

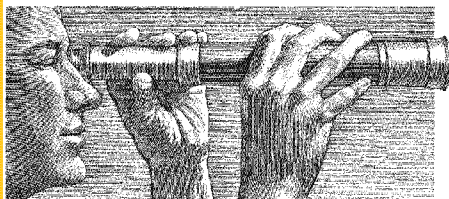
MASH 201: Affordable Housing Finance For Contractors And Consultants

COMBINING LIHTC, SOLAR, AND MASH PROGRAMS

California Center for Sustainable Energy

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Advisory One, LLC
A Registered Investment Advisor



Anticipate, Educate, Facilitate.

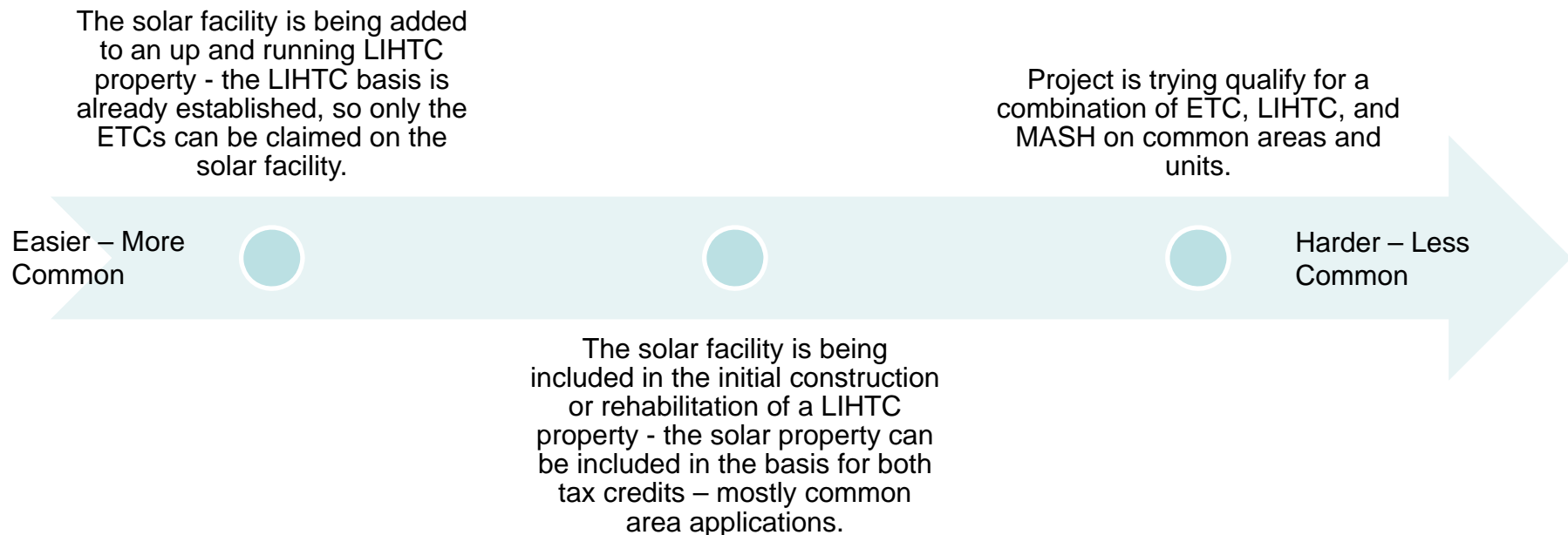
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SOLAR ON AFFORDABLE HOUSING



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<u>Sample Calculation</u>	Amount of Combined Tax Credits Available	
	9% Housing Credit	4% Housing Credit
Solar Panel Cost	\$1,000,000	\$1,000,000
Solar Credit at 30%	\$300,000	\$150,000 assumes 50% tax-exempt debt
LIHTC Basis (reduced by ½ of solar credit)	\$850,000	\$925,000
LIHTC Percentage (assumed)	9% x 10 = 90%	3.37% x 10 = 33.7%
LIHTC Amount	\$765,000	\$311,725
Total Credits	\$1,065,000	\$461,725

	MASH	
	Track 1A: Offsetting Common Area Load	Track 1B: Offsetting Tenant Load
Rebate Amount	\$3.30/Watt	\$4.00/Watt

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THE REALITY

- There are only a very few projects that have successfully taken full advantage of the complete combination of solar and affordable housing opportunity for both common areas and units. Of those:
 - Most are new construction.
 - A few are acquisition / rehabilitation projects.
 - To my knowledge, none of the acquisition / rehabilitation projects have gone the last step of fully incorporated MASH as well.
 - Some have gotten rebates under older programs and programs offered by other utilities.
- The vast majority of projects that are done are common area projects.
 - Most are simply solar on an existing affordable housing project that is not eligible for LIHTC credits.
 - Of those eligible for LIHTC, a significant number of them only included the solar cost as part of the LIHTC basis and do not even try to combine the credits.

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WHY IS THIS THE CASE?

- LIHTC and the ETC:
 - Tough to integrate the Solar “tail” with the complexities of the LIHTC “dog”.
 - Hard to monetize all the attributes.
 - Meltdown of traditional tax equity investor base – uncertainty of how to replace existing investors with new Solar and LIHTC grant alternatives.
 - Meltdown of developer financing capability.
 - Tough to coordinate the needs of all the parties that need to come to the dance and get a resulting project that all agree upon and pencils out.
- MASH has its own problems:
 - Not designed to facilitate optimized integrating of its benefits with optimized combination of LIHTC and Solar benefits. (Recent advances: occupancy rules)
 - Subject to existing legacy issues that both tend reduce LIHTC and Solar benefits and make it extremely difficult to apply the program beyond common area applications – if combining LIHTC and Solar benefits with MASH is central to the financial metrics of the development. (For example master meter requirements, uncertainty of treatment of MASH rebate on LIHTC and Solar basis.)

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CAN IT BE DONE?

- Most of “it” can get achieved – with difficulty:
 - Have to decide if “most” gets the project to work, and who is either subsidizing the difference or is willing to take the risks on the project.
 - Right now, you have to have a developer that can financially carry the project and backstop the needs of the investors.
 - World may change as both ETC and LIHTC grant programs provide more actual usage guidance.
- Requires a commitment to acquire expertise in all areas.
 - The language of solar and affordable housing combines terms from finance, real estate, federal tax law and state regulations.
 - Need to build this capability onto your team, and also be willing and able to spend a lot of time and money with CPAs and Attorneys.

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WHAT YOU NEED TO KNOW

Basic

- ETC (Solar) and LIHTC Credit Fundamentals
- Typical LIHTC Structure
- Calculating LIHTC Credits
- ETC and LIHTC Integration

Intermediate

- Understanding Utility Allowances – The Currency of Solar Electrons
- Metering Issues – Master Meters, Virtual Net Meters, etc.

Advanced

- Partnership Accounting: 704(b) and Minimum Gain Issues
- Structure Alternatives: Satisfying the needs of all parties
- Basis Adjustments: Section 136

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