Affordable Multifamily Housing Fundamentals

STRATEGIC HOUSING FINANCE CORPORATION PRESENTATION PRESENTED BY SARAH ANDRE – STRUCTURE DEVELOPMENT MAY 29, 2025

Introduction

About Me

Ms. André has worked in affordable housing since 1994. Her experience includes both consulting on and development of a variety of housing options. Since 2005 her focus has been on multifamily development using Low Income Housing Tax Credits. In this capacity she has been involved in the creation of more than 19,000 units of multifamily housing across Texas with investments of more than \$1 Billion.

Awards for her work include honors from Livable City, Envision Central Texas, Preservation Texas and a Jack Kemp Chairman's Award from the Urban Land Institute.

Ms. Andre has held positions at Diana McIver & Associates, The Enterprise Foundation and Austin Revitalization Authority.

www.structuretexas.com

Agenda

- Multifamily Finance- How it works
- The Role of Housing Finance Corporations (HFCs)
- Bond Basics
- Tax Credit Basics
- Workforce Housing

About You

- Name
- Any Affiliation
- What you hope to learn

Multifamily Finance - How it Works

- Very similar to SF finance, just a lot more zeroes (and lawyers)
 - Down Payment = Equity
 - Mortgage = Perm Debt
- Perm Debt and Equity cover the cost of Construction
 - Capital Stack
- Tenant Rents (income) is used to pay for the cost of operations and Debt Service
 - Income (rents) minus expenses = Net Operating Income (NOI)
- NOI is used to pay the mortgage and provide Cash Flow (aka profits)

Rents Drive the Perm Loan Amount

Market Rate – 100 1-BR Units

- Rent per Unit = \$2,008/month (or more!)
- ► X 12 X 100 = \$2,409,600 Gross Income
- Expenses of \$5,000 per unit per year
- ▶ NOI of \$1,909,600
- Loan of \$20,708,706 (assumes 6.5% for 30 years)

Affordable 100 1-BR Units

- Rent per Unit = \$1,506/month
- ► X 12 X 100 = \$1,807,200
- Expenses of \$5,000 per unit per year
- ▶ NOI of \$1,307,200
- Loan of \$14,225,250

So what's the big deal?



Rents for a Two Bedroom Unit Across Income Levels

| | 30% | 40% | 50% | 60% | 70% | 80% |
|-----------------|----------|----------|----------|----------|----------|----------|
| Monthly Rent | \$903 | \$1,205 | \$1,506 | \$1,807 | \$2,108 | \$2,410 |
| Income for Year | \$10,836 | \$14,460 | \$18,072 | \$21,684 | \$25,296 | \$28,920 |
| NOI Generated | \$5,836 | \$9,460 | \$13,072 | \$16,684 | \$20,296 | \$23,920 |
| | | | | | | |

If rents are too low, or expenses too high – Deal does not work!

Net Operating Income is Used to pay the mortgage and any profits (cash flow)

Value of the Tax Exemption

Value of the Tax Exemption

Expenses – With Taxes

- ▶ \$588,800
- ▶ \$7,851 per unit per year (PUPA)
- ▶ NOI \$333,533
- CANNOT make mortgage payments

Expenses – No Taxes

- ▶ \$422,129
- ▶ \$6,669 PUPA
- ▶ NOI \$422,129
- Debt Coverage Ratio (DCR) is 1.16

| | | ANNUA | AL OPERATING E | EXPEN | ISES | 6 | | |
|---|--|---|-----------------------------|--------------------|--|------------------------------------|--|---|
| General & Administra | tive Expenses | | | | | | | _ |
| Accounting | | | | | \$ | 7,000 | | |
| Advertising | | | | | \$ | 5,377 | | |
| Legal fees | | | | | \$ | 4,183 | | |
| Leased equipme | | | | | \$ | 6,630 | | |
| Postage & office | e supplies | | | | \$ | 2,300 | | |
| Telephone | | | | | \$ | 1,860 | | |
| Other | | Uniforms | | | \$ | 1,500 | | |
| Other | | ees, Complianc | e Fees | | \$ | 5,750 | | |
| | Administrative Expenses: | | | | | | \$ | 34,60 |
| Management Fee: | | Pe | rcent of Effective G | ross Inc | ome | : 6.00% | \$ | 55,34 |
| Payroll, Payroll Tax & | Employee Benefits | | | | | | | |
| Management | | | | | \$ | 70,000 | | |
| Maintenance | | | | | \$ | 52,000 | | |
| Other | Payroll. Insura | nce, Worker C | omp, Benefits | | \$ | 30,005 | | |
| Other | | describe | | | | | | |
| | Tax & Employee Benefits: | | | | | | \$ | 152,00 |
| Repairs & Maintenand | <u>e</u> | | | | | | _ | |
| Elevator | | | | | \$ | 18,000 | _ | |
| Exterminating | | | | | \$ | 2,500 | | |
| Grounds | | | | | \$ | 16,500 | | |
| Make-ready | | | | | \$ | 20,000 | | |
| Repairs | | | | | \$ | 15,000 | | |
| Pool | | | | | \$ | | _ | |
| Other | | | | | \$ | | | |
| Other | | | | | \$ | | | |
| Total Repairs & Maint | | | | | | | \$ | 72,00 |
| Utilities (Enter Only P | | | | | | | _ | |
| Electric | Co | mmon area on | ly | | \$ | 13,500 | _ | |
| Natural gas | | | | | \$ | | _ | |
| Trash | | ir Product in A | | | \$ | 12,519 | _ | |
| Water/Sewer | Col | mmon Area On | ly | | \$ | 15,000 | | |
| Other | | describe | | | \$ | | | |
| Other | | describe | | _ | \$ | | | |
| Total Utilities: | | | | | | | \$ | 41,01 |
| Annual Property Insu | rance: | Rate pe | r net rentable squar | e foot: | Ş | 1.97 | \$ | 112,50 |
| Property Taxes: | | | | | | | - | |
| | lished Capitalization Rate: | na | Source: | Та | | empt | | |
| Annual Propert | | | | | \$ | 88,596 | | |
| Payments in Lie | | | 100.000 | | \$ | | - | |
| | roperty Tax Abatement Ass | umea | 100.00% | | _ | | | |
| | erty Tax Abatement | | HFC/PFC | | _ | | GP is an HFC | |
| Total Property Taxes: | | | A | | ć | ¢ 250 | \$ | 88,55 |
| Reserve for Replacement | ents: | | Annual reserves pe | er unit: | \$ | \$ 250 | \$ | 18,75 |
| Other Expenses Cable TV | | | | | | | | |
| | | | | | \$ | | _ | |
| Security | | and and | | | \$ | 900 | | |
| | vices (Staffing/Contracted S | ervices) | | | \$ | 4,500 | | |
| | ince fees (\$40/HTC unit) | (1.475) | | | \$ | 3,000 | | |
| | oan Compliance Fees (\$34, | | | | \$ | | - | |
| TDHCA Bond Co | | Rond Issuer Onl | | | \$ | | | |
| | mpliance Fees (TDHCA as E | | | | | | trustee fees | |
| Bond Trustee Fe | es (ALL Tax-Exempt Bond De | velopments; ent | | uired) | \$ | 4,000 | AHFC ongoing fee | |
| Bond Trustee Fe Local Issuer On | | velopments; ent | | uired) | \$ | 4,000 | Arre ongoing jee | |
| Bond Trustee Fe Local Issuer On Other | es (ALL Tax-Exempt Bond De | velopments; enti try or explanat | | uired) | \$ \$ | | | |
| Bond Trustee Fe Local Issuer On Other Other | ees (ALL Tax-Exempt Bond De going Compliance Fees (en | velopments; ent | | Jired) | \$ | | Enter explanation here | |
| Bond Trustee Fe Local Issuer On Other Other Total Other Exp | ees (ALL Tax-Exempt Bond De going Compliance Fees (en enses: | velopments; enti try or explanat | ion required) | | \$ \$ \$ | 1,590 | Enter explanation here | |
| Bond Trustee Fe Local Issuer On Other Other Total Other Exp | ees (ALL Tax-Exempt Bond De going Compliance Fees (en enses: | velopments; enti try or explanat | ion required) Expense pe | er unit: | \$ \$ \$ | 1,590 | Enter explanation here | |
| Bond Trustee Fe Local Issuer On Other Other Total Other Exp TOTAL ANNUAL EXPEN | ees (ALL Tax-Exempt Bond De going Compliance Fees (en enses: ISES | velopments; enti try or explanat | ion required) | er unit: | \$ \$ \$ | 1,590 | Enter explanation here \$ \$ | 588,80 |
| Bond Trustee Fe Local Issuer On Other Total Other Exp TOTAL ANNUAL EXPEN NET OPERATING INCO | ees (ALL Tax-Exempt Bond De going Compliance Fees (en enses: | velopments; enti try or explanat | ion required) Expense pe | er unit: | \$ \$ \$ | 1,590 | Enter explanation here | 588,80 |
| Bond Trustee Fe Local Issuer On Other Total Other Exp TOTAL ANNUAL EXPEN NET OPERATING INCO | ees (ALL Tax-Exempt Bond De going Compliance Fees (en enses: ISES ME (before debt service) | velopments; enti try or explanat | ion required) Expense pe | er unit: | \$ \$ \$ | 1,590 7851 63.84% | Enter explanation here \$ \$ \$ | 588,80 |
| Bond Trustee Fe Local Issuer On Other Total Other Exp TOTAL ANNUAL EXPEN NET OPERATING INCO | ees (ALL Tax-Exempt Bond De going Compliance Fees (en enses: ISES | velopments; enti try or explanat | ion required) Expense pe | er unit: | \$ \$ \$ \$ | 1,590 | Enter explanation here \$ \$ \$ Principal and Interest | 588,80 |
| Bond Trustee Fe Local Issuer On Other Total Other Exp TOTAL ANNUAL EXPEN NET OPERATING INCO Annual Debt Service | tes (ALL Tax-Exempt Bond De going Compliance Fees (en enses: ISES ME (before debt service) Amegy Perm Mortgage | velopments; ent try or explanat <i>describe</i> | ion required) Expense pe | er unit: | \$ \$ \$ \$ \$ \$ | 1,590 7851 63.84% | Enter explanation here \$ \$ Principal and Interest Enter explanation here | 588,80 |
| Bond Trustee Fe Local Issuer Onn Other Total Other Exp TOTAL ANNUAL EXPEN NET OPERATING INCO Annual Debt Service | ees (ALL Tax-Exempt Bond De going Compliance Fees (en enses: ISES ME (before debt service) Amegy Perm Mortgage ct Ioan proposed debt serv | velopments; entu try or explanat describe | ion required) Expense pe | er unit: | \$ \$ \$ \$ \$ \$ \$ \$ \$ | 1,590 7851 63.84% | Enter explanation here \$ \$ Principal and Interest Enter explanation here Enter explanation here | 588,80 |
| Bond Trustee F Local Issuer On Other Total Other Total Other Exp TOTAL ANNUAL EXPEN NET OPERATING INCO Annual Debt Service Dire Local Bond Issue | ers (ALL Tax-Exempt Bond De going Compliance Fees (en enses: ISES ME (before debt service) Amegy Perm Mortgage ct loan proposed debt servi- ct doan proposed debt servi- | velopments; enti try or explanat describe | ion required) Expense pe | er unit: | \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ | 1,590 7851 63.84% | Enter explanation here \$ \$ Principal and Interest Enter explanation here Enter explanation here Enter explanation here | 588,80 |
| Bond Trustee Fe Local Issuer Orn Other Total Other Exp TOTAL ANNUAL EXPEN NET OPERATING INCO Annual Debt Service Dire Local Bond Issue TDHCA | ers (ALL Tax-Exempt Bond De going Compliance Fees (en enses: SES ME (before debt service) Amegy Perm Mortgage ct Ioan proposed debt servi Romi-Fseer Atmon Fee (inty or explosed Romi-Fseer Atmon Fee (inty or explosed) | velopments; enti try or explanat describe | ion required) Expense pe | er unit: | \$ \$ \$ \$ \$ \$ \$ \$ \$ | 1,590 7851 63.84% 363,326 | Enter explanation here S S Principal and Interest Enter explanation here Enter explanation here Enter explanation here Enter explanation here | 588,80 333,53 |
| Bond Trustee F Local Issuer On Other Total Other Total Other Exp TOTAL ANNUAL EXPEN NET OPERATING INCO Annual Debt Service Dire Local Bond Issue | ers (ALL Tax-Exempt Bond De going Compliance Fees (en enses: SES ME (before debt service) Amegy Perm Mortgage ct Ioan proposed debt servi Romi-Fseer Atmon Fee (inty or explosed Romi-Fseer Atmon Fee (inty or explosed) | velopments; enti try or explanat describe | ion required) Expense pe | er unit: Ratio: | \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ | 1,590 7851 63.84% | Enter explanation here \$ \$ Principal and Interest Enter explanation here Enter explanation here Enter explanation here | 13,99 588,80 333,53 363,32 (29,79 |

| | | AL OPERATING EXPENSE | ES | | | |
|---|--|--|-------------|---|--|---|
| General & Administra | tive Expenses | | | | | |
| Accounting | | \$ | | 7,000 | | |
| Advertising | | \$ | | 5,377 | | |
| Legal fees | | \$ | | 4,183 | | |
| Leased equipm | ent | \$ | | 6,630 | | |
| Postage & offic | e supplies | s | _ | 2,300 | | |
| Telephone | | s | _ | 1.860 | | |
| Other | Uniforms | Ś | | 1.500 | | |
| Other | Bank Fees, Complian | | _ | 5,750 | | |
| | Administrative Expenses: | ce rees 3 | _ | 5,750 | \$ | 34,60 |
| Management Fee: | | ercent of Effective Gross Incom | | 6.00% | s S | 55.34 |
| Payroll, Payroll Tax & | | ercent of Effective Gross Incom | ne. | 0.00% | 2 | 55,54 |
| Management | Employee Benefics | \$ | | 70,000 | | |
| Maintenance | | ŝ | | 52,000 | | |
| | B | | | | | |
| Other | Payroll. Insurance, Worker C | omp, Benefits \$ | _ | 30,005 | | |
| Other | | | _ | | | |
| | ax & Employee Benefits: | | | | \$ | 152,00 |
| Repairs & Maintenand | <u>e</u> | | | | | |
| Elevator | | \$ | | 18,000 | | |
| Exterminating | | \$ | | 2,500 | | |
| Grounds | | \$ | | 16,500 | | |
| Make-ready | | \$ | | 20,000 | | |
| Repairs | | Ś | | 15,000 | | |
| Pool | | ŝ | | ,0 | | |
| Other | | ŝ | | | | |
| Other | | | _ | | | |
| ounci | | \$ | _ | | | |
| Total Repairs & Maint | | | | | \$ | 72,00 |
| Utilities (Enter Only Pr | roperty Paid Expense) | | | | | |
| Electric | Common area or | nly \$ | | 13,500 | | |
| Natural gas | | \$ | | | | |
| Trash | Smiliar Product in A | | | 12,519 | | |
| Water/Sewer | Common Area O | | | 15,000 | | |
| Other | describe | \$ | | 10,000 | | |
| Other | describe | ŝ | _ | | | |
| | describe | \$ | | | | |
| | | | | | | |
| Total Utilities: | | | _ | | \$ | |
| Annual Property Insur | ance: Rate p | er net rentable square foot: \$ | | 1.97 | \$ \$ | |
| Annual Property Insur Property Taxes: | • | | | | | |
| Annual Property Insur Property Taxes: Pu | blished Capitalization Rate: na | | Exemp | | | |
| Annual Property Insur Property Taxes: | blished Capitalization Rate: na | | | | | |
| Annual Property Insur Property Taxes: Pu | blished Capitalization Rate: na | Source: Tax E | | | | |
| Annual Property Insur Property Taxes: Pu Annual Propert Payments in Lie | blished Capitalization Rate: <u>na</u> y Taxes w of Taxes | Source: Tax f | | | | |
| Annual Property Insur Property Taxes: Pu Annual Propert Payments in Lie Percentage of F | blished Capitalization Rate: na y Taxes yu of Taxes Yroperty Tax Abatement Assumed | Source: Tax 1 \$ 100.00% | | | Ś | |
| Annual Property Insur Property Taxes: Pu Annual Propert Payments in Lie Percentage of F Reason for Prop | blished Capitalization Rate: <u>na</u> y Taxes w of Taxes | Source: Tax f | | | \$ GP is an HFC | |
| Annual Property Insur Property Taxes: Pu Annual Propert Payments in Lie Percentage of F Reason for Proj Total Property Taxes: | blished Capitalization Rate: <u>na</u> y Taxes u of Taxes roperty Tax Abatement Assumed berty Tax Abatement | Source: Tax f S 100.00% HFC/PFC | Exemp | ot | \$ GP is an HFC \$ | 112,50 |
| Annual Property Insur <u>Property Taxes:</u> Pu Annual Propert Payments in Lie Percentage of F Reason for Prop Total Property Taxes: Reserve for Replacem | blished Capitalization Rate: <u>na</u> y Taxes u of Taxes roperty Tax Abatement Assumed berty Tax Abatement | Source: Tax 1 \$ 100.00% | Exemp | ot | \$ GP is an HFC | 112,50 |
| Annual Property Insur Property Taxes: Pu Annual Propert Payments in Lie Percentage of F Reason for Proj Total Property Taxes: Reserve for Replacem Other Expenses | blished Capitalization Rate: <u>na</u> y Taxes u of Taxes roperty Tax Abatement Assumed berty Tax Abatement | Source: Tax E S S 100.00% HFC/PFC Annual reserves per unit: S | Exemp | ot | \$ GP is an HFC \$ | 112,50 |
| Annual Property Insur Property Taxes: Pu Annual Propert Payments in Lie Percentage of F Reason for Proj Total Property Taxes: Reserve for Replacem Other Expenses Cable TV | blished Capitalization Rate: <u>na</u> y Taxes u of Taxes roperty Tax Abatement Assumed berty Tax Abatement | Source: Tax 6 S 100.00% HFC/PFC Annual reserves per unit: S S | Exemp | 250 | \$ GP is an HFC \$ | 112,50 |
| Annual Property Insur Property Taxes: Pu Annual Propert Payments in Lie Percentage of F Reason for Proj Total Property Taxes: Reserve for Replacem Other Expenses Cable TV Security | blished Capitalization Rate: na V Taxes u of Taxes troperty Tax Abatement Assumed erry Tax Abatement ents: | Source: Tax t \$ 100.00% HFC/PFC Annual reserves per unit: \$ \$ \$ | Exemp S | 900 | \$ GP is an HFC \$ | 112,50 |
| Annual Property Insur Property Taxes: Pu Annual Propert Payments in Lie Percentage of F Reason for Prop Total Property Taxes: Reserve for Replacem Other Expenses Cable TV Security Supportive Serv | blished Capitalization Rate: na y Taxes troperty Tax Abatement Assumed errty Tax Abatement ents: trices (Staffing/Contracted Services) | Source: Tax 1 S 100.00% HFC/PFC Annual reserves per unit: S S S | Exemp \$ | 900 4,500 | \$ GP is an HFC \$ | 112,50 |
| Annual Property Insur Property Taxes: Pu Annual Propert Payments in Lie Percentage of F Reason for Proj Total Property Taxes: Reserve for Replacem Other Expenses Cable TV Security Supportive Serv TDHCA Complia | bliched Capitalization Rate: na y Taxes roperty Tax Abatement Assumed erry Tax Abatement ents: vices (Staffing/Contracted Services) nce fees (\$40/HTC unit) | Source: Tax t S 100.00% HFC/PFC Annual reserves per unit: S S S S S | Exemp \$ | 900 | \$ GP is an HFC \$ | 112,50 |
| Annual Property Insur Property Taxes: Pu Annual Propert Payments in Lie Percentage of F Reason for Proj Total Property Taxes: Reserve for Replacem Other Expenses Cable TV Security Supportive Serv TDHCA Complia | blished Capitalization Rate: na y Taxes troperty Tax Abatement Assumed errty Tax Abatement ents: trices (Staffing/Contracted Services) | Source: Tax 1 S 100.00% HFC/PFC Annual reserves per unit: S S S | Exemp \$ | 900 4,500 | \$ GP is an HFC \$ | 112,50 |
| Annual Property Insur Property Taxes: Pu Annual Propert Payments in Lie Percentage of F Reason for Proj Total Property Taxes: Reserve for Replacem Other Expenses Cable TV Security Supportive Sen TDHCA Complat TDHCA Direct L | blished Capitalization Rate: na y Taxes troperty Tax Abatement Assumed perty Tax Abatement ents: tices (Staffing/Contracted Services) nce fees (S40/HTC unit) an Compliance Fees (S44/MDL unit) | Source: Tax 1 S 100.00% HFC/PFC Annual reserves per unit: S S S S S S S S S | S | 900 4,500 | \$ GP is an HFC \$ | 112,50 |
| Annual Property Insur Property Taxes: Pu Annual Propert Payments in Lie Percentage of F Reason for Proj Total Property Taxes: Cable TV Security Supportive Serv TDHCA Complia TDHCA Direct L TDHCA Bond CC | bliched Capitalization Rate: na y Taxes roperty Tax Abatement Assumed erty Tax Abatement ents: vices (Staffing/Contracted Services) noce fees (S40/HTC unit) oan Compliance Fees (S44/MDC unit) mpliance Fees (S40/MDC unit) | Source: 100.00% HFC/PFC Annual reserves per unit: S S S y - 525/unit) S | S | 900 4,500 3,000 | \$ GP is an HFC \$ \$ | 112,50 |
| Annual Property Insur Property Taxes: Pu Annual Propert Payments in Lie Percentage of 1 Reason for Proj Total Property Taxes: Reserve for Replacem Cable TV Security Supportive Sen TDHCA Complia TDHCA Direct L TDHCA Bond C Bond Trustee F | blished Capitalization Rate: na y Taxes troperty Tax Abatement Assumed perty Tax Abatement ents: tices (Staffing/Contracted Services) nce fees (S40/HTC unit) ompliance Fees (TbHCA as Bond Issuer On compliance Fees (TbHCA as Bond Issuer On et AlL Tax Exempt Band Developments; en (ALT Tax Exempt Band Developments; en (ALT Tax Exempt Band Developments; en | Source: 5 100.00% 5 100.00% 6 Annual reserves per unit: 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 | S | 900 4,500 3,000 4,000 | S GP is an HFC S S Trustee fees | 112,50 |
| Annual Property Insur Property Taxes: Pu Annual Propert Payments in Lie Percentage of 1 Reason for Proj Total Property Taxes: Cable TV Security Supportive Sen TDHCA Direct L TDHCA Direct L TDHCA Bond Ct Bond Trustee 1 Local Issuer On | bliched Capitalization Rate: na y Taxes roperty Tax Abatement Assumed erty Tax Abatement ents: vices (Staffing/Contracted Services) noce fees (S40/HTC unit) oan Compliance Fees (S44/MDC unit) mpliance Fees (S40/MDC unit) | Source: Taxt S 100.00% HFC/PEC S Annual reserves per unit: S y-525/unit) S S S try or explanation required) S | S | 900 4,500 3,000 | \$ GP is an HFC \$ \$ | 112,50 |
| Annual Property Insur Property Taxes; Property Taxes; Payments in Le Parcentage of the Reason for Proj Total Property Taxes; Cable TV Security Supportive Ser TDHCA Complic TDHCA Direct L TDHCA Direct L TDHCA Bond C Bond Trustee F Local Issuer On Other | blished Capitalization Rate: na y Taxes troperty Tax Abatement Assumed perty Tax Abatement ents: tices (Staffing/Contracted Services) nice (Staffing/Cont | Source: Tax \$ \$ 100.00% \$ HFC/PFC \$ Annual reserves per unit: \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ | S | 900 4,500 3,000 4,000 | S GP is an HFC S S S trustee fees AHFC angoing fee | 112,50 |
| Annual Property Insu Property Taxes: Property Taxes: Mannual Propert Payments in lue Percentage of F Reserve for Replacem Other Expenses Child Property Taxes: Reserve for Replacem Supportive Server TOHCA Direct L TOHCA Direct L TOHCA Direct L TOHCA Direct L TOHCA Bond CC Bond Trustee F Local Issuer On Other | blicked Capitalization Rate: na y Taxes troperty Tax Abatement Assumed serty Tax Abatement ents: | Source: Taxt S 100.00% HFC/PEC S Annual reserves per unit: S y-525/unit) S S S try or explanation required) S | S | 900 4,500 3,000 4,000 | \$ GP is an HFC \$ \$ trustee fees AHFC ongoing fee Enter explanation here | 112,50 |
| Annual Property Insur Property Taxes; Property Taxes; Payments in Le Reason for Proj Total Property Taxes; Cable TV Security Supportive Ser TDHCA Complic TDHCA Direct L TDHCA Bond C Bond Trustee F Local Issuer On Other Total Other Exp | blished Capitalization Rate: na y Taxes troperty Tax Abatement Assumed perty Tax Abatement ents: tices (Staffing/Contracted Services) nce fees (S40/HTC unit) ompliance Fees (T0HCA as Bond Issuer On an Compliance Fees (T0HCA as Bond Issuer On conging Compliance Fees (entry or explanat going Compliance Fees (entry or explanat describe enses: | Source: Tax \$ \$ 100.00% \$ HFC/PEC \$ Annual reserves per unit: \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ | S | 250 900 4,500 3,000 4,000 1,590 | S GP is an HFC S S trustee fees AHFC ongoing fee Enter explanation here S | 112,50 |
| Annual Property Insur Property Taxes: Property Taxes: Party Taxes: Party Taxes: Party Taxes: Party Taxes: Party Taxes: Total Property Taxes: Cable TV Security Supportive Sert T0HCA Complic T0HCA Complic T0HCA Dond C Bond Trustee F Local Issuer On Other Total Other Exp | blished Capitalization Rate: na y Taxes troperty Tax Abatement Assumed perty Tax Abatement ents: tices (Staffing/Contracted Services) nce fees (S40/HTC unit) ompliance Fees (T0HCA as Bond Issuer On an Compliance Fees (T0HCA as Bond Issuer On conging Compliance Fees (entry or explanat going Compliance Fees (entry or explanat describe enses: | Source: Taxt S 100.00% #RC/PEC Annual reserves per unit: S y-525/unit) S try or explanation required) S ion required) S S Expense per unit: S | S | 250 900 4,500 3,000 1,590 6669 | \$ GP is an HFC \$ \$ trustee fees AHFC ongoing fee Enter explanation here | 112,50 |
| Annual Property Inuz Property Taxes: Property Taxes: Participation of the season for Project Percentage of F Reserve for Replacem Cable TV Sepurity Samporitive Sen- TOHCA Bond C- Bond Trustee F Local Issuer On Other Total Other Sup Total Annual, Experi- | blished Capitalization Rate: na y Taxes troperty Tax Abatement Assumed perty Tax Abatement ents: tices (Staffing/Contracted Services) nce fees (S40/HTC unit) ompliance Fees (S40/MDL unit) ompliance Fees (TDHCA as Bond Issuer On compliance Fees (TDHCA as Bond Issuer On control the Sond Issuer On son Compliance Fees (Entry or explanat troper) troper) describe enses: USES | Source: Tax \$ \$ 100.00% \$ HFC/PEC \$ Annual reserves per unit: \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ | S | 250 900 4,500 3,000 4,000 1,590 | S GP is an HFC S S trustee fees AHFC ongoing fee Enter explanation here S | 112,50 18,75 13,99 500,20 |
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Sycamores at Pleasant Valley

- ▶ 75 Units, 1/2/3 Bedroom unit mix
- Rents set at 40% and 50% AMFI
- Small site, critical water quality zone
- ▶ 5-story, Elevator Served
- Partial Podium
- ► Total Costs (TDC) \$30,041,911

Capital Stack

| Perm Loan | \$ 5,300,000 |
|--------------|--------------|
| Equity | \$12,514,080 |
| Soft Loan | \$ 8,950,000 |
| Deferred Fee | \$1,140,164 |
| Bond Income | \$1,387,167 |
| Grant Funds | \$ 750,000 |



What is the role of an HFC?



Created to "Further" Affordable Housing

- Issue Bonds
 - acts as collateral, lowers the interest rate, provides capital
- Provide Tax Exemptions
 - lowers the costs to build and to operate
- Important Partner to the Private Sector

Partner Tasks

Before You Partner

Policy Creation

Screen Potential Partners

Are they solvent? Can they guaranty the loan? Do they have a track record? – TDHCA, Local Governments Lawsuits? Are they amenable to negotiation/discussions? Do they have strong financial partners?

Before You Sign

Screen the Deal

Is the site location attractive (not in the flood zone, high crime area, other hazards (industrial, under the Airport runway etc)

Are there political hurdles

Is it entitled, or can it be (zoning)

How do the numbers look? Is it in line with past projects in terms of total costs; operating expenses, units produced, AMFI levels

Partner Tasks

During the Partnership

Proceed with approvals in a timely manner

Sign Documents as needed

Retain legal representation that is timely and reasonable

Monitor progress

Take all the credit!

The Board Steers the Ship

Let Staff Run the Sails – review audits, report issues to the Board, ask for correction

Let Partner & Management Company Swab the Deck – put together the funding, due diligence, deal with tenants, property maintenance



The Team

HFC

Developer

Financial Advisor

Tax Credit Consultant

Trustee

Lawyers! - Bond Counsel

More Lawyers! – Lender Counsel

Wait there's More – Partner Counsel

Lender

Syndicator/Investor

The Tasks

Issue Bonds, Ensure Public Purpose

Hire the Team, Drive the Development Process, Oversee Construction and Management

Review the Numbers/Bond Structure, Sell the Bonds

Make sure the Tax Credits are Awarded, Ensure TDHCA Milestones are met

Ensure Bonds are Spent According to Law

Review the Bond Documents

Review the Loan Documents

Create Organizational Documents

Provide Construction and Perm Debt

Sell Tax Credits, Provide Cash

Risks

Legal

- Texas Law (50% Test)
- IRS Code (AMFIs)
- Local Codes and Ordinances (Permits)
- Federal Law (ADA)

Financial

- Loss of Pre Development Funds (architect, engineer)
- Construction Guarantees (over time, poor quality)
- Investment Guarantees (will qualify for credits)
- Operational Guarantees (loss of income)
- Loss of Building (storm)

Reputational

- Partners
- The Public

Bond Basics



Important Bond Terminology



Tax Credit Basics

IRS Program

Administered on a Statewide Basis - TDHCA

QAP and Multifamily Rules

They review the Tax Credit Application and "award" or allocate the credits; developer will enter into LURA and compliance activities with TDHCA

- Tax Credits are exchanged for Equity used to build the development
- ► 50% Test
- Equity provider is the Limited Partner
- SHFC is the General Partner

Calculating Tax Credits

Awarded on Eligible Basis Good Every Year for Ten Years Sold at a Discount to an Investor

| Category | Cost | Eligible Basis? |
|------------------|--------------|-----------------|
| Land | \$2,000,000 | NO |
| Architecture | \$500,000 | \$500,000 |
| Marketing | \$50,000 | NO |
| Legal | \$200,000 | \$150,000 |
| Construction | \$10,000,000 | \$9,000,000 |
| Developer Fee | \$1,000,000 | \$1,000,000 |
| TOTAL | \$13,750,000 | \$10,750,000 |

The Magic

Turning Basis Into Tax Credits

\$10,750,000 Basis

X 130% for Boost

\$13,975,000 Eligible Basis

X 4% Tax Credit Percentage

\$559,000 Annual Tax Credit

Turning Credits Into Cash

\$559,000 Annual Credit Basis

<u>X 10 Years</u>

\$5,590,000 in Tax Credits

X.99.99% Investor Ownership

\$5,589,441 Total Tax Credits

X .87 Cents Pay In Rate

\$4,862,814 CASH

What is Workforce Housing?

PFCs v HFCs

Partner with a Developer to Create Workforce Housing - Example of AISD

Half at 80% AMFI, Half Market Rate

Tax Exemption

PFC Can Add Requirements

Travis County "Competitors"