

# NH&RA Annual Meeting

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ACQUIRING, FINANCING, AND VALUING GENERAL PARTNERSHIP  
INTERESTS IN TODAY'S MARKET

# Key Points

- SELLER MOTIVATION
  - BUYER MOTIVATION
  - VALUATION
  - THINGS TO CONSIDER / PITFALLS
  - TIMING
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# Seller Motivations

- NEED TO MONETIZE / OTHER OPPORTUNITIES
  - EXITING BUSINESS / RETIREMENT
  - ONE OFF DEVELOPMENT
  - DISTRESSED ASSET / BANKRUPTCY
  - CAPITALIZE ON MARKET
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# Buyer Motivations

- CASH FLOW

- Deferred Developer Fee

- GP loans

- Incentive Management Fees

- MANAGEMENT FEES

- RE-SYNDICATION OPPORTUNITY

- OPERATING EFFICIENCIES

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# Valuation

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- NPV OF GP DISTRIBUTIONS (PRIORITY DISTRIBUTIONS (I.E. DDF, GP LOANS), CASH FLOW SPLITS, BACK-END)
- HOLDING PERIOD (NOW END OF YEAR 10 IF POSSIBLE)
- IS THERE A NEAR TERM REFINANCING OPPORTUNITY – WILL LP APPROVE
- THE EXIT – DISTRIBUTION OF SALE PROCEEDS VS. LIQUIDATION & DISSOLUTION OF PARTNERSHIP
- ACQUISITION COSTS (ASSUMPTION FEES)
- YIELD EXPECTATIONS
- $LP + GP < VALUE$

# Consents / Timing

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- LENDER (KEY PRINCIPAL)
- TAX CREDIT AGENCY
- HUD
- SYNDICATOR/INVESTOR
- OTHER PARTNERS / CO GP
- LOCAL JURISDICTION (IF TAX EXEMPTION/PILOT/SOFT LOANS)

# Things to Consider / Pitfalls

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- GET LP APPROVAL FIRST
- NO DEPRECIATION (AFTER TAX YIELD LOWER THAN FEE SALE)
- ACQUISITION COSTS (LENDER FEES, AGENCY FEES, SYNDICATOR FEE, LEGAL)
- RESET THE OPERATING DEFICIT GUARANTY / RESERVES
- DEFERRED MAINTENANCE / RESERVES
- EQUITY
- YEAR 10 VS. YEAR 15 IMPACTS YIELD

# The Market

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- FEWER TRANSACTIONS
- FEE SIMPLE SALE VS. GP SALES
- MORE DIRECT BUYERS
- ONE OFFS TEND TO BE DISTRESSED