



**BELVERON**  
PARTNERS

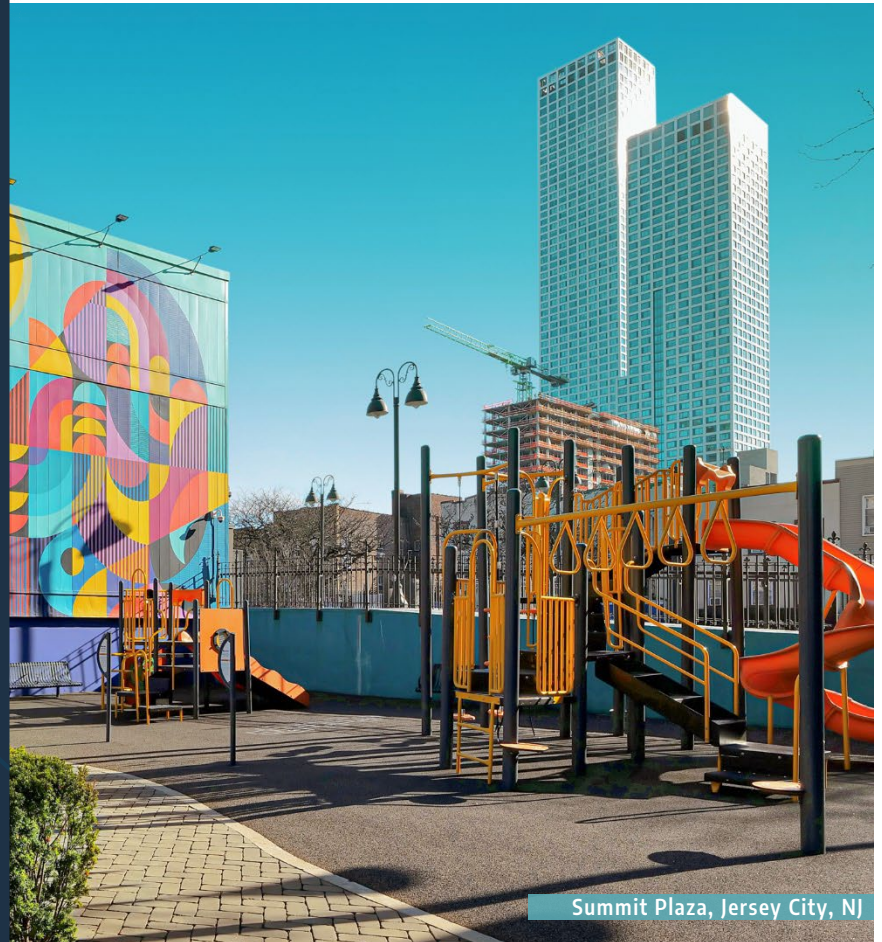
# BELVERON PARTNERS

**BELVERON FLAGSHIP FUND VII**

Prepared for:

**ERS<sup>RI</sup>** | Employees'  
Retirement System  
of Rhode Island

**August 28, 2024**



Summit Plaza, Jersey City, NJ

Prepared for Employees' Retirement System of Rhode Island only. This is not a public offer on an interest in any fund or entity.

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THE CONTENTS OF THIS OVERVIEW SHOULD NOT BE VIEWED AS LEGAL, TAX OR INVESTMENT ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN COUNSEL, ACCOUNTANT OR FINANCIAL ADVISER AS TO LEGAL, TAX AND RELATED MATTERS CONCERNING AN INVESTMENT IN THE FUND.

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## Dynamic team dedicated to the creation & preservation of Affordable Housing in the U.S.

- › Founded in 2006, the Firm has offices in New York, NY and San Francisco, CA
- › SEC Registered Investment Advisor (“RIA”) with fiduciary experience managing capital for a diverse mix of investors
- › Senior leadership team brings deep industry experience, including the successful leadership at predecessor organizations
- › Team consists of 22 dedicated Affordable Housing specialists with institutional backgrounds across functions

### SENIOR LEADERSHIP TEAM



**Paul Odland**

Founder & Managing Partner

Experience: Concierge Asset Management, Bridge Partners



**Josh Plattner**

Chief Investment Officer

Experience: Jonathan Rose Companies



**Bianca Vanin**

Head of Asset Management

Experience: L+M Development Partners, Enterprise Community Partners



**Vlad Shlafman**

Chief Financial Officer

Experience: Merlone Geier Partners, Bain & Company, PwC

# Executive Summary

Opportunity to Invest in Durable Asset Class with Low Volatility and Partner Alongside Experienced Manager with Established Track Record



**BELVERON PARTNERS (“BELVERON”) IS A PRIVATELY HELD INVESTMENT FIRM THAT FOCUSES ON THE CREATION & PRESERVATION OF AFFORDABLE HOUSING OVER BELVERON’S 18-YEAR TENURE, THE FIRM HAS SUCCESSFULLY RAISED OVER \$1 BILLION OF EQUITY ACROSS MULTIPLE INVESTMENT VEHICLES <sup>1</sup>**

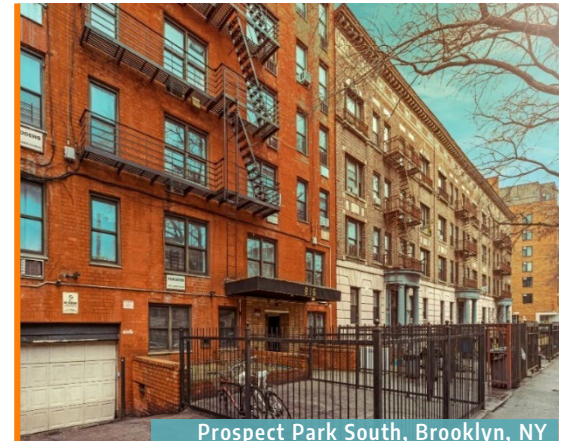


## **DEMAND FOR AFFORDABLE HOUSING CONTINUES TO GROW AS INCOME GROWTH REMAINS STAGNANT<sup>2</sup>**

- › Critical shortage of ~1.6 million Affordable Housing units for very low- and extremely low-income renters continues to escalate the housing crisis <sup>3,4</sup>
- › Over the last decade, the annual growth rate of median rental prices has doubled relative to the increase in median household income <sup>5</sup>
- › Addressing affordable housing is a bipartisan-supported issue with the broad understanding that private capital investment in this space is one of the key levers to help bridge the gap in supply and demand.

## **BELVERON PARTNERS FUND VII (“FUND VII”) IS A TARGETED \$350 MILLION FUND**

- › Targeting net returns of 14-16% IRR and a 1.8x+ MOIC <sup>6</sup>
- › Closed on ~\$260 million of capital to date from new and existing institutional investors
- › Acquired or under contract on five (5) opportunities, including: (i) a West Coast Project-Based Section 8 portfolio, (ii) a Project-Based Section 8 & Low-Income Housing Tax Credit (“LIHTC”) investment in Sacramento, CA, and (iii) three (3) separate Affordable Housing assets in Austin, TX, representing ~\$120 million of Fund VII equity



# Addressing the Nation's Housing Crisis



Belveron is one of the largest owners of Affordable Housing in the country, deploying private equity to combat the affordability crisis.\*

**\$1B+**

Equity Raised <sup>1</sup>

**90+**

Investments <sup>2</sup>

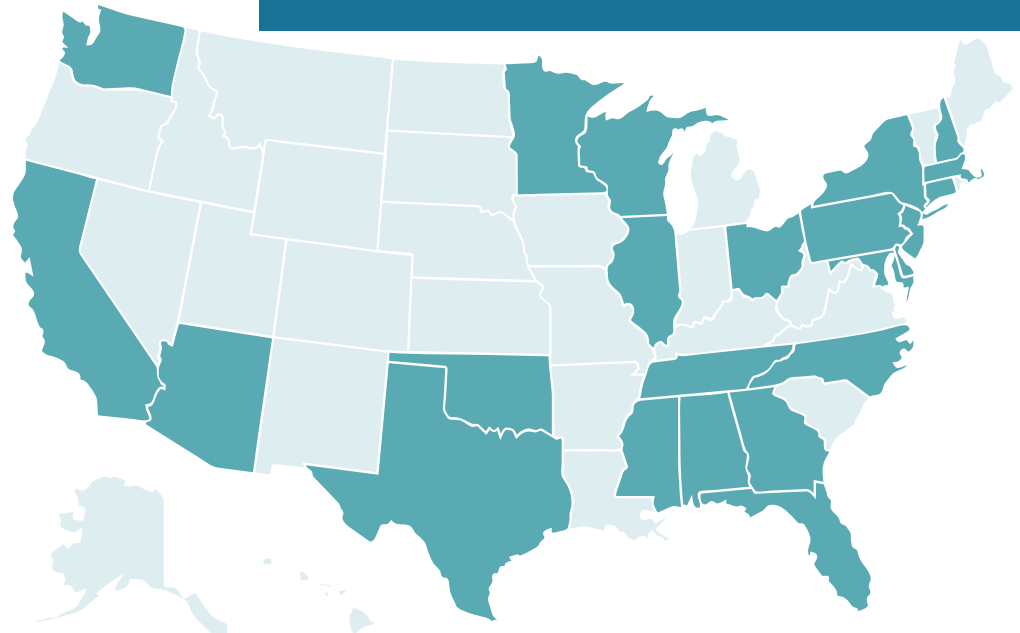
**23**

U.S. States plus the District of Columbia <sup>2</sup>

**80%**

Repeat Investors in New Funds

BELVERON HAS PARTICIPATED IN THE  
CREATION & PRESERVATION OF 30,000  
RESIDENTIAL UNITS OVER 18 YEARS <sup>2</sup>



\*Belveron ranks #6 according to Affordable Housing Finance's Top 50 Owners List of 2023. This ranking is based entirely on self-reported information by the ranked low-income housing providers, including Belveron, to Affordable Housing Finance. There can be no assurances that the self-reported information is accurate or that the ranking takes into account all providers of low-income housing, some of whom may not have been included. Moreover, this ranking is based on a single metric – the number of units owned by a provider – which may not be entirely reflective of Belveron's position in the marketplace or its status as a provider of low-income housing.

# Summary Track Record



## Belveron has an established track record of delivering risk-adjusted returns.

- › Experienced fund manager with multiple predecessor commingled funds representing \$935 million of capital commitments<sup>1</sup>
- › Investor base includes a diverse mix of institutional investors, family offices, and high-net-worth individuals

FUND NAME	VINTAGE	FUND SIZE (Capital Commitments)	NET DPI (Realized Net Multiple)	NET MOIC (Realized & Unrealized)	NET IRR (Realized & Unrealized)	STATUS
Belveron Partners Fund I	2007	\$9 million	2.7x	2.7x	18.2%	Fully Realized
Belveron Partners Fund II	2011	\$19 million	2.3x	2.3x	25.8%	Fully Realized
Belveron Partners Fund II Sidecar	2013	\$5 million	3.3x	3.3x	35.4%	Fully Realized
Belveron Sweeper Fund <sup>2</sup>	2019	\$12 million	1.8x	2.7x	54.4%	Partially Realized
Belveron Partners Fund III	2013	\$109 million	2.0x	2.3x	22.1%	Partially Realized
Belveron Partners Fund IV	2015	\$204 million	1.7x	1.9x	21.3%	Partially Realized
Belveron Partners Fund V	2018	\$297 million	0.3x	1.3x	6.0%	Partially Realized
Belveron Partners Fund VI	2020	\$280 million	1.4x	2.0x	47.0%	Partially Realized

### Notes:

- No representation is being given that any investment will or is likely to achieve profits or losses similar to those achieved by Belveron in the past. There can be no assurance of any level of returns. Data herein represents Belveron's aggregate historical track record through 3/31/2024 across six (6) commingled funds and excludes investments acquired through a recent joint venture with an institutional capital partner.
- Net DPI (Distributions to Paid-In) means the sum of all distributions and NAV attributable to limited partners from the fund's investments as of 3/31/2024 (based on unaudited financials), net of fund fees, expenses and profit allocations, divided by the sum of capital contributions to the fund attributable to limited partners as of 3/31/2024. Net DPI assumes that all investors will be charged management fees and carried interest at the highest possible rates charged to any investor in the fund, although lower rates may apply with respect to some investors.
- Net MOIC (Multiple on Invested Capital) means the sum of all distributions and NAV attributable to limited partners from the fund's investments as of 3/31/2024 (based on unaudited financials), net of fund fees, expenses and profit allocations, divided by the sum of capital contributions to the fund attributable to limited partners as of 3/31/2024; assumes that all investors will be charged management fees and carried interest at the highest possible rates charged to any investor in the fund, although lower rates may apply with respect to some investors.
- Net IRR represents liquidation value as if sold as of 3/31/2024. Net IRR means an internal rate of return on the capital contributions to the fund, compounded annually through 3/31/2024 (based on unaudited financials), net of fund fees, expenses and profit allocations; assumes that all investors were charged management fees and carried interest at the highest possible rates charged to any investor in the fund, although lower rates may apply with respect to some investors.
- Net MOIC (Multiple on Invested Capital) and Net IRR may be favorably impacted when a subscription line of credit is utilized to facilitate investments because it defers the calling of capital from investors. Since IRR is calculated as of the date a limited partners' capital is called, rather than the initial funding of the investment or follow-on investment, the use of a line of credit may have a favorable impact on performance returns.
- see Appendix IV: Vehicle Lexicon and Important Information to reference definitions for each fund and for other important information regarding the results displayed above.

## Belveron invests across the regulatory spectrum of Affordable Housing.

- › Seek investments with “regulatory value-add” opportunity, leveraging its deep network of key policy makers, housing authorities, and financing agencies to execute on creative structures
- › Flexible strategy with ability to invest across the following:

### PROJECT-BASED SECTION 8

- › Assets with a housing assistance contract with the government for rental subsidies to low- and very low- income families
- › Tenant pays 30% of monthly gross income for rent; US Department of Housing and Urban Development provides subsidy for remainder
- › Rents are adjusted annually with inflation with ability to mark up rents to market

### SPECIAL OPPORTUNITY AFFORDABLE

- › Assets governed by local affordable programs that vary by city and / or state
- › Partnerships with local housing authorities with goal of creating and / or preserving affordable units in strategic markets
- › Frequently incentivized by partial or full tax abatements and / or rental subsidies

### LIHTC HOUSING

- › Federal government’s primary vehicle for incentivizing Affordable Housing development
- › Assets that are developed and / or renovated using Low Income Housing Tax Credit in place of traditional equity; assets must remain in compliance for ~30 years
- › Rents are typically at a discount to market and are increased annually by an inflation adjustment factor



## Highly experienced at navigating the complex Affordable Housing regulatory environment and implementing creative solutions in collaboration with local and national housing programs.

- › Adding value through long-term preservation, creation, and improvement of affordable housing
- › Deep understanding of federal and local affordable programs and ability to structure complex investment structures

Cascades, Sacramento, CA



- › Increase revenues via additional rental subsidies / rent restructuring
- › Decrease expenses with partial or full tax abatement
- › Favorable financing from Fannie / Freddie / FHA with Duty to Serve; other government incentivized financing sources (e.g., soft debt, etc.)

Pacific Terrace, Midway City, CA



- › Improve asset by addressing deferred maintenance and strategic capex projects
- › Ensure asset compliance with various federal, state, and/or local regulatory programs
- › Establish conservation measures on utilities as appropriate; Engage social services to provide health and wellness to local community whenever feasible

The Royce at 1800, Austin, TX



- › Sale to non-profit buyers that are willing to pay a premium due to tax exemptions
- › Sale to tax credit buyers that are willing to pay a premium due to utilization of tax credit equity in lieu of traditional equity
- › Goal of maintaining affordability; at exit, Belveron preserves or extends the affordability structure

## Fund VII committed ~\$120 million of equity in the creation & preservation of Affordable Housing.

- › Fund VII has closed on nearly \$260 million of capital to date from new and existing institutional investors
- › Acquired or under contract on five (5) investments, representing nearly \$120 million of committed equity across Project-Based Section 8, LIHTC, and Special Opportunity Affordable Housing investments
- › Investments allow for the preservation of 350+ Section 8 & LIHTC units and the creation of 550+ income-restricted units

### FUND VII SEED PORTFOLIO

INVESTMENT	LOCATION	UNITS	INVESTMENT TYPE	ACQ. DATE	PURCHASE PRICE	EQUITY INVESTED	TOTAL DEBT	HOLD PERIOD
Section 8 Portfolio	Southern California	299	Project-Based Section 8	Oct-23	\$105.6	\$43.7	\$69.0	5-10 yr.
Waters Park Apartments	Austin, Texas	442	Special Opportunity Affordable	Oct-23	\$94.0	\$29.1	\$69.7	7 yr.
Arella Lakeline	Austin, Texas	354	Special Opportunity Affordable	Jun-24	\$79.8	\$22.0	\$61.0	7 yr.
In Contract	Sacramento, California	54	Project-Based Section 8 / LIHTC	Aug-24	\$15.5	\$3.6	\$12.8	5 yr.
In Contract	Austin, Texas	308	Special Opportunity Affordable	Sept-24	\$71.0	\$19.9	\$53.3	7 yr.
<b>Total:</b>		<b>1,457</b>			<b>\$365.9</b>	<b>\$118.3</b>	<b>\$265.8</b>	

*in millions*

Notes:

- Cortland Southpark Meadows Apartments and Washington Sherwood are currently under contract, with closing anticipated by August 2024 and October 2024, respectively. There can be no assurance that these investments will close.
- No representation is being given that any investment will or is likely to achieve profits or losses similar to those achieved by Belveron in the past. There can be no assurance of any level of returns or that Belveron will source similar investments for Fund VII.

**Belveron believes that access to high-quality Affordable Housing is the foundation for greater well-being.**



## ENVIRONMENTAL

Minimize the impact buildings have on surrounding environments from acquisition to disposition

- + **Understanding climate risk**
- + **Energy audits for assets**
- + **Reducing consumption**



## SOCIAL

Invest in the preservation, and creation of affordable housing ensuring residents have safe, high-quality homes with access to services

- + **Access to services**
- + **Activating green spaces**
- + **Community engagement**



## GOVERNANCE

Cultivate a culture of equity through shared values and clear policies towards recruitment, professional development and employee engagement

- + **Commitment to Transparency**
- + **DEI Committee**

# Summary of Terms: Institutional Investors



<b>TARGET SIZE</b>	\$350 million (\$450 million hard cap)
<b>TARGET RETURNS</b>	14-16% Net IRR and a 1.8x+ Net MOIC
<b>GP COMMITMENT</b>	Minimum of \$6 million
<b>INVESTMENT PERIOD</b>	3 years
<b>FUND TERM</b>	10 years with two 1-year extension options
<b>TARGET LEVERAGE</b>	65-75% Loan to Value
<b>PERFORMANCE FEES</b>	20% over a 7% preferred return hurdle; 50/50 catch-up
<b>MANAGEMENT FEE</b>	1.5% on Committed Capital during the Investment Period; 1.5% on Invested Capital thereafter (subject to a minimum as described in PPM / LPA)

Note: Terms are non-binding and for discussion purposes only. Terms referenced above may vary from the Private Placement Memorandum and apply to institutional investors making a minimum capital commitment of \$10 million or more into Flagship Fund VII Preservation, LP. Please refer to the Private Placement Memorandum for additional detail. Please see Appendix "Rider 1" for important information relating to target net returns for Belveron Partners Flagship Fund VII.



# APPENDIX

# Appendix Case Study #1: Section 8 Portfolio

## Southern California



### INVESTMENT HIGHLIGHTS

- › Fund VII acquired ~299 units across five (5) assets in Southern California for \$105.6 million with the goal of preserving long term affordability
- › Three (3) assets have expiring Section 8 Housing Assistance Payment (“HAP”) contracts in <5 years, and are therefore considered “at risk” by the State for affordability expiration
- › The remaining two (2) assets do not have expiring HAP contracts and are not considered “at risk” by the State; the Fund executed a rental mark-up with budgeted renovation work under Chapter 15 of the Section 8 renewal guide
- › Business plans are intended to improve the assets and the quality of life for the residents, who will continue to pay 30% of their current monthly income

### BUSINESS PLAN

- › Expiring HAP contracts for the three (3) assets present an opportunity for the Fund to either:
  - Sell to an investor with plans to use a LIHTC syndication to subsidize value-add renovation work, and / or
  - Sell to a buyer who will work with the Department of Housing and Urban Development (“HUD”) to mark up rents to market
- › At close, the Fund completed an interim termination of the existing HAP contracts for the two (2) remaining assets:
  - Post-rehab rent increases of 33-39% effective immediately on day one
  - The Fund will complete capital improvements totaling ~\$4.5 million

### KEY DEAL FACTS

Investment Date:	October 2023
Fund Equity:	\$43.7 million
Portfolio:	Five (5) Properties
Location:	Southern California
Investment Type:	Project-Based Section 8



# Appendix Case Study #2: Waters Park

## Austin, TX



### INVESTMENT HIGHLIGHTS

- › Fund VII acquired Waters Park, a 442-unit garden-style multifamily complex in Austin, TX (the "Property") for \$94.0 million in conjunction with the Austin Housing Authority ("HACA")
- › Located in Northwest Austin ideally situated along West Palmer Lane in the heart of the Parmer Tech Corridor, and is approximately 15 minutes away from Downtown Austin
- › Currently 97% occupied, with unit mix consisting of one, two, and three-bedroom spaces with no programmatic renovations completed to date
- › Since Q4'20, Belveron has acquired ~6,100 units in Austin & Houston utilizing a partnership structure with local housing authorities, which resulted in the creation & preservation of 2,700+ new affordable units

### BUSINESS PLAN

- › Partnership with the local housing authority with the goal of creating new affordable units in strategic markets in exchange for tax benefits:
  - Ownership restricts 40% of the units affordable to tenants at 80% AMI or below and 10% of the units at 60% AMI or below
  - In exchange for restricting rents, property taxes are 100% abated over a 99-year period, creating immediate value of \$1.6 million
- › Renovate 50% of the units within the first three (3) years of ownership

### KEY DEAL FACTS

Investment Date:	October 2023
Fund Equity:	\$29.1 million
Units:	442
Location:	Austin, TX
Investment Type:	Special Opportunity Affordable



# Appendix: Vehicle Lexicon and Important Information



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**Belveron Partners Fund I** means Belveron Partners Fund I, L.P.

**Belveron Partners Fund II** means Belveron Partners Fund II, L.P.

**Belveron Partners Fund II Sidecar** means Belveron Partners Fund II Sidecar LP

**Belveron Sweeper Fund** means Belveron Sweeper Fund I, L.P.

**Belveron Partners Fund III** means, collectively, Belveron Partners Fund III, L.P., and Belveron Partners Fund III Venture, L.P.

**Belveron Partners Fund IV** means, collectively, Belveron Partners Fund IV, L.P. and Belveron Partners Fund IV Venture, L.P.

**Belveron Partners Fund V** means, collectively, Belveron Partners Fund V, L.P., Belveron Partners Fund V Venture, L.P., Belveron Partners Fund V TE, L.P., and TE V Alternate Investment Vehicle LLC

**Belveron Partners Fund VI** means, collectively, Belveron Partners Fund VI, L.P., Belveron Partners Fund VI Venture L.P., Belveron Partners Fund VI Preservation L.P., and Preservation VI Alternate Investment Vehicle LLC

**Belveron Partners Fund VII** means, collectively, Belveron Flagship Fund VII Investor, L.P., Belveron Flagship Fund VII Preservation, L.P. and Belveron Flagship Fund VII Preservation G, L.P.

## RIDER 1:

Target net returns are hypothetical returns that have not been actually achieved by any investment or portfolio managed by Belveron and are subject to significant risks and uncertainties. These target returns do not necessarily reflect any returns that may actually be achieved by Belveron Fund VII or any of its investments. In preparing target net returns, Belveron takes into account information it deems relevant, including but not limited to, overall past performance of previous funds it has managed and the return projections that it anticipates targeting when it underwrites investments. Belveron has relied on a number of assumptions to determine these target returns, including, but not limited to, assumptions regarding the current economic environment, access to favorable investment opportunities and the ability by Belveron to achieve profits or losses similar to those achieved by Belveron in the past, some or all which may not be realized and rely on factors that are out of Belveron's control. Target net returns are presented herein for informational purposes and are not intended to be relied on for investment advice. Targeted return information is presented herein net of anticipated fund fees, expenses and profit allocations, assuming that investors will be charged management fees and carried interest at the highest possible rates charged to any investor in Belveron Flagship Fund VII, although lower rates may apply with respect to some investors. No guarantee or representation is being given that any investment will or is likely to achieve profits or losses similar to those achieved by Belveron in the past. All investment has a risk of loss.



# Appendix: Vehicle Lexicon and Important Information



## RIDER 2:

The following important information relates to the results for each of the Belveron-managed funds displayed on Slide 7.

All of the limited partner interests in Belveron Partners Fund I, Belveron Partners Fund II and Belveron Partners Fund II Sidecar were transferred to Belveron Sweeper Fund I in February 2020, in exchange for either a cash payment of redemption proceeds or interests in the Belveron Sweeper Fund. Results for Belveron Partners Fund I, Belveron Partners Fund II, and Belveron Partner Fund II Sidecar are based on the NAV used in February 2020 to determine either (i) a final distribution to withdrawing investors or (ii) value in the successor Belveron Sweeper Fund for rolling their interests forward. Results for Belveron Sweeper Fund reflect the performance of the investments held by Belveron Partners Fund I, Belveron Partners Fund II and Belveron Partners Fund II Sidecar from and after the date on which ownership of all of the limited partner interests of Belveron Partners Fund I, Belveron Partners Fund II and Belveron Partners Fund II Sidecar were transferred to Belveron Sweeper Fund in February 2020.

Investment returns for each of the funds represent the lowest possible investment returns by any of the investors in any of the feeder funds for each such overarching fund structure (e.g., for "Belveron Partners Fund III," the investment results reflect the lowest returns for any investor in either of the feeder funds in the Belveron Partners Fund III structure). Results for the other investors in each such overarching fund structure may vary based on differing fee structures, expenses and other factors applicable to the specific investor or feeder fund in which such investor is invested, but are no lower than the results shown in the table above for such overarching fund structure. Percentages and multiples displayed in the table are rounded to the nearest tenth.

Net DPI represents distributions from realized and unrealized investments, proceeds from realized investments or partial realizations of unrealized investments for Belveron Sweeper Fund, Belveron Partners Fund III, Belveron Partners Fund IV, Belveron Partners Fund V and Belveron Partners Fund VI, and represent a subset of the overall portfolio of each fund, each of which remains partially unrealized. For results relating to the entire portfolio of investments (realized and unrealized) of each such fund, please see the relevant Net MOIC and Net IRR for such fund. For more information on the overall portfolio of any such fund, please contact Belveron.

Net MOIC and Net IRR for Belveron Sweeper Fund, Belveron Partners Fund III, Belveron Partners Fund IV, Belveron Partners Fund V and Belveron Partners Fund VI are calculated, in part, based on the net unrealized net equity value of remaining unrealized investments within such fund, which in turn is calculated based on the liquidation of value of such investments, net of anticipated partnership expenses and management fees that would be incurred, as well as any carried interest that would be paid to the general partner of such fund, if the investments were liquidated and the proceeds thereof were distributed to the limited partners of the fund as of December 31, 2023. Net MOIC (Multiple on Invested Capital) and Net IRR may be favorably impacted when a subscription line of credit is utilized to facilitate investments because it defers the calling of capital from investors. Since IRR is calculated as of the date a limited partners' capital is called, rather than the initial funding of the investment or follow-on investment, the use of a line of credit may have a favorable impact on performance returns.

While past performance was generated with investment philosophies and methodologies that Belveron believes will be similar to those of Belveron's ongoing investment activities, the investments of Belveron Flagship Fund VII will be made under different economic and market conditions and in different assets. Prospective investors in Belveron Flagship Fund VII should make no inferences about the potential performance of the fund on the basis of the past performance information presented herein. The past performance information displayed in this presentation has not been compiled, reviewed or audited by an independent accountant; however, fund financials are audited on an annual basis.

## RIDER 3:

The distribution of this presentation or the divulgence of any of the information contained herein to any person, other than the person to whom they were originally delivered and such person's advisers, without the prior consent of Belveron, is strictly prohibited.

# Appendix: Endnotes



## Page 5

- (1) As of March 31, 2023; figure represents equity raised for all historical Belveron investments across six (6) commingled funds and a joint venture with an institutional capital partner.
- (2) Source: iProperty Management: Average Rent by Year; US Census Bureau: Income in the United States
- (3) Very low-income renters represent incomes at or below 50% of the area median income ("AMI"); extremely low-income renters represent the higher of i) income at or below the federal poverty guideline or ii) 30% of the AMI.
- (4) Source: National Low Income Housing Coalition: National Shortage of Affordable Rental Housing.
- (5) Source: US Census Bureau: Income in the United States; iProperty Management: Average Rent by Year.
- (6) Please see Appendix II "Rider 1" for important information relating to target net returns for Belveron Partners Flagship Fund VII.

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- (1) As of March 31, 2023; figure represents equity raised for all historical Belveron investments across six (6) commingled funds and a joint venture with an institutional capital partner.
- (2) Excludes investments in which Belveron invested in the passive LP position of an asset.

## Page 7

- (1) As of March 31, 2023; figure represents equity raised for all historical Belveron investments across six (6) commingled funds only and excludes equity raised to date for Belveron Partners Flagship Fund VII and any joint venture structures.
- (2) All of the limited partner interests in Belveron Partners Fund I, Belveron Partners Fund II and Belveron Partners Fund II Sidecar were transferred to Belveron Sweeper Fund I in February 2020, in exchange for either a cash payment of redemption proceeds or interests in the Belveron Sweeper Fund.