WSHFC

Washington State Housing Finance Commission

Financing Rural Portfolios

MULTIFAMILY HOUSING NONPROFIT HOUSING TAX CREDITS

November'11

Refocusing on Senior Housing

MULTIFAMILY HOUSING NONPROFIT HOUSING TAX CREDITS

Myth Busting

Seniors retire & move to Florida, Arizona, Costa Rica, or anyplace warm.

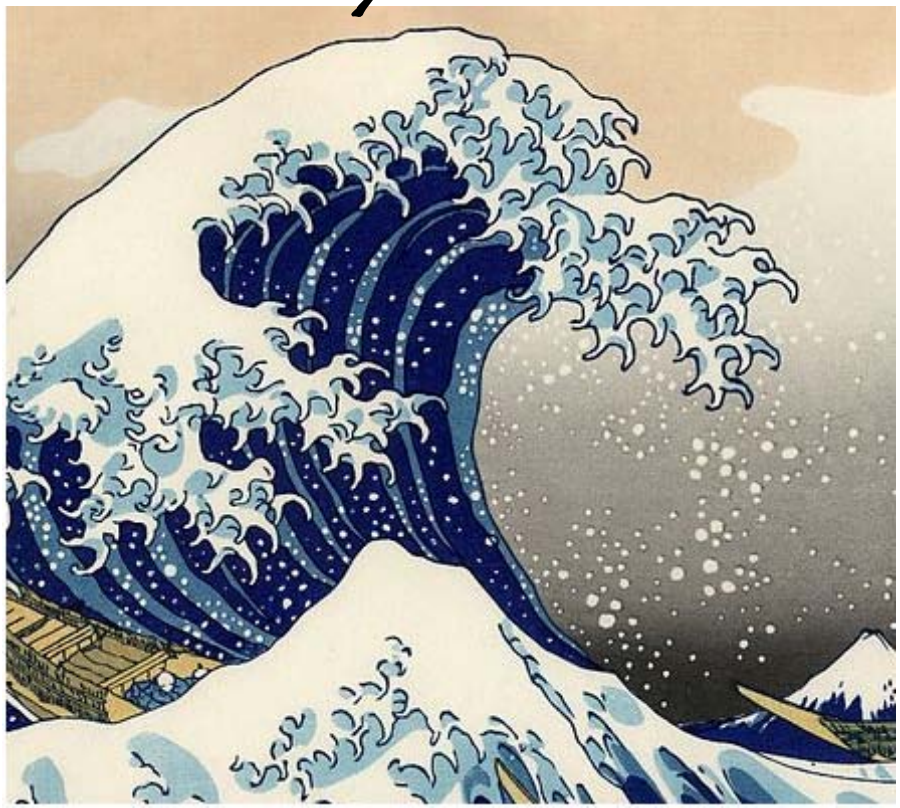
5% > 55 move compared to 17% < 55

Of 5% who move 50% stay in same county

MULTIFAMILY HOUSING NONPROFIT HOUSING TAX CREDITS

Washington is Aging

The Gray Tsunami



2010 Census % Growth Rates By Age Group

65 and 0lder up 25%	Gen. Pop. Up 14%
Twlxt 60 & 64 Up 81%	85 and older Up 40%

827K 65 yrs + (228K 80 yrs +)

382K twixters (60 to 64 yrs)

1 out of 5 Washingtonians are 60 yrs and above

MULTIFAMILY HOUSING NONPROFIT HOUSING TAX CREDITS

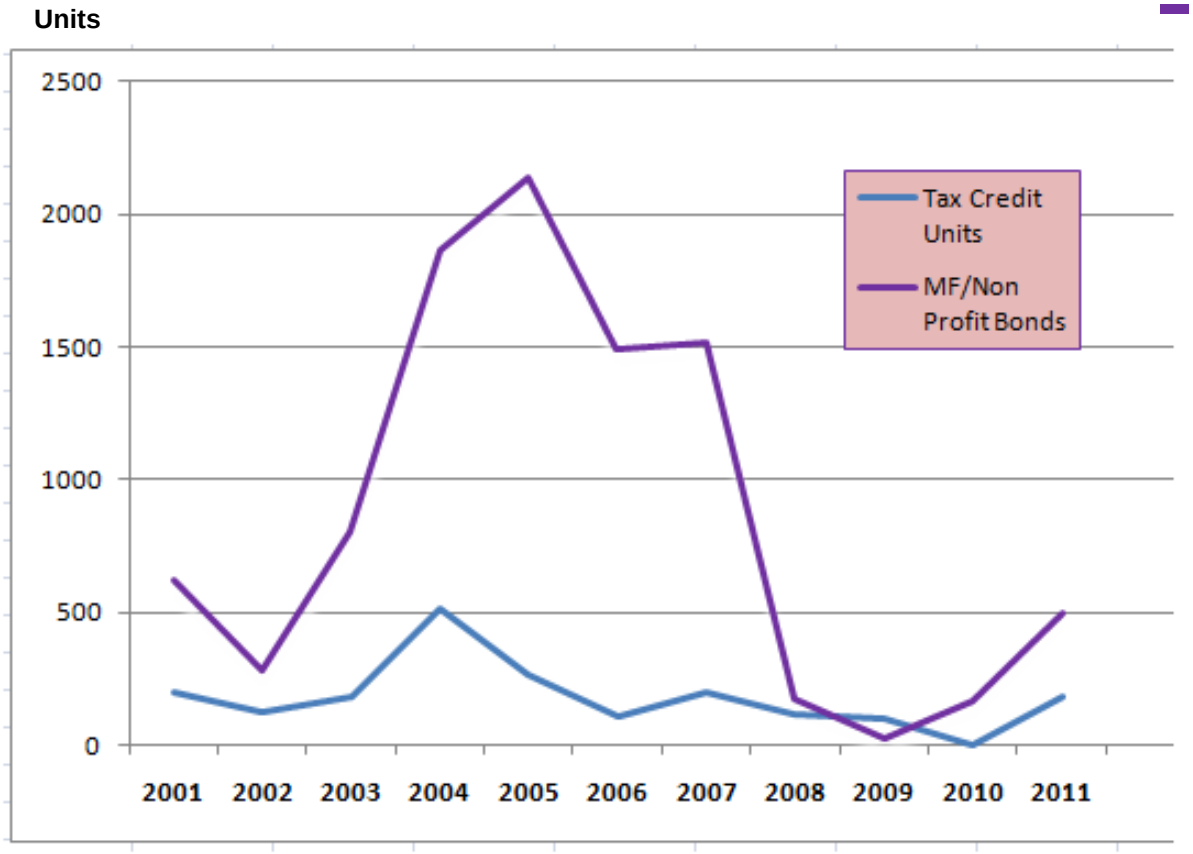
Seniors Want to—
**Age in Place*

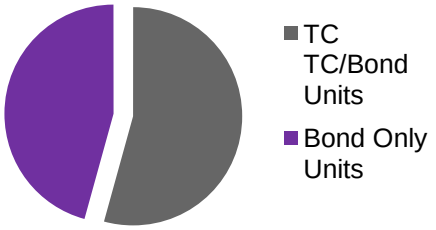
So Communities Should:

- Play role in promoting home modification programs
- Design for Seniors: lights, street signs
- Zone, Zone and Zone for: universal design multi-unit dwellings, assisted living, nursing/active communities, accessory dwelling units
- Facilitate (enable) in home/home care services
- Dwelling accommodations (smaller garbage receptacles)
- Active – day facilities

MULTIFAMILY HOUSING NONPROFIT HOUSING TAX CREDITS

What We Have Done -*Production





TC TC/Bond Units = 6291
Bond Only Units = 5295

What is the Low-Income Housing Tax Credit?

- ✓ Created by the Tax Reform Act of 1986, codified in Section 42 of the Internal Revenue Code
- ✓ Primary vehicle for low-income rental housing construction and rehabilitation in the U.S.
- ✓ A $9 Billion industry creating and preserving affordable rental housing.
- ✓ Two types of credit: 9% and 4%
- ✓ Washington State 2011 Per Capita Authority = $2.15 x 6,724,540 people x 10 years = $145M

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How are the Credits Turned Into Equity for the Project?

- ✓ Commission allocates credits to a project
- ✓ Investors give $$$ to a project in exchange for tax credits
- ✓ Investor receives a dollar for dollar reduction in federal tax liability over 10 years

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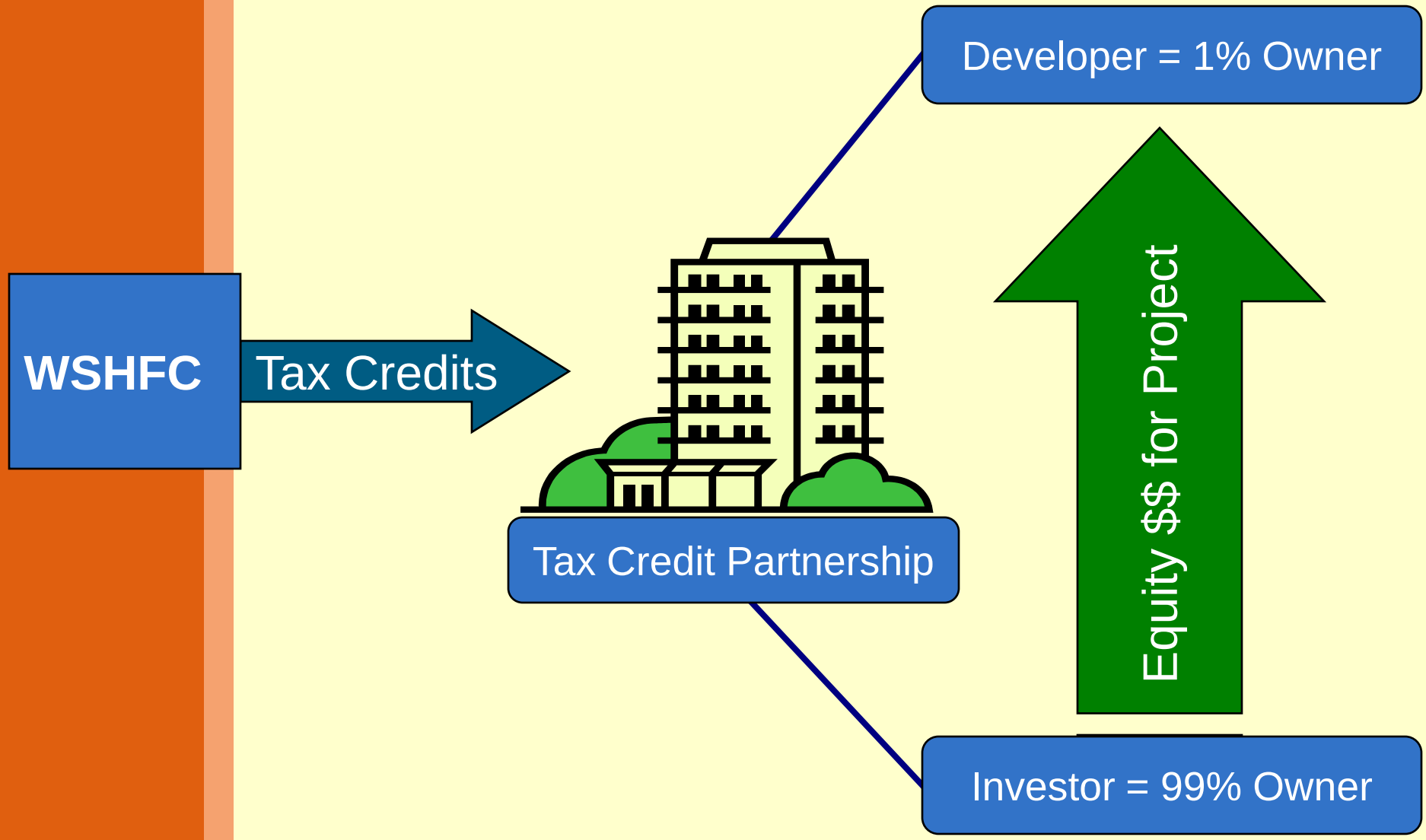
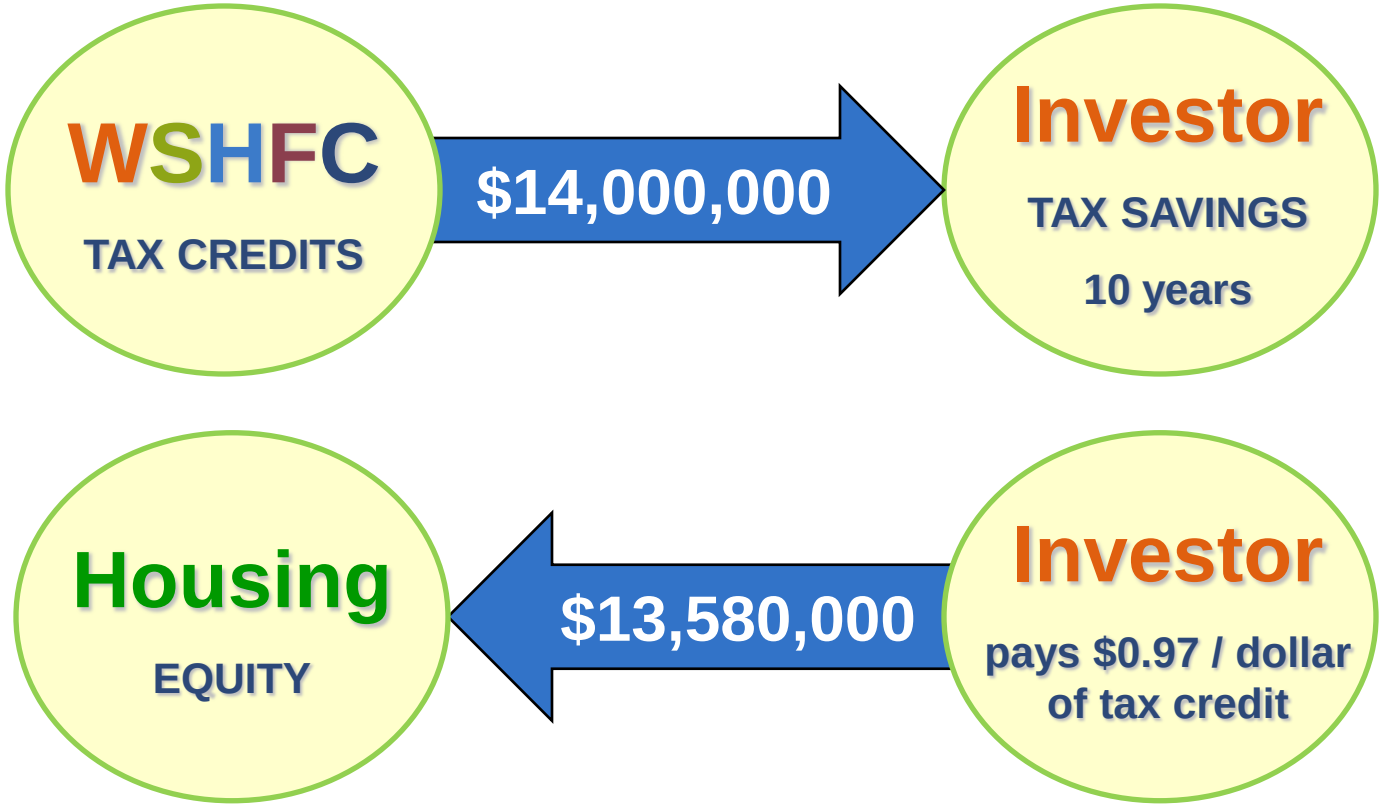
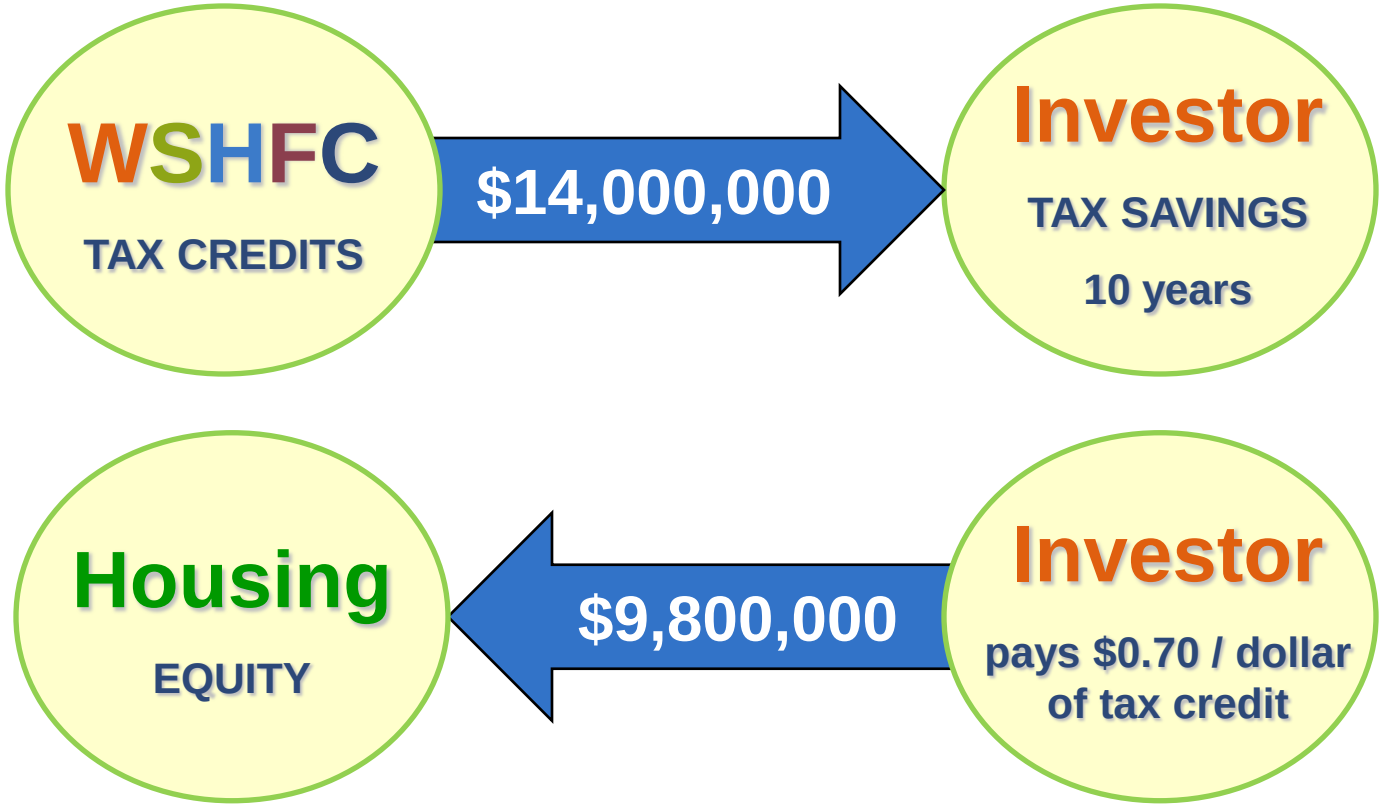
How are the Credits Turned Into Equity for the Project?



Credit to Equity

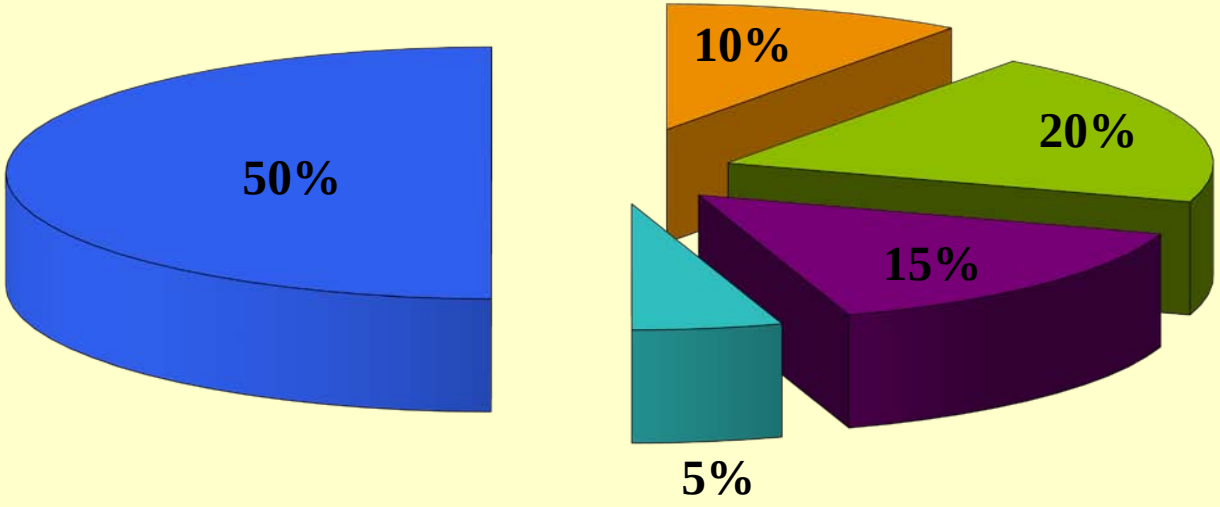


Credit to Equity



Competitive Credit Set-Asides

- Qualified Nonprofit (10%)
- HOPE VI (20%)
- Rural Housing (15%)
- Rural Dev. Program (5%)
- General Pool (50%)



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Public Benefit Point Criteria

- Lower Income Targeting
- Commitment to Serve Special Needs Populations
  - Homeless or Farmworker
  - Large Household, Disabled, Elderly
- Longer Regulatory Agreements
- Leveraging of public resources
- Housing Needs by Geography
- Limiting of Developer Fee
- Preservation of Existing Affordable Units
- Rehabilitation
- Historic Preservation
- Area targeted for affordable housing development
- Nonprofit Sponsor

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What is a Tax-Exempt Bond?

- Tax-Exempt bonds are loans with below-market interest rates
- Bond buyer lends money for a project
- Borrower pays principal and interest
- Interest is tax-exempt for the bond buyer

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Commission Focus in the Capital Projects Programs

- Tax-exempt status of the bonds
- Borrower eligibility and uses of bond proceeds
- Bondholder protection
- Federal and state laws
- Public benefit
- Reputation in the bond market
- Identity of the financial risk-taker
  - Lender
  - Investor/bondholder
  - Credit enhancement provider

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Some Projects We Can't Finance

We can only finance projects that meet the federal and state requirements. Call us if you aren't sure if your project is eligible.

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Bond Structues

Two general structures:

Private Placements

- Bond is placed with a single investor

  (99.9% of the time a bank— higher interest rate / lower origination cost)

Public Sales

- Bonds are placed with many investors

  (backed by letters of credit, bond insurers— lower interest / higher origination)

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Streamlined Tax-Exempt Placement (STEP) Program

- STEP is for nonprofit 501(c)(3) orgs
- Typical STEP Bonds range from $300,000 to $5 million.
- Private placement to your bank.
- Standardized bond documents save time and money.

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The benefits are in the numbers…

Nonprofit Facility Project A

Total Project Cost	$2,775,000
Expected Equity	$750,000
Loan Amount	$2,025,000
Amortization	25 Years
Term	25 Years
Structure	Fixed Rate

Interest Rates	**STEP Bonds**	**Conventional Loan**
Recent bank rate 10 year fixed rate	5.77%	8.87%
+ Annual Commission Fee	0.25%	0.00%
Total Interest Rate	**6.02%**	**8.87%**

Monthly Payment	$13,072	$16,814
Monthly Payment Savings	**$3,742**	

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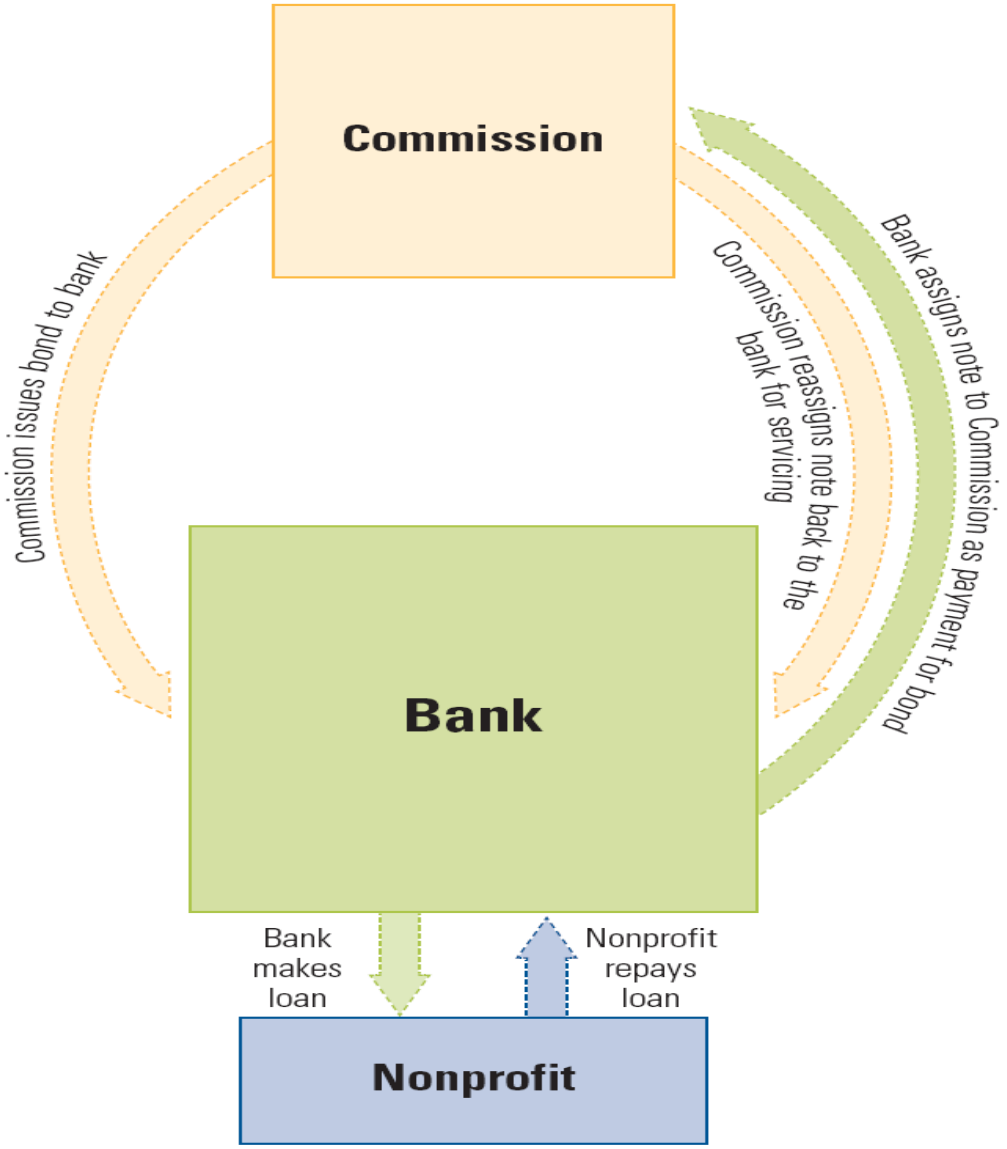
How Private Placements Work



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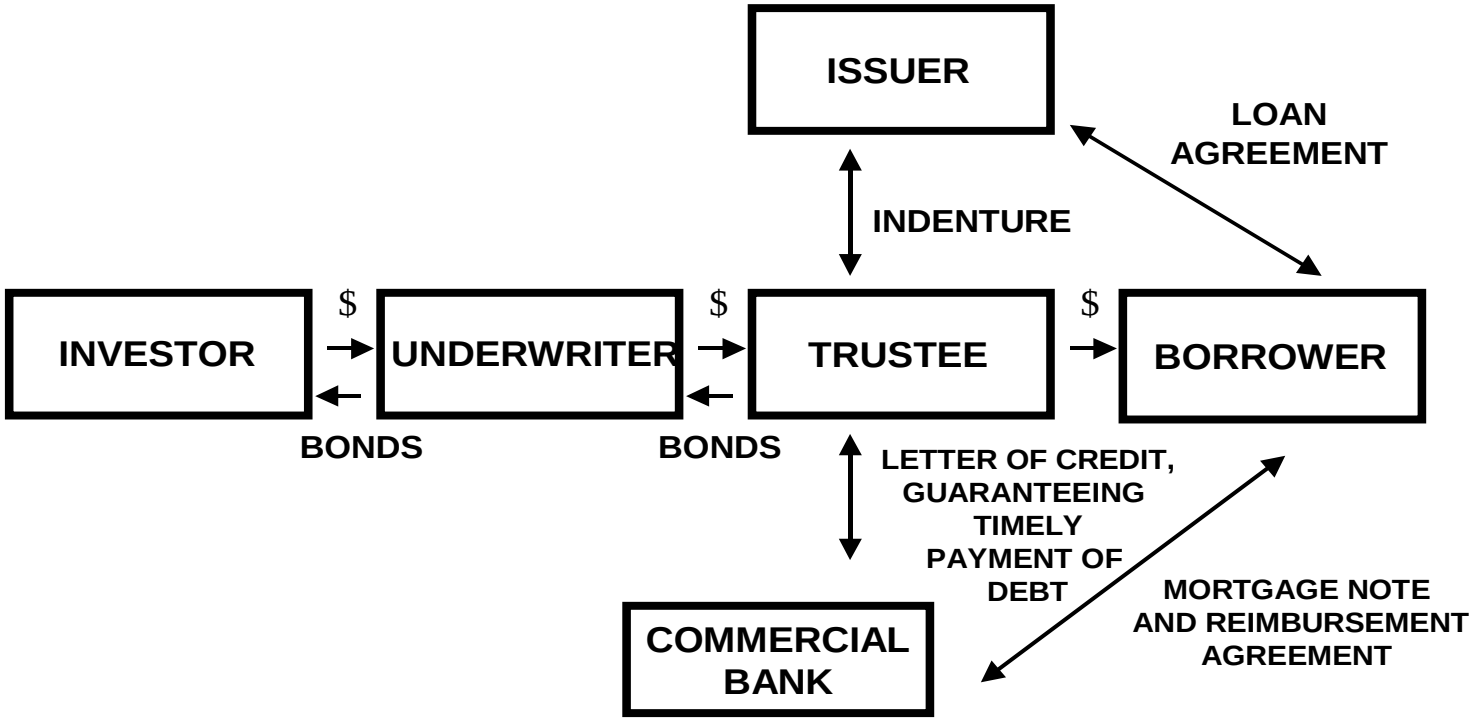
Public Sale

CREDIT ENHANCED STRUCTURE

LETTER OF CREDIT



Multifamily Housing Program

- Multifamily revenue bonds are subject to a federal limitation known as the “volume cap” or “bond cap”.

- The bond cap is the federally defined maximum level of tax-exempt “private activity” bonds that can be issued in the state for a given year based on a per capita allocation. The amount of bond cap allocated to Washington issuers is divided among various issuers of tax-exempt bonds pursuant to the Revised Code of Washington 39.86.100 et seq.

Right now there is plenty!!

Multifamily Housing Program

- For-profit developers and nonprofits using the 4% tax credits
- Must be rental housing
- Complete units with kitchen and bath & SRO
- New construction or acquisition with substantial rehab

Multifamily Housing Program

- Subject to bond cap availability

  (Again, we have plenty!!)

- Low-income set-asides required
  - 20% of the units for households at 50% of the area median income, or
  - 40% of the units for households at 60% of the area median income
  - Set-asides have income limits only, no rent limits

Timeline

Start

Initial developer inquiry

Pre-application meeting

Application submitted
(Day 1)

Lender or credit enhancer commitment
(Day 1 — 5 but not until scope of project is determined)

Scoping meeting

Public hearing
Day (30)

Regulatory Agreement meeting

Document reviews

Final commitment from lender or credit enhancer ***Day (55)***

Bond Financing Resolution
Day (60)

Pricing

Pre-closing/Closing
Day (90 or before)

Stop

TAX CREDITS

Housing Credit Timeline

Start

Pre-application requirements
60 days before application deadline
(October 15, 2011)

Application deadline
Day 1
(December 15, 2011)

Minimum Threshold Review and underwriting
30 to 60 days
(Jan, Feb 2011)

Rolling monthly approvals & public hearings
Day 30, 60 & 90
(Jan, Feb & March

Document review and contracting
Day 60-120
(Feb, March April)

Final commitment from investor
(5 months)

Project placed in service
Approx 24 months
(December 2014)

Stop

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When Does it All Begin?

Banks/Investors will not underwrite until they understand:

- The scope and expectations of the project
- The requirements of any rehab
- The requirements of any other funders
- Rental assistance, if any?

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Bonds and Housing Tax Credits are Simple !!

$$\sum_{i=1}^{300}\sum_{t=1}^{360} LS^{*}\frac{\gamma\int_{-\infty}^{D(r_t,R_t)}\int_{-\infty}^{D(r_t,R_t)}\frac{1}{\left(2\pi\sqrt{1-\rho^2}\right)}\exp\left\{-\frac{1}{2}\frac{1}{1-\rho^2}\left[R_t^{\,2}-2\rho R_t E_t+E_t^{\,2}\right]\right\}dR_t dE_t\prod_{\tau=1}^{t}\left(1+r_t\right)^{-\tau}}{\prod_{\tau=1}^{t}\int_{D(r_\tau,R_\tau)}^{\infty}\int_{D(r\tau,R_\tau)}^{\infty}\frac{1}{\left(2\pi\sqrt{1-\rho^2}\right)}\exp\left\{-\frac{1}{2}\frac{1}{1-\rho^2}\left[R_{t-1}^{\,2}-2\rho R_{t-1}E_{t-1}+E_{t-1}^{\,2}\right]\right\}dR_{t-1}dE_{t-1}}$$

$$300^{*}\sum_{t=1}^{T} t^{*}\left\{\frac{1}{r_0}\left(1-\frac{1}{\left(1+r_0\right)^{T}}\right)\right\}^{-1}\left(\frac{1}{r_0}\left(1-\frac{1}{\left(1+r_0\right)^{T-t}}\right)\right)$$

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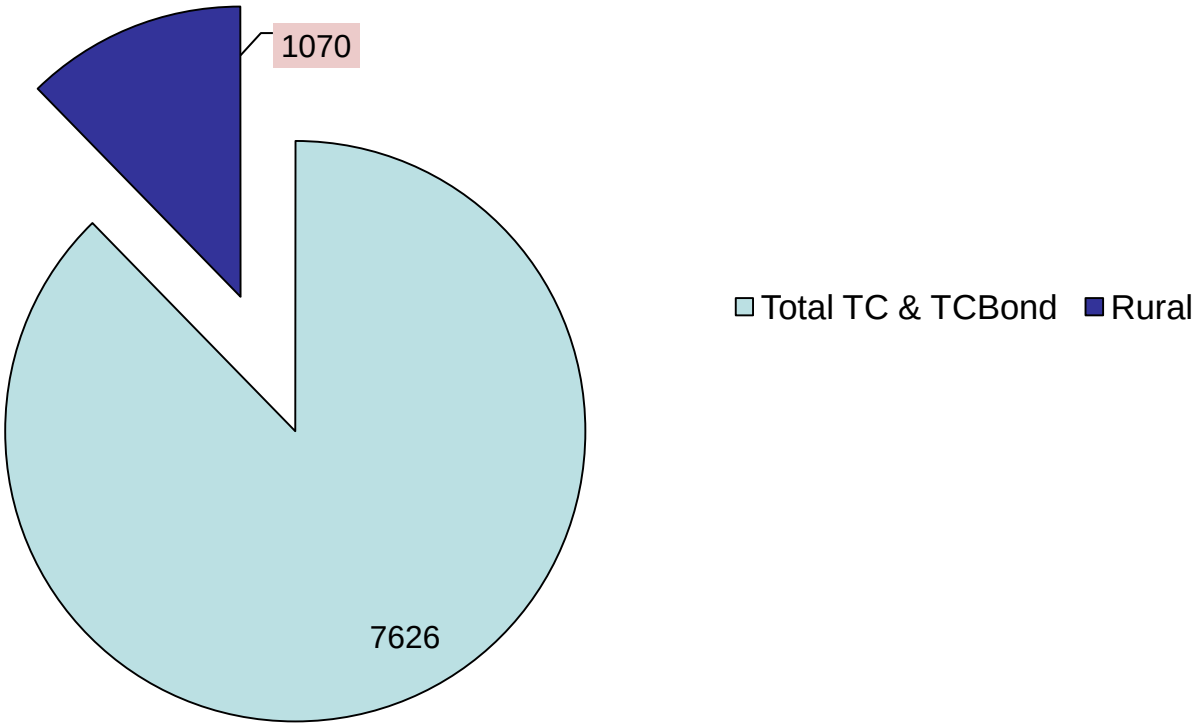
Rural Housing Production In Units



Cobble Knoll Portfolio

Project Name	City	Units	Senior
Boundary Village Apartments	Blaine	24	N
Cedarwood I Apartments	Lake Stevens	30	N
Evergreen Manor	Concrete	24	N
Ferndale Villa Apartments	Ferndale	38	N
Fircrest Apartments	Mt Vernon	36	N
Lake Stevens Manor	Lake Stevens	33	N
Lake Village East	Lake Stevens	30	N
Monroe Villa	Monroe	22	N
Oak Harbor Apartments	Oak Harbor	42	N
Olympic Apartments	Mt Vernon	32	N
Skagit Village Apartments	Mt Vernon	36	N
Woodlake Manor I	Snohomish	22	N
Woodlake Manor II	Snohomish	36	N
Cascade Village	Stevenson	36	Y
Cheney Gardens	Cheney	40	N
Moses Lake Estates	Moses Lake	40	N
Rock Creek Terrace	Stevenson	36	N
Wapato Gardens	Wapato	24	N
Washington Square	Othello	30	N
		611	

APD WA RD Portfolio 2008

Project Name	City	Units	Senior
Bayview Gardens	Stanwood	30	Y
Claridge Court Apartments	Port Townsend	44	Y
Hancock Street Apartments	Port Townsend	24	N
Harborview Apartments	Anacortes	32	N
Meadow Park Apartments	Marysville	45	Y
Montclair Apartments	Granite Falls	20	Y
Mountain View Court Apartments	Sequim	72	N
Whitehorse Apartments	Darrington	20	Y
		287	