

Celebrating 40 Years of Success

RURAL PRESERVATION

wnc

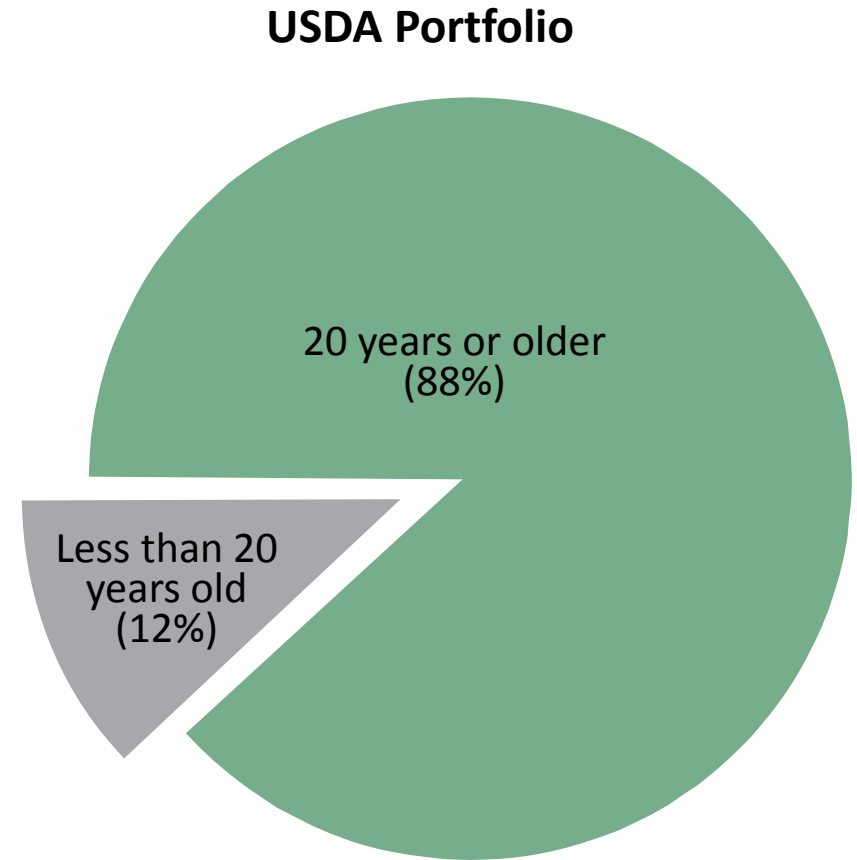


17782 Sky Park Circle, Irvine, CA 92614 | 714.662.5565 | wncinc.com

July 2013

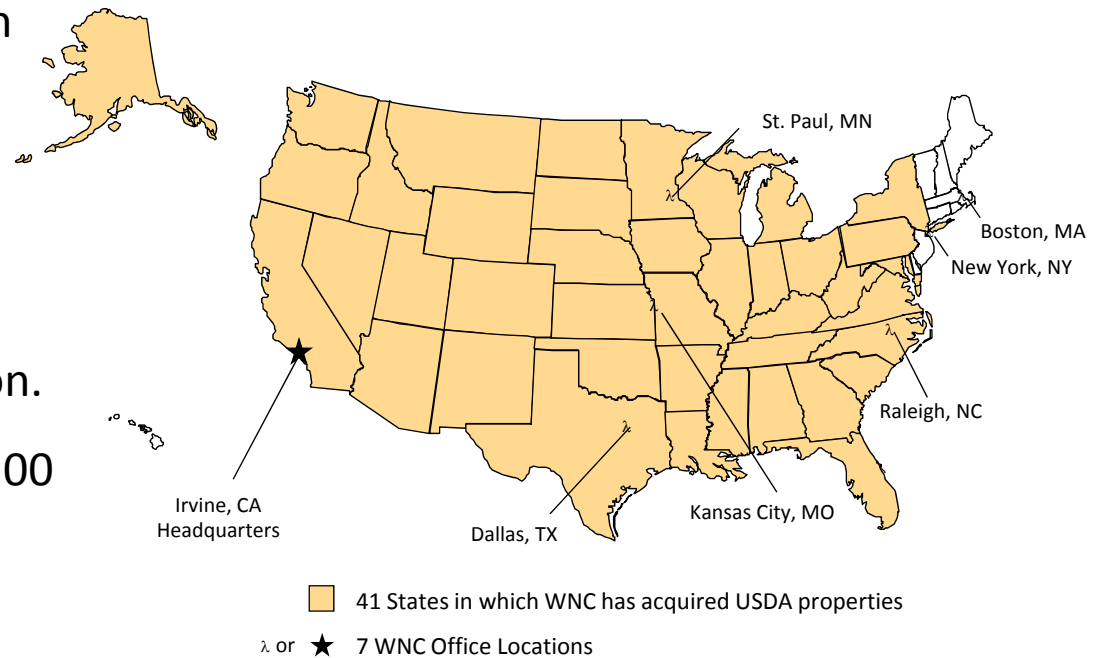
Growing Demand — Preservation

- USDA Section 515 Program one of the oldest housing programs in the U.S.
- Provides direct below market rate loans to properties that lack access to credit facilities.
- Over 500,000 properties built since 1970s.
- 88% of portfolio over 20 years old.
- USDA priority to recapitalize existing housing stock using low-income tax credits.



WNC's USDA Experience

- WNC a leading expert on USDA Section 515 program.
- Syndicated first USDA Section 515 property in 1973, the first year of the program.
- WNC's USDA portfolio approx. \$1 billion.
- Acquired over 500 properties and 19,500 units in 41 states.
- No foreclosures; average occupancy 95%.



USDA Risk Mitigants

- USDA provides significant subsidies and federal oversight.
- Project based rental subsidies (Section 521).
- Below market rate loans (Section 515).
- Minimal lease-up risk — predominantly rehabilitation properties with qualified tenants in place.

USDA
subsidies



USDA
oversight



= lower risks

USDA Risk Mitigants *(cont'd)*

- Additional oversight by USDA at every stage of development cycle.
- USDA takes a long-term perspective.



✓ development

- All plans and specs reviewed and approved
- Capital needs assessment and reserves
- Construction contracts, exhibits and insurance



✓ construction

- Conducts monthly visits to ensure construction progress
- Review and approve all construction draws
- Review and approve all change orders to construction contract

-2,811	285
31,835	3,255
91	7,168
11,524	2,881
2,446	16
40,200	16,453

✓ operating

- Review and approve all withdrawals from replacement reserve
- Annual budget with emphasis on maintenance and capital improvements
- Annual audit
- Cash distributions to owners

Gallup 3 Portfolio



✓ Factors

- 208 Units
- 3 Scattered Site Projects
- All USDA financed 515s
- New First Position Tax-Exempt Bond Debt
- \$30,000/unit rehab
- 4% Tax Credits
- Single Owner/Consolidation

Gallup 3 Portfolio



✓ Sources and Uses

SOURCES	
<u>Acquisition and Renovation Financing</u>	
Tax-Exempt Bond Loan	\$7,500,000
RD 515 Loan	5,736,448
Tax Credit Proceeds	1,274,623
Deferred Developer Fee	<u>676,226</u>
Total	\$15,187,297
<u>Permanent Financing</u>	
Tax-Exempt Bond Loan	\$5,000,000
RD 515 Loan	5,736,448
Tax Credit Proceeds	4,248,742
Deferred Developer Fee	<u>202,107</u>
Total Sources	\$15,187,297
USES	
<u>Acquisition and Renovation</u>	
Property Acquisition	\$5,736,448
Renovation Costs	<u>6,392,292</u>
Total	\$12,128,739
<u>Indirect Costs</u>	
Third Party Reports	117,945
Financing Placement	430,602
Accounting	30,000
Legal & Organizational	86,792
Relocation Allowance	35,000
Initial Deposits to Reserves	646,000
Tax Credit Reservation Fees	20,094
Other Fees and Costs	352,290
Developer Fee	<u>1,339,834</u>
Total Uses	\$15,187,297

Gallup 3 Success and Risk Factors



✓ Factors

- # of Units
- Rental Assistance
- USDA Debt/Unit
- Capital Needs
- Market Area



✓ Team

- Developer
- State Agency
- Lender
- Syndicator
- Property Manager
- USDA

-2,811	285
31,835	3,255
91	7,168
11,524	2,881
2,446	16
40,200	16,453

✓ Obstacles

- Capital Needs/Replacement Reserves
- Subordination
- Consolidation
- Coordination
- Rental Assistance Underwriting
- Timing

CONTACT INFORMATION

Anand Kannan

Senior Vice President – Community Preservation and Finance

17782 Sky Park Circle, Irvine, California 92614

949.236.8278 | 714.300.5235 C

akannan@wncinc.com

www.wncinc.com