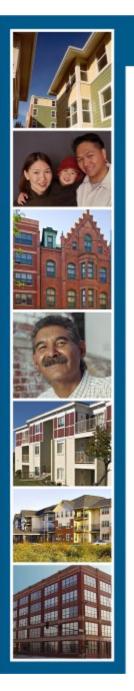
PROACTIVE PRESERVATION APPROACHES Planning Year 15



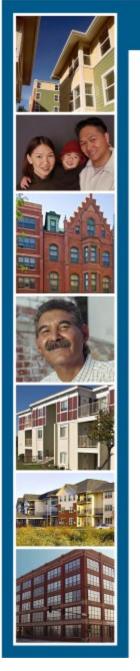
NCSHA January 15, 2020 Washington D.C. Presenter: Greg Griffin Vice President Asset Resolution and Dispositions



Over 1,000 Completed Dispositions Over 100 Annually Projected 37 Funds Dissolved Over 50,000 units preserved affordability







- Deliver Expected Investor Benefits
- Exit investor in Year 16
- Transfer to Sponsors
- Preserve affordability long term
- Can provide equity to resyndicate the project with new tax credits
- Can provide debt to refinance the project





PLAN AHEAD





"Before you begin, I'd like to thank you for coming in early to do this on such short notice."



YEARS 10-13

Develop Strategic Plan:

- Through Year 15
- After Year 15



- Determine when compliance period ends
- Does the GP have the desire and capacity to purchase the project?
- Is the Investor flexible with sale or transfer?
- Were Investor benefits realized?



YEARS 10-13

Develop Financial Projections

- Will cash flow be sufficient to sustain future operations?
- Are there any anticipated changes in the budget, such as loss of rental subsidies or tax abatements?
- Capital accounts/exit taxes

Market Conditions

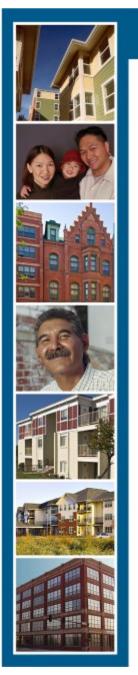
- Is the project marketable?
- Is there competition from other newer projects?







YEARS 10-13



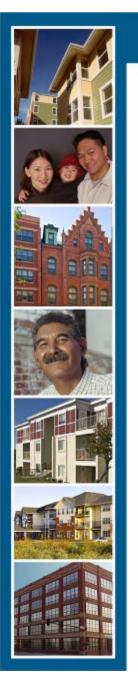
Review Capital Needs

- Engage CNA
- Consider a Green CNA
- Reserve balances and restrictions









Analyze Partnership Debt

- Are balloon loans or deferred interest payments due at or immediately after Year 15?
- Does existing debt exceed fair market value?
- Can loans be assumed, forgiven or restructured?
- Lender affordability restrictions
- Lender approval rights









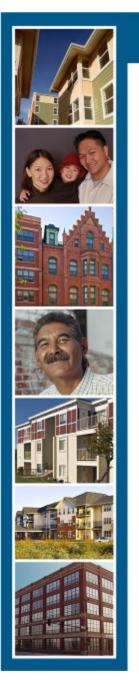
- Buyout Option or Right of First Refusal?
- Does the price make sense?











- Consult with Accountant and Attorney
- Meet with Syndicator
- Negotiate Purchase Price
- Sign Letter of Intent
- Obtain Lender Approvals
- Draft Legal Agreements









- Close on purchase in 1st quarter of year 16
- File amended Certificate of Limited Partnership (if applicable)
- File tax return and provide final K-1 to Limited Partner(s)
- Execute an amendment to the Partnership Agreement, signed by withdrawing and new partners



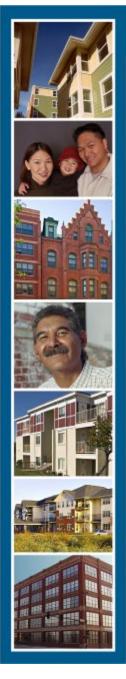
YEAR 1 – BACK TO THE FUTURE

Determine Goals at the Outset

- Financing can extend the restriction period
- How long will rent subsidies last?
- Ability to pay ballooning debt
- Extent and durability of improvements
- Clarify transfer provisions in pertinent documents
- Review impact of state agencies scoring criteria
- Funding source for purchase options







Greg Griffin Vice President, Asset Resolution and Dispositions 410.772.2664 ggriffin@enterprisecommunity.com

For further information, go to the <u>www.enterprisecommunity.com</u> website, and look for Year 15 information under Asset Management.

