

# The Bond Market and Housing Affordability: Strategies for Success



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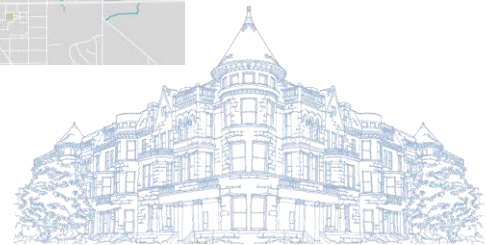
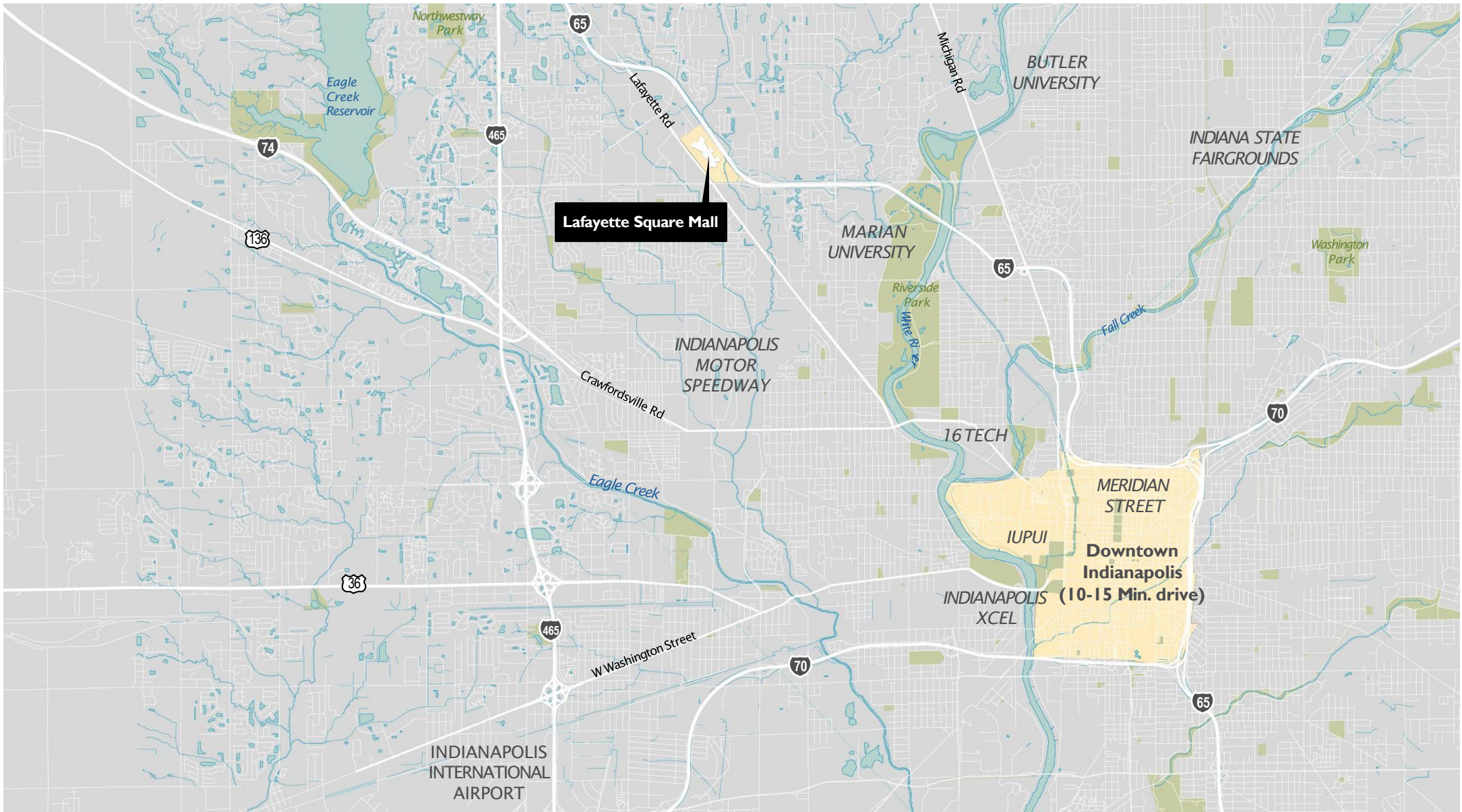
# Lila at The Square

144 Units | LIHTC + ITC | Indianapolis, IN



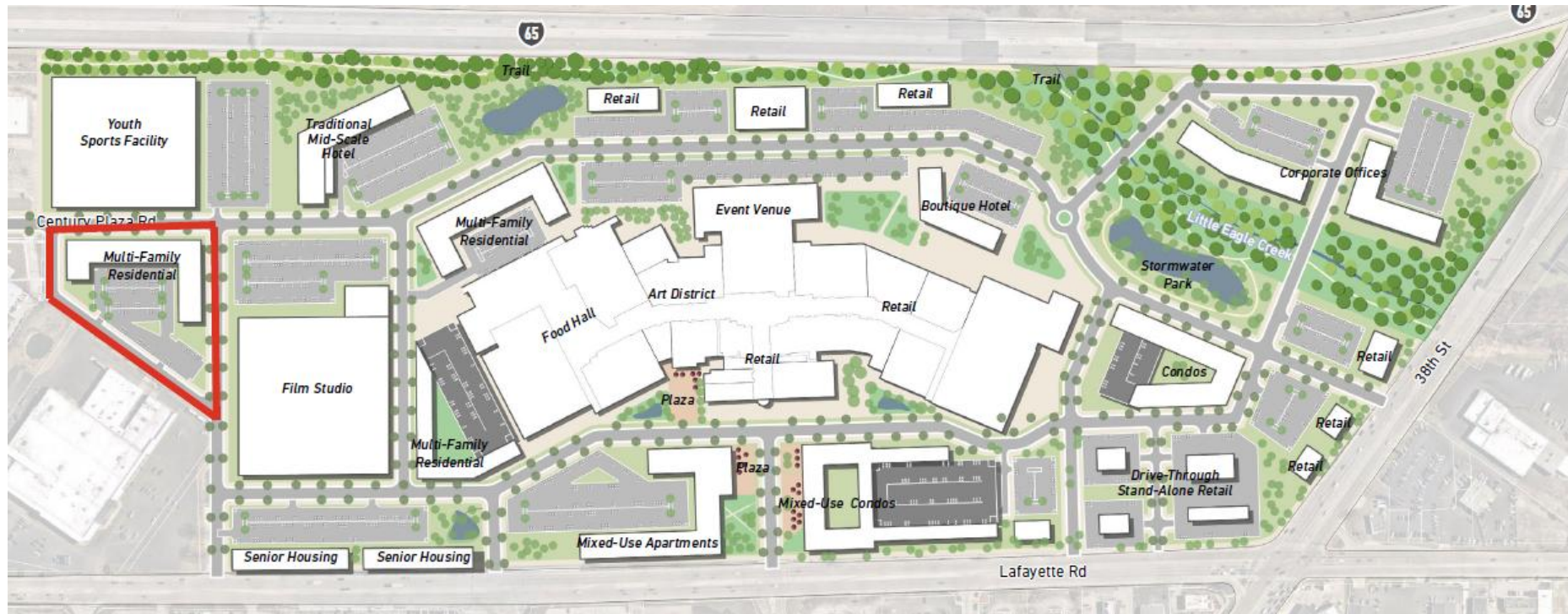
- **Phase I anchor of master plan to reposition Lafayette Square Mall (Site 2 of 20+)**
- **100% affordable new construction, delivering deep income targeting at 40–70% AMI with Average Income Set-Aside**
- **Federal & Indiana LIHTC with state volume cap (Tax-Exempt Bonds)**
- **Solar investment tax credits (ITC) via a 100% demand-offset PV system**
- **City soft funds and PILOT layered with subordinate IHCDA Dev Fund**
- **Project-Based Vouchers from Indianapolis Housing Agency**
- **Ground lease from Qualified Opportunity Zone Fund, preserving capital stack flexibility**
- **1st to market under a 70+ acre transformation with multi-use residential, hotel, and entertainment assets**





# Architecture & Project Programming

- First phase brings together with key amenities including Youth Sports Facility, Dining, and employment opportunities
- Exterior massing aligns with full build-out intent of The Square master plan





# Capital Stack – Sources & Uses

Total Development Cost: \$46.2M | Cost/Unit: \$320,805

## Sources:

- Federal LIHTC Equity (CRA-motivated): \$19.47M
- State LIHTC Equity: \$714K
- Energy Tax Credit Equity (ITC): \$1.15M
- Perm Debt (R4 Debt @ 6.15%): \$20.4M
- Soft Funds (HOME, CRED, IHCDA Dev Fund): \$1.6M+
- Deferred Dev Fee: \$1.65M

## Uses:

- Hard Costs (incl. solar): \$30.5M
- Soft Costs: \$3.2M
- Developer Fee: \$5.4M
- Financing, Reserves, Interim Interest: \$7M+

**\*\*\*Investor Benefit: Maximized eligible basis with near full credit monetization. ITC enhances blended equity yield\*\*\***



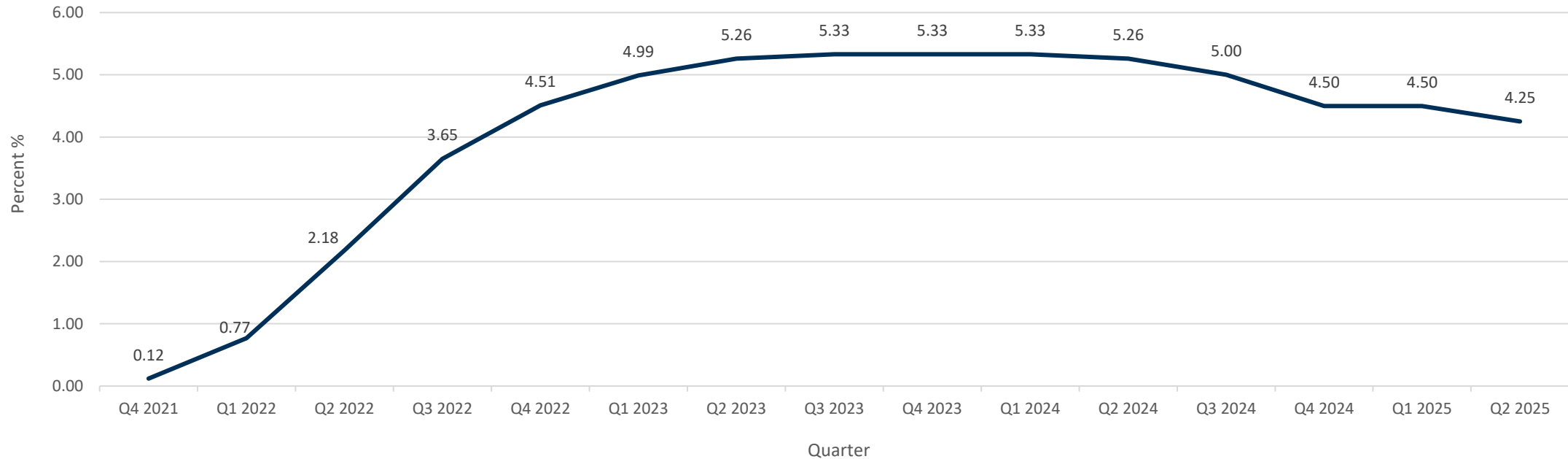
# Execution Narrative

## Development Headwinds Navigated

- 1. 2024 bond round loss by 1 point; advanced from waitlist to allocation**
  - 2. Received only 15% of initial LIHTC ask – restructured capital to close gap**
  - 3. Closed funding delta with City HOME + CRED increases**
  - 4. Integrated solar PV system cost premium, captured ITC, and offset utility line item under owner pay UA structure**
  - 5. AMI growth in Indianapolis MSA raised max rents; improved debt sizing by 9%**
- Illustrates a responsive capital strategy and municipal coordination in a competitive LIHTC market.*



# Fed Funds Rate Q4 2021-Q2 2025



- **Between March 2022 and July 2023, the Fed implemented 11 rate hikes, moving the federal funds rate target range from 0.00%-0.25% to a peak range of 5.25%–5.50% (+525bps)**
- **Three rate cuts between September and December 2024 (-100bps), bringing the range down to 4.25%–4.50%**
- **The market expects 3-4 further rate cuts through 2026, with a .25% cut on or prior to September of 2025**

Source: Bloomberg, Thomson Reuters, FRED

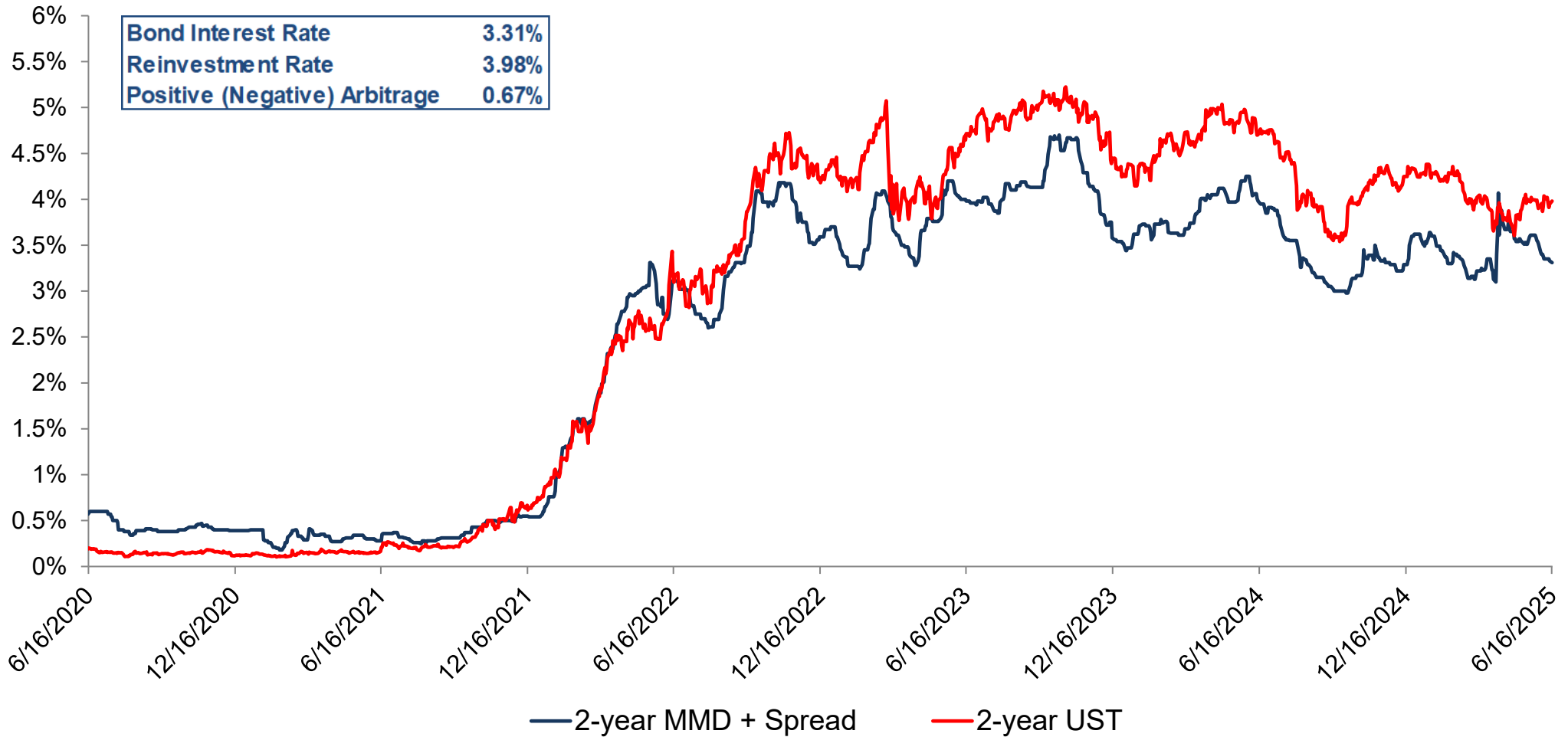
Reflects market conditions as of June 16, 2025

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\*From January 1, 2010 to Current



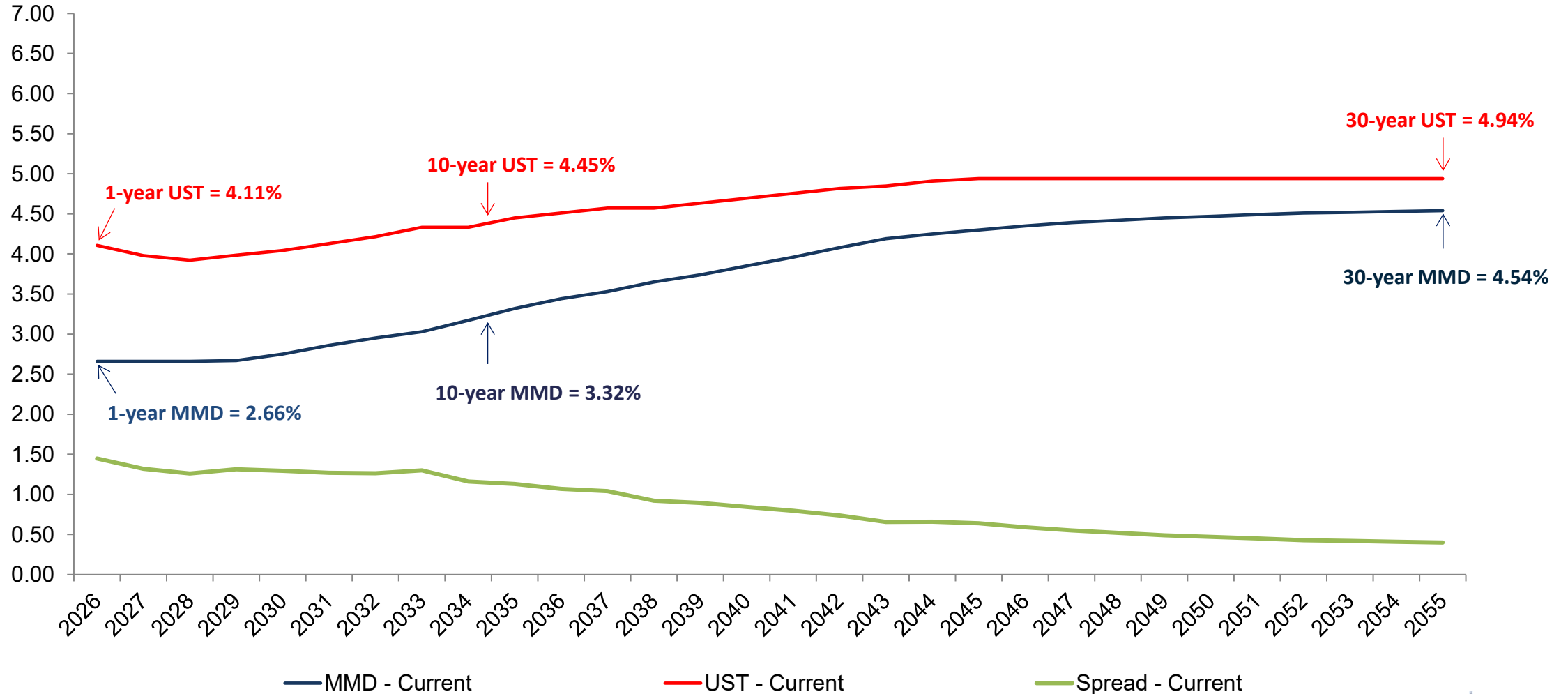
# 2-Year Short-Term Yield Curves Past 5 Years



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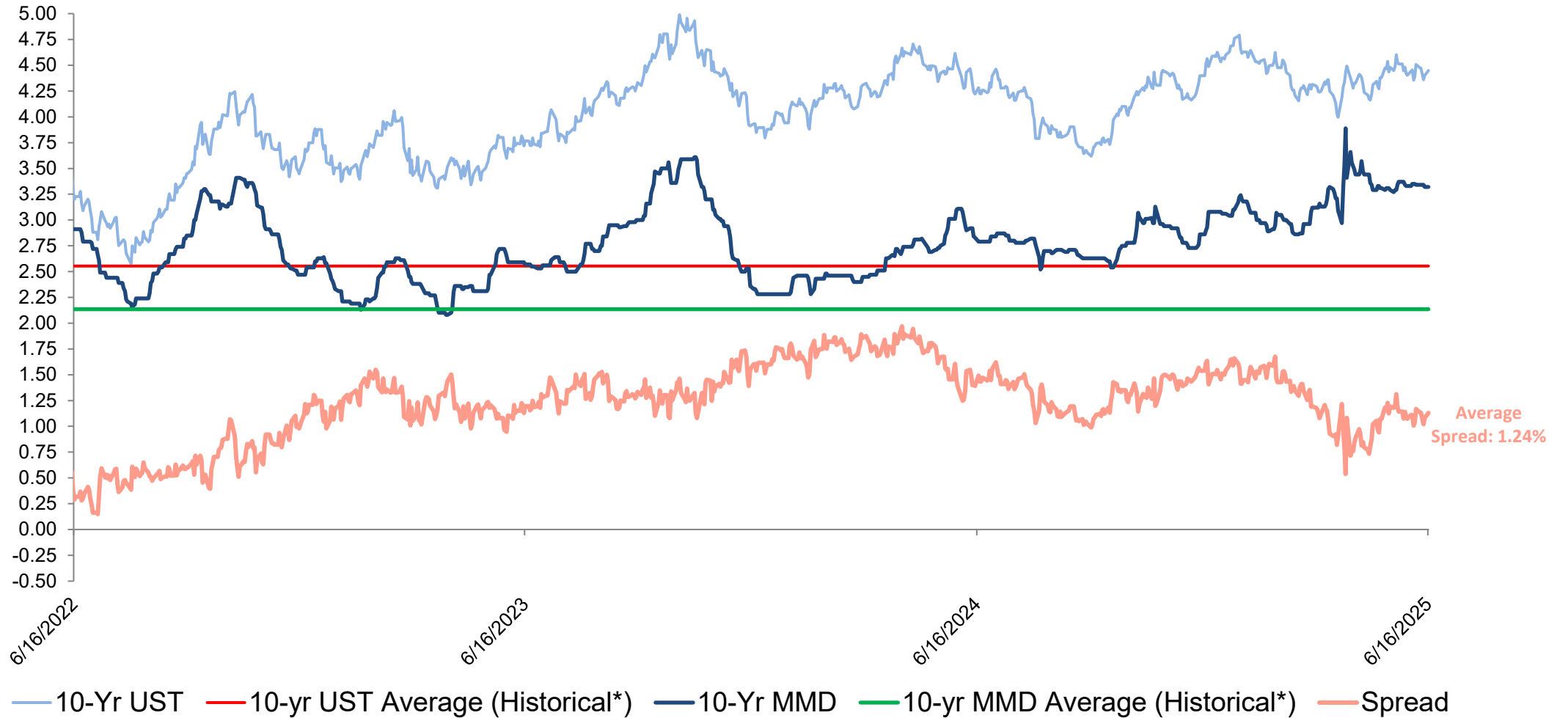
# Yield Curve: Taxable UST vs. Tax-Exempt MMD (as of 6/16/2025)



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# Long-Term Rates – Past 3 Years 10 YR UST vs 10 YR MMD



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## PRIVATE PLACEMENT Traditional Vs. Collateralized Structure

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**JAMES SPOUND**

President, R4 Capital Funding



R4 CAPITAL  
FUNDING



# Private Placement Comparison

	TRADITIONAL	CASH-COLLATERALIZED	DELTA
<b>SOURCES</b>			
R4CF Tax-Exempt Mortgage	\$20,600,000	\$20,600,000	-
Reinvestment Income <sup>(1)</sup>	-	2,669,683	2,669,683
Subordinate Loans	1,600,000	1,600,000	-
Energy Credits	1,147,461	1,147,461	-
Pre-Stabilization NOI	610,000	610,000	-
GP Equity	100	100	-
Federal LIHTC Equity <sup>(2)</sup>	19,471,000	19,796,000	325,000
State Tax Credit Equity	714,082	714,082	-
Deferred Developer Fee <sup>(3)</sup>	1,738,510	1,595,463	(143,047)
<b>TOTAL</b>	<b>\$45,881,153</b>	<b>\$48,732,789</b>	<b>2,851,636</b>

<sup>(1)</sup> Reinvestment Income based on current 3 -year Treasury yield

<sup>(2)</sup> Increased Federal LIHTC Equity generated by additional construction interest

<sup>(3)</sup> Deferred Developer Fee adjusted to balance



# Private Placement Comparison

	TRADITIONAL	CASH-COLLATERALIZED	DELTA
<b>USES</b>			
Acquisition Costs	\$0	\$0	-
Hard Construction	30,667,188	30,667,188	-
Soft Costs	2,678,916	2,678,916	-
Construction Interest Expense <sup>(1)</sup>	4,057,534	6,604,742	2,547,208
Financing & Issuance Costs <sup>(2)</sup>	2,300,689	2,533,989	233,300
Reserves	750,200	750,200	-
Developer Fee	5,426,626	5,497,754	71,128
<b>TOTAL</b>	<b>\$45,881,153</b>	<b>\$48,732,789</b>	<b>2,851,636</b>

<sup>(1)</sup> Includes TE Bond Interest + Additional Construction Loan Interest

<sup>(2)</sup> Includes higher legal and issuance costs



# Overview: Private Placement Cash-Collateralized Structure

- **At Closing: Tax-Exempt Loan is Issued**
  - Term of the development period
  - Secured by matched-term cash equivalent
  - Ratable and sold by *third-party Broker-Dealer*
  - Remains cash-collateralized through development period
- **At Closing: Lender (R4CF Investor) provides Taxable Construction Loan secured by real estate**
  - Draws on taxable are deposited with Trustee as tax-exempt proceeds are released to per construction requisitions.
- **At Closing: Lender (same R4CF Investor) provides a Forward Commitment for Tax-Exempt Permanent Loan**
- **At Conversion: Lender (same R4CF Investor) acquires and converts Tax-Exempt Loan**



# Construction-Thru-Perm Versus Cash-Collateralized (“CC”) Structure

*Objective: Maximize combined “NET” LIHTC Equity and Permanent Loan proceeds for development costs*

## Certainties

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- CC delivers higher basis to increase equity proceeds
- Traditional structure offers pre-determined spreads (predictable borrowing rate)

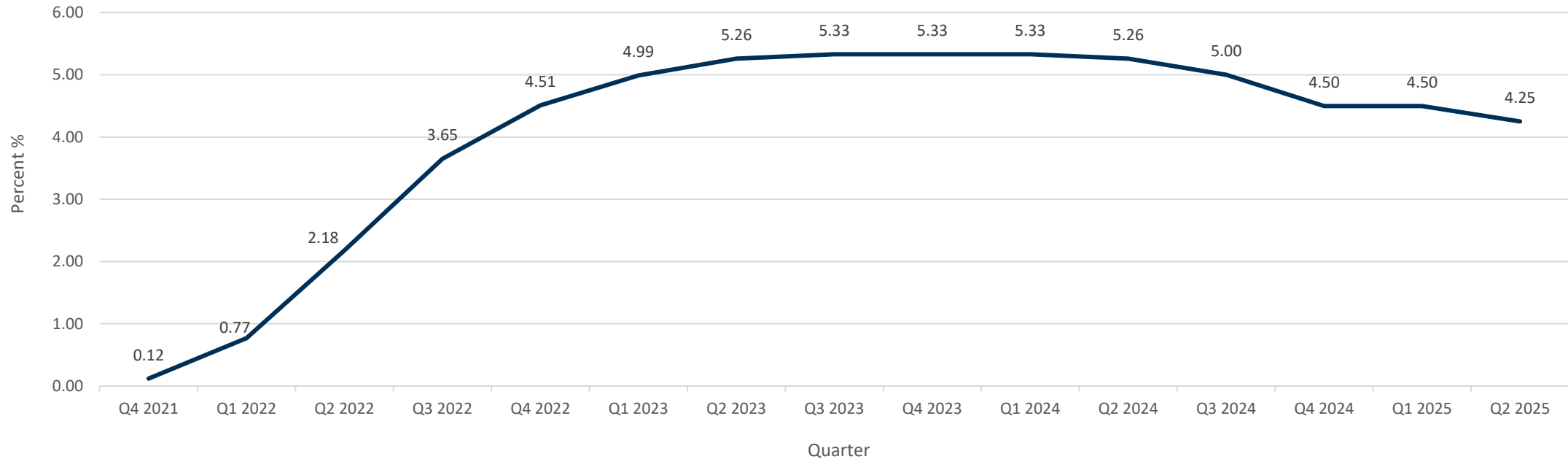
## Other Drivers and Considerations

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- Interest Rates and Yield Curve
  - Higher rates creates more positive arbitrage
  - Flatter yield curve also creates more basis
- Portion of Capitalized Interest not In-Basis (post-Completion to Conversion).  
How quick will property lease-up?
- Interest Income from CC reinvestment may result in tax liability to GP, or lower equity price.
- Transaction Costs
  - Underwriting of Public Issuance
  - Legal Fees (Bond Counsel, Construction Lender Counsel, Forward Lender Counsel, Developer’s Counsel)



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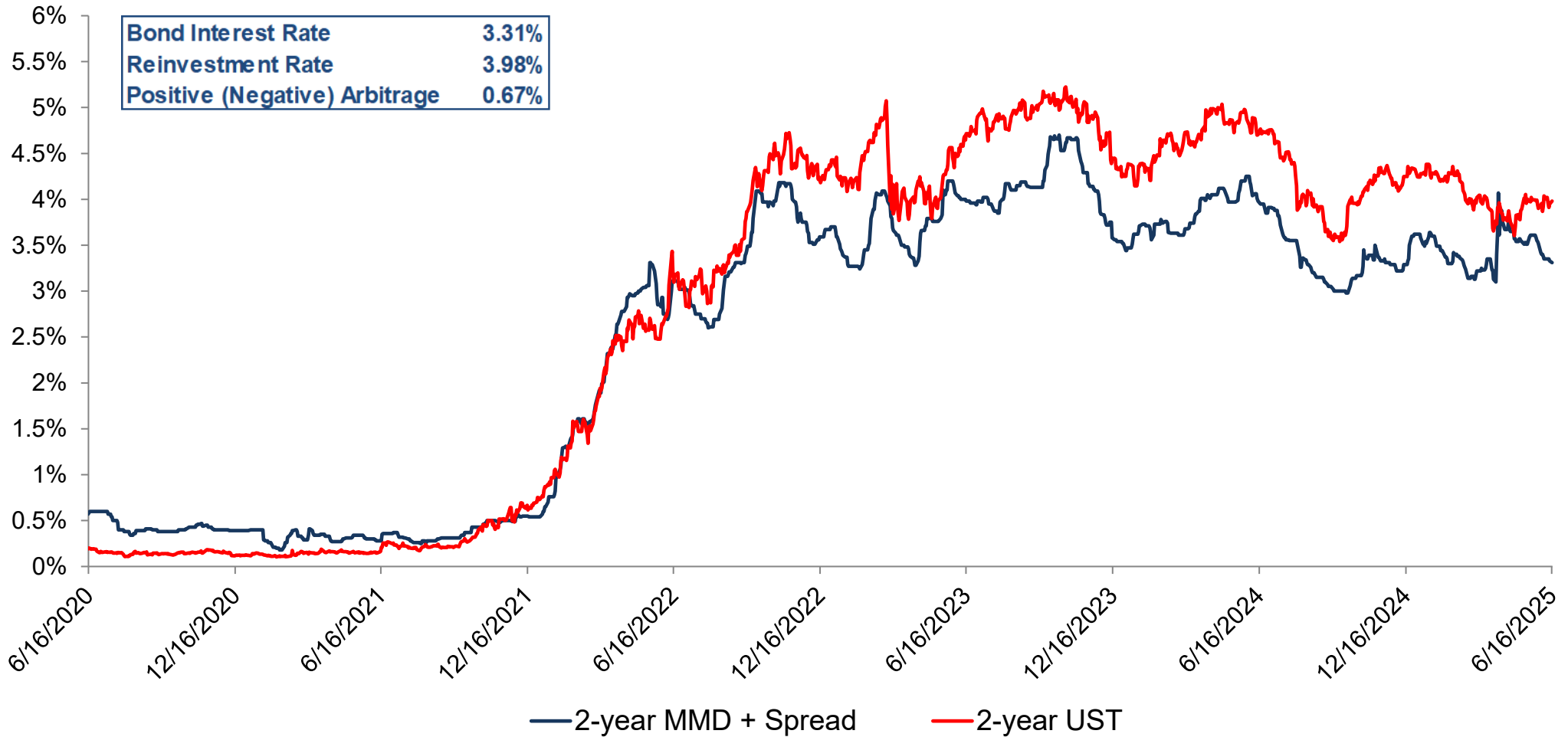
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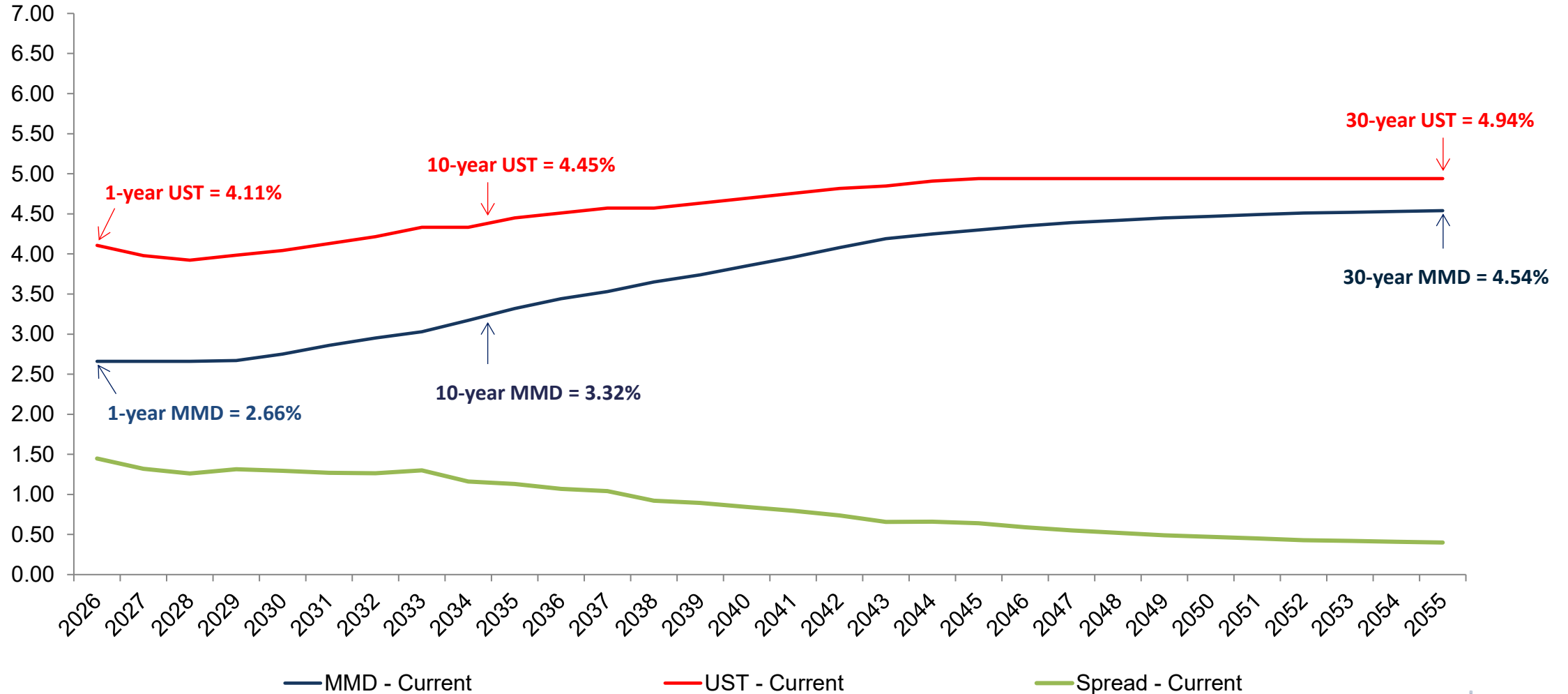
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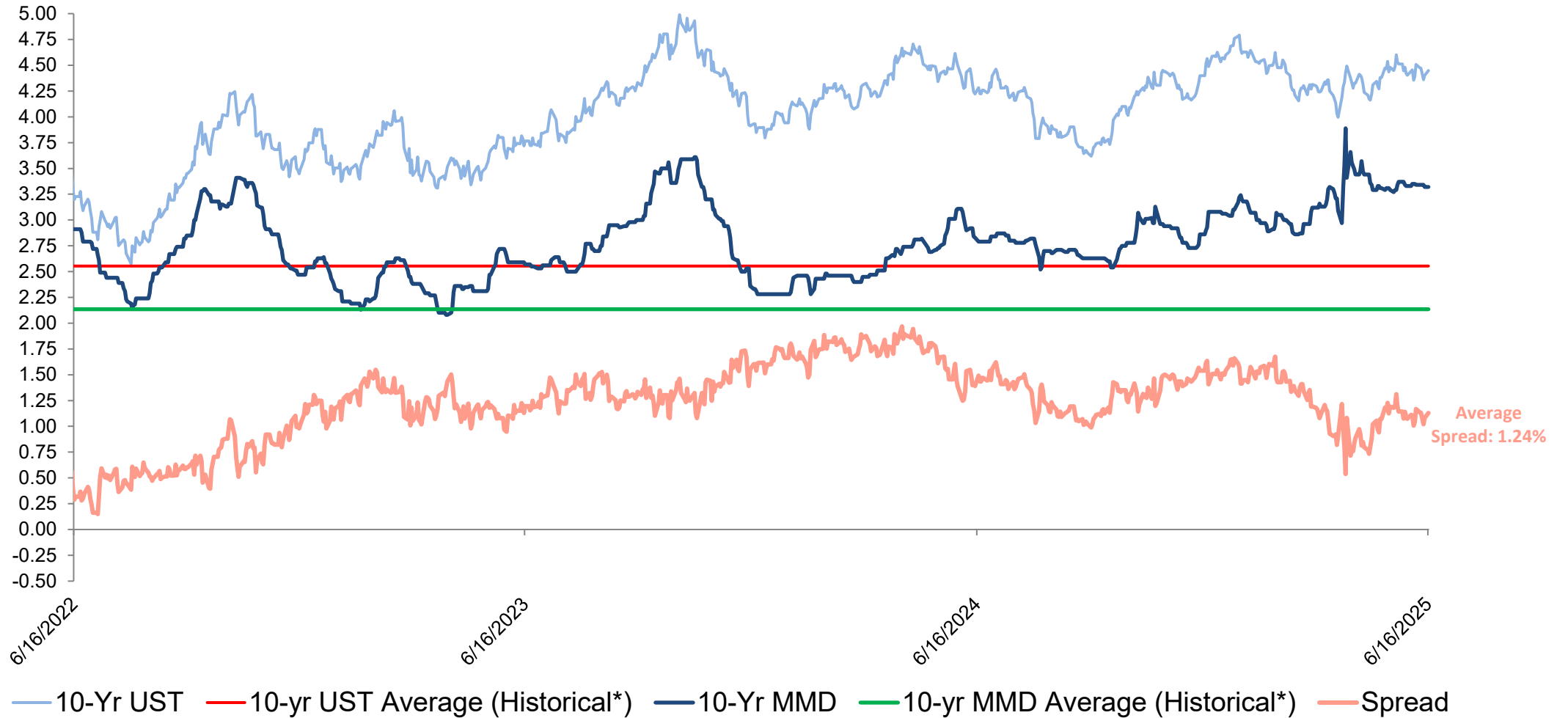
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