

Summer Institute

July 17-20, 2019 – Jared Lang, National Housing Trust



About NHT

The National Housing Trust protects, improves and maintains existing affordable housing so that low-income families can live in quality neighborhoods with access to opportunities.

Policy Innovation

Lending

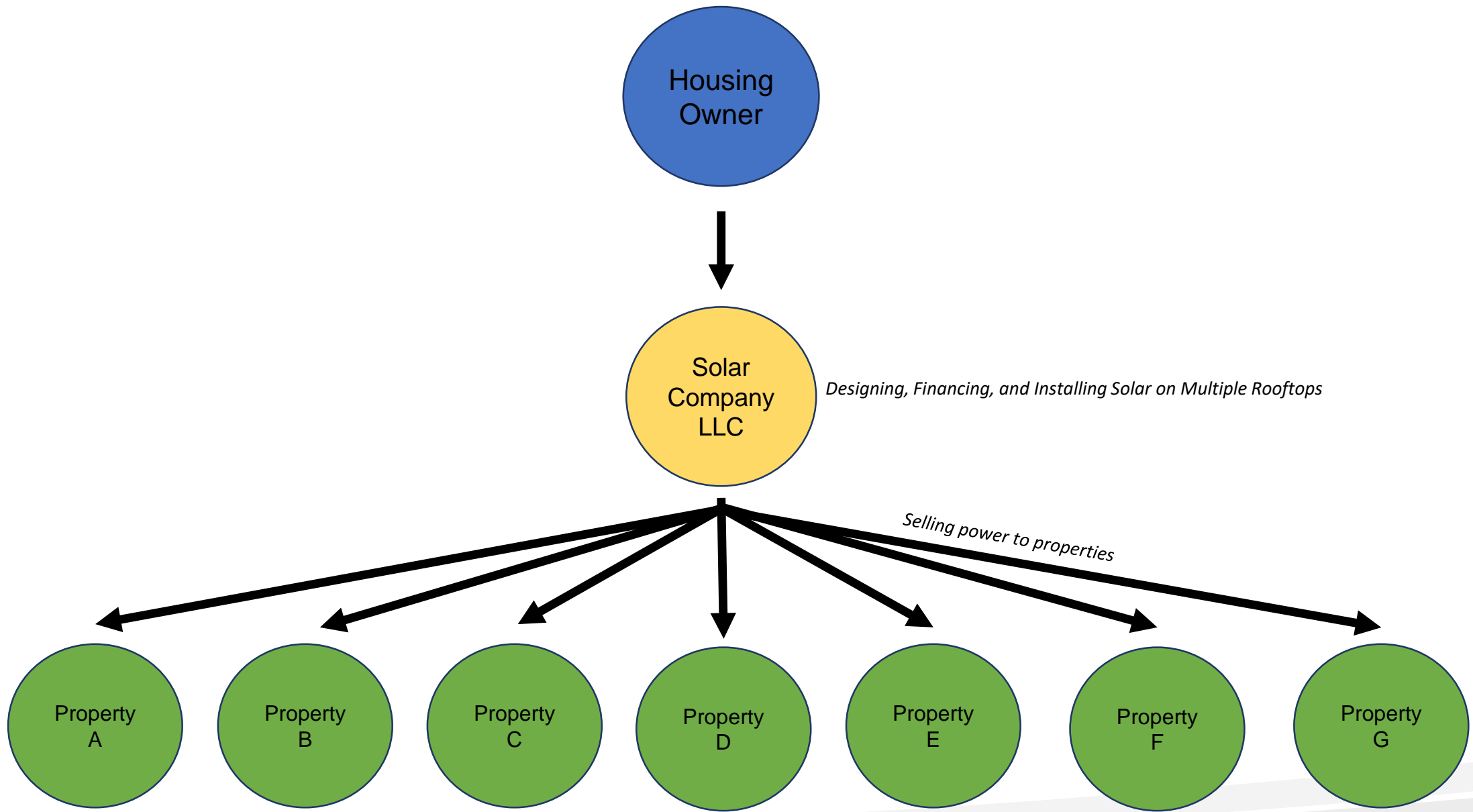
Real Estate Development

Energy Solutions



NHT Renewable Portfolio-Scale Solar Approach

1. Setting up a company to finance, install, & operate solar on top of multiple affordable housing properties
2. Signing agreements between the solar company and property partnerships to sell power



Why?

1. Real Returns: Developer Fees, Return on Equity, Management Fees
2. Environmental impact, mitigate climate change
3. Tax Benefits
4. Aggregating multiple properties allows for scale
5. Financing projects one by one isn't worth it

Where?

Garden Apartments with Pitched Roofs

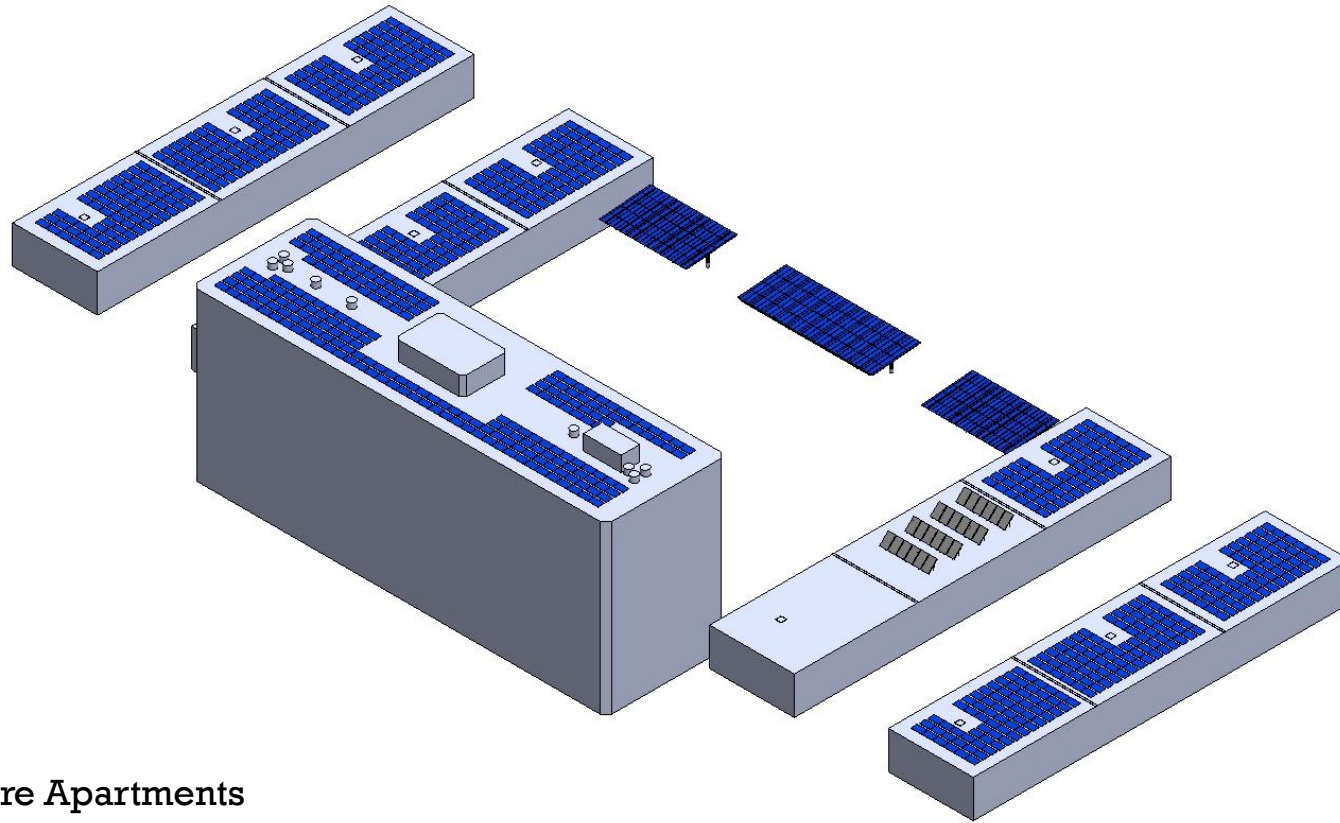


City Gardens
Santa Anna, California



Where?

Highrises and Townhomes with Flat Roofs



Channel Square Apartments
Washington, D.C.

Where?

Flat Roofs on Structural Supports



R Street Apartments, Washington, D.C.

Where?

Carports and Canopies



Channel Square Apartments
Washington, D.C.

Where?

Fields adjacent to Properties...



Springside Meadows, Henrietta, NY

HelioScope

Where?

Walls



Nixon Peabody Law Office, Washington, D.C.

Project Example: Jonathan Rose Companies

For-profit Owner, 3rd-party Solar Tax Credit Investor

of Properties: 8

Property Locations: New Jersey, New York, Pennsylvania

Project Size: 955 KW

Total Cost: \$3,000,000

Developer Fee: \$250,000 (8%)

Equity Investment: \$750,000

Net Return Over 15 Years: \$2,000,000 (10% IRR)

Project Example: Silver Street Development Company

For-profit Owner, Partners Utilize Solar Tax Credits

of Properties: 8

Property Locations: New Jersey, New York, Massachusetts

Project Size: 1,800 KW

Total Cost: \$5,000,000

Developer Fee: \$500,000 (10%)

Equity Investment: \$2,550,000

Net Return Over 6 Years: \$890,000 (30% IRR)

Silver Street Return on Equity

	2019	2020	2021	2022	2023	2024	2025
<u>Silver Street Development Return</u>							
Equity Investment	\$ (2,550,000)						
Pre-Tax Cash		\$ 85,544	\$ 83,336	\$ 81,868	\$ 78,282	\$ 63,828	\$ (1,201,048)
State Tax Benefit / (Liability)	\$ -	\$ 314,830	\$ (18,313)	\$ (18,608)	\$ (18,180)	\$ (13,886)	\$ (16,950)
Federal Tax Benefit / (Liability)	\$ -	\$ 1,456,089	\$ (84,699)	\$ (86,064)	\$ (84,081)	\$ (64,222)	\$ (78,393)
System Sale In Year 6 (NPV)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,745,315
Exit Taxes on Sale	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,419,002)
Investment Tax Credit (ITC)	\$ -	\$ 1,454,969	\$ -	\$ -	\$ -	\$ -	\$ -
Return of Operating Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 179,470
Total Equity Investment/Return	\$ (2,550,000)	\$ 3,311,432	\$ (19,676)	\$ (22,804)	\$ (23,978)	\$ (14,280)	\$ 209,393
Total Equity Investment	2,550,000						
Total Net Return	890,086						
IRR	30.3%						

Partners Take Advantage of Solar Tax Benefits

1. Tax bill on Ordinary Income large enough to utilize all tax benefits in first two years
 - Larger tax bill than usual, maybe a major capital event from the sale of a property
 - Projects are scalable to size of tax interest
 - Multiple partners can join together to share tax benefits
2. Tax Credit and Bonus depreciation are larger than investment in Year 1
3. Low-risk: Majority of Return comes in Year 1
4. Annualized returns in Years 2-5 are minimal
5. Holding for the Tax Credit Compliance period and then selling off assets to properties
6. Some gain at sale assets in Year 6
7. Returns from 20-30%, depending on Tax Position and System size

How can NHT help?

1. Analyze potential solar system sizing
2. Basic financial modeling of options
3. Review risks and reward
4. Provide debt & solar tax investor equity
5. Co-Develop projects
6. Own projects

National Housing Trust

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