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Boerne Public Facility Corporation – 210 Proposal

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Project Summary

- 161 Units, Seniors Only
- 70% Tax Credit (60% or less of median income)
  30% Market
- Project Financing Gap <u>Without</u> PFC Tax Exemption, $2,400,000
- Total Project Cost $29,454,949

Boerne Public Facility Corporation

Expands the City's ability to provide additional incentives for public/private partnerships to facilitate and finance workforce housing or senior developments by providing 100% property tax exemption

Low Income Tax Credit

Income limited to 60% of median income for tax credit portion of Project

1 person	$38,460
2 people	$43,920
3 people	$49,440
4 people	$54,900

Rents restricted to 30% of 60% of median income

1 bedroom	$1,029
2 bedroom	$1,236

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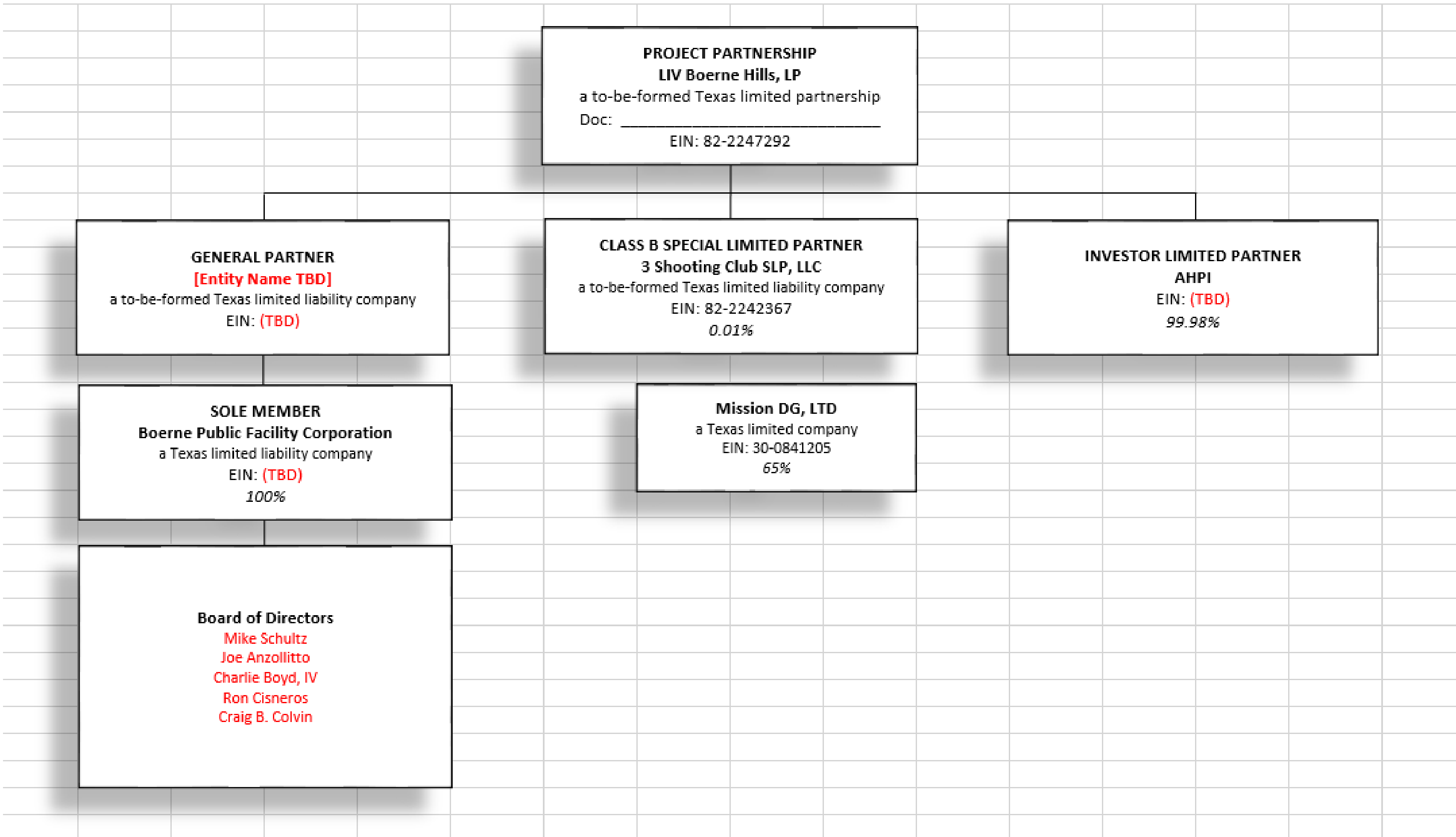
Risk Shifting Structure

- PFC should not assume the risk of construction, operations or debt
- PFC will enter into a partnership agreement, development agreement and lease of the project with development entity
- Development entity must raise equity and obtain debt and assume all risk
- Lease will have an up-front lease payment sufficient to acquire land
- Development Agreement will require development entity to construct project on leased land

Organizational Chart



Project Sources and Uses

Project Sources & Uses

Total Sources:

HUD	$	21,750,561
Tax Credit Equity	$	5,422,029
Defered Development Fee	$	2,282,259
GP Equity	$	100
Total Sources:	$	29,454,949

Total Uses:		
Site acquisition cost	$	2,044,000
Off Site Costs	$	500,000
Site Work	$	2,275,000
Direct Construction Costs	$	12,966,504
Other Construction Costs	$	511,000
General Requirements	$	828,256
Contractors Overhead	$	331,303
Contractors Profit	$	828,256
Contractors Contingency	$	812,625
Development Fees		
Profit Fee	$	3,333,776
Indirect Costs	$	1,082,500
Financing Costs	$	3,241,728
Reserves	$	700,000
Total Uses	$	29,454,949

Public Facility Corporation ("PFC") Requirements

- PFC would issue bonds to help finance the project
  - 50% of the cost of project must be funded with tax exempt bonds to receive 4% tax credits
  - Bond proceeds loaned to tax credit partnership and used to pay for construction
  - Tax credit partnership would take out FHA loan at the same time
  - Bonds would be 100% cash collateralized; no risk of default
  - Mature upon completion of construction (3 years or less)
- PFC would create a single member limited liability company to serve as the general partner of the tax credit partnership
  - Limited liability company has no assets except for partnership interest
  - Risk of liability in LLC but it is separate legal entity with no assets
- PFC would own the land and lease it to the tax credit partnership for 75 years
  - Lease will provide an up front lease payment sufficient to pay for the land
- PFC will enter into a joint venture with the construction company to bring about a sales tax exemption for the purchase of materials

Public Facility Corporation Fees

Based on a Bond amount of $15,000,000	
Issuer Fee of 1% to PFC	$150,000
40% of Developer Fee (Paid over 9 years) to PFC	$1,300,000
50% Cash Flow Revenue after Developer Fee paid off to year 15	$1,700,000
Total Revenue over 15 years	$3,150,000

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Risks

- Worst case scenarios:
  - May not make projected profits but PFC will have no investment in the project
  - Should a project fail, equity provider or lender may take the project and the PFC could lose control of the project; however, in doing so, they would jeopardize their tax exempt status, so this is unlikely
  - PFC may not be able to withdraw from the partnership once it is formed
  - Because PFC is a political body, meetings are open to the public

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