



**HOUSINGVISIONS**

Real Plans. Real People. Real Progress.

# Preserving Tax Credit Projects – Year 15 Case Studies & Lessons Learned

**Michael La Flair**

Director of Marketing & Community Relations

# ABOUT HOUSING VISIONS

## ➤ Key Services

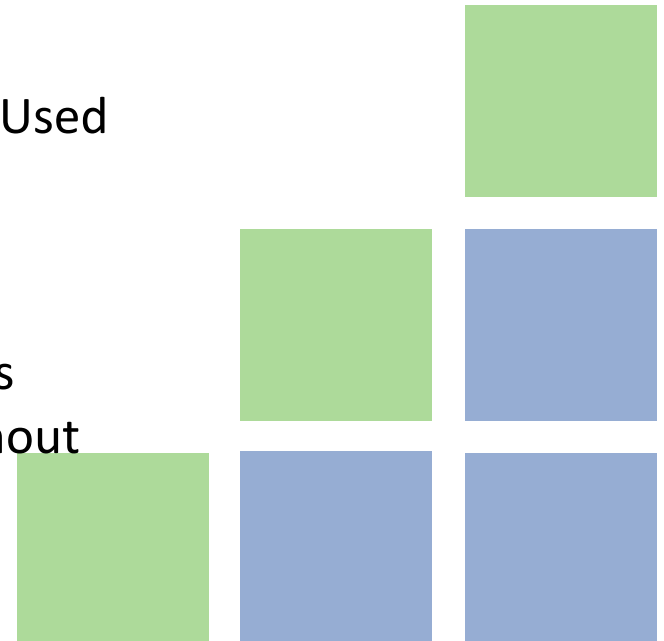
- Development
- Construction/General Contracting
- Property Management

## ➤ Approach

- Focused on Neighborhood Revitalization
- Scattered-Site, Urban Infill
- Supportive Housing, Mixed-Income, Mixed-Used

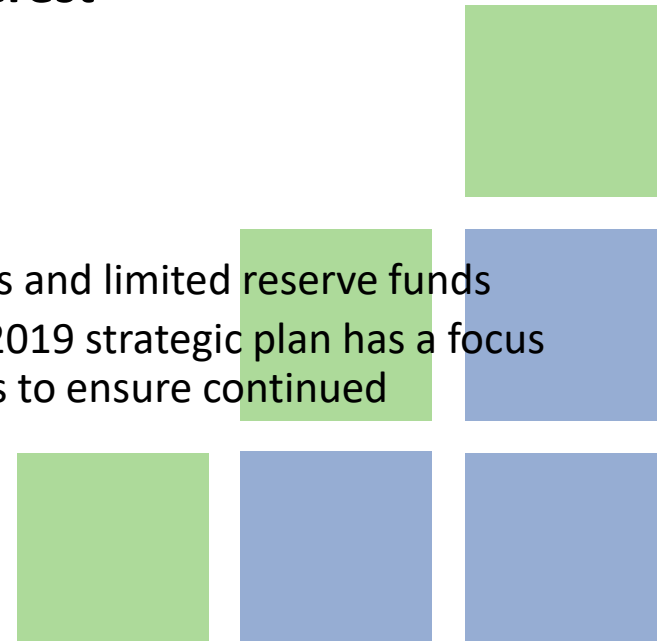
## ➤ Portfolio

- 1,500 Units Managed
- 45+ Low Income Housing Tax Credit Projects
- Over \$400MM invested in 15 Cities throughout New York & Pennsylvania



# HV YEAR 15 OVERVIEW

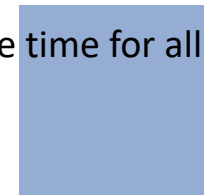
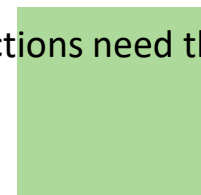
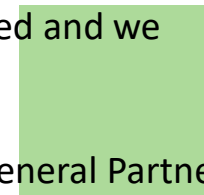
- **Out of 45+ projects, 15 have reached Year 15 of initial compliance period**
  - Average 1 – 2 projects/per year reaching end of initial credit compliance period
  - Within next 5 years, 50% of our projects/portfolio will be out of initial compliance period
- **Created affiliate company to take out LP interest**
  - Protect the parent non-profit
  - Unique purpose of holding Year 15 properties
- **Buyer Beware!**
  - Projects at year 15 will have mounting capital needs and limited reserve funds
  - This is an issue for our organization and our 2018-2019 strategic plan has a focus on timely financing plans to rehab these aging units to ensure continued marketability and availability in the community



# MAYFIELD I

## Utica, NY

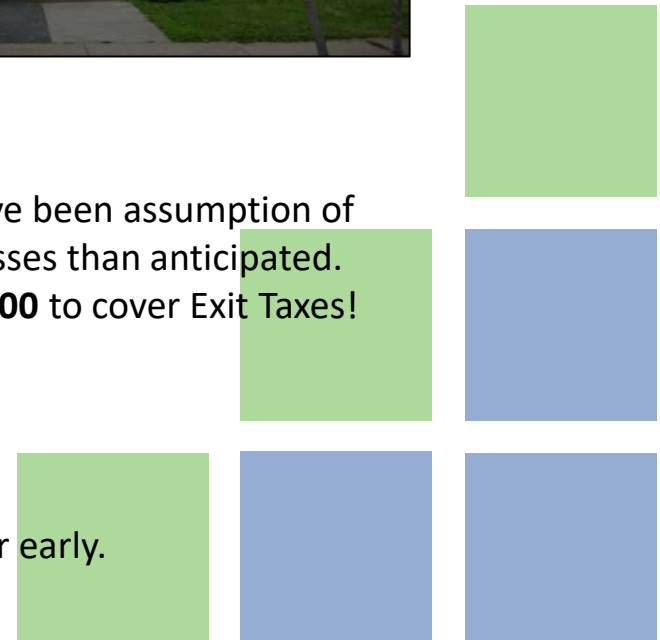
- **\$2.25MM Project**
  - LIHTC (\$1.5MM)
  - City HOME (\$750k)
- **8 buildings with 23 units**
  - Rents set at 50% AMI & 60% AMI
  - Small operating reserve (~\$7,000)
  - Replacement reserve (~\$26,000)
- **Limited Partner/Investor**
  - Key Community Development Corporation (KeyBank)
- **Year 15 Option**
  - Right of First Refusal
- **Year 15 Highlight**
  - While finalizing interest purchase, our Co-General Partner had dissolved and we needed them to authorize purchase.
- **Lessons Learned**
  - Process took much longer since we had to purchase/assume the Co-General Partner's interest before taking out the LP interest.
  - Start early at beginning of Year 14 because some transactions need the time for all items to come together.



# HV PARTNERS VIII

## Syracuse, NY

- **\$1.85MM Project**
  - LIHTC (\$545k)
  - City HOME (\$1.26MM)
- **4 buildings with 9 units**
  - Rents set at 50% AMI & 60% AMI
  - Small operating reserve (~\$12,000)
  - Replacement reserve (~\$62,000)
- **Limited Partner/Investor**
  - Key Community Development Corporation (KeyBank)
- **Year 15 Option**
  - Right of First Refusal
- **Year 15 Highlights**
  - While finalizing interest purchase price (which should have been assumption of debt/legal fees), it came to light that project had more losses than anticipated.
  - Capital account went negative and investor wanted **\$90,000** to cover Exit Taxes!
- **Lessons Learned**
  - Negotiate, negotiate, negotiate.
  - Stood firm that we did not have resources to pay \$90k.
  - Settled at \$0 for exit taxes after months of back & forth.
  - Monitor losses every year and communicate with investor early.



# NEW DWIGHTSVILLE

## Binghamton, NY

### ➤ \$4.00MM Project

- LIHTC (\$3.2MM)
- NYS HTF (\$515k)
- City HOME (\$350k)

### ➤ 8 buildings with 22 units

- Rents set at 50% AMI & 60% AMI
- Small operating reserve (~\$55,000)
- Replacement reserve (~\$65,000)

### ➤ Limited Partner/Investor

- Key Community Development Corporation (KeyBank)

### ➤ Year 15 Option

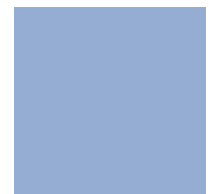
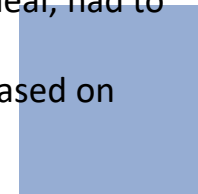
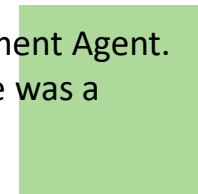
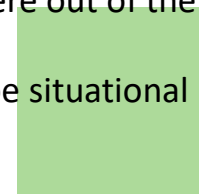
- Transferred our Managing Member interest to Non-Profit Partner to execute Right of First Refusal

### ➤ Year 15 Highlights


- Not contentious, Non-Profit Partner was Co-Managing Member and Management Agent.
- Decision was appropriate but needed to get our board comfortable, and there was a guarantee in Operating Agreement to consider.

### ➤ Lessons Learned

- We carried insurance since we had larger portfolio; once we were out of the deal, had to transfer this obligation to remaining partner.
- How the partners interact on determining Year 15 Option will be situational based on performance, etc.



# OTHER YEAR 15 LEARNINGS

- **Year 11 take-outs have not occurred by HV yet due to investor requirement that we secure a “Recapture Bond”**
    - Seems excessive since we have had no recapture/compliance issues in 28 years of business
    - This particular bond is costly and hard to secure
    - Request is/was indicative of strained investor relationship as we started to diversify investors/syndicators
  - **Intention to Sell to Tenants After Year 15**
    - Lots of barriers to executing / implementing Tenant Buy Out Plan post-Year 15
    - Still more regulatory precedent needed to pave way for home ownership opportunities to occur after initial compliance period
  - **LP interest purchase straight forward with HCR; dissolving the original partnership is more of involved process with HCR**
    - HCR could be more involved in LP takeouts/interest purchases to ensure non-profits are advised of rights, ROFRs enforced, etc.
- 
- A decorative graphic in the bottom right corner consisting of six squares arranged in a 2x3 grid. The top row has a light green square on the left and a medium green square on the right. The bottom row has a light green square on the left, a medium blue square in the middle, and a medium blue square on the right.

# QUESTIONS?

Michael La Flair

Director of Marketing & Community Relations

[mlaflair@housingvisions.org](mailto:mlaflair@housingvisions.org)

315-472-3820



**HOUSINGVISIONS**

Real Plans. Real People. Real Progress.