

National Housing & Rehabilitation Association  
2010 Summer Institute  
NMTC Symposium

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Let's talk about an opportunity.



# Multifamily Housing and NMTCS

## Agenda:

- Review of basic NMTCS elements specific to residential transactions
- Case study: mixed-use, commercial and residential rental (market rate and affordable with historic credits).
- Case study: multifamily developer finance structure
- Case study: mixed-use, commercial and residential rental with LIHTC carve out
- Q & A

## Basics: Funding Residential with NMTCs

### Basic Terms:

Qualified Equity Investment (QEI)

Qualified Low-income Community Investment (QLICI)

Low-income Community (LIC)

Qualified Active Low-income Business (QALICB)

## Qualified Equity Investment:

- Must be cash or cash equivalent
- Must have the principal remain outstanding for the full 7 year compliance period
  - This is particularly important in funding transactions that have a revolving element (repayment within the 7 year period)
- It is important to note that the regulations do not allow LIHTC to be blended with NMTC resources. For this reason, LIHTC transactions must stand entirely on their own outside of the NMTC structure.

## Qualified Low Income Community Investment:

- These investments can be made directly into real estate projects or into business ventures.
- When funding a real estate project issues such as the 80/20 income test must be satisfied in addition to the 5 business tests we will discuss.
- When funding business ventures, the 5 business tests become central to qualification.

## Low Income Communities:

- Census tracts that are populated by persons making 80% or less than the State or Metro median income

And, when they are located in areas which have additional distress criteria such as:

- Lower levels of median income (60%)
- Higher levels of unemployment
- Brownfield areas
- State and local distress designation and others

## Qualified Active Low-Income Business:

- Projects that include “sin” businesses are not allowed under the NMTC program
- In addition projects with annual residential rental income in excess of 80% do not qualify

A few other tests must be met:

- A project must have 40% of its employees providing service within LICs;
- Must earn 50% of its revenues within LIC;
- Must have 40% of its tangible assets within a LIC or 85% if the entity does not have employees;
- Must not have greater than 5% of its assets from collectables; or
- Can not carry greater than 5% in non-qualifying financial assets in any given year



## What does this mean?

- Projects that include residential rental units must meet the 80/20 income test annually
  - Typically a master lease will be required for the commercial component from the developer supporting the annual required commercial payment to remain in compliance with the program
- Projects that blend subsidies must structure the LIHTC in separate ownership, with separate financing, etc. to keep the structure clean and compliant.

## What does this mean?

- Projects that fund units that are intended for sale will need to be structured to deal with concerns relative to revolving the capital as the funds must not return to the CDE during the 7 year compliance period
- Projects that fund directly to the developer may enable the proceeds to be used in a broader way, however, the 5 business tests must be met annually
  - This means that the business entity funded, using separate books and records, must meet the tangible property, gross revenue and employee service tests for the full compliance period.

## What Projects are likely to get funded:

- Projects that are eligible as noted;
- Projects that have high community impact;  
and
- Projects that are ready to proceed

Feel free to contact:

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We will be willing to research the address of your project for qualification and/or discuss your project's potential for funding

You can also review potential CDEs at:

[www.cdfifund.gov](http://www.cdfifund.gov)

A complete listing of CDEs with awards is available to you at this website

Thank you for your time and interest –

For additional information on our CDE or our parent company please visit our websites at:

[www.valuedadvisorfund.com](http://www.valuedadvisorfund.com)

[www.bakertilly.com](http://www.bakertilly.com)