Pre-Conference Symposium on Multifamily Tax-Exempt Bond Strategies

February 26 Palm Beach, FL

505 West Chapel Hill Street – Durham, NC

Presentation by Brett Meringoff

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- **Project Highlights**
  - City disposition requiring 80 affordable housing units at 60% Area Median Income <u>and</u> highest possible price for their land
  - We designed as a single building and parking podium with a total of 300 apartment units, of which 220 are market rate
  - City and community advocates desire an 'inclusive' housing property i.e. housing for all:
    - <u>one</u> building
    - <u>one</u> lobby (no "poor door")
    - <u>one</u> set of amenities; units designed and finished in similar quality and appearance
    - affordable and market rate units mixed and scattered together

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Proposed Structure

- Create an “Affordable Condo” consisting of the 80 scattered affordable units and a “Market Condo”
- HUD 221(d)(4) construction/permanent loan on the entire project
- Utilize Tax Exempt Bonds and 4% LIHTCs on the Affordable Condo only such that it is a 100% LIHTC “Project” (at 60% AMI)
- Utilize conventional equity on the Market Condo
- When you break apart, the Market Condo will be oversourced - and Affordable Condo undersourced - by identical amounts

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- **Challenges**
  - How do you define "Project" under Section 142? How do you define the Condo?
    - Review North Carolina condominium law
  - How do we get the oversource amount on the Market Condo funded to the Affordable Condo?
    - Affordable Condo partnership enters into long term Capital Lease with Market Condo partnership
  - With 221(d)(4) construction financing on entire project, how do you structure the tax exempt bonds for just the Affordable Condo?
    - Short term cash collateralized bond structure (meet 50% test); LIHTC partnership does 'step in the shoes'
  - How do you bring the LIHTC equity and conventional equity together?
    - Proposed to have developer purchase LIHTCs and co-invest on conventional equity deal as a way to bring the equity structures together