



*2018 Midwest Lender's Conference
221(d)(4) Panel*

Case Study: **Riverdale Station (West)**
Coon Rapids, Minnesota

Riverdale Station (West)

Deal Overview	
Deal Type	221(d)(4) – New Construction
Project Type	Multifamily
Total Units	71
Affordability	7 LTH* 48 LIHTC @ 50% AMI
Original Mortgage Amount	\$6,925,000 (including TIF of \$492,000)
Term	40 years
Rate	Mid 4 % + 0.35% MIP
Amenities (building)	Controlled entrance, a lobby, mail room, leasing offices, public restrooms, one elevator, trash chutes, fitness room, a community room and club room, outdoor patio with fire-pit and gas grills and playground
Amenities (Unit)	Standard appliances (refrigerator, range/oven, dishwasher, disposal and microwave), laminate countertops, assumed LTV/LPV hardwood-style flooring and carpeting, in unit washer/dryer, window blinds, ceiling fans and balcony or patio

Riverdale Station (West)

Coon Rapids, MN



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Southerly view of the subject site with LRT Riverdale Station in the background

Riverdale Station (West)

The proposed loan is to provide financing for the construction of 71 mixed-income units in one, four story elevator-served building on ~3.3 acres located in Coon Rapids, Minnesota (the “Project”). The Project will include 6 unit types spread between market rate, LIHTC and AMI-restricted, consisting of 13 one-bedrooms, 39 two-bedrooms, and 19 three-bedroom units. The City of Coon Rapids has approved a Tax Increment Financing housing district for the entire redevelopment site (including the subject property and the adjacent 180-unit market rate property). All benefits of the TIF payments will accrue to the Project even though a majority of the real estate tax payments will be made by the market rate adjacent project. The Project will benefit from a 10-year TIF FHA insured note that will be tied to the \$492,000 TIF (LIHTC project) Note. Also, the Project will benefit from a general partner advance which is funded by a third party Bank loan collateralized by the \$1,784,000 TIF (market rate project) Note and guaranteed by the Sponsor. Also, the Project will benefit from approximately \$8.8 million in LIHTC equity from RBC Capital Markets.

Riverdale Station (West)

Sources and Uses of Funds (Cash basis)			
Sources / Mortgageable Uses		Non-Mortgageable Sources/Uses	
FHA 1st mortgage:	\$ 6,925,000	Borrower Cash:	
General Partner Sub. Loan	\$ 1,564,015	Letter of Credit:	
Grant	\$ -	Tax Credit Proceeds:	\$ 1,471,861
Tax Credit Equity:	\$ 7,377,254	Grant	\$ 146,500
Seller Note	\$ -		
Deferred Developer Fee:	\$ 371,713		
Other Sources - Letter of Credit		Other: Current Reserves & Escrows	
<i>Total Cash Sources for Mortgageable Items:</i>	\$ 16,237,982	<i>Total Cash Sources for Non-mortgageable Items:</i>	\$ 1,618,361
Existing Land Value/ Debt/Acquisition Price*:	\$ 500,000	Initial Operating Reserve:	\$ 207,750
Total for All Improvements:	\$ 13,375,392	HUD Required Deposits (Working Capital):	\$ 277,000
Total Carrying and Financing Charges:	\$ 664,590	MHFA Req Contingency	\$ 377,020
Legal, Org, Audit:	\$ 156,500	Soft Cost Contingency	\$ 30,000
Other: 3rd party reports	\$ 41,500	Investor Operating Reserve	\$ 331,591
Other: Developer Fee	\$ 1,500,000	Misc. Non-Mortgageable	\$ 395,000
<i>Total HUD-recognized Uses (to be paid with cash):</i>	\$ 16,237,982	<i>Total Non-mortgageable Uses:</i>	\$ 1,618,361

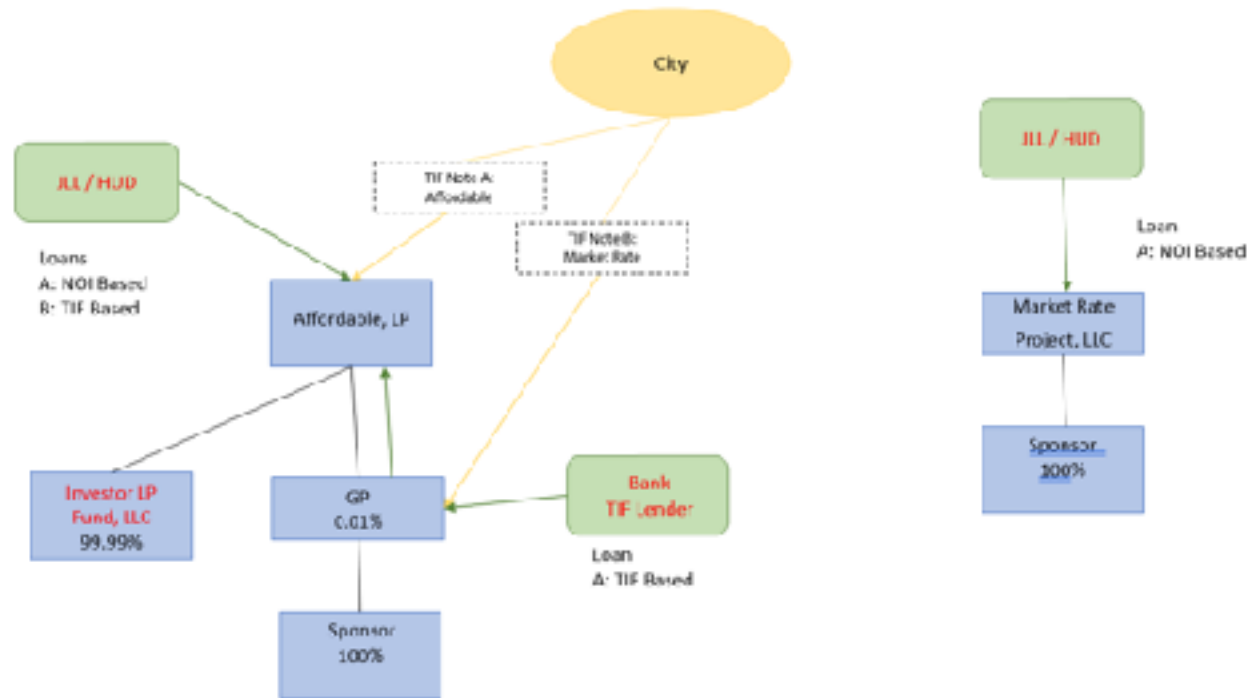
Riverdale Station (West)

Underwriting Focus:

1. Tax Incrementing Financing (TIF)
2. LIHTC Syndicator Process including Loan Sizing
3. Bridge Financing

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Tax Incrementing Financing (TIF)

1. Commitment
2. All Benefits to Affordable
 - TIF Note split in two tranches
 - Affordable tranche – FHA Insured TIF Note. Typical structure
 - Market Rate tranche – TIF payments to the Owner. Owner, through a bank loan, lends funds to the affordable project.
3. Escrows – Timing
4. Escrows – Shortfall
5. Second Case Example (Kurt Dayton - Elevate)

Riverdale Station (West)

Riverdale Station West - Affordable TIF Analysis

Assumptions:

4.50% Rate	\$ 57,210	UW RE Taxes - Affordable	Project Completion	5/1/2019
10.00 Term	\$ -	UW RE Taxes - MR	Accrued Interest Begins	8/1/2020
\$ 492,000 Principal	\$ 306,730	Net TIF Pmt - Beginning (per Ehlers - net of all reductions)		Cost Cert
22.92%	21.62%	Allocated to Affordable (Note Amounts)		\$ 133,365
	37.00%	Percent Complete Year End		\$ 33,153

Year	Market Taxes	Semi-Annual TIF Pymt	Beginning TIF Principal	Year End TIF Principal	Inflation Factor 102%			
					Market Taxes	Semi-Annual TIF Pymt	Beginning TIF Principal	Year End TIF Principal
0.5	\$17,584	\$12,267	\$ 492,000	\$ 479,735	\$ 18,344	\$12,512	\$ 492,000	\$ 479,485
1	\$17,584	\$12,267	\$ 490,527	\$ 478,261	\$ 18,344	\$12,512	\$ 490,277	\$ 477,765
1.5	\$48,605	\$33,153	\$ 489,022	\$ 465,869	\$ 49,577	\$33,816	\$ 488,515	\$ 464,695
2	\$48,605	\$33,153	\$ 486,126	\$ 432,973	\$ 49,577	\$33,816	\$ 464,929	\$ 431,114
2.5	\$48,605	\$33,153	\$ 442,715	\$ 409,560	\$ 50,569	\$34,492	\$ 440,914	\$ 406,022
3	\$48,605	\$33,153	\$ 418,778	\$ 385,625	\$ 50,569	\$34,492	\$ 418,484	\$ 380,072
3.5	\$48,605	\$33,153	\$ 394,302	\$ 361,149	\$ 51,590	\$35,192	\$ 399,544	\$ 354,362
4	\$48,605	\$33,153	\$ 369,275	\$ 336,122	\$ 51,590	\$35,192	\$ 362,335	\$ 327,153
4.5	\$48,605	\$33,153	\$ 343,885	\$ 310,532	\$ 52,612	\$35,886	\$ 331,514	\$ 298,629
5	\$48,605	\$33,153	\$ 317,519	\$ 284,566	\$ 52,612	\$35,886	\$ 300,347	\$ 269,462
5.5	\$48,605	\$33,153	\$ 290,765	\$ 257,612	\$ 53,664	\$36,603	\$ 275,525	\$ 238,922
6	\$48,605	\$33,153	\$ 263,408	\$ 230,255	\$ 53,664	\$36,603	\$ 244,297	\$ 207,694
6.5	\$48,605	\$33,153	\$ 235,456	\$ 202,284	\$ 54,737	\$37,335	\$ 212,357	\$ 175,032
7	\$48,605	\$33,153	\$ 206,935	\$ 173,682	\$ 54,737	\$37,335	\$ 179,970	\$ 141,635
7.5	\$48,605	\$33,153	\$ 177,660	\$ 144,437	\$ 55,832	\$38,082	\$ 144,821	\$ 106,739
8	\$48,605	\$33,153	\$ 147,667	\$ 114,534	\$ 55,832	\$38,082	\$ 109,141	\$ 71,059
8.5	\$48,605	\$33,153	\$ 117,111	\$ 83,960	\$ 56,949	\$38,844	\$ 72,658	\$ 33,814
9	\$48,605	\$33,153	\$ 85,848	\$ 52,695	\$ 56,949	\$38,844	\$ 31,575	\$ (1,269)
9.5	\$48,605	\$33,153	\$ 53,661	\$ 20,726	\$ 58,087	\$39,621	\$ (4,305)	\$ (43,985)
10	\$48,605	\$33,153	\$ 21,154	\$ (11,586)	\$ 58,087	\$39,621	\$ (44,975)	\$ (84,595)
		\$621,282				\$664,744		

Partial TIF Payment
Partial TIF Payment
Full TIF Payment

Riverdale Station (West)

MONTH OF ANALYSIS Date of Analysis	Revenue Data for West - Affordable																							Total Operating Costs
	Interval 1					Interval 2					Interval 3					Interval 4					TOTAL			
	04-30	05-31	06-30	07-31	08-31	09-30	10-31	11-30	12-31	01-31	02-29	03-31	04-30	05-31	06-30	07-31	08-31	09-30	10-31	11-30		12-31		
Description of Month	POST GRANT/PPV PERIOD																							
No. of Units Absorbed	35					35					35					35								
No. of Units Absorbed	35					35					35					35								
TENN. CH. On Tol.	35					35					35					35								
Postage Rate	35					35					35					35								
Revenue Per Sq. Ft. (unit)	75.57%					64.75%					59.78%					56.82%								
Average Monthly Rent	\$ 1,211					\$ 1,011					\$ 1,011					\$ 1,011								
Minimum Gross Income	\$ 71,500					\$ 71,500					\$ 71,500					\$ 71,500								
Monthly Rent	\$ 71,500					\$ 71,500					\$ 71,500					\$ 71,500								
Marketing & Misc. Income - Ref of Vac.	\$ 9,000					\$ 9,000					\$ 9,000					\$ 9,000								
Base Rental Income	\$ 71,500					\$ 71,500					\$ 71,500					\$ 71,500								
Commercial Income	\$ -					\$ -					\$ -					\$ -								
Leasing (deductible) Ref of Vac.	\$ 41,700					\$ 38,900					\$ 38,900					\$ 38,900								
Base Effective Income	\$ 60,200					\$ 59,200					\$ 59,200					\$ 59,200								
Program/Project																								
Advertising	\$ 1,100					\$ 1,100					\$ 1,100					\$ 1,100								
Management Fee	\$ 2,000					\$ 2,000					\$ 2,000					\$ 2,000								
Other Administrative	\$ 1,700					\$ 1,700					\$ 1,700					\$ 1,700								
Financial Maintenance	\$ 145					\$ 145					\$ 145					\$ 145								
Fuel	\$ -					\$ -					\$ -					\$ -								
Lighting & Misc. Power	\$ 2,011					\$ 2,011					\$ 2,011					\$ 2,011								
Water	\$ 1,775					\$ 1,775					\$ 1,775					\$ 1,775								
Gas	\$ 900					\$ 900					\$ 900					\$ 900								
Garbage Removal	\$ 590					\$ 590					\$ 590					\$ 590								
Sewer	\$ 6,263					\$ 6,263					\$ 6,263					\$ 6,263								
Legal & Audit	\$ 296					\$ 296					\$ 296					\$ 296								
Decorating	\$ 1,000					\$ 1,000					\$ 1,000					\$ 1,000								
Repairs	\$ 1,180					\$ 1,180					\$ 1,180					\$ 1,180								
Catering	\$ 29					\$ 29					\$ 29					\$ 29								
Insurance	\$ 1,470					\$ 1,470					\$ 1,470					\$ 1,470								
General Interest	\$ 602					\$ 602					\$ 602					\$ 602								
Other Maintenance	\$ -					\$ -					\$ -					\$ -								
New Public Taxes	\$ 2,997					\$ 2,997					\$ 2,997					\$ 2,997								
Other Taxes/Other	\$ -					\$ -					\$ -					\$ -								
Other Expenses	\$ -					\$ -					\$ -					\$ -								
Reserves for Capital Expenditures	\$ 1,470					\$ 1,470					\$ 1,470					\$ 1,470								
Base Operating Expenses	\$ 20,800					\$ 20,800					\$ 20,800					\$ 20,800								
Net Operating Income	\$ 39,400					\$ 38,400					\$ 38,400					\$ 38,400								
Base PPV	\$ -					\$ 20,214					\$ 20,214					\$ 20,214								
Base Physical Expenses	\$ 39,400					\$ 39,400					\$ 39,400					\$ 39,400								
Operating Surplus/Deficit	\$ (10,000)					\$ (10,000)					\$ (10,000)					\$ (10,000)								
Real Estate, Only (0)	\$ (10,000)																							
PP (MCM), Monthly	\$ -					\$ -					\$ -					\$ -								
PP Debt Service	\$ -					\$ -					\$ -					\$ -								
Operating Surplus/Deficit	\$ (10,000)					\$ (10,000)					\$ (10,000)					\$ (10,000)								
PP, Only (0)	\$ (10,000)																							
Combined Surplus/Deficit	\$ 100					\$ (18,740)					\$ (18,740)					\$ (18,740)								
Combined PDD	\$ (21,740)																							

Note: (1) The above analysis only accounts for the negative months. (2) The PP (costs are based on the actual anticipated amount adjusted based on income used. (3) The PP (costs are based on the actual anticipated amount adjusted based on income used. (4) The PP (costs are based on the actual anticipated amount adjusted based on income used. (5) The PP (costs are based on the actual anticipated amount adjusted based on income used. (6) The PP (costs are based on the actual anticipated amount adjusted based on income used.

Riverdale Station (West)

LIHTC Syndicator

1. Loan Sizing Criteria

- Different criteria – in this case, was not limiting

2. Loan Size Underwriting

- At times, divergence of underwriting
- Material Loan Impact
- Escrow earn out (deferred developer fee) v. Loan Curtailment

Riverdale Station (West)

Bridge Financing – GP Pledge

Restructured the Equity Pay-In

- As bridge loans become more expensive - consider