

AFFORDABLE HOUSING, THE LIHTC AND MORE IN TODAY'S MARKET PLACE

The Ritz Carlton
San Juan, PR
November 18-20, 2009

Rural Housing Current Events

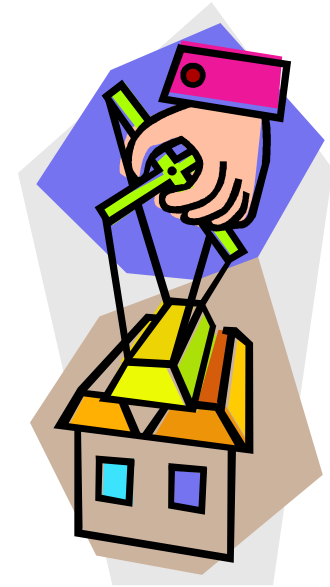
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Rural Housing Current Events

- 515-538 single commitment construction-perm demo program
- 538 subsidy funding unavailable
- Using Section 108 loan guarantees statewide
- Transfer process streamlined, use a unified submission
- MPR Demonstration Funding
- Agency encourages owners to look again at ELIHPA--the ELIHPA EFFECT

ELIHPA

- The Emergency Low Income Housing Preservation Act of 1987 (“ELIHPA”).
- Prepayment plausible, but must follow ELIHPA.

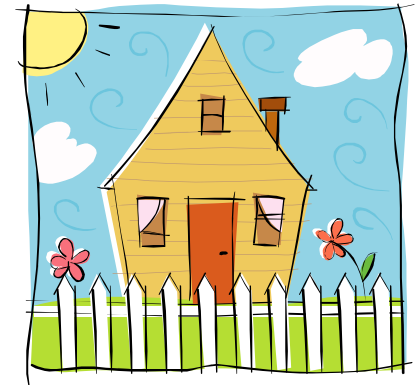


ELIHPA

- You may be able to prepay with a “life -estate” use restrictions for current residents
 - If housing determined to be unnecessary
 - If no adverse impact on minority persons
- And/Or you can offer for sale to a non-profit, at appraised value
 - Must offer for 6 months
 - If non profit makes offer, have up to 24 months to close
 - If neither happens, can prepay

Preservation Tools

- Use transfer process.
- New Transfer handbook --single comprehensive application
- CRCU rents will probably continue to be the standard
- Equity can be paid by non-RD sources or from RD sources with appraisal
- 20 year CNA



Vouchers

- True Preservation –Legislation In the Works
- In The Meantime – We Have Tools –

Rural Vouchers

- These are rural vouchers used for residents on properties able to navigate ELIHPA prepayment and prepay.
- Rent will be based on comparable market rent for the unit the resident occupies and the amount does not increase.

Preservation Tools - MPR

MPR – Multifamily Housing Preservation Demo Program

- The main feature continues to be the opportunity to defer current 515/514 debt for 20 years, with small grants amounts available to non profits, and no-interest or soft-second loan to selected applicants.
- The MPR this year provides for a further return on investment for additional equity advanced to cover immediate hard cost construction needs.
- The MPR recognizes the possibility of third party lenders, and RD will subordinate its debt, but not its use restrictions.
- The MPR this year provides a 30 percent on income tenant rent limit on completed transactions.
- It also allows applicants to use a community market rent, where the owner can essentially increase rents to market so long as incoming tenants can pay that rent based on 30 percent of income.

538 Loan Guarantees

- Up to 90% guarantee
- New construction and acquisition with rehabilitation of at least \$6,500/unit
- For all hard costs and soft costs- professional services, bond fees, developer's fees, land acquisition and development, financing costs
- Rural areas with a population up to 20,000
- 90% LTV or less of loans made to for-profit entities
- 97% LTV or less of loans made to non-profit entities
- 25 year minimum, 40 year maximum
- 25 year minimum for balloon with 40 year amortization
- 1.15% DSCR usually
- Initial occupancy cannot exceed 115% of area median income. After initial occupancy, a tenant's income may exceed these limits.
- Rent (including tenant-paid utilities) for any unit at initial occupancy cannot exceed 30% of 115% of area median income, adjusted for family size
- Average rent (including tenant-paid utilities) for all units in a project cannot exceed 30% of 100% or area median income, adjusted for family size