

Acquiring, Financing, and Valuing General Partnership Interests

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Enterprise's Private Equity Product

- Enterprise began offering real estate private equity in 2014 as component of our capital programs platform.
- Through this business, we joint venture with local partners to acquire, preserve and create value in affordable and workforce rental housing properties.
- We invest in Year 10+ LIHTC, Section 8, and market rate / unrestricted affordable properties, at or below 80% of AMI.
- To date we have acquired approx. \$450 MM of multifamily real estate, comprised of 17 properties and 4,300 homes.



Where Enterprise's Private Equity Works Best



- Total acquisition budget of \$7.5 - \$50 million; equity need of \$3 - \$15 million.
- Year 1 capitalization rate of roughly 6% or greater.
- Modest value add opportunities.
- Typical joint-venture ownership structure: Sponsor as general partner and Enterprise as limited partner.
- Willingness to consider GP interest acquisitions.
- We invest in either pari-passu or preferred equity structures.

Standard Terms

- Maximum 7-year investment.
- Sponsor invests a minimum of 10-20% of the equity required. Enterprise funds the balance 80% - 90%.
- Target cash-on-cash returns of at least 8% to 10% (Preferred Return), and an internal rate of return of at least 12-16%.
- Preferred returns, promotes and cash flow waterfall provisions negotiated on a case by case basis.
- Enterprise's capital is returned at sale or refinance, with surplus distributed between Sponsor and Enterprise.



General Partner Acquisitions



- Represents unique opportunities to acquire properties, often for premium returns compared to fee simple acquisition.
- Far more complicated acquisition strategy with elevated risk profile.
 - What are LIHTC LP's rights & motivations?
 - How will cash flow really flow?
 - What are the GP's rights to sell, force liquidation, buyout the LP, etc?
- Recognize a property that has value doesn't always mean the GP interest does also.

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