

A.R.R.A. Technical Issues Forum

National Housing & Rehabilitation Association

Affordable Housing Conference & Annual Meeting
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Tax Credit Exchange Program Benefits

Exchange funds can be used to supplement both 9% and 4% low-income housing tax credit transactions

Subawards of Grant Funds:

- Do not reduce eligible basis
- Are not taxable income
- May be treated as income for purpose of increasing partners' capital accounts
- Are typically structured as forgivable loans solely for the purpose of recapture
- Available during construction

Development Costs and Allocation

	Total	Per Unit	Eligible Project Costs	Ineligible Project Costs
Land Acquisition	1,600,000	16,000		1,600,000
Hard Costs				
Sitework	1,225,000	12,250	1,025,000	200,000
Residential Structures	7,285,000	72,850	7,285,000	
Personal Property	540,000	5,400	540,000	
General Conditions	362,000	3,620	362,000	
Overhead and Profit	941,200	9,412	941,200	
Contingency	517,660	5,177	517,660	
Total Hard Costs	10,870,860	108,709	10,670,860	
Soft Costs				
Architecture and Engineering	320,000	3,200	320,000	
Environmental	7,500	75	7,500	
Building Permits and Fees	80,500	805	80,500	
Market Study and Appraisal	12,000	120	12,000	
Legal	75,000	750	75,000	
Accounting	9,500	95	9,500	
Marketing	36,000	360		36,000
Insurance	85,000	850	85,000	
Real Estate Taxes	24,000	240	24,000	
Construction Lender Fees	125,000	1,250	125,000	
Permanent Lender Fees	56,250	563		56,250
Construction Loan Interest	641,000	6,410	366,000	275,000
Lender Legal	20,000	200	20,000	
Title and Recording	60,000	600	60,000	
Tax Credit Fees	75,000	750		75,000
Lease-up Reserve	100,000	1,000		100,000
Operating Deficit Reserve	265,000	2,650		265,000
Development Fee	1,800,000	18,000	1,800,000	
Total Soft Costs	3,791,750	37,918	2,984,500	1,007,250
Total Development Cost	16,262,610	162,626	13,655,360	2,607,250
Calculated Tax Credits	1,228,982			
Tax Credit Reservation	1,220,000			



Income and Expense Proforma

Income

Rental Income	912,000
Other Income	11,500
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Potential Gross Income	923,500
Less Vacancy & Collection Loss	64,645
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Effective Gross Income	858,855

Expenses

Operating Expenses	322,000
Insurance	36,000
Real Estate Taxes	80,000
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Total Expenses	438,000

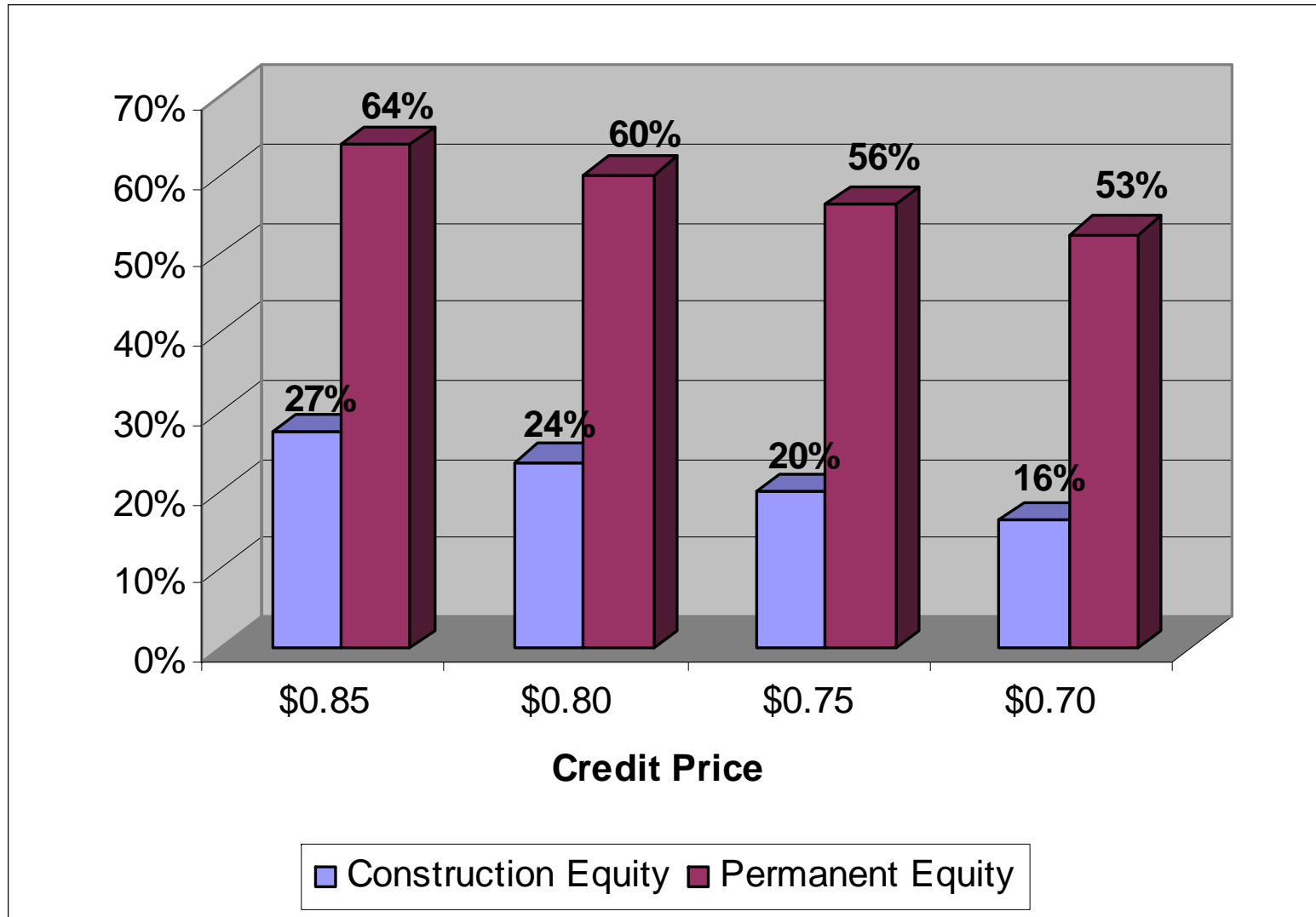
Net Operating Income **420,855**

Less Replacement Reserves	25,000
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Income Available for Debt Service	395,855

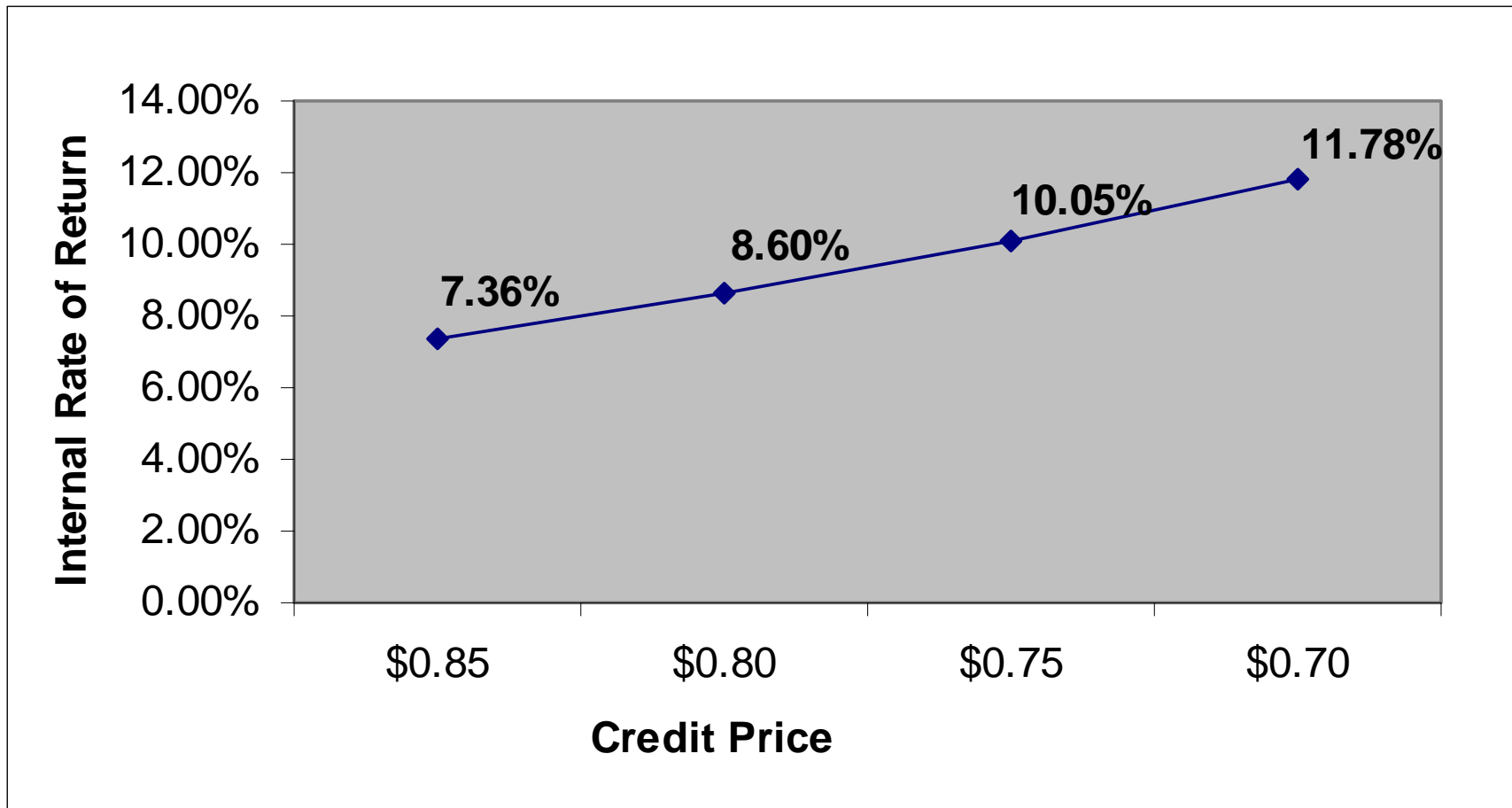
First Mortgage Debt Service	0
HOME Loan Debt Service	0

Cash Flow **395,855**

Capital Structure

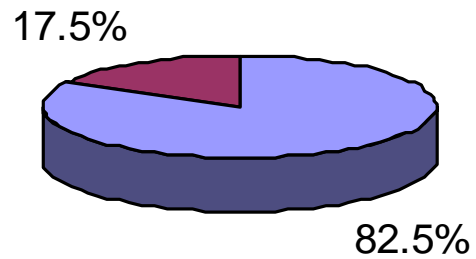


Impact on Yield



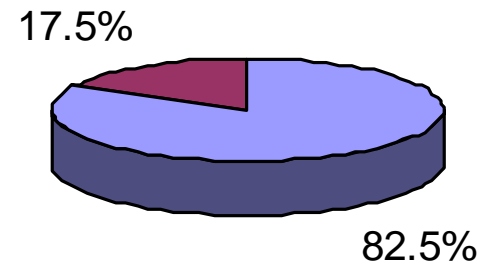
Tax Benefit Ratios

Base Case



■ Tax Credits ■ Losses

With Exchange Funds



■ Tax Credits ■ Losses