



Novogradac 2017

Credit and Bond Financing for Affordable Housing Conference

Bond Closings

MODERATOR

Dirk Wallace
Novogradac & Company LLP

PANELISTS

Alysse Hollis
Coats Rose

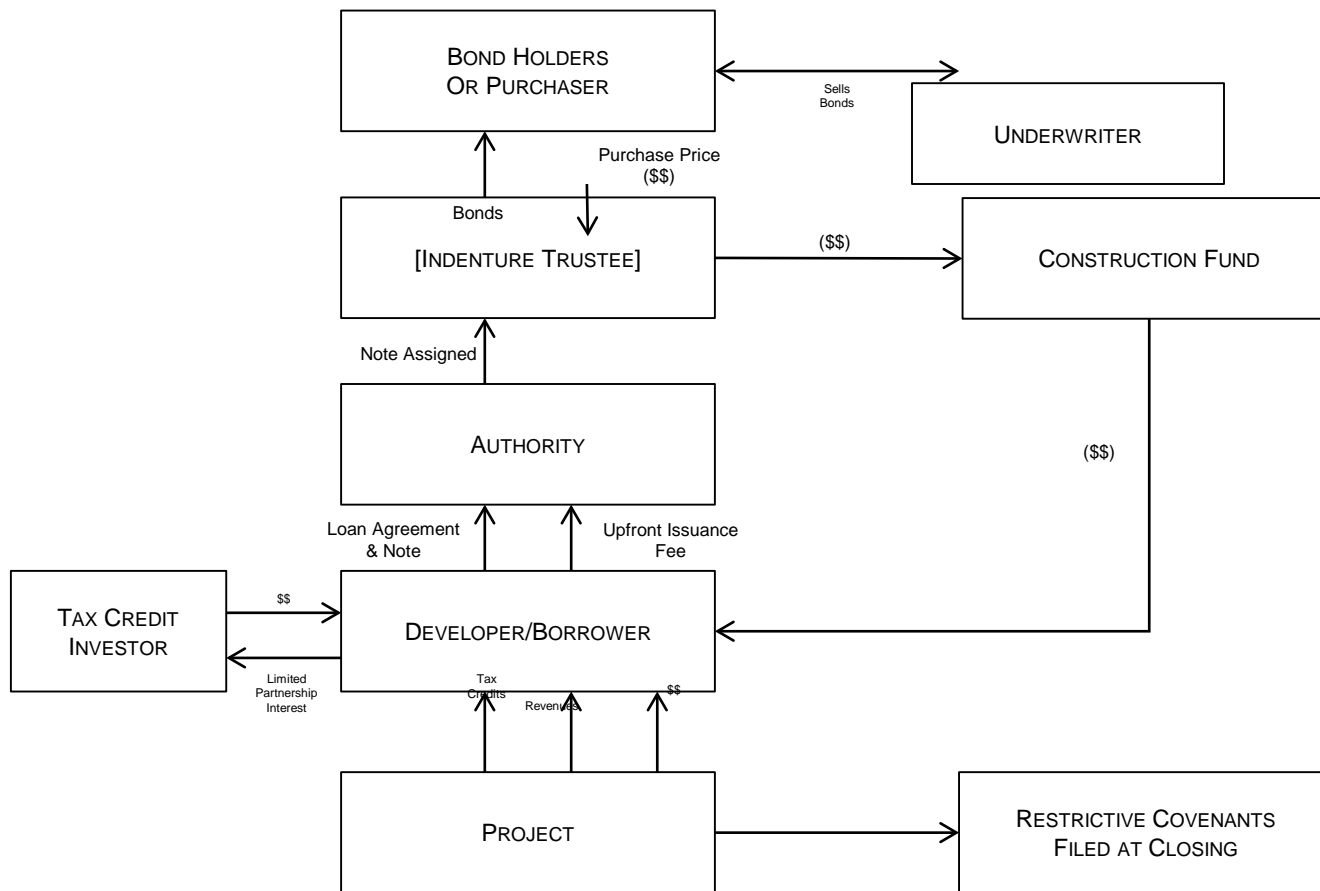
Peter Ten Eyck
PGIM Real Estate Finance

Phil Westerman
Barnes & Thornburg LLP

Two Primary Structures: Long-Term Bonds

- **Remain in place at least for the full tax credit period (i.e. 18-year maturity or tender with 35-year amortization)**
- **NOI must cover the debt service**
- **Often require some sort of credit enhancement (i.e. Fannie Mae, HUD guaranty) or**
- **A number of banks now will do privately placed long term debt or**
- **Freddie Mac and Fannie Mae also have a long term product**

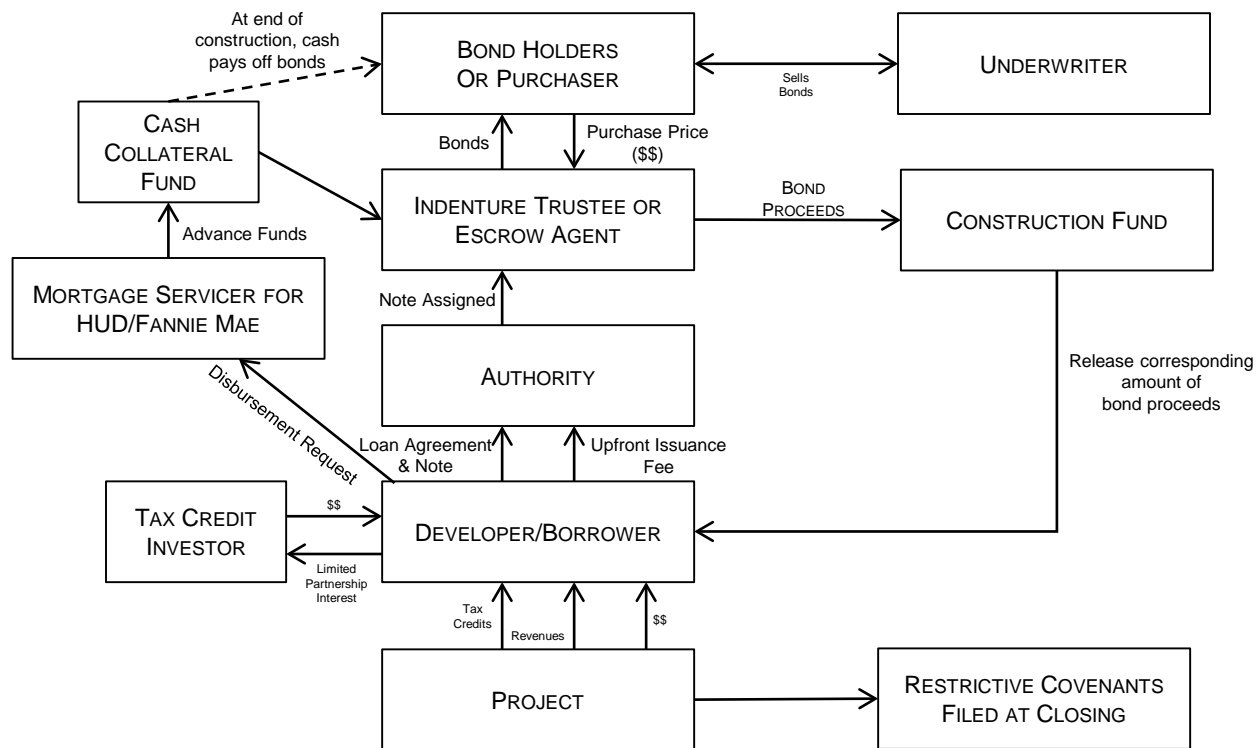
STRUCTURE – LONG-TERM TAX-EXEMPT MULTIFAMILY HOUSING BONDS



Two Primary Structures: Short Term Bonds

- Bonds are outstanding only during construction
- Bonds and HUD 221(d)(4)/223(f)/Fannie Mae loan are outstanding simultaneously
- Construction draws on HUD or Fannie Mae loan deposited to a cash collateral account; corresponding amount of bonds used to pay actual costs
- Result is >50% of basis is constructed with bond proceeds
- Bondholders have no interest in the Project but are 100% cash secured; result is lower rate for short-term debt
- Bondholders have cash collateral; almost no risk

STRUCTURE – SHORT-TERM TAX-EXEMPT MULTIFAMILY HOUSING BONDS



Who are the players in a bond deal?

- **Issuer** – governmental unit that issues bonds
 - Very important to identify issuer early in the process
 - In Louisiana, LHC is issuer on 4% transactions unless a waiver is obtained
- **Purchaser** – institution that purchases bonds
- **Underwriter** – for publicly offered bonds, the investment banking firm that structures the deal and finds buyers
- **Trustee** – bonds are issued under a trust indenture; the trustee holds proceeds pending disbursement for construction and collects payments for bondholders
- **Credit Enhancer** – provides financial guarantee for bonds/project; makes bonds ratable/marketable

Who are the players in a bond deal? (cont'd)

- **Bond Counsel** – oversees entire process and issues opinion that bonds are tax-exempt
- **Underwriter's Counsel** – structures debt, may prepare disclosure document to sell bonds to the market place – “Official Statement”
- **Borrower's Counsel** – looks out for Borrower's interest; generally does real estate, tax credits, and opinion (sometimes roles split between >1 firm)
- **Issuer's Counsel** – represents the bond issuer
- **Rating Agency** – will issue ratings for the bonds based on credit enhancement; makes bonds more marketable

Arkansas Development Finance Authority
\$10,500,000
Multifamily Housing Revenue Bonds
(Pine Bluff RAD Conversion Project)
Series 2017

PRE-CLOSING

October __, 2017
Rose Law Firm
120 East Fourth Street
Little Rock, AR 72201

CLOSING

October __, 2017
Via Conference Call

PARTICIPANTS

Bond Counsel	Coats Rose, P.C.	CR
Borrower	Pine Bluff RAD Rehab Limited Partnership	BORR
Borrower's Counsel	Miller, Hall & Triggs, LLC	MHT
Disclosure Counsel	Coats Rose, P.C.	CR
Dissemination Agent	Digital Assurance Certification, LLC	DAC
Equity Investor	Alliant Tax Credit Fund 89, Ltd.	ATCF
Equity Investor Counsel	Bocarsly Emden Cowan Esmail & Arndt LLP	BE
Issuer	Arkansas Development Finance Authority	ADFA
Issuer's Counsel	Rose Law Firm	RLF
Lender	Prudential Huntton Paige Associates, LLC	PRU
Lender's Counsel	Krooth & Altman LLP	K&A
Rating Agency	S&P Global Ratings	S&P
Remarketing Agent	Stifel, Nicolaus & Company, Incorporated	SNC
Trustee	The Bank of New York Mellon Trust Company, N.A.	BNY
Trustee's Counsel	Akerman LLP	AK
Underwriter	Stifel, Nicolaus & Company, Incorporated	SNC
Underwriter's Counsel	Naman, Howell, Smith & Lee PLLC	NH

Group Discussion

From Firm Commitment to Closing Table – How does it really work?

- **Firm Commitment issued**
 - Any amendments?
 - Special conditions?
- **Rate Lock**
- **Closing Package to HUD**
 - Other financing?
 - Opinions
 - Real estate matters

Group Discussion

From Firm Commitment to Closing Table – How does it really work?

- **What is equity doing during this time?**

Group Discussion

From Firm Commitment to Closing Table – How does it really work?

- **Receive Closing Date From HUD**
 - **Which HUD Office?**
 - **Which Closing Attorney?**
 - **Weird Requirements?**
- **Map Out Closing Schedule**
 - **All parties should know about and agree on schedule**
 - **Subordinate Lenders**
- **Print POS**
 - **May be internal/due diligence requirements**

Group Discussion

From Firm Commitment to Closing Table – How does it really work?

- **Price Bonds**
 - Have to have firm closing date
- **Pre-Closing**
 - Standard is three days but sometimes you need more
 - Timing of wires
 - Coordination with title
- **Closing**
 - Typically via phone

Closing Checklists: Your Tool

- A beneficial guide
- Model checklists will vary
- Internal checklists vs. external checklists
- Shortlists closer to closing (e.g. rate lock)



Model Checklists

- Buying an existing, operating property
- Buying vacant land
- FHA closing checklist for a 223f loan
- HUD submission checklist for RAD PBRA
- HUD submission checklist for RAD PBV
- HUD evidentiary submission for mixed-finance
- LIHTC investor's equity opinion – materials needed
- 2016 ALTA survey requirements
- HUD guidance on title/survey requirements for FHA closings
- Sample Attorney General transcript for bond issuances

Due Diligence: things to watch for

- Make sure lender(s) and investor are on same page
- Prioritize third party deliverables (title, survey, appraisals, environmental, construction docs)



"On the plus side there's no evidence of asbestos."

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