



NATIONAL RURAL
HOUSING COALITION

An Exploration in Federal Rural Rental Housing Policy

OCTOBER 4, 2016

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Overview of USDA's Section Multifamily Housing Portfolio

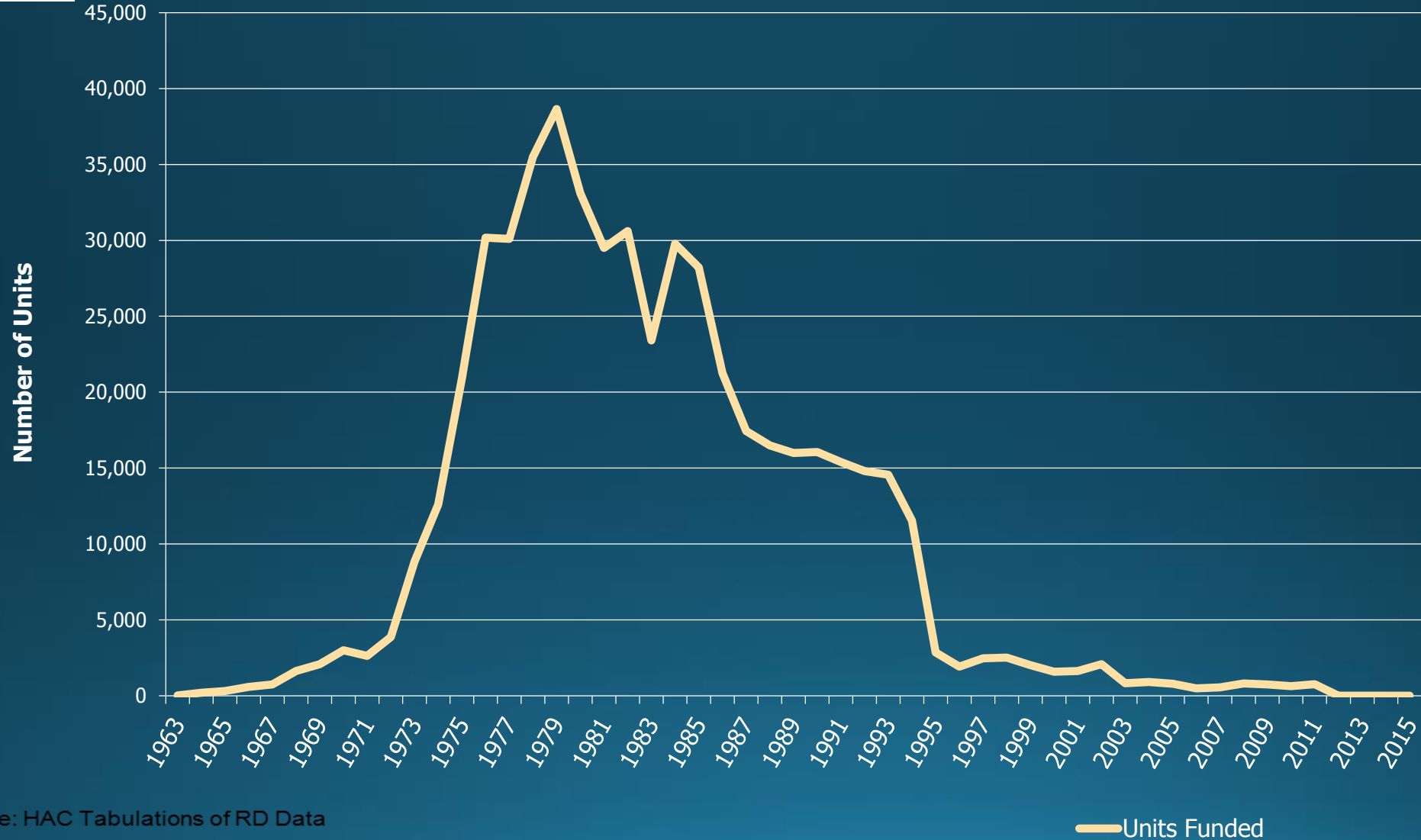
NRHC Rural Rental Housing Conference
AN EXPLORATION IN FEDERAL RURAL RENTAL
HOUSING POLICY
October 4, 2016



Housing Assistance Council



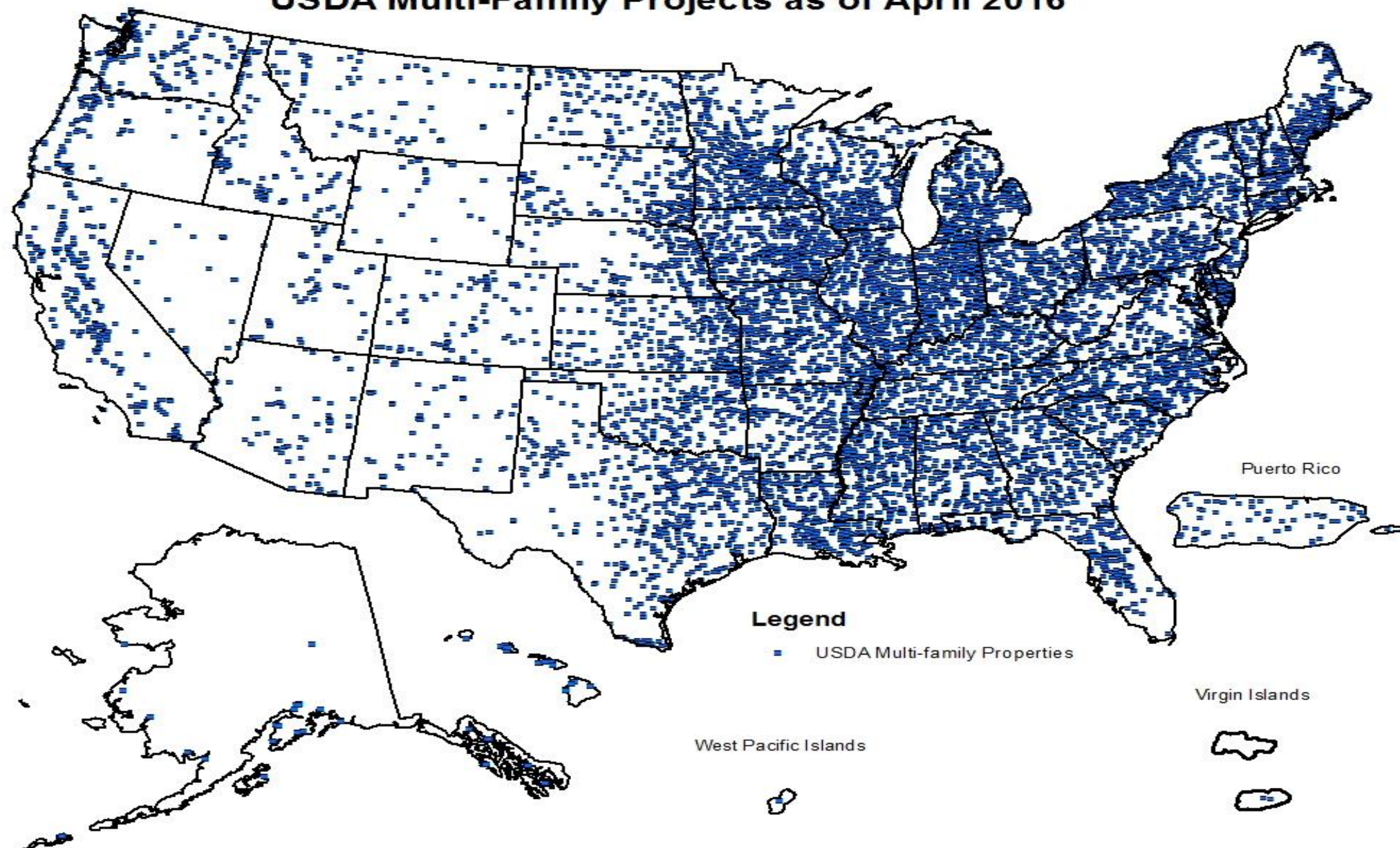
USDA Section 515 Rural Rental Housing Program, FY 1963 - FY 2015



Source: HAC Tabulations of RD Data



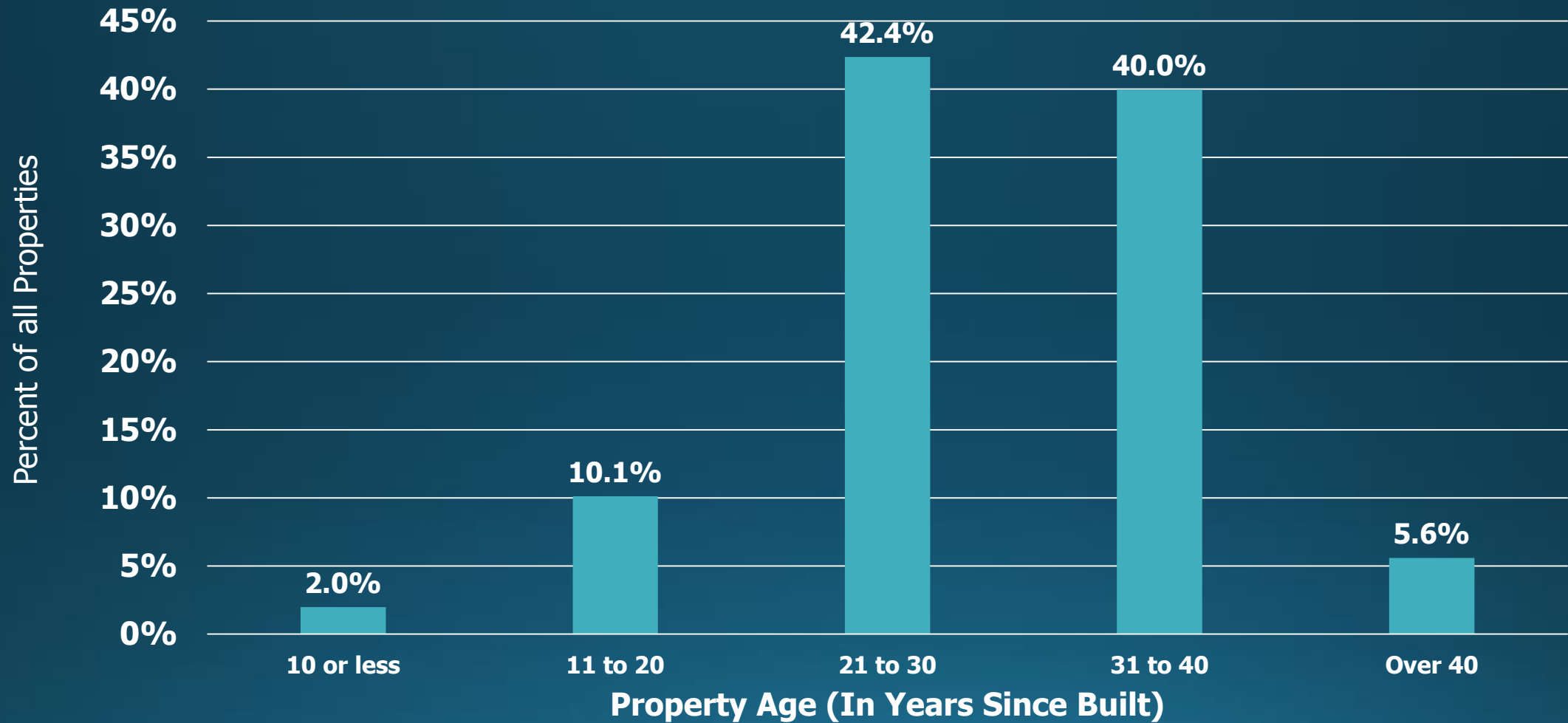
USDA Multi-Family Projects as of April 2016



USDA Section 515 Rental Housing Maturing Mortgage Study

As of April 2016	Number
Projects	13,829
Units	416,396

USDA Section 515 Properties by Age



Source: HAC tabulation of USDA Section 515, multi-family property data.

USDA Section 515 Portfolio

Project Type	Projects	Units
Family	8,704	266,725
Elderly	4,789	137,214
Mixed	179	7,801
Congregate	102	3,505
Group Home	30	348
Not Classified	25	803

USDA Section 515 Rental Housing Projects

Ownership Type

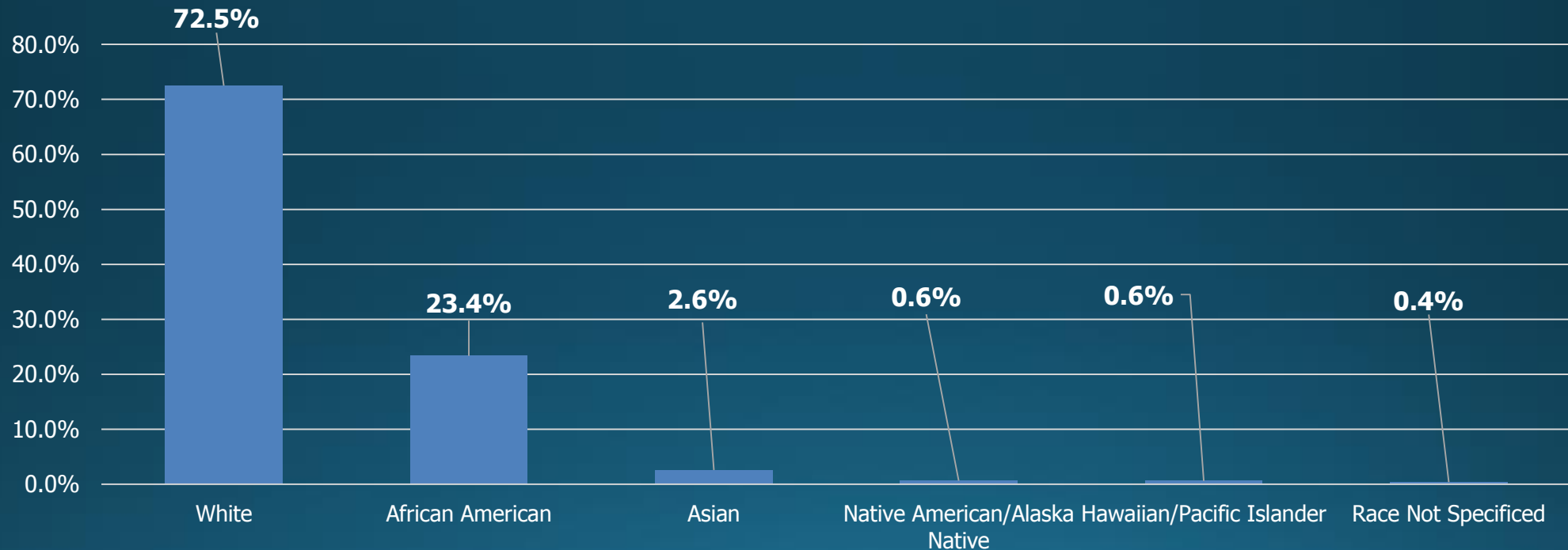


USDA Rental Housing Tenant Characteristics

	Number	Percent
Occupied Units	391,583	
Female Headed Households	277,642	70.9%
Total Occupants	634,574	
Elderly Tenants (including handicapped and disabled)	283,450	44.7%
Children (Minors)	179,064	28%

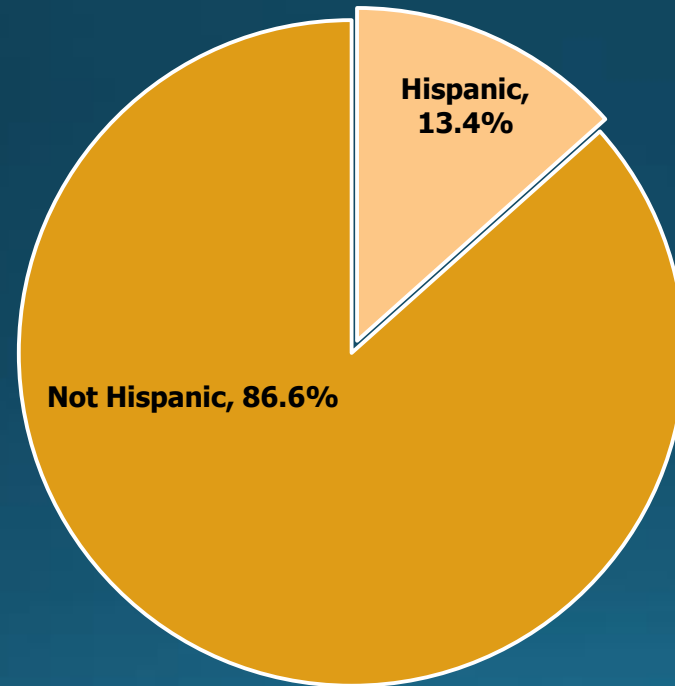
USDA Rental Housing Tenant Characteristics

Section 515 Tenants by Race



USDA Rental Housing Tenant Characteristics

Section 515 Tenants by Ethnicity

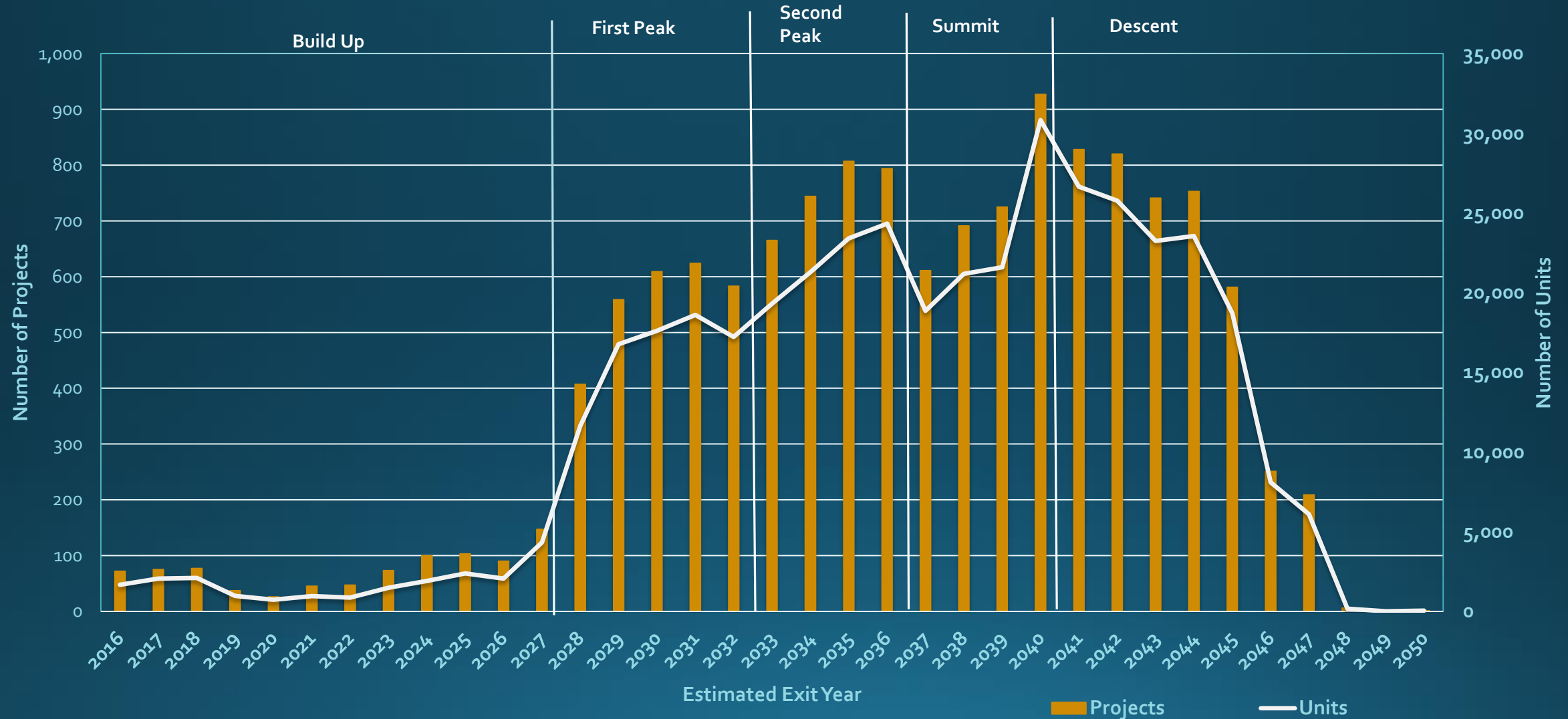


USDA Rental Housing Tenant Characteristics

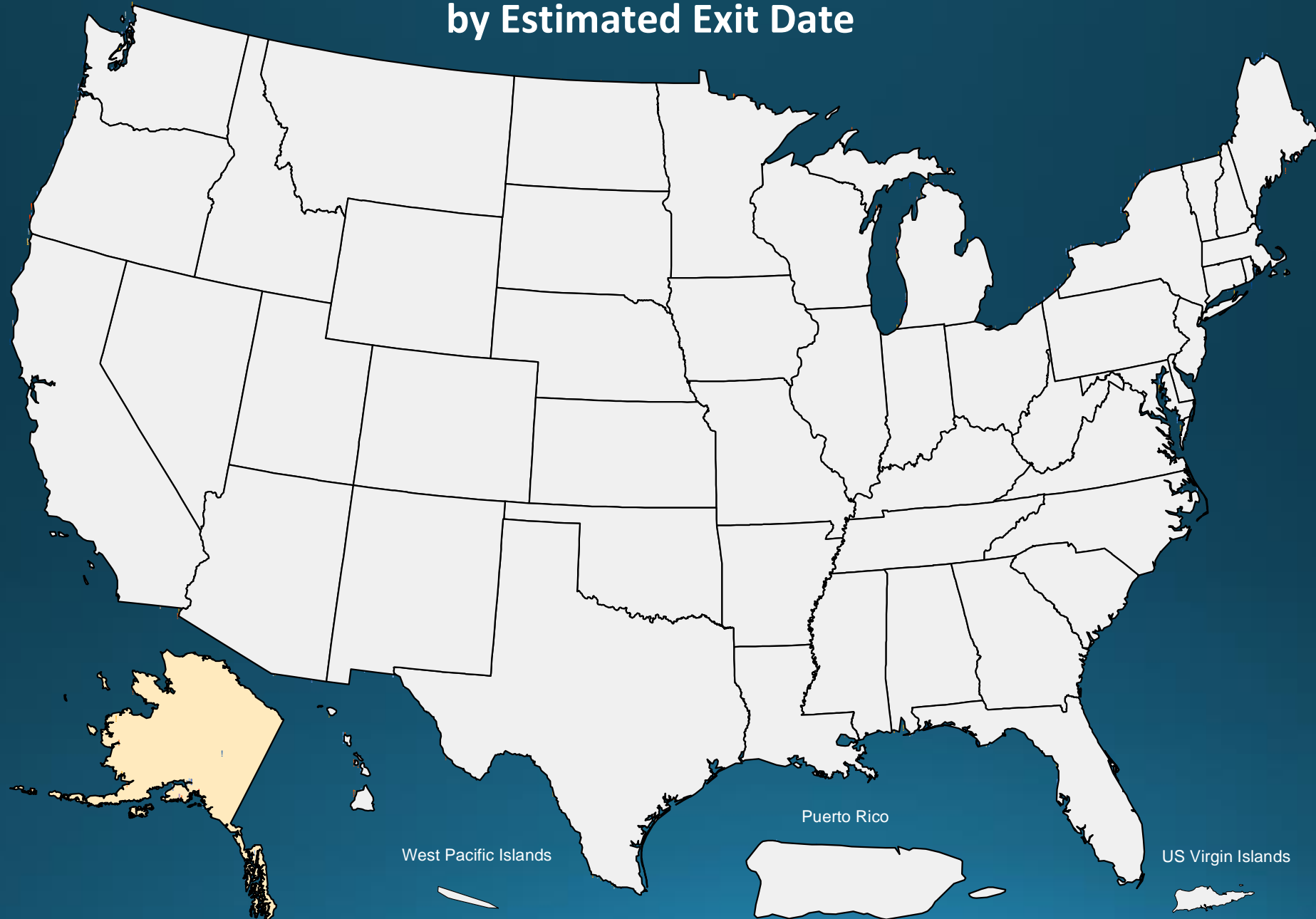
	Number	Percent
Occupied Units	391,583	
Average Income	\$13,600	
Rent Overburdened	45,923	7.2%
Zero Income	2,331	0.4%

Maturing USDA Section 515 Rural Multifamily Loans

Estimated Loss of Properties and Units to Loan Maturity, 2016 - 2050

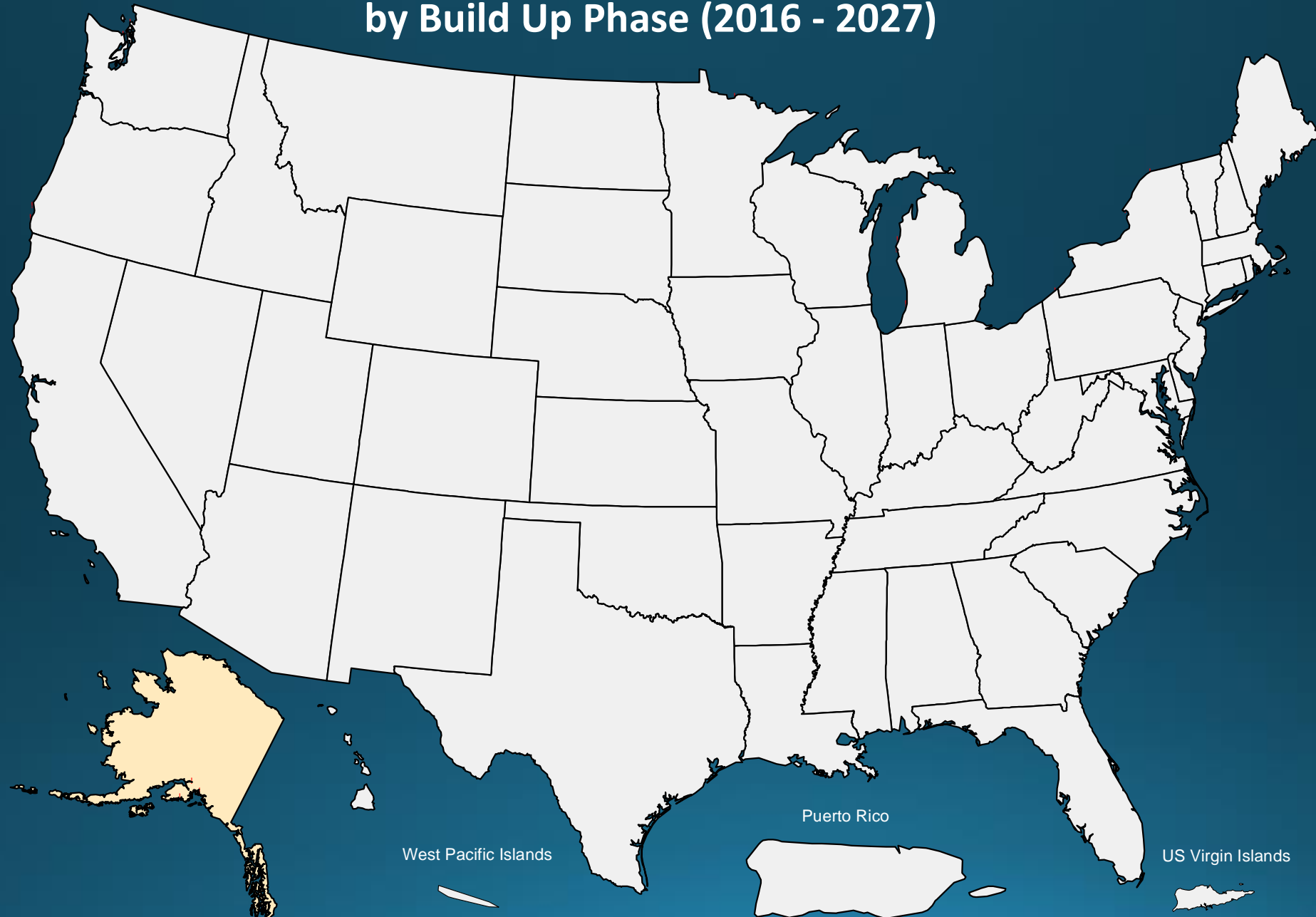


Maturing USDA Rural Rental Housing Loans by Estimated Exit Date



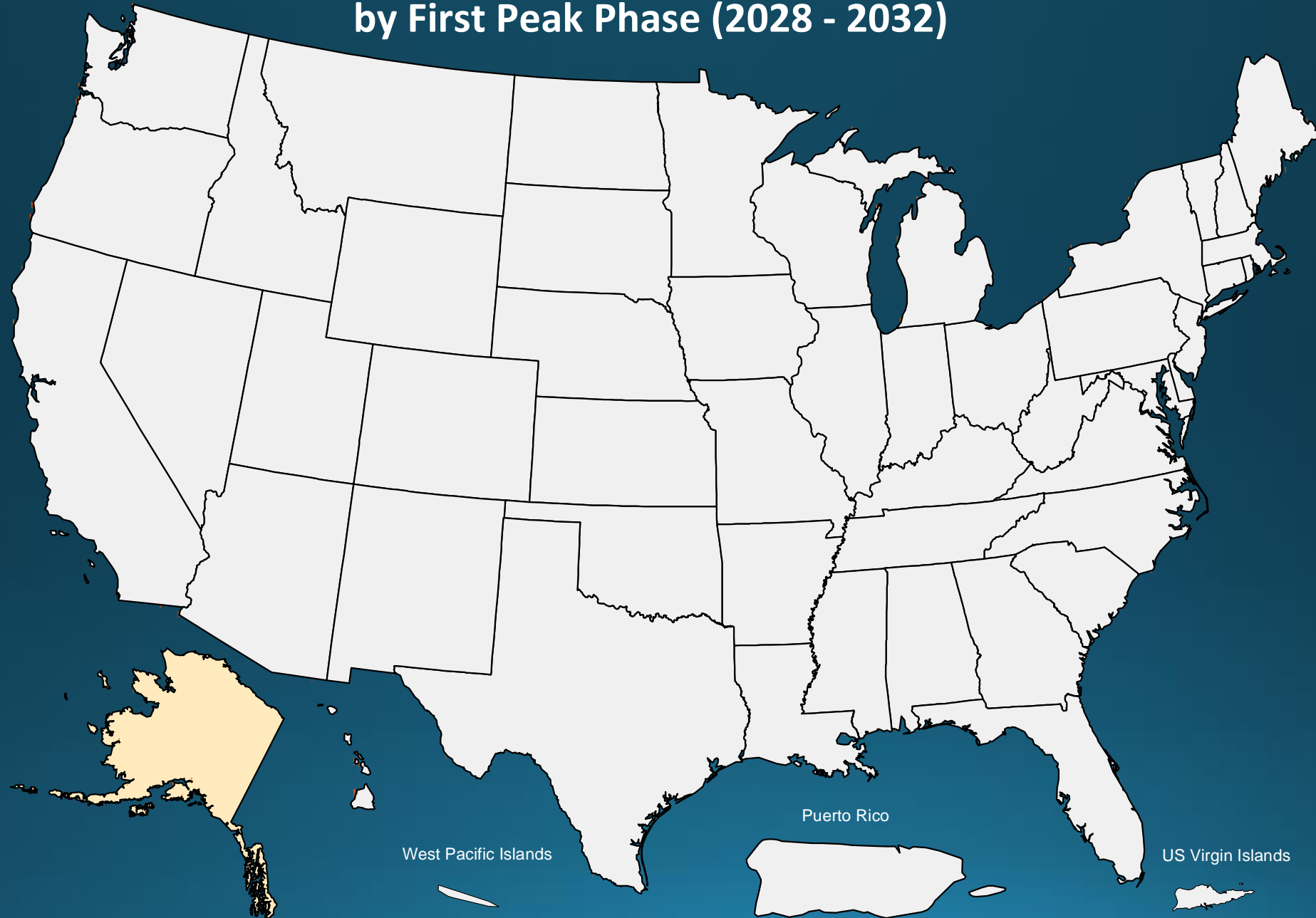
Source: Housing Assistance Council (HAC) Tabulations of USDA Data

Maturing USDA Rural Rental Housing Loans by Build Up Phase (2016 - 2027)



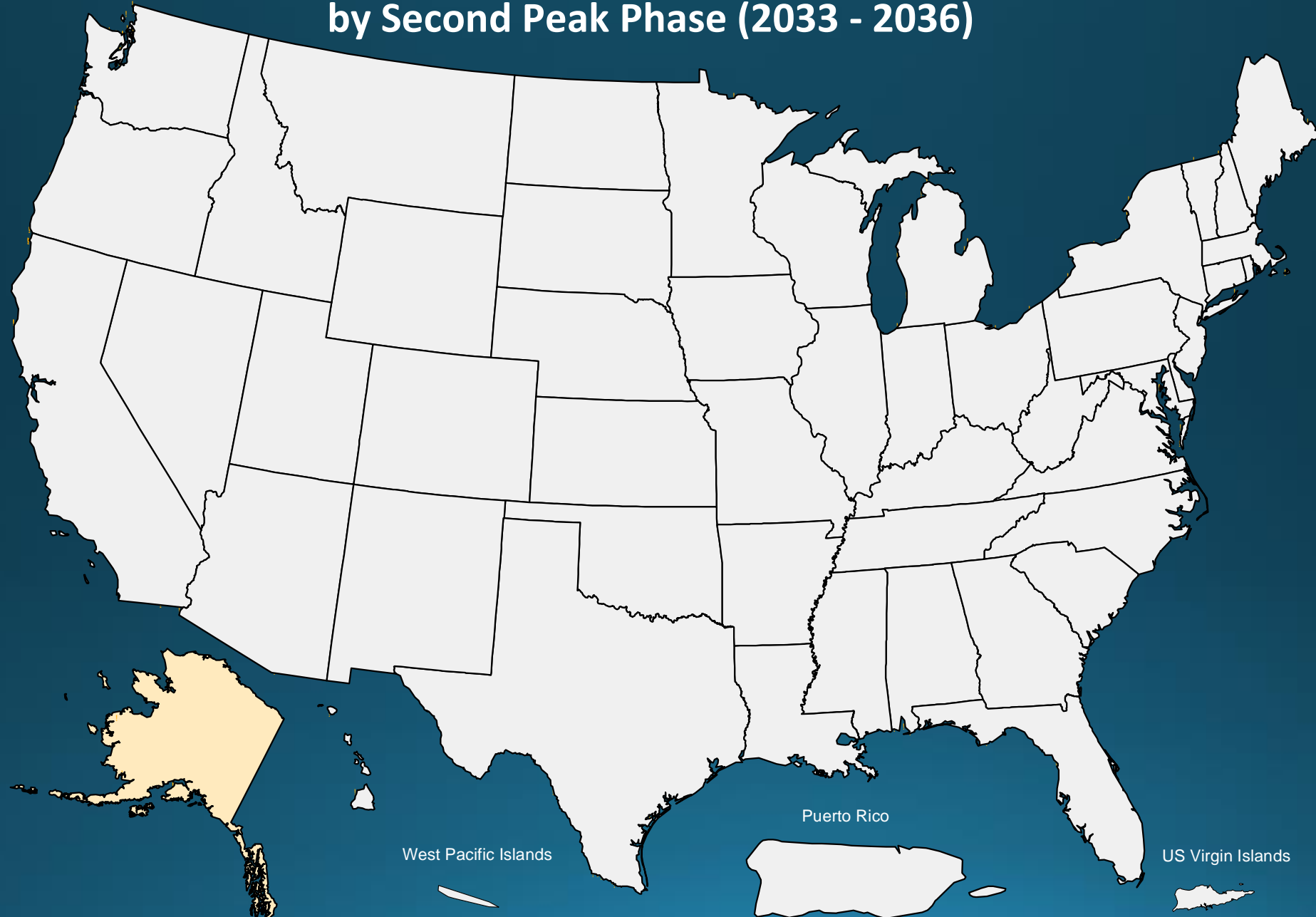
Source: Housing Assistance Council (HAC) Tabulations of USDA Data

Maturing USDA Rural Rental Housing Loans by First Peak Phase (2028 - 2032)



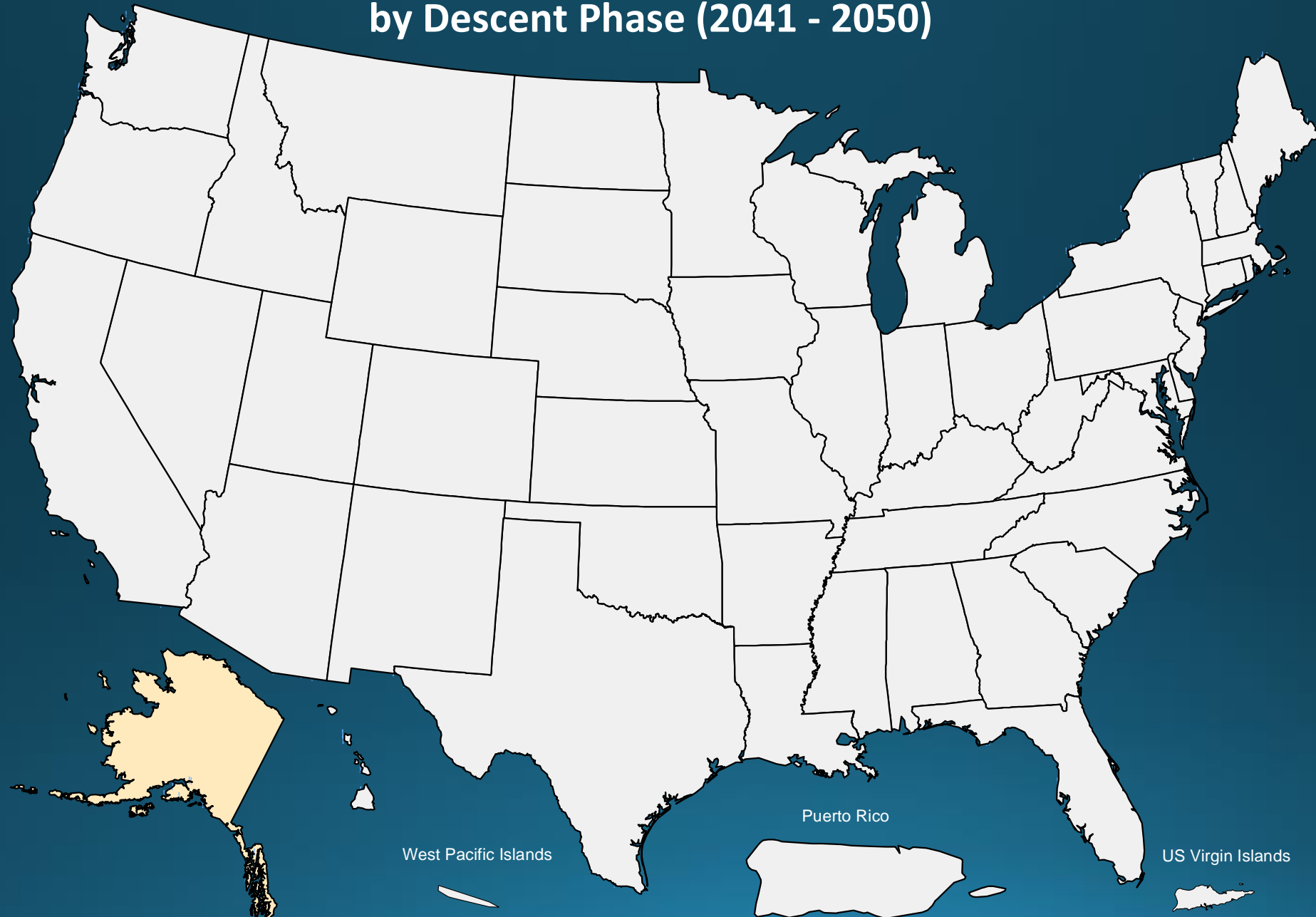
Source: Housing Assistance Council (HAC) Tabulations of USDA Data

Maturing USDA Rural Rental Housing Loans by Second Peak Phase (2033 - 2036)



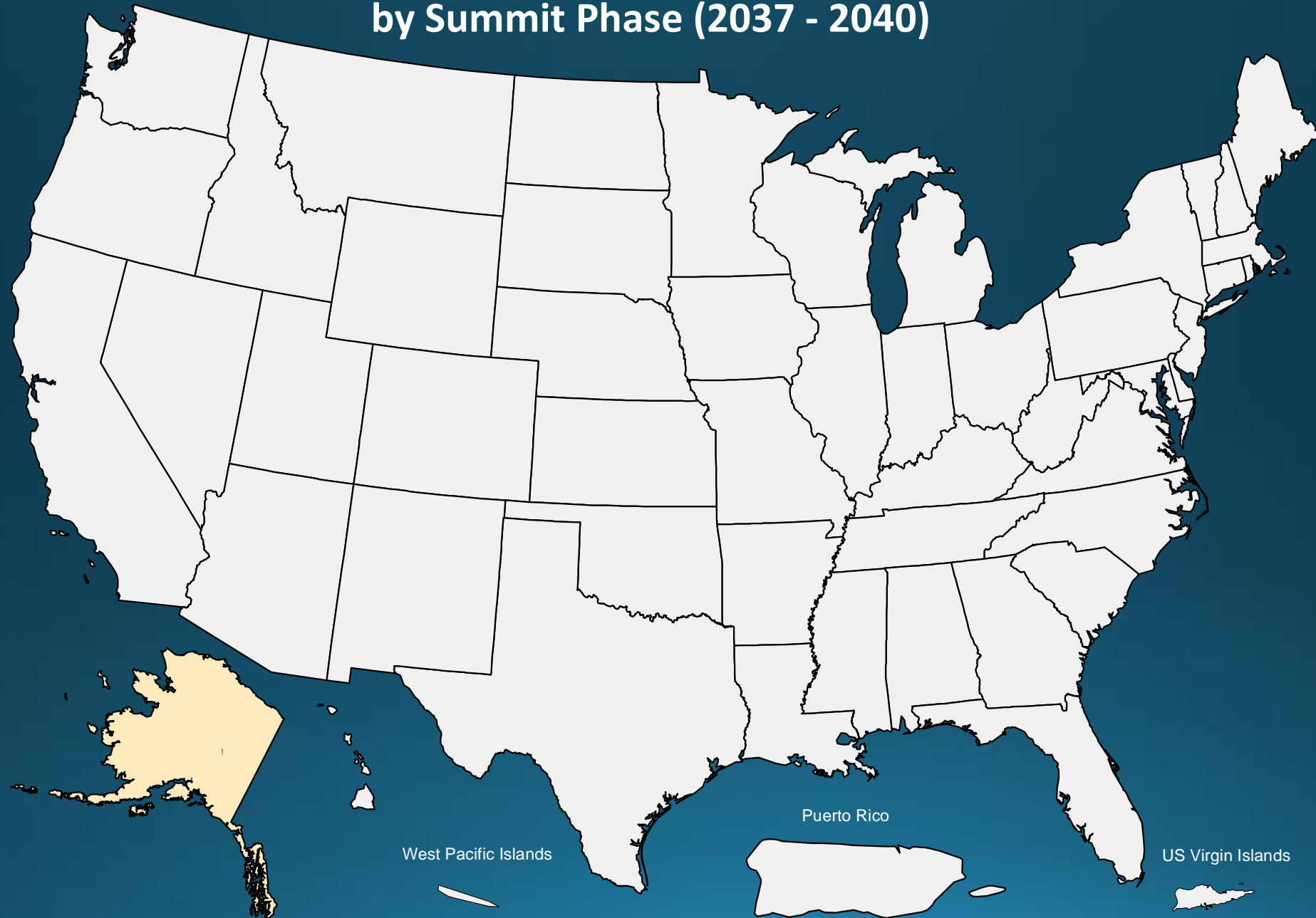
Source: Housing Assistance Council (HAC) Tabulations of USDA Data

Maturing USDA Rural Rental Housing Loans by Descent Phase (2041 - 2050)



Source: Housing Assistance Council (HAC) Tabulations of USDA Data

Maturing USDA Rural Rental Housing Loans by Summit Phase (2037 - 2040)



Source: Housing Assistance Council (HAC) Tabulations of USDA Data

USDA Section 515 Loan Terms Changed Over Time

Date	Loan Terms	Restrictive Use	Prepayment (Early Payoff)
1989 or before	Up to 50 years	None or expired	Must apply
1990 – 1997	Up to 50 years	Term of the Loan	Prohibited
After 1997	Up to 30 years	Term of the Loan	Prohibited

USDA Section 515 Properties Prepayment Eligible by Exit Phase

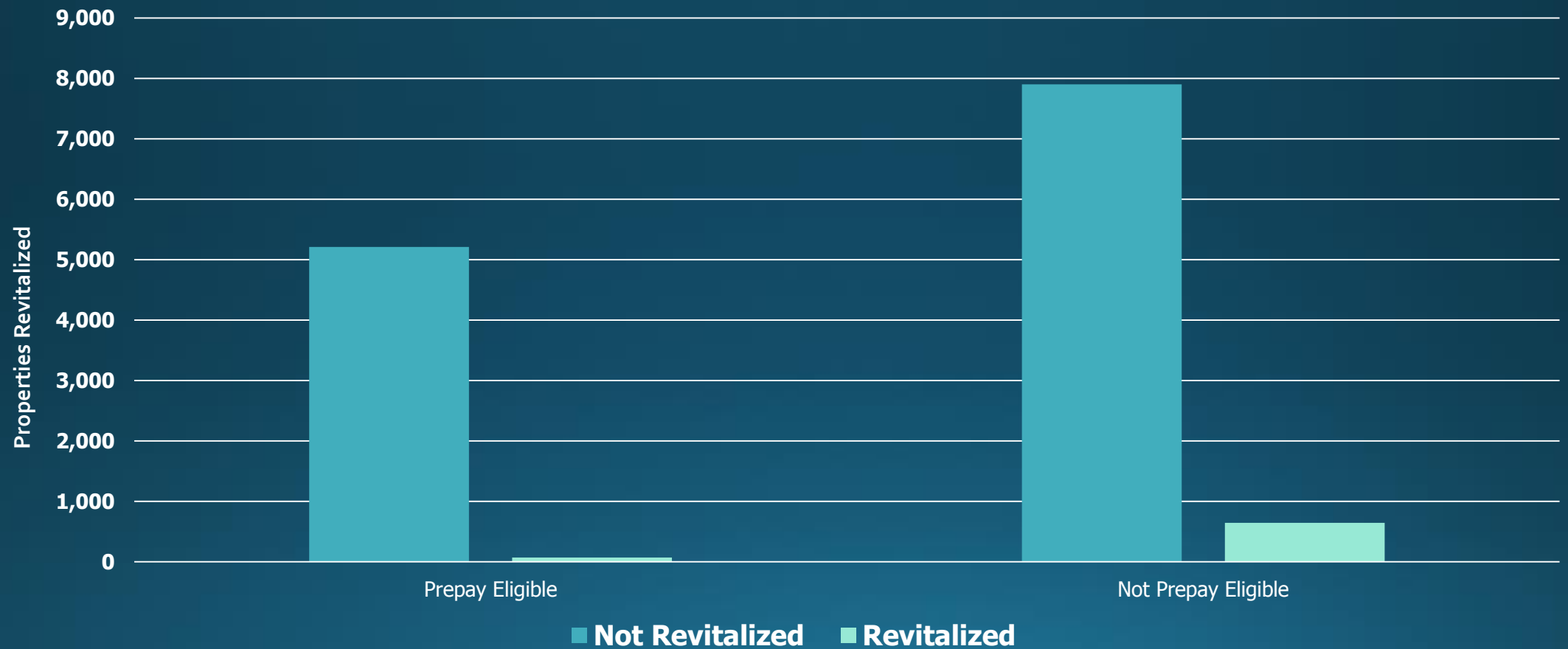


USDA Section 515 Revitalization

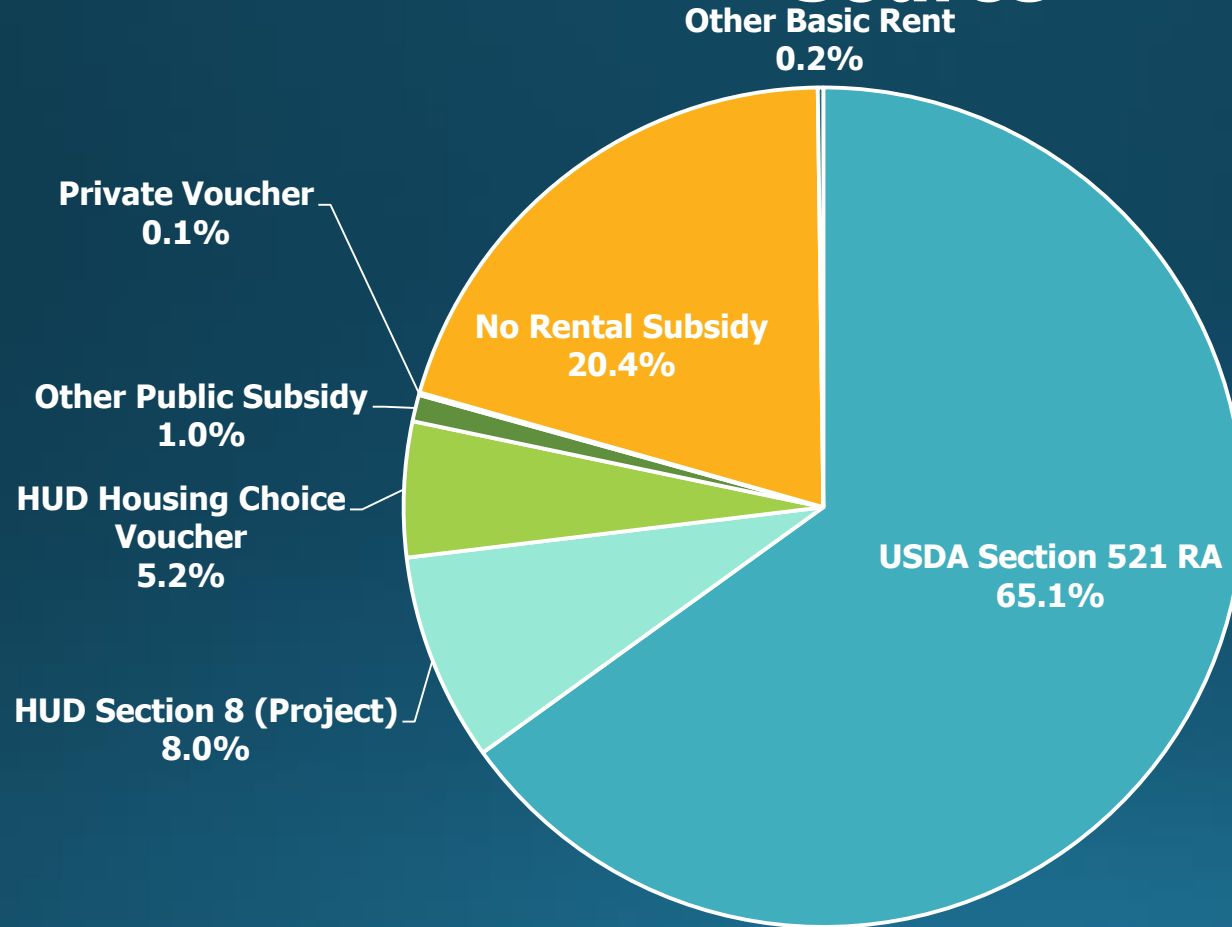
Resources:

- Section 538 Guaranteed Rental Housing Loans
- Multifamily Housing Preservation and Revitalization Program
- USDA Preservation Revolving Loan Fund
- Rental Assistance

USDA Section 515 Portfolio Revitalized Properties



USDA Section 515 Rental Housing Percentage of Tenants With Rent Subsidy by Source



USDA Section 521 Rental Assistance

Fiscal Year	Units	Total Contract Dollars	Average Per Unit	Change from Previous Year
2012	206,217	\$904,652,994	\$4,387	
2013	190,697	\$837,053,728	\$4,389	\$3
2014	252,512	\$1,109,999,994	\$4,396	\$6
2015	244,999	\$1,088,499,995	\$4,443	\$47
2016 (YTD)	282,279	\$1,295,458,763	\$4,589	\$146



Questions

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U.S. Department of Agriculture Panel

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FEDERAL PROGRAMS AND POLICY, RURAL RENTAL HOUSING, AND STATE SOLUTIONS



National Rural Housing Coalition
Rural Rental Housing Conference
October 4, 2016

USDA RURAL DEVELOPMENT MATURING MORTGAGES

INITIAL ANALYSIS FROM GOVERNMENT

Section 515 mortgages started maturing in 2014. Many owners are looking forward to life without USDA, while others have voiced alarm. Initially, the information was that the relatively small number of mortgage maturities last year and this year becomes a stream next year, and a flood starting 2019:

YEAR	Properties w/ Maturing Mortgage	RA Units at Maturing Properties	Total Units at Maturing Properties	Properties Remaining	Current RA Units Remaining	Current Units Remaining
2014	15	244	428	14,492	285,228	438,899
2015	60	734	1,415	14,477	284,984	438,471
2016	122	1,398	3,270	14,417	284,250	437,056
2017	112	1,158	3,203	14,295	282,852	433,786
2018	136	1,237	3,587	14,183	281,694	430,583
2019	1,152	14,924	33,574	14,047	280,457	426,996
2020	1,913	27,635	56,053	12,895	265,533	393,422
2021	2,659	55,036	77,248	10,982	237,898	337,369
2022	1,754	36,604	49,555	8,323	182,862	260,121
2023	2,590	54,801	73,710	6,569	146,258	210,566
2024	1,063	21,827	31,802	3,979	91,457	136,856
TOTAL	11,576	215,598	333,845	2,916	69,630	105,054

MATURING MORTGAGE PROJECTIONS REVISED (AFFORDABLE HOUSING ONLINE FROM RD DATA)

Year	Properties w/ Maturing Mortgages	RA Units at Maturing Properties	Total Units at Maturing Properties
2011	1	4	4
2015	6	111	226
2016	84	926	1,843
2017	90	1,018	2,263
2018	92	717	2,247
2019	49	466	1,198
2020	38	344	777
2021	58	340	1,026
2022	63	419	1,142
2023	98	785	1,781
2024	120	1,281	2,231
2025	113	1,367	2,439
2026	108	1,238	2,367
2027	160	2,212	4,547
2028	432	7,927	12,377
2029	583	11,122	17,360
2030	631	11,409	18,256
2031	648	11,570	19,353
2032	600	10,200	17,696
2033	688	10,683	20,370
2034	770	12,537	22,070
2035	838	12,838	24,371
2036	821	13,861	25,380
2037	641	11,717	20,368
2038	724	14,701	22,213
2039	759	16,095	22,568
2040	961	22,297	31,967
2041	863	21,408	27,932
2042	863	21,050	27,670
2043	782	19,295	24,281
2044	782	19,171	24,607
2045	603	15,249	19,950
2046	272	6,826	8,618
2047	222	5,072	6,396
2048	20	767	915
2049	2	4	4
2050	1	20	48
Totals	14,586	287,047	438,861

MATURITY AND RENTAL ASSISTANCE

---One very upsetting fact to owners, tenants and to tenant advocates is that Section 521 Rental Assistance disappears when the mortgages mature.

---Through a quirk in the statutory law--the Housing Act of 1949--you can't have RA without having a Section 514 or 515 mortgage loan.

----That means at maturity tenants receiving RA are out in the cold, and an owner is left with little choice to go out of business or to evict residents as soon as possible and stay afloat.

OPTIONS FOR EXPIRING 514/515 LOANS

1. Re-amortize through RD Unnumbered Letter April 28, 2015 (*preserves RA, extends loan, can be processing time and cost, can be tax consequence of debt forgiveness*).
2. Allow loan to amortize out (*removes RD restrictions, allows easier transition to non-RD affordable housing, but can be a balloon to pay off, lose RA*).
3. Prepay the mortgage (*preserves RD rural vouchers for residents, but RD is requiring full prepayment processing which often takes at least months, sometimes years and is extremely time consuming and can be costly*).

AFFORDABLE HOUSING BLOG

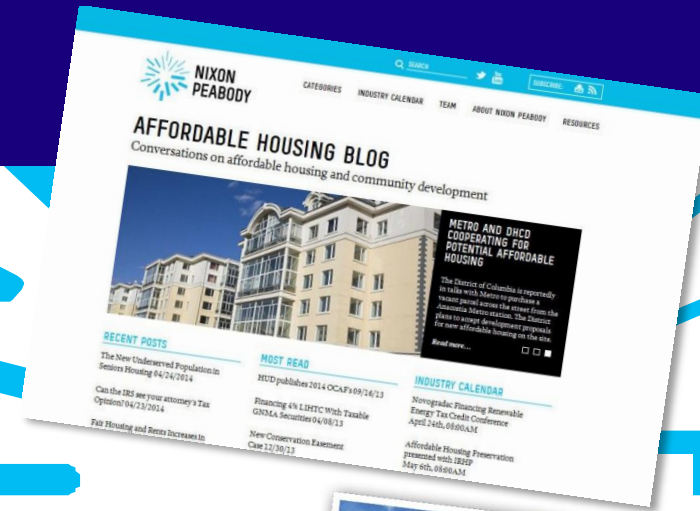
For insiders' views on the dynamic affordable housing industry, visit:

housingblog.nixonpeabody.com

Join the conversation!

What are industry practitioners saying about Nixon Peabody's Affordable Housing Blog?

- “I read it every day.”
- “I saw your blog quoted by an industry newsletter.”
- “It's an excellent resource!”



QUESTIONS?



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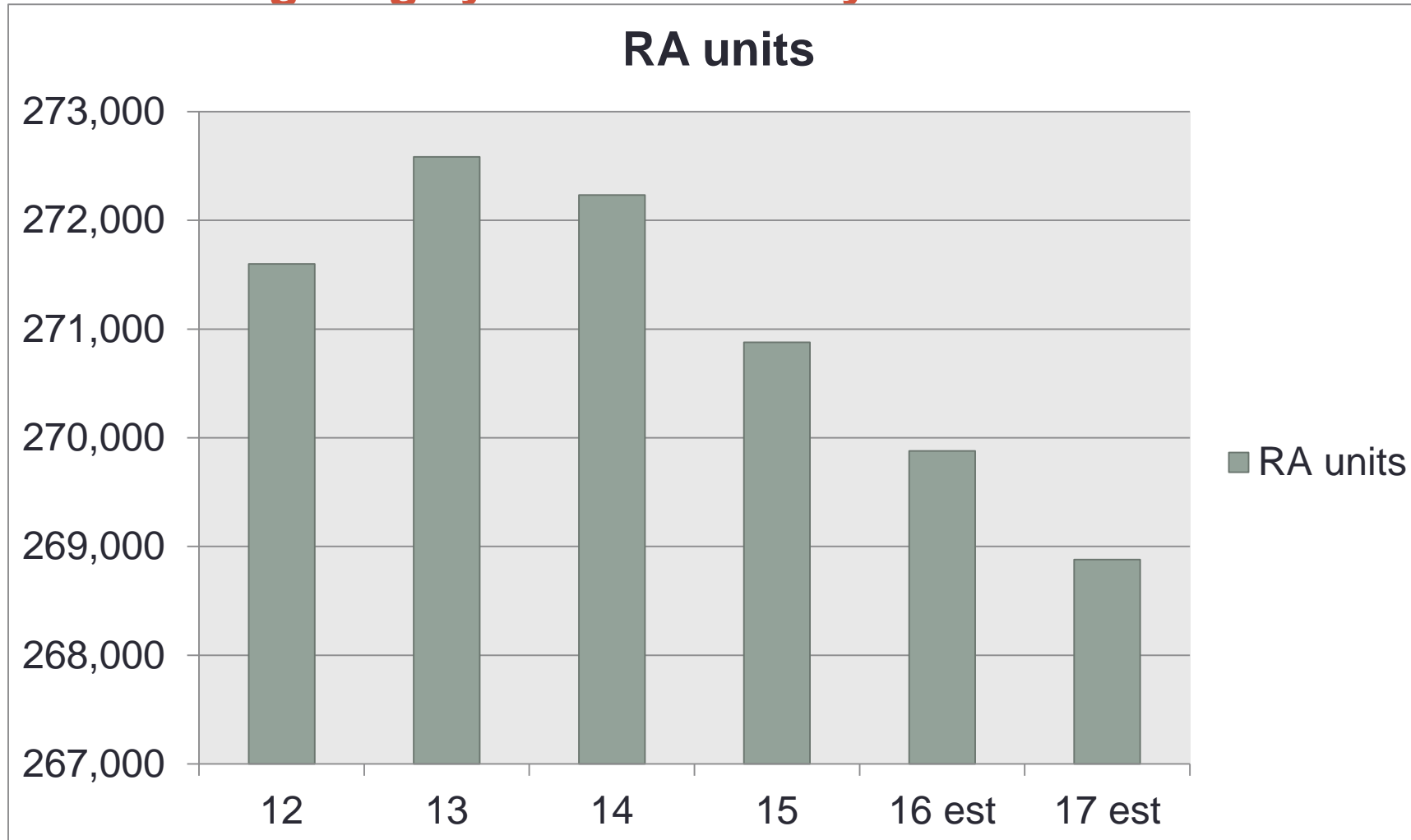
Latest on the RD MFH Mortgage Maturity (MM) crisis

- **New RD data - MM still bad, but the worst is 10 years later.**
- **Key RD questions:**
 - Why the big difference with the new data? Is this version right?
 - What happens with 30 yr. term, 50 yr. am loans (after 95)?
 - What If “damage settlement” loan matures before RUC’s expire?
 - Will MM projects receive priority for funding - MPR, RA, 515 or 538?
 - Can prepayment prevention tools be used & prioritized to avert MM?
- **Key owner/operator questions:**
 - What and where are my restrictions (project based or property based)
 - Where are my projects with MM? (multiple, single loans or cost items)
 - When to talk to RD about options? (portfolio solutions or one off)
 - Preservation strategies
 - Exit strategies
 - Capital needs and resource availability

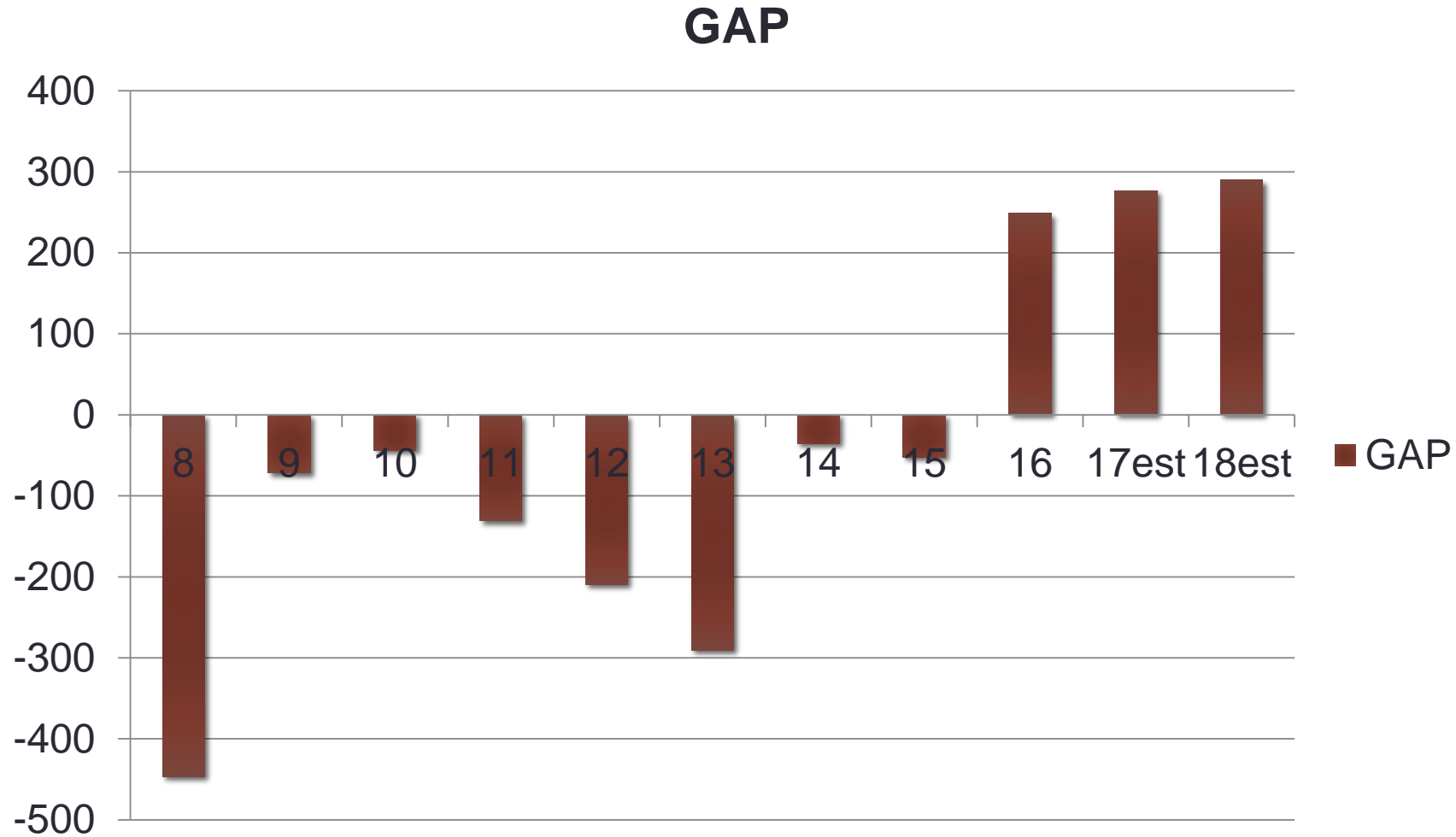
Latest on the RD MFH Mortgage Maturity (MM) crisis

- **RD should consider new ideas to preserve vulnerable projects**
 - Two step transfer – acquire, then rehab
 - Operating budget support for GP purchase
 - Allow rents above CRCU
 - Better appraisal guidance to recognize life without RUCS
 - Partner with State HFA's, regional or local housing stakeholders
 - Better guidance on NP sale rules and funding
 - Duty to Serve – work with Fannie and Freddie for new options
- **Encourage more mission based NP participation:**
 - End the artificial suppression of asset management fees
 - Publish S2NP funding availability and guidance
 - Encourage the use of prepayment prevention incentives with simpler guidance and national funding
 - Allow MPR RTO incentive to be used by NP's

Significantly, USDA occupancy reports show RA units peaked in FY13 – the portfolio is now losing roughly 850 RA units a year



GAP between RA Outlays and Obligations (millions)



More common sense policy ideas to prevent MM

- Use the RA windfall GAP – the RA funding crisis is over
- Provide guidance and TA to encourage mission based ownership
- Provide direction in writing - change your regulations – not interpretations – provide a coherent preservation program
- Make it easier to get ownership change and rehab accomplished
- Use existing prepay incentives: \$1 M in RA = 10 projects saved
- Use available funding to encourage portfolio transactions
- Publish funding rules – use 515 money more openly and effectively
- Bring in the full RD Team under MFH HQ – include CNA reviewers, appraisers, architects, and closing attorneys to speed up processing
- Eliminate incentives to convert to market – huge reserves, no cost tenant protections, refusing common sense SWPs, allow for re-ams, clarify what happens after 30 year term, use 1% SWP deferrals
- Steady the RA Boat – transfer all unused RA and stop RA retirement
- Publish your accomplishments and program status
- Fight for resources - work with Federal, State and Local funders.

FOR MORE THOUGHTS ON THE MFH MORTGAGE MATURITY CRISIS AND OPTIONS – PLEASE CONTACT:

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9-1-2016





Questions

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Garth Rieman, National Council of State Housing Agencies

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Maximizing Use of the 4% Credit

*How KY Increased 4% Utilization
Winterwood Kentucky Portfolio*

How KHC has Grown 4% Credit Utilization

1. Research & Data Gathering
2. Making the Case for Preservation
3. TEB NOFAs + Soft Subsidy from Multiple PJs
4. A Preservation-Minded QAP
5. Preparing for Expanded Production

KHC's Multifamily Production Growth



	Units
Traditional 9% Projects	3,820
2014 QAP	863
2015 QAP	850
2016 QAP	1,152
2017 QAP (estimate)	955
TEB/4% Projects	3,766
Sheppard	195
Centre Meadows	206
Roosevelt House	319
Heritage Green	556
Turskey	172
Riverport	412
Watterson Lakeview	184
Jackson House	294
The Healing Place	176
Arlington Lofts	81
Arcadia Apartments	428
Winterwood/Greystone	563
Parkway Plaza	180
Total Units in the Pipeline	7,586

Current Pipeline

Past: Using primarily 9% credits, production averaged 900 units/year.

Now: Number of preserved units has grown explosively.

A few TEBs are new units.

One TEB project can grow annual units 30-50%!



The Winterwood Portfolio

A 4% Credit Preservation Project



15 Properties across 11 Counties

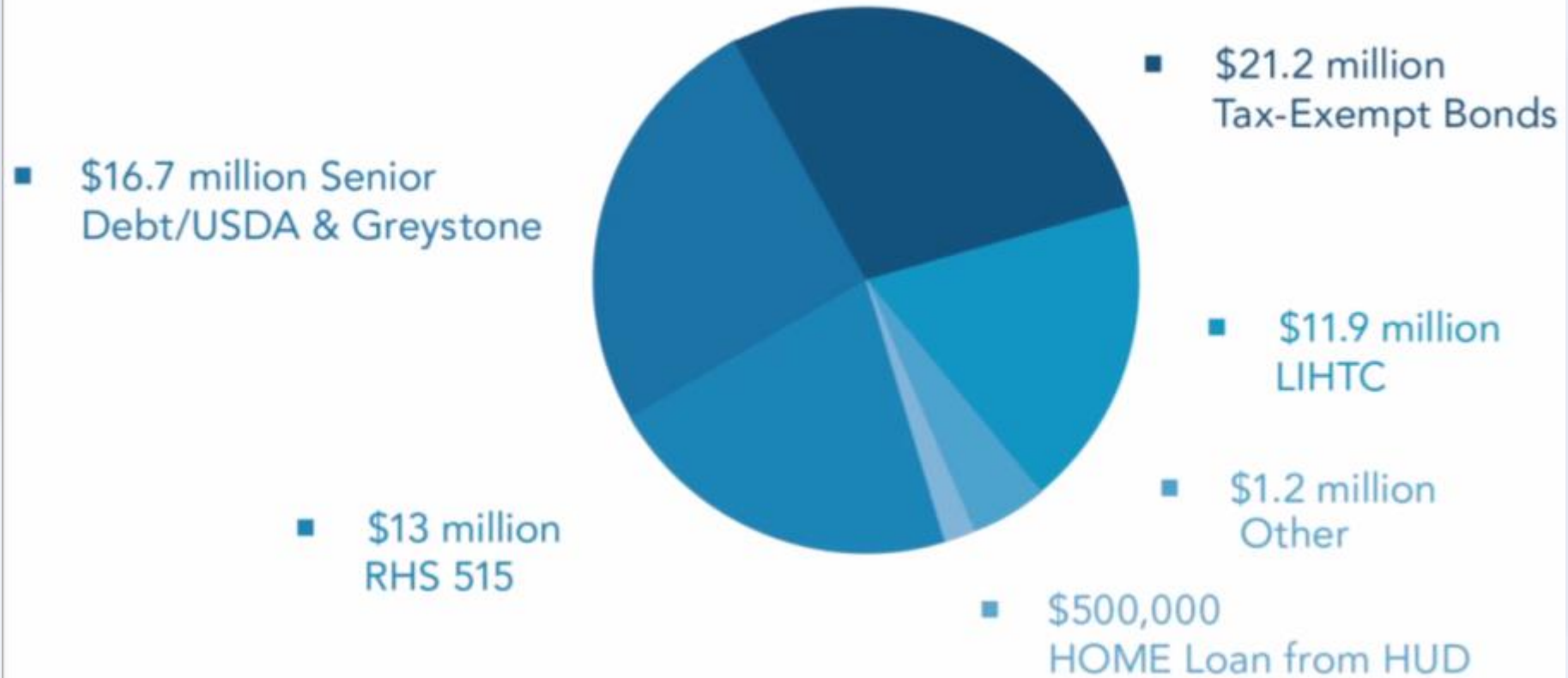
Buildings: 109

Units: 563



\$64.4 Million in Sources

Per Unit Rehab: \$31,700



KHC's Investment in the Deal

Kentucky Housing Corporation Sources

TCAP II Equity Bridge Loan	\$5,000,000
HOME	\$500,000
Tax Exempt Bond Proceeds	\$21,100,000
4% LIHTC Equity	\$11,900,000



Before & After





Before & After





Before & After



“By aggregating smaller properties into a single statewide portfolio, economies of scale were created and a deal with this level of complexity became possible.”

-Tanya Eastwood, President, Greystone Affordable Housing Initiatives.



Portfolio = Unique HFA Challenges

- Highly complex & higher risk
- Existing systems & processes built to handle 1 project at a time.
 - Underwriting
 - Closing the loan
 - Internal process flow
 - Digital system project set-up
- Legal prep time



But...

...Would we have bothered to tackle all these issues before a portfolio deal came through our pipeline?

Sometimes you have to jump in with both feet & figure out the details as you go.



Keys to Success

- HFA needs an internal point person to shepherd a portfolio deal through application, closing, construction & asset management.
- Experienced development team.
- HFA & development team must be flexible, keep communication going & be willing to problem-solve.

Video

- <https://drive.google.com/open?id=0BwcL8XgMsCVzVIF6RWRFc01WTkE>



David Lipsetz, USDA Rural Development

OCTOBER 4, 2016

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ENVISION THE POSSIBILITIES . . .



REINVESTING IN RURAL AMERICA



Rural
LISC

Multifamily Preservation Resources

About Us / What We Do

- Established in 1995
- Program of LISC
- Equip rural areas with capital, strategy and know-how
- Help preserve and strengthen rural life
- Provide a supportive network that connects community-based groups to each other

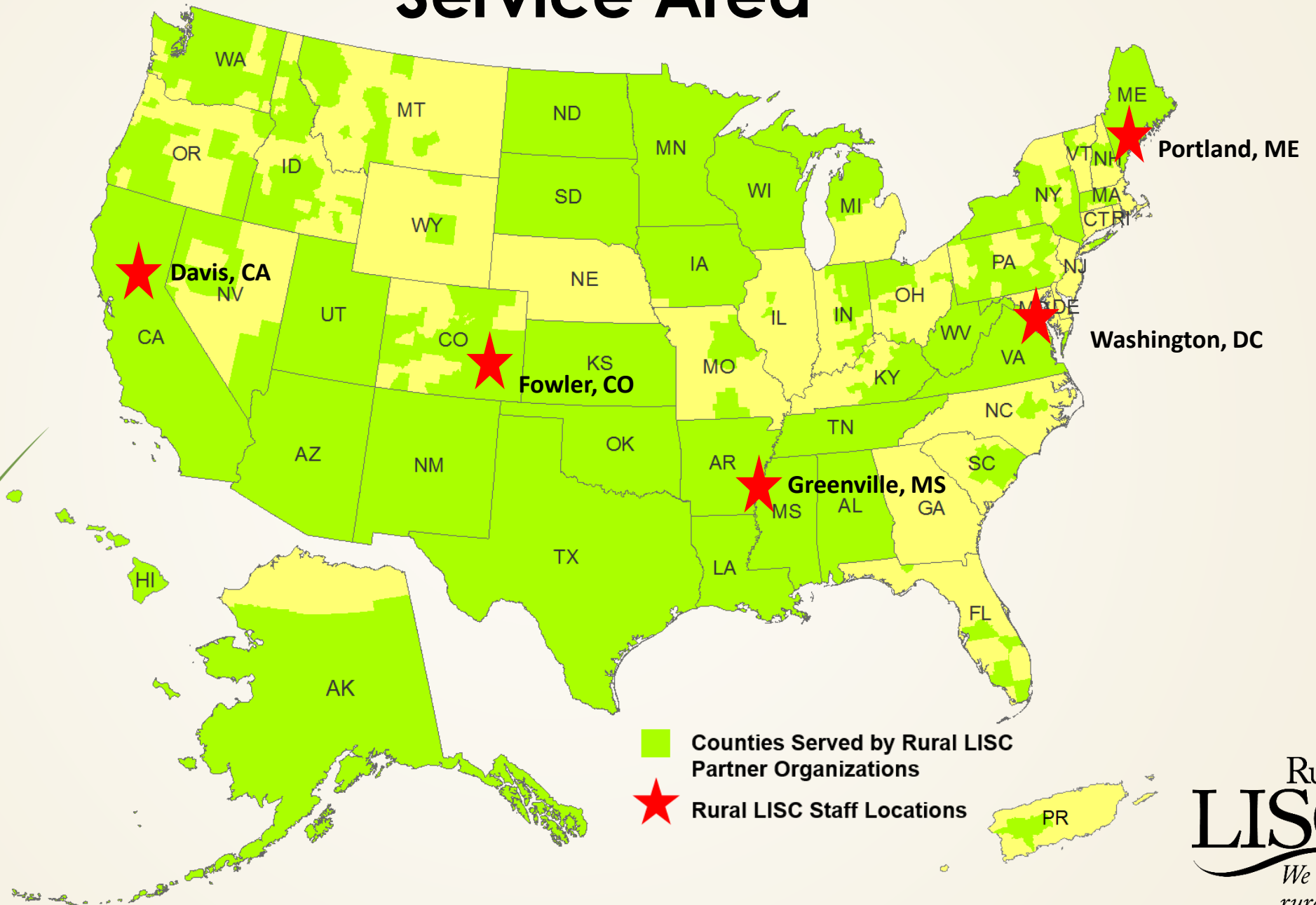
Unique Model



Building Sustainable Communities

- Expands investment in housing and real estate
- Stimulates economic development
- Improves access to quality education
- Supports healthy environments and lifestyles
- Increases family income and wealth

Service Area



Preservation Resources

- **Repayable Investments**
 - Predevelopment/due diligence
 - Primarily limited to Rural LISC partners (currently)
- **Acquisition Financing**
 - Property ownership
 - Partnership interests
- **Construction Financing**
 - Mezzanine financing available
- **Lines of credit (multi-project)**
 - Acquisition, predevelopment and interim repairs

Meadows at Mountain Lake



- Garrett County, MD
- 58 units (elderly)- 2 buildings
- Built in 1982
- 100% Rental Assistance
- Physical Needs:
 - Roof
 - Siding
 - Energy Efficiency

Meadows at Mountain Lake

Preservation (58 units) and expansion (32 units)

	Before Refinance	During Construction	Permanent/Post-Construction
Senior loan	USDA 515 \$1,870,000; 20 years remaining; 1% interest; comes with USDA rental assistance	LISC/Bank Construction Loan \$6,200,000	USDA 515 \$1,870,000
2 nd loan		USDA 515 \$1,870,000	Maryland HOME \$2,000,000
3 rd		Maryland HOME \$2,000,000	Sponsor loans (passing through grants) \$915,000
Other subordinate financing		Sponsor loans (passing through grants) \$700,000	
LIHTC equity		LIHTC equity \$1.6 million	LIHTC equity \$9,300,000
Reserves/other project cash		\$570,000	\$680,000
TOTAL			\$14.7 million

Acquisition Financing (Portfolio) or Multi-Project Line of Credit

- 1st position lien on secured properties; offsite or alternative collateral considered in some circumstances
- 3-5 year term
- Interest Only
- Used to acquire, hold and/or improve individual properties or groups of properties, to be transferred to partnerships for long term financing

What's Next

- **Permanent Financing Products; Interim Financing Products**
- **Additional technical assistance resources**
 - 515 transfers
 - Portfolios
 - Energy efficiency
 - Predevelopment/Due diligence assistance
- **Policy Advocacy**
 - Additional 515 resources
 - Nonprofit return on investment
 - Technical issues (appraisal, pass through of rents)

Envision the Possibilities **Learn More**

www.lisc.org/rural

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**1825 K St NW, Suite 1100, Washington, DC 20006
202-785-2908**

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NRHC Rural Rental Housing Conference

John Linner

October 4, 2016

Many Older Rural Rental Projects Need Rehab and New Owners

- ▶ Existing owners want to exit the business
- ▶ Projects need rehab and upgrades to be competitive

Obstacles

- ▶ Property may be fully depreciated, leaving owners with large exit tax liability
- ▶ Substantial cash investment needed for improvements
- ▶ Lack of buyers

Options

- ▶ Sale and recapitalization through 9% LIHTC's
- ▶ Sale and recapitalization through tax-exempt bonds and 4% LIHTC's
- ▶ Bargain sale to non-profit

Issues for Investors

- ▶ Market---large enough to support number of units?
- ▶ Size of investment---large enough to justify due diligence and asset management?
- ▶ Availability of competent general contractors and subs
- ▶ Availability of property managers

9% Route

▶ Advantages

- ▶ Generates large amounts of cash needed for substantial rehab
- ▶ Some states have preference in QAP for preservation

▶ Disadvantages

- ▶ Competition
- ▶ Time required to get through award process

4% Route

- ▶ Advantages
 - ▶ Less competition for private activity bond cap than for 9%
 - ▶ Faster in states that have an “open window”
- ▶ Disadvantages
 - ▶ Less equity
 - ▶ High transaction costs in relation to money raised
 - ▶ May be hard to attract an investor

Bargain Sale

- ▶ Transfer of property to non-profit for less than fair market value
- ▶ Owner gets charitable deduction for difference between sale price and fair market value, may completely offset exit tax liability
- ▶ Owner gets out of the project quickly
- ▶ Non-profit buyer acquires property at a lower price, which frees up cash for rehabilitation



Questions

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LUNCH

12:45 PM – 1:45 PM

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Greystone Affordable Housing Initiatives LLC

**Preservation of Rural
Affordable Housing**

GREYSTONE

WHO IS GREYSTONE?

GREYSTONE

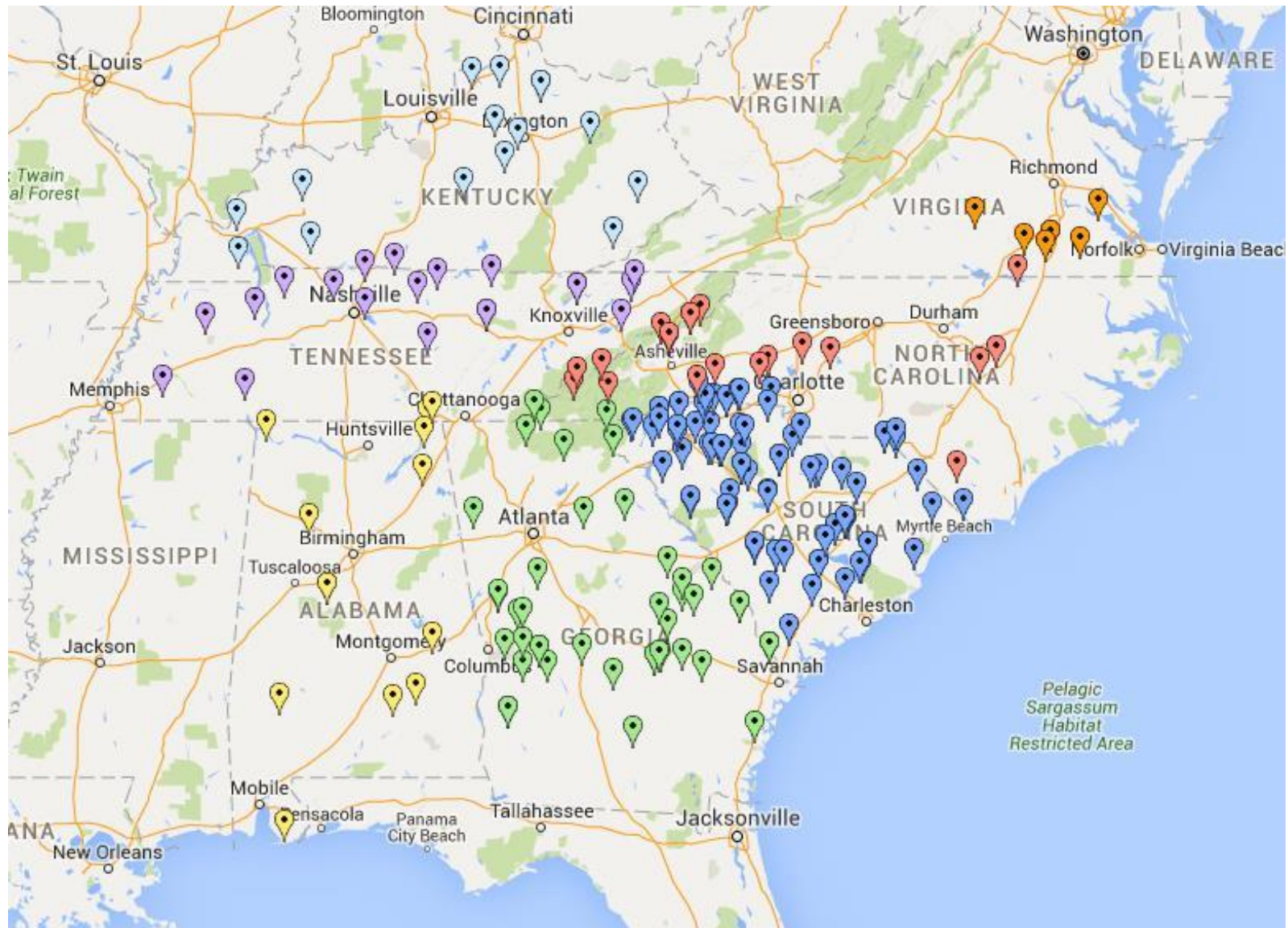
Greystone Overview

- Founded in 1988
- Financial Services & Private Investment Groups
- Headquartered in NY; 20 States
- Approximately 8,000 Employees
- Own and Manage more than \$18 billion of Assets
- Operate (4) Major Business Segments
 - Mortgage Finance
 - Proprietary Investment
 - Healthcare
 - Real Estate

Greystone Affordable Housing Initiatives

- Rehabilitated and recapitalized > 235 RD properties
- Another 170 properties underway (RD, NP, RAD)
- Portfolio transactions in (12) states
- Utilize both 9% & 4% LIHTC with TEBs
- Serve in multiple roles – Partner, developer, consultant, lender, construction manager
- Deal team possess extensive national experience

RD Portfolio Transactions - Completed



RD Portfolio Transaction Opportunity



Multi-Family Housing Projects

Legend

- MFH 515 Housing for Families
- MFH 515 Housing for the Elderly
- MFH 514/516 Farm Labor Housing

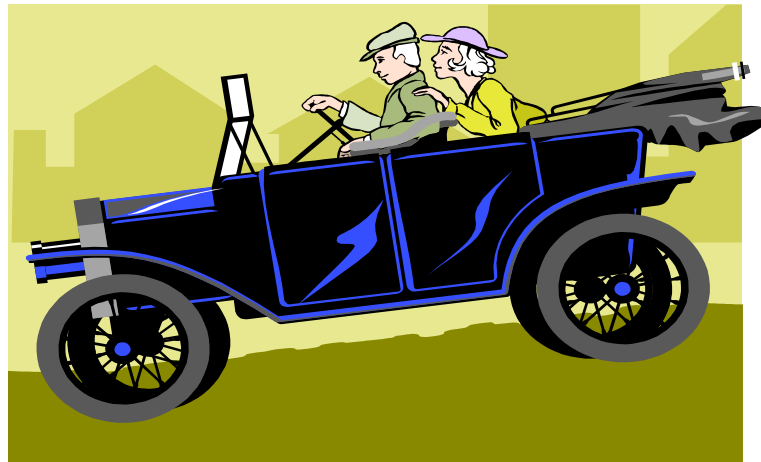
GREYSTONE

What We Do

Preservation of multiple properties under one transaction

How do we do it?

HENRY FORD MODEL



How We Do It

VOLUME:	Allows refinance of portfolio in one transaction Achieves economic viability for pooled transaction
FOCUS:	Provides dedicated manpower, focused resources
RELATIONSHIPS:	Established relationships with USDA Rural Development (both Federal and State levels)
CAPITAL:	Access to family of financial companies specialized in multifamily debt
MANAGED RISK:	Provides up-front and at-risk capital required to get to closing (on qualified transactions)

Portfolio vs. Single 9% LIHTC Transaction

Pros:

- Impacts large group of rural properties at one time ... up to 45 preserved communities vs. only 1 or 2
- Lowers development costs ... allocate fixed transaction costs
- Government guaranteed debt (USDA, HUD, etc.)
- Removes properties from competitive LIHTC 9% cycles
- Creates jobs / local investments / public interest in small rural markets which otherwise receive very little attention
- Recapitalizes & resizes reserves for continued sustainability
- No lease up risk (in place rehabs)
- Allows sellers to exit / close out funds – stronger negotiating power

Portfolio vs. Single 9% LIHTC Transaction

Cons:

- Costly transaction (legal, COI, etc.)
- Volume of work
- Requires cooperation of multiple lenders and state agencies (sometimes with competing agendas)
- Requires sufficient 3rd party funding – sometimes difficult to find
- Completed with tenants in place
- Lengthy process
- Not for everyone

Direct Benefit to Owners / Operators

- ✓ Rehabilitate and preserve existing assets for another 30+ years
- ✓ Improve marketability for resident retention and attraction
- ✓ Allows for volume benefits otherwise unavailable through 9% competitive cycle
- ✓ Reduce operating expenses; improve maintenance efficiencies
- ✓ Reduces liabilities; eliminates need for capital calls
- ✓ Increases realization of limited dividend (“RTO”) allowed by USDA
- ✓ Financial Benefits
 - \$ Developer Fees
 - \$ Sales Proceeds at Closing
 - \$ Affiliated Businesses (Management Company, Construction Company, etc.)
 - \$ Improved Cash Flows

How does it all work?

- Pooled bond issue (but no cross)
- Take the good with the bad – strong with the weak → even weaker markets still needed housing
- “Back of the envelope” feasibility analysis – determine estimated proforma rents (confirm with boots on the ground)
- Satisfy minimum thresholds – UW, Design, etc.
- Adjust within portfolio – fixed costs, equity, etc.
- Communicate with all parties – seek harmonization with all
- Validate assumptions with independent third party reports

How to Choose Properties

In no particular order Include good with the bad (do not “cherry pick”)

- Physical needs
- Cooperative sellers
- Strong markets (able to support some rent growth)
- Out of 15 year compliance period; considered “at risk”
- QCT / DDA (a plus, but not required)
- Rental Assistance (a plus, but not required)
- CRA markets

RECENTLY CLOSED TRANSACTION - Florida

SOURCES OF FUNDS

Tax Exempt Bonds (Gross Issuance)	\$41,574,000
Senior Debt (538, 515)	\$29,868,000
Subordinate Debt (Assumed mortgages)	\$26,658,983
Tax Credit Equity (4% LIHTC)	\$28,077,147
Other - Surplus RR, Project Operations, HOME	\$3,471,451
Deferred Developer Fee	\$995,586
Total Sources - Construction Phase	\$130,645,167

USES OF FUNDS

Acquisition	\$33,476,838
Pre-Development Costs	\$910,596
Architectural / Engineering	\$1,092,500
Construction & Contingency	\$33,585,512
Legal & Financing	\$4,395,937
Soft Costs	\$14,160,706
Reserves and Escrows	\$1,449,078
Bond Redemption	\$41,574,000
Total Uses of Funds	\$130,645,167

Total Properties	24
Total Units	1,058

Sample Renovation

Before, During & After Example
(Typical Roof and Siding Replacements)



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Sample Renovation

Before & After Example
(Typical Exterior Upgrades)



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Sample Renovation

Before & After Example
(Typical Exterior Upgrades)



GREYSTONE

Sample Renovation

Before & After Example
(Typical Exterior Upgrades)



GREYSTONE

Sample Renovation

Before & After Example
(Typical Exterior Updates)



GREYSTONE

Sample Renovation

Before & After Example
(Typical Section 504 Updates)



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Sample Renovation

Before & After Example
(Typical Playground Upgrades)



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Sample Renovation

Before & After Example
(Typical Mail Facility Updates)



GREYSTONE

Sample Renovation

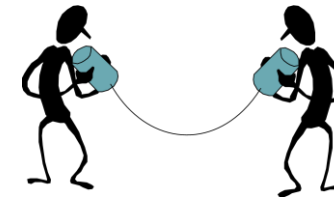
Before & After Example
(Replacement of Retaining Walls)



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Words of Wisdom

- Pick your team wisely
- Communication, communication, communication
- Build in sufficient hedges
- Educate residents early
- Flexibility, realistic timelines
- Don't just



RED BULL – lots and lots of Red Bull!

Contact Information

FOR MORE INFORMATION, CONTACT

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NATIONAL RURAL HOUSING COALITION

Rural Rental Housing 2016

Southwest Minnesota Housing Partnership



Southwest Minnesota Housing Partnership

- Established in 1992 to address growing housing needs within 14 counties of Southwest Minnesota.
- Now serve over 30 counties in Minnesota and have expanded to Iowa.
- Mission of creating thriving places to live, grow and work through partnerships with communities.
- Listen to community needs and seize opportunities with the big picture in mind.

Affordable Housing Preservation

SWMHP acquires and rehabilitates properties at risk of losing federal rental subsidies or converting to market rate through sale.

- Preserve the structure as quality housing.
- Preserve the federal rental supports for residents.

SWMHP's impact:

- 1,653 Multi-family units owned in 27 communities
- 29 Properties developed for other owners
- 1,880 Multi-family units receive rehabilitation assistance



SWMHP Rural Development 515 Preservation

- ▶ **SWMHP Owns 6 Section 515 Properties Consisting of 343 Units**
 - Property ranges in size from 12 units to 131 units
- ▶ **SWMHP Began 515 Acquisitions in 2003**
- ▶ **5 out of 6 are single asset transactions**
 - 1 is a 5 property transaction
- ▶ **There are no typical transactions:**
 - Transfers with State rehab funding
 - RD Multi-family Preservation Pilot (MPR)
 - LIHC
 - 515 Debt Deferral
 - Allocation of recaptured RA
- ▶ **Administer MN Rental Rehab Funds**
 - 10 Loans to 515's – 216 units/\$3.1 mm – since 2012

NIMENS-ESPEGARD APARTMENTS

Crookston, MN

- ▶ 98 units – 100% RA
- ▶ 3 buildings – 1 senior/2 family
- ▶ Good Condition – Owner wanted to exit
- ▶ Sales price set at market value
– (owner donated portion of value)
- ▶ Total Development Cost: \$5,566,307
- ▶ Financing Structure

• Section 515 Assumption/Reset – 1% 30 Year	\$ 203,101
• Section 515 Owner Equity Loan – 1% 30 Year	\$1,525,885
• RD PRLF – 2% 30 Year	\$1,500,000
• Housing Finance Agency	\$1,987,321
• CDBG	\$ 350,000



NOBLES SQUARE APARTMENTS

Worthington, MN

- ▶ 48 units – 100% RA
- ▶ 2 buildings – family
- ▶ Moderate Condition - \$47,000@unit
- ▶ Sales price set at market value
- ▶ Total Development Cost: \$4,595,393
- ▶ Financing Structure



• Section 515 Transfer – 1% 30 Year	\$ 445,961
• LIHC 9% Equity - .82/\$1	\$2,419,488
• SWMHP – Deferred Fee/Deferred Loan – 8%/30	\$ 359,318
• Housing Finance Agency – 0%	\$ 567,506
• CDBG - .25%/30	\$ 350,000
• Gr. MN Housing Fund (CDFI) - 0%	\$ 408,000

SWMHP Rural Development 515 Preservation Pipeline

- ▶ Portfolio Transaction - 22 Properties & 421 units (Minnesota)
 - Partner Substitutions w/Rehab - 9 Properties & 106 units
 - 9% LIHC – MPR – Section 538 – 2 Properties & 48 units
 - Bond/4% - MPR - HFA Soft – Section 538 – 11 Properties & 267 units
 - 360 PBA Units
 - Sales prices negotiated set at restricted or market valuation
 - Partner interest value set at \$1.00
 - SWMHP rejected 4 properties in the portfolio
- ▶ Funding Announcement October 2016





Questions

OCTOBER 4, 2016

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- Stan Keasling, RCAC
- Eileen Fitzgerald, Stewards of Affordable Housing for the Future
- Marty Miller, Office of Rural Farmworker Housing
- Leslie Strauss, Housing Assistance Council

Moderator: Kathy Tyler, MET, Inc.



Agriculture Appropriations -- Selected Programs (\$ in millions)
FY 16 Final, FY 17 Budget, House, Senate, and Final

RHS/RUS Programs	FY 16 Final	FY 17 Budget	FY 17 House	FY 17 Senate	FY 17 Final
514 Farm Labor Housing Loans	23.855	23.857	23.9	23.857	
515 Rural Rental Housing	28.4	33.074	35	40	
516 Farm Labor Housing Grants	8.4	8.3	8.4	8.336	
521 Rural Rental Assistance	1,389	1,405	1,405.03	1,405.03	
538 Rental Housing Guaranteed	150	230	200	230	
Multi-Family Restructuring* (BA)	37	37.362	40	40	
Housing Preservation Demonstration	0	0	0	0	
Voucher Demonstration	(15)	(18)	(18)	(18)	

() included in amount displayed for Multi- Family Restructuring

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The Senate Fiscal Year 2017 Appropriations Bill (S. 2956) includes several notable changes to USDA's multifamily housing programs:

- The Secretary is directed to implement provisions and provide incentives to facilitate the transfer of USDA multifamily properties to nonprofit organization and public housing authorities that commit to keeping the properties in the RHS multifamily housing program, including, but not limited to:
 - Allow such nonprofit entities and public housing authorities to earn a Return on Investment (ROI) on their own resources to include proceeds from low income housing tax credit syndication, own contributions, grants, and developer loans at favorable rates and terms, invested in a deal; and
 - Allow reimbursement of organizational costs associated with owner's oversight of asset referred to as "Asset Management Fee" (AMF) of up to \$7,500 per property.
- The report includes language directing the Secretary of USDA to engage affordable housing advocates, property owners, tenants, and other interested parties, to find long-term solutions to maintaining affordable housing properties in rural America.
- The Senate bill further recommends \$1 million for a new pilot program for grants to qualified non-profit organizations and public housing authorities to provide technical assistance to USDA multifamily housing borrowers
 - The purpose is to facilitate the acquisition of Rural Housing Service multifamily properties by non-profit housing organizations and public housing authorities that commit to keeping the properties in the USDA multifamily housing program for a set period of time.

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