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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 Without 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

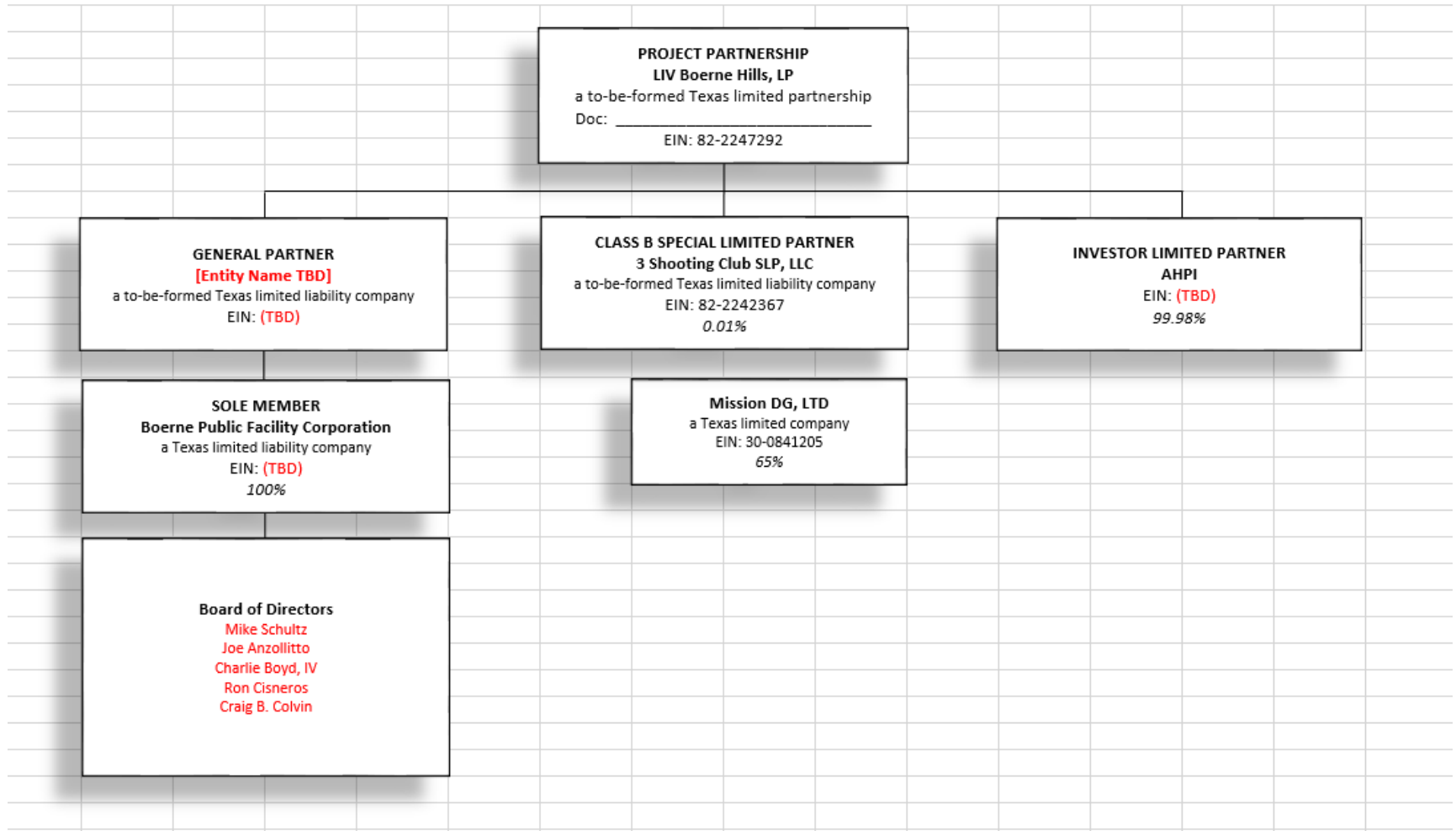
1 bedroom	\$1,029
2 bedroom	\$1,236



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
Deferred 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	<u>\$1,700,000</u>
Total Revenue over 15 years	\$3,150,000

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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