

Preservation of Affordable Housing (POAH) Capitalizing on Preservation Opportunities



Preservation Acquisitions – Key Issues

- **2-stage transactions – separate acquisition & rehab closings**
- **Hold while securing competitive resources / structuring rehab deal**
- **Addressing capital needs during hold period**
- **Rehab deal repays acquisition financing, incl. IOI loans/equity**



Preservation Acquisitions – Seller Issues

- **Can't build our way out of the affordable housing crisis**
- **High pricing / low cap rates in many markets – but still cheaper than building new**
- **Negative perceptions of exiting owner can undermine worthy preservation efforts**
- **So can preference for in-place owner, or local/in-state**



Preservation Acquisitions – Capital Needs

- **Good due diligence is key – especially for 2-stage pres transactions**
- **Envelope & major systems are first priority in rehab scope**
- **Use rehab to control long-term opex / R4R needs**
- **Green QAP scoring good / Rigid design guidelines bad**



Preservation Acquisitions – Resident Issues

- Existing resident populations constrain new set-aside priorities / implement on turnover
- Average Income to capture 60-80AMI in basis (don't exclude mixed-income sites)
- AHCI's grandfathering expansion will help



Preservation Acquisitions – Emerging Issues

- **Now: RAD for S.202 PRAC properties**
- **Soon: Wave of RD/515 expirations**
- **Next: LIHTC Year 30 expirations**

