

Tax-Exempt Bond Structuring Strategies



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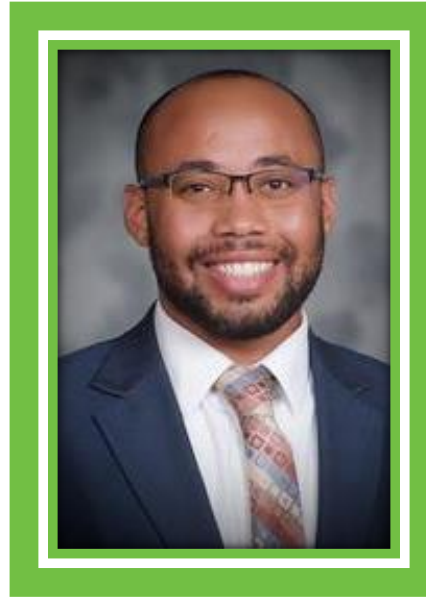
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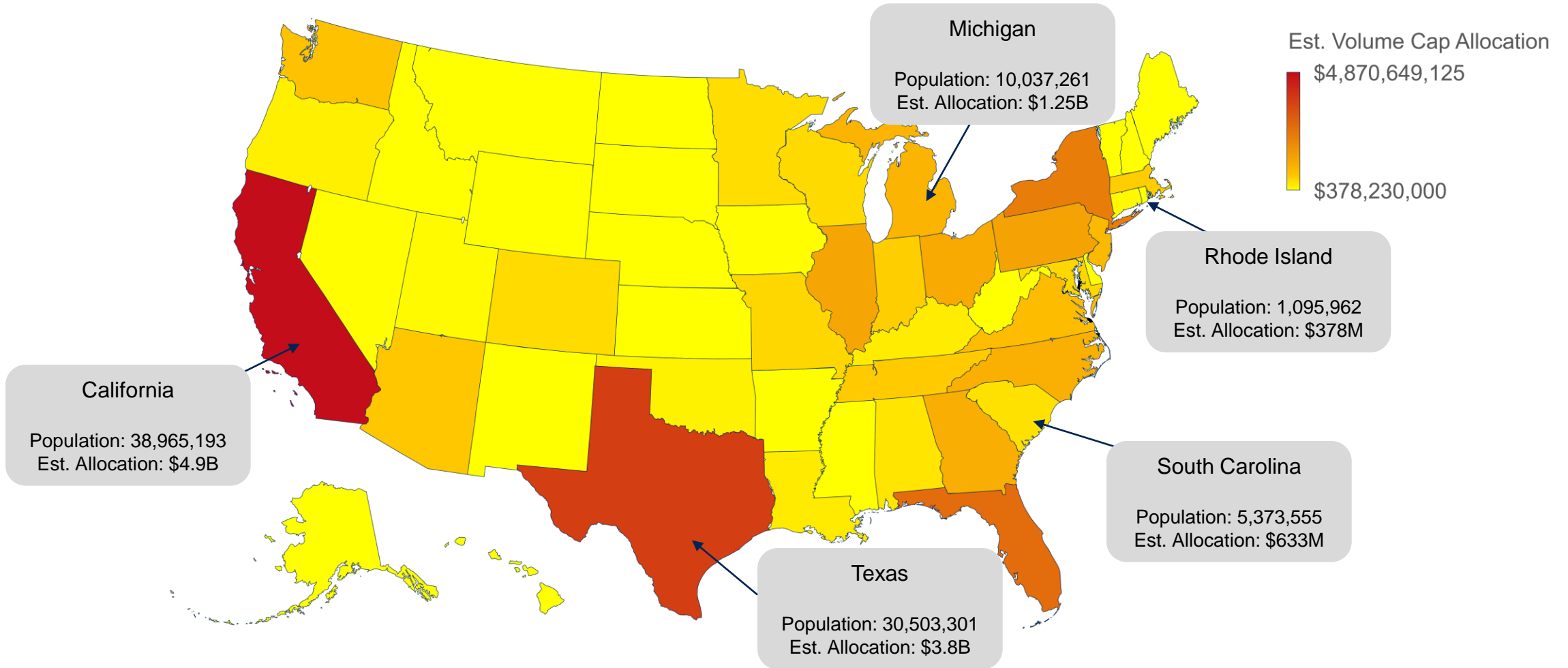
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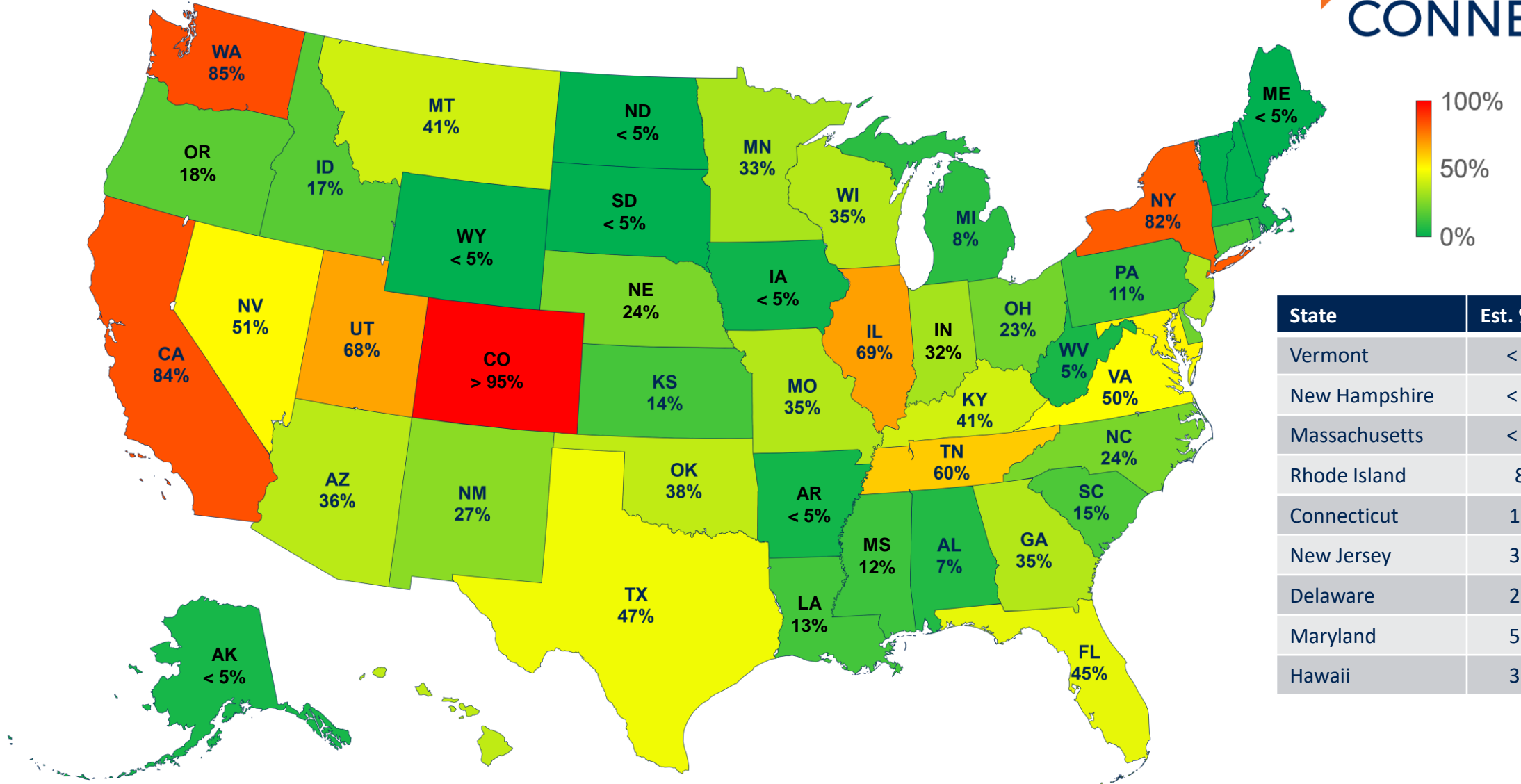


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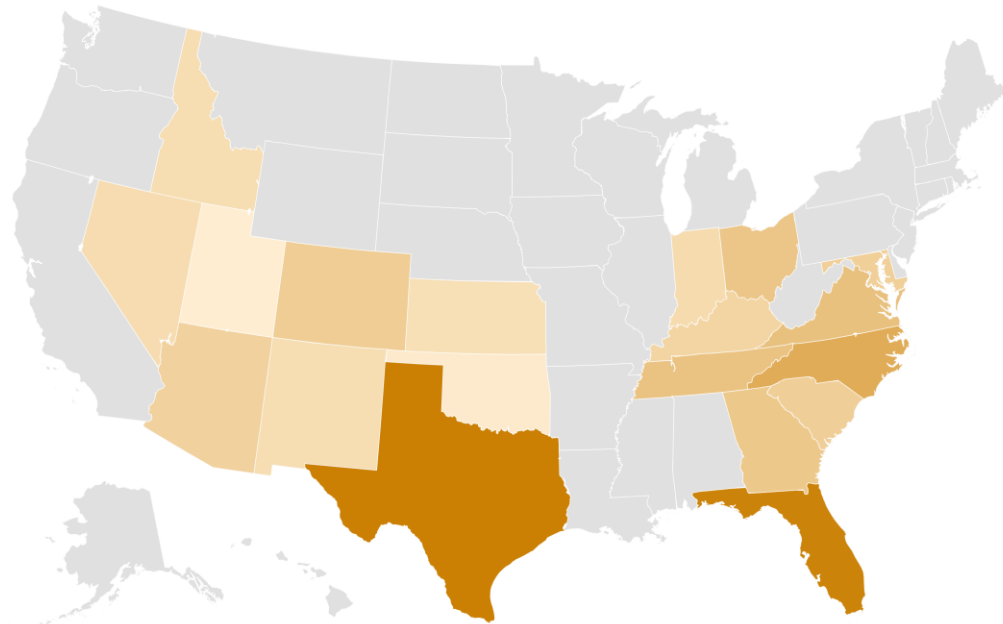
*2024 Volume Cap: \$125 per capita or
\$378,230,000 minimum for small states.*





Multifamily Bonds

Eligible MF Bonds

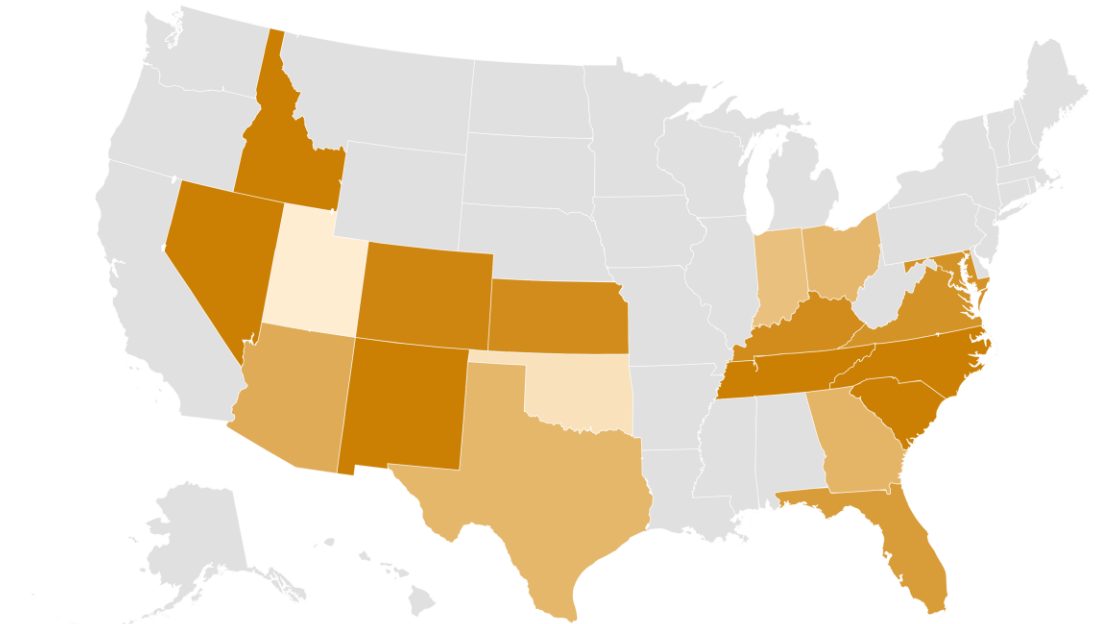


Series1

\$48,683,520 \$2,125,178,654

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Eligible MF Bonds Percentage



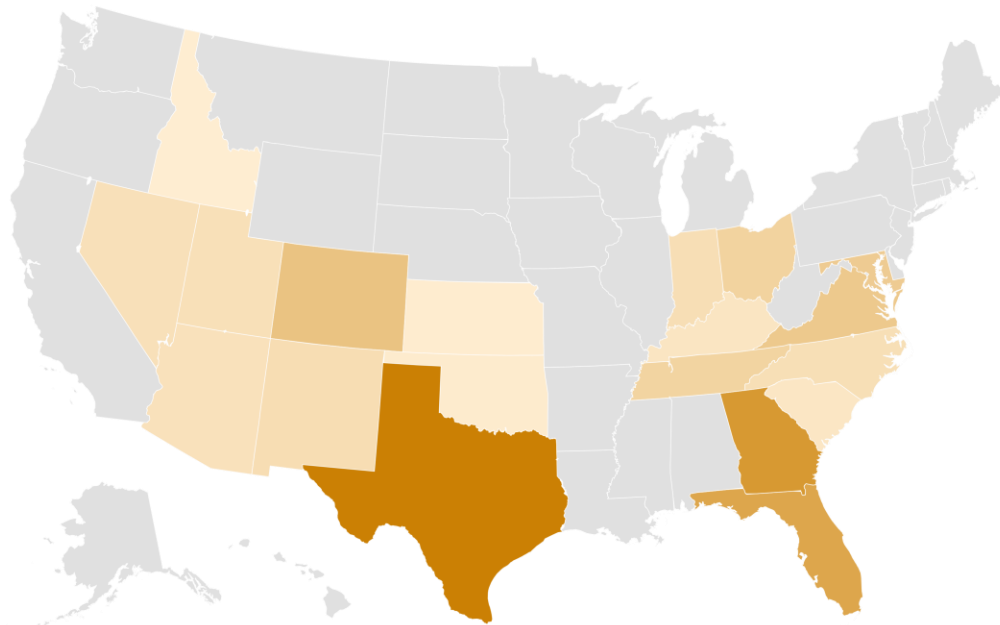
Series1

12.00 100.00

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Multifamily Bonds

3 YR AVG MF Bonds

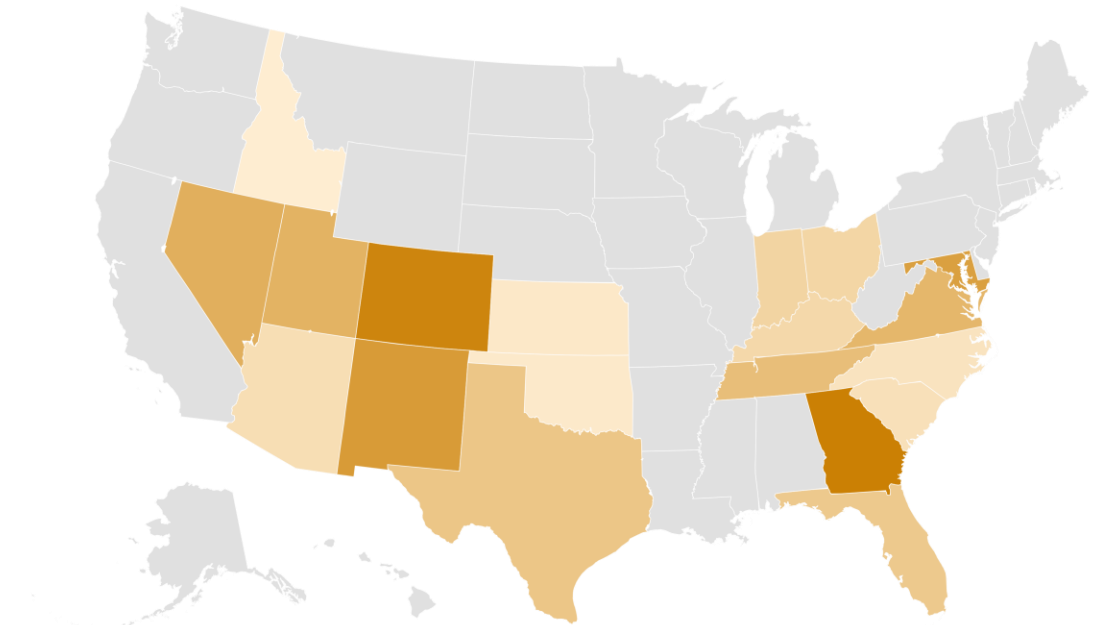


Series1

\$30,450,000 \$1,140,400,000

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3YR AVG MF %

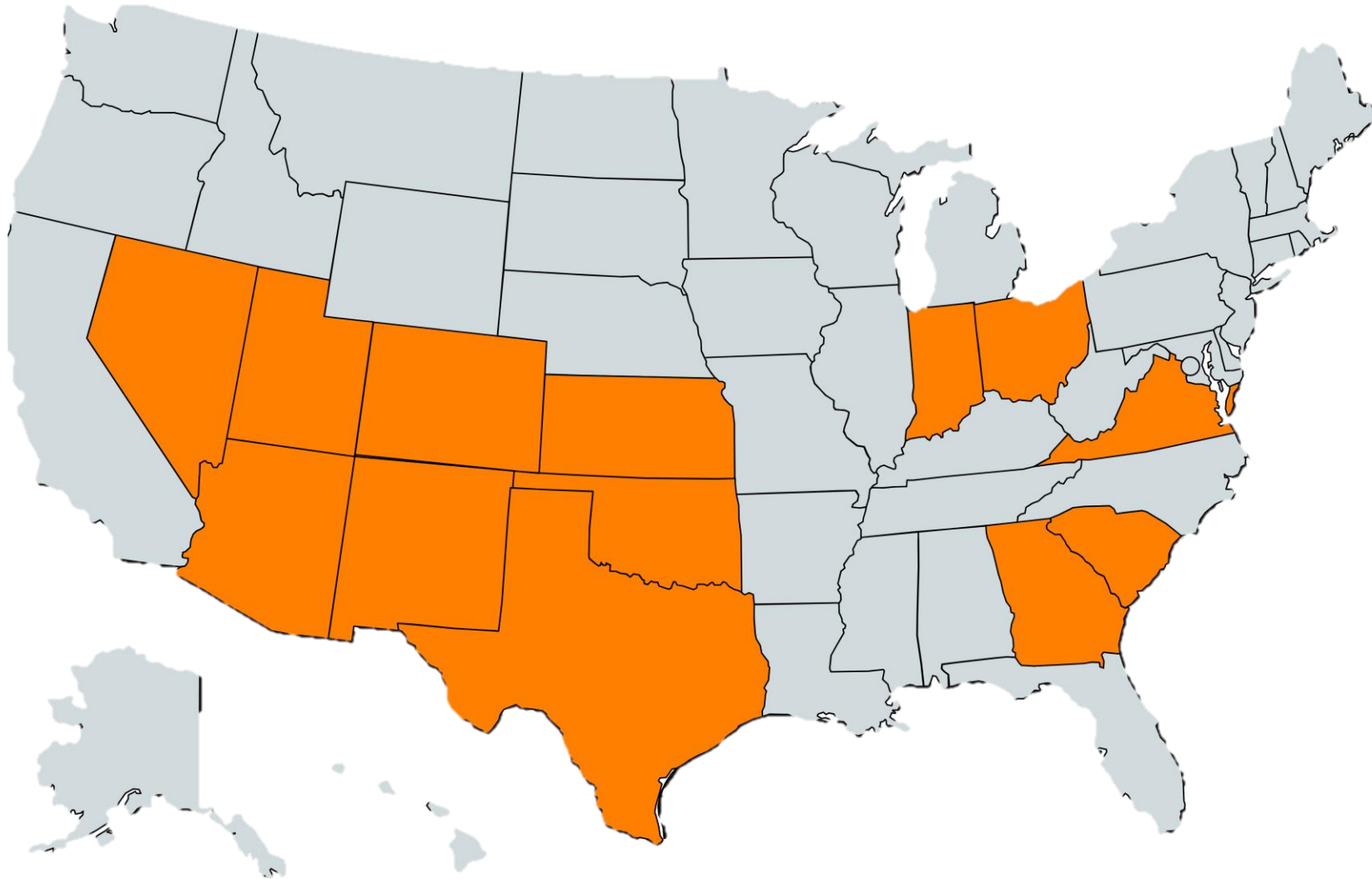


Series1

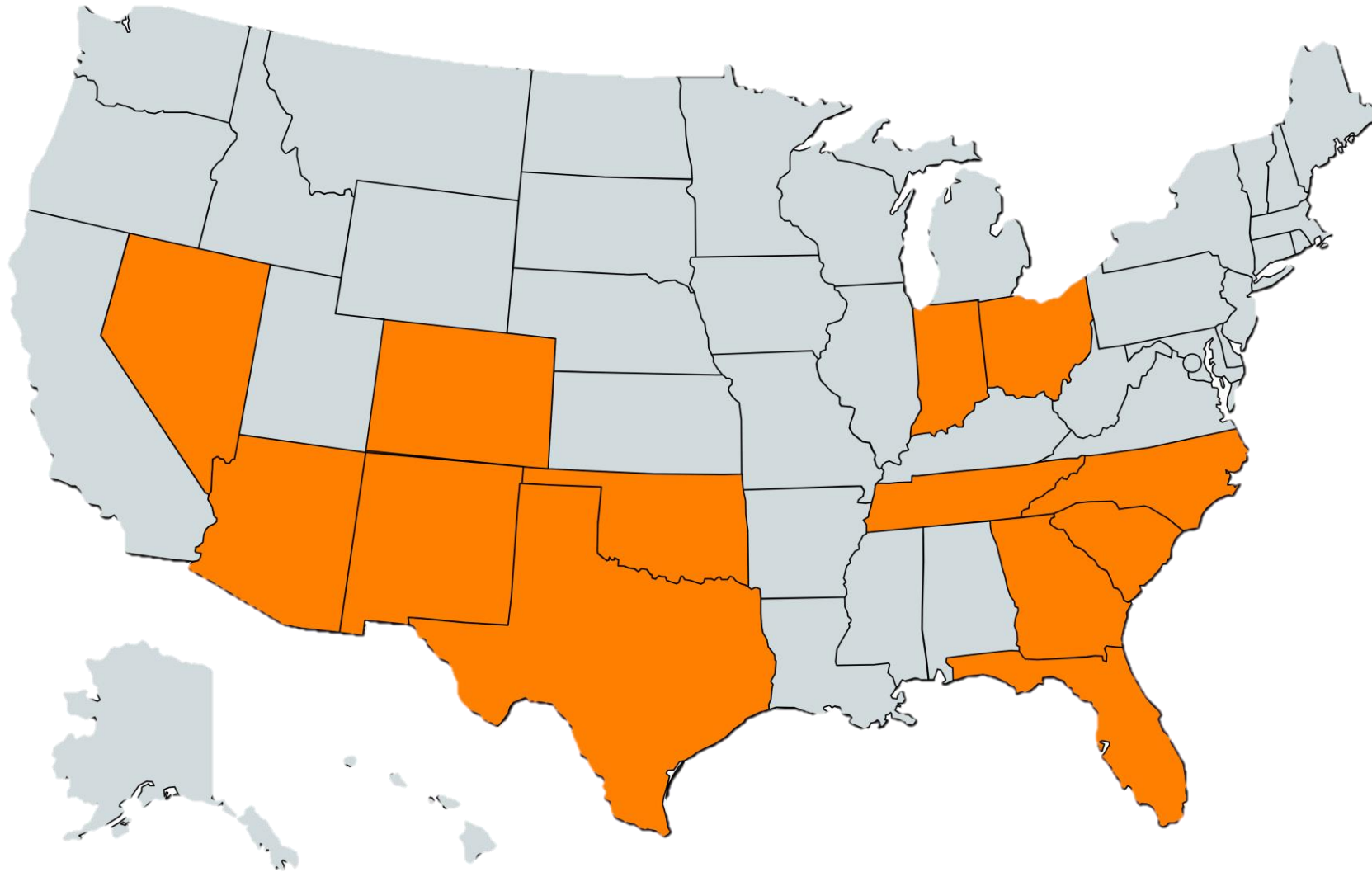
8.49 67.96

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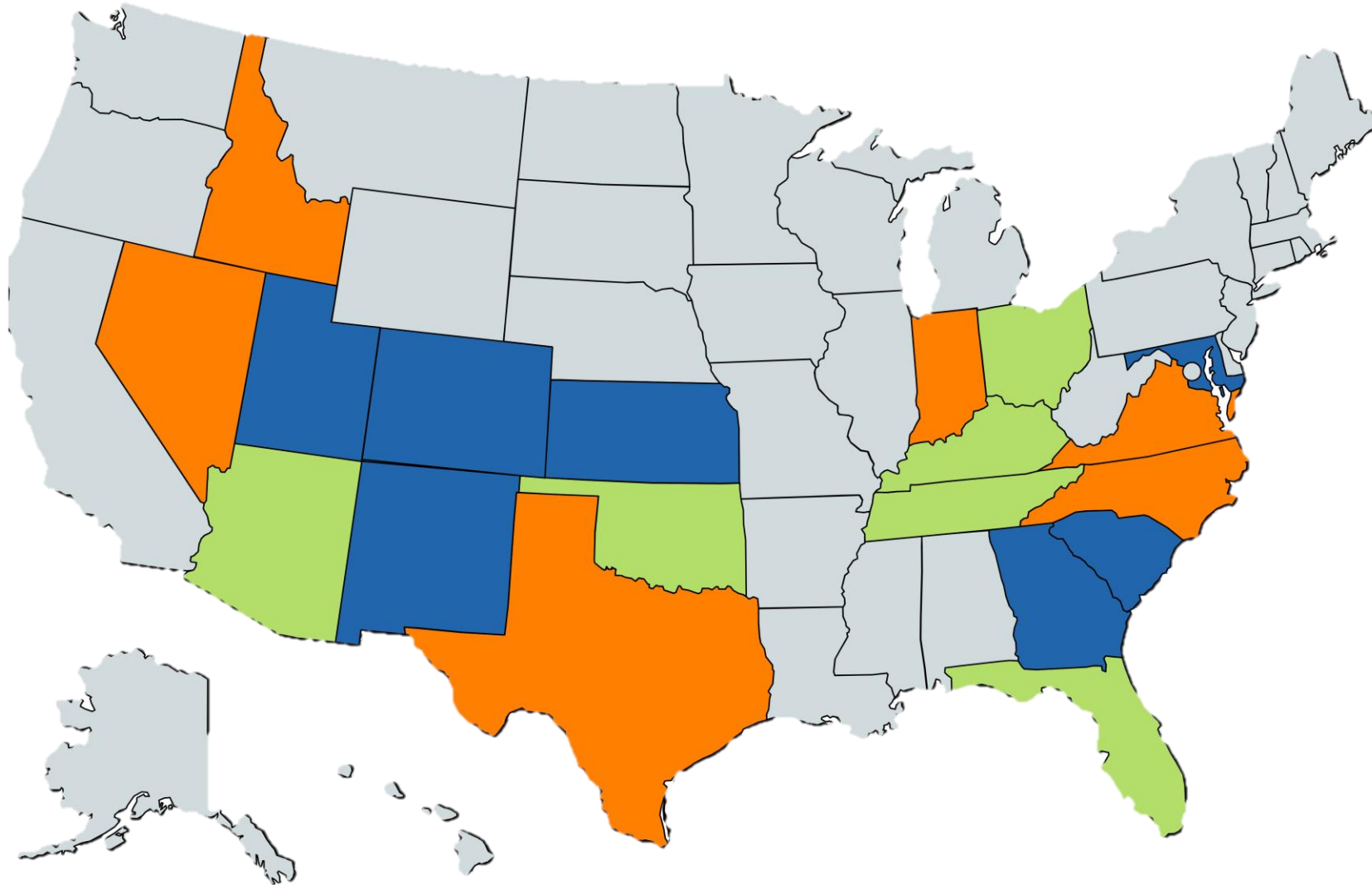
State Tax Credits



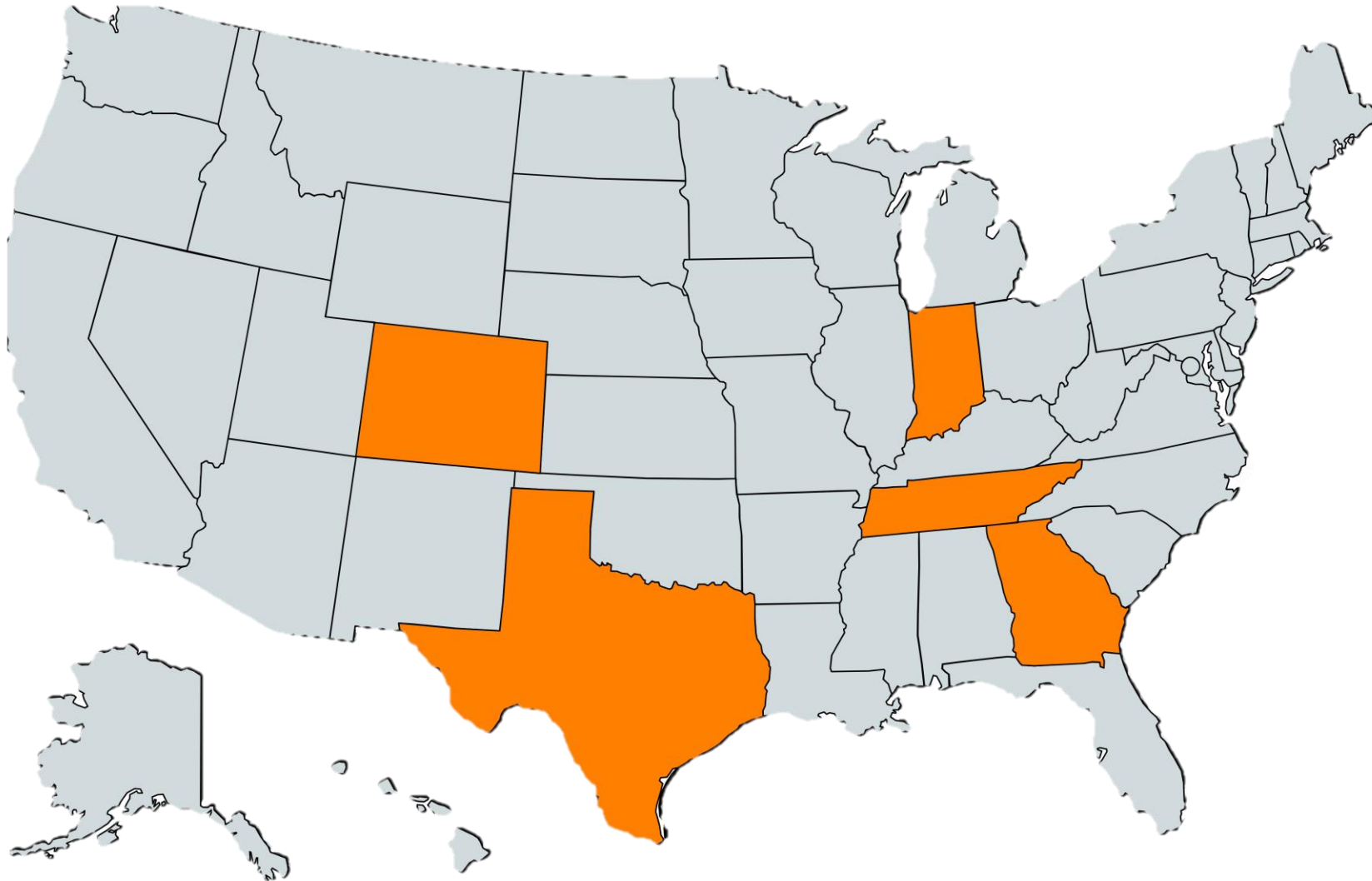
Property Tax Abatements



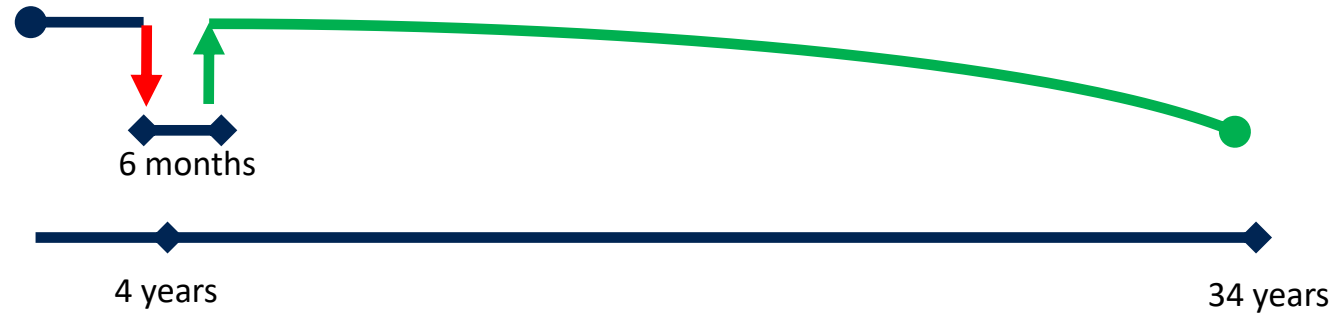
Developer Fee



Bond Efficiency

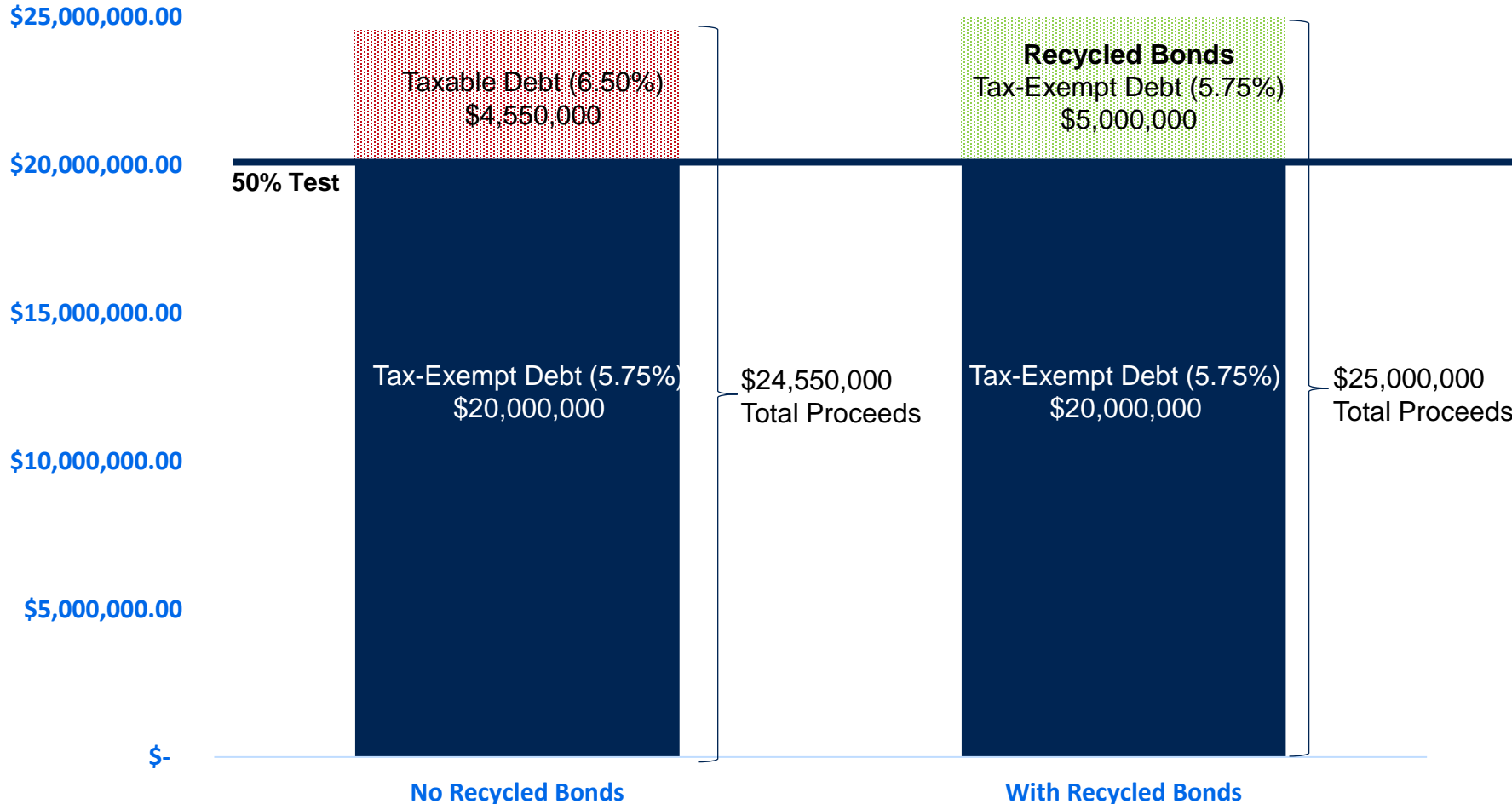


- Limit volume cap to 55-60% of aggregate basis
- Bifurcate transactions that are less than 100% affordable
- Obtain forward or multi-year volume cap allocation
- Twinning 4% and 9% deals
- Use recycled bonds for additional supportable debt above amount needed for 50% test



- Bond refunding must occur within 4 years of the initial issuance for an eligible rental housing project originally financed with private activity bonds.
- Requires new loan to an eligible project within 6 months of effective date of the prepayment.
- Maturity date of recycled bonds may not be later than 34 years from date of initial bond issuance.
- New project is subject to public notice requirements (TEFRA) prior to issuance of refunding bonds.
- **Recycled bonds are not taken into account for 50% test purposes and do not generate LIHTC, but can be used for non-LIHTC deals and in LIHTC transactions that can support additional permanent debt.**

- Additional permanent debt for transactions that can support an amount in excess of its 50% test



| | |
|--------------------------|------------------|
| Additional Loan Proceeds | \$450,000 |
| Less Additional COI* | (\$25,000) |
| Net Savings | \$425,000 |

* Additional Upfront and Ongoing Issuer fees applicable, but vary based on specific issuer. Assumes Underwriter Fee is 0.50% of additional Tax-Exempt Debt.

- 501(c)(3) Bonds
- Essential Function Bonds
- Recycled Bonds
- Workforce Housing
- Taxable Bonds (can also be used with 9% deals)

LIHTC Accounting Considerations

- Bond issuance and related financing costs incurred in connection with development of a LIHTC project are includible in eligible basis*
 - Includible as indirect costs required to be capitalized in adjusted basis under IRC Section 263A
 - Applicable regardless of whether bonds are taxable or tax-exempt
- Earnings on bond proceeds count towards 50% test**
- 266 election can allow bond interest through completion to be included in eligible basis

* 23rd *Chelsea Associates LLC v. Commissioner of Internal Revenue*, 162 T.C. No. 3 (2024)

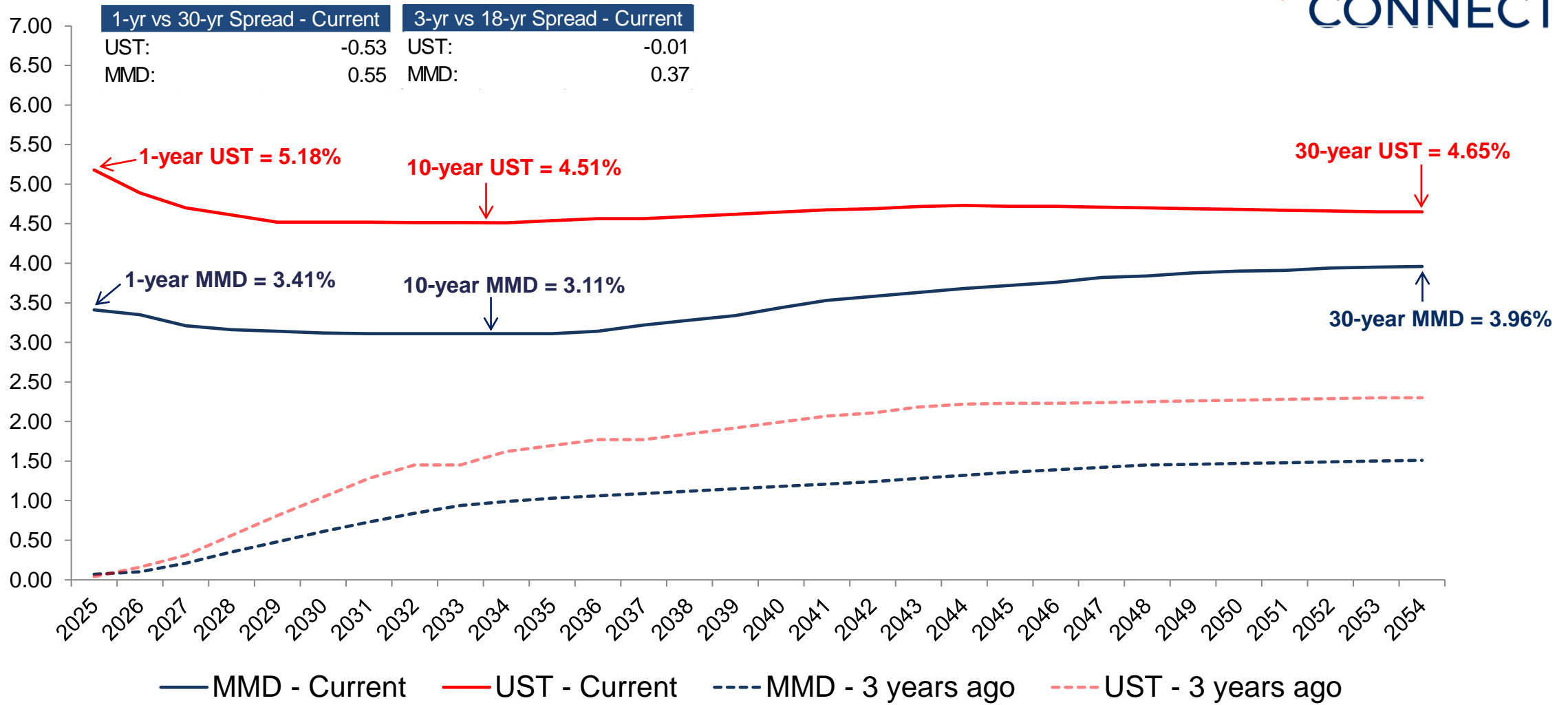
** *Rev. Rul. 2002-21*

Important Market Indicators

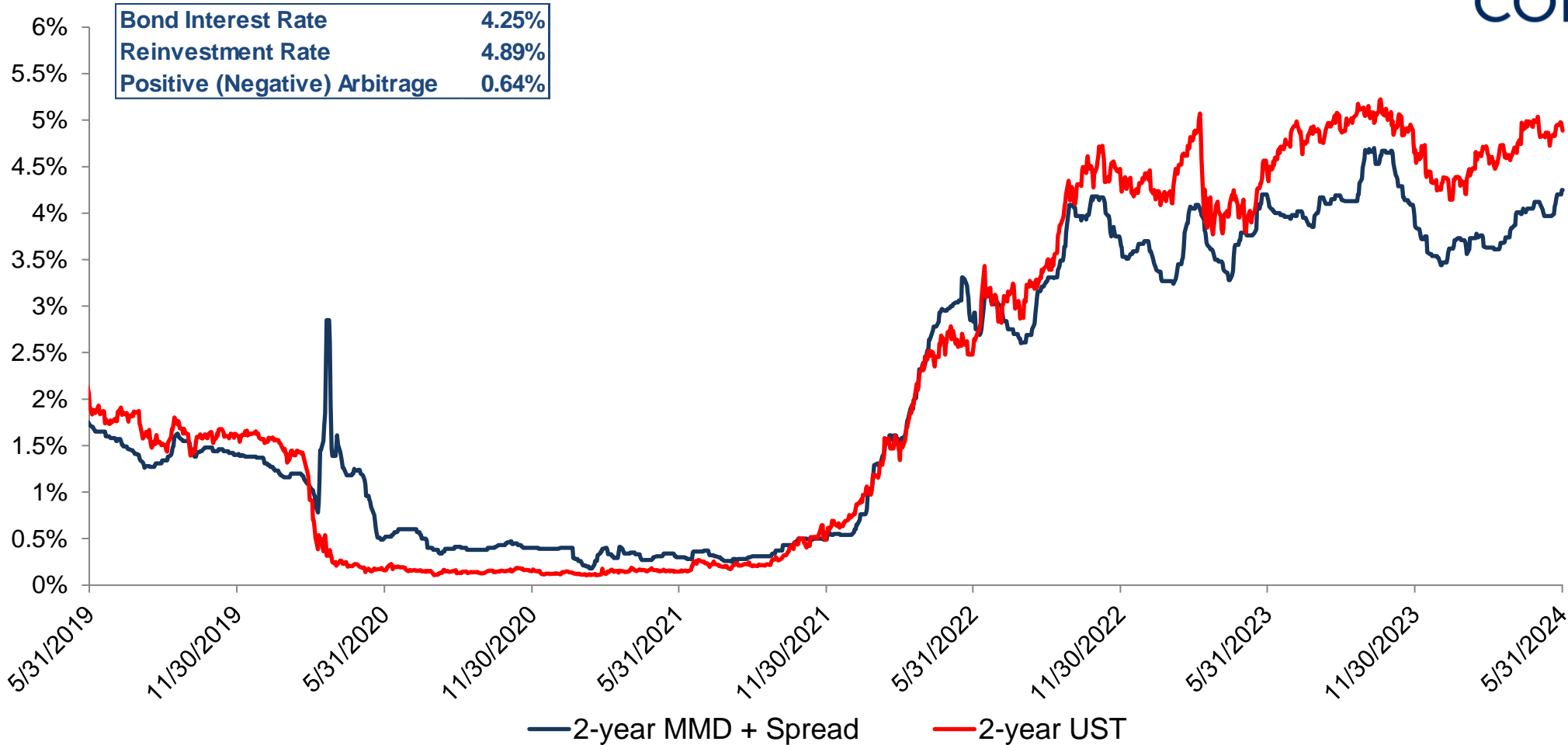


Source: Bloomberg. Thomson Reuters
 Reflects market conditions as of May 31, 2024
 Thomson Reuters Municipal Market Data (MMD) AAA curve is a proprietary yield curve that provides the offer-side of AAA rated state general obligation bonds

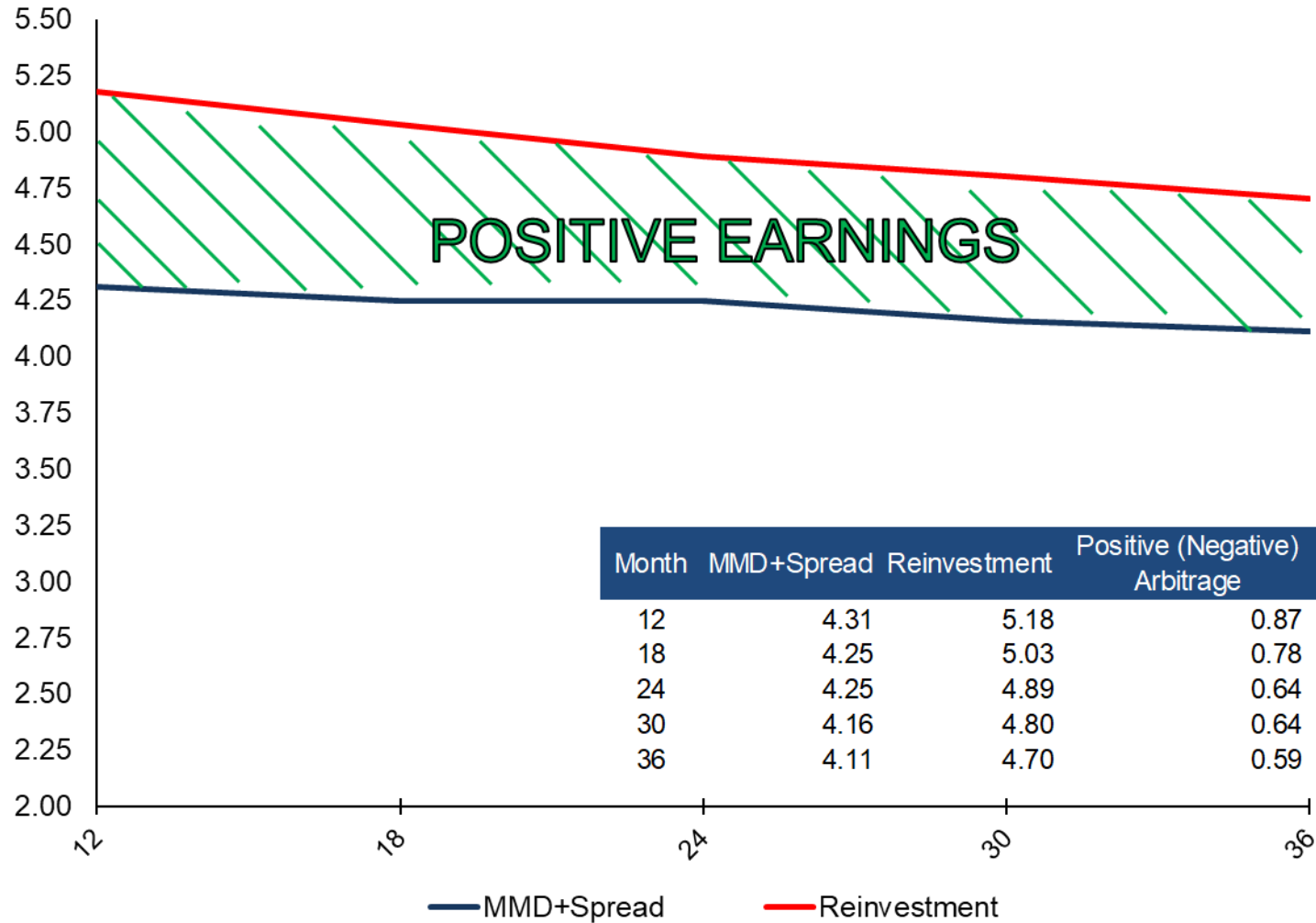
Yield Curve: Taxable UST vs. Tax-Exempt MMD (as of 5/31/2024)



Source: Bloomberg, Thomson Reuters
 Reflects market conditions as of May 31, 2024
 Thomson Reuters Municipal Market Data (MMD) AAA curve is a proprietary yield curve that provides the offer-side of AAA rated state general obligation bonds

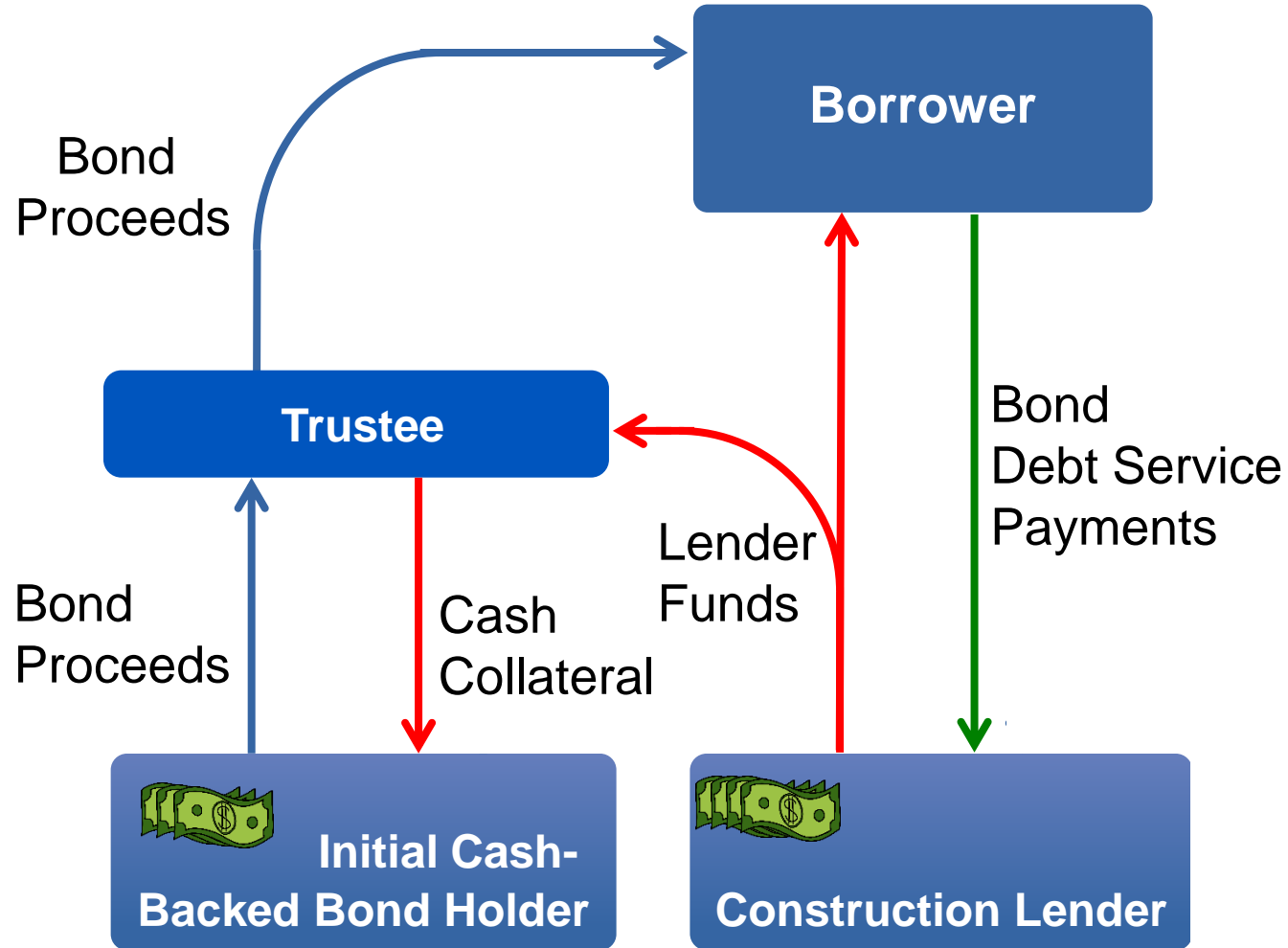


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 Reflects market conditions as of May 31, 2024
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Cash-Backed Forward Structure



1. Yield blending (subject to bond counsel approval) often results in ability to retain all or a portion of excess earnings on the short-term bonds
2. Additional equity generated when counting bond interest through completion in eligible basis*
3. Earnings on bond proceeds count towards 50% test
4. If Bond Amount > Perm Loan, allows other funds to be used as collateral (reduced construction loan)
5. Allows Equity Investor to also serve as Construction Lender without triggering program investment test

* Inclusion of bond and construction loan interest subject to approval from Developer's accounting firm.

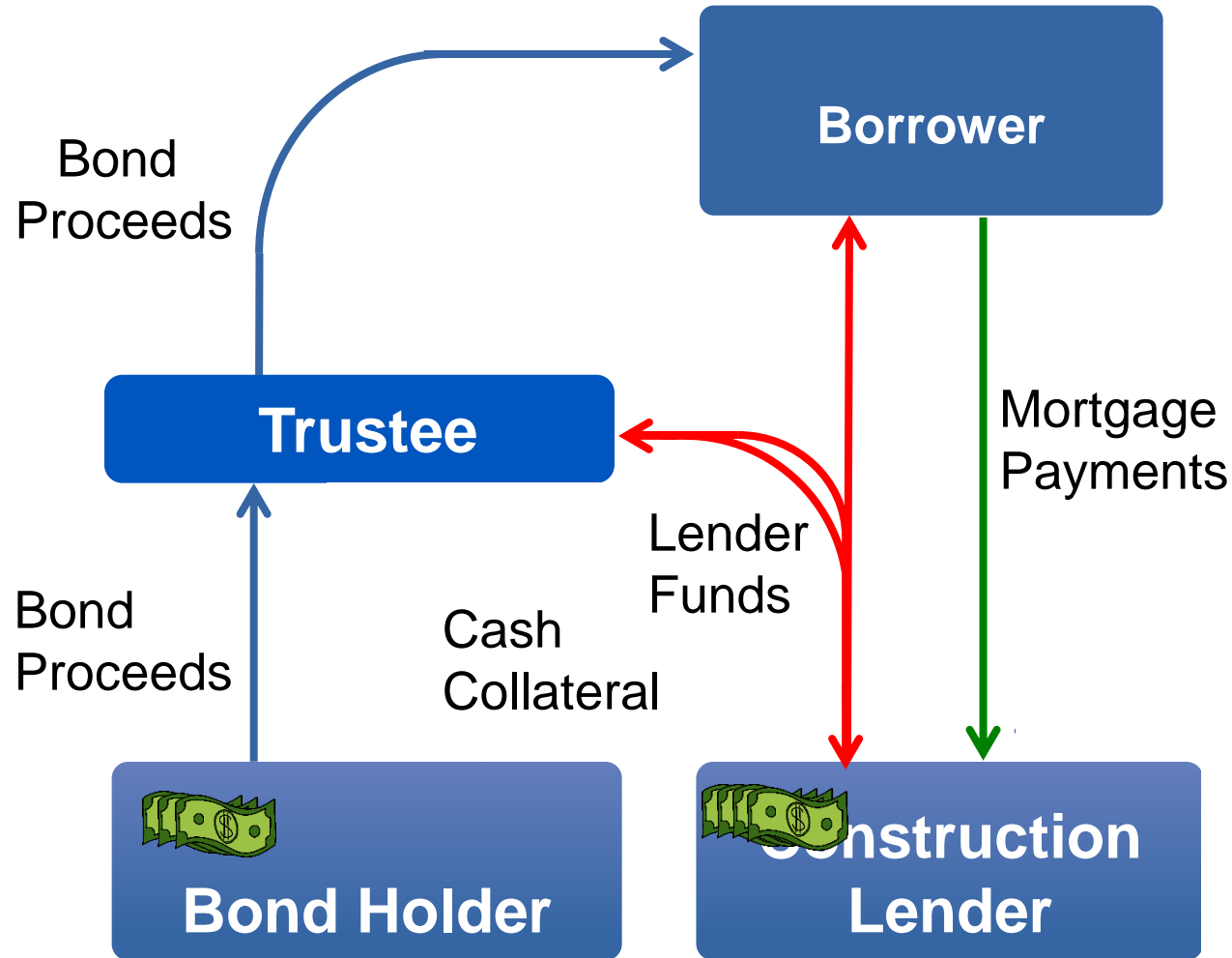
| Summary of Overall Structure | | | |
|-----------------------------------|-----------------------------------|---------------------|-------------|
| | Standard Draw-Down Bond Structure | Cash-Backed Forward | Savings* |
| Est. Positive Earnings | \$0 | \$540,000 | \$540,000 |
| Est. Additional Equity | \$875,000 | \$1,775,000 | \$900,000 |
| Est. Additional Costs of Issuance | \$0 | (\$190,000) | (\$190,000) |

Est. Savings: \$1,250,000
*4.2% of Bond Amount***

* Lower savings in situations where equity investor and construction lender are not related parties

** Assumes \$30mm bond amount

Fannie Mae Structures





GREEN
REWARDS



HEALTHY HOUSING
REWARDS



WORKFORCE
HOUSING



COST OF ISSUANCE
REIMBURSEMENT



PREMIUM BONDS

- Flexible Interest-Only Period; 35-year amortization (40 years for some deals)
- Taxable Supplemental or Tax-Exempt Earn-Out available
- Fully integrated bond and underwriting documents developed by Tiber Hudson can be utilized
- Current indicative rates:
 - Forward: Nationwide - 4.80% Bond Rate, 5.80% Mortgage; in California – 4.60% Bond Rate, 5.60% Mortgage
 - Immediate: Nationwide – 4.50% Bond Rate, 5.50% Mortgage; in California – 4.30% Bond Rate, 5.30% Mortgage

| Current Market Estimates* | |
|---------------------------|-----------|
| Bond Rate: | 4.80% |
| Investment Rate: | 4.60% |
| Est. Negative Arbitrage | \$180,000 |

| Market Estimates as of 6/1/21* (3 years ago) | |
|----------------------------------------------|-------------|
| Bond Rate: | 2.00% |
| Investment Rate: | 0.25% |
| Est. Negative Arbitrage | \$1,575,000 |

* Assumes Forward M-TEB with 3-year initial term, \$30mm bond amount

Forward MTEB Benefits

1. Yield blending (subject to bond counsel approval) often results in ability to offset a portion of long-term bond interest cost with excess earnings on the short-term bonds
2. Additional equity generated when counting bond interest through completion in eligible basis*
3. Potential for greater permanent loan proceeds in debt service constrained transactions
4. Earnings on bond proceeds count towards 50% test
5. If Bond Amount > Perm Loan, allows other funds to be used as collateral (reduced construction loan)
6. Allows Equity Investor to also serve as Construction Lender without triggering program investment test

* Inclusion of bond and construction loan interest subject to approval from Developer's accounting firm.

| Summary of Overall Structure | | | |
|-----------------------------------|-----------------------------------|---------------|-------------|
| | Standard Draw-Down Bond Structure | Forward M-TEB | Savings* |
| Est. Permanent Loan Proceeds | \$28,125,000 | \$30,000,000 | \$1,875,000 |
| Est. Additional Equity | \$875,000 | \$1,875,000 | \$1,000,000 |
| Est. Additional Costs of Issuance | \$0 | (\$265,000) | (\$265,000) |
| Est. Negative Arbitrage | \$0 | (\$120,000) | (\$120,000) |

Est. Savings: \$2,490,000
*8.3% of Bond Amount***

* Lower savings in situations where equity investor and construction lender are not related parties

** Assumes \$30mm bond amount required to meet 50% test

TIFIA Funding

The Transportation Infrastructure Finance and Innovation Act (TIFIA) is designed to provide funding for Transit-Oriented Development.

- Administered through the Department of Transportation
- Low interest rate (approximately 4.50% in current market)
- Interest does not accrue until proceeds are drawn
- Flexible amortization
- No pre-payment penalty
- Provides financing for up to 49% of Total Development Cost

The TIFIA 49 Initiative authorizes borrowing of up to 49% of eligible project costs for eligible transit-oriented development projects.

- Residential developments can qualify as transit-oriented development if:
- They are within ½ mile of a qualified transit or passenger rail station
- The contracting process can begin within 90 days of loan closing
- Non-federal match >25% (including 20% private investment) of total costs
- They generate revenue for the related transit or passenger rail station/service

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TIBER HUDSON

Heritage at Church Ranch *Westminster, Colorado*



Matlock Flats

Arlington, Texas



Creekridge on the Park Charlotte, North Carolina



Aria Landings *Fort Myers, Florida*



Highlighted Topics / Issues for LIHTC Investors

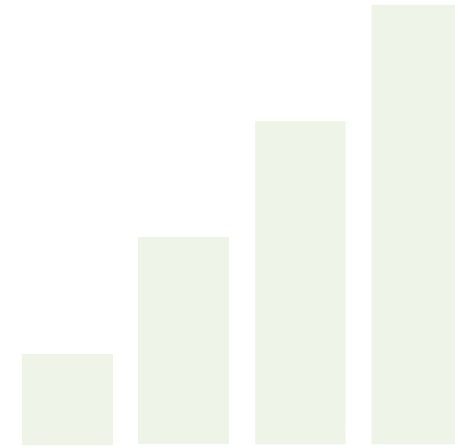
1) HOUSING CREDIT PRICING

2) PROJECT READINESS

3) OTHER INVESTOR INTERESTS

4) CHALLENGING DEAL STRUCTURES

5) NEW FUNDING OPPORTUNITIES (CLEAN ENERGY PROVISIONS)



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