



Affordable Housing Services



Exit Strategies: Maximizing Value From Existing Properties

Sale Options

- Tax Exempt Bonds (4% Credits)
- 501(c)(3) Bonds
- 9% Credits
- Conversion to Home Ownership
- Sale Based on NCT Operating Income
- Charitable Contributions
- Right of First Refusal

Other Considerations

- What type of entity should the transfer go to?
- Transfer tax issues
- Capital Needs
- Is there Vacant Land? Expansion?
- Is the Property Historic?
- Renegotiation of Residual Proceeds Splits
- Qualified Contract Price

HUD Considerations

- Prepayment Lockouts
- Mark to Market
- Flexible Subsidy Loans
- Residual Receipts
- 202 Projects

Conversion of Ownership Timing

- 12 v. 15 Years

Tax Exempt Bonds

- Value of Low Income Credits
 - Actual Rate v. 4%
 - 130% Area (DDA/Census Tracts)
 - Historic Issues
 - Capital Needs Assessment
 - Scattered Site Issues
- Benefits of Lower Interest Rates
- Benefit of Principal Amortization
- 501(c)(3) Bonds: Nonprofit Ownership Without Tax Credit

9% Credits

- Generally Involve Extensive Renovation
- Allocation Cycle – How Long/How Probable
- Generally Limited Residuals
- Occasionally Preservation Need produces Big Payday for Owner

Conversion to Home Ownership

- Existing Private Letter Ruling
- Capital Needs
- Works Best in Lower Cost Properties
- Tenant Rights Can Vary – Timetable
- Cooperatives

Charitable Contributions

- Valuation Must Exceed Debt
- Restrictions Can Impact
- Not as Simple as Value Minus Debt (Basis Adjustment)
- Commercial Operations
- Excess Land

Right of First Refusal

- Greater of tax liability plus assumption of debt plus \$1 or fair market value
- Debt incurred within 5 years of end of compliance period does not count in calculation of tax liability
- With investor permission, change in loss allocation percentages up to 1/3 after tax credit delivery period
- Delicate balance of investor capital account issues (loss allocations) v. fair market value
- 12 v. 15 years
- GP loans – risk/reward

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