

The image features a large, white, classical-style building with two prominent towers, identified as The Breakers in Palm Beach, Florida. The building has a red-tiled roof and a facade with many windows, some with decorative elements. An American flag flies from the left tower, and a checkered flag flies from the right tower. The sky is blue with light clouds. Palm trees are visible in the foreground and background. A blue semi-transparent banner is overlaid on the upper part of the image, containing white text.

NH&RA Annual Meeting

February 21-24, 2024

The Breakers

Palm Beach, FL

Comparison of Housing Bond & Taxable Financings

	Exempt Facility Bond	501(c)(3) Bond	Governmental Bond	Taxable Financing
Types	- New Volume Cap - Recycled Volume Cap	Various, dependent on charitable purpose	Typically, Workforce or Attainable Housing	N/A
Volume Cap Required	Yes	No	No	No
Ownership Requirements	None	100% non-profit owned	100% government owned	None
Income/Rent Set-Asides	20% at 50% AMI or 40% at 60% AMI	Depends on Charitable Purpose	None	None
TEFRA Required	Yes	Yes	No	No
LIHTC Eligible	Yes, if new volume cap	No	No	No
Other Considerations	- 2% COI - LIHTC - Application / Timing	- 2% COI - Private Use Limits - QMAs Required	- Private Use Limits - QMAs Required	- Cost of capital - Sizing metrics
Lenders	Banks, Agencies, Private Placements, Limited Public Offerings	Banks, Agencies, Private Placements, Limited Public Offerings	Banks, Agencies, Private Placements, Limited or Public Offerings	Banks, Agencies, CMBS, Debt Funds



NOAH Acquisition

Property Highlights

- 2015 vintage
- 216 units

501(c)(3)'s Objective

- Grow portfolio and preserve NOAH properties

501(c)(3)'s Business Plan

- Acquire NOAH Property financed with 501(c)(3) bonds purchased by Align
- Obtain 100% property tax exemption

Debt Terms

- 10-year term
- Senior Bond: fixed, hard pay; sized to 90% LTV / 1.15x DSCR
- Subordinate Bond: contingent payments; unpaid interest accrues and compounds



NOAH Acquisition Sources + Uses

Uses

Purchase Price	\$ 53,600,000
Closing Costs	\$ 175,004
Capital Improvements	\$ 577,900
Legal Fees	\$ 110,000
Lender Ordered Reports	\$ 30,000
Issuer Fee	\$ 157,168
Bond Counsel	\$ 50,000
Operating Reserve	\$ 668,842
Other Costs	\$ 273,538
Acq/Developer Fee	\$ 536,000
Underwriting Fee	\$ 10,000
Loan Origination Fee	\$ 550,000
Total Uses	\$ 56,738,453

Sources

Senior Bond	\$ 50,000,000
Subordinate Bond	\$ 5,200,000
Equity	\$ 1,538,453
Total Sources	\$ 56,738,453



February 24, 2024

Middle Income Housing – Structuring Ideas

KeyBanc Capital Markets, Inc.



Disclosure


KeyBanc Capital Markets is a trade name under which corporate and investment banking products and services of KeyCorp and its subsidiaries, KeyBanc Capital Markets Inc., Member FINRA/SIPC, and KeyBank National Association (“KeyBank N.A.”), are marketed. Securities products and services are offered by KeyBanc Capital Markets Inc. and its licensed securities representatives, who may also be employees of KeyBank N.A.. Banking products and services are offered by KeyBank N.A..

This report is prepared for general information purposes only and does not consider the specific investment objectives, financial situation and particular needs of any individual person or entity.


KeyBanc Capital Markets Inc. is not acting as a municipal advisor or fiduciary and any opinions, views or information herein is not intended to be, and should not be construed as, advice within the meaning of Section 15B of the Securities Exchange Act of 1934.



PHA General Revenue Bonds: Overview


 Most Public Housing Authorities can issue municipal bonds similar to other governmental entities

The bonds' purpose must be allowable by state guidelines and the Authority's charter and bylaws

 By pledging its General Revenues, larger or sophisticated PHAs can generally attain a strong investment grade rating from S&P

This rating allows PHAs to secure funding at superior rates when compared to real estate financing

PHAs can issue debt in the municipal markets with considerable flexibility

 Can either be "Governmental Purpose Bonds" or "Private Activity Bonds", depending on the type of project

Private Activity Bonds require volume cap, generally issued within the context of a LIHTC financing

Governmental Purpose Bonds do NOT require volume cap. This is relevant for moderate income housing, etc.

 **Putting it all together:**

Developers can partner with PHAs issuing General Revenue bonds to achieve moderate income housing solutions that are categorically superior to using traditional real estate finance

Legal Framework is functionally same as JPA or Essential Housing Revenue Bonds

General Revenue Pledge is a Credit Enhancement Structure



Application: HOME [El Paso Housing Authority] 2023

HOME (the Housing Authority of the City of El Paso) acquired two properties, the Villas at Zaragoza and Tuscany at Mesa Hills in December 2023 using bonds enhanced by the Authority's General Revenue pledge. The financing started in September 2023 with a closing in early December 2023.



In aggregate, 585 units between the two properties.



Total acquisition cost (including costs of issuance)



100% of financing accomplished by one series of tax-exempt General Revenue Bonds



HOME's General Revenue pledge helped the bond issuance attain an "A+" rating from S&P



Total all in borrowing cost for a 10-year interest only bond with full prepayment optionality at year 5





Tuscany at Mesa Hills

Project Location: Tuscany at Mesa Hills is located in the West El Paso area. Tuscany is located 4 miles from the University of Texas at El Paso (boasting over 25k students and 3.5k faculty and staff) and one mile from new recreational businesses such as Top Golf.

Property Manager: TAM Residential

Appraised Value: \$55.5 million (market rate)

Purchase Price: \$55 million

Underwritten Year 1 NOI: \$6.5 million

Income Restrictions: 50% at 80% AMI, 90% at 160% AMI

2023 Occupancy (Market Rate): ~96%





Villas at Zaragoza

Project Location: Villas at Zaragoza is located in the East El Paso area. Zaragoza is located about 18 miles away from Fort Bliss and 7 miles from an Amazon fulfillment center.

Property Manager: TAM Residential

Appraised Value: \$28.4 million (market rate)

Purchase Price: \$27 million

Income Restrictions: 50% at 80% AMI, 90% at 160% AMI

2023 Occupancy (Market Rate): ~97%



In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

EP TUSCANY ZARAGOSA PFC

\$101,610,000

**RESIDENTIAL DEVELOPMENT REVENUE BONDS, SERIES 2023
(HOME ESSENTIAL FUNCTION HOUSING PROGRAM
(TUSCANY AT MESA HILLS AND VILLAS AT ZARAGOSA) PROJECT)**

Dated: Date of Initial Delivery

Due: December 1, 2033 as shown on inside cover

EP Tuscany Zaragoza PFC (the "Issuer") is issuing its Residential Development Revenue Bonds, Series 2023 (HOME Essential Function Housing Program (Tuscany at Mesa Hills and Villas at Zaragoza) Project) (the "Bonds") in the aggregate principal amount of \$101,610,000, pursuant to a Trust Indenture dated as of December 1, 2023 (the "Indenture"), between the Issuer and Wilmington Trust, National Association, as trustee (the "Trustee"), as fully registered bonds which initially will be registered in the name of Crelx & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as initial securities depository for the Bonds. Purchases of interests in the Bonds will be made in book-entry form only in denominations of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased, except as described herein. Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2024, until maturity or prior redemption or acceleration, whichever occurs first. As long as the Bonds are registered in the name of DTC or its nominee, principal of, premium, if any, and interest on the Bonds will be paid by the Trustee to DTC, which will remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the purchasers of interests in the Bonds. See Appendix E – "DTC's Book-Entry Only System."

The Bonds are subject to acceleration of maturity and redemption prior to maturity at the redemption prices and under the circumstances described herein. See "The Bonds – Redemption of the Bonds."

The proceeds of the Bonds will be applied for the purpose of (i) financing the acquisition of (a) a multifamily rental housing development consisting of a total of 399 units and related improvements, personal property and equipment currently known as Tuscany at Mesa Hills Apartments (the "Tuscany at Mesa Hills Facilities") and the related land and real property in the City of El Paso, Texas (together with the Tuscany at Mesa Hills Facilities, the "Tuscany at Mesa Hills Project"); and (b) a multifamily rental housing development consisting of a total of 216 units and related improvements, personal property and equipment currently known as Villas at Zaragoza Apartments (the "Villas at Zaragoza Facilities") and the related land and real property in the City of El Paso, Texas (together with the Villas at Zaragoza Facilities, the "Villas at Zaragoza Project") and, together with the Tuscany at Mesa Hills Project, the "Project"; (ii) financing the cost of certain capital improvements to the Project; (iii) funding deposits to the Capitalized Interest Account of the Project Fund; and (iv) paying costs and expenses incidental to the issuance of the Bonds. See "PLAN OF FINANCE."

The principal of and interest on the Bonds will be payable solely from the Trust Estate, which includes all Net Operating Income of the Project, the General Revenues of the Housing Authority of the City of El Paso d/b/a Housing Opportunity Management Enterprises d/b/a HOME ("HOME" or the "Sponsor"), as the parent entity of the Issuer, provided under the Funding Agreement following a Debt Service Shortfall, a bond of Trust creating a senior lien on the property and improvements comprising the Project thereon, and other funds and accretions under the Indenture (other than the Refuse Fund) and certain other security, all to the extent described under the caption. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and Appendix A – "DEFINITIONS OF CERTAIN TERMS; SUMMARY OF CERTAIN PROVISIONS OF THE FINANCIAL DOCUMENTS – THE FUNDING AGREEMENT" and – The Indenture" herein.

THE ISSUER SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON, THE BONDS SOLELY OUT OF THE TRUST ESTATE. THE BONDS SHALL BE A SPECIAL LIMITED OBLIGATION OF THE ISSUER PAYABLE SOLELY FROM THE TRUST ESTATE. THE BONDS SHALL CONSTITUTE A VALID CLAIM OF THE RESPECTIVE OWNERS THEREOF AGAINST THE TRUST ESTATE, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS AND WHICH SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THE INDENTURE. THE BONDS SHALL NEVER CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE ISSUER, THE STATE OF TEXAS (THE "STATE"), THE CITY OF EL PASO, TEXAS (THE "CITY"), THE SPONSOR (EXCEPT AS PROVIDED IN THE FUNDING AGREEMENT) OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION WHATSOEVER, NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY, THE SPONSOR, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE BONDS OR THE INTEREST OR ANY PREMIUM THEREON OR OTHER COSTS INCIDENT THEREON. NEITHER THE MEMBERS OF THE BOARD OF DIRECTORS OF THE ISSUER NOR ANY PERSON EXECUTING BONDS SHALL BE LIABLE PERSONALLY ON THE BONDS BY REASON OF THE ISSUANCE THEREOF. THE ISSUER HAS NO TAXING POWER.

NO MEMBER, DIRECTOR, OFFICER, AGENT, EMPLOYEE OR ATTORNEY OF THE ISSUER, INCLUDING ANY PERSON EXECUTING THE INDENTURE OR THE BONDS, SHALL BE LIABLE PERSONALLY ON THE BONDS OR FOR ANY REASON RELATING TO THE ISSUANCE OF THE BONDS. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS, OR FOR ANY CLAIM BASED ON THE BONDS, OR OTHERWISE IN RESPECT OF THE BONDS, OR BASED ON OR IN RESPECT OF THE INDENTURE OR ANY SUPPLEMENTAL INDENTURE, AGAINST ANY MEMBER, DIRECTOR, OFFICER, EMPLOYEE OR AGENT, AS SUCH, OF THE ISSUER OR ANY SUCCESSOR, WHETHER BY VIRTUE OF ANY CONSTITUTION, STATUTE OR RULE OF LAW, OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, ALL SUCH LIABILITY BEING, BY THE ACCEPTANCE OF THIS SERIES AND AS PART OF THE CONSIDERATION FOR THE ISSUANCE OF THE BONDS, EXPRESSLY WAIVED AND RELEASED.

This cover page contains only a brief description of the Bonds. It is not intended to be a summary of material information with respect to the Bonds. Investors must read the entire Official Statement to obtain information necessary to make an informed investment decision regarding the Bonds. There are risks associated with purchase of the Bonds. For a discussion of certain of these risks, see "CERTAIN BUSINESS RISKS."

The Bonds are offered sales, as and if issued by the Issuer and received by KeyBanc Capital Markets Inc. (the "Underwriter"), subject to prior sale, and to the approval of mobility and certain other legal matters by the Attorney General of the State of Texas and Bancroft LLP, Bond Counsel to the Issuer. In connection with the issuance and sale of the Bonds, certain legal matters will be passed on for the Issuer by Mendenhall Bancroft & Palsola, PLLC, counsel to the Issuer, and for the Underwriter by its counsel Kline Alexander Veto, P.C. Norris, George & Ostrow PLLC has acted as Disclosure Counsel to the Issuer in the financing. It is expected that the Bonds in definitive form will be available for delivery to the Trustee on behalf of DTC by First Automated Securities Transfer (FAST), on or about December 7, 2023.



Dated: November 29th, 2023



Project Financing

Sources:

Principal Amount of Bonds	\$101,610,000.00
Original Issue Discount	(2,856,257.10)
Total Sources	\$98,753,742.90

Uses:

Deposit to Acquisition Account of the Project Fund	\$86,462,415.48
Deposit to Project Account of the Project Fund (primarily for Capital Expenditures)	8,620,364.00
Deposit to Capitalized Interest Account of the Project Fund	1,993,774.00
Costs of Issuance ⁽¹⁾	1,677,189.42
Total Uses	\$98,753,742.90

Annual Interest Payment: \$4.064mm

NOI: \$6.03mm (real estate tax exemption) {\$6.59mm Projected Y1 w/ CapEx}

I/O Coverage: 1.48x

Income Restrictions: 50% at 80% AMI, 90% at 160% AMI

Loan Terms: Principal due year 10 (prepayable, in part/whole, in year 5)

Professional Transaction Costs: ~1.6% of total transaction

Application: Housing Authority of DeKalb County (2023)

HADC issued ~\$105 million in General Revenue Bonds in December 2023 to finance 100% LTDC for the new construction of its Kensington Station Project

	<u>Series 2023A Bonds</u>
Source of Funds	
Series 2023A Bond Proceeds	\$103,003,078.50
Investment Earnings	<u>4,822,345.04</u>
Total Sources of Funds	\$107,825,423.54
Uses of Funds	
Construction	\$88,958,203.51
Soft Costs ⁽¹⁾	5,169,926.44
Capitalized Interest	11,896,614.99
Costs of Issuance ⁽²⁾	<u>1,800,678.60</u>
Total Uses of Funds	\$107,825,423.54

Annual Interest Payment: \$4.22mm

NOI: \$4.95mm at stabilization (real estate tax exemption)

I/O Coverage: 1.17x

Loan Terms: Principal due yr. 10 (prepayable, in part/whole, in yr. 7)

A+ Rating from S&P

KeyBanc used its expertise in the Public Housing space to assist HADC in establishing its "A+" rating from S&P

Debt Structure

Using the A+ Rating, the Authority was able to issue 10-year interest only bonds for the entirety of the expected development costs of the project

All-in tax-exempt interest cost was ~4.30%, 7-year call option at par

Project Summary

Mixed use, located near local rail stop

Project will include office space, a parking garage, and 259 units specifically for family and seniors

Senior units restricted to 50% AMI and age of 55+

Family units restricted to 100% AMI

Timeline and Expectations

Financial closing took ~60 days from rating establishment

Construction timeline - ~4 years (relatively high reinvestment rates significantly lowered negative arbitrage)



Flexible and National Applicability

Investment Grade PHAs can access capital through capital markets bond sales with sharply lower costs.

- 1 Long-Term Partnership**
 Many PHAs are development minded and are willing to partner with the right groups to help drive affordability and improve / diversify their housing stock. This can present developers with opportunities to scale up their work
- 2 Immediate Financial Benefits**
 PHAs have the power to, with their General Revenue pledge, purchase properties with 100% (+) leverage, greatly simplifying a deal's capital stack and reducing redundant costs / underwriting
- 3 Flexibility**
 Once a PHA has its rating from S&P, it can execute a transaction from beginning to end in as little as two months, allowing deals to work on acquisition timeframes without need for bridge financing
- 4 Affordability**
 Less restrictive underwriting guidelines allow developers to tailor projects both towards profitability and towards addressing specific community needs. Less of a one-size fits all product and more tailored to what a community needs

PHAs Who Issue General Revenue Bonds with KBCM Include:

