Meet the Financial Tools

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Enterprise Community Partners

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Objectives

- Introduce the complexity of layered financing
- Introduce the phases of development
- Understand the different and multiple lenders by phase
- Introduce the many financing options
Lasagna of Financing

- Financial Institutions
- Federal
- State
- Local
- Low Income Housing Tax Credit Equity
Phases of Development

- Acquisition/Predevelopment
- Construction
- Permanent Operations
Key Terminology

✓ **Principal** – Amount of money borrowed and must be repaid
✓ **Interest Rate** – What lenders charge to use their money
✓ **Term** – When the principal needs to be repaid
✓ **Origination Fee** – Upfront cost for the loan
✓ **Loan to Value (LTV)** – Amount of money borrowed as a percentage of the value
  ✓ If property value is $1M: an 80% LTV = maximum loan of $800,000
✓ **Low Income Housing Tax Credit (LIHTC) Equity** – cash generated when an investor purchases LIHTC
Let’s Introduce the Financial Tools

- Acquisition & Predevelopment
- Longer-term Acquisition + Rehab
- County and City of LA
- Construction
- Permanent
- LIHTC Equity
LA County Housing + Innovation Fund

Matt Lust
Los Angeles County Community Development Commission
Noni Ramos
Enterprise Community Loan Fund

ECLF, NFG, Golden State, MATCH
Enterprise Community Loan Fund

- $184 million revolving loan fund
- Nationwide
- Housing predevelopment & acquisition
- Maximum loan amount
  - Varies by market
- Interest rate
  - Fixed and variable
- Term
  - Up to 5 years
- Collateral and LTV
  - Real estate and other assets
  - LTV varies by collateral type

Jefferson Oaks Apartments
Oakland, CA
Affordable Housing Associates
New Generation Fund

- $76.25 million housing acquisition fund
- City of Los Angeles
- Predevelopment and acquisition
- Maximum loan amount
  - $10 million
- Interest rate
  - L + 1.3%, Floor of 3.75%
- Term
  - Up to 2 years with additional 2 years through extension
- Collateral and LTV:
  - Real estate
  - Nonprofit – up to 120%
  - For profit – up to 95%

Banning Villa Apartments
Los Angeles, CA
Preservation Partners Development and Clifford Beers Housing
Golden State Acquisition Fund

- $93 million housing fund
- Statewide
- Predevelopment and acquisition
- Maximum loan amount
  - $13.95 million
- Interest rate
  - Based on blended costs of capital of CDFI and state funds
- Term
  - Up to 5 years
- Collateral and LTV:
  - Real estate
  - Nonprofit – up to 100%
  - For profit – up to 95%

Rancho California Apartments
Temecula, CA
AMCAL
Metro Affordable Transit Connected Housing (MATCH)

- Estimated $75 million housing and transit fund
- Los Angeles County
- Predevelopment & acquisition/perm
- Maximum loan amount
  - Predevelopment - $1.5 million
  - Acquisition/perm – Based on LTV
- Interest rate
  - Based on blended costs of capital
- Term
  - Up to 10 years
- Collateral and LTV:
  - Real estate and unsecured
  - Up to 85%

Vision of future project
Acquisition/Rehabilitation Loan Program & Small Loan Program

Sabrina Saxton
CalHFA
Rushmore Cervantes
City of Los Angeles Housing + Community Investment Department

HCID-LA Financing
LA County CDC Financing

Matt Lust
Los Angeles County Community Development Commission
SNHP - Special Needs Housing Program
(formerly MHSA)

Sabrina Saxton
CalHFA
Construction & Permanent Products

Richard Gerwitz
The vast majority of affordable projects use private activity bonds and 4% LIHTCs. With few exceptions the bonds must be guaranteed or purchased by a financial institution: a construction lender and a permanent lender. Projects have long-term regulatory agreements that restrict at least a portion of the project to LMI families and individuals. There are typically a limited amount of commercial uses in an affordable project. Banks tend to focus on their CRA markets.

### Affordable vs. Market Rents in California

<table>
<thead>
<tr>
<th>Market</th>
<th>Mkt Rents (1 BR)</th>
<th>60% Restricted (1 BR)</th>
<th>Restriction Below Mkt</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Jose</td>
<td>$2,222</td>
<td>$1,256</td>
<td>-43.50%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>$2,380</td>
<td>$1,383</td>
<td>-41.90%</td>
</tr>
<tr>
<td>Oakland</td>
<td>$1,730</td>
<td>$1,097</td>
<td>-36.60%</td>
</tr>
<tr>
<td>Riverside-San Bernardo</td>
<td>$1,104</td>
<td>$720</td>
<td>-34.80%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>$1,442</td>
<td>$977</td>
<td>-32.20%</td>
</tr>
<tr>
<td>Anaheim</td>
<td>$1,578</td>
<td>$1,097</td>
<td>-30.50%</td>
</tr>
<tr>
<td>San Diego</td>
<td>$1,355</td>
<td>$956</td>
<td>-29.40%</td>
</tr>
<tr>
<td>Sacramento</td>
<td>$979</td>
<td>$781</td>
<td>-20.20%</td>
</tr>
</tbody>
</table>

Source: Restricted rents are equal to 30% of 60% of local AMI for a family of 2 (quoted monthly basis) per Novogradac. Market rents are “Multifamily Market Existing” from CoStar.
Citi Community Capital’s Affordable Lending Products

- Balance sheet, construction only
- Balance sheet, construction to permanent
- Balance sheet, construction to forward agency perm
- Immediate balance sheet perms
- Immediate Agency perms
- Acquisition loans


<table>
<thead>
<tr>
<th>Bond Structure</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private placements</td>
<td>140</td>
<td>154</td>
</tr>
<tr>
<td>Public sales</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Non-GSE</td>
<td>141</td>
<td>156</td>
</tr>
<tr>
<td>Freddie/Fannie</td>
<td>2</td>
<td>19</td>
</tr>
<tr>
<td>FHA Cash Backed</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total Project #</strong></td>
<td><strong>147</strong></td>
<td><strong>181</strong></td>
</tr>
</tbody>
</table>
Basic Transaction Structure

Basic financial characteristics
• Amortization: 35 years (due 15-years from stabilization)
• DSC: 1.15x
• LTV/LTC: 90%/80%
• Construction Rates: 150 to 250 basis point over LIBOR
• Permanent Rates: 240 to 260 basis points over LIBOR Swaps

Other
• 1st lien
• Single asset entity
• Completion and repayment guarantees
• Payment & Performance bonds

Palo Verde Apartments
What Lenders are Looking for

• Good real estate, with at least a 10% discount to market rents
• Sources committed at closing sufficient to meet projected uses
• Satisfactory exit analysis
• Strong, experienced developer

Crenshaw Gardens

Dana Strand Phase IV

Mosaic Gardens at Westlake

Rocky Hill
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Low-Income Housing Tax Credits

Reagan Maechling
Enterprise Community Investment, Inc.