Resyndication and Financing strategies, plus a California Update

Today's speakers

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PRESERVATION DEVELOPMENT

15,000 UNITS | 16 STATES |

150+ COMMUNITIES

Resyndication is possible in California, but groups must be very selective in their target assets

- Two Groups
  - Developers who want to resyndicate their own assets
  - Developers who want to buy assets to resyndicate
- What to Choose: 4% LITHC and Private Activity Bonds vs 9% LIHTC
  - Must identify which funding resource, set-aside/pool, and tie-breaker score needed for an award
  - Understanding CTCAC and CDLAC priorities and targeting those assets

CTCAC and CDLAC Priorities for Resyndication

- Impact of the State Tax Credit
  - Private Activity Bonds set aside for New Construction Projects requesting State Tax Credits
- Importance of Preserving truly “At-Risk” low-income housing communities
  - Resyndication for non-at-risk affordable housing communities was almost non-existent from 2020 – Present
- Keeping Ear to the Ground and Noticing Trends
  - Round 3 2023 – CDLAC and “Other Rehab” Pool
  - Potential Results of the 30% Test?

Importance of Public Input

- CTCAC and CDLAC host regular meetings throughout the year
  - New Construction industry does a GREAT job advocating their needs to both agencies so that they have a greater share of resources
  - Substantial Rehab industry needs to set up and push for a greater share of resources
    - HUD Section 8 properties are 40+ years old and need a substantial rehab
    - Change the "At-Risk" definition to include HUD properties that have a failing REAC
    - LIHTC deals built in the 1990s are approaching the end of the extended use period
    - 1 unit of New Construction means nothing if 1 Existing Unit becomes Market Rate

What if I can’t Resyndicate my Project? What Options are available?

- Business Decision Asset to Asset
  - Deal is NOT in immediate need of Substantial Rehab
    - Continue to own and operate the property and provide capital to replace CAPEX items as needed
    - Renew the HAP contract (if applicable) on 5 year renewals or less to keep it “At-Risk”

What if I can't Resyndicate my Project? What Options are available?

- Business Decision Asset to Asset
  - Deal NEEDS an immediate Substantial Rehab
    - FHA Financing HUD 223f and HUD d4 Products
      - If less rehab is needed, then 223f is your best route
      - If greater rehab is required, then d4 is your best route
    - Associated Costs of d4
      - Davis-Bacon / Prevailing Wage Requirements and GC Selection
      - Inability to Rate Lock and Interest Rate Risk

What if I can't Resyndicate my Project? What Options are available?

- Business Decision Asset to Asset
  - Private Capital – JV or Sell Outright
    - There has never been more private capital in the affordable housing industry
    - Can choose to sell your project outright or JV with a group to recapitalize your project