

JOINT VENTURE PARTNERSHIPS FOR TAX CREDIT SUPPORTIVE HOUSING DEVELOPMENTS

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National
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Fund ^{INC}
an affiliate of LISC

Why Joint Venture?

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- Does not have staff or expertise to develop real property and meet experience required by FHFC
- Needs additional resources to control/acquire site
- Needs additional pre-development funds
- It does not have the net worth or liquidity required by investors
- To mitigate the risks of development
- To obtain a share of the development fee
- To acquire experience and assets for future development on its own

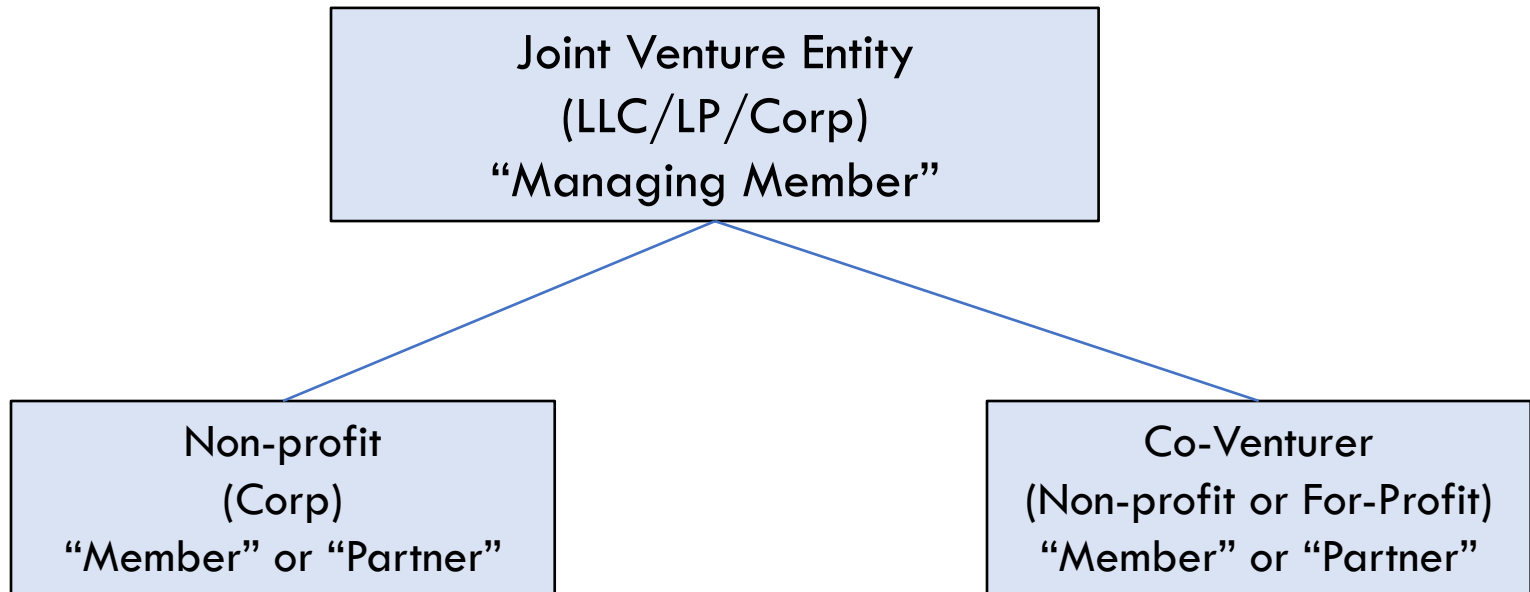
Disadvantages of a Joint Venture

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- ❑ Investment of time and energy to establish and manage the relationship
- ❑ Increases complexity
- ❑ Decreases control over the project/increases need for compromise
- ❑ Ties organization's reputation to another organization's actions
- ❑ Complications occur if one party does not perform

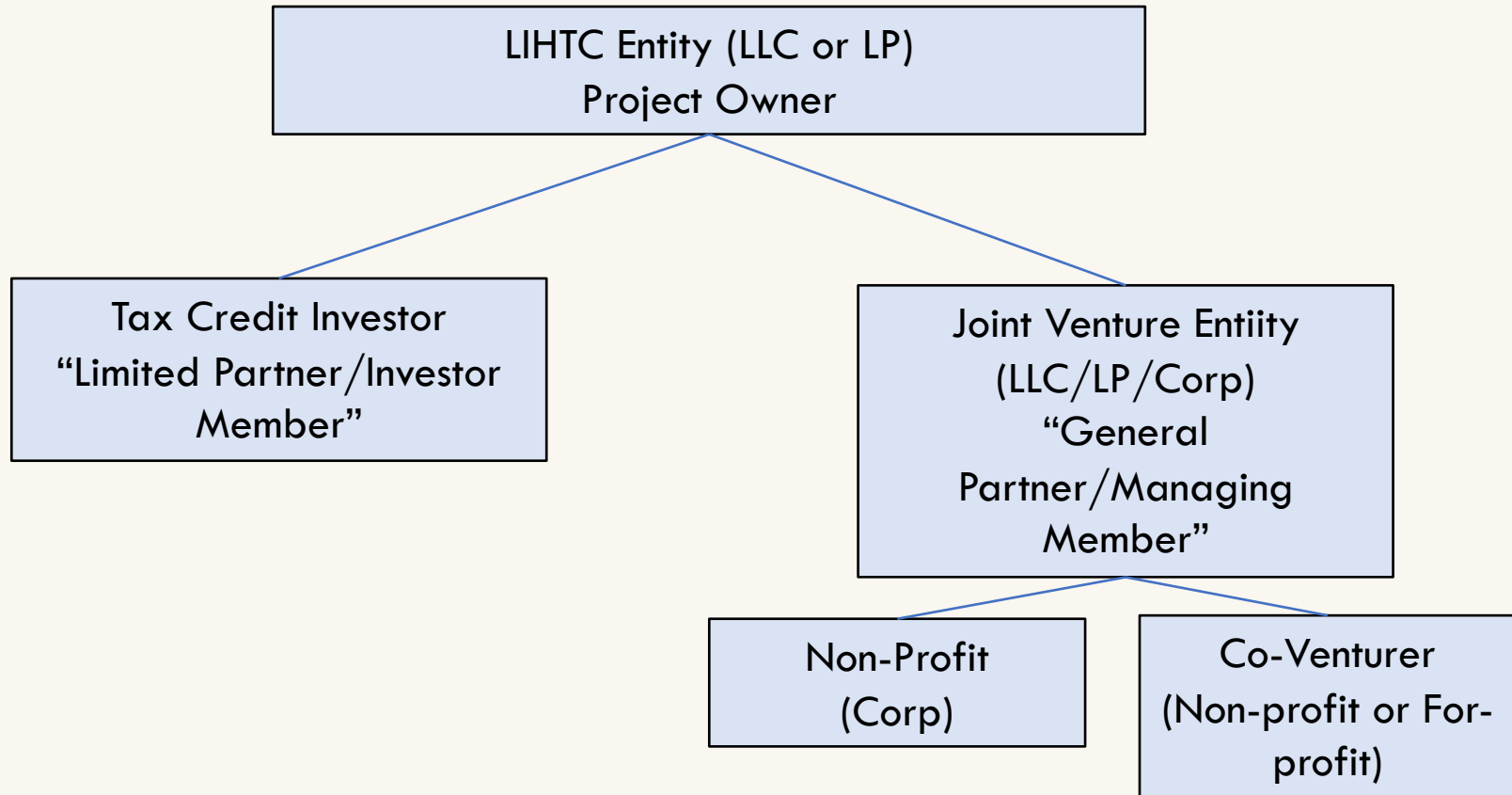
What Is A Joint Venture?

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LIHTC Partnership Structure

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Clarify Organizational Goals

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- Provide housing to a target population
- Sell an existing property
- Own and operate the development
- Provide support services
- Become a developer in its own right

Selecting the Joint Venture Partner

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- Willingness to implement non-profit's vision and share decision-making
- Track record of success with LIHTC Florida projects
- Speak with past partners
- Speak with government entities
- Joint venturers' financial contribution and guarantees
- Equitable share of development fee

A joint venture partnership is only as resilient as the underlying relationship

Economic Elements

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- Developer Fee is primary benefit
- Project cash flow
 - Goal is to break even
 - Used to provide services if positive
- Right to purchase tax credit investor's interest at year 15

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Key Aspects of Joint Venture Agreement

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- Economics
- Control or Decision-making
- Risk Allocation
- Dispute resolution
- Exit strategy

Assessing Non-Profit's Contribution

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- Providing meaningful guarantees during construction or operation
- Which party owns or controls the project site
- Whether non-profit brings funding, access to funding or funding preferences
- Ability to deliver greater community and/or local support for the project

PSH JV Key MOU Elements

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- Detail MOU carefully at start of pre-development process before start applications
- Summarize Funding sources you plan to apply for jointly
- List & Detail each Partner's Services
- Include clause "Duty to Cooperate"- to assist in timely manner
- Define key business terms for the Operating Agreement

Operating Agreement Terms

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- Guarantees: - Who Has the Expertise?
- Development Completion – is your partner also GC?; Who will guaranty the Construction Loan?
- Stabilization & Operating Deficit – is your partner also the Property Mgr; a HA administering project-based subsidies?
- Repurchase
- Timing and Basis Adjusters; On-going Credit Adjuster
- Services Guaranty – Which partner providing services?

Operating Agreement Terms

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- How Grants come into the Partnership
 - ▣ Grants to non-profit who loans to partnership, is not taxable income event and will not reduce Tax Credits
- Cash flow Split
 - ▣ Is Deferred Developer Fee (DDF) split pari pasu, or DDF split per percentages of fee sharing? Or if low %, paid out by Stabilization/8609
- In Cash Flow Waterfall –
 - ▣ How is positive cash flow split? Will partner providing services get portion of cash flow ahead of incentive mgmt fee to augment service program?

Operating Agreement Terms

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- Who owns Project after 15-years?
 - ▣ Right of First Refusal/Purchase Option

- Who bears costs of performing services?
 - ▣ At Closing, how will costs be reimbursed for verified previously incurred Project-related costs?

- Termination of the MOU – if Funds are not Secured

- Phase 2: Does site present Phase 2 possibility?
 - ▣ Agree to cooperate in Good Faith

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