



VCDC Virginia Community Development Corporation

**Forum on Low Income Housing Tax Credits
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Virginia Housing Center
Glen Allen, VA**





Virginia Community Development Corporation

“Investing in a LIHTC Fund”

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Virginia Community Development Corporation





VCDC's Origin

- ▶ Proposed by the Virginia Housing Study Commission in 1989 to attract private-sector investments into affordable housing.
- ▶ VCDC is an independent non-profit and closed its first fund in 1992.
- ▶ VCDC is a vehicle for investors to lower their Federal Tax Liability and to invest in affordable housing



VCDC Story

- ▶ More than \$263 million in equity raised and invested since 1992
- ▶ 37 corporate investors in 14 Funds
- ▶ Over 3,600 affordable housing units in more than 100 properties
- ▶ All of our funds meet or exceed their projected rate of return



Equity Fund Options

- For Profit Sponsors (MMA, Boston Capital)
 - Usually national
 - Some regional and single investor
- National non-profit funds
 - NEF (LISC)
 - ESIC (Enterprise Foundation)
- State and Local Sponsors
 - NASLEF
 - Non-Profit Sponsors
 - Many now semi-regional



Other Investment Options

- Direct Investments
- Single Investor Fund
- Private Placement
- Special Funds



Direct Placement

- Risk is concentrated in one development
- Increased overhead cost due to the need for specialized staff to underwrite, close and monitor development for tax credit compliance
- Requires substantial investment per project



Benefits of a Managed Fund Investment

- ▶ **Risk Sharing and Diversification**
 - Several projects in each Fund
 - Geographic and sponsor diversification

- ▶ **Underwriting Expertise**
 - Experienced staff with a proven track record selects projects
 - Conservative underwriting standards
 - Investment Committee, composed of the fund's investors, must approve all investments

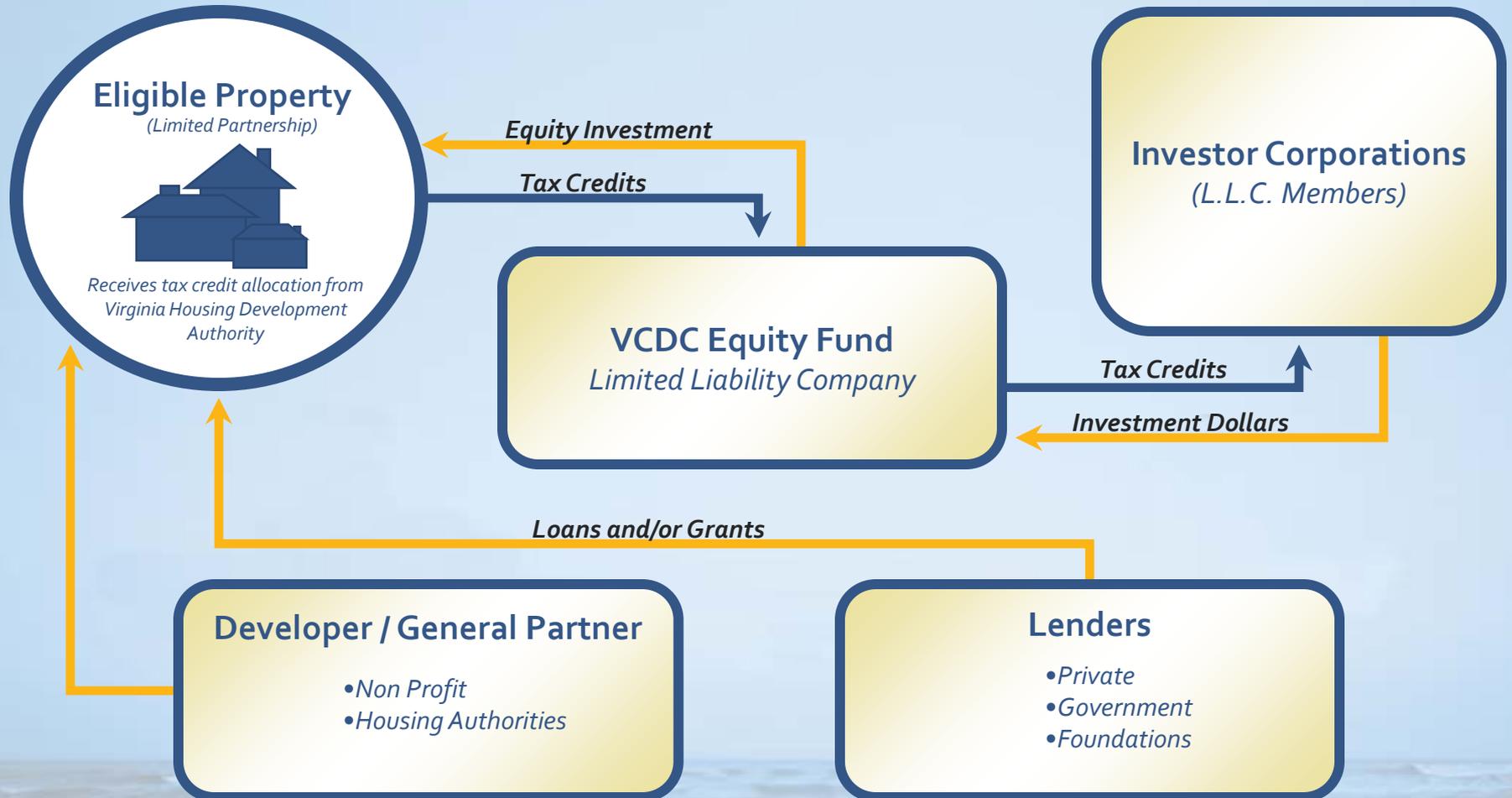


Benefits of a Managed Fund Investment (continued)

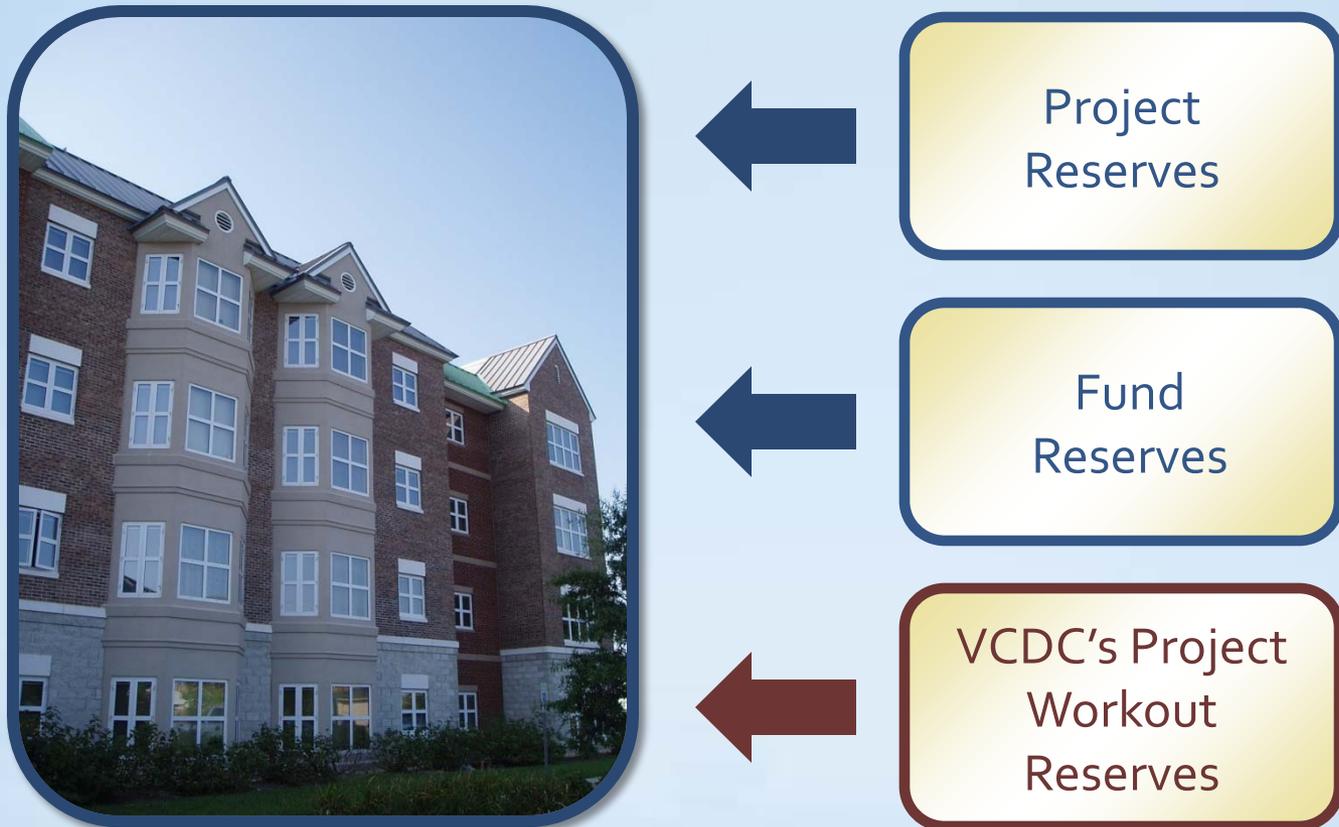
- ▶ **Asset Management and Compliance Monitoring**
 - Experienced asset managers with LIHTC compliance certifications
 - Review compliance and project financial performance

- ▶ **Reduced Accounting and Reporting Burden**
 - The managing member performs fund accounting and reporting functions

Parties to a LIHTC Fund



Additional Benefits of Fund Investing



Reserves, Reserves, Reserves



Determining Project Level Equity from Investment

Description	Amount
Total Project Cost	\$1,000,000
Eligible Basis	\$900,000
LIHTC Percentage	9%
Annual LIHTC Allocation	\$81,000
Total LIHTC for the 10 years	\$810,000
Equity to the project LIHTC (\$0.75 is for discussion only)	\$607,500
Other Financing	\$392,500



VCDC

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VCDC's Success Story



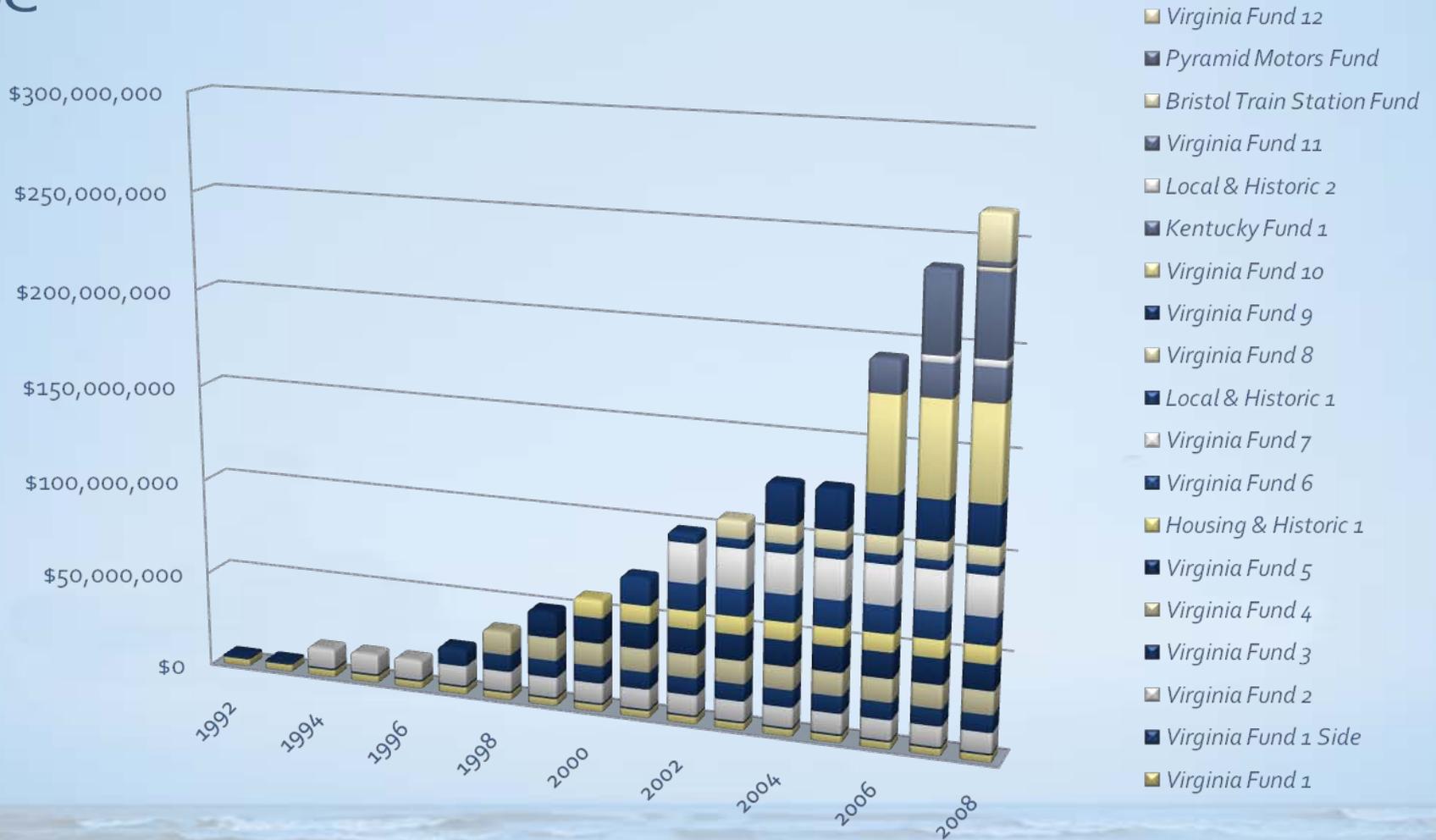


VCDC's Approach

- This is our business
- Conservative underwriting
- Active involvement in development process with experienced community development professionals
- Active management of properties with experienced asset managers
- Never lost any tax credits for our investors



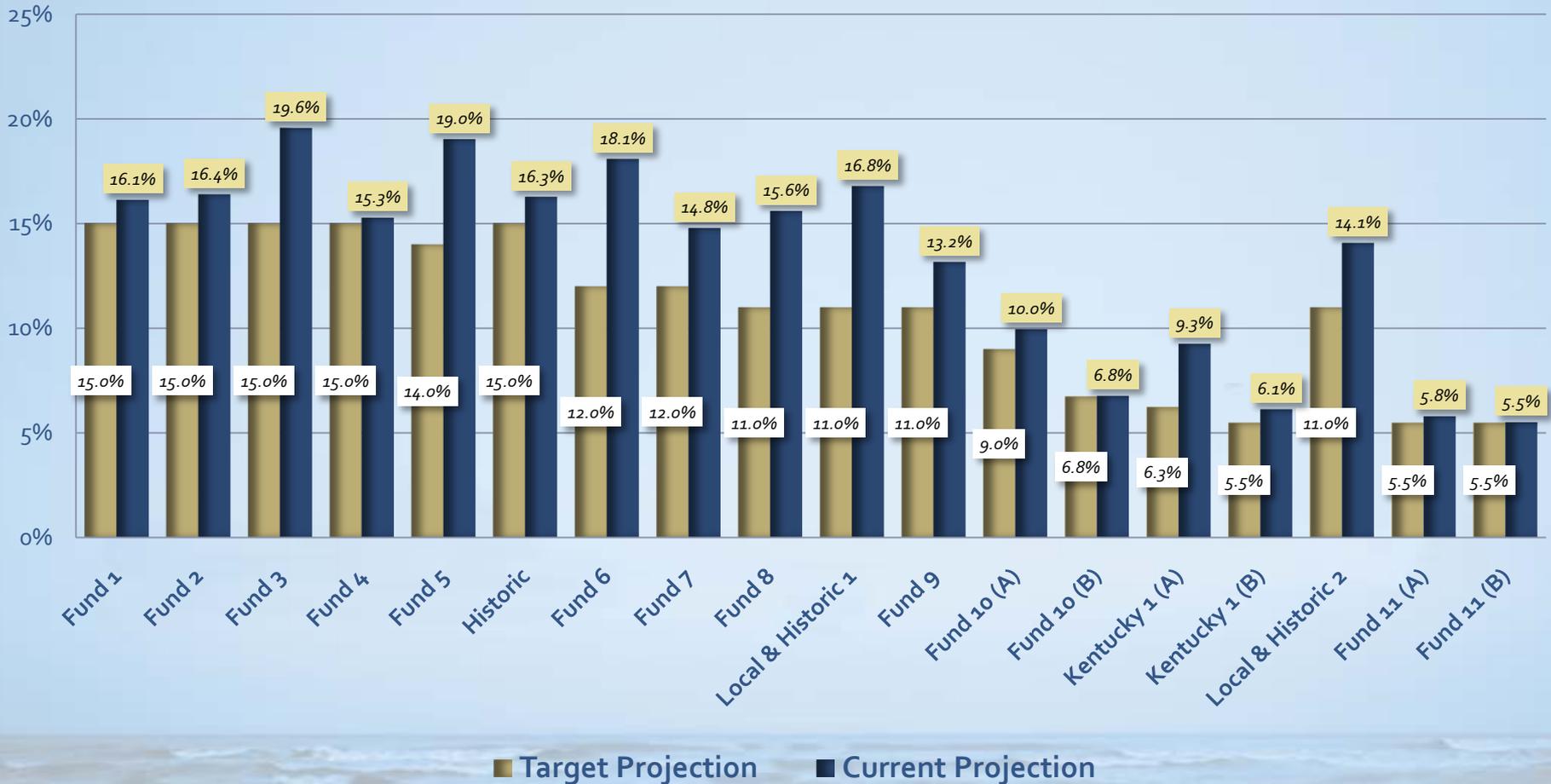
Equity Funds Over Time





VCDC Equity Funds Returns

All Exceed Original Projected Returns





Debt Coverage Remains Stable

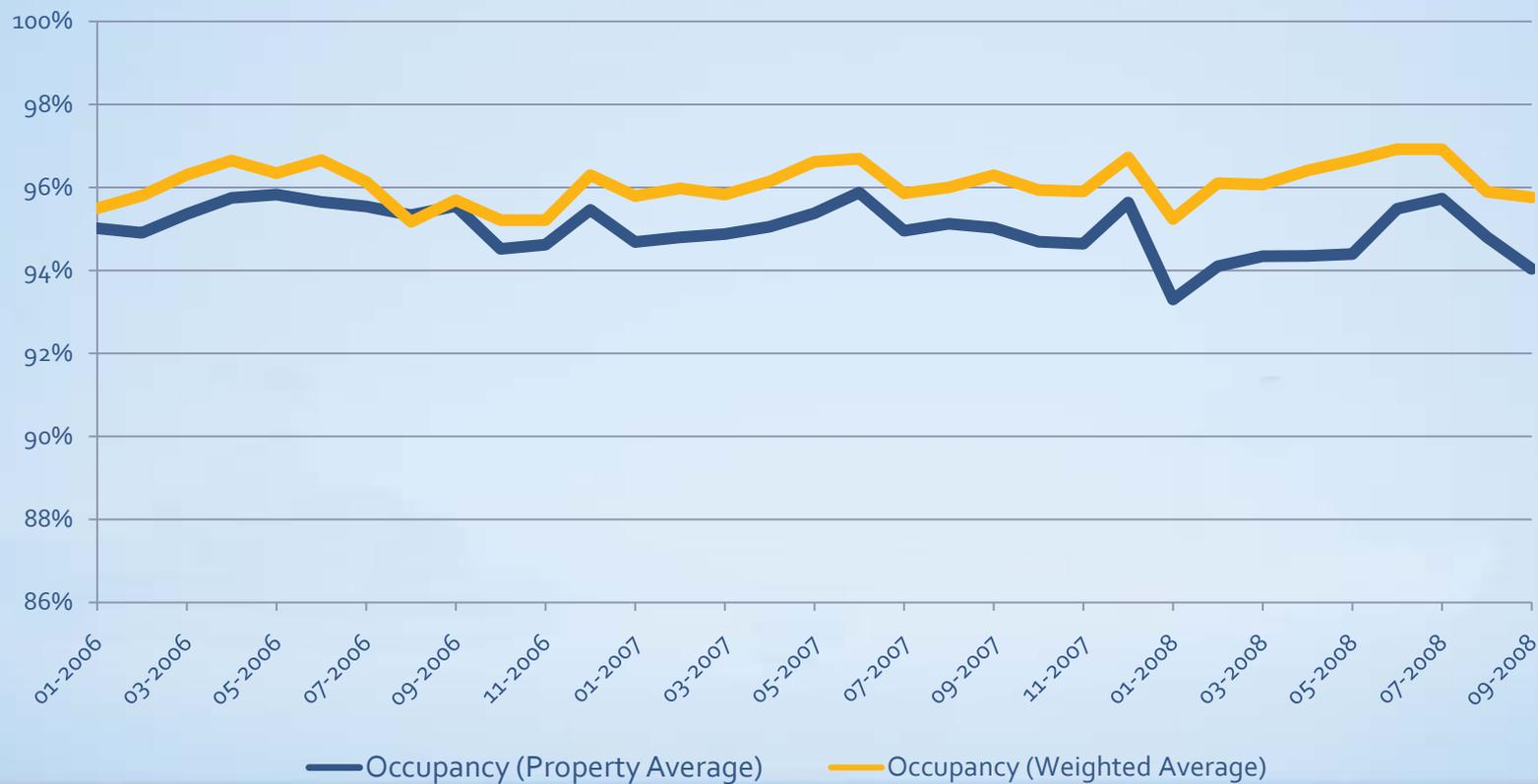
Debt Coverage Trend (Virginia LIHTC)





Occupancy Trends Remain Stable

Occupancy Trends (Virginia LIHTC)



Housing Equity Funds of Virginia

Sample Benefits and Investment Schedule

6/10/2009

Prepared for Illustrative Purposes Only

\$1,000,000 Investment (Class A)

Year	Net Losses	Tax Savings: Losses (35% Rate)	Federal Low-Income Housing Credits	Capital Account Adjustment	Tax Savings: Capital Account Adjustment (35% Rate)	Annual After-Tax Benefit	Investor Capital Calls	Net Benefit	Cumulative Net Benefit
2009	1,197	419	0	0	0	419	1,000	(581)	(581)
2010	26,583	9,304	9,114	0	0	18,418	33,800	(15,382)	(15,963)
2011	79,249	27,737	65,307	0	0	93,044	80,826	12,218	(3,745)
2012	89,502	31,326	96,121	0	0	127,447	166,550	(39,103)	(42,848)
2013	81,171	28,410	99,738	0	0	128,148	181,246	(53,098)	(95,946)
2014	60,393	21,138	99,738	0	0	120,876	507,778	(386,902)	(482,848)
2015	44,968	15,739	99,738	0	0	115,477	0	115,477	(367,371)
2016	43,608	15,263	99,738	0	0	115,001	14,696	100,305	(267,066)
2017	42,375	14,831	99,738	0	0	114,569	0	114,569	(152,497)
2018	42,102	14,736	99,738	0	0	114,474	0	114,474	(38,023)
2019	41,786	14,625	99,738	0	0	114,363	14,104	100,259	62,236
2020	41,071	14,375	92,040	0	0	106,415	0	106,415	168,651
2021	40,704	14,246	33,015	0	0	47,261	0	47,261	215,912
2022	40,286	14,100	3,617	0	0	17,717	0	17,717	233,629
2023	39,512	13,829	0	0	0	13,829	0	13,829	247,458
2024	38,491	13,472	0	0	0	13,472	0	13,472	260,930
2025	37,762	13,217	0	66,849	23,397	36,614	0	36,614	297,544
2026	27,650	9,678	0	84,106	29,437	39,115	0	39,115	336,659
2027	545	191	0	30,090	10,532	10,723	0	10,723	347,382
2028	0	0	0	0	0	0	0	0	347,382
	818,955	286,636	997,380	181,045	63,366	1,347,382	1,000,000	347,382	

Investor's Internal Rate of Return (Conventional):

12.29%



VCDC Mission

"The Virginia Community Development Corporation will serve as a leader in the development of innovative affordable housing and the revitalization of Virginia's communities, by acting as a catalyst for creative and profitable private sector investments and by empowering non-profit and other providers throughout the Commonwealth."