

July 24-27, 2013 | Eldorado Hotel | Santa Fe, New Mexico

National Housing & Rehabilitation Association's



2013 Summer Institute

Negotiating Multifamily Dispositions

Speakers:

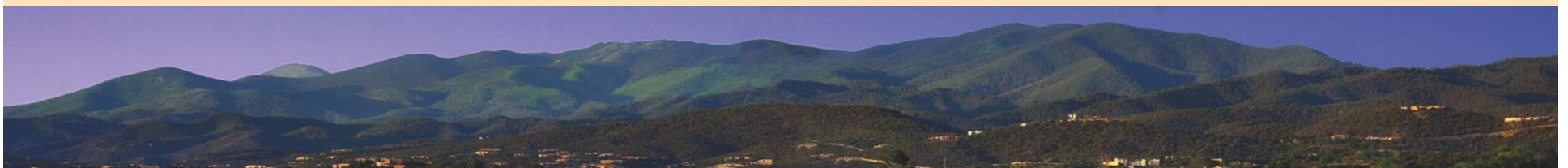
Charlie Rhuda, Novogradac & Company *MODERATOR*

Dave Fournier, ARA Affordable Housing

Austin Herzog, Affordable Housing Development Corp.

David Leon, Broad & Cassell

Jeff Rahn, Boston Financial Investment Management



WHAT IS GOING ON IN THE MARKET? WHAT IS IMPACT OF RECENT RENT INCREASE

- Target cap rates, cash returns, IRR -- what's the buyers primary focus
- Buyer game plan: hold, resyndicate, QCP, turnaround and flip, etc.
- Market is most likely as good as it's going to get, now is the time to transact



DETERMINING VALUE – MARKET SALE

- Market Sale – SOP – every ones done it, but there are a few twists
- Pre EOC Sales require Recapture Guarantees and continuing compliance
 - Buyers with affordable experience
 - Buyers with substantial net worth for the guarantee
 - Investor Consent



DETERMINING VALUE – MARKET SALE (CONT)

- Preservation for future resyndication – Fee Simple vs. Partnership Interests
 - Ongoing Partnership Liabilities
 - 10 year rule
 - Relate Party Rule
 - Tax Termination, Redemption vs. Assignment



DETERMINING VALUE – BUY LP INTEREST

- Broker Opinion of Value
- Appraisal
- Existing Operations (How well run is the property vs. Buyers better mouse trap)



DETERMINING VALUE – BUY LP INTEREST (CONT)

- Physical Need Debate
- Other Considerations
 - Limited Distributions
 - HAP renewals
 - IRP payments
 - Rent Restrictions



DETERMINING VALUE – BUY LP INTEREST (CONT)

- Debt
 - Prepayable - with or without penalty
 - Assumption – Lender consent and requirements
- Options and Rights of First Refusal



“SHARING ARRANGEMENTS”

- Who has Leverage – what are your rights under the Partnership Agreement
 - Forced Sale
 - Refinance without LP consent
 - Waterfall, usually 80/20



“SHARING ARRANGEMENTS” (CONT)

- Who has Leverage – what are your rights under the Partnership Agreement (cont)
 - Capital Accounts
 - LP Cap Act > Waterfall, Cap Act prevails
 - PUT for a Buck
 - Transfer Taxes



THANK YOU

Moderator:

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