Exeter Heritage: Preservation Challenges and Opportunities

Self-Help Enterprises

USDA 515 Properties

Heritage Properties

Self-Help Enterprises

Reedley Heritage
New USDA loan: $1,941,442
Existing USDA loan: $112,477
9% Tax Credits: : $2.8M
Other Sources: County HOME $2M, RCAC CMF $500,000
#Units: 23

Selma Heritage
New USDA Loan: $1,471,393
Existing USDA loan: $216,339
9% Tax Credits: $3.7M
Other Sources: County HOME $2M, RCAC CMF $500,000, Sponsor loan $500,000
#Units: 24

Exeter Heritage
New USDA loan: $1,921,020
Existing USDA loan: $67,964
9% Tax Credits: : $5.3M
Other Sources: HCD HOME $2.2M, RCAC CMF $500,000
#Units: 24

Lemoore Heritage
New USDA loan: $1,777,252
Existing USDA loan: $199,059
9% Tax Credits: : $4.7M
Other Sources: RCAC CMF $500,000, Sponsor loan $200,000
#Units: 23

Exeter Heritage

Project Overview

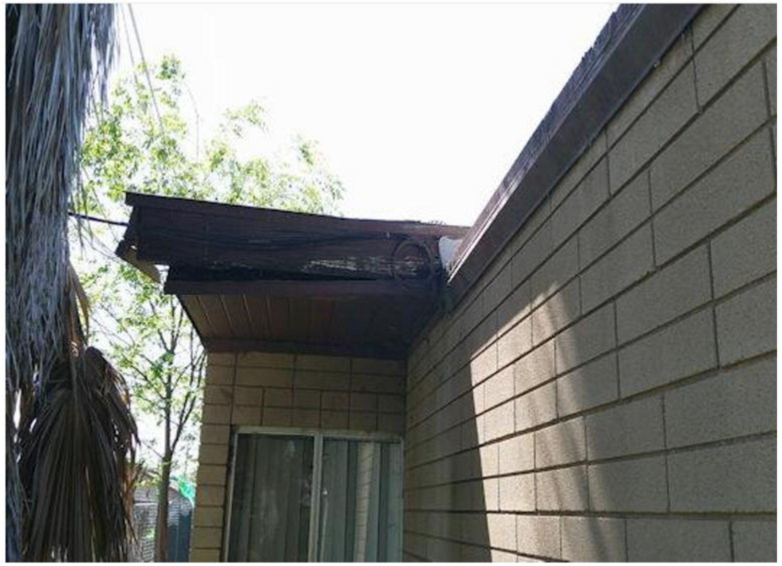
Self-Help Enterprises

- Built in 1978
  - Aging property conditions required significant rehab planning
- 24 1BR / 1BA senior units – Fully Occupied
  - Required waiting for vacancy of one unit to create a manager's unit
- Three one-story residential buildings
  - Rehab consists of phased relocation to minimize resident disruption
- Layered financing increased underwriting complexity
  - Conflicting federal funding requirements complicated closing coordination
  - USDA and HCD HOME competing for first-position priority
  - Slow agency approvals impacted CTCAC readiness deadlines



Self-Help Enterprises





Construction Barriers

Rehabilitation, Relocation & Cost Challenges

Self-Help Enterprises

- Fully occupied property required careful relocation sequencing
- CMU construction and small unit layouts limited ADA accessibility upgrades
- Aging plumbing & inaccessible mechanical systems
- Roof replacement & deferred maintenance
- Tree root damage to utilities & foundations
- Mold, termites, asbestos & lead remediation
- NEPA/environmental review delays
- Rising construction costs & hidden conditions

Transfer Structure

Transaction Design & Ownership Strategy

Self-Help Enterprises

- Property acquired through sale to a non-profit preservation program
  - Transaction structure includes a two-step closing process, with acquisition by the non-profit entity first, then transferring to the LP at closing
- Existing debt is assumed while a new USDA 515 loan is used to finance the balance of the acquisition
- Preservation transaction requires layered financing and additional capital sources to remain competitive
- Existing Rental Assistance remains attached to the project acquired with USDA 515 funds (no decoupling)

Major Barriers

Financing, Operations & Compliance Challenges

Self-Help Enterprises

- Deal Complexity
  - Small project size
  - Layered financing
  - Additional sources required for 9% credits
- Financial Feasibility
  - Limited economies of scale
  - Compressed cash flow
  - Soft cost absorption challenges
- USDA Requirements
  - Return-to-Owner Limitations
  - Approval timelines
  - Service funding restrictions

USDA Coordination

Agency Collaboration & Approval Process

- USDA coordination is critical throughout the underwriting, transfer approval, and closing
  - Requires alignment with HCD, LIHTC timelines, and investor expectations
- USDA and HCD HOME both required first-position priority
  - Competing federal requirements complicated closing
- USDA approval is required key transaction documents
- Early communication helped to identify feasibility constraints
  - Return-to-owner limits, reserves, and service funding restrictions
- Slow agency review timelines required ongoing coordination and follow-up

Lessons Learned

Challenges, Solutions & Best Practices

Self-Help Enterprises

- Start USDA coordination early
- Align investor, USDA, and state agency expectations early
- Expect longer timelines than traditional LIHTC transactions
- Evaluate ADA feasibility before finalizing scope
- Build larger contingencies for aging properties
- Preserve resident stability through phased relocation planning

What Made the Transaction Possible

Key Partnerships & Financing Tools

Self-Help Enterprises

- Layered financing structure that filled funding gaps
- Collaboration between USDA, HCD, investors, and development partners
- Preservation of Rental Assistance and long-term affordability
- Persistence through six years of approvals, underwriting, and coordination

Questions & Contact Information

Sheila Scheitrum
Assistant Director, Real Estate Development
(559) 931-2475
SheilaS@selfhelpenterprises.org