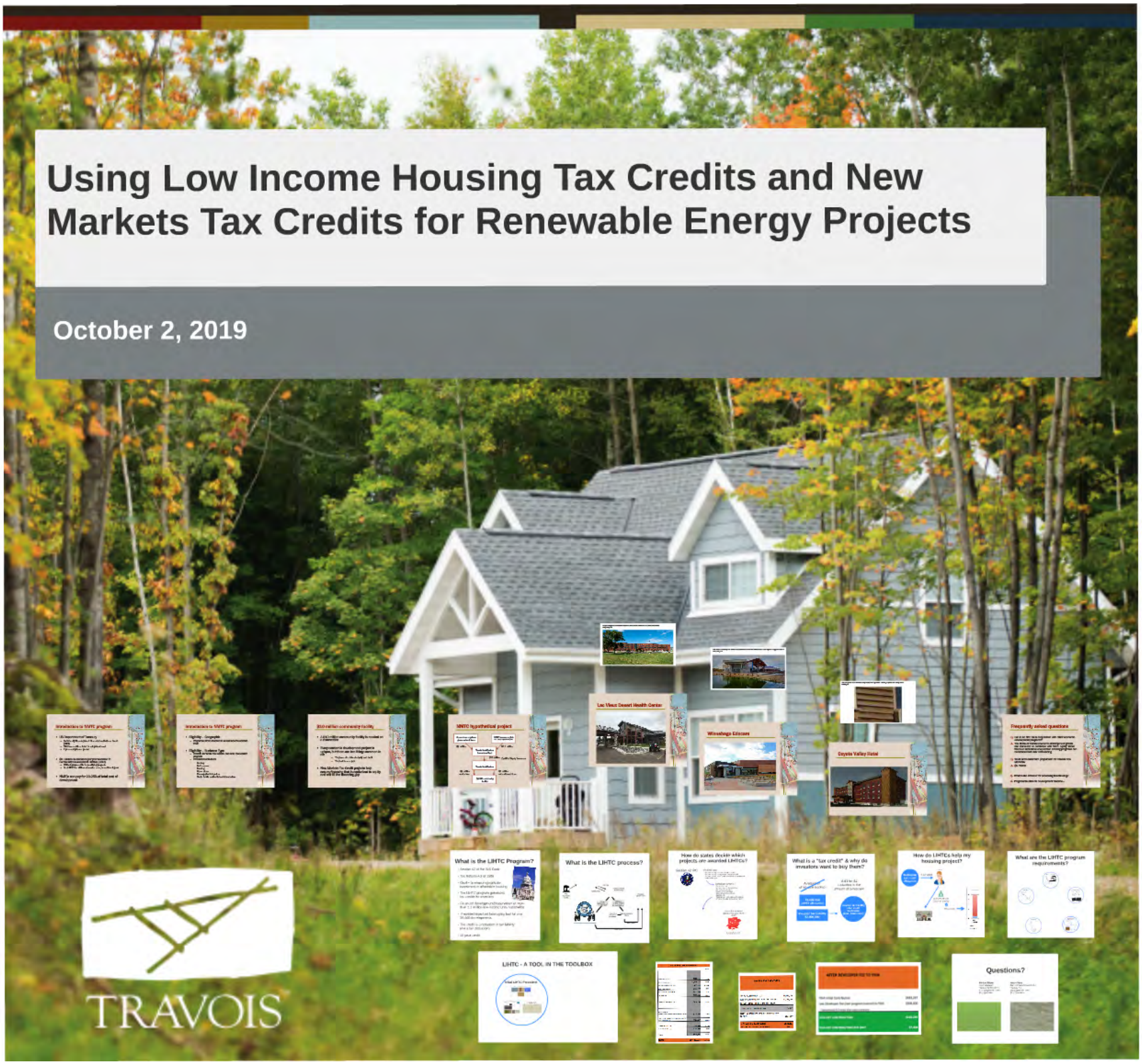
Using Low Income Housing Tax Credits and New Markets Tax Credits for Renewable Energy Projects

October 2, 2019



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Introduction to NMTC program

- US Department of Treasury
  - Community Development Financial Institutions Fund (CDFI)
  - 39% tax credit on total development cost
  - 7 year compliance period

- $3.5 billion in allocation per year awarded to Community Development Entities (CDEs)
  - CDEs deploy credits to qualifying projects
  - Each CDE has different service area, investment goals

- NMTCs can pay for 20-25% of total cost of development

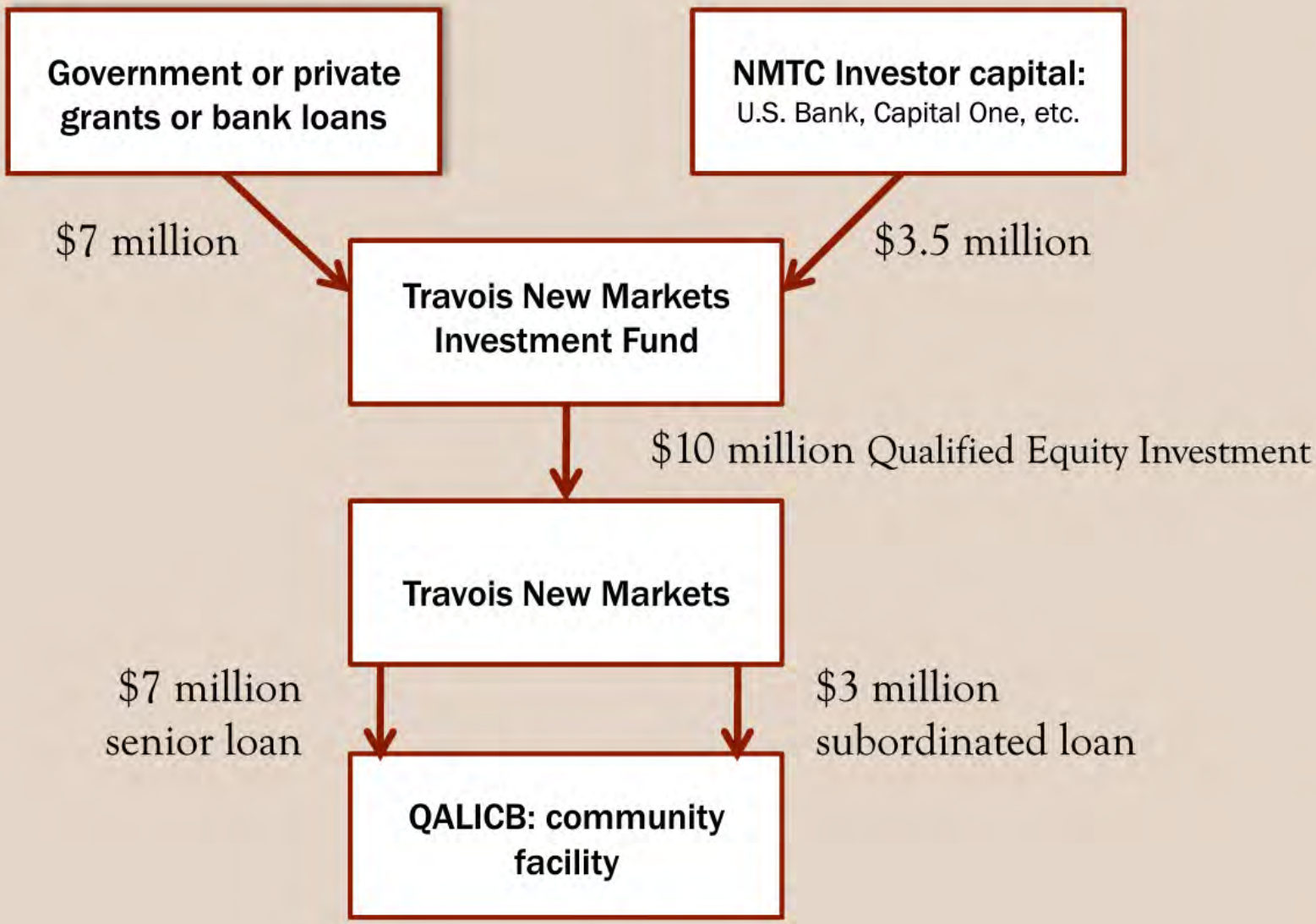
Introduction to NMTC program

- Eligibility – Geographic
  - Project must be located in a low-income census tract
- Eligibility – Business Type
  - Flexible for both real estate and non-real estate projects
  - Prohibited activities:
    - Gaming
    - Golf courses
    - Farming
    - Liquor stores
    - Massage/hot tub parlors
    - Single family, residential rental properties

$10 million community facility

- A $10 million community facility is needed on a reservation.
- Every economic development project is unique, but there are two things common to all:
  - They are all a mix of equity and debt.
  - They all have a gap.
- New Markets Tax Credit projects help secure financing that is equivalent to equity and will fill the financing gap.

NMTC hypothetical project



Lucy F. Covington Government Center – Confederated Tribes of the Colville Reservation
Nespelem, WA

Bois Forte Community and Government Services Center – Bois Forte Band of Lake Superior Chippewa Indians
Nett Lake, MN

Yukon Koyukuk Elder Assisted Living Facility – Ruby, Nulato, Louden, Koyukuk and Kaltag Tribes
Galena, AK

Lac Vieux Desert Health Center

You know where you want to go, let us pull some of the weight for you…

Winnebago Educare

You know where you want to go, let us pull some of the weight for you…

Coyote Valley Hotel

You know where you want to go, let us pull some of the weight for you…

Frequently asked questions

Q: Can I use NMTCs in conjunction with other economic development programs?

A: Yes. State or federal economic development grants and loans can be combined with NMTC equity. Tribal funds or inter-Tribal cooperation funding programs can be blended with NMTC financing.

Q: What is the minimum project size for Travois New Markets?

A: $5 million

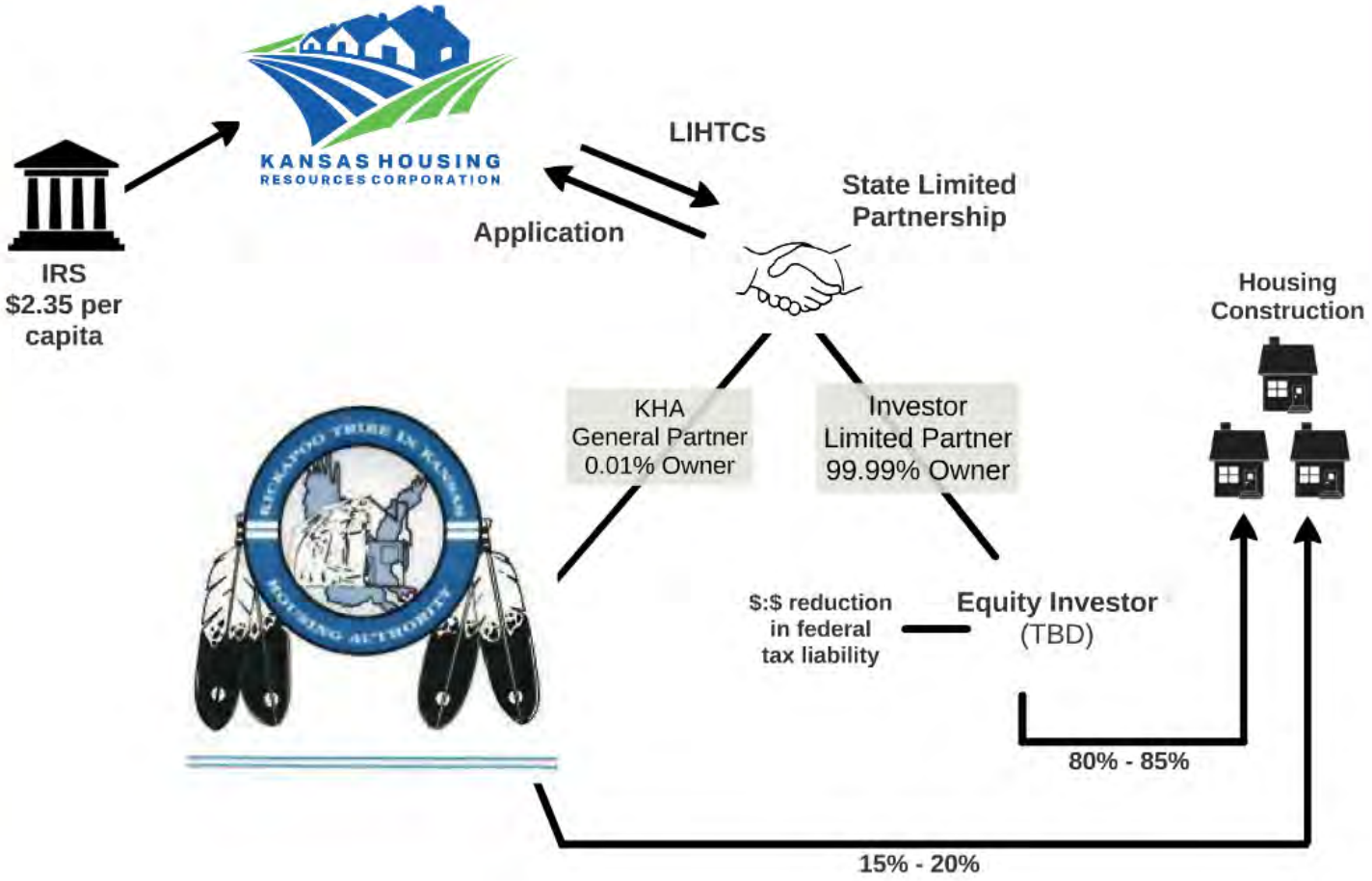
Q: What is the timeline for accessing this funding?

A: Program timeline vs development timeline…

What is the LIHTC Program?

- Section 42 of the IRS Code
- Tax Reform Act of 1986
- Goal = to encourage private investment in affordable housing
- The LIHTC program generates tax credits for investors
- Financed development/preservation of more than 2.1 million low-income units nationwide
- Provided important leveraging tool for over 28,000 developments
- The credit is a reduction in tax liability (not a tax deduction)
- 10 year credit

What is the LIHTC process?



What is a "tax credit" & why do investors want to buy them?

~~A reduction of taxable income~~

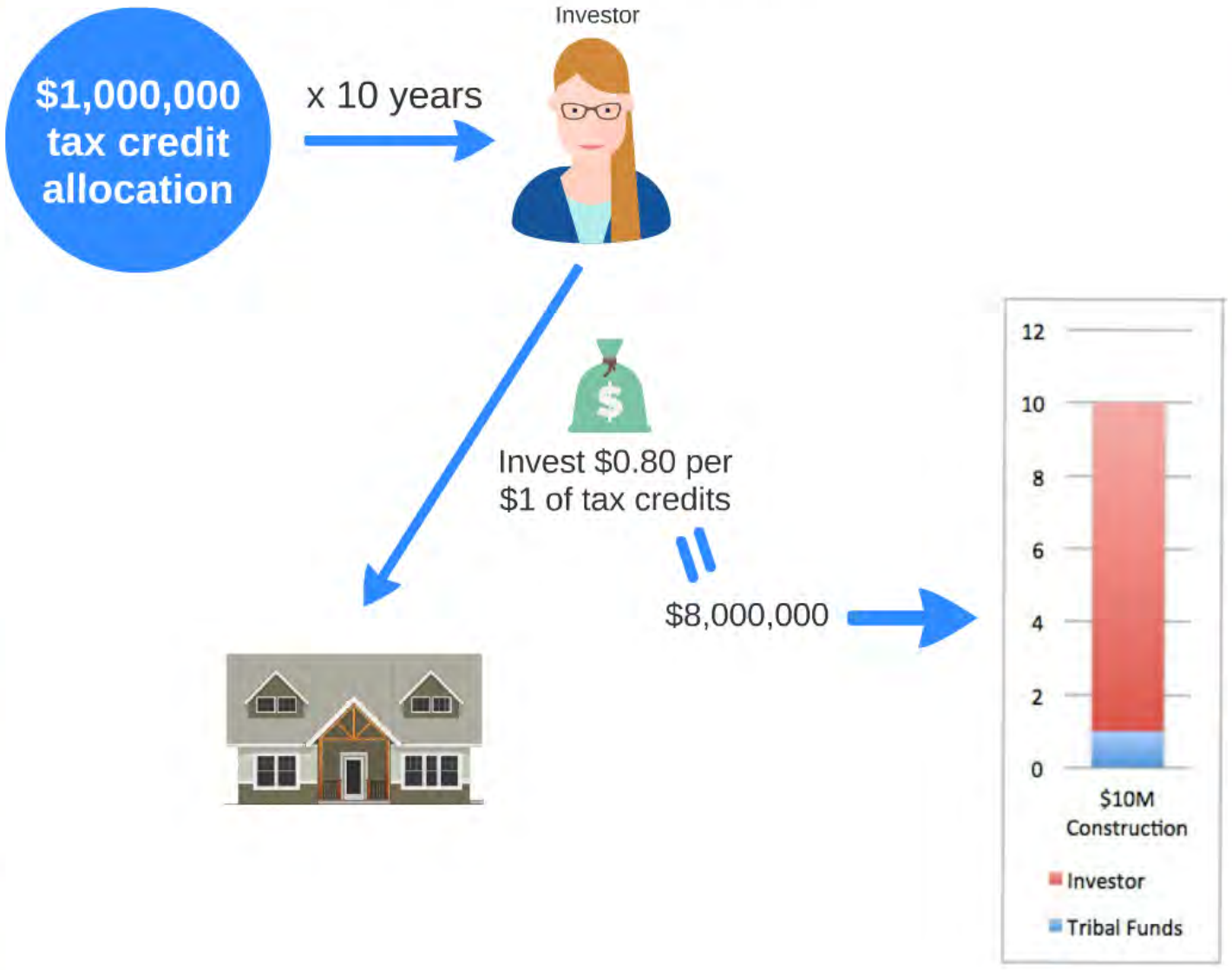
A $1 for $1 reduction in the amount of taxes paid

$1,000,000 credit allocation

investor tax liability $2,000,000

investor tax liability after credit $1,000,000 ($2M - $1M = $1M)

How do LIHTCs help my housing project?



Preliminary Cost Assumptions

		per unit
Value of existing units	**$525,000**	$75,000
Onsite infrastructure	**$1,751,530**	$97,307
New construction (@ $186 per sq ft)	**$2,789,000**	$154,944
Rahab of existing units	**$700,000**	$38,889
Community amenity allowance	**$500,000**	$27,778
Contractor fees	**$558,460**	$31,026
Construction contingency (10%)	**$454,746**	$25,264
Professional fees (architect/survey/engineer/attorney/geotech/other)	**$774,697**	$43,039
Other soft costs (market study/environmental/TCAC fee/final cost cert/etc)	**$374,827**	$20,824
Developer fee (to YIHA)	**$500,000**	$27,778
Consultant fee (Travois)	**$100,000**	$5,556
Reserves	**$419,775**	$23,321
TOTAL	**$9,448,035**	**$524,891**

PAYING FOR THE COSTS

TOTAL DEVELOPMENT COST	$9,448,035
LESS INVESTOR EQUITY FROM TAX CREDITS (inclusive of federal, state and solar equity)	$8,289,768
= YIHA INITIAL CONTRIBUTION	$1,158,267
Less value of existing units (not a real expense to YIHA)	$525,000
= YIHA Initial Contribution	**$633,267**
= INITIAL YIHA CONTRIBUTION PER UNIT	$35,182

AFTER DEVELOPER FEE TO YIHA

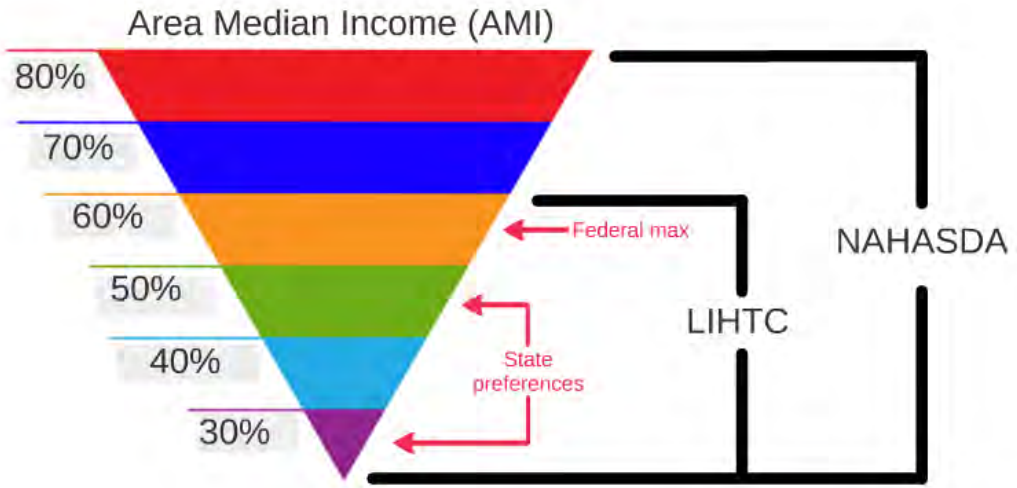
YIHA Initial Contribution	$633,267
Less Developer Fee (non-program income) to YIHA	$500,000

* Approximately 6-9 months after project completion

YIHA NET CONTRIBUTION	**$133,267**
YIHA NET CONTRIBUTION PER UNIT	**$7,404**

What are the LIHTC program requirements?

Income Limits & Rents

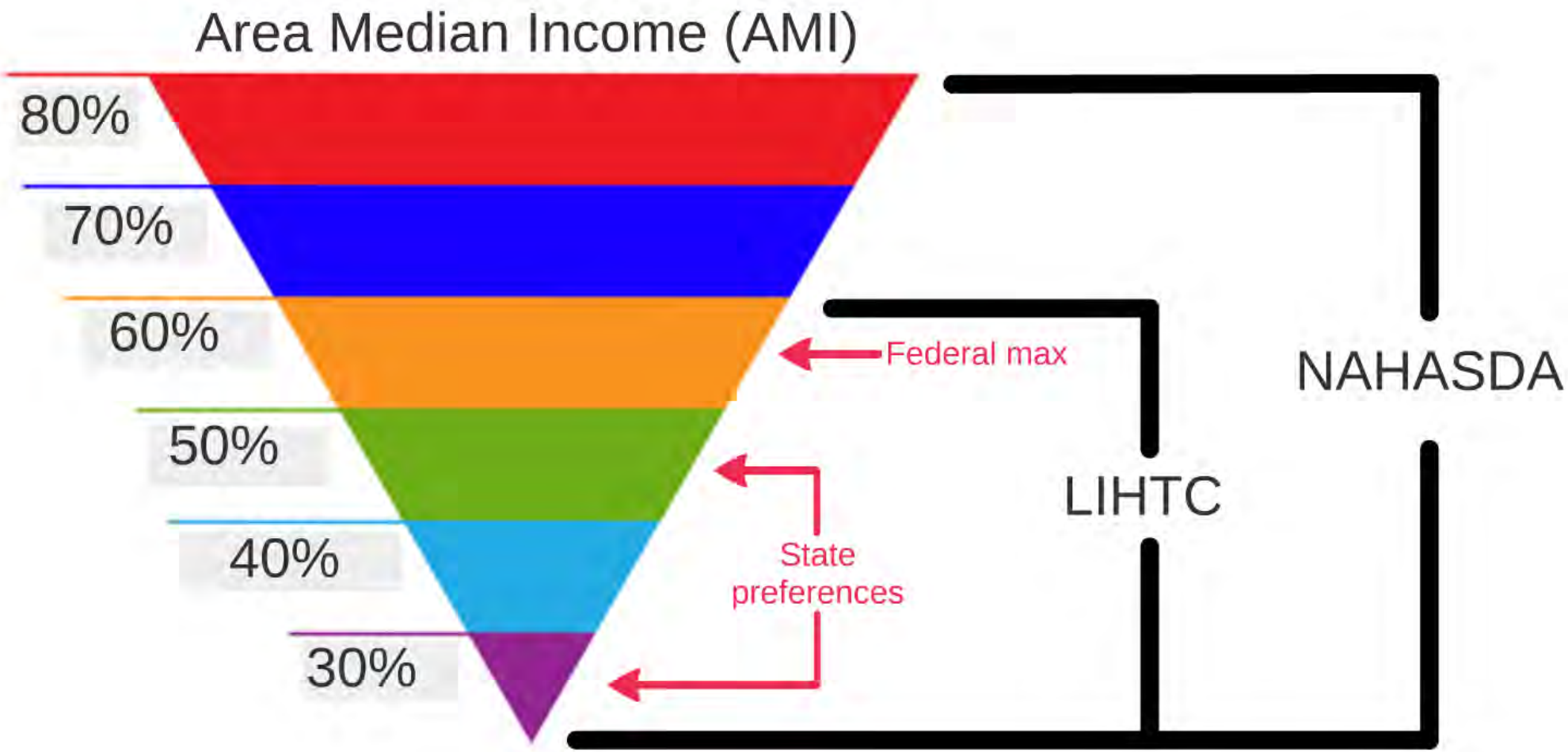


Income must be ***certified at move-in*** but income increases ***do not*** affect eligibility

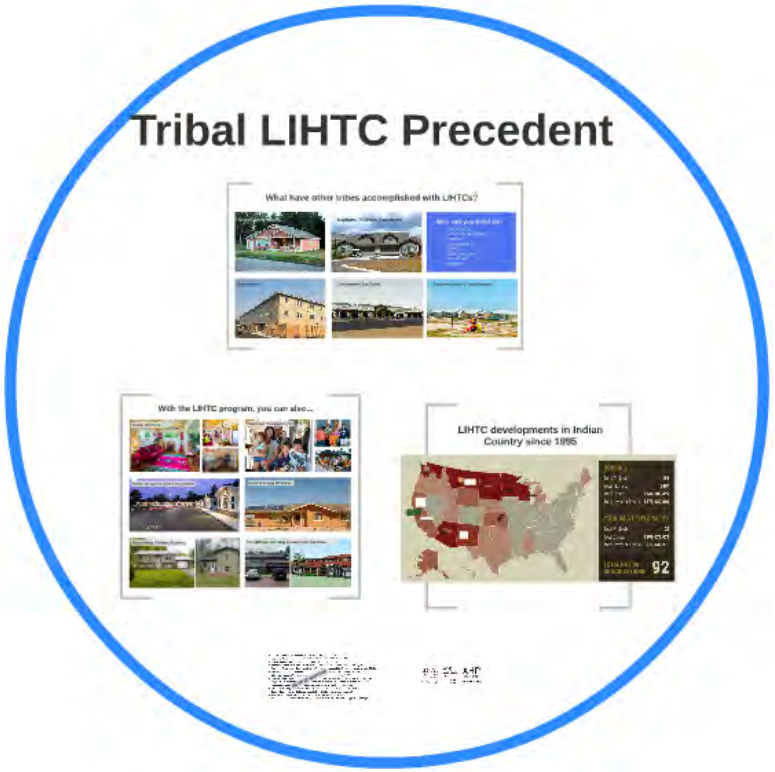
- Must include 100% of the per cap income from gaming
- The first $2,000 in per cap income from interest held in trust or restricted land is excluded

From Novogradac's Rent & Income Calculator
Brown County - 2018 Limits

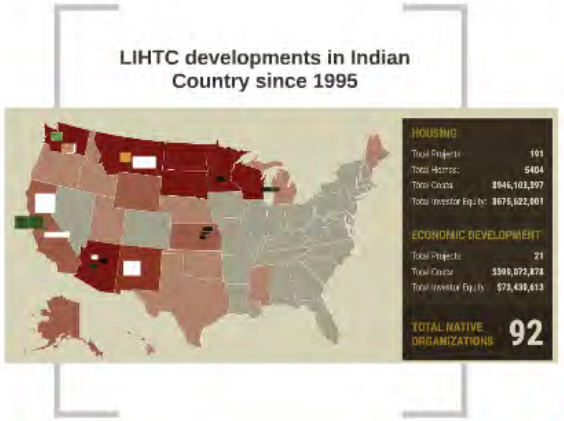
Income Limits & Rents



LIHTC - A TOOL IN THE TOOLBOX



Tribal LIHTC Precedent



AHP

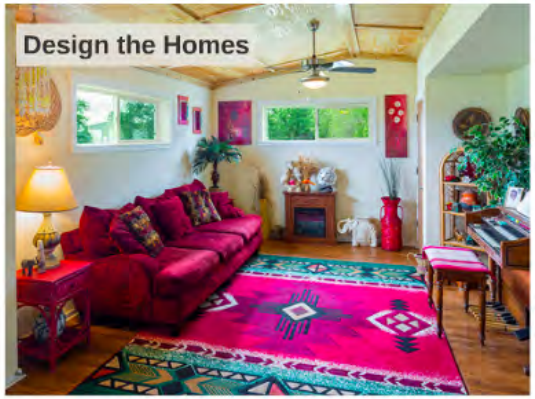
What have other tribes accomplished with LIHTCs?

Who can you build for?

- Low income
- Extremely low income
- Families
- Special needs
- Elderly
- Tribal members
- Workforce
- Students

With the LIHTC program, you can also...

Design the Homes



Encourage Homeownership

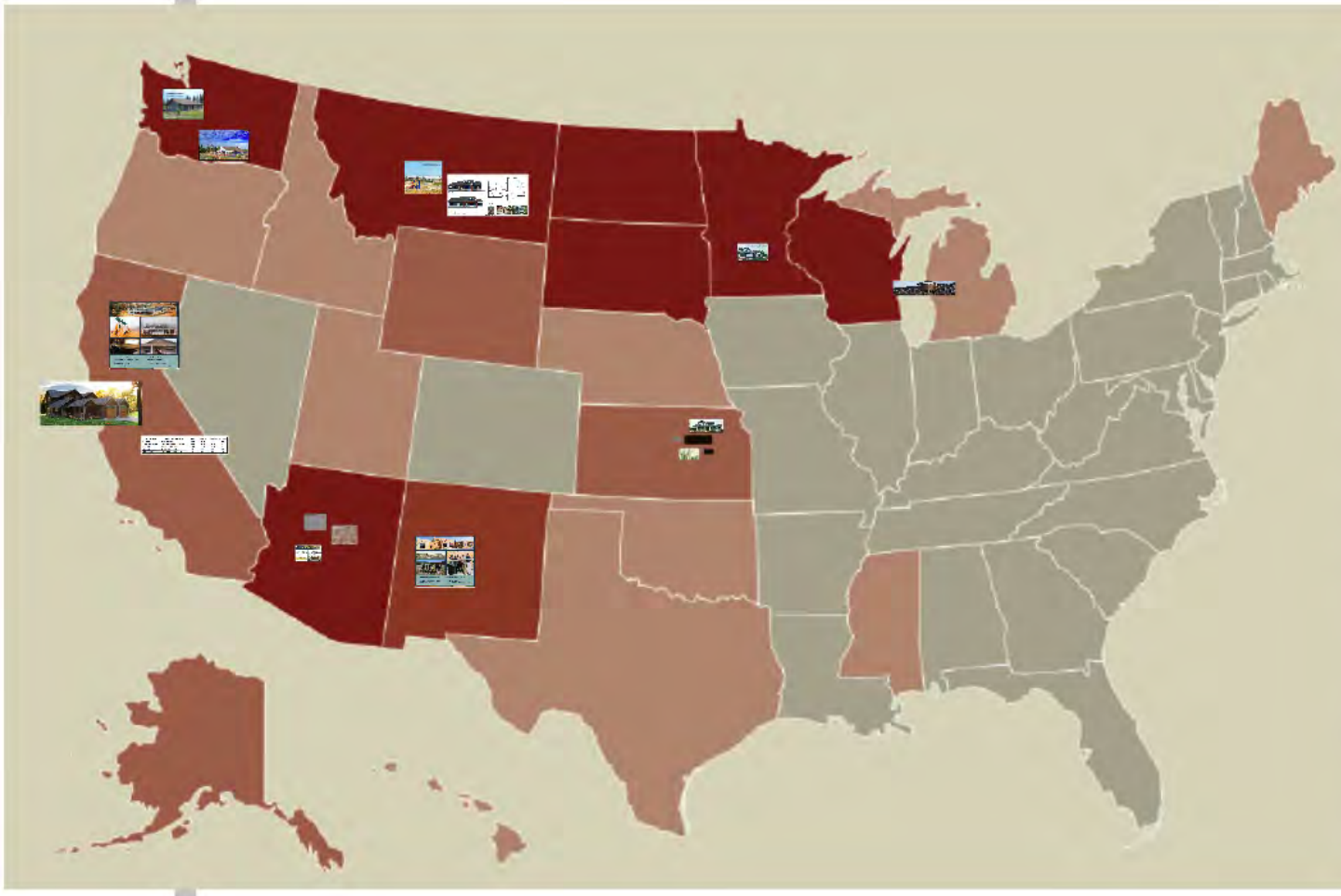
Design for Special Needs Populations

Improve Energy Efficiency

Rehabilitate Existing Housing

Rehabilitate Existing Community Facilities

LIHTC developments in Indian Country since 1995



HOUSING

Total Projects:	191
Total Homes:	5404
Total Costs:	$946,103,397
Total Investor Equity:	$675,622,001

ECONOMIC DEVELOPMENT

Total Projects:	21
Total Costs:	$399,072,878
Total Investor Equity:	$73,430,613

TOTAL NATIVE ORGANIZATIONS **92**

$675 MILLION

Amount of investor equity raised for over **190 Low Income Housing Tax Credit projects** in 19 states

5,404 homes built or rehabilitated

=500 homes

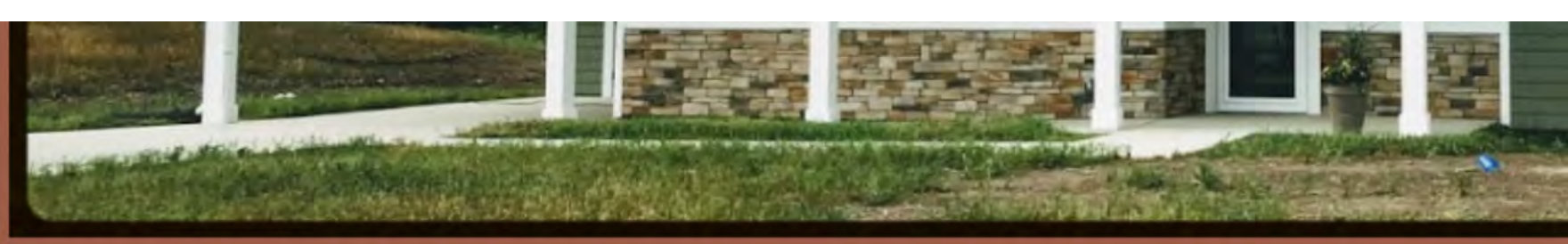
AHP

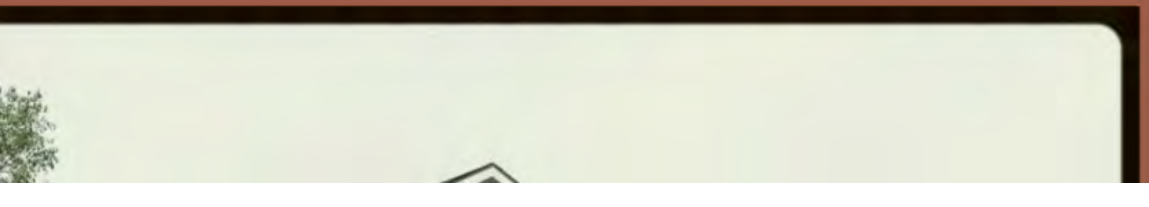
AFFORDABLE HOUSING PROGRAM (AHP) GRANTS RAISED FOR PROJECTS:

$28,632,390

LITTLE RIVER BAND ELDER HOUSING:
DESIGNED BY TRAVOIS DESIGN

Mille Lacs Corporate Ventures
LADY LUCK ESTATES





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Blackfeet Homes 5

RENDERING

FRONT ELEVATION

SUMMARY			
Bedrooms	Baths	Conditioned SF	Quantity
4	2	1660 SF	10

FLOOR PLAN

INSPIRATIONAL IMAGES

Colville Homes II
20-unit New Construction
2012 Charles L. Edson Tax Credit Excellence Award
Winner (Rural Housing)

Yavapai-Apache Homes III

30-unit New Construction

Yavapai-Apache Homes IV

36-unit New Construction

- **Location:** Acoma Pueblo, New Mexico
- **Development Type:** New Construction, multifamily
- **Total Homes:** 30 units in three buildings
- **Project Stage:** Complete
- **Total Investor Equity:** $7,215,076
- **Construction Cost:** $7,200,000
- **Funding Source:** LIHTC
- **Two Design Variations:**
  - 2 bedrooms, 2 bathrooms – 1,114 sq ft
  - 3 bedrooms, 2 bathrooms – 1,561 sq ft

- **Location:** Yreka, California
- **Development Type:** New Construction
- **Total Homes:** 30
- **Project Stage:** Complete
- **Total Investor Equity:** $10,874,857
- **Funding Source:** LIHTC
- **Three Design Variations:**
  - 3 bedrooms, 2 bathrooms – 1,610 sq ft
  - 4 bedrooms, 2 bathrooms – 1,725 sq ft
  - 5 bedrooms, 2.5 bathrooms – 2,480 sq ft

Questions?

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