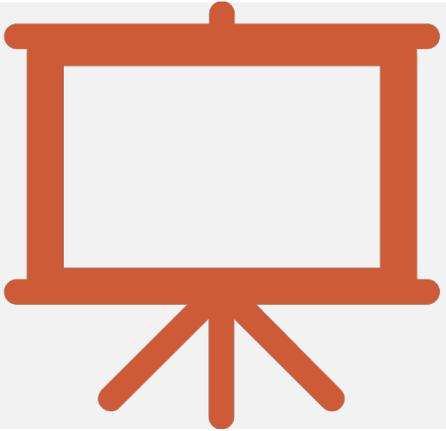




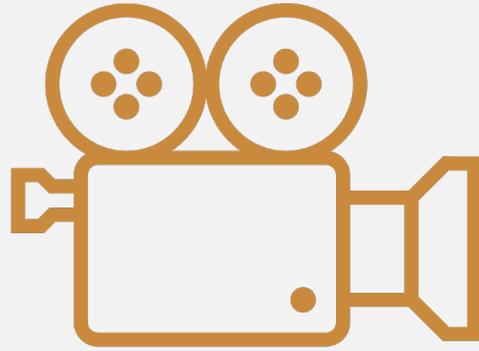
# Southeast Rural Housing Preservation Academy



# Housekeeping



All registered attendees will receive the slides via email



This session is being recorded. You will receive a copy and it will be posted on the Enterprise website



We will answer questions throughout the presentation. Please submit them using the Q&A or chat or raise hand function



Please tell us how we did in the survey at the end of the session

# LAND ACKNOWLEDGMENT

## **OUR VISION**

A country where home and community are steppingstones to more.

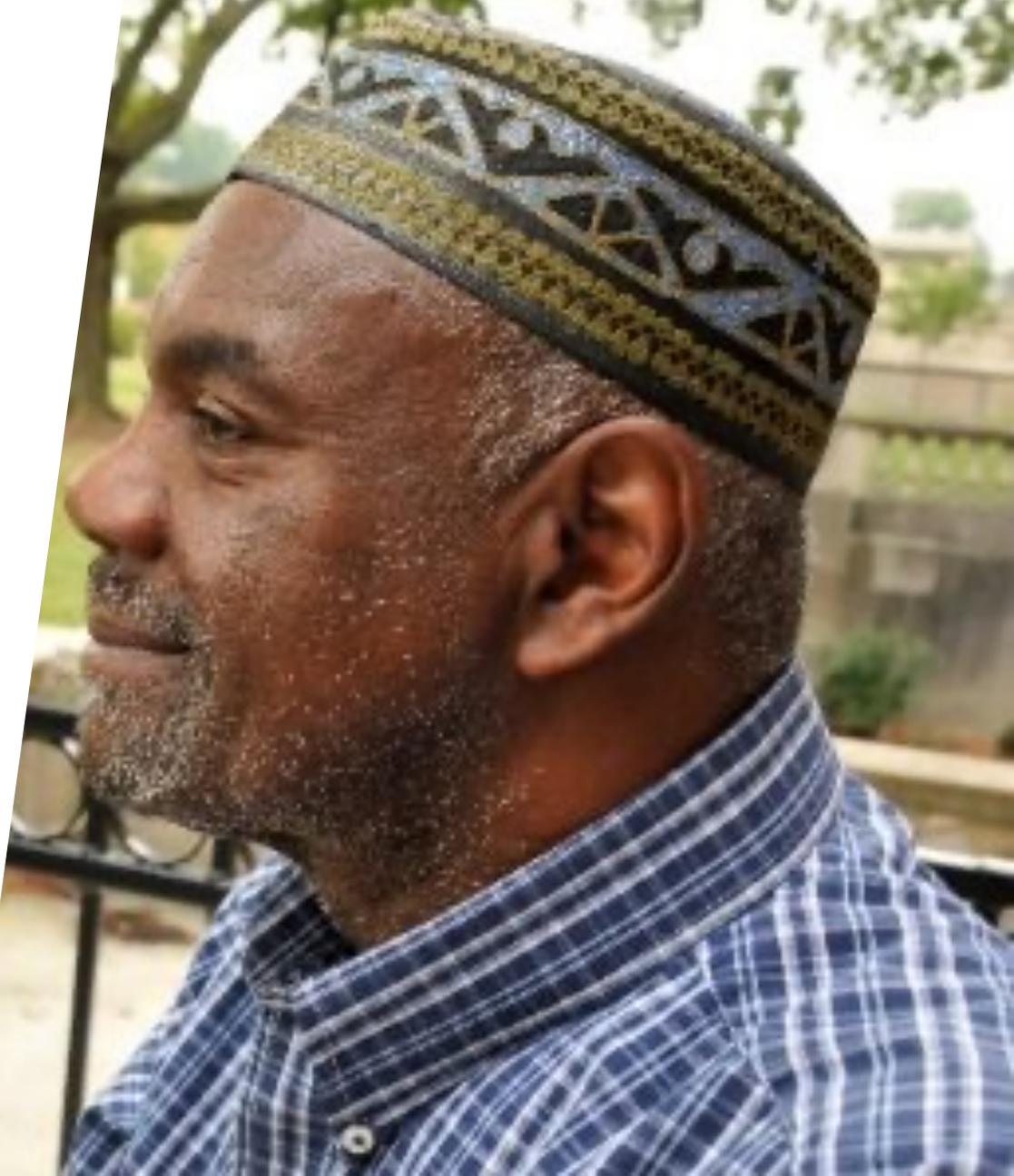
## **OUR MISSION**

To make home and community places of pride, power and belonging, and platforms for resilience and upward mobility for all.



## WHO WE ARE AND WHAT WE DO

- **We develop and deploy** programs and support community organizations on the ground
- **We advocate** for policy on a nonpartisan basis at every level of government
- **We invest capital** to build and preserve rental homes people can afford
- **We own and operate** 13,000 affordable homes and provide resident services for 23,000 people



# **SOUTHEAST RURAL PRESERVATION ACADEMY**



## **Overview and Introduction to Rural Rental Housing Preservation**

- Rural Rental Housing Preservation in the Southeast
- Overview of USDA Rural Development Housing and the 515 Transfer Process
- Strategies for Preservation: Case Studies
- Federal & State Housing Finance –Beyond RD

## **Basic Deal Structuring**

- Pro-forma development
- Funding the gaps: private debt, Section 538 and alternative sources
- Capital Needs Assessment, Architects and Scope of Work
- Cohort breakout: offers a deeper dive into 515

## **Property Management/Community Engagement–2 sessions, including**

- Property Management, Disaster Preparedness & Mitigation
- Community and Resident Engagement

## **State and Local Policy Solutions**

## Our Partners



# JONATHAN TOPPEN

# TAPESTRY DEVELOPMENT

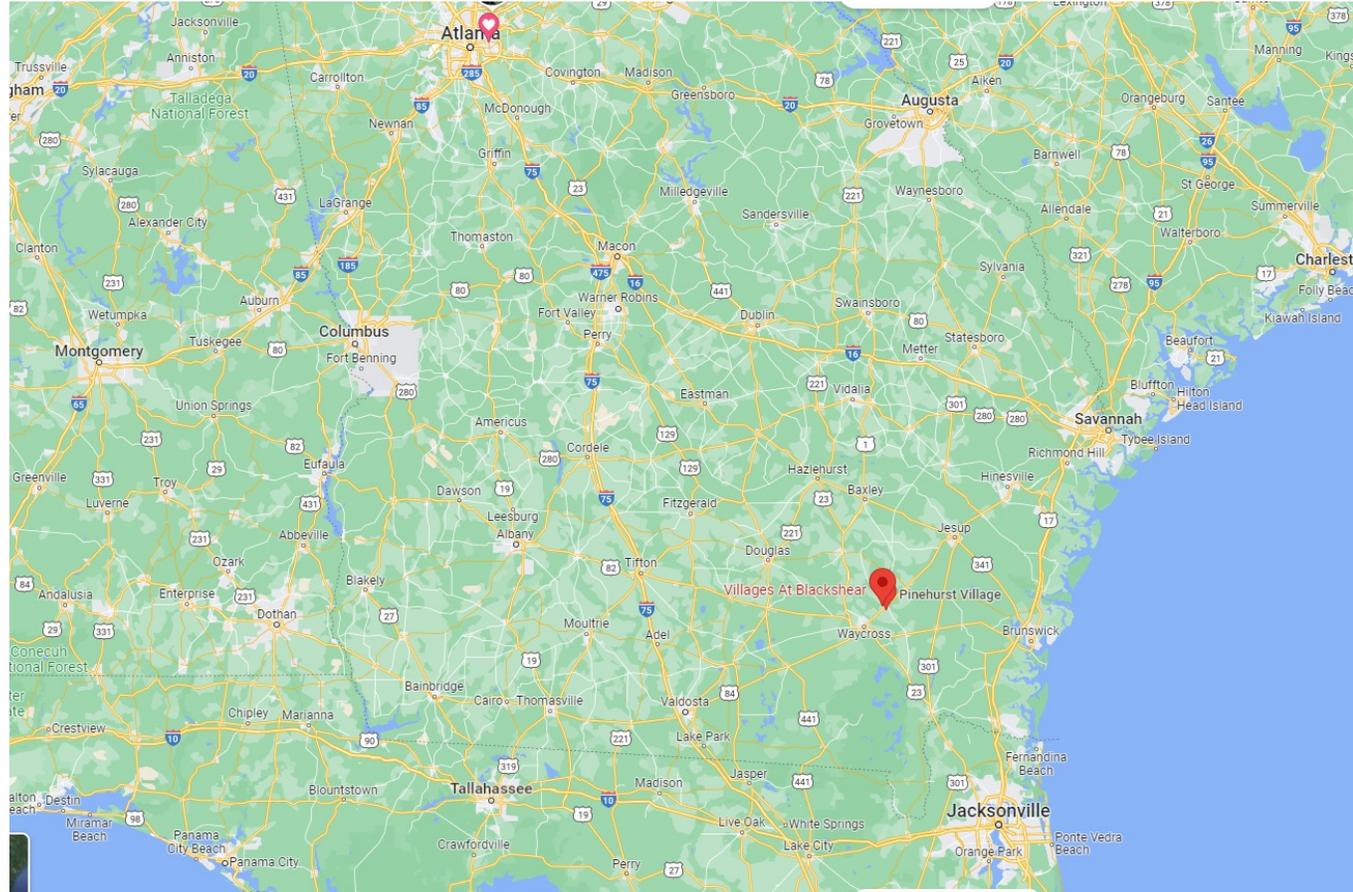


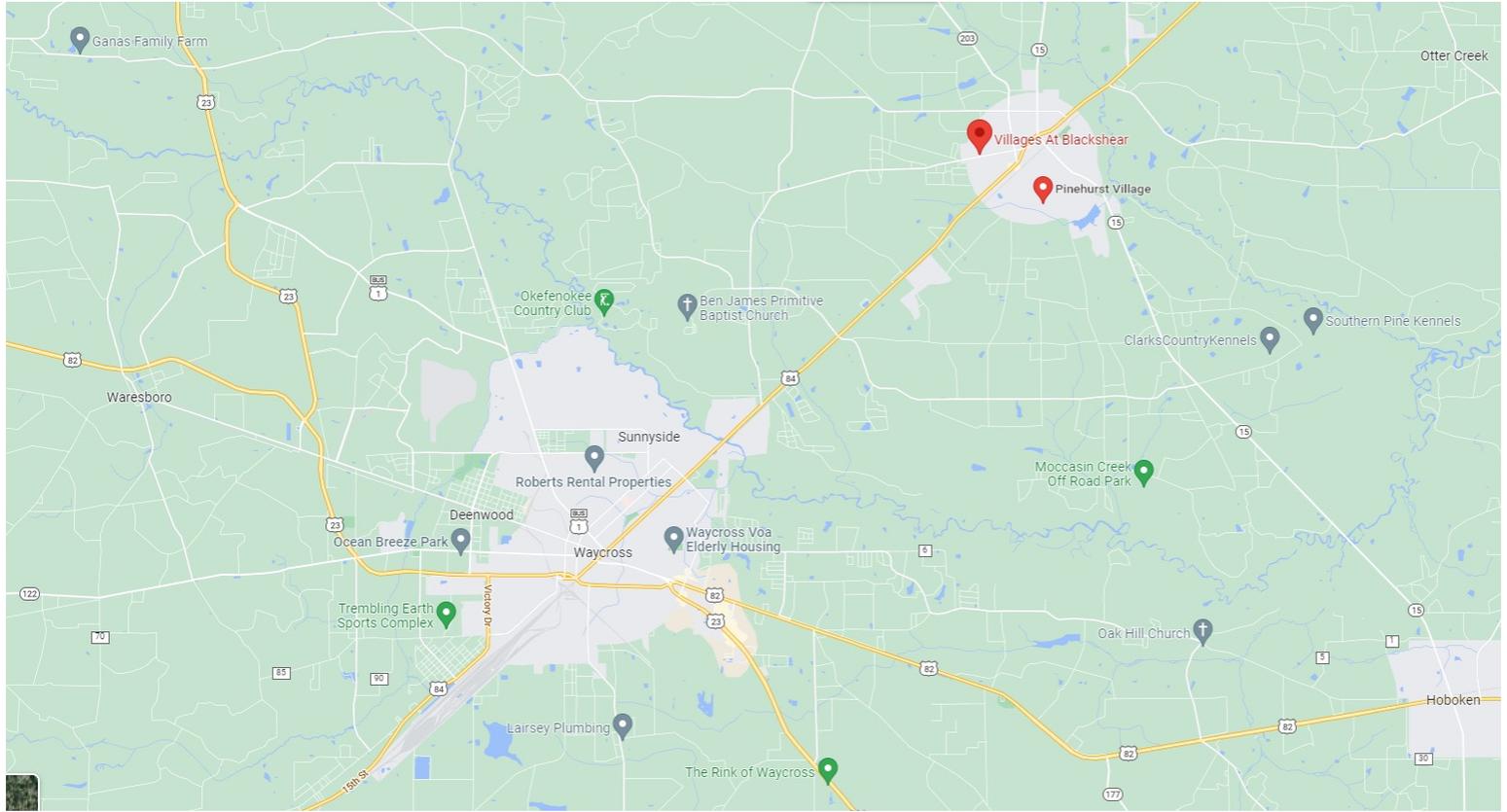
# RURAL HOUSING PRESERVATION CASE STUDIES

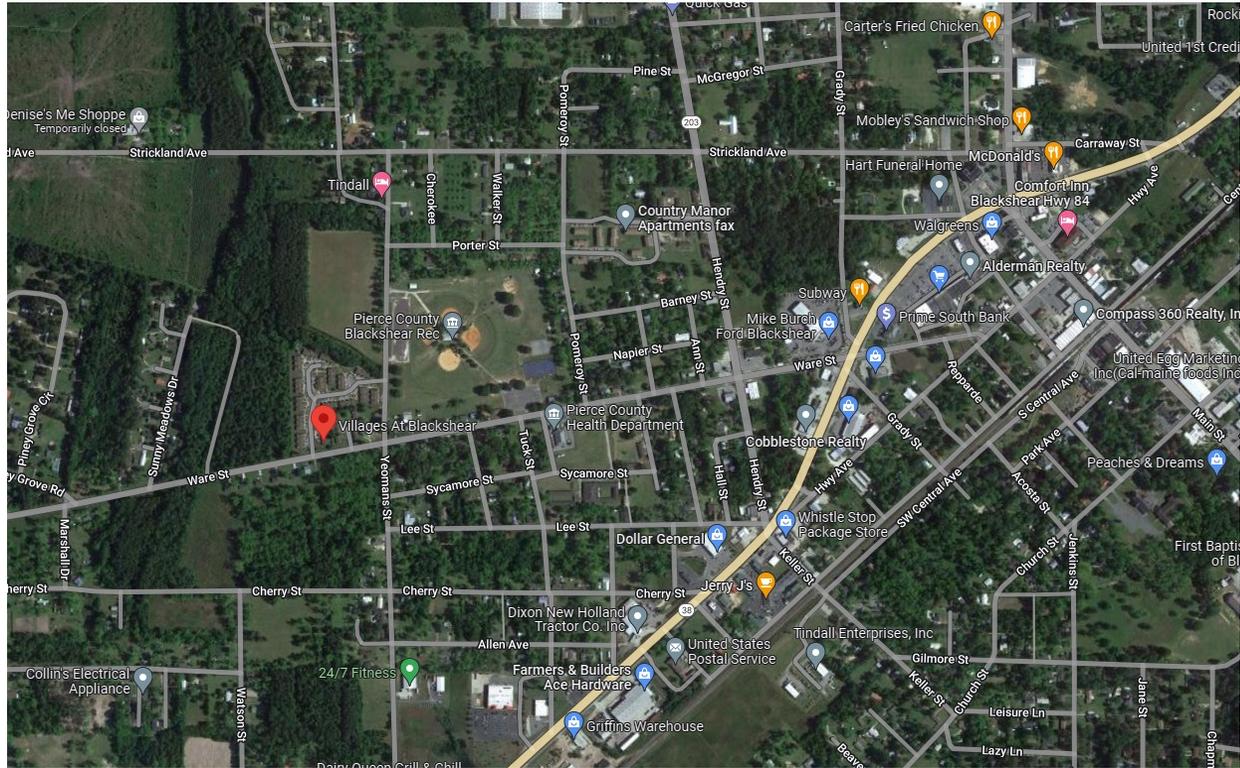
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**Southeast Rural Housing Preservation Academy  
Strategies for Preservation  
May 2022**

# VILLAGE AT BLACKSHEAR - LOCATION









# VILLAGE AT BLACKSHEAR (BEFORE)



# VILLAGE AT BLACKSHEAR (BEFORE)



# VILLAGE AT BLACKSHEAR (BEFORE)



# VILLAGE AT BLACKSHEAR OVERVIEW

- 64 one-bedroom units in 16 quads
- Tenancy: seniors and people with disabilities
- For-profit owner, divesting of properties in wake of recession
- Needed major rehab, but solid property operating history and strong market demand
- 100% Section 8 HAP contract
- Houses about 2% of the population in City of Blackshear
- Brought additional services to property

# VILLAGE AT BLACKSHEAR TIMELINE

- Originally built in 1978
- First renovation in 1992
  - LIHTC allocation in 1990
  - End of compliance period 12/31/2007
- Second renovation
  - Attempted 9% LIHTC application 2011
  - New 9% LIHTCs award in 2012
  - Construction completion 2014

# DEVELOPMENT BUDGET

<b>Development Uses</b>	<b>Total</b>	<b>Per unit</b>
Acquisition & Related Costs	\$ 1,500,000	\$ 23,438
Rehabilitation Costs	\$ 5,051,000	\$ 78,922
Pre-development & Soft Costs	\$ 622,000	\$ 9,719
Development Fee	\$ 1,018,000	\$ 15,906
Reserves	\$ 449,000	\$ 7,016
Relocation	\$ 35,000	\$ 547
Finance, Insurance, & Legal	\$ 525,000	\$ 8,203
<b>TOTAL USES</b>	<b>\$ 9,200,000</b>	<b>\$ 143,750</b>
<b>Development Sources</b>	<b>Total</b>	<b>Per unit</b>
USDA 538 loan	\$ 1,300,000	\$ 20,313
Related Party Loan	\$ 700,000	\$ 10,937
Deferred Developer Fee	\$ 67,000	\$ 1,046
LIHTC Equity - Federal	\$ 5,100,000	\$ 79,688
LIHTC Equity - State	\$ 2,033,000	\$ 31,766
<b>TOTAL SOURCES</b>	<b>\$ 9,200,000</b>	<b>\$ 143,750</b>

# VILLAGE AT BLACKSHEAR (CURRENTLY)



# VILLAGE AT BLACKSHEAR (CURRENTLY)



# VILLAGE AT BLACKSHEAR (CURRENTLY)



## VILLAGE AT BLACKSHEAR CURRENTLY

**Section 8 Contract rents:           \$634 net of utilities**

**2022 FMR:                               \$538**

**Estimated current value:**

Net Operating Income (2021):   \$230,000

Estimated Capitalization Rate: 5%

Current Value:                       **\$4,600,000**  
(~\$72,000/unit)

## VILLAGE AT BLACKSHEAR CURRENTLY

This deal would be harder to happen today. Why?

- LIHTC points for preservation in 2012
- Connection to minority owner
- Portfolio sale options
  - Enhanced brokerage network
  - Valuations of Section 8 properties
  - Sellers don't want to wait for sale until LIHTC execution
- However, QAP now has HUD preservation set aside (but no equivalent for USDA)

# “NON-SUCCESS” STORIES

## Example properties:

1. 32 units (all RA) northeast Georgia
2. 40 units (no RA) north Georgia (no longer USDA rural)
3. 53 units (no RA) central Georgia

## Challenges:

- All almost 30 years old—all need major renovation, an LIHTC-level equity investment
- Doesn't score well under 9% LIHTC (i.e. not in Stable Community or Redevelopment Area)
- Not in a QCT or DDA
- 2 don't have RA – can't increase rents in market
- Small size for LIHTC

**WILL ECKSTEIN  
AMIE COFINI**

**GREYSTONE**

GREYSTONE

**Strategies for Preservation  
Portfolio Preservation Transactions - Rural Development**

**Southeast Rural Preservation Academy**

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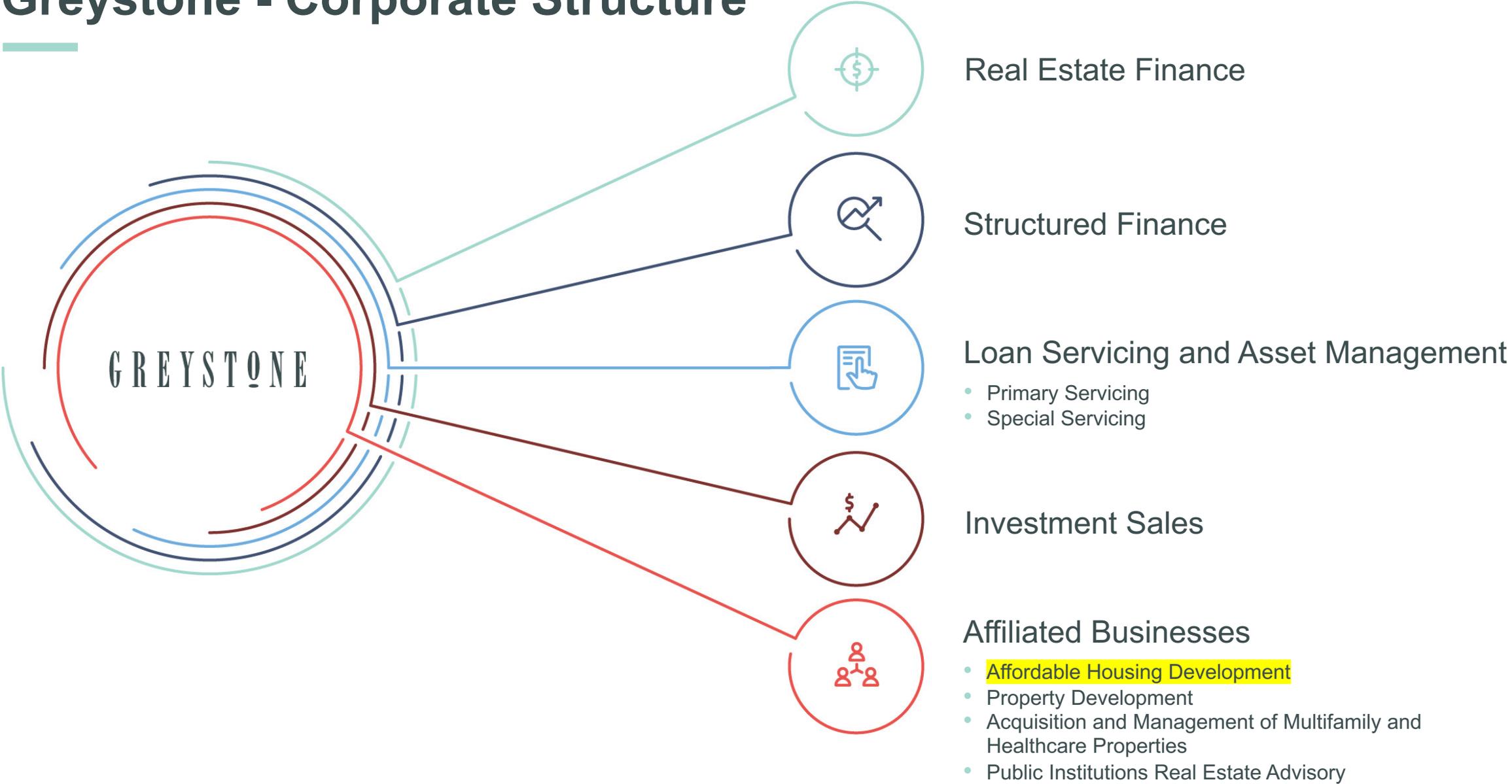
May 18, 2022

# Southeast Rural Preservation Academy

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- Introduction & Background
- The Opportunity
- An Essential Tool
- Scattered-Site Portfolio Preservation Transactions
  - Pros & Cons
  - The Process
  - Key to Success
- Success Story
- Conclusion & Wrap-up

# Greystone - Corporate Structure



# The Opportunity

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- 44,000 homes, RD Portfolio in Georgia, Mississippi, & Alabama
- 33 Years Old, National Average
- \$11,500, Average Annual Household Income for Households with RA

# Essential Tool – Funding

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## Housing Credits

- 9% Housing Credits
  - ✓ Extremely Competitive Process
  - ✓ Limited Supply
  - ✓ Specific Criteria
  
- 4% Housing Credits (in conjunction with tax-exempt bond financing)
  - ✓ Non-Competitive Process (in theory)
  - ✓ Flexible Criteria
  - ✓ Scattered-Site Portfolio Transactions

# Scattered-Site Portfolio Transactions

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## PROS:

- Large-Scale Preservation
- Attractive, Debt & Equity
- Flexibility
- Economies of Scale
- Economic Impact, Rural Communities
- Properties removed from competitive 9% funding round

# Scattered-Site Portfolio Transactions

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## CONS:

- Complexity
- Expensive
- Reduced Credit Pricing – typically lack of CRA
- Required Resources
- Construction, In-Place Rehab
- Extensive Timelines

# The Process

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## Steps:

- Identify Potential Sites (site control)
- Feasibility Analysis – Financial and Physical
- Concept Meeting
- Source Debt & Equity
- Validate Assumptions
- Applications – Housing Credits, Bonds, RD Transfer, etc.
- Initial Closing
- Construction Period
- Construction Completion
- Place in Service

# A Key to Success

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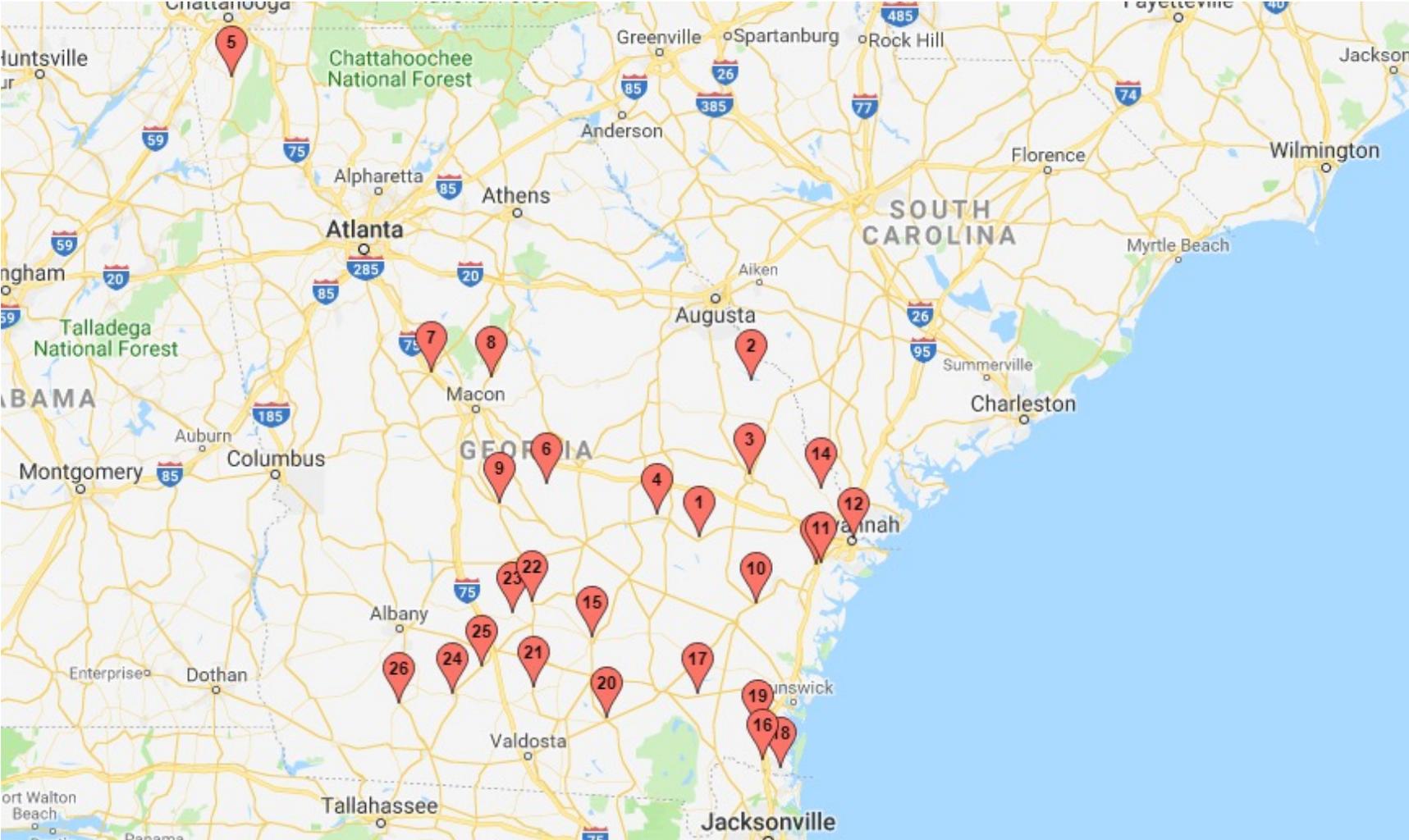
## Strong Development Team

- Experienced Developer Partner / Capacity Builder
- Rural Development
- State Housing Finance Agency
- Counsel – Developer / Borrower’s Counsel
- Syndicator / Equity Investor
- Lender
- General Contractor
- Architect
- Investment Banker / Underwriter
- Bond Issuer
- Trustee

# Success Story – Georgia Preservation Portfolio

GREYSTONE

# Georgia Preservation Portfolio



# Georgia Preservation Portfolio

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- **SIZE** 26 projects (23 post-closing) / 1,310 units
- **LOCATION** 17 counties throughout rural Georgia
- **TARGET** 15 Family; 8 Senior (age 62 or older or disabled)
- **SUBSIDY** 622 units (47%) USDA Section 521 RA
- **AGE** Average 32 Years
- **AT RISK** Expired LIHTC; 96%(all but 1) eligible for prepay
- **AFFORDABILITY** 100% ≤ 60% AMI

# Georgia Preservation Portfolio

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## Sources

Gross Tax-Exempt Bond Issuance	\$54,265,000
Senior Debt – USDA 538 MBS	\$27,329,000
Senior Debt - USDA 515 Direct (new)	\$368,000
Subordinated Debt - UDA 515 Direct (assumed)	\$27,601,007
Federal LIHTC Equity (4%)	\$33,123,114
State LIHTC Equity (4%)	\$20,901,257
Other - Surplus RR Cash	\$2,403,332
Investment Earnings	\$2,218,300
DDF	<u>\$412,709</u>
<b>TOTAL SOURCES &gt;&gt;&gt;</b>	<b>\$168,621,719</b>

# Conclusion & Wrap-up

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- Mission & Impact
- Relationships
- Commitment & Perseverance
- Patience & Humor

# GREYSTONE

## Thank You

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 [www.greystone.com](http://www.greystone.com)

**PLEASE TAKE OUR SURVEY**