

Freddie Mac Bridge to Resyndication Structure

2016 NH&RA Annual Meeting

February 25-28, 2016, The Breakers, Palm Beach, FL

Thank You Sponsors:



Freddie Mac Bridge to Resyndication Structure

The Property:

- Summer Field Apartments, Indio, CA
- 268 Units; 100% Section 8 PBRA Family
- Constructed 1972 / Moderately Rehabilitated in 2002
- Generally well-maintained but in need of substantial rehab to facilitate long term preservation
- Encumbered by LIHPRHA regulatory agreement; CSCDA regulatory agreement; TCAC regulatory agreement; HUD Use Agreement with limited distribution restrictions
- Significant amount of residual receipts accumulated
- Acquired by Community Preservation Partners in November 2015



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Financing Challenges:

- Seller in need of quick close
- Property highly sought after by conventional (cash-on-cash) buyers
- LIHPRHA regulatory agreement prohibited MUTM rent increase until August 1, 2017
- HUD approval required for use of residual receipts as a source for future resyndication
- Seller desire to derive sale value from residual receipts
- HUD, CSCDA, and TCAC regulatory agreements all required modification/subordination
- Resyndication transaction not possible until August 2017 thus exposing buyer to interest rate risk and credit price risk
- In order to compete with conventional buyers the Buyer had to value the Property assuming a successful resyndication



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Financing Structure:

- Freddie Mac structured a high leverage (85% LTV), low cost (2.57% interest only), quick close Bridge Loan
- Freddie Mac also allowed an 18 month forward rate lock on a permanent Tax Exempt Loan (“TEL”) at a rate of 4.42% on a 17 year term and 35 year amortization with the first two (2) years interest only

Acquisition Source & Use

Sources

Freddie Mac Loan	\$30,600,000
Transfer of Residual Receipts	\$1,540,000
Transfer of Repl Reserves	\$1,170,000
Borrower Equity	\$6,585,000
Total Sources	\$39,895,000

Uses

Purchase Price	\$36,000,000
Total Transaction Costs and Repairs	\$1,185,000
Residual Receipts Reserve	\$1,540,000
Replacement Reserve Deposit	\$1,170,000
Total Uses	\$39,895,000



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Unique Aspects of Financing:

- The Bridge Loan allowed a quick close (60 days) to compete with conventional buyers while the forward rate lock eliminated interest rate and credit price risk for the Buyer who intended to resyndicate in 2017
- Freddie Mac approved a Seller Note in order to transfer sale value of residual receipts for the Buyer to the Seller
- Freddie Mac allowed reduction or expansion of the permanent TEL based on final MUTM rents TBD in 2017
- HUD approved use of residual receipts and other HUD reserves as a source for rehabilitation
- Freddie Mac approved any shortfall in resyndication sources to be structured as a Seller Note
- Freddie Mac approved upward loan earn-out feature to account for HUD rent approval risk
- HUD approved suspension of \$1,000/unit in ongoing RR

