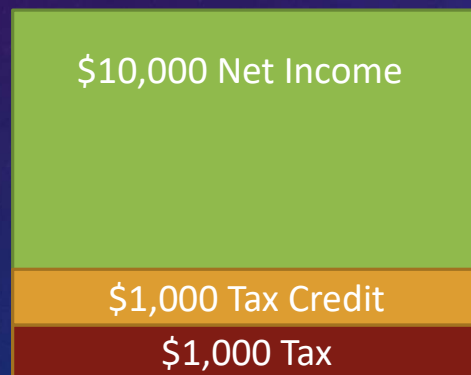




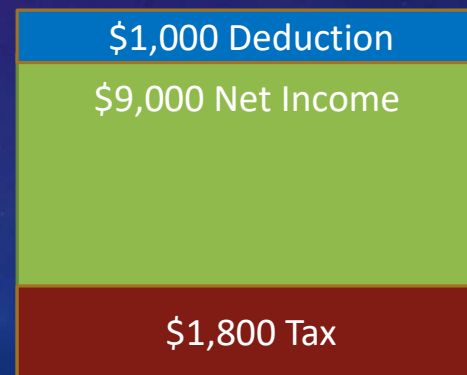
LOW-INCOME HOUSING TAX CREDITS

WHAT IS A “TAX CREDIT”?

- A tax credit is a dollar-for-dollar reduction in the income tax owed
- Different from a “deduction”, which only reduces the income that is being taxed
- Example: \$1,000 tax credit vs \$1,000 deduction; 20% Tax Rate

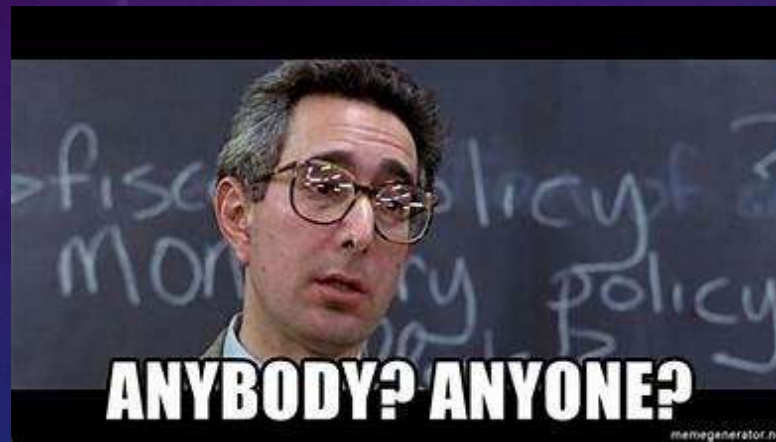


CREDIT



DEDUCTION

WHERE DO THEY COME FROM?



WHERE DO THEY COME FROM?

- IRS Code Section 42 (Low Income Housing Tax Credits)
- Every year, Congress appropriates a certain amount of LIHTC
- The LIHTC are distributed to the states based on population
- State agencies distribute the credits based on their own Qualified Allocation Plan (QAP)
- LIHTC award claimed over 10-year period

TYPES OF LIHTC

- 4% - Non-competitive
 - Covers 4% of Qualified Basis each year for 10 years (40% total)
 - Rolling application and awards
- 9% - Competitive
 - Covers 9% of Qualified Basis each year for 10 years (90% total)
 - Awarded once per year following competitive scoring process
 - Preliminary Project Assessment (PPA) submitted to be invited to apply
 - Full application scored based on 100-point scale and compared to other projects in the same “set-aside” (Chicago metro, other metro, non-metro)

THE PLAYERS

- Sponsor – Entity submitting the application
- Developer – Entity coordinating the project and pulling in all of the other players
- Investor/Syndicator – Entity buying the LIHTC (putting \$\$ into the project)
- Lender – Finances the “gap” between LIHTC and total project cost
- Others (General Contractor, Legal, Architect, Engineers)

SHAMELESS SELF-PROMOTION



BEDROCK

HOUSING CONSULTANTS



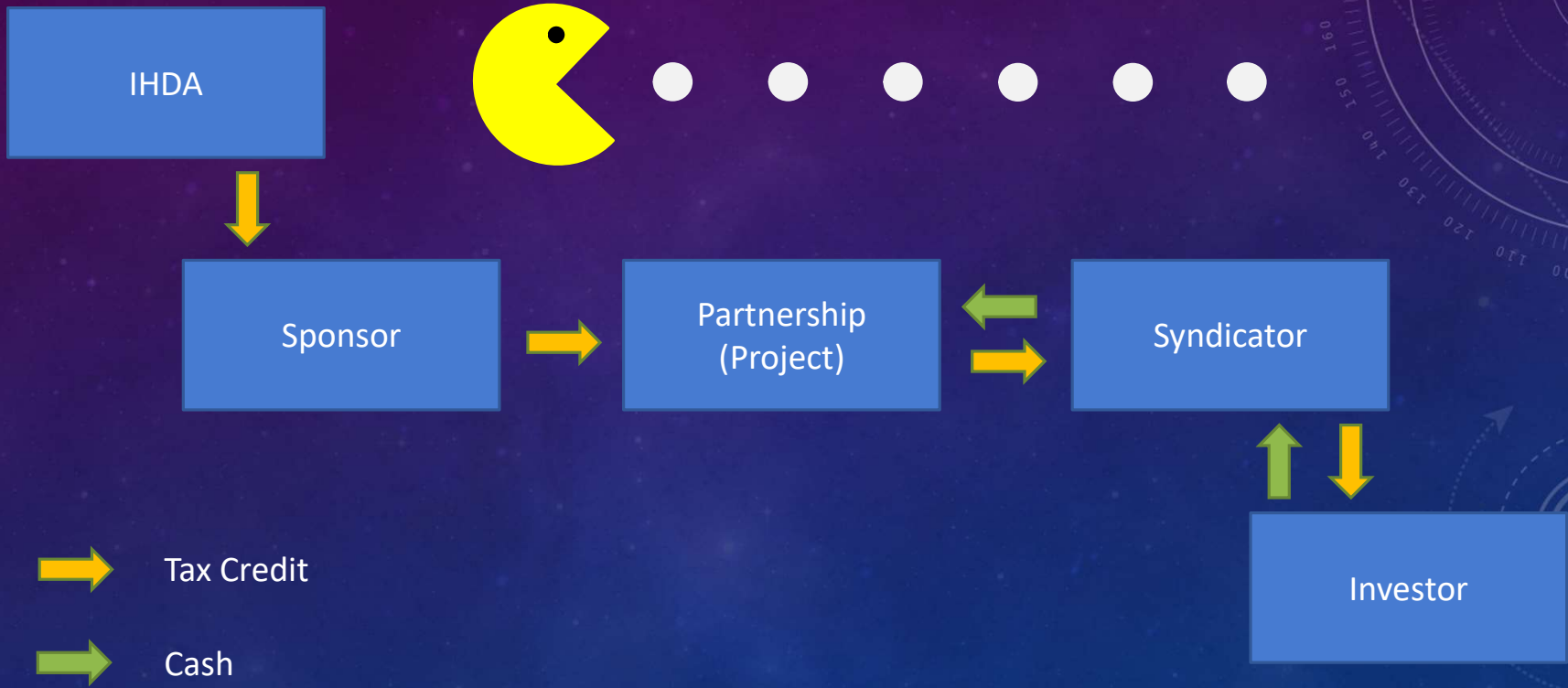
BEDROCK

DEVELOPMENT GROUP



BEDROCK

PROPERTY MANAGEMENT

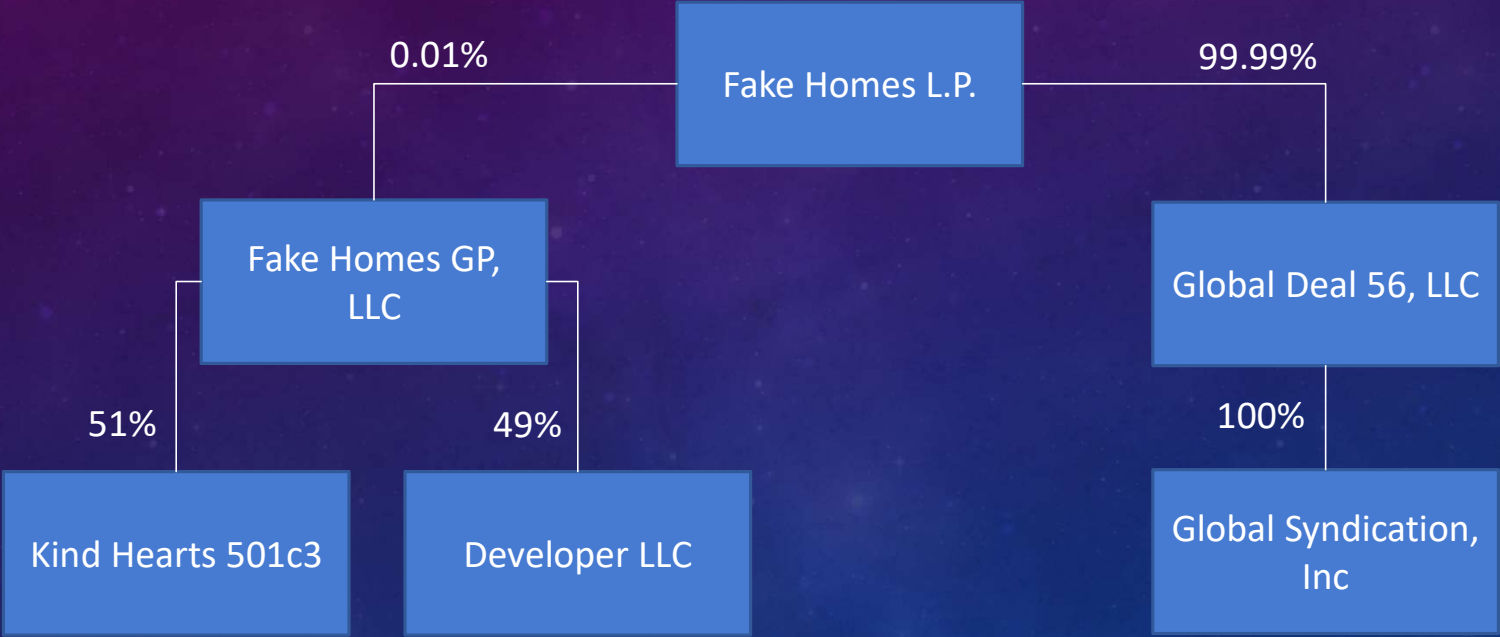


PARTNERSHIP

- Limiter Partnership (LP) owns the project
 - Sponsor/Developer – General Partner(s)
 - 0.01% ownership
 - Investor – Limited Partner
 - 99.99% ownership
 - Claims depreciation losses
- After 15-year initial compliance period, Limited Partner may transfer interest to Sponsor



TYPICAL OWNERSHIP STRUCTURE



GENERIC HOUSING AUTHORITY (GHA)

GHA

GENERIC HOUSING AUTHORITY (GHA)

GHA

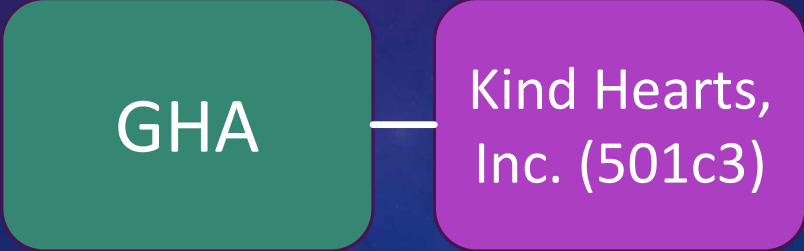
Kind Hearts,
Inc. (501c3)

GENERIC HOUSING AUTHORITY (GHA)

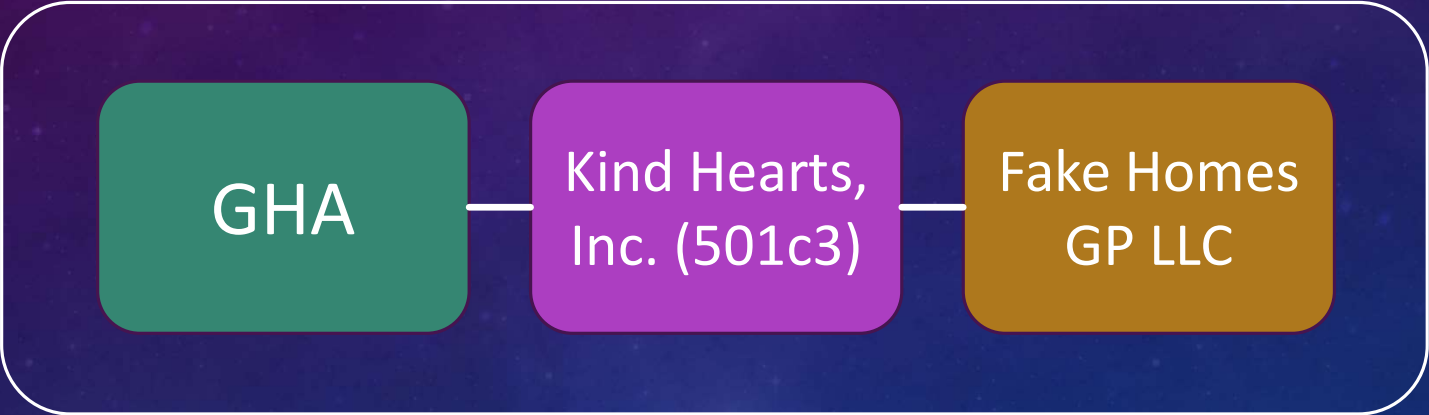
Majority of 501c3 Board of Directors are GHA Commissioners, giving GHA effective control over the 501c3.

GHA

Kind Hearts,
Inc. (501c3)

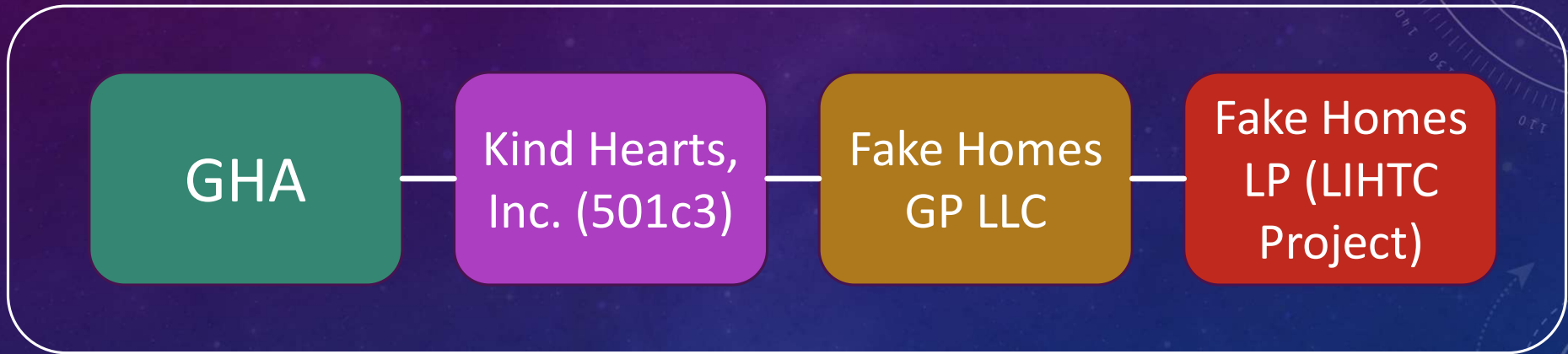
A diagram consisting of two rounded rectangular boxes connected by a horizontal line. The left box is green and contains the text 'GHA'. The right box is purple and contains the text 'Kind Hearts, Inc. (501c3)'. The entire diagram is enclosed within a white rounded rectangular border.

GENERIC HOUSING AUTHORITY (GHA)



LLC is controlled by the Managing Member.

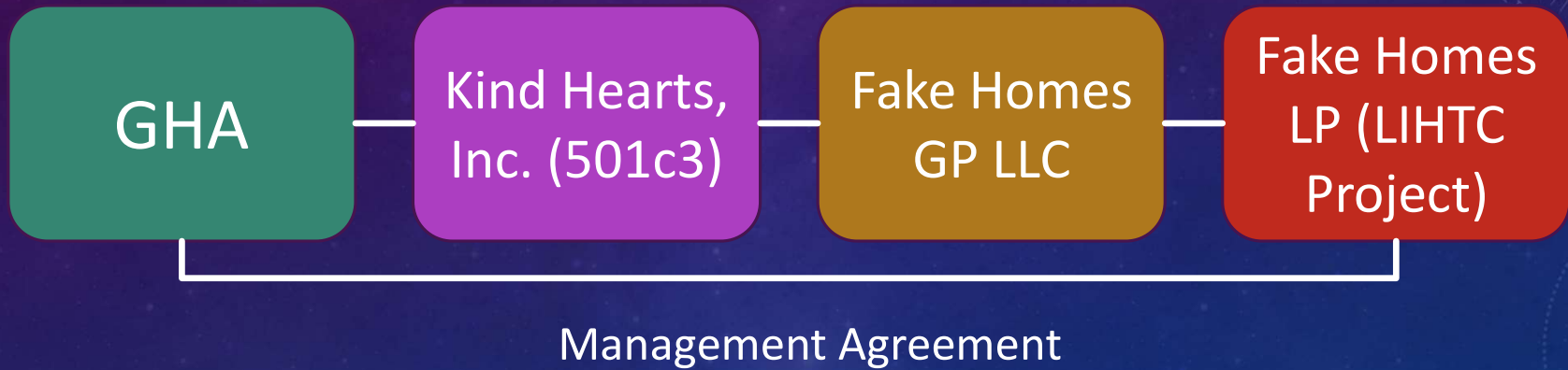
GENERIC HOUSING AUTHORITY (GHA)



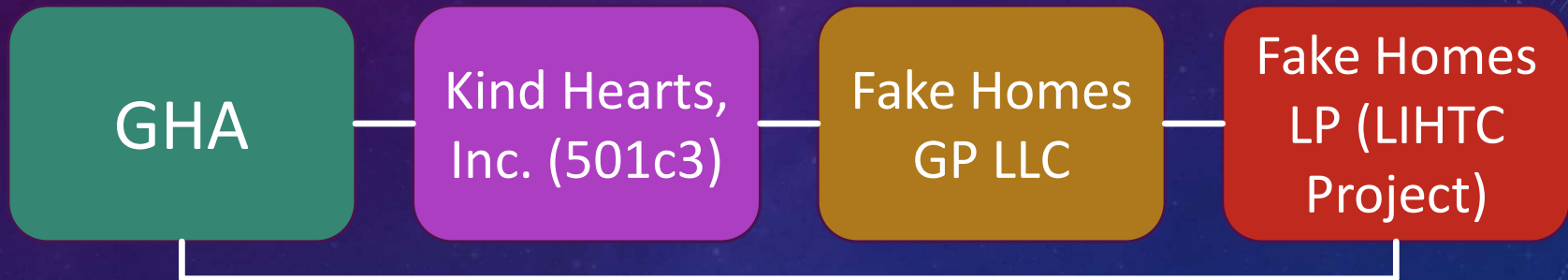
LLC is controlled by the Managing Member.

LP is controlled by the General Partner.

GENERIC HOUSING AUTHORITY (GHA)



GENERIC HOUSING AUTHORITY (GHA)



1. How does GHA get paid?
2. How does GHA report it?

HOW DOES GHA GET PAID?

- As Developer
 - Developer Fees
- As Property Manager
 - Management Fees



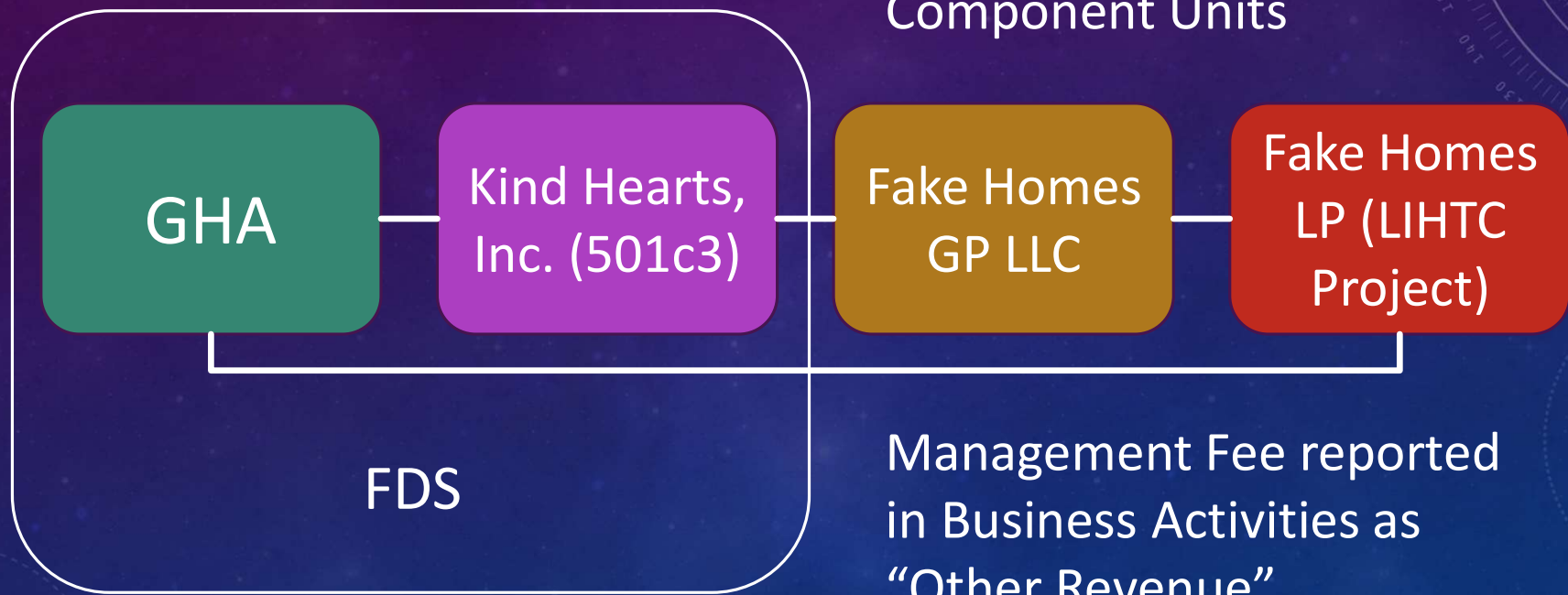
DEVELOPER FEES

- Part of Development budget
 - Estimate ~10% of TDC
- Paid as Development meets certain milestones
 - Deferred & Non-Deferred

MANAGEMENT FEES

- Paid to Property Manager for managing LIHTC property
 - ~5%-7% of gross collections of tenant charges (rent, late fees, maintenance fees, etc.)
 - Covers Central Office Overhead, Executive Staff, Bookkeeping, Compliance Management, Profit
 - Does NOT cover direct leasing and maintenance activity

REPORTING



Kind Hearts Inc. reported in Component Units

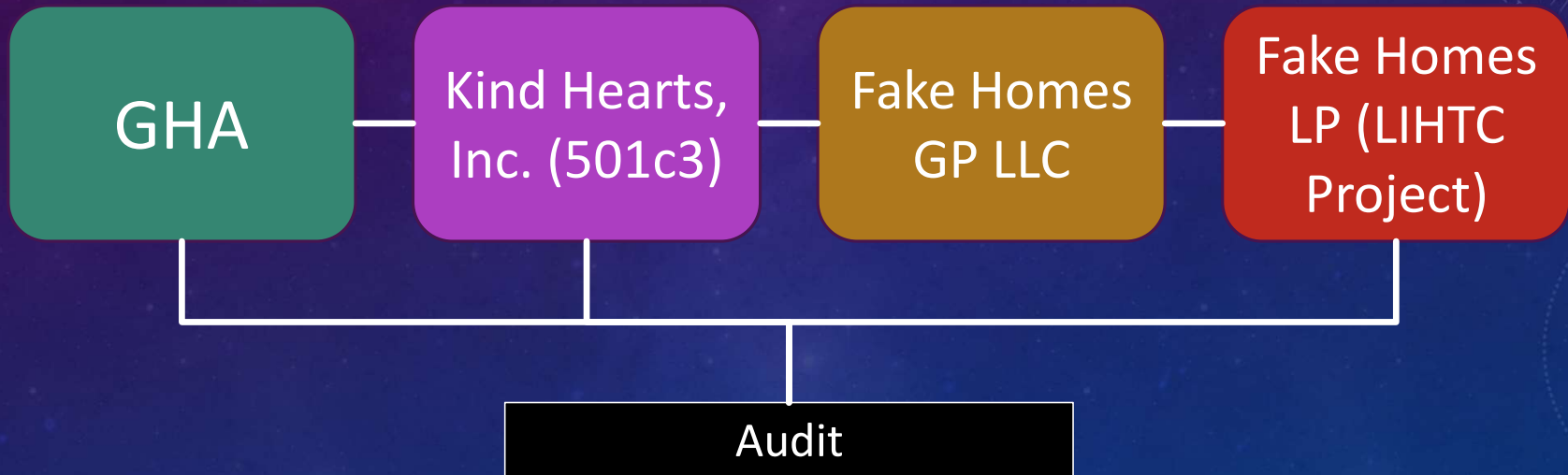
Fake Homes GP LLC

Fake Homes LP (LIHTC Project)

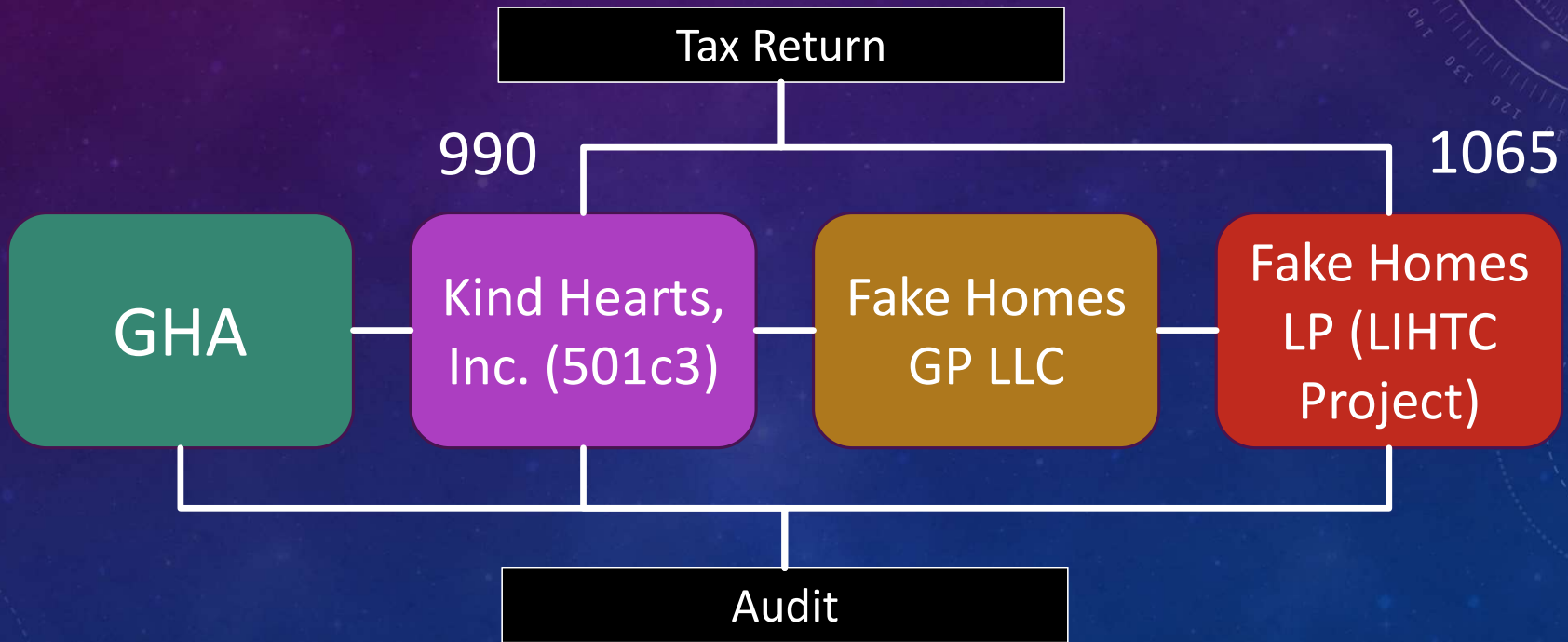
FDS

Management Fee reported in Business Activities as "Other Revenue"

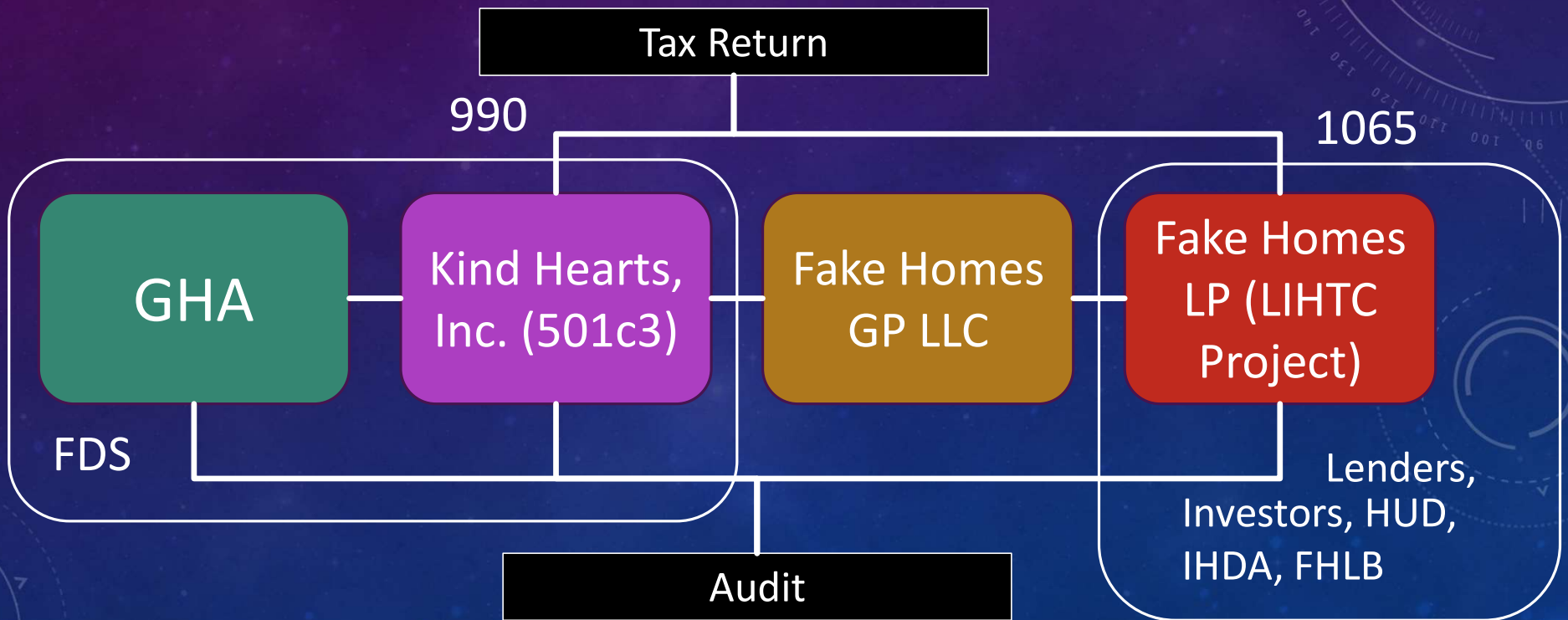
GENERIC HOUSING AUTHORITY (GHA)



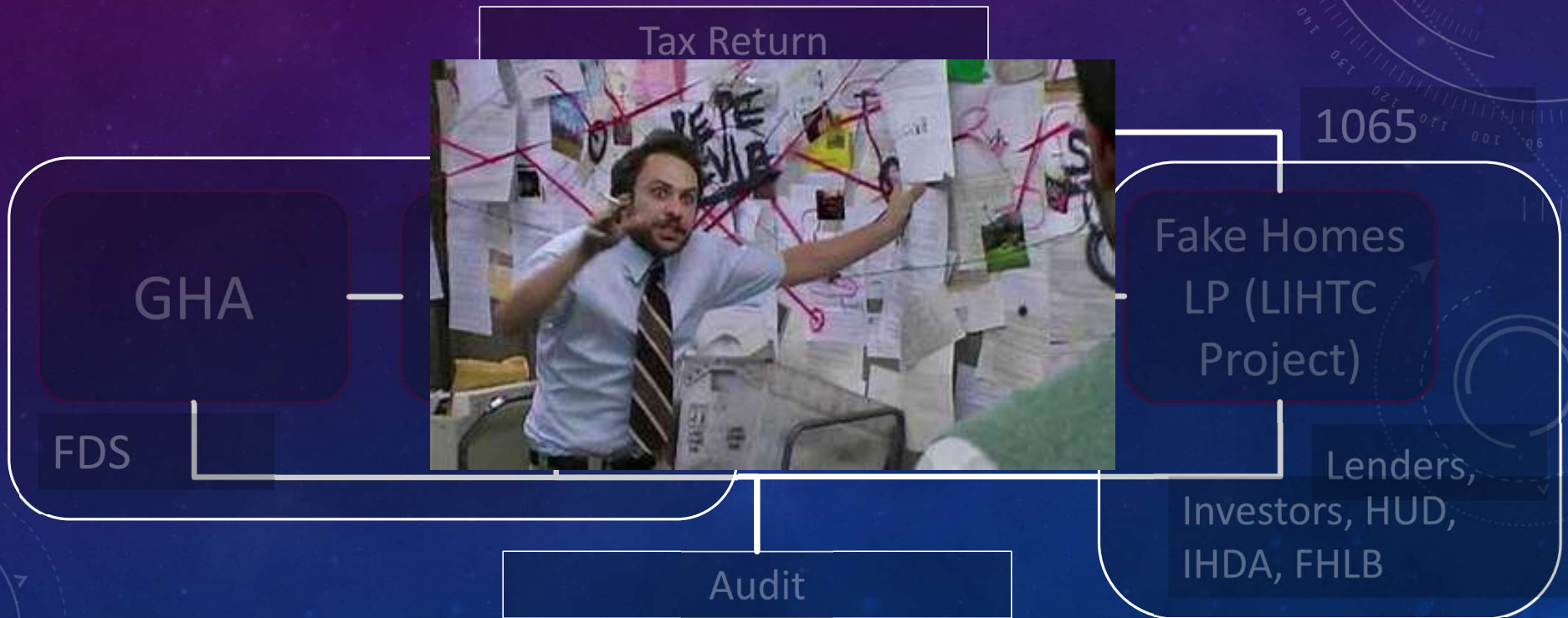
GENERIC HOUSING AUTHORITY (GHA)



GENERIC HOUSING AUTHORITY (GHA)



GENERIC HOUSING AUTHORITY (GHA)



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