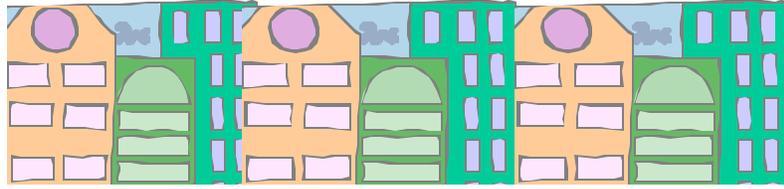


Office of Multifamily Housing Assistance Restructuring



Deal Profile: Urban Property, Transfer to Non-Profit/For-Profit Partnership, Tax Credits, HUD-Held mortgage, Significant Rehab, Conventional First Mortgage with Participation, Multiple funding sources.

Overview

The M2M Restructuring allowed creative solutions to a troubled urban property's needs.

Characteristics

This transaction involved a 195 unit urban property with a HUD-held loan operating under a workout agreement. The property had significant renovation needs and was served an integral role in its neighborhood. The transaction included transfer of ownership to a non-profit/for-profit joint venture a recapitalization of the property.

The Solution

The transaction combined tax credits and a new conventional first mortgage participated between a for-profit lender and a Community Development Agency. Transaction includes M2M 2nd, as well as additional loans behind the M2M debt. Additional highlights include

- De-densification of assistance: 30 units were released from Use Agreement
- 40 year Use Agreement
- Significant rehabilitation (\$25,000 per unit) of property in poor physical condition
- \$10± Million in federal Low Income Housing Tax Credits
- New \$2.6 Million uninsured first mortgage, is sued jointly by for-profit lender and Community Development Agency with a blended rate reflecting its issuers' requirements.
- M2M 2nd mortgage with anticipated repayment during the term of the first mortgage
- \$300k City loan behind M2M 2nd mortgage
- Strong cooperation between owner, PAE, OMHAR and HUD Field Office
- 40 year Use Agreement

The Consequences

A vastly improved property better able to meet tenants needs with a sound, uninsured first mortgage in place reflects the efforts of the purchaser, PAE, OMHAR, HUD and the community. Creative application of tax credits, coupled with the participation of for-profit and non-profit lenders exemplifies public-private partnership.