

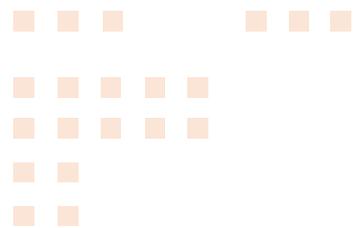
Low-Income Housing Tax Credits Case Study:

Palacio Dorado *A Planned Senior Residence*

Presenters:

Lymaris Albors, Executive Vice President, Acacia Network, Inc.
Enid Rivera-Sánchez, Founder, ERS Consulting Group





Introduction

Video to be inserted

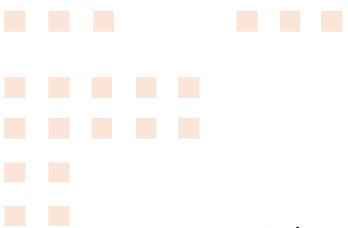


MISSION

Acacia Network's mission is to partner
with communities, lead change, and
promote health and prosperous
individuals and families

Excellence | Commitment | Customer Service | Leadership





VALUES

EXCELLENCE

Our focus on excellence ensures that individuals, families, and communities consistently receive quality driven care

COMMITMENT

The talented and dedicated members of the Acacia family are the foundation of our success. We go the extra mile to meet the needs and expectations of individuals, families, and our communities.

CUSTOMER

We promote a culture that consistently exceeds customer's expectations. We affirm the unique identity of those we serve, treating each with friendliness, dignity, respect, care and compassion.

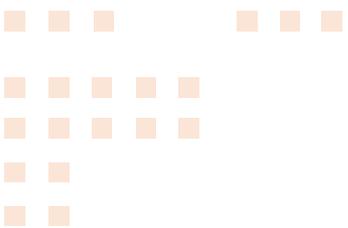
LEADERSHIP

We nurture partnerships, inspire others, instill ownership, engender trust and provide solutions toward our common goal to lead change and provide the highest quality care.

Excellence | Commitment | Customer Service | Leadership



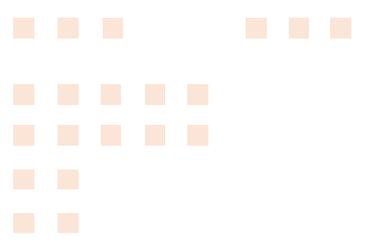




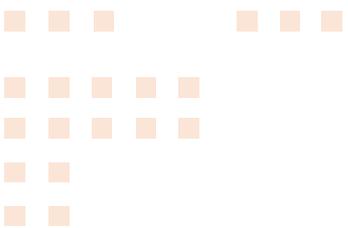
Project Description

- **Name:** Palacio Dorado
- **Location:** Urban Center, Municipality of Toa Alta, Puerto Rico
- **Owner:** Palacio Dorado LLC
- **Developer:** The Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. (PROMESA, Inc.)
- **Sponsor:** Acacia Network, Inc.
- **Total Number of Units:** 103- one bedroom units
- **Total Number of LIHTC Units:** 103
- **Total Development Cost:** \$19,964,600



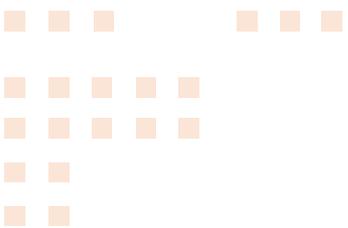


Significant Aspects of a LIHTC Transaction



Careful Planning

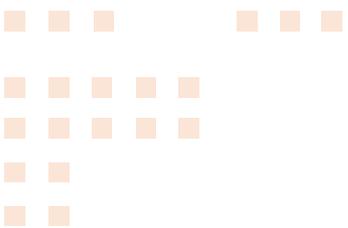
- ✓ **Owner:** Create/identify a legal entity that will own the development.
- ✓ **Developer:** Create/identify a legal entity which will develop the project.
- ✓ **Development Team:** Select/identify a team:
 - Designer/ Architect
 - Permits Consultant
 - General Contractor
 - Inspector Engineer
 - Construction Manager
 - Environmental Consultant
 - Management Agent



Careful Planning

✓ Professionals: Identify and contract

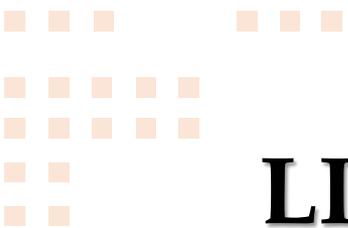
- Appraiser
- Attorney
- CPA



Careful Planning

✓ **Housing Consultant:** It is highly recommended to contract a consultant to manage the complexities of a LIHTC development.

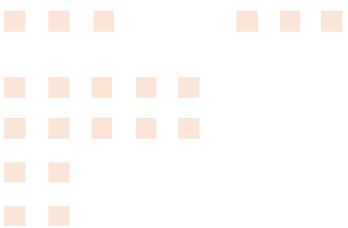
- Project Review and underwriting;
- Dealing with syndicators/investors;
- Identification of lender for the construction loan and permanent loan;
- Deal with local government agencies; and
- Interaction with all parties involved in the transaction.



Palacio Dorado

LIHTC Transaction Highlights

- New construction project.
- Total Development Costs : \$19,964,600
- Acacia Network, Inc. and PROMESA, Inc. - two non-profit organizations from NY serve as sponsors of the project.
- R4 Investment Capital LLC - equity investment fund.
- Puerto Rico Housing Finance Authority – state allocating agency, and HOME Investment Partnership Funds.
- Banco Popular de Puerto Rico – construction and permanent financing.
- 9% LIHTC Project with basis boost.
- Project located in a Difficult to Develop Area (“DDA”)
- 100% of the adjusted eligible basis is qualified basis.
- 100% low-income residents
- Investor acquired 99.99% ownership interest.



Sources of Funds

Private Capital Investment:	90%	\$ 18,049,000
Private Permanent Financing:	5.5%	\$ 1,000,000
HOME Program Funding:	4.5%	\$ 915,000



Table 1- Sources & Uses of Funds

Sources of Funds	Amount
Equity (Sale of 9 percent LIHTCs)	\$ 18,049,000
Permanent Loan	1,000,000
Second Mortgage (Developer Loan through HOME program)	915,600
Total Sources of Funds	\$ 19,964,600
Uses of Funds	Amount
Land	\$ 1
Construction Costs	12,896,124
Professional Fees, Interim, Soft Costs and Reserves	4,497,500
Developer Fees	2,570,975
Total Uses of Funds	\$ 19,964,600

Table 2- Equity Calculation

Total Development Costs	\$ 19,964,600
Less: Non-Eligible Costs	(1,804,668)
Eligible Basis	18,159,932
Basis Boost for DDA	130%
Eligible Basis adjusted for DDA	\$ 23,607,912
Applicable Fraction (Percentage of affordable units)	X 100%
Qualified Basis	\$ 23,607,912
Applicable Percentage	X 9%
Annual Tax Credit (Qualified basis with basis boost multiplied by the actual tax credit rate applied to the project)	\$ 2,124,712
Annual Tax Credit Awarded	2,000,000
Net Equity (Total credits X 10 years X \$0.9025 price per dollar credit)	\$ 18,049,000

Table 3 - Equity Pay-in Schedule

% of Total Equity	Milestone	Amount
10%	Date of Closing	1,805,000
35%	50% Construction Completion	6,317,000
30 %	100% Construction Completion	5,415,000
25%	Breakeven Operations	4,512,000
100% Equity		\$ 18,049,000

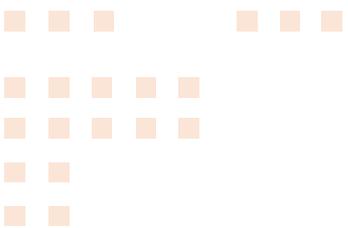
Operating Subsidy

PBV HAP Contract:	103 units
Household:	Elderly
Household Income:	30% AMI
Household Maximum Income (50% AMI):	\$ 11,200
Maximum Unit Monthly Rent:	\$ 504

Section 8 Project-Based Rental Assistance provided through the Puerto Rico Department of Housing.

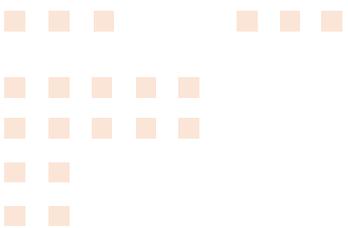
Operating Expenses

	Amount	PUPA 103 Units
Administrative Cost	119,019	
Operating Cost	29,140	
Repair and Maintenance Cost	73,992	
Fixed Cost	120,177	
Reserve for Replacement	25,720	
Total Operating Costs & Reserve	\$ 368,078	\$3,574



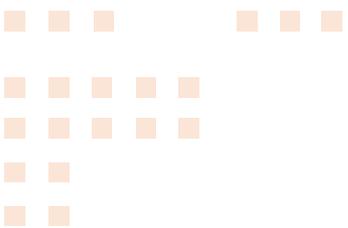
Developer's Earnings

- Developer Fees: Overhead and Profit
- Incentive Management Fees
- Operating Cash Flow
- Sale or Refinancing Proceeds



Developer's Guarantees

- Construction Completion & Deficit
- Lease-Up
- Permanent Loan Funding
- Tax Credits (Adjusters)
- Tax Losses
- Yield Maintenance
- Compliance Monitoring



General Recommendations

- Retain knowledgeable professionals;
- Research the market;
- Negotiate terms with lender and investor; and
- Revise and understand all documents to be signed.



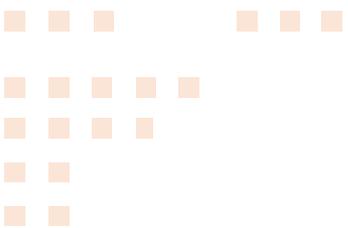












THANK YOU!



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