

[Affordable Housing Finance](#) | [Apartment Finance Today](#) | [Subscribe](#) | [Newsletter](#) | [Advertise](#) | [Contact Us](#)



# APARTMENT FINANCE TODAY

# AFFORDABLE HOUSING FINANCE

[News](#) | [Management & Operations](#) | [Finance](#) | [Policy & Legislation](#) | [Developments](#)

## ASSET MANAGEMENT

**Hot Topics:** [Hall of Fame](#) | [Readers' Choice](#)

From: Affordable Housing Finance 2014 | Posted on: April 16, 2014

0 Like 2 0 14 14



[Affordable](#)

[Market Rate](#)

**Services:** [AHF 50](#) | [AHF Survey](#) | [Events](#)



## Heading Into Year 15: Top 10 Considerations for General Partners

By Marianne Votta

By 2020, half of all the 2 million affordable housing units with low-income housing tax credits (LIHTCs) will reach Year 15, the year when the tax credits expire. In determining what to do next, general managers will have to weigh many different factors and carefully study their options. Although each deal is unique, there are some common considerations for general partners (GPs). Here is a list of some of the top issues to consider:

### 1. Reread the partnership agreement.

Whether you realize it or not, you, as the GP, start the disposition process when you negotiate and sign the partnership agreement at origination of the deal. That partnership agreement is the road map for disposition, and it is vital to read—and reread—the agreement with advice from your tax attorney and counsel.

You also should review other materials, including the capital accounts of all parties, as they will provide more information on how the process will likely proceed.

### 2. Determine what you want to do with the property.

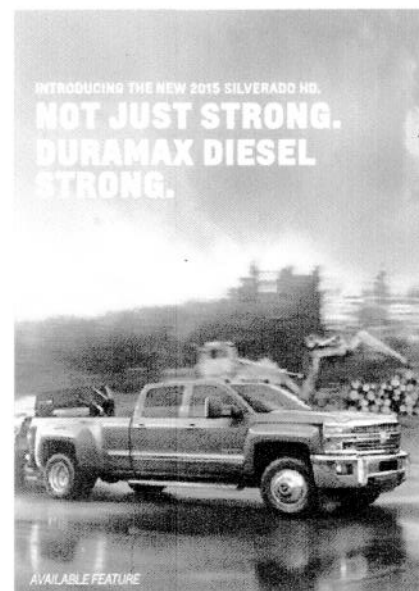
This is self-evident, but the answer may not be readily apparent. The following are the most likely options:

- **Sell the property:** You need to know market conditions and the value of the property.
- **Resyndicate:** This would require a new agreement, possibly with new limited partners.
- **Close the deal with exiting limited partners (LPs):** This option allows the GPs to reposition the property before deciding, ultimately, what to do with the property.
- **Refinance:** The current low interest rates are making this a popular option.
- **Pursue an early exit with LPs:** This may make sense, depending on the terms of the general agreement and options you have.

### 3. Examine the local real estate market conditions.

New entrants to the low-income housing marketplace may have changed the dynamic in your community by offering new amenities or services. GPs must objectively look at their projects: Is your project obsolete? Has the community changed? For example, are there more families? How does your property fare in the marketplace? If the tenant has options on where to live, he or she might choose the property with better amenities.

### 4. Determine the condition of the real estate.



[Learn More](#)

Introducing the new DoorWays® App from Thermo-Tru.

The power to create the perfect entrance is at your fingertips.

Download on the App Store

©2014 Thermo-Tru Corp. All rights reserved.

Get It Now

**THERMA-TRU**  
DOORS

Evaluate the deferred maintenance and capital needs, as well as whether the current cash flow or reserves would cover these costs. From an understanding of the property condition, you can then better evaluate whether a refinance would cover the costs of any needs or whether you need to resyndicate.

#### 5. Determine the value of the real estate.

Everyone has a number in mind when it comes to the value of a property. But it is vital to get reliable appraisals, which will allow you to determine whether a refinance with cash-out will pay the limited partners or if now is the time to sell.

#### 6. Examine the state/local market for tax credit allocations.

Since each state is different when it comes to rules, find out if preservation deals in your state receive credit allocations. Also, determine the market value you would receive for credits, and make sure you understand everything required for a bond execution.

#### 7. Meet with the LP.

This is a vital step that determines what the LP, or LPs, expects to happen. From this meeting, you should be able to determine if an early exit is possible, as well as the sort of guarantees or certifications the LP would require for early exit.

#### 8. Be prepared to start the process.

Ideally, the process should start soon after the credit period is over. Your LP may be willing to consider an early exit, but you can only take advantage of that scenario if you are prepared. It takes time and effort to assemble a team and finish all the documents. Having much of the work completed, or at least started, leaves more time for negotiation.

#### 9. Re-evaluate your options.

At this stage, you should take some time to reconsider what you want to do with the property. With all of the information you now have—analysis of market conditions, value of the property, understanding of the desires and needs of the LP—you, as GP, may have a different view of what you want to do with the property. Be sure to give yourself the time to evaluate all options before acting.

#### 10. Follow the rules on communicating with tenants.

Recently, new regulations for landlords have increased the requirements on disclosure to tenants when a property changes hands. Be sure you are following all of the rules when taking action on the units. Ultimately, it's best to communicate the information that tenants need to have to enhance the ongoing relationship between tenants and landlords.

Reaching Year 15 is a significant milestone for everyone involved in LIHTC units—and GPs should be congratulated for reaching that goal. Following these important steps will make for a smooth transition for all parties.

*Marianne Votta, a senior vice president at Bank of America, is the asset management executive of the Tax Credit Investment Group. With her team of 25 associates, she is responsible for managing the bank's portfolio of more than \$12.5 billion in federal and state real estate tax credit investments, including low-income, historic, New Markets, and solar tax credits.*

**MFE CONCEPT COMMUNITY**

the ultimate playbook  
for student housing

Register today for your guide  
to student housing

[mfeconceptcommunity.com](http://mfeconceptcommunity.com)

hanleywood

0 Like 2 0 14 14



ADVERTISEMENT

#### KEYWORDS

##### Subject

Asset Management, Developers, LIHTC, Owner Issues, Affordable Housing, ...

##### Organization

Bank of America, Louisiana-Pacific

[View more keywords](#)