

PLANNING FOR YEAR 15



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Presenter:

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Vice President Asset Resolution and Dispositions



968 Completed Dispositions
Over 100 Annually Projected
37 Funds Dissolved
Over 50,000 units preserved affordability



- Deliver Expected Investor Benefits
- Exit Investor in Year 16
- Transfer to Sponsors
- Preserve Affordability Long Term
- Can provide equity to resyndicate the project with new tax credits
- Can provide debt to refinance the project





“Before you begin, I’d like to thank you for coming in early to do this on such short notice.”



Develop Strategic Plan:

- Through Year 15
- After Year 15
- Determine when compliance period ends
- Does the GP have the desire and capacity to purchase the project?
- Is the Investor flexible with sale or transfer?
- Were Investor benefits realized?





Develop Financial Projections

- Will cash flow be sufficient to sustain future operations?
- Are there any anticipated changes in the budget, such as loss of rental subsidies or tax abatements?
- Capital accounts/exit taxes



Market Conditions

- Is the project marketable?
- Is there competition from other newer projects?





Review Capital Needs

- Engage CAN
- Consider a Green CAN
- Reserve balances and restrictions



Analyze Partnership Debt

- Are balloon loans or deferred interest payments due at or immediately after Year 15?
- Does existing debt exceed fair market value?
- Can loans be assumed, forgiven or restructured?
- Lender affordability restrictions
- Lender approval rights





Determine Likely Purchase Price

- Buyout Option or Right of First Refusal?
- Does the price make sense?



Explore Sources of Funds to Meet Purchase Price and Capital Needs

- Resyndication
- Refinance
- Reserves
- Combinations
- Weatherization
- Grants





- Consult with Accountant and Attorney
- Meet with Syndicator
- Negotiate Purchase Price
- Sign Letter of Intent
- Obtain Lender Approvals
- Draft Legal Agreements





- Close on purchase in 1st quarter of Year 16
- File amended Certificate of Limited Partnership (if applicable)
- File tax return and provide final K-1 to Limited Partner(s)
- Execute an amendment to the Partnership Agreement, signed by withdrawing and new partners

Determine Goals at the Outset

- Financing can extend the restriction period
- How long will rent subsidies last?
- Ability to pay ballooning debt
- Extent and durability of improvements
- Clarify transfer provisions in pertinent documents
- Review impact of state agencies scoring criteria
- Funding source for purchase options





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For further information, go to the www.enterprisecommunity.com website, and look for Year 15 information under Asset Management.