ROCKPORT
MORTGAGE
CORPORATION

CASE STUDY

Swan Pond | $23.2 Million

HUD Tax Credit Pilot Program – Tax Exempt Bonds With 4% Tax Credits

The Real Estate

150 units; 100% Project-Based Section 8.

The Client's Objectives

The client sought to maximize 223(f) loan proceeds to combine with LIHTC equity to complete the identity-of-interest acquisition of the property, fully-fund the replacement reserves, and complete extensive repairs and improvements totaling $6,000,000. The project was subject to a Section 8 HAP Contract covering all of the units, and the financing structure proposed was intended to preserve the affordability at the property for the long term. In accordance with then current MAP guidelines, the transaction was processed as a 223(f) refinancing due to the identity-of-interest between the buyer and seller.

The Financing

In one of the first 223(f) LIHTC Pilot deals closed nationally, Rockport was able to maximize the 223(f) loan proceeds by relying on both the longstanding programmatic advantages of the FHA-insured underwriting (e.g., underwriting to post-rehabilitation rents and expenses), as well as newer, unique aspects of the 223(f) Pilot Program (e.g., determining the capitalization rate through a band-of-investment approach). In connection with its submission of the firm commitment application to the Boston HUD office, Rockport also submitted a Mark-Up-to-Market Section 8 renewal request on behalf of the new identity-of-interest mortgagor, and received HUD approval of the increased Section 8 rents. This allowed the purchaser to support a new Section 223(f) Tax Credit Pilot Loan sufficient to complete all planned improvements, totaling $6,000,000 or $40,000 per unit, the maximum per-unit repair amount allowed under the Pilot Program. The client also received a new 20-year Section 8 HAP Contract as part of the Mark-Up-to-Market, with a "preservation tail", thereby preserving affordability at the property for the long term.

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