



STRENGTH MATTERS

Boot Camp on Financial Reporting for Rental Housing Nonprofit Enterprises

Module 4:

Financial Projections, Investor Letters of Intent

Wednesday, October 12, 2022

1:00 PM – 3:00 PM Eastern



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Morgan Stanley



Meet the Presenters

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Volunteers of America of Massachusetts



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CPE Credit Requirements

- We use polls and the Zoom attendance record to verify participation throughout the session.
- **Participants seeking CPE credits must:**
 - Participate fully in the learning activities and submit ALL polls throughout the course.
 - Log in to each session with first name, last name and email before the scheduled start time.
 - Request a certificate via the final evaluation or email.
- **If you plan to petition your state board of accountancy for CPE credits, please submit ALL polls, including the final evaluation.**



Certificates will be sent after the final session. For more information on CPE credits, **contact Lindsay Wells at consult.lwells@gmail.com**.

Getting Started

- If you have a technical issue, including issues with Polls, please contact the Host via **Chat**.
- Please use the **Chat** feature to submit all content questions.
- We will pause for questions during the presentation.
- Participants will be muted during the course presentation. Participant breakout rooms offer small group discussion with audio and video sharing.

Module 4: Financial Projections, Investor Letters of Intent

120 min/2.0 CPEs

- See CPE Summary handout for **Core Competencies and Learning Objectives.**

*Please have your Handouts
PDF available for reference.*

Module Materials:

(you will need to refer to all of these in class)

8. Financial Projections for the rehab of Restoration Housing LP and future operating proforma's— called a “One Stop” in Massachusetts. Your state will have their own version.
9. Investor's letter of intent - Bank of America/Merrill Lynch
10. Equity Proposal Comparison Chart

Topics covered to date

- Module 1
 - Identify the Deal; Grants, Contributions & Exchange Transactions; Predevelopment Best Practices
- Module 2
 - Entity Formation and Deal Structure
- Module 3
 - Deal Structure, Deal Cycle & Participants, QAP, LIHTC calculations and the State Determination Letters

Module 4: Financial Projections, Investor Letters of Intent

Topics for this session:

- Financial Projections
- Letters of Intent

Financial Projections

The financial projections for a development project will include:

- Development Budget
- Credit Calculation & Eligible Basis
- Operating Proformas



Financial Projections



Poll 1

1. Who prepares the financial projections for a project at your agency?
 - A. The accounting staff
 - B. The asset management staff
 - C. The real estate development staff
 - D. A development consultant
 - E. A combination of those listed above
 - F. I don't know



Financial Projections



Poll 2

Who do you think should be primarily responsible for the preparation of the operating proforma?

- A. The development staff
- B. The asset management staff
- C. The finance staff
- D. A development consultant
- E. A combination of those above

Financial Projections – Case Study

*Please discuss in your **Breakout Room**.*

Class Exercise - Projections

1. What is the total development cost (tdc) and the tdc per unit?
2. How much developer fee & overhead will be earned?
3. What is the amount of annual low-income housing tax credit requested by the project?
4. Using your answer to question three, what is the estimated maximum annual low-income housing tax credit proceeds requested of the investor?
5. How much project cash flow is potentially available for distribution in Year 5?
6. What is the debt service coverage ratio in Year 10?

Financial Projections – Case Study

Answers

Class Exercise - Projections

1. What is the total development cost (tdc) and the tdc per unit? \$31,911,040 and \$393,963.46
2. How much developer fee & overhead will be earned? \$2,022,576
3. What is the amount of annual low-income housing tax credit requested by the project? \$857,565
4. Using your answer to question three, what is the estimated maximum low-income housing tax credit proceeds requested of the investor? \$9,347,462
5. How much project cash flow is potentially available for distribution in Year 5? \$177,455
6. What is the debt service coverage ratio in Year 10? \$1.29



Financial Projections



Poll 3

1. How much was the investor projected to pay for each dollar of LIHTC received?
 - A. \$1.09
 - B. \$.95
2. How much project cash flow will there be in year 5?
 - A. There is no project cash flow
 - B. Project cash flow of less than \$50,000
 - C. Project cash flow of more than \$50,000

Investor/Lender Letters of Intent

Individual Exercise

Take a look at the Letter of Intent

- Identify 5 key elements that you are looking for that will allow you to compare each investor's or lender's proposals.

Break

- We will take a 10-minute break.
- Remain logged in during the break.
- Please return promptly.
 - This is especially important for participants seeking CPEs so that you may receive full credit.
- Instructors will take questions during the break.

Checking In

Poll 4

*Please use the **Chat** to share any details.*

1. What amount per credit are you seeing paid by investors on your deals?
 - A. Under .80 cents per dollar.
 - B. Between .80 cents and .90 cents
 - C. Above .90 cents.
 - D. Not sure.

Investor/Lender Letters of Intent

What is important to the Developer

Section 6

- the price per credit. \$1.09 per dollar of LIHTC and \$.95 per dollar of federal historic tax credits,
- timing of the receipt of the equity installments,
- guarantees,
- adjustors

Section 10

- Timing of the receipt of development fee,
- distributable cash flows

Section 13 & 14 - Reserves

Section 24 - Right of First Refusal

Investor/Lender Letters of Intent

What is important to the Investor

- Proprietary or Direct Investor
- the price per credit. \$1.09 per dollar of LIHTC and \$.95 per dollar of federal historic tax credits,
- timing of the payment of the equity installments,
- guarantees,
- Losses and credits
- distributable cash flows
- reporting

Section 24 - Right of First Refusal

Letters of Intent

Poll 5

1. Do you think that the price per dollar of LIHTC should be the most important consideration when selecting an investor?
 - A. Yes
 - B. No

Investor/Lender Letters of Intent

See Equity Proposal Comparison Chart in Handouts
Chart is Not for Restoration Housing LP



Letters of Intent

Poll 6

1. Which Investor do you think was selected?
 - A. Royal Bank of Canada
 - B. Enterprise
 - C. Bank of America
 - D. Wells Fargo

QUESTIONS?

- Please use the **Chat** to submit questions.
- Instructors will remain on the line to answer remaining questions.

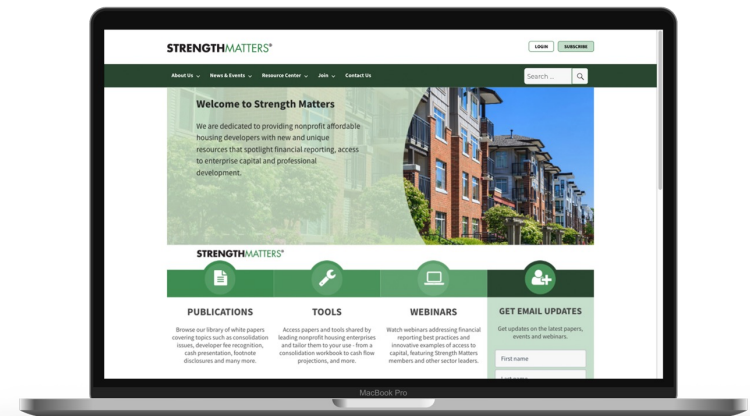
**Next Session: New Construction, Rehab &
Funders Requisition
Date: October 19, 2022
Time: 1:00 – 3:00 PM Eastern**

EVALUATION POLL

Your feedback is important to us!

- ✓ **Please complete the evaluation poll for this session.**
- ✓ **Email info@strengthmatters.net with any questions or concerns.**

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