

# Protecting the Future of HUD Housing Assets

MAXIMIZING UNDERUTILIZED ASSETS FOR AFFORDABLE HOUSING



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# Land

- Underutilized land has the potential to be a future affordable project
- May be structured so that the non-profit maintains control of the land through a land lease or carryback and receives 100% control of the building after the 15 year compliance period.

# Acquisition Rehab of Existing Housing

- Tax Credits provide funds for substantial rehab and revitalization of a property
- May provide substantial funds to the non-profit while also allowing the non-profit to maintain control of the asset



**BEFORE**



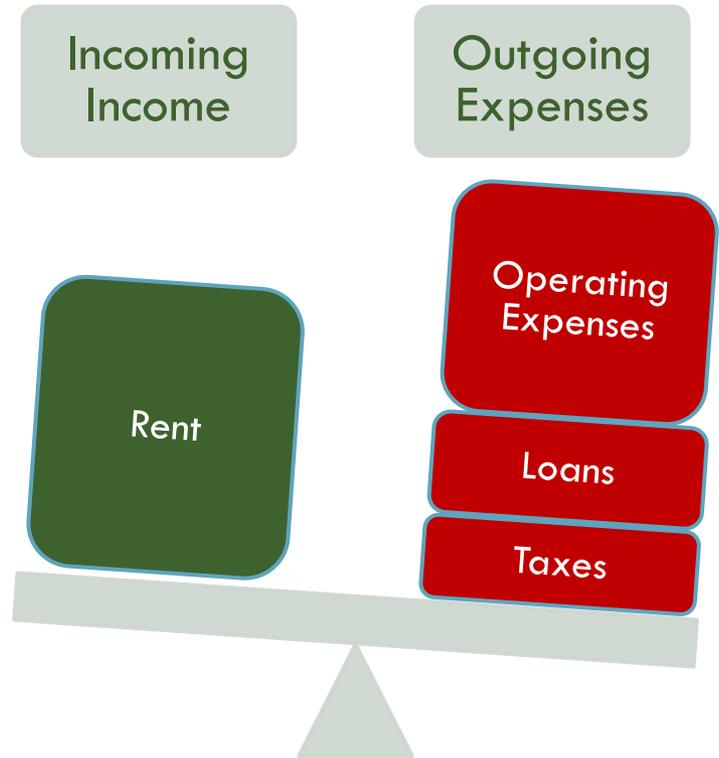
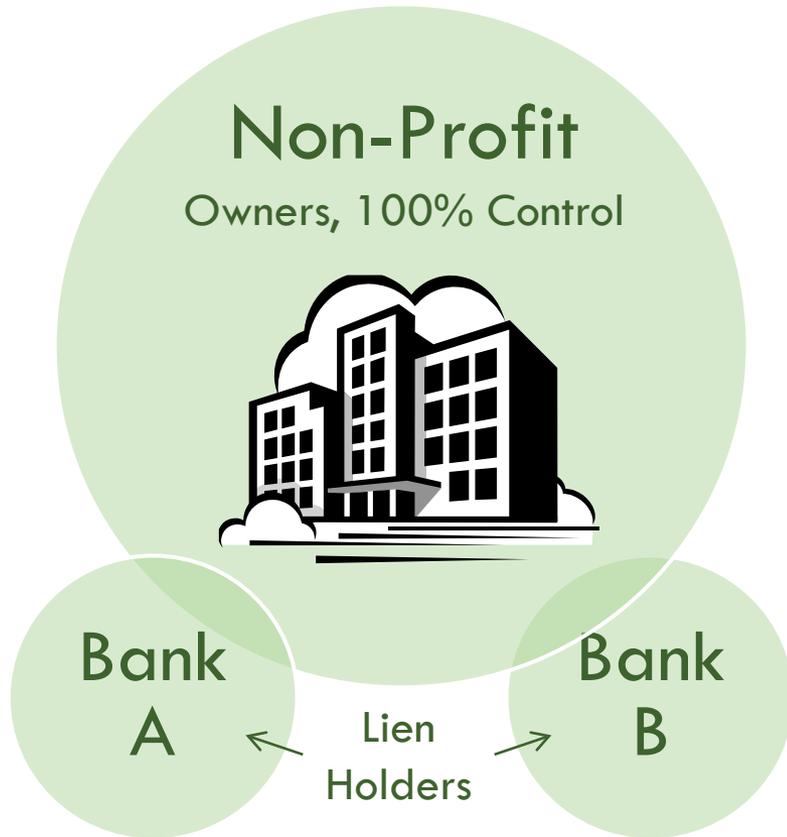
**AFTER**



# Tax Credits

- Land carried back by non-profit+9% tax credits + perm loan may be enough to develop a new construction project.
- Existing Housing with a portion carried back by non-profit+4% tax credits+ perm loan may be enough to rehab the property and provide proceeds to the non-profit.

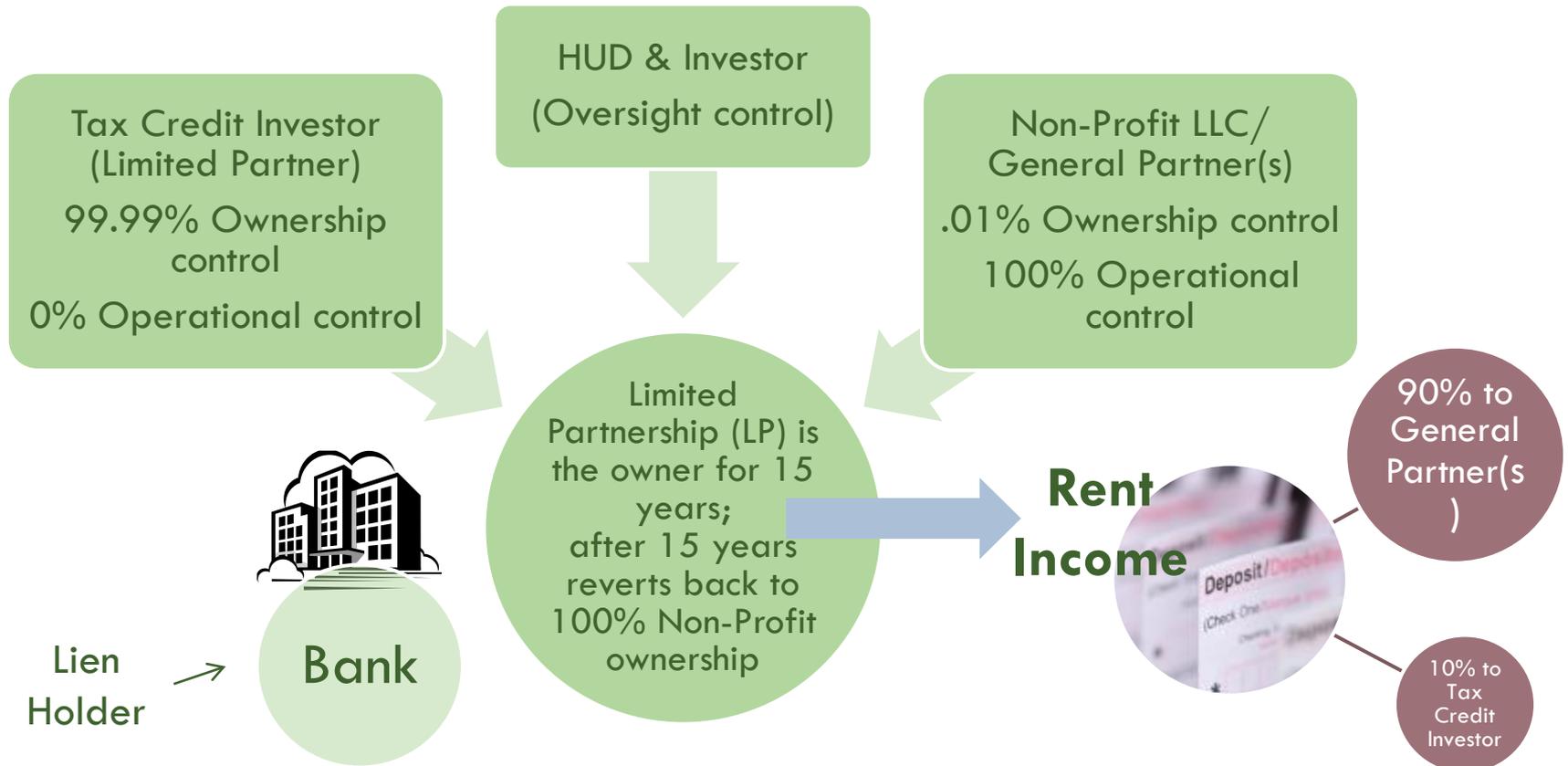
# Common Scenario



**RISK** if major renovations not performed:



# Tax Credit Structure



**RISK:** Non-profit must invest money for due diligence; money can be lost by:

1. Interest rates increase (time-sensitive)
2. Environmental issues (Asbestos, Lead, Seismic)
3. Capital improvement budget exceeds allocated funding

# HAP Contracts

- HUD has had instances where they revised HAP Contracts to higher rental levels.
- This results in higher revenue, a larger loan, more proceeds for either rehab or fund to the non-profit.
- Yes, HUD is actually allowing proceeds to go to the non-profit.

# HAP Impact

- 100 Unit Senior property in SF or SM County
- Debt on HAP Contract at 50%  
AMI=\$6.6m
- Debt on HAP Contract at 100%  
AMI=\$12.7m
- In a project executed with tax credits, the difference is the amount that would otherwise go to the non-profit.



Crossings - Stoneridge at Elk Grove

# CONTACTS

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