

Creating Value Through Asset Management

Allen Feliz
TCAM
186 Lincoln Street
Boston MA 02111
(617) 542-1200

Independent. Transparent. Socially Responsible.

National Housing & Rehabilitation Association's
2013 Summer Institute

Santa Fe, NM

July 26, 2013

www.tcamre.com

About TCAM

Mission: Provide high-quality, comprehensive, independent asset and portfolio management services to capital providers in the affordable housing and tax credit industries

- ❖ Client focus
- ❖ Long-term fiduciary perspective
- ❖ Independence: not associated with syndicators and not dependent on the next deal's origination fees
- Clients benefit from
 - ❖ Deep expertise in a specialized industry
 - ❖ Customized and flexible solutions
 - ❖ Senior level attention

TCAM's Asset Management Services

Direct Asset Management

- Oversee property manager or developer/GP
 - For owners/developers, GPs, state agencies investors, lenders

Shadow Asset Management

- Oversee syndicator or asset manager
 - For housing authorities, guarantors, lenders

Consulting Services

- For owners, state agencies, housing authorities, investors, syndicators, lenders

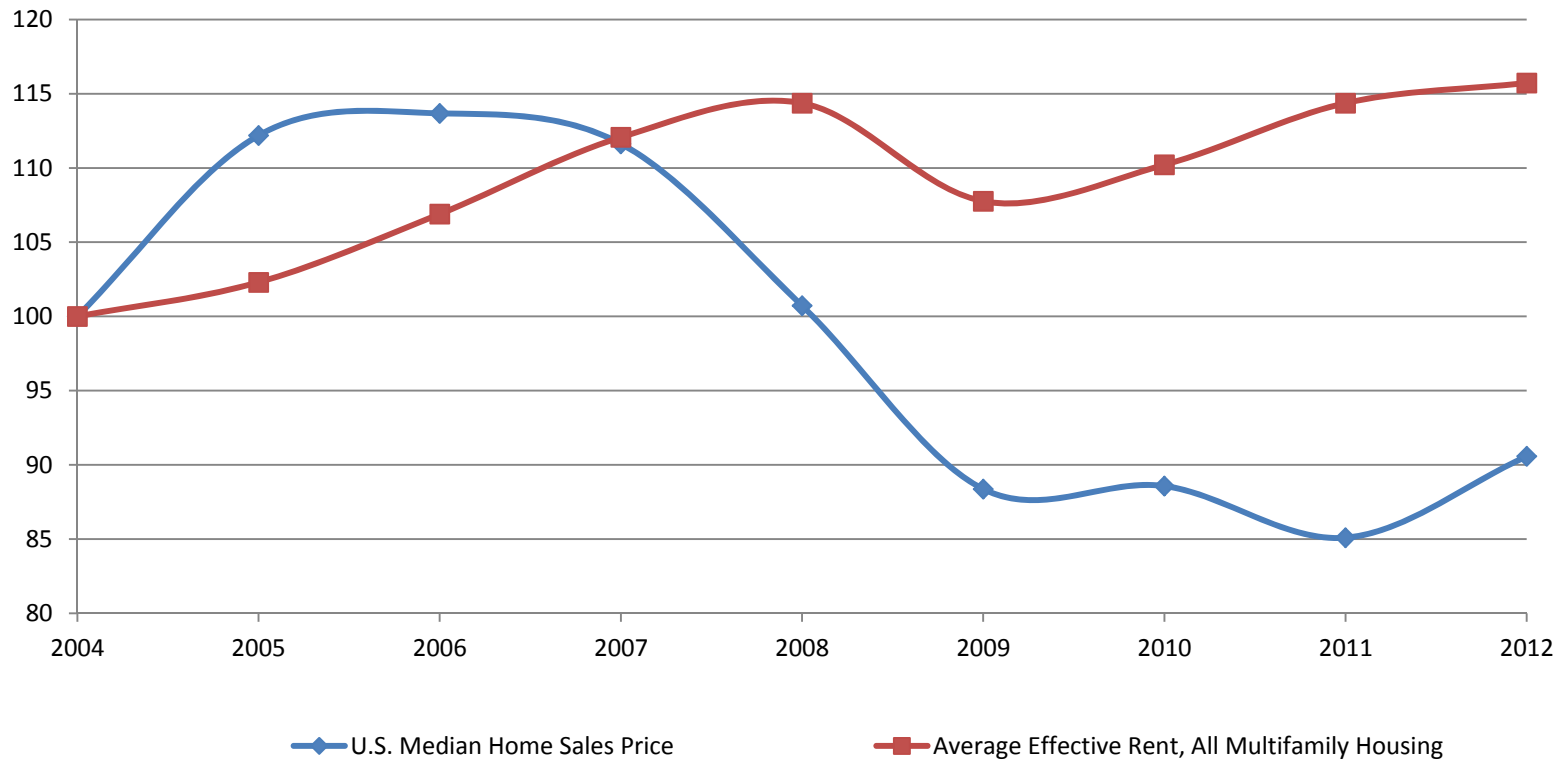
Proactive Asset Management

- ❖ Helps to detect small problems before they become big costly problems
- ❖ Effective analysis requires quality data, not always a simple matter -- Garbage In Garbage Out (GIGO)
- ❖ Walking the property and periodically evaluating GP/management agent health and performance are key elements of this process

Keys to the Process

- ❖ Financial Monitoring
- ❖ Physical Site Inspections
- ❖ GP/Management Agent Health and Performance
- ❖ Compliance

Rental Housing Since the Great Recession



Notes: Y axis is normalized. 2004 actual median sales price = \$195,000; and 2004 actual average rent = ~875
Sources: National Association of Realtors & Marcus & Millichap.

Property Performance Trends

- Remarkable improvement in property performance
- Rental market improvements are widespread
- Operating expenses not increasing
- Interest rates still at historic lows

Workouts: Beyond the Procedures Manual

- Most LIHTC properties continue to perform well
- However, pockets of distress
- Strategies, Work Plan:
 - Initial assessment
 - Workout plan

Confronting the Fiscal Challenges

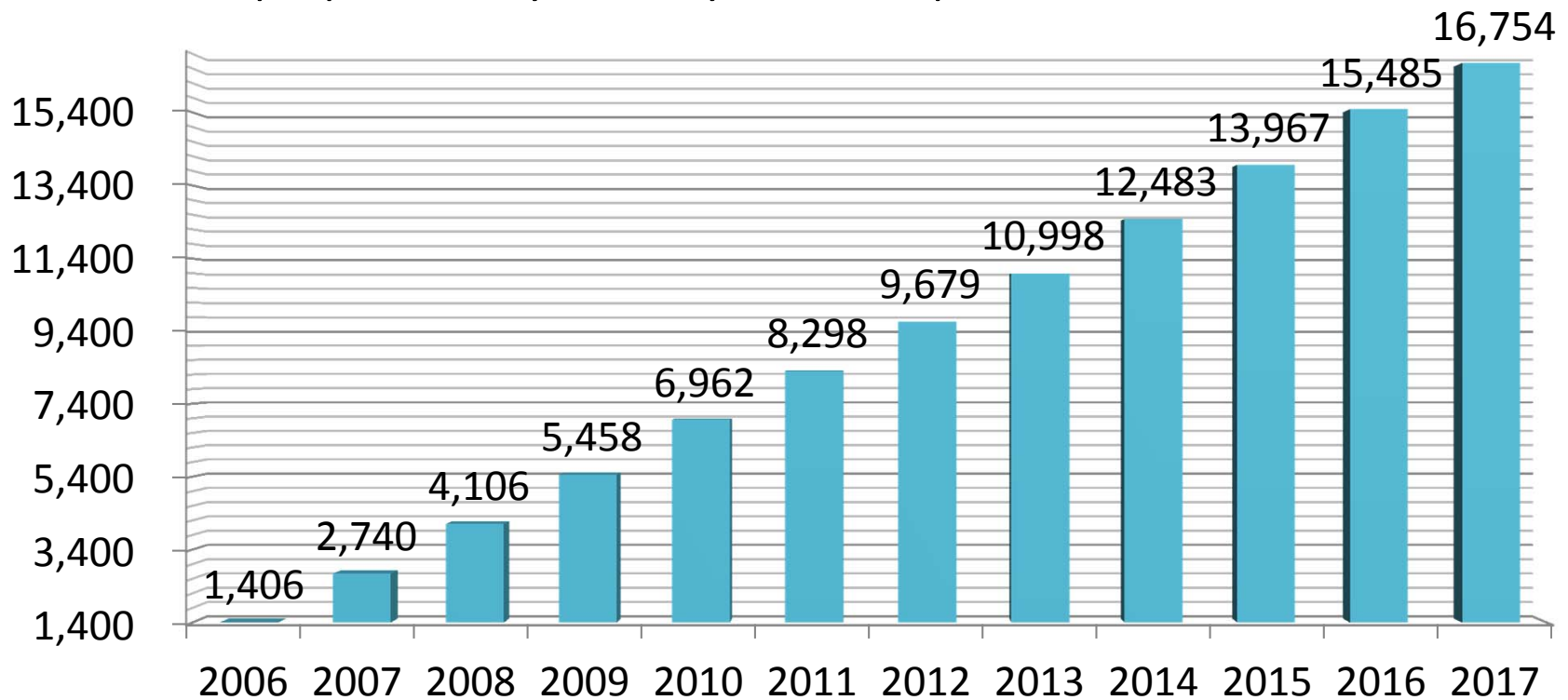
Current challenges:

- Sequestration
- Pressure on real estate tax abatements and exemptions
- Increasing concerns about rental assistance funding risks (e.g. Project-Based Section 8)

Sticking to the basics will help weather the storm

Preservation Needs/Tax Credit Properties Ready for the Next Stage

Number of properties beyond 10-year credit period



Disposition Landscape

❖ General Overview

- GP in charge
- Residual value varies greatly
- Tax implications
- Transactions are all complex

❖ Opportunities

- Capital market conditions still excellent
- Solve problems – charitable contributions

❖ Challenges

- Limited control
- Plenty of properties not worth debt
- Multiple approvals often necessary

Preparing for Year 15

- ❖ Start the exit process early; it is likely to take time
- ❖ Preserve basis/capital improvements
- ❖ Engage the Limited Partner
- ❖ Understand the governing documents and applicable regulations
- ❖ A certain amount of complexity is inevitable, but
- ❖ More clarity in the documents could reduce the number of points to be negotiated upon exit

Creating Value Through Asset Management

Allen Feliz
TCAM
186 Lincoln Street
Boston MA 02111
(617) 542-1200

Independent. Transparent. Socially Responsible.

National Housing & Rehabilitation Association's
2013 Summer Institute

Santa Fe, NM

July 26, 2013

www.tcamre.com