

# Portfolio Preservation Housing Vermont's Perspective



HOUSINGVERMONT

# Summary or Objectives

- ▶ Explain Syndicator and Partner Role
- ▶ View of Reinvestment/Preservation
- ▶ HV's Portfolio
- ▶ HV's Internal Process
- ▶ Equity Update and Outlook

# Housing Vermont Syndicator and Partner

- ▶ Housing Vermont is unlike other national for profit and non profit syndicators, whereas we are both syndicator and co-developer in most development projects.
- ▶ Equity is raised through Direct Investment and Fund Investment
- ▶ Direct Investment (Direct Placement)
  - Investor is the LP with 99.9%
  - Investor has hand picked the project and reviews similar to underwriting.
  - HV is always Co-GP with local partner each with .05%
- ▶ Fund Investment
  - Through GMHEF LP
  - Pool of investors form GMHEF LP (Upper Tier Partnership). Blind Pool.
  - GMHEF LP is the LP in the Project or Lower Tier Partnership.
  - HV is Co-GP in 90% of the lower tier partnerships

# Upper Tier Partnership

## Green Mountain Housing Equity Fund IV, LP

**General Partner**

**GMHEF, Inc**

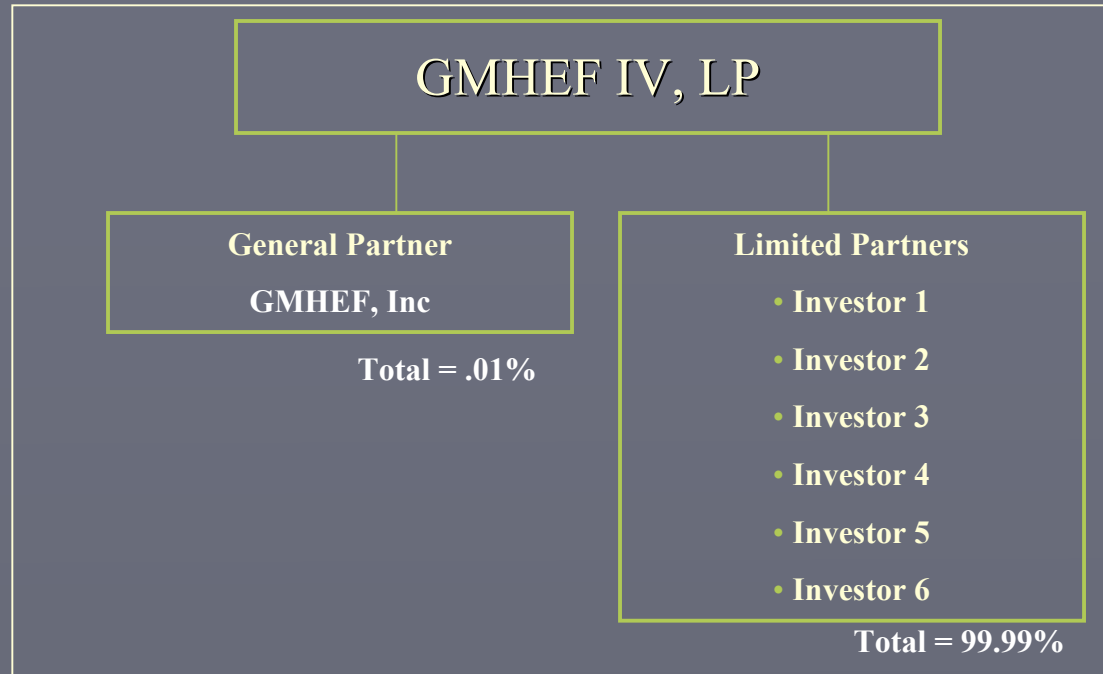
**Total = .01%**

**Limited Partners**

- **Investor 1**
- **Investor 2**
- **Investor 3**
- **Investor 4**
- **Investor 5**
- **Investor 6**

**Total = 99.99%**

## Upper Tier Partnership



## Lower Tier Partnership



# Reinvestment for Preservation

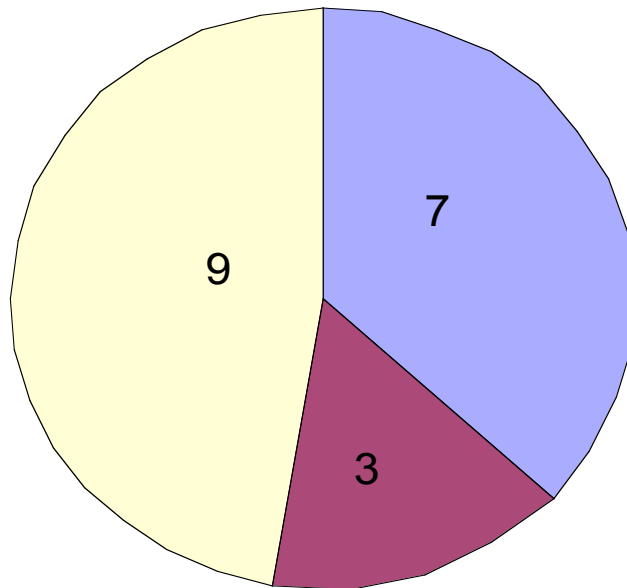
- ▶ Properties have covenants for perpetual affordability.
- ▶ Pro Forma or projection of Property is 15 years.
- ▶ Each property performs differently over the 15 years, factors:
  - New Construction vs Rehab.
  - Strengthening or weakening market conditions.
  - Unforeseen capital expenditures.
  - EUL either longer or shorter than originally anticipated.
  - Premature system failures, etc.
  - Financing Terms
  - Expense spikes
- ▶ The end of the tax credit period is a time to assess how the property has performed, contributing factors and the need to recapitalize due to performance over the initial fifteen years. How to capitalize on the positive and adjust for the negative contributing factors. To get through the next fifteen years.
- ▶ Unless the property has had all positive factors that allowed continual reinvestment and upgrades there will be some aspect that will require some immediate recapitalization. Every property is different, some will require more, some less.
- ▶ There may be certain extreme cases where preservation doesn't make sense.

# Perfect time for Preservation

- ▶ Softening markets. New construction in certain areas may be riskier. Opportunity to tighten up existing stock.
- ▶ Implement new technologies and techniques in EE to address increasing energy costs in preservation projects to help keep operating subsidies tied to TBV, PBV, other HAP Contracts, RD subsidies.
- ▶ Softening Construction Industry
- ▶ Long Term HAP Contracts and HUD financed projects coming up on renewals and maturity. Utilize equity and renewal terms for part of total preservation project.

# HV Portfolio

## Year 15 Properties



- Ownership Transferred to Optionee
- Re-syndicated with Housing Vermont
- Still in portfolio

# HV's Internal Process

- ▶ Goal to get LP out in year 11
- ▶ Property Assessment two years prior to year 15.
  - The assessment pulls together the option, outstanding debt, audit, covenants, capital needs and operating projections.
- ▶ No less than 19 months prior to expiration Development reviews assessment.
- ▶ No less 18 months prior to expiration Development will meet with Optionee to discuss assessment and provide recommendations.
- ▶ 1 year prior to expiration Asset Management sends optionee option notice letter.

# Tax Credit Equity Outlook

- ▶ Fannie Mae
- ▶ GMHEF IV
- ▶ Monetization
- ▶ Direct Investment

# Optionee Considerations

- ▶ Start looking at operations ability to refinance early.
  - 3 years of Audited financials demonstrating good financial performance.
  - Over-income households should have rent increases to boost income. Rents for over-income should be closer to market without going over covenants.
- ▶ Start talking to Holders of soft debt (such as the town with VCDP loans) early about purpose of the debt, assignment, etc.