



CAHEC

Creating Partnerships.
Strengthening Communities.
Changing Lives.





Preservation Portfolio Transactions (Past and Present)

February 22, 2017

CAHEC – CLOSED PORTFOLIOS

By the Numbers

	<u>Location</u>	<u>Equity</u>	<u>Properties</u>	<u>Units</u>
Portfolio 1	South Carolina	16.6M	23/20	830
Portfolio 2	South Carolina	26.5M	45/41	1,548
Portfolio 3	North Carolina	4.5M	8	246
Portfolio 4	North Carolina	7.0M	12/11	368
Portfolio 5	Virginia	4.2M	6	232
Portfolio 6	Georgia	31.6M	44/37	1,632
Portfolio 7	South Carolina	14.2M	19/18	695
Portfolio 8	Kentucky	12.3M	18/15	563
Portfolio 9	North Carolina	8.5M	9	458
Portfolio 10	North Carolina	7.0M	10	472
TOTALS		132.4M	192/173	7,044

RD Portfolio Transaction – *December, 2016*

Portfolio of 18 Properties and 814 Units

<u>Funding Sources & Uses</u>	<u>Total Amount</u>	<u>Per Unit</u>
Bond Issuance	27,539,000	33,800
Senior Debt (USDA 538 Loan)	20,276,000	24,900
Existing Subordinate Debt	17,438,557	21,400
TC Equity (Net Pricing \$0.97)	17,436,806	21,400
Interest Income and Surplus Reserves	701,390	900
<u>Deferred Developer Fee</u>	<u>1,543,557</u>	<u>1,900</u>
Total Sources	84,935,310	104,300
Acquisition	21,540,725	26,500
Pre Development / Arch. / Eng.	1,202,187	1,400
Construction	23,454,501	28,800
Contingency	1,641,824	2,000
Financing & Legal (Includes COI)	2,824,595	3,500
Soft Costs	5,548,022	6,800
Reserves	1,184,456	1,500
<u>Bond Redemption</u>	<u>27,539,000</u>	<u>33,800</u>
Total Uses	84,935,310	104,300

Current Conditions for Equity Placement

1. **“Not so good” or “Have seen better days”.**
2. **Unlike 2008 – 2009; Investment Funding Available.**
3. **Reality is lack of clarity for setting expectations.**
4. **Result a 10% to 15% drop in pricing.**
5. **Going forward means working with a new paradigm.**
6. **The new paradigm impacts all parties; State HFA’s, Lenders, Syndicators and Developers. The narrative for each – “*what do I control and what can I do*”.**

RD Portfolio Transaction – *February, 2017*

Portfolio of 14 Properties and 676 Units

<u>Funding Sources & Uses</u>	<u>Total Amount</u>	<u>Per Unit</u>
Bond Issuance	22,362,000	33,100
Senior Debt (USDA 538 Loan)	18,758,000	27,700
Existing Subordinate Debt	13,550,674	20,000
TC Equity (Net Pricing \$0.85)	12,405,034	18,400
Interest Income and Surplus Reserves	514,620	800
<u>Deferred Developer Fee</u>	<u>1,548,981</u>	<u>2,300</u>
Total Sources	69,139,309	102,300
Acquisition	17,064,813	25,200
Pre Development / Arch. / Eng.	969,539	1,400
Construction	19,395,325	28,700
Contingency	1,357,680	2,000
Financing & Legal (Includes COI)	2,442,247	3,600
Soft Costs	4,559,069	6,700
Reserves	988,636	1,500
<u>Bond Redemption</u>	<u>22,362,000</u>	<u>33,100</u>
Total Uses	69,139,309	102,300

RD Portfolio Transaction – Comparison 12/16 to 2/17 Portfolio of 18 vs. 14 Properties and 814 vs. 676 Units

<u>Funding Sources & Uses</u>	<u>Per Unit - 2016</u>	<u>Per Unit-2017</u>
Bond Issuance	33,800	33,100
Senior Debt (USDA 538 Loan)	24,900	27,700
Existing Subordinate Debt	21,400	20,000
<i>TC Equity (\$0.97 / \$0.85)</i>	21,400	18,400
Interest Income and Surplus Reserves	900	800
<u>Deferred Developer Fee</u>	<u>1,900</u>	<u>2,300</u>
Total Sources	104,300	102,300
Acquisition	26,500	25,200
Pre Development / Arch. / Eng.	1,400	1,400
Construction	28,800	28,700
Contingency	2,000	2,000
Financing & Legal (Includes COI)	3,500	3,600
Soft Costs	6,800	6,700
Reserves	1,500	1,500
<u>Bond Redemption</u>	<u>33,800</u>	<u>33,100</u>
Total Uses	104,300	102,300

What Changed from the 2016 Portfolio to the 2017 Portfolio

1. Properties with the higher credit pricing were removed from transaction.
2. Per unit mortgage proceeds increased (properties with higher tax credit pricing have less capacity for new debt).
3. Lowest property credit pricing reduced from \$0.35 to \$0.20.
4. Deferred Developer increased to maximum amount that could be repaid within a reasonable time frame.
5. New funding sources not required, but, Portfolio unit count was reduced by 17%

The primary benefit of a portfolio transaction compared to a single property transaction is a portfolio transaction has the ability to absorb significant changes and maintain financial viability.

How could stakeholders work together in current environment?

- **Allocating Agencies** – Currently many states are already working on meeting equity shortfalls by providing “top off” credits for 2016 9% deals that haven’t yet closed. States will work with Portfolio Developers;
 - 1. Minimum Design Standards – Is there any ability to waive certain requirements that were “nice to have at \$1.00 pricing but not essential at \$0.80. Consider how removal of any construction work impacts the capital need assessment and replacement reserve amount; removal may increase funding gap that is met by DDF.
 - Non basis items – reserves, bond fees, land costs. Are there any savings that can be realized in how these amounts are determined while maintaining and meeting the agency’s compliance and underwriting parameters.
 - Items that impact potential mortgage amount. Required trending assumptions and associated debt service coverage requirements. Operating Expense floors and mandatory rental rate cushions between maximum TC rent and proforma rent.

How could stakeholders work together in current environment?

- **Syndicators –**
 - Communication on property locations where investment interest exists and at what price.
 - Impact of delaying property closing to maximizing first year credit delivery and tying equity pay-in more closely to when benefits are received.
- **Developers –**
 - Cost containment. A portfolio transaction is a leveraged investment with certain fixed costs. Where can savings be realized, what savings can be modeled and what savings are only realized post-closing.
 - All line items in Development Budget can be reviewed, reconsidered and discussed with vendors and financial analysts (modeling) during this time of sudden and unforeseeable change.

CAHEC Footprint – Tax Credit Investments in LIHTC, Historic, New Markets and Renewable Energy Programs. Loan programs and Community Investments available for Development Partners.



- **Pennsylvania**
- **Maryland**
- **West Virginia**
- **Virginia**
- **Kentucky**
- **Tennessee**
- **North Carolina**
- **South Carolina**
- **Alabama**
- **Georgia**
- **Florida**

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