

# Market insights on Community Development Citi Community Capital



## The Marketing and Sale of Expiring Use LIHTC Transactions

**TAX CREDIT GROUP**  
Marcus & Millichap

**Robert L. Sheppard**  
Tax Credit Group of Marcus & Millichap  
Executive Director / Managing Partner, Tax  
Credit Group

### Citi Community Capital

**Mark Dean**  
Citi Community Capital  
National Production Manager

# Agenda

---

1. Introduction
2. Webinar Mechanics
3. Overview of 2015 Affordable Housing Sales Market
4. Observations in Capital Markets: GSE's & Other Lenders
5. Keys to Success: Recommendations for Buyers & Sellers
6. Affordable Housing Market Opportunities & Challenges
7. Outlook for Transactions in 2016
8. Q&A – [AskCitiCommunityCapital@citi.com](mailto:AskCitiCommunityCapital@citi.com)
9. Closing Remarks

# Your Webinar Host

---

Mark Dean

Citi Community Capital, National Production Manager

---



Mr. Dean has over 27 years of experience providing investment banking and mortgage banking services to real estate developers and corporate sponsors. He specializes in financing multifamily housing using Private Activity Bonds, both enhanced and unenhanced, for public housing authorities, affordable housing developers, and senior housing providers. Mr. Dean works with both for-profit and not-for-profit organizations to finance projects such as affordable housing developments, senior living facilities, and market rate housing.

Mr. Dean has provided acquisition, construction and permanent financing for a wide variety of multifamily housing, senior housing, not-for-profit facilities. In addition to these types of financing Mr. Dean has executed current, advance and taxable refundings of existing bond and real estate debt. His experience includes both public offerings and private placements. His broad range of experience with loan products and debt credit enhancements includes conventional financing vehicles as well as bond insurance, contingent loan agreements, FHA mortgage insurance programs, GNMA MBS, Fannie Mae MBS, letters of credit, and collateral pledges. In addition, Mr. Dean is an expert on the use of low-income housing tax credits to finance multifamily apartments.

Citi Community Capital

# From Tax Credit Group

---

Robert L. Shepard

Executive Director / Managing Partner

---

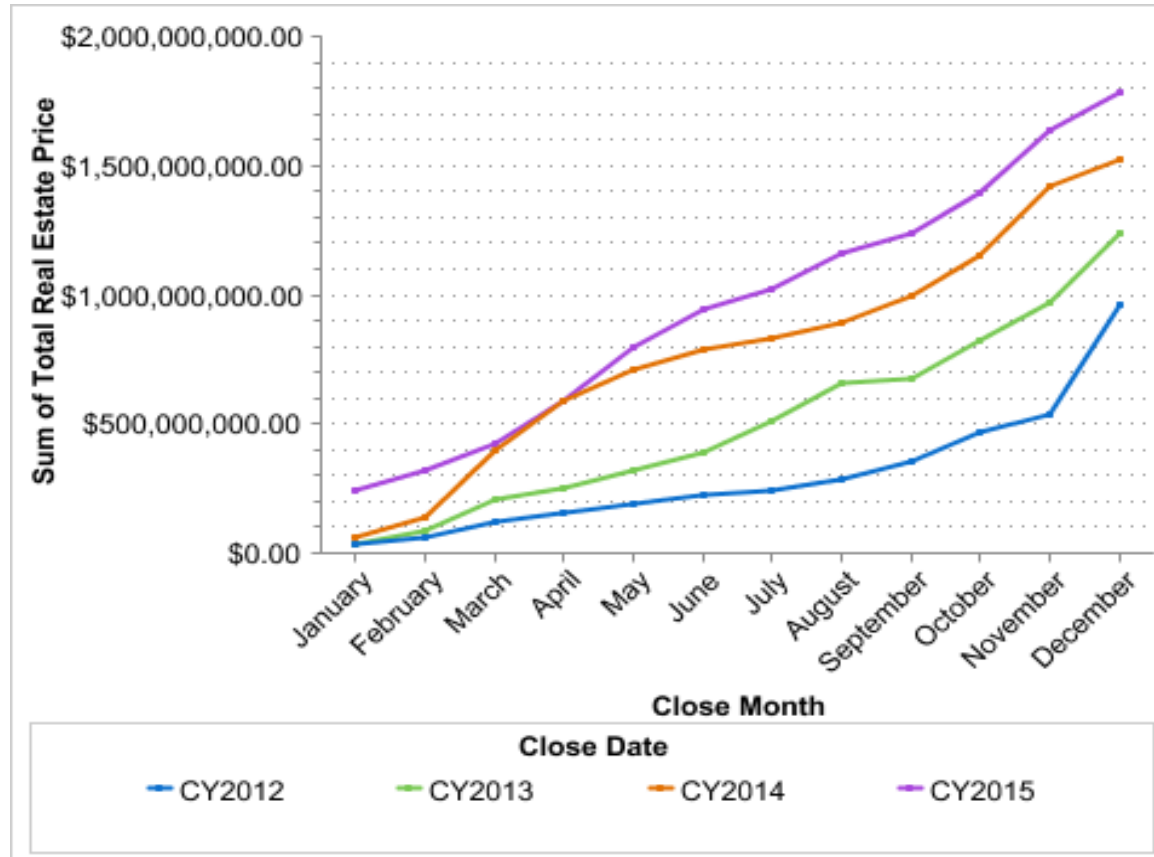


Robert is the Founder and Managing Partner of Tax Credit Group and TCG Capital Markets. He oversees the development and implementation of TCG's strategy and is responsible for execution of TCG Capital Markets. He has been involved in over \$7.6 billion in LIHTC transactions and has more than two decades of experience in real estate investments, capital markets, and brokerage.

Prior to joining Marcus & Millichap, Robert was in charge of asset management and capital placement for Vyzis Development in Seattle, WA. He graduated from Pacific Lutheran University with a BA in Interpersonal Communications and Economics. Robert is a frequent speaker at affordable housing conferences including the National Council of State Housing Agencies, the Affordable Housing Investors Council, the Institute for Professional and Executive Development, and the Institute for Responsible Housing Preservation and ULI.

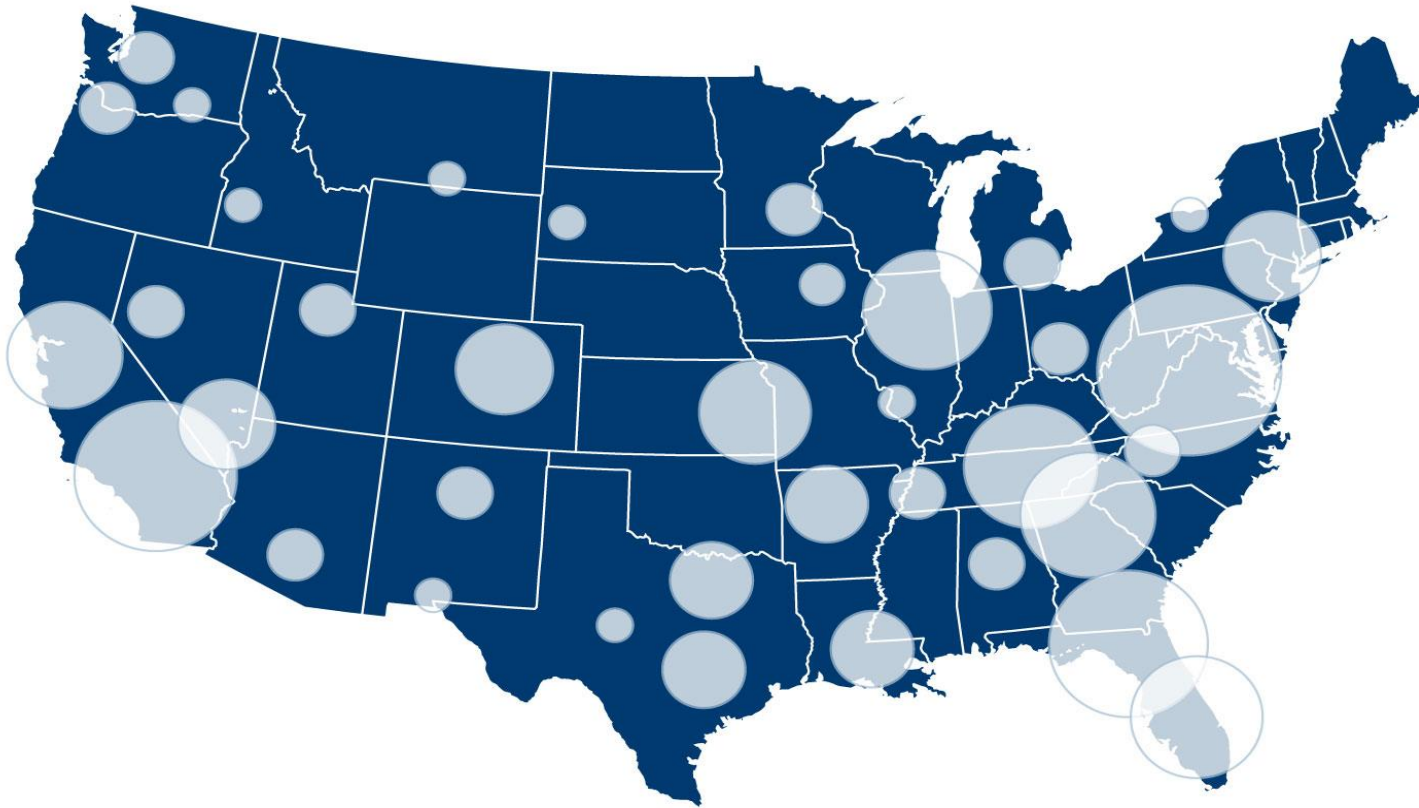
**TAX CREDIT GROUP**  
Marcus & Millichap

# Overall Pace of the Market is Up Over 2014 TCG Sales Transactions

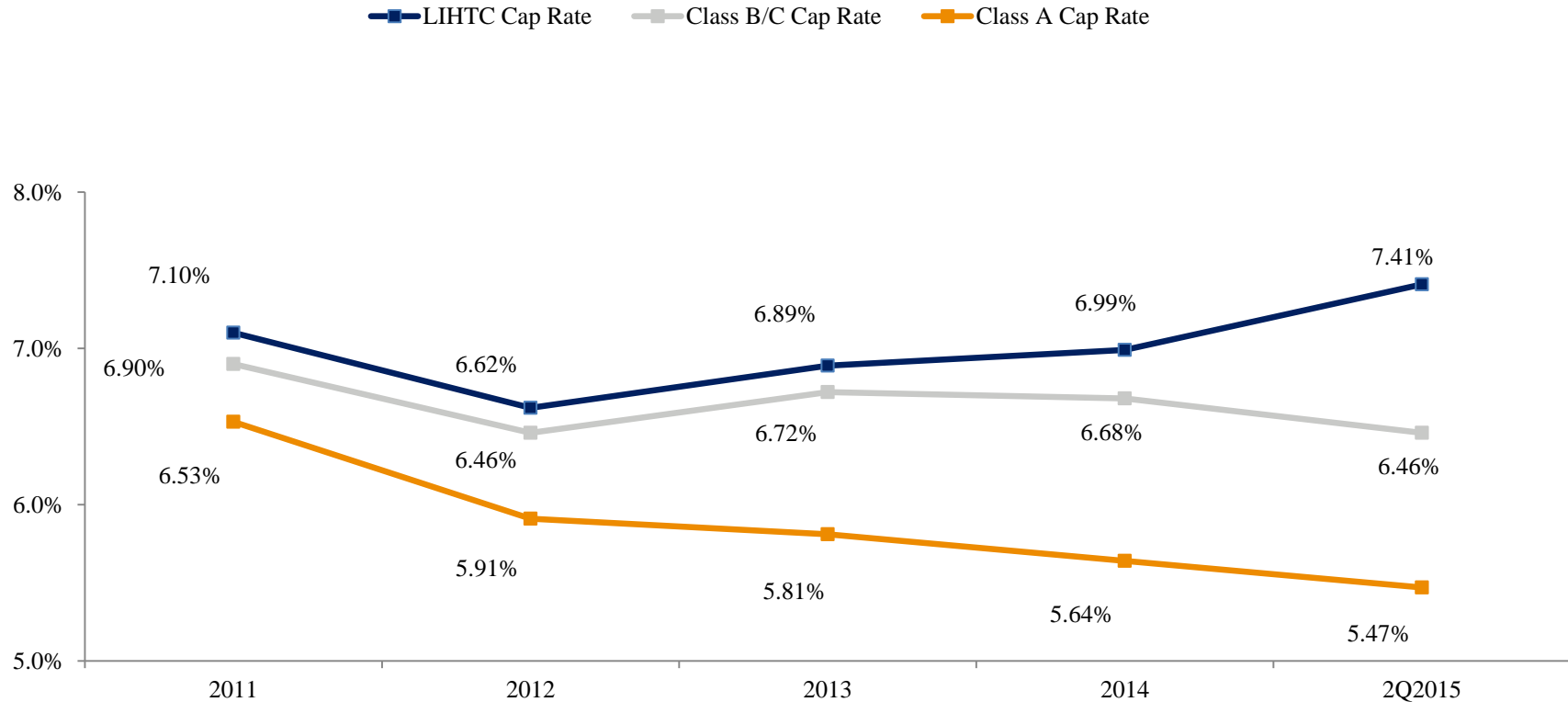


# TCG Closed Sales Transactions 2014 to YTD 2015

## 274 Transactions Totaling Over \$2.5 Billion

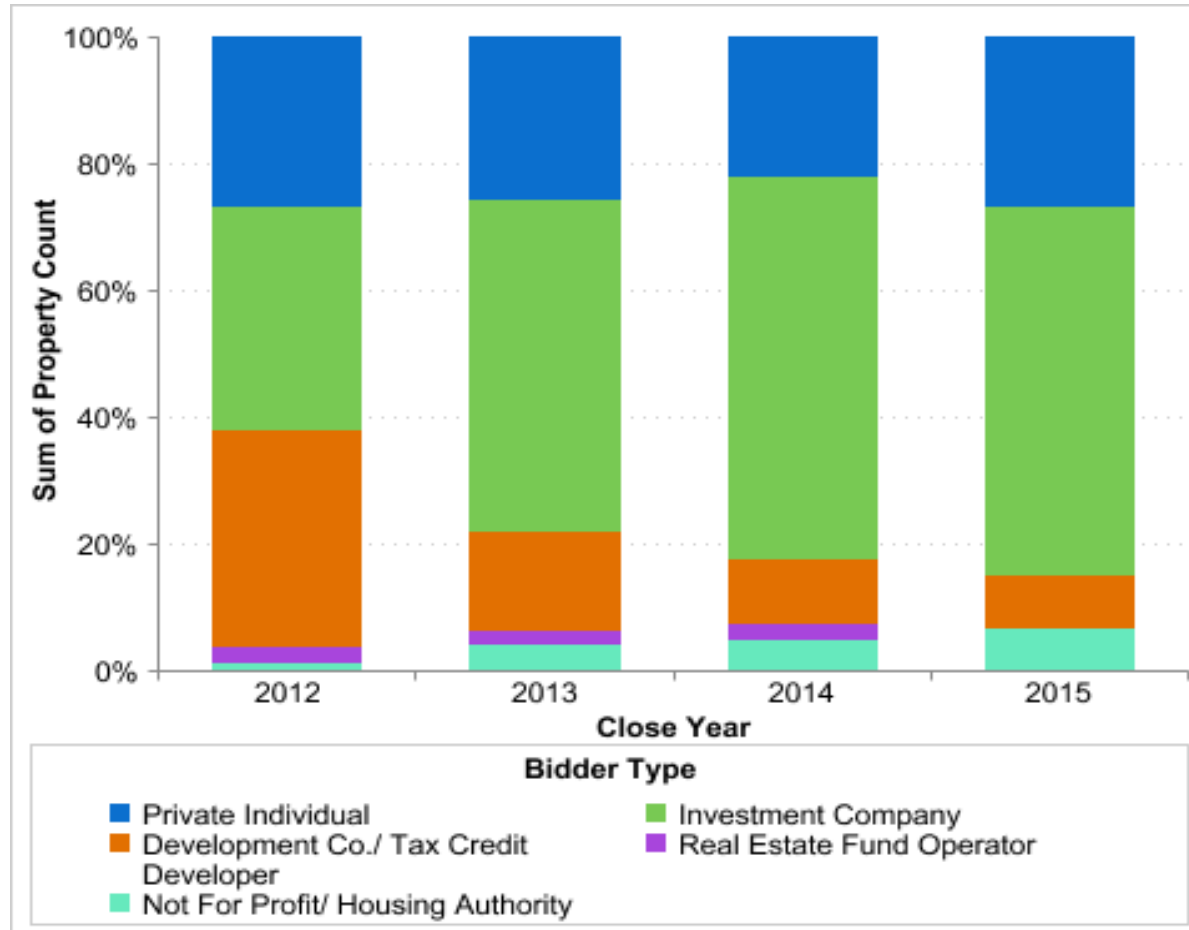


# LIHTC vs. Market Rate Cap Rate Trends



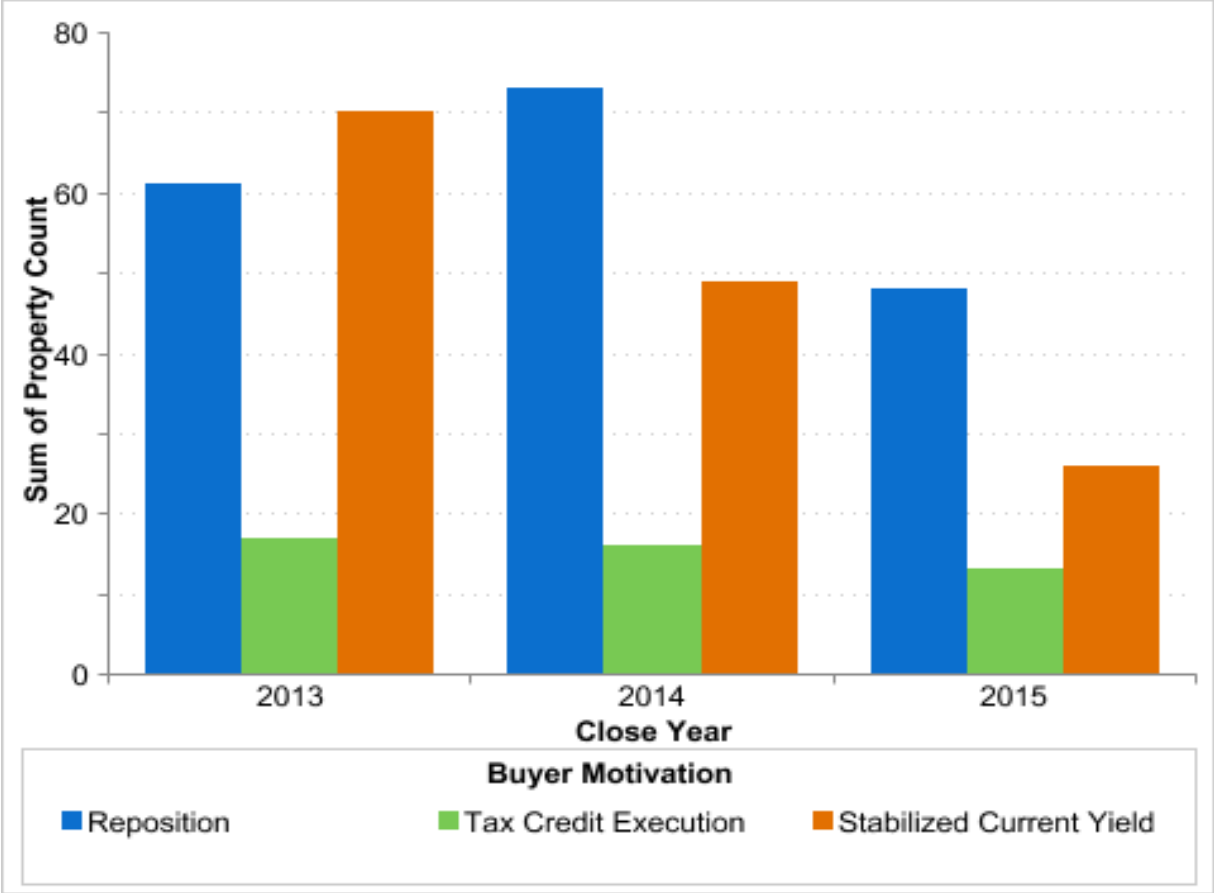
Source: LIHTC Cap Rate data from TCG historical sales  
Market Rate Cap Rate data from CoStar, REIS

# Buyer Types





# Buyer Intent at Acquisition



# GSE Observations

- No CAPS on Volume = New Programs
- Debt is #1 driver of value in affordable housing (assuming stable market)
- Competition continues and borrowers are benefiting
- Terms are being pushed but property underwriting is still staying fundamental

## Keys to Success: Recommendations for Buyers

- Have your team lined up and vetted well before pursuing a deal
- Be ready for fast timeline to win in buying process
- Make sure you are on the cutting edge of debt executions
- Upside is better than you can pro forma – asset class is still young so not much in way of full-cycle case studies
  - 136 analysis of closings (at time of resale or new valuation)
  - 50% of properties had substantial operational upside

# Keys to Success: Recommendations for Sellers

- Know your docs and your capital account
- Make sure all partners are on board with process and execution
- Prep property for sale
- Maintain collections with engaged management through a sale – incentivize on site
- Hire the right service provider – many market rate providers can spin a great story but few can execute with confidence and contacts:
  - Brokers
  - Lenders
  - Equity Partner
  - Attorney
  - Property Management

# Affordable Housing Market Opportunities & Challenges

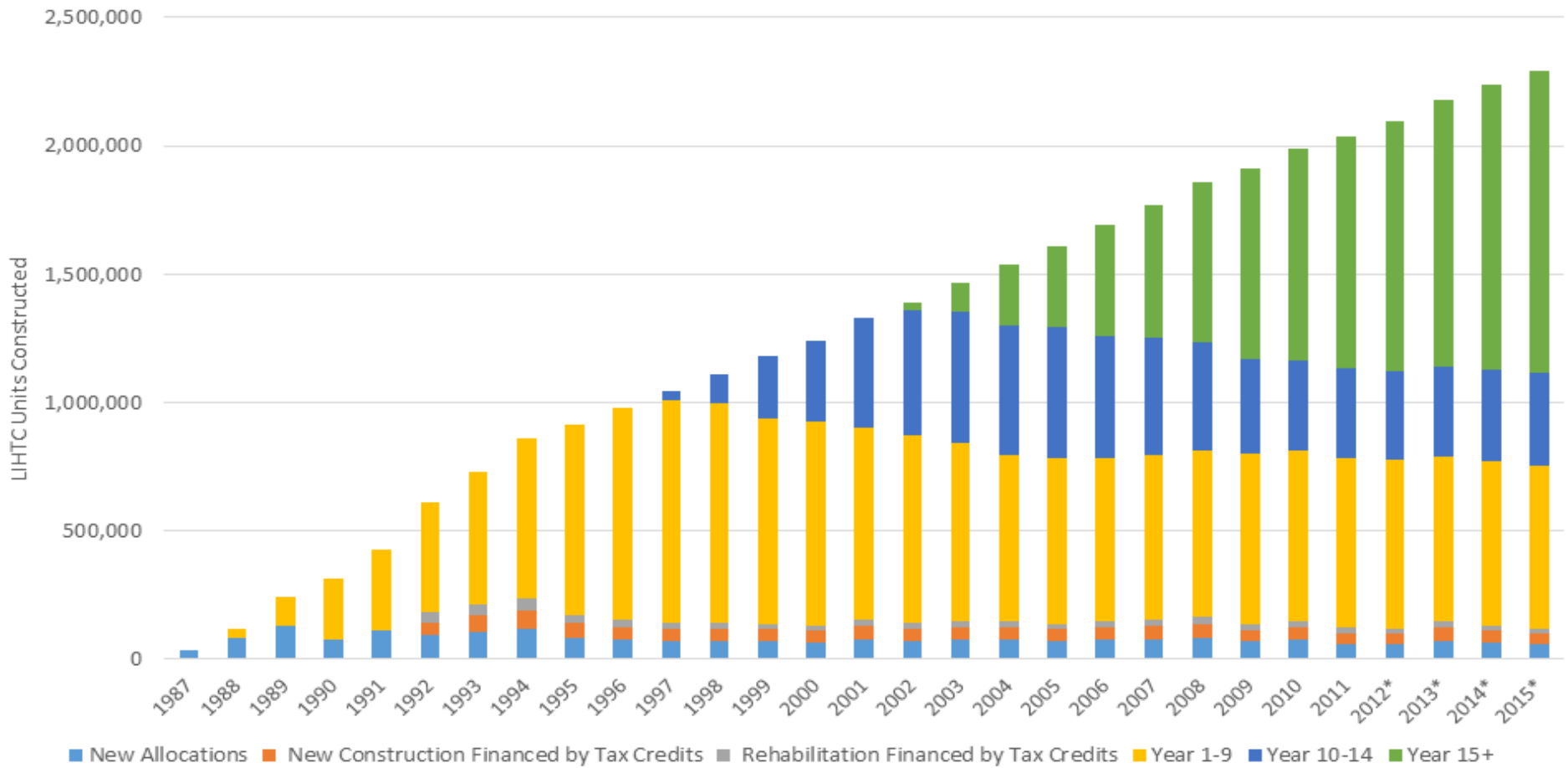
## Opportunities

- Affordable investing is more about operations than ever before
  - 50% of our post-sale analysis resulted in over 5% NOI growth during analysis time (23% of all sales excluding sales since 2013)
- Creative Capital stack
  - Debt / Equity / Preferred Equity
- How long can you go – give yourself optionality

## Challenges

- Satisfying housing demand & housing stock needs
- California Tax Credit Allocation Committee (CTAC)
- AMI Impacts
- Next program?

# Outlook for Transactions in 2016



# Q&A

---

- Send Questions to [AskCitiCommunityCapital@citi.com](mailto:AskCitiCommunityCapital@citi.com) or
- Follow instructions from the Operator - Press \*1 for the operator to open your line.
  - This will enter you into the queue to ask a question

# Your Webinar Speakers

---

- **Robert L. Sheppard**  
Tax Credit Group of Marcus & Millichap  
[robert.sheppard@tcg-mm.com](mailto:robert.sheppard@tcg-mm.com)  
206.826.5770
- **Mark Dean**  
Citi Community Capital  
[mark.w.dean@citi.com](mailto:mark.w.dean@citi.com)  
206.346.2838



# Thank you for your participation

---

- Your feedback is very important to us. Go to the Survey – [https://www.citibank.com/icg/homepage/forms/citi\\_community\\_capital/form.jsp](https://www.citibank.com/icg/homepage/forms/citi_community_capital/form.jsp)
- Listen to the playback - [https://www.citibank.com/icg/sa/citicommunitycapital/resource\\_center.html](https://www.citibank.com/icg/sa/citicommunitycapital/resource_center.html)
- Resources
  - Tax Credit Group of Marcus & Millichap - <http://www.taxcreditgroup.com/>
  - Citi Community Capital – [www.citicommunitycapital.com](http://www.citicommunitycapital.com)
- Our next Webinar is coming soon. We look forward to having you join us!

**IRS Circular 230 Disclosure: Citigroup Inc. and its affiliates do not provide tax or legal advice. Any discussion of tax matters in these materials (i) is not intended or written to be used, and cannot be used or relied upon, by you for the purpose of avoiding any tax penalties and (ii) may have been written in connection with the "promotion or marketing" of any transaction contemplated hereby ("Transaction"). Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.**

**In any instance where distribution of this communication is subject to the rules of the US Commodity Futures Trading Commission ("CFTC"), this communication constitutes an invitation to consider entering into a derivatives transaction under U.S. CFTC Regulations §§ 1.71 and 23.605, where applicable, but is not a binding offer to buy/sell any financial instrument.**

Any terms set forth herein are intended for discussion purposes only and are subject to the final terms as set forth in separate definitive written agreements. This presentation is not a commitment to lend, syndicate a financing, underwrite or purchase securities, or commit capital nor does it obligate us to enter into such a commitment, nor are we acting as a fiduciary to you. By accepting this presentation, subject to applicable law or regulation, you agree to keep confidential the information contained herein and the existence of and proposed terms for any Transaction.

Prior to entering into any Transaction, you should determine, without reliance upon us or our affiliates, the economic risks and merits (and independently determine that you are able to assume these risks) as well as the legal, tax and accounting characterizations and consequences of any such Transaction. In this regard, by accepting this presentation, you acknowledge that (a) we are not in the business of providing (and you are not relying on us for) legal, tax or accounting advice, (b) there may be legal, tax or accounting risks associated with any Transaction, (c) you should receive (and rely on) separate and qualified legal, tax and accounting advice and (d) you should apprise senior management in your organization as to such legal, tax and accounting advice (and any risks associated with any Transaction) and our disclaimer as to these matters. By acceptance of these materials, you and we hereby agree that from the commencement of discussions with respect to any Transaction, and notwithstanding any other provision in this presentation, we hereby confirm that no participant in any Transaction shall be limited from disclosing the U.S. tax treatment or U.S. tax structure of such Transaction.

We are required to obtain, verify and record certain information that identifies each entity that enters into a formal business relationship with us. We will ask for your complete name, street address, and taxpayer ID number. We may also request corporate formation documents, or other forms of identification, to verify information provided.

Any prices or levels contained herein are preliminary and indicative only and do not represent bids or offers. These indications are provided solely for your information and consideration, are subject to change at any time without notice and are not intended as a solicitation with respect to the purchase or sale of any instrument. The information contained in this presentation may include results of analyses from a quantitative model which represent potential future events that may or may not be realized, and is not a complete analysis of every material fact representing any product. Any estimates included herein constitute our judgment as of the date hereof and are subject to change without any notice. We and/or our affiliates may make a market in these instruments for our customers and for our own account. Accordingly, we may have a position in any such instrument at any time.

Although this material may contain publicly available information about Citi corporate bond research, fixed income strategy or economic and market analysis, Citi policy (i) prohibits employees from offering, directly or indirectly, a favorable or negative research opinion or offering to change an opinion as consideration or inducement for the receipt of business or for compensation; and (ii) prohibits analysts from being compensated for specific recommendations or views contained in research reports. So as to reduce the potential for conflicts of interest, as well as to reduce any appearance of conflicts of interest, Citi has enacted policies and procedures designed to limit communications between its investment banking and research personnel to specifically prescribed circumstances.

© 2015 Citigroup Global Markets Inc. Member SIPC. All rights reserved. Citi and Citi and Arc Design are trademarks and service marks of Citigroup Inc. or its affiliates and are used and registered throughout the world.

Citi believes that sustainability is good business practice. We work closely with our clients, peer financial institutions, NGOs and other partners to finance solutions to climate change, develop industry standards, reduce our own environmental footprint, and engage with stakeholders to advance shared learning and solutions. Highlights of Citi's unique role in promoting sustainability include: (a) releasing in 2007 a Climate Change Position Statement, the first US financial institution to do so; (b) targeting \$50 billion over 10 years to address global climate change: includes significant increases in investment and financing of renewable energy, clean technology, and other carbon-emission reduction activities; (c) committing to an absolute reduction in GHG emissions of all Citi owned and leased properties around the world by 10% by 2011; (d) purchasing more than 234,000 MWh of carbon neutral power for our operations over the last three years; (e) establishing in 2008 the Carbon Principles; a framework for banks and their U.S. power clients to evaluate and address carbon risks in the financing of electric power projects; (f) producing equity research related to climate issues that helps to inform investors on risks and opportunities associated with the issue; and (g) engaging with a broad range of stakeholders on the issue of climate change to help advance understanding and solutions.

Citi works with its clients in greenhouse gas intensive industries to evaluate emerging risks from climate change and, where appropriate, to mitigate those risks.

efficiency, renewable energy and mitigation

