risk.
- 3.) Additional variables create additional risk.